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North Carolina's Budget Crisis Expected to Exceed \$1 Billion

Governor cuts programs, seizes localities' revenue; Medicaid costs skyrocket

By PAUL CHESSER
Associate Editor

RALEIGH

In a press conference Feb. 5, Gov. Mike Easley announced he was taking measures by executive order to overcome a projected state budget deficit of at least \$900 million. The expected shortfall, however, actually exceeds \$1 billion. Easley's announced deficit figure did not include a projected Medicaid shortfall of about \$108 million.

The governor said the \$900 million estimate was "a best projection or a little beyond," but according to a state budget official, it could be much worse.

"The most likely scenario would result in a shortfall of \$950 million," said Mike Kiltie, chief economist for the Office of State Budget and Management. However, Kiltie said that "on a pure pessimistic level" the deficit could reach \$1.2 billion, taking the state's Medicaid shortfall into account.

Easley's \$1.17 billion in budget cuts and set-asides reflected that possibility, although he didn't mention the pessimistic scenario during his press conference.

Easley Actions Stir Debate

Easley announced a range of measures to offset the shortfall, including 7 percent in cuts in projected spending for state agencies, but he said classrooms would not be affected. The cuts in state spending growth are expected to reclaim \$356 million.

Also included in Easley's executive order was \$313 million from the state's savings reserve. He increased the amount transferred from the Highway Trust Fund by \$80 million, and placed \$37.5 million in the Mental Health Trust Fund on hold. He also set aside \$20.8 million from the Clean Water Management Trust Fund.

Easley also plans to hold \$112 million in capital renovations, which House Minority Leader Leo Daughtry, R-Johnston, called "bad economics."

"When you don't keep your property up, you just lose more money down the road," Daughtry said.

Perhaps even more emphatically than



Officials expect a shortfall in Medicaid, which serves elderly, disabled, and low-income recipients.

in the past, Easley also stressed the need for the state to adopt an "education lottery" in order to fund his goals of smaller class sizes and educational programs for 4-year-olds. He urged the General Assembly to pass legislation establishing a game, even without a statewide referendum.

"There's no reason not to do this," Easley said.

Hoping for Congressional Help

At his press conference, Easley told reporters he hoped the federal government would provide relief for Medicaid as part of an economic stimulus package. Many states are asking the federal government to pay for a greater share of Medicaid, a joint federal-state program, because of larger-than-expected claims this year.

North Carolina has a \$32 million reserve in its Medicaid fund, which would reduce the amount of the potential shortfall to \$76 million.

Easley said he hoped that the federal government, through a long-discussed and debated economic stimulus package, would provide relief to state governments for Medicaid.

"We think there's a chance that money will be approved," said Bonnie Cramer, the state's budget administrator for human ser-

vices and public safety. She said the issue was the top lobbying priority of the National Governors' Association.

According to Washington observers, passage of the stimulus measure has no better than a 50-50 chance. The bill, already passed by the U.S. House, fell victim to partisan disagreement in the Senate and was deemed dead in February.

Senate Majority Leader Tom Daschle, D-S.D., pulled the bill because it couldn't gain 60 votes, although a majority would likely have passed it.

U.S. Rep. Richard Burr, who represents the 5th District of North Carolina, said Daschle's move was unprecedented. He said the Senate probably would have passed the measure with 53 or 54 votes in favor.

"It was political and not necessarily because of policy differences," Burr said. He said he believed Daschle was positioning Democrats for the November 2002 election.

The stimulus package represented the best chance for Congress to grant Medicaid relief. The National Governors' Association pushed hard for the bill, which would have provided \$5 billion to states this fiscal year. Without it, the likelihood of any Med-

City and county leaders upset over Easley's action and their Medicaid burden

By PAUL CHESSER
Associate Editor

RALEIGH

Gov. Mike Easley somehow soothed psyches Feb. 13 when he met with mayors from across the state, even though he promised nothing. Easley, in an effort to cope with North Carolina's budget shortfall, is withholding \$209 million in various taxes the state collects for counties and municipalities.

However, most local government leaders and managers still think Easley is keeping money that doesn't belong to the state.

"It's our money," Charlotte Mayor Pat McCrory told reporters. "It's the cities' money."

"We're talking about one state," Easley said at a press briefing after his meeting with mayors and local leaders from around the state.

But most county officials also believe the General Assembly needs to change the way North Carolina administers Medicaid.

"If the state is serious about having 'one North Carolina,'" said Bertie County Manager Zee Lamb, "then that [Medicaid] policy is bad. It's disproportionately adverse to the poorest counties."

The state Medicaid shortfall, which is expected to reach \$108 million if the federal government doesn't provide some late relief this fiscal year, compounds counties' already existing financial problems with the program. If the \$108 million is realized, the counties' shortfall could reach as high as \$18 million.

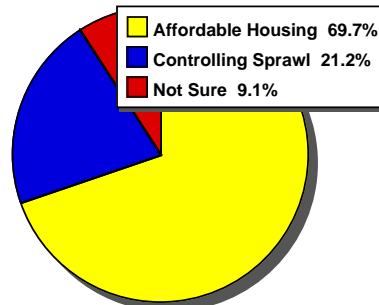
North Carolina is one of the few states that passes a significant portion of Medicaid costs to its counties. The federal government this year pays almost 62 percent of Medicaid costs in North Carolina. The remainder of the bill goes to the state, which in turn passes 15 percent of its costs to the counties. The portion of total costs counties pay is just under 6 percent.

In addition, North Carolina is only one of four states that requires its counties to foot 100 percent of nonfederal administra-

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Top Local Priority?



% of N.C. Respondents in Oct. 2000 JLF Poll

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Calendar

William Kristol to Speak at Locke's 12th Anniversary Dinner

The John Locke Foundation will celebrate its 12th anniversary with a dinner Friday, March 22, at the North Raleigh Hilton. William Kristol, editor of the national weekly political magazine *The Weekly Standard*, will be the featured speaker.

Widely recognized as one of the nation's leading political analysts and commentators, Kristol regularly appears on most of the major television public affairs shows. Before starting *The Weekly Standard* in 1995, Kristol led the Project for the Republican Future, where he helped shape the strategy that produced the 1994 Republican congressional victory.

Kristol served as chief of staff to Vice President Dan Quayle during the Bush administration and to Secretary of Education William Bennett under President Ronald Reagan. Before coming to Washington in 1985, Kristol taught politics at the University of Pennsylvania and Harvard's Kennedy School of Government.

Recently named "the hottest pundit in town," by *Washingtonian* magazine, Kristol draws on all aspects of his background to provide a provocative perspective on events and political developments in Washington and around the world.

Two awards will be given at the event. Charlotte attorney and political activist Tom Ashcraft will receive the Pope Award for community service for his efforts against forced busing and high tax rates in the Queen City. Former Raleigh Mayor Paul Colbe will receive the Polk Award for his public efforts to restrain government spending and promote free enterprise and individual liberty in municipal government.

The cost of the anniversary and awards banquet is \$30 per person. Reception and registration will begin at 6:30 p.m., with



Journalist and TV personality William Kristol

dinner served at 7:30. For more information or to preregister, contact Kory Swanson at (919)828-3876 or events@johnlocke.org.

Shaftesbury Society

Each Monday at noon, the John Locke Foundation plays host to the Shaftesbury Society, a group of civic-minded individuals who meet over lunch to discuss the issues of the day. The meetings are conducted at the Locke offices in downtown Raleigh at 200 W. Morgan Street, Suite 200. Parking is available in nearby lots and decks.

Ryan Thornburgh, editor and publisher of *The Carolina Political Report*, will reminisce March 4 about his days in Washington, D.C., when he reported on the scandals

in the Clinton administration for Washingtonpost.com.

On March 11, Itimu Katembo, author of the book *Elephants in a Bamboo Cage: The Black Condition, the American Psyche, and the Next Step Forward*, will be the Shaftesbury speaker. His book studies how blacks can achieve socioeconomic parity in the United States through education, technology, culture and geoeconomics. Katembo has taught mathematics and computer information systems at several colleges and universities, and has done extensive research in South Africa, Lesotho, and Botswana.

Charles Hayes, CEO of the Research Triangle Partnership, will give his research on the recent "Clusters of Innovation" study about the Research Triangle, at a March 25 luncheon.

Shaftesbury will be on a two-week hiatus during the first two weeks of April, as the Locke Foundation will be in the midst of a statewide "Tax Awareness Tour." (More information on the tour, which includes rallies, luncheons, and other activities, will be available soon at www.JohnLocke.org.)

On April 22, attorney Roger Knight will speak at Shaftesbury. He serves as counsel for the Town of Wake Forest Planning and Zoning Board, and was counsel to former Gov. Jim Martin.

"Locke Lines"

The John Locke Foundation produces a monthly audio magazine called "LockeLines" that features speeches made at JLF events each month. "LockeLines" includes Headliner speeches as well as Shaftesbury Society speeches and commentary by Locke staff. To subscribe, call Kory Swanson at (919) 828-3876. **CL**

Easley Withholds \$209 Million in Local Government Revenue

Continued From Page 1

icaid help for the states is remote.

"As the stimulus package goes down, it makes achieving [Medicaid relief] much more difficult," said Cheryl Scism, legislative associate for health policy at the NGA. "We need to find a different legislative vehicle, because the stimulus does appear to be dead."

North Carolina receives about 62 percent of what it pays in Medicaid assistance from the federal government. States are reimbursed based on their average per-capita income.

Easley lobbied for an increase in the Federal Medicaid Assistance Percentages by sending a letter to Burr.

"It's our understanding that federal Medicaid relief is still alive," said Dan Gerlach, an economic adviser to Easley.

Legislation exists on Capitol Hill also in a stand-alone bill, sponsored by New York Rep. Peter King.

Chances of that bill gaining steam are dim, unless it gets attached to another health care reform measure. But Congress isn't expected to act on legislation of that type until August at the earliest, well after the end of the fiscal year.

"We're desperately working behind the scenes to find a compromise bill," Burr said. "If we did a stimulus package, it would have to be in the next four to six weeks in order to have the impact we look for in the economy."

Passing down the problem

Easley also put into escrow \$209 million in local government reimbursements, including expected inventory, franchise, natural-gas, alcohol, and homestead tax revenues.

"It will drive the local governments crazy," Daughtry said. "They depend on that. They don't have the leisure of deep pockets."

Daily newspapers recorded reactions by county and municipality officials. Hiring freezes, reduced services, and cuts in nonessential functions suddenly became topics of discussion around the state. Several localities called emergency meetings.

"We didn't create this, and it shouldn't be handed down to us," Tony Jarrett, chief financial officer of the City of Thomasville, told the *High Point Enterprise*.

Easley is withholding more in revenues than each county will have to pay in Medicaid shortfalls this year (see graphic, this page). North Carolina is one of the few states that requires its counties to pay a portion of non-federal Medicaid costs.

Some local governments anticipated that the state might withhold reimbursements after last year's threat to withhold inventory taxes—but were surprised Easley escrowed other money collected for localities as well.

"I expected the...inventory tax," said Zee Lamb, Bertie County manager, "but I didn't expect the beer and wine taxes."

Mayors, county commissioners and city councilmen have alternated between the agony of budget cuts and anger toward the state, and whispers about lawsuits to recover the money flow from the mountains to the coast.

However, many local officials seem to be fearful that a lawsuit would backfire.

"Counties are a creature of the state," Lamb said, "so whether there's legal ground or not, I don't think that's one fight we want to pick."

"Every kind of new revenue we get comes through the state," he said. "I don't think the counties would be well advised to go to court against the state." *CR*

MEDI-SLAYED

North Carolina's Counties Hardest Hit by Medicaid Costs

County	Percent Population Medicaid Eligible	Percent Budget for Medicaid	Budgeted Expenditures for Medicaid	Medicaid Overage ¹	Projected Taxes Withheld by Easley
Anson	28 %	10 %	\$2,120,701	\$90,529	\$336,179
Ashe	19 %	10 %	\$1,905,323	\$81,279	\$180,973
Bertie	32 %	14 %	\$2,076,706	\$93,893	\$226,933
Bladen	30 %	13 %	\$3,125,395	\$147,598	\$313,217
Columbus	31 %	11 %	\$5,567,263	\$248,048	\$678,961
Duplin	24 %	10 %	\$3,333,020	\$152,742	\$386,132
Edgecombe	31 %	8 %	\$4,330,161	\$202,485	\$656,847
Halifax	33 %	9 %	\$4,838,717	\$213,558	\$630,566
Hertford	33 %	14 %	\$2,180,753	\$103,816	\$261,503
Lenoir	25 %	10 %	\$4,322,146	\$198,014	\$663,206
Martin	35 %	9 %	\$2,210,058	\$99,552	\$412,735
McDowell	26 %	8 %	\$2,289,392	\$106,360	\$496,784
Northampton	32 %	11 %	\$2,079,000	\$93,838	\$228,323
Richmond	26 %	11 %	\$3,702,356	\$166,802	\$471,343
Robeson	33 %	14 %	\$11,393,394	\$515,865	\$1,080,512
Scotland	30 %	8 %	\$3,192,201	\$139,860	\$656,884
Swain	24 %	14 %	\$948,639	\$43,923	\$65,842
Tyrrell	26 %	8 %	\$326,184	\$15,100	\$53,858
Vance	29 %	9 %	\$3,320,795	\$157,386	\$588,732
Warren	27 %	8 %	\$1,574,692	\$69,688	\$210,746
Washington	29 %	9 %	\$1,070,772	\$49,295	\$129,035
Yancey	19 %	10 %	\$1,116,924	\$49,842	\$124,478

¹ - Based on if a state overage of \$100 million for Medicaid is realized. Current projections estimate an overage of \$108 million.

Source: North Carolina Association of County Commissioners

State Forces Counties to Pick Up Medicaid Costs

Continued From Page 1

tive costs associated with Medicaid. County social services employees determine eligibility.

"I think it's fair to say that North Carolina counties are among those that are responsible for the highest costs for Medicaid," said Marilee Sanz, associate legislative director for the National Association of Counties.

Counties complain because the state charges them, but they have no decision-making responsibility over eligibility or costs. "There's very little [they] can do to reign in cost containment," said Rebecca Troutman, director of research for the N.C. Association of County Commissioners.

Worse for poor counties is that a higher percentage of their residents are eligible for Medicaid, resulting in larger percentages of their budgets paying for the insurance plan. Twenty-one of North Carolina's 100 counties have at least 25 percent of their popula-

tion eligible for Medicaid. "How much is left over for schools?" Troutman asked. "It's becoming such a crisis situation."

For example, both Hertford and Robeson counties had one-third of their populations eligible for Medicaid, according to statistics compiled by NCACC. Each county devoted 14 percent of its budget for the program in 2001-02. Hertford County, according to its budget, would require 26 cents of its property tax rate to pay for Medicaid; Robeson County would require 31 cents. Cost overruns this year will take a larger chunk.

"When it costs our citizens 26 cents and Wake County two (actually three) cents [for Medicaid]," said Hertford County Manager Donald Craft, "you can see how a wealthy county can grow exponentially greater than we can. The way Medicaid is set up penalizes counties like ours."

"It has become a tremendous burden, and next year it will be much greater."

Hertford County stands to lose more

than \$261,000 from revenues withheld by Easley, yet the county will receive no relief on its Medicaid shortfall.

"I imagine they can do it legally," said Craft, "but ethically or morally is another issue."

Rep. Howard Hunter, D-Hertford, sponsored legislation last year that proposed a tier system for counties, with poorer counties paying a smaller percentage of nonfederal costs for Medicaid. The bill remained in committee when the legislature adjourned in December.

Local government administrators say they are at the bottom of the food chain, and have little recourse when their funds are seized.

"We're mandated with expenditures on one end, and on the other hand traditional revenues are withheld," said Billy Joe Farmer, administrator for Columbus County. "It's too easy when you're insulated at the federal and state level to push it down to the local level." *CR*

Around the State

• When Gov. Mike Easley announced he would implement several budget cutbacks to cover a projected budget shortfall this year (see story, Page 1), he argued perhaps more strenuously than ever for the General Assembly to approve a lottery to boost revenues, primarily for education.

The following day State Treasurer Richard Moore, Easley's fellow Democrat, spoke at the annual meeting of the Thomasville Area Chamber of Commerce. "I'm not a huge lottery fan," he said, according to *The High Point Enterprise*. "You don't do a lottery because times are bad." He added that a lottery is not a stable source of revenue, and that there is no quick fix for North Carolina's financial woes. Moore also said, "We've had horrible revenue forecasting. The General Assembly has used far too rosy a forecast." The *Enterprise* also reported Moore's criticism of the state's spending habits: "North Carolina [in] three of the last four years has spent more than it's taken in. You can't run a business like that."

• Other political leaders spoke against a lottery as well. State Board of Education Chairman Phil Kirk, an appointee by another from Easley's own political party (former Gov. Jim Hunt), deal with the issue during a speech in Laurinburg. *The Laurinburg Exchange* reported that Kirk, nearing the end of his tour of all 117 of North Carolina's school districts in February, said he believed if a lottery referendum was on the ballot, it would pass. "I am strongly opposed to the lottery," Kirk told *The Exchange*. "We would never pass another local school bond...you don't get a lot of lottery money. Over \$6 billion is spent on K-12 in this state. With a lottery, the profit is only \$250 million."

• The *Wilmington Star* devoted an entire article Jan. 24 to the economic analysis of UNC-Wilmington professors Claude Farrell and William Hall, who believe the tri-county area centered in Wilmington "will experience a 4.5 percent increase to \$7.1 billion in economic activity in 2002." However, the article also mentions the two economists' prescience last year in forecasting the economy. *Star* writer Bonnie Eksten reported that "the area had a 3 percent decline in 2001. The two had predicted 6 percent growth for 2001." The story said that Farrell and Hall expected a similar recovery in the national economy for 2002.

• Rep. Joe Tolson, D-Edgecombe, wants the state to raise annual vehicle registration fees by \$1 for three years and \$2 for the following seven in order to encourage sales of gas-electric hybrid autos. Such vehicles cost more than comparably sized gas-powered cars, so Tolson's proposed bill would offer a state-paid rebate of \$2,500 on Toyota's version of the hybrid, for example. The fee increase would be expected to raise up to \$17 million per year. Reported by *The News & Observer* of Raleigh. *cr*

Discretionary fund takes priority over local revenues

Universal Leaf Soaks Up Taxpayers' Money

By DON CARRINGTON
and PAUL CHESSER

RALEIGH

The Golden LEAF Foundation recently awarded \$400,000 to help subsidize the Universal Leaf tobacco processing facility in Nash County.

Golden LEAF is a nonprofit organization set up by the General Assembly in 1999 to handle \$2.3 billion in proceeds from the national tobacco settlement.

Government financed subsidies to new businesses are typically called incentives. But this particular grant can hardly be called an incentive that enticed the company to locate in Nash County. The subsidy was applied for almost three months after the company announced that it would build the project.

Few Net Jobs Created

In January, *Carolina Journal* reported that despite Gov. Mike Easley's claim in December that he brought Universal Leaf North America to Nash County to open a tobacco processing facility, the company had announced the move on its own on May 31, 2000.

In addition, rather than bringing 1,000 new jobs to Eastern North Carolina, as Easley claimed, other Universal Leaf plant closings in the region meant few or no new jobs would be produced for the state.

Ironically, money from the tobacco settlement is also being used to subsidize a tobacco processing facility.

The grant process

In November 2001, the Golden LEAF Foundation announced its second annual round of economic development awards. One grant, for \$400,000, went to the Carolinas Gateway Partnership. Golden LEAF's reason for awarding the grant was because "Universal Leaf has committed to building a new 1,000,000-square-foot super plant to process tobacco in Nash County. The plant will provide 1,100 new jobs. The Golden LEAF grant is being used by Nash County for predevelopment costs associated with attracting the company to Nash County."

The Carolinas Gateway Partnership states it is "the official economic development organization for Nash and Edgecombe Counties." For this project the Partnership, not Universal Leaf, completed the grant application. Universal was the beneficiary.

Awarded after decision made

Even though the grant awards were announced in November, Carolinas Gateway received a written notification that the Golden LEAF board, at its meeting on Sept. 7, 2001, voted to approve the request for funding in the amount of \$400,000.

The grant application from Carolina Gateway Partnership was dated Aug. 20, 2001. In that application, President John Gessaman had asked Golden LEAF for \$1 million for the project. In the letter, Gessaman acknowledged that "Universal Leaf's new 1,000,000 square foot super plant will be constructed on a 990-acre site five mile north of Nashville in Nash County."

The letter continued, "This is an opportunity for the Golden LEAF foundation to play a major role in helping locate and extend utilities to the largest single investment in Nash County within the past thirty years." Based on the letter, the grant request could not possibly be an incentive

that persuaded Universal Leaf to locate the facility in Nash County.

In addition to the Golden LEAF grant, Universal received or is in the process of obtaining grants from the federal government, local government, and two other state government sources (see table above).

Circumventing law and taxes

By granting funds to Universal Leaf through Carolinas Gateway Partnership, Golden LEAF found a way to alleviate a private business's expenses by channeling financial assistance through a third party.

In order for Golden LEAF to maintain its status as a charity, described as a nonprofit exempt from federal taxation, it may not award grants to businesses. It must demonstrate that its funds are used for public purposes. Golden LEAF admits on its website that "providing funds to private businesses would not constitute a public purpose."

In addition, Golden LEAF acted against its stated priorities with the Universal Leaf grant by funding infrastructure projects. Its website says its board "is discouraging applications for infrastructure projects," and implies those requests will be considered secondary to non-infrastructure projects. During the same round of economic development awards, Golden LEAF declined an application by the Carolina Horse Park Foundation to fund construction of a \$300,000 horse barn. Golden LEAF granted the horse park \$200,000 after it rewrote its request to fund operating expenses instead.

The deal's "middle man," Carolinas Gateway Partnership, was formed in 1995 for the purpose of promoting economic development in Edgecombe and Nash counties. Its business recruitment strategy includes domestic trade missions, developing promotional and informative materials, and placing national and international ad-

Ye must enter through Gateway

vertising.

The website for the partnership lists two dozen "success stories," claiming credit for luring or keeping new business in its territory. Few of the stories indicate any direct action by the partnership that led to businesses making such decisions. However, Carolinas Gateway, in addition to the Golden LEAF award, also paid Universal Leaf \$850,000 as an incentive, \$100,000 of which was from a private source.

According to tax returns from 1997, 1998, and 1999, Carolinas Gateway received \$1,040,783 in direct public support and \$1,390,556 in government grants. Money received from Golden LEAF or any other nonprofit organization (even if funded by another government agency) would be reported under "direct public support" and taxpayer or government sources would not be disclosed.

Therefore it is impossible to determine how much funding originates from government, unless Carolinas Gateway and the nonprofits that fund it choose to reveal their contributors.

Of Carolinas Gateway's more than \$2.4 million in total revenue between 1997 and 1999, \$587,947, or 24 percent, was allocated for acquisition or expansion of facilities. Not all was vital to luring or keeping specific businesses. For example, about \$24,000 went to the Community Development Foundation, an arm of the Rocky Mount Chamber of Commerce.

During the same three-year time frame, \$1,008,296, or 41 percent, was allocated to employee salaries at Carolinas Gateway. President John Gessaman earned compensation of \$314,288 during the period. Over \$80,000 was spent on professional fundraising fees. Accounting and legal fees, supplies, telephone, postage, rent, and equipment costs totaled \$219,497.

Not so golden future

Gov. Mike Easley announced in February that he would withhold tax reimbursements from local governments in order to balance the state budget. In the area served by the Carolina Gateway Partnership, those funds total \$3,780,734. *cr*

Public Subsidies for
Universal Leaf Tobacco Processing Facility

Golden LEAF Foundation Grant (state taxpayers)	\$ 400,000
Rural Center Grant (state taxpayers)	\$ 800,000
Eastern Regional Commission (state taxpayers)	\$ 100,000
Carolinas Gateway Partnership (partially taxpayers)	\$ 750,000
Economic Development Admin. (federal taxpayers)	\$1,500,000
Nash County (local taxpayers)	\$ 250,000
	for 5 years

Gov. Easley's local government withholdings:

Nash County	\$ 876,149
Edgecombe County	\$ 656,847
Nashville	\$ 90,452
Rocky Mount	\$1,467,832
Tarboro	\$ 511,053
Other towns in two-county region	\$ 178,401

Sources: Nash County Manager's Office
NC League of Municipalities
NC Association of County Commissioners



What happened to the conservative agenda?

Novak Reviews the President at John Locke Headliner Luncheon

By PAUL CHESSER

Associate Editor

RALEIGH

Robert Novak, conservative cohost of CNN's "Capi-tal Gang" and "Crossfire," gave George W. Bush's presidency a mixed review at a John Locke Foundation luncheon Feb. 11.

The veteran Washington journalist told an audience of about 250 people that while he generally supported the president's prosecution of the war against terrorism, moves Bush has made on domestic policy trouble him. Novak said he has received volumes of e-mails from Bush supporters who "don't really understand what I do" and have requested he cease his criticism of the president.

Just a journalist

While he's conservative, Novak said he is not a cheerleader but a journalist who "tell[s] the truth within my frame of reference." He said Democrats expect the worst from him and get it, but when he's critical of Republicans he said he hears more flack from them.

"My criticism is the criticism of a friend," he said.

Reviewing Bush's term in office so far, Novak discussed the divided country the president inherited after the November 2000 election, split almost evenly between those who favor big government versus those wanting smaller government.



Veteran Washington journalist Robert Novak spoke to an audience of about 250 at the John Locke's Foundation luncheon Feb. 11 at the Brownstone Hotel in Raleigh.

Novak said no president in his lifetime came in with less experience, or had more trouble with his vocabulary (and was mocked for it), than Bush did at the outset. Then the terrorist attacks of Sept. 11 occurred, which Novak said defined Bush's presidency.

Bush initially listened to his advisers, who Novak said "had him flying around the country" and told him he couldn't return to Washington. Perhaps because of his

inexperience he returned to the capital within a day, disregarding recommendations from senior counsel.

"He was seen as a man who could lead," said Novak, who called Bush's emergence one of the great political stories of our time. He said that despite his impediments and having to work with a depleted military arsenal, "he has done a remarkable job."

Novak singled out the loss of only two

Americans in the war, and the successful use of indigenous forces in Afghanistan, as significant accomplishments.

Bush domestic policy

Novak turned to Bush's domestic policy, for which he held some heavy criticism of the president. Saying the conservative Bush's budget proposal to Franklin Delano Roosevelt's wartime budget, in which too much is acceptable in the name of prosecuting the war.

"There isn't all that much restraint," Novak said of the excessive deficit spending proposed by the president.

Novak wondered what became of some issues that Bush campaigned on, like Social Security reform, elimination of racial quotas, school choice, and ending partial-birth abortion.

He also noted Bush's "huge aggrandizement" of the Department of Education, and his expansion of former President Bill Clinton's volunteer AmeriCorps program — both longtime targets for criticism by conservatives.

Novak also pondered Bush's State of the Union remarks about the "axis of evil:" Iran, Iraq, and North Korea.

Concerned that Bush might try to expand presidential powers beyond what is constitutionally authorized, Novak said, "I applaud the popularity and service of our president, and I sure hope he doesn't take it too far." *ci*

Transfer of GTP to local agency possible

DOT Division Misses Deadline For Filing Global TransPark Study

By DON CARRINGTON

Associate Publisher

RALEIGH

Global TransPark boosters were scheduled to get a pair of special valentines Feb. 15. Last September, through special provisions in the budget bill, the General Assembly ordered the preparation of two plans for terminating state involvement in the project.

The due date has passed and the special provisions remain works in progress.

The Department of Transportation's Aviation Division was ordered to "study the transfer of the Global TransPark airport fixed assets and operations from the Global TransPark Authority to another appropriate entity," presumably a revived Kinston-Lenoir County Airport Authority.

The State Board of Community Colleges was ordered to "study the transfer of the Education and Training Center from the Global TransPark Authority to an appropriate public educational entity," such as Lenoir Community College.

Both studies were to be reported to the Joint Legislative Transportation Oversight Committee and to the chairmen of the Senate and House of Representatives Appropriations Committees by Feb. 15.

Sen. Wib Gulley, D-Durham, was one of 11 legislators who requested the special provisions. He is also cochairman of the Transportation Oversight Committee. "We

usually pick a due date that seems reasonable, but this is not the first time that a report has not been delivered by the due date," Gulley said. Gulley's committee has scheduled the reports to be discussed at the April 2 meeting and hopes they will be complete by then.

CJ Weekly Report discovered that the Aviation Division report is probably finished, but has not been reviewed by DOT Secretary Lyndo Tippett or by Gov. Mike Easley.

Gulley's committee has scheduled the reports to be discussed at the April 2 meeting and hopes they will be complete by then.

Department of Community Colleges spokeswoman Audrey Bailey said the State Board of Community Colleges decided to hire a consultant to do its report. The board awarded a \$13,000 contract to JPC Associates,

Inc. The principal employee of JPC Associates is J. Parker Chesson, Jr., a former executive vice president of the community college system. Chesson retired from state government as chairman of the Employment Security Commission on Oct. 31, 2000 even though he registered his consulting business with the Secretary of State's office Aug. 31, 2000.

Bailey and DOT officials blamed the missed deadlines on the long legislative session, even though the special provisions requiring the studies were included in the Senate's original budget released last May.

CJ has determined that there are apparently no penalties for ignoring the deadlines. *ci*

We Want Less!

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Thousands of your fellow North Carolinians are, too — that's why they have joined [North Carolina Citizens for a Sound Economy](#) to fight for less government, lower taxes, and more freedom. They are making their voices heard.



North Carolina CSE members protest state tax increases at an August rally in Raleigh.

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North Carolina Citizens for a Sound Economy holds politicians accountable for their votes on taxes, regulations, and other issues. Its aggressive, real-time campaigns activate a [grassroots army](#) to show up and demand policy change.

And it gets results. CSE has helped to [defeat three large tax increases](#) in North Carolina and defended property rights, parental choice, and individual freedom before the state legislature, county commissions, city councils, and elsewhere.

Here's what some are saying about Citizens for a Sound Economy:

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— President George W. Bush
- "CSE is a great organization . . . The hundreds of thousands of volunteer activists that are members of CSE are vital to this country's economic prosperity."
— U.S. Rep. Richard Burr of Winston-Salem
- "You guys are everywhere! CSE is a great organization. CSE, thanks."
— Sen. John McCain



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School Reform Briefs

• Members of the State Board of Education thought they had finalized the opening of new charters next year. At their February meeting, board members approved three new charter schools, bringing the total number of charters to 100, the limit by law. The board failed to vote on the proposed virtual charter school at that same meeting. But Board members will have another chance to vote on the cyber school after a Harnett County charter school announced recently it was closing. As reported by *The Charlotte Observer*.

• Eric Smith, superintendent of Charlotte-Mecklenburg Schools, has been traveling the nation over the last year discussing success stories of his school system.

The U.S. Department of Education is considering duplicating the district's prekindergarten program, and an urban schools association cited the district for narrowing the racial gap on standardized tests and named Smith its top educator.

In mid-February, Smith added another honor — runner-up for the National Superintendent of the Year Award, given by the American Association of School Administrators. U.S. Secretary Rod Paige won it last year.

While many in Charlotte echo the national accolades, Smith still faces problems at home as the district shifts from 30 years of court-ordered busing to an assignment plan that lets families pick schools. Much of the community is excited over the plan, but some still worry over its success.

The district has received more than 102,600 applications, representing almost 95 percent of the total student population.

"This is just a phenomenal success," Superintendent Eric Smith said. "To have so many parents turn out and support their children by making their choices known is exciting for this community and deeply gratifying for all of us at CMS." As reported by *The Charlotte Observer* and the Charlotte-Mecklenburg School System.

• Wake County Board of Education members are considering offering more modified-track schools, also known as year-round.

More than 85,000 Wake students attend traditional-calendar schools, with more than 12,700 students attending multitrack year-rounds and more than 3,000 attending modified-calendar schools.

In modified-calendar schools, or single-track year-rounds, all students have the same schedule, and breaks between class sessions are two weeks rather than three. Summer vacations are shorter than in traditional-calendar schools by two weeks.

The board has been studying whether to expand the number of modified-calendar schools because of perceived academic benefits. However, taking advantage of those benefits would require enrichment and remediation programs during the breaks, which could be costly.

Other expenses could include higher transportation costs. *CJ*

Budget Crisis to Affect School Spending

By SHERRI JOYNER
Assistant Editor

RALEIGH

In his press conference to announce the withholding of more than \$200 million in reimbursements to county governments, Gov. Mike Easley encumbered local governments to cut spending and balance their budgets by June 31. Easley's announcement came with the promise to spare classrooms, reassuring the public that education was still the No. 1 priority of the state.

Easley proposed that counties could cut public school funding by 3 to 4 percent without affecting the classroom. Several counties, however, are already planning cuts in education expenditures and those that are suffering from shortages in other areas, including Medicaid, may feel a ripple effect.

David Plyer, president of the N.C. Association of County Commissioners (NCACC), has warned Easley that cutbacks in the classroom are almost certain.

"Counties have less than five months in the fiscal year to balance their budgets, and with Medicaid costs being much higher than anticipated and sales tax collections being lower than anticipated, counties have little option but to cut education," Plyer said.

Of the 46 counties that have reported to NCACC on their budget adjustments, 26 reported they will consider or will have to cut spending for schools. New Hanover County plans to cut \$2 million out of its school budget, while Buncombe County has scheduled \$1.5 million in cuts. Other smaller counties are reporting cuts in the hundreds of thousands of dollars. Rowan County will cut school funding by \$384,000; Alamance County plans to cut its school budget by \$750,000, and Vance County plans to cut school funding by \$200,000.

Funding at the local level

North Carolina funds education differently than other states do. While most states fund education most heavily from property taxes, North Carolina school funds come largely from the state. Only about one quarter of education funding in North Carolina comes from local monies. In most cases, at least half of all property taxes collected goes to education. However, comparisons are almost impossible to make because the amount of local money spent varies dramatically based upon the wealth and population for each county.

For instance, Asheville City Schools spent \$3,295 per student of local money in 2000 compared to Swain County Schools, which only spent \$536 of local funds per student the same year. The differences between the counties boils down to two factors: the wealth of the county and the tax base.

Swain County has a very small tax base. Because Swain is home to the Smoky Mountains, only 13 percent of the land is taxable. Yet wealthier Asheville has implemented a local school tax supplement in addition to the property tax of 20 cents on a \$100 valuation.

Despite the large difference in local funding, Swain County does not expect any problems funding education this year.

"School system appropriations will not decrease," said Kevin King, finance director of Swain County. "One-sixth of our budget goes to schools, or \$1.5 million, we don't anticipate a problem funding the schools."

Swain County is struggling to fund Medicaid, though. King also mentioned that property owners were already taxed heavily

10 Highest Districts and the 10 Lowest Districts in Local Spending per Pupil

	District	Local PPE	Total PPE	ABC % Grade Level
1	Chapel-Hill	\$3,539	\$7,978	90.2
2	Asheville	\$3,295	\$8,859	74.9
3	Durham	\$2,593	\$7,333	70.3
4	Orange	\$2,584	\$7,356	81.2
5	Mecklenburg	\$2,345	\$6,934	72.9
6	Carteret	\$2,269	\$6,649	78.5
7	Dare	\$2,115	\$6,649	83.1
8	Guilford	\$1,971	\$6,567	73.0
9	New Hanover	\$1,959	\$6,550	81.6
10	Mount Airy	\$1,953	\$7,345	81.6

Source: NCDPI.

	District	Local PPE	Total PPE	ABC % Grade Level
108	Sampson	\$800	\$7,968	70.0
109	Whiteville	\$795	\$5,819	70.9
110	Richmond	\$794	\$5,544	66.6
111	Bertie	\$765	\$5,621	55.8
112	Graham	\$754	\$6,406	82.2
113	Jones	\$749	\$6,284	72.3
114	Duplin	\$735	\$6,123	72.3
115	Hoke	\$622	\$6,933	64.8
116	Robeson	\$563	\$7,225	65.9
117	Swain	\$536	\$6,340	81.4

Source: NCDPI.

at 55 cents per \$100 of valuation.

"The poverty level here is high. There is only a minimal amount of money you can raise through taxes with a small tax base and poor population," King said.

Asheville County Schools plans to cut spending this year though by reducing instructional supplies, staff development, and travel, and freezing the hiring of administrative and support positions. But Charlie Glazener, executive director of community relations with Asheville City Schools, said the cuts would not affect the classroom.

"We will not freeze the hiring of classroom teachers. We want to make sure we can do everything to keep this dilemma from hitting the children," Glazener said.

Taxes and bonds

Asheville and Swain counties do not expect their fiscal woes to hit the classroom, but other counties aren't quite sure and taxpayers may have reason to worry. Easley has already suggested that counties speed up the plan to let counties impose an extra half-cent sales tax so that cities and counties can begin collecting money sooner.

Just last year, 60 of the state's 100 counties raised property taxes. The budget crunch may cause more tax increases. According to NCACC, increases in education funding was the second-largest driving factor behind 32 counties' budgets this year. Medicaid was the first.

Mayors of several towns have said publicly that property taxes may need to be raised to ensure local services are continued. Kevin Foy, mayor of Chapel Hill, said on Triangle NBC affiliate WNCN's "At Issue" program recently that the city will consider raising property taxes to counteract reimbursements the state is withholding. Keith Weatherly, mayor of Apex, also stated openly that his city would need to

raise property taxes by 3.3 cents if the city wanted to balance its budget without cutting services.

Several counties, including Durham and Forsyth, already have planned tax increases after the passing of several bonds last year. Charlotte-Mecklenburg schools have also announced this year that they need more bond money to fund construction and renovation of schools.

Orange County will also ask taxpayers for more money. With the final installment of a 1997 bond, Orange County citizens can expect to see property tax rates increase this year by another two cents and maybe more. Voters in Orange County this past fall approved another bond package of \$75 million, bringing their base tax rate up to 87.8 cents per \$100 of assessed value.

The Orange County Board of Education is also asking for more money in the form of a new tax similar to the one found in Asheville City Schools and Chapel Hill Schools. The board has asked a lawyer to study having the legislature pass a countywide tax without a referendum.

But property owners in Orange County are questioning the school system's request for more money. Orange County is much poorer than Chapel Hill, and is already funding schools heavily with local money.

In 2000, the top five districts that most heavily funded students at the local level were Chapel Hill at \$3,539 per student, Asheville at \$3,295 per student, Durham at \$2,593 per student, Orange at \$2,584 per student, and Mecklenburg at \$2,345 per student. The statewide average for local funding is \$1,474 per student. Orange County board members still say more funding is necessary for the start-up costs of new schools. The board has also called for the formation of a task force to study the possibility of a district tax in the northern, poorer portion of Orange County. *CJ*

30 schools in a dozen states

Cyber Charter Schools Multiply But Not in N.C.

By **SHERRI JOYNER**
Assistant Editor

RALEIGH
Various education reforms — home schools, charter schools, open enrollment, magnet programs — offer the diversity that many parents want in choosing a school for their child. North Carolina was just one step away from adding another choice option for parents before the Board of Education refused to support it in early February. The option would have been a cyber charter school, a school that doesn't require brick and mortar, costing taxpayers much less per pupil than a traditional public school.

There are about 30 cyber charter schools in a dozen states. As the World Wide Web becomes the preferred choice for home-bound students and parents dissatisfied with local public schools, cyber schools lead the way among educational choice options.

According to the Center for Education Reform, at least 29 virtual charter schools are operating in Alaska, Arizona, California, Florida, Kansas, Minnesota, New Mexico, Ohio, Pennsylvania, Texas, and Wisconsin. Just as enrollment varies widely among cyber schools, so do opinions on the validity of schools that meet on-line. While there are many critics of cyber schools, researchers have found benefits.

Pennsylvania, the pioneer in cyber schools, is home to seven virtual charter schools. Problems have ranged from legality to districts refusing to fund pupil enrollment. The Pennsylvania School Boards Association has filed a lawsuit, claiming the schools are illegal because they are not specifically mentioned in the charter law.

Pennsylvania cyber school study

While the schools are criticized by political groups, an independent study of Pennsylvania's seven cyber charter schools by *KPMG Consulting* in October 2001 found that virtual charters can be advantageous to students. The report identifies that cyber charters offer students:

- Anytime, anywhere learning that meets the needs of students requiring flexible schedules or those who have physical limitations.
- A way to obtain a high school diploma rather than a GED for students who for any reason cannot or choose not to attend a brick-and-mortar school.
- Expansion of public educational options for home-schooled students.
- Greater accessibility to a wide range of college-level, advanced-placement, and language courses.
- The ability to slow down or accelerate learning for students who want to work at their own pace.
- More adaptive curriculum for some special education students.
- Another opportunity to participate in the public education system.

In 2001, the National Association of State Boards of Education also released a report, *Any Time, Any Place, Any*



Cyber charters continue to expand and provide a quality education at about 80 percent of the cost of brick-and-mortar schools.

Path, Any Pace: Taking the Lead on e-Learning Policy, that lists the benefits of virtual schooling. The "most valuable benefit of e-learning" writes NASBE, "is its potential ability to deliver high quality instructional services to all learners regardless of location, family or cultural background, or disability."

In an age of technology, cyber schools are becoming more widely accepted and states are recognizing new ways to ensure legality. But it may be years before North Carolina educators agree to open a cyber school for the state's parents. State board members were not convinced last month that the proposed cyber school, New Connections Academy, should be offered to North Carolina students in grades 5-12.

While the board said the school was innovative, worry over teacher-student relationships, curriculum, and attendance are among the top of educators' concerns. Several board members also cited more radical explanations for their disapproval of a cyber charter school, stating vehemently that parents of home-schoolers would use it to educate their children at the public's expense.

The comments have sparked a debate between proponents and critics. Supporters of the school and other conservatives said board members are forgetting that parents of home-schooled children also pay taxes.

After traveling the state and speaking to parents who use home school regularly, Jeff Townsend, president of North Carolinians for Home Education, rejected the idea that those parents would choose to send their children to New Connections Academy, based on money or any other issue. "I haven't seen home-school parents flocking to the charter school arena. Most people just see it as another form of public education. I'm not saying that is a good thing or bad thing, but there are certain things in public schools that home-school parents wanted to get away from," Townsend said. "They see charter schools and cyber schools as an extension of the public school system." *cr*

DPI Scrambles Accountability Standards

By **SHERRI JOYNER**
Assistant Editor

RALEIGH
If you are watching education issues closely, it is easy to recognize that standards are often being changed and schools are being held more accountable every day for the success of their students. In the past few years, the Department of Public Instruction has released *A Report Card for the ABCs of Public Education Volume II* every fall. Around October 2001, DPI should have released Volume II of the ABCs for the 2000-01 school year.

In short, there was a double delay. First, North Carolina's end-of-grade mathematics test lacked credibility, sending DPI into a frenzy last summer performing an equating study. Secondly, the State Board of Education expanded the number of disaggregated categories of Volume II and changed the name of the study to *Reports of Supplemental Disaggregated State, School System and School Performance Data*.

"The report is being totally revamped and expanded to more fully address requirements in IDEA (Individuals

with Disabilities Education Act) and the Title I Peer Review," said Gary Williamson, section chief of accountability.

"Totally revamped" means schools are being held to higher standards. To comply with federal law, the State Board of Education made changes in early 2001 to include the participation of students with disabilities and students with limited English proficiency.

In the past, schools were able to exempt some students with disabilities from end-of-grade tests. Now under federal law, all students are required to be included in the school's performance. Testing is adapted with accommodations, including additional time, large print, and an interpreter if necessary to ensure the student is assessed to his potential.

For example, schools can use a computerized adaptive testing system that adjusts the level of questions based on the student's previous response. Teachers can also use portfolios to grade students who have serious cognitive defects. The DPI report will be found online at www.ncpublicschools.org. *cr*

New Law Boosts Standards, Funds

Did you receive mixed messages from school-reform organizations regarding reauthorization of the Elementary & Secondary Education Act in *No Child Left Behind*? I was swamped with e-mails, faxes, and reports telling me about positive factors while I also was given data from other respected organizations describing negative factors. You may have had concerns when you saw President Bush sign this legislation into law Jan. 8. It was a day to remember — President Bush and Sen. Edward Kennedy together, a true mixture of all the political persuasions smiling about the yearlong negotiated bill.

I now have my own copy of H.R.1 *No Child Left Behind*, a massive piece of legislation. It is 1,000 pages! It is amazing how bureaucrats make things so complex that no one can understand the far-reaching effect. Thanks to the fact that my teachers taught me to read, and I have not been left behind, here are my opinions:

First, the massive increase in federal education spending continues. This is the reason all the liberal constituents of Congress smiled when the bill was signed. The budget for the Department of Education increased by 113 percent between 1996 and 2002. The total DOE appropriation for 2003 will be \$56.5 billion. However, this dramatically higher spending on education has failed to improve student achievement or close achievement gaps between groups of students. Results from the 2000 National Assessment of Educational Progress confirmed that the reading skills of the nation's fourth-graders have remained unchanged for eight years with 37 percent of those tested scoring below basic. I am reluctant to believe that more spending will improve these achievement levels. Another interesting fact is that \$56.5 billion represents only 8 percent of the national expenditures on elementary and secondary education.

Conservative constituents of Congress are smiling for other reasons. Bush promised to provide more resources for education in exchange for stronger accountability and the condition that federal funds be used to support proven educational methods. This promise can be seen strongest in the areas of testing and reading. Every state will enact annual testing for all students in grades three through eight. There are also consequences for districts and schools that fail to make adequate yearly progress. The DOE is now filled with educators who are serious about standards, assessments, and consequences.

The Reading First initiative significantly increases the federal investment in scientifically based reading instruction. It means that reading must include early instruction in phonemic awareness, PHONICS. The new Early Reading First program will make competitive six-year awards to local systems to support early language, literacy, and prereading development of preschool-age children, particularly those from low-income families.

There is something for everyone in the law, except the recognition of the authority given in the Constitution. The Constitution leaves to state governments the responsibility for providing education. The DOE did not exist until 1976 when President Jimmy Carter promised to establish this whole bureaucratic "blob" (Bill Bennett's description) and obtained the National Education Association endorsement. The conservative agenda has never wanted to increase the role of federal government in schools, yet now it seems that the conservative community has jumped on the bandwagon — thinking it is OK to increase spending because they are in control. I say it is a gamble. The accountability piece that accompanied the massive increase in spending may only continue as long as Bush lives in the White House. While I have my doubts that H.R.1 will work, I am and will remain committed to the president's direction and education agenda. *cr*



Lindalyn Kakedelis

School Reform News From Across the Nation

Florida Public School Closes

Three years after being labeled an "F" school, A. A. Dixon Elementary School in Pensacola, Fla., will likely be closing for good this spring.

Dixon drew national attention in 1999, when it began to lose students as part of the state's voucher program. Over the last few years, the school experienced a mix of high overhead costs, effects of state fiscal woes, and an enrollment drop that went beyond the modest direct impact of vouchers.

While local officials differ over the impact of the voucher policy, the role it may have played in the school's closure will draw attention particularly as the U.S. Supreme Court decides on vouchers in Cleveland.

Even though Dixon's state test scores improved enough to keep the school from landing again on Florida's list of failing schools, its enrollment has dropped by more than 25 percent to 340 students since 1999, the only year that Dixon pupils qualified for vouchers.

Jeanne Allen, president of the Center for Education Reform, said she didn't think it was a bad thing for the school to close. "To go from an F to a D even though they made a little bit of progress really isn't saying that much," Allen said. As reported by *Education Week*.

School options for urban students

At wit's end over the slow pace of school reform and the widening gap in educational achievement between cities and suburbs, African-American parents in major urban areas are turning to what has long been the institutional cornerstone of inner-city communities — churches — as their last, best hope for change.

After watching her two daughters struggle in middle school, Cheryl Daugherty teamed up with Bishop Lawrence Wooten, her pastor at the Church of God in Christ, to offer two new schools to families disappointed with public schools in St. Louis.

St. Louis Academies, two nonreligious K-10 schools, are considered private at the moment, but are tuition-free, thanks to church donations, a loan from a Phoenix-based educational institution, and some federal funding for lunch and after-school programs. The curriculum at the academies is best described as meat and potatoes.

"Our philosophy is very simple," said Tim Daniels, executive director of the academies. "If our kids can't read or understand math at their grade level, that's what they do, even if it's for six or seven hours a day, so they can get up to grade level."

Enrollment at the schools soared quickly. The first students came from Wooten's church and other congregations, but soon parents across the city learned of the opportunity. In addition to the 450 pupils enrolled at the schools, there is a considerable waiting list.

Daugherty is pleased with her daughters' success at the new schools. While in public school, she watched her children's grades, attitudes, and self-esteem suffer. "All I know is my daughters have finally found a school where

they are happy and productive," she said. As reported by the *Christian Science Monitor*.

Call to limit districts

Republican gubernatorial candidate Bill Jones has proposed limiting all school districts in California to 30,000 students, setting up special academies to train teachers, and streamlining state education functions.

Jones called the plan "simple but radical." The goal would require splitting the Los Angeles Unified School District, with about 736,000 students, into at least 24 school districts. He also proposed increasing the power of educators by allowing each school to hire its own teachers, care for its own buildings, and select its own educational methods. As reported by the *Los Angeles Times*.

Tax credits for private choice

A newly proposed budget plan by President Bush includes an education tax break for parents.

Families of students trapped in failing public schools would qualify under the proposal for a tax credit of up to \$2,500 for tuition, fees, or transportation costs for sending the students to private schools or better public schools. Under the plan, parents who don't earn enough money to pay income taxes would be eligible to receive a cash payment.

Another tax credit bill was written by U.S. Rep. Cantor for the 7th District. Under the bill, a refundable credit of up to \$1,000 per a child would be available to parents for tuition, school supplies, and other qualified educational expenses. "I think it's huge that the White House has given sanction to the idea of an education tax credit," Cantor said. "That provides tremendous momentum for the concept and movement behind it."

Sen. George Allen has also sponsored a bill for a refundable tax credit of \$1,000 per child, and \$2,000 per family, toward the purchase of computers, educational software, Internet access, or tutors. It could not be applied to tuition.

Bush's tax credit would cost an estimated \$3.5 billion over five years in lost revenue. Allen's broader measure has been pegged at \$30 billion per a year. As reported by *The Richmond Times-Dispatch*.

Arizona tuition tax credits

Since January 1999, the Arizona Supreme Court has ruled that private school tuition tax credits were constitutional at both state and federal levels. The Arizona Tuition Tax Credit program allows taxpayers to receive a dollar-for-dollar tax credit of up to \$500 for voluntary cash donations to authorized nonprofit school tuition organizations. The organizations are set up specifically to award grants and scholarships to students who choose to apply for the funds to pay for the costs of attending private schools. Despite some controversy in Arizona, the court has ruled the program constitutional, and the number of taxpayers making donations rose from 4,247 in 1998 to 31,875 in 1999. *CJ*



Summary of Cost Savings Recommendations

	Major Recommendations	Likely impact \$ millions	Timing of full impact in months
Purchasing	> Instill TCO* approach	2.9-5.1	12
	> Implement purchasing card > Aggregate spend across items and vendors		
Computers	> Aggregate spending	0.6-1.2	4-6
	> Aggressively bid		
Storage and Distribution	> Instill TCO approach	0.4-0.9	6
	> Reduce inventory levels > Manage demand for non-essential services		
Textbooks	> Implement new tracking process	0.4-0.7	18
	> Establish accountability at school and student levels		
Total potential savings for budget year 2003-04		4.3-7.9	

SOURCE: Charlotte-Mecklenburg School System. "Continuous Improvement for CMS Finance and Operations" presented to the State Board of Education, January 2002.

* TCO = total cost of ownership
Purchasing should take into account all costs, including storage, distribution, maintenance, and disposal costs.

Efficiency study shows the way

Charlotte-Mecklenburg Schools Could Save Millions Next Year

By SHERRI JOYNER
Assistant Editor

Influenced by the recession and pressure to reduce spending, the Charlotte-Mecklenburg School System acted to prioritize spending. While most school districts looked to reduce costs by cutting programs, the CMS board asked McKinsey & Company, a management consulting firm, for pro-bono assistance to ensure the school system was being as efficient as possible.

In just three months, the steering committee recruited by CMS and McKinsey found about \$4 million to \$8 million that could be saved annually, beginning in 2003-04, by consolidation, aggregating spending across the district, and reducing inventory and internal shipping. The system's concern over finance and operations began in September when officials felt pressure to prioritize spending because of rapid enrollment growth and the opening of four schools in 2002.

"Since we are growing 3,000 students a year and opening new and renovated schools every year, it is very hard to cut, or even stay flat," said Lee Kindberg, Charlotte-Mecklenburg school board member. "That means we have to do some things differently or stop doing some. We are really under the gun to cut costs."

The school system's reputation for wasting money further propelled education leaders to take serious action. Recently CMS was reported by the media to have lost \$7 million in fixed assets. An internal audit found that CMS losses were overstated and after reviewing inventory, about \$2 million in assets remained unaccounted.

With that in mind, McKinsey stepped in to assist Charlotte-Mecklenburg schools in three operational areas:

- Identifying opportunities for CMS support services to become more effective and efficient,
- Working to ensure that CMS has appropriate fixed asset tracking in place, and
- Building a process to align CMS budget with strategic goals.

The steering committee, comprised of community leaders and McKinsey employees, reported to the Board of Education in late January that CMS support services costs of \$1,112 are already slightly under na-

tional norms of \$1,200 per student and the fixed asset losses of \$2 million over the last seven years when calculated according to standards used in business, is a reasonable rate of loss, especially for a business that remains relatively open to public access.

The committee identified that most of the cost savings, between \$2.9 million to \$5.1 million, will come from revamping the purchasing of products to include implementing a purchasing card. The district could also save about \$252, from \$1,000 to \$748, on the purchase of every computer through aggressive bidding and by eliminating the buying of computers outside of contracts. The committee is also negotiating with Duke Solutions to reduce the cost of utilities.

"We were very fortunate that McKinsey leadership here in town stepped forward to do this study pro-bono and that the [school] board was willing to accept their help," Kindberg said. "They did an exceptional job, and were able to pull from experience of McKinsey studies in other major cities."

McKinsey has helped several other school districts prioritize spending and restructure management. This past summer, New York City Schools Chancellor Harold O. Leavy announced a plan to overhaul the management structure of the NYC Board of Education and to reorganize central staff.

In Charlotte, the actual report released from the committee is large, filling up a three-ring binder. The report also appears to have other suggestions that could save the district more than \$8 million. No action has been taken by the school board on whether to pursue any of the suggested recommendations, but Eric Smith, superintendent of Charlotte-Mecklenburg Schools, sounds optimistic.

"We're extremely pleased with the work that McKinsey & Company and the steering committee have done, and we have already begun the process of putting their ideas into action," Smith said. "Anytime we can lower costs and shift more resources to the classroom, it's a win for taxpayers and for children. Our intent is to pursue these initiatives aggressively."

The steering committee has launched a second study to address teacher recruitment and retention in CMS. *CJ*

In just three months, the steering committee found about \$4 million to \$8 million that could be saved beginning next budget year.

*School Innovation Spotlight***Manteo Teacher's Formula: Hard Work Equals Awards, Top Scores**By **JEFF ZEIGLER**
Guest Contributor

While many students squirm at the thought of calculus, Frank Vrablic's students are gung-ho about advanced placement calculus. Test scores for his students at Manteo High School bear that out.

AP tests are scored on a scale of 1 to 5; five is the best score. The AP calculus classes are also divided into two categories — AB and BC. The AB course is the equivalent of one semester of college credit and is the exam most high schools administer. The BC course is equivalent to two semesters of college credit. Students who pass the BC exam, which has been given at MHS since 1994-1995, would go straight to the third level of college calculus.

Over the past 12 years, 73.9 percent of Manteo High School's advanced placement calculus students have scored 5's on the AB exam, and only four students have scored 3's. No student has ever failed the exam. As for the BC exam, 96.6 percent of the students have scored 5's. Only one student in six years has scored a 3. The last three years, all 30 BC students have scored 5's.

The 1999-2000 AP calculus students fared well. On the AB exam, nine had 5 scores, and three had 4's. On the BC exam, all seven students had 5's.

"Most colleges will accept a score of three. Some prestigious schools will only accept a four or higher," Vrablic said. "The average grade on the exam is approximately 3.0, and approximately 12 percent of students who take the test nationally get 5. This is something I take a lot of pride in because 1 out of 8 make a 5."

Hard work is the key to the student's success. Vrablic, who also coaches boys and girls soccer at MHS, said the students average about 90 minutes of homework a night.

"We even come in on Sundays to study," Vrablic said. "They send me homework by mail twice a week over spring break. I'm very proud of these kids. They work so hard."

Elizabeth G, who recently graduated from Manteo High School and headed to UNC-Chapel Hill, said Vrablic goes the extra mile in helping students prepare for the exam. She scored a 5 on the AB level exam.

"We came in on Sunday afternoons and worked for hours trying to get things right," Elizabeth said. "Right before Christmas, he



Frank Vrablic teaches a class of calculus students.

Photo by Sharon Sullivan.

gave us workbooks and we did them over and over again. He will go over every question until every person gets it right. He will talk to you after classes if he thinks you're having problems. He wants to give you extra work sheets if you do not understand a concept. He really takes time to explain things."

"They send me homework by mail twice a week over spring break. I'm very proud of these kids." — Frank Vrablic

Jamie R, also an MHS grad bound for UNC-Chapel Hill, said Vrablic has high expectations for his classes. She also scored a 5 on the AB level exam.

"He sets high expectations. We met on Sundays. It was surprising that most of the class showed up," Jamie said. "Each night, I had about

three hours worth of homework. Usually teachers say you'll have so many hours of homework a night. It usually doesn't turn out that way, but in this case it did. The summer before class started we had homework. I started to wonder how hard this class was going to be. I knew from years before that it was a really hard class, but the reward of finishing is better than anything."

"It was a lot of work," Elizabeth said, "but it did pay off in the end. By the end of the year we were doing junior level college work."

The hard work also shows up in math contests, in which Vrablic encourages all of his students to participate.

Last year, students from Manteo High School cleaned up at two math contests in

Outstanding High School Award after taking first place in the team standings in Geometry and Comprehensive and second place finishes in Algebra I and Algebra II.

"I am very pleased with the performance of all the students at the contests," Vrablic said. "To have four state qualifiers in Geometry, six state qualifiers in Algebra II, and eight qualifiers in Comprehensive speaks well about our students and teachers. Also, to win first-place team awards in Geometry, Algebra II, and Comprehensive, and the second-place team award in Algebra I makes all the students proud. Personally, I felt great when Manteo High School was presented with the trophy for the most outstanding high school at Chowan College. It will be displayed in the Math Department with pride."

Pride is shown at the end of the year when the AP Calculus students hold a breakfast at the Elizabethan Inn in Manteo in which a plaque is given to the students in their honor.

The plaques line the walls of the math department, the trophy cases are full of awards won at math competitions, and Vrablic's classroom contains the spillover of plaques and trophies his students have earned, but don't have a home for. *cz*

Northeastern North Carolina.

At one contest at Elizabeth City State University, MHS students took six of the top eight places in the geometry competition and came home with the top school in the Algebra II and comprehensive competition.

At the Chowan College competition in Murfreesboro, MHS was awarded the Most

Zeigler is the public information officer at Dare County Schools.

CAROLINA JOURNAL Publisher John Hood Garner's Praise for His Most Recent Book:

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Course of the Month

The honored course this month came to CM's attention via Young America's Foundation's annual survey, *Comedy & Tragedy: College Course Descriptions and What They Tell Us About Higher Education Today* (the 2000-01 edition). The YAF survey includes a section on the University of North Carolina at Chapel Hill, and in that section is the following listing:

SOCIOLOGY 129: RACE, CLASS AND GENDER

The purpose of the course is to confront the blatant and especially the taken-for-granted ways in which societal institutions, groups, and individuals are racist, sexist and classist.

Double-checking, CM indeed found this course offered at UNC-CH, but curiously it found different course descriptions for it. Apparently, the course description has changed since the YAF published its survey. It's a real shame, because CM found the candor of that description quite refreshing. It was as if the instructor were saying, *None of that sugar-coating-the-agenda language for this course, thank you.* Here is how the course description reads now:

Conceptualizations of gender, race, and class and how, separately and in combination, they are interpreted by the wider society. Emphasis on how black and working-class women make sense of their experiences at work and within the family.

Incidentally, this course satisfies the "Cultural Diversity Requirement" at UNC-CH, a requirement that was instituted "to afford students the opportunity to gain a better understanding of cultural diversity as it will affect their lives in our increasingly pluralistic society."

In the introduction to its survey the YAF discusses multicultural courses. Compare the YAF's take with this course, especially as originally described, and in light of it satisfying the "Cultural Diversity Requirement":

The stated aim of multicultural courses is to give students an understanding of all cultures in order to prepare them for life in an increasingly diverse society. But such courses do not confine themselves to the study of other cultures' language, literature, history, customs, and faiths. Looking closely at some societies reveals unfortunate features that the multiculturalists claim to despise, such as racism, slavery, mistreatment of women, ignorance, and injustice. Instead, multiculturalists focus on the faults of Western culture, the United States in particular.

The YAF survey can be downloaded from www.yaf.org. CJ



UNC Association of Student Governments Seeks Huge Budget Increase Paid for by UNC Students

By JON SANDERS
Assistant Editor

RALEIGH
Despite the general student apathy concerning tuition increases in the University of North Carolina system, which even after the increases offers some of the lowest tuition rates in the region and nation, one student group has agitated against them. This group is the UNC Association of Student Governments (ASG), which in February launched a new campaign against the increases.

The campaign, which bears the question-begging moniker "Keep N.C. Educated," will involve protests and lobbying as well as going door-to-door, sending postcards, holding "teach-ins," visiting classrooms, and seeking media attention.

Naturally, such an effort would require a great amount of money, and indeed the ASG is also seeking an infusion of money from the 16 UNC campuses. Currently the ASG is supposed to receive \$250 from each of those campuses, totaling \$4,000 in fees revenue, but only 10 campuses could afford to pay those fees, so its budget was \$2,500. Now the ASG has proposed tacking on an additional \$1 fee on all UNC students to raise its annual budget to \$165,000. If the group succeeded in obtaining that increase, its budget would grow in one year by 6,600 percent.

Along with funding campaigns, *The Daily Tar Heel* reports, the UNCASG would use this massive increase to help fund stipends for UNCASG officers, which are also UNC students, and pay \$40,000 for a managing director. They would also set aside \$10,000 for traveling expenses.

Student fees are the hidden cost of attending a UNC institution. While UNC in-state tuition increases have garnered the most publicity, they have been outstripped by fees increases (the method the ASG wants to use for its colossal budgetary increase) on many UNC campuses since 1996-97: Elizabeth City State University, Fayetteville State University, N.C. A&T State University, N.C. School of the Arts, N.C. Central University, Western Carolina University, and Winston-Salem State University. In fact, fees are now higher than in-state tuition at Elizabeth City State, UNC-Asheville, Western Carolina, and Winston-Salem State. Fees also approach the cost of in-state tuition (amount to at least 85 percent of the cost of tuition) at Appalachian State University, N.C. Central, UNC-Greensboro, and UNC-Wilmington.

The first event of the ASG's "Keep N.C. Educated" campaign was a Feb. 13 protest on the steps of UNC-Chapel Hill's George Watts Alumni Center. Like previous tuition protests recently, attendance was sparse. Only 30 students showed up, well below ASG's projections of 200 students and ASG President Andrew Payne's warning to legislators that "We are riding the tuition train, and you better get out of the way because we have people coming."

Those students who did show up waved signs and posed for pictures. One sign read "Educate me now! I'll pay taxes later." Another, held by a communications major from N.C. State, contained a glaring mathematical error: "Average N.C. Income: \$27,194.00 - In-State UNC College Costs: \$11,264.00 = \$15,940.00 Left to Live On." (\$27,194 - 11,264 = \$15,930.)

The error was the second in weeks by protesters seeking to make the case for why N.C. taxpayers should foot their bill. "Increased Tuition = Decreased Diversity" read a sign carried by a tuition protester at UNC-CH (a political science major) on Jan.

Fees vs. tuition increases in UNC schools, 1996-97 to 2001-02			
Student Fees	1996-97	2001-02	5-year increase
<i>UNC school</i>			
Appalachian	\$790	\$1,048	32.7%
Elizabeth City St.	738	944	27.9
E. Carolina	878	1,048	19.4
Fayetteville St.	514	698	35.8
NC A&T	687	1,017	48.0
NC Central	722	1,078	49.3
NC Sch. Arts	780	1,215	55.8
NC State	814	900	10.6
UNCA	993	1,229.50	23.8
UNCC	842	1,039	23.4
UNC-CH	724	891.42	23.1
UNCG	957	1,231	28.6
UNCP	593	917	54.6
UNCW	860	1,266	47.2
W. Carolina	789	1,164.50	47.6
Winston-Salem St.	684	1,022	49.4
Tuition (In-State)			
<i>UNC school</i>			
Appalachian	\$ 874	\$1,222	39.8%
Elizabeth City St.	730	896	22.7
E. Carolina	874	1,453	66.2
Fayetteville St.	874	1,072	22.7
NC A&T	874	1,222	39.8
NC Central	874	1,272	45.5
NC Sch. Arts	1,359	1,662	22.3
NC State	1,386	2,328	68.0
UNCA	730	1,196	63.8
UNCC	874	1,417	62.1
UNC-CH	1,386	2,328	68.0
UNCG	986	1,358	37.7
UNCP	874	1,152	31.8
UNCW	874	1,317	50.7
W. Carolina	874	1,072	22.7
Winston-Salem St.	730	896	22.7

Source: The University of North Carolina web site, www.northcarolina.edu, and Statistical Abstract of Higher Education in North Carolina, 1996-97.

25 as the UNC-CH Board of Trustees approved a proposal to recommend a \$400 increase in tuition on that campus.

The photographs generated no small amount of controversy and ridicule. Raleigh radio talk-show host Jerry Agar placed them on his web site hosted by www.wptf.com (click on "Programming" and "Air Staff," then "Jerry Agar"). "Here you'll see university students that can't spell and university students who can't do simple arithmetic demanding more of your money," Agar told his audience.

Another item that the ASG wishes to use for its 66-fold budget increase would be to attend the United States Student Association's annual "National Student Congress." ASG's small budget kept it from funding delegates to attend USSA's event last year, so it asked the individual campuses to fund the delegates instead.

The USSA is a leftist lobbying organization, cited by Young Communist League USA as one of the 11 "key organizations that the YCL works in coalition with," that seeks revenue from student fees from colleges and universities under the aegis of being "the official voice for students in the nation's capitol." Many if not all of the organization's issues coincide with those of other socialist movements, including issues seemingly unrelated to being a college student, such as anti-"sweatshop" labor, gay marriages, domestic-partner benefits, and hate-crime legislation.

In July, when Payne announced that ASG was unable to fund delegates to attend the USSA conference, he said, "The value of [the USSA] is that it provides us a connection with what's going on in Washington from a student perspective."

The most recent campaign launched by the USSA in mid-February is to have colleges and universities across the country

build "gender-neutral" restrooms on campus for "transgender" students. USSA spokesman Kristy Ringor told *The Washington Times* (Feb. 11) that the proposal would protect transgender students, "whose sexual identity doesn't match what society expects," from harassment. Saying they "have a problem with bathrooms" expressly designated for men or women, Ringor said "They face a risk of being assaulted if another person in there doesn't think they belong. If a person is not safe [in a restroom on campus], that person won't necessarily be able to go to college."

The ASG is already a dues-paying member to the USSA. Nevertheless, the USSA has repeatedly sought, so far unsuccessfully, for UNC-CH to join independently. A campus referendum at UNC-CH to make the university a dues-paying member was soundly defeated in 2000, as students voted 2-1 against it. Also, in 1997 the UNC-CH Student Congress turned down a referendum proposal that, if passed by the students, would have had UNC-CH sending \$10,500 annually to USSA. Then-UNC-CH student body President Aaron Nelson had pushed for the vote, even writing an open letter to UNC-CH students to say, "Joining USSA would be a tremendous benefit to the students of UNC. USSA is working for us, successfully pushing important student issues on a national level."

Student representatives said that joining USSA carried too much "baggage," that the USSA is "an incredibly liberal organization," and that the "USSA took too many stands on issues that were not student-related, such as abortion and assisted suicide" (all quotations from the *DTH* of Jan. 22, 1997). The measure, already unpopular, was dealt a critical blow when the congress learned that Nelson was a member on the USSA's board of directors. CJ

Racial Preferences, Not Low Aid, Caused Low Black Graduation Rates at N.C. State

By JON SANDERS
Assistant Editor

A collection of black student interest groups at North Carolina State University has graded the university on the subjects of enrollment and graduation of black students and recruitment of black faculty. The African-American Student Advisory Council, not surprisingly, gave the university mostly failing grades. In essence, the groups gave the university low marks because it doesn't discriminate enough in the way they want it to.

The AASAC gave the university F's in enrolling black students and recruiting black faculty, a D in black graduation rates, and a B in financial aid for black students.

The report card, "N.C. State University's African American Student Issues; Spring 2002 University Report," uses statistics provided by the university. Among the findings were that between 1994 to 1999 the graduation rate of black students was only 47 percent, the ratio of black faculty has fallen by 2.7 percent, and black enrollment rates fell by 10 percent while overall enrollment increased by 5 percent.

As reported by *Technician*, N.C. State's student newspaper, N.C. State Provost Stuart Cooper disagreed with the failing grades given for black enrollment and faculty recruitment. Cooper said that in comparison with its peer universities, N.C. State rates high in those areas.

The AASAC's statistics are not new, however. A 1998 study released by the Center for Equal Opportunity, "Preferences in North Carolina Higher Education," by Drs. Robert Lerner and Althea K. Nagai, found the six-year graduation rate for black students at N.C. State was 48 percent. The CEO study found "a very large degree of racial preference in favor of blacks relative to whites" in undergraduate admissions for fall 1995 at N.C. State — 177.1 to 1. This was, in fact, the largest degree of racial preferences found by the CEO in its many studies of state universities, beating out even the University of Michigan at Ann Arbor's odds ratio in favor of blacks over whites of 173.7 to 1. Michigan is currently facing two lawsuits over its racial preferences.

On its website, the CEO instituted an "admissions predictor" at N.C. State based on its findings, so visitors "can learn what your chances were of being admitted to North Carolina State University in 1995." The predictor is available at <http://www.ceousa.org/html/ncst2.html>.

"Your chances will depend on your skin color and your ethnic group, in addition to your SAT scores and your grade point average," the predictor states.

Admissions officials at N.C. State have said the university has changed its admissions practices since 1995. Nevertheless, when the AASAC study looks at the six-year graduation rates of black students, it necessarily includes black students admitted under the preferences uncovered by the CEO.

The CEO also found that N.C. State admitted 76.4 percent of black applicants, compared with 72.4 percent for whites, 70.6 percent for Asians, and 55.5 percent for Hispanics. Also, the CEO found that significant differences in the verbal and math SAT scores and grade-point averages between black admittees and white admittees to N.C. State. Black admittees' verbal SAT scores averaged 90 points lower than whites; math SAT scores, 110 points lower; and GPA, 0.38 points lower (on a 4.0 scale).

Income-Based Tuition Studied for UNC

By JON SANDERS
Assistant Editor

North Carolina Senate President Pro Tem Marc Basnight, D-Dare, has instructed his staff to study the effects of a "sliding scale" for tuition at institutions of the University of North Carolina. The scale would lead to students being charged different tuition rates based on their family income, where students from the wealthiest families would pay the most.

The sliding scale idea is an outcrop of legislators seeking new ways to fund increases at UNC without further burdening state taxpayers, who already pay per capita one of the largest amounts for public higher education in the country.

Critics of the idea say the university already has a

School	Black to White	Hispanic to White	Asian to White
NCSU	177.10	0.85	0.79
UNCW	57.20	0.47	0.68
UNCA	10.00	14.40	0.97
UNCC	8.37	0.72	0.61
UNC-CH	3.40	0.31	0.62
UNCG	0.97	1.21	0.43

Note: Numbers in boldface and italics are statistically significant at p<0.05.

School	Blacks	Hisp.	Asians	Whites
UNC-CH	65%	85%	86%	86%
NCSU	48	55	66	69
UNCG	47	25	45	51
UNCW	45	36	54	53
UNCC	44	50	60	57
UNCA	39	29	40	42

* Source: "Preferences in North Carolina Higher Education" by Robert Lerner, Ph.D., and Althea K. Nagai, Ph.D.

The CEO report also provides explanation for the low graduation rates for black students at N.C. State, and its explanation is substantively different from the AASAC's reasoning that the university failed to provide adequate financial aid and scholarship opportunities. The governing assumption of the AASAC is that the problem is a lack of money. The CEO's was that racial preferences placed greater academic burdens on those students than they could bear.

"If students gain admission to colleges and universities for reasons other than their academic preparation," the report states, "it is likely that they will face greater burdens in school than will their peers who have met a higher academic standard of admission. They may in fact not earn their degrees. It follows, therefore, that racial and ethnic preferences will have a negative effect on the graduation rates of students who supposedly benefit from them."

The CEO study of North Carolina is available online at <http://www.ceousa.org/html/nc.html>. *CJ*

working plan that effectively charges students different rates according to family income, the student aid system. UNC President Molly Broad said the idea would create a large amount of administrative oversight. UNC-Chapel Hill Chancellor James Moeser called the idea "socially regressive" and said families would "strongly object to passing a financial means test" and that the idea could "end need-blind admissions."

Basnight himself told *The Daily Tar Heel* "I don't know if it's a good or bad idea; that's why it's being studied." He said he was inspired by UNC-CH's fall from *U.S. News & World Report's* Top 25 rankings of institutions, and by the fact that he "could definitely have afforded to pay more" for his daughter's education at UNC-CH.

CAROLINA JOURNAL will keep a close eye on this developing issue. *CJ*

Tuition Protesters Missing the Point

By BRIAN GWYN
Editorial Intern

Recent decisions by the University of North Carolina at Chapel Hill and North Carolina State University to request tuition increases have upset some students. Tuition costs, the students argue, are getting too high, pricing students from low-income families out of college. Critics assert that the N.C. General Assembly is not meeting its constitutional requirements of providing free higher education at public universities "as far as practicable." Instead of blaming the legislature, however, students should be asking why the costs are so high to begin with.

The steep rise in college tuition is an example of what happens when primary beneficiaries of a service don't bear the primary cost. Most students rarely think about what they are paying for, how much their parents are paying, or how much they've taken out in loans with deferred payments.



Brian Gwyn

The N.C. Constitution specifically states that the "benefits" of the state's public universities should be as free as practicable to citizens. What are those benefits? Intuition says an institute of higher education's main benefit would in fact be education — but supporters of the education establishment also point to research. But research is an *enhancement* of higher education, not one of its primary purposes. This point is clarified in Chapter 116 of the N.C. Statutes: "Teaching and learning constitute the primary service that the university renders to society. The relative importance of research and public service, which enhance teaching and learning, varies among the constituent institutions, depending on their overall missions." If nothing else, the statute shows the service of instruction supersedes that of research.

The next logical criticism would be: institutions such as UNC-CH and NCSU place a higher emphasis on research in their respective missions, which is allowed by the statute. This would seemingly allow for the vast amount of research funded by the General Assembly. If, however, the state Constitution mandates benefits of higher education as free as practicable, and Chapter 116 of the N.C. Statutes puts instruction as the primary service, shouldn't cuts come from state-funded research before raising the students' tuition?

In 2000, N.C. State spent 27.2 percent of its funds on instruction, while it spent 22.7 percent on research. That year state appropriations constituted 44.3 percent of the university's total budget. How can the university justify tuition increases when it spends that much on research, the impact of which on student learning is arguable?

There should be a clear distinction between the money appropriated for actual education and for research. The legislature is required to provide the essential tools for a higher education, not necessarily for research funding. The reach of the research craze goes even farther than the official budget would suggest. Faculty salary increases, which would account for about 60 to 70 percent of N.C. State's proposed \$400 tuition increase, are generally used to attract professors who will bring recognition to the university among academe for research — not necessarily those renowned for teaching.

In the end, the argument that gives students seeking lower tuition a credible leg to stand on. Relative to other states, North Carolina universities have some of the lowest tuition rates in the country while they maintain institutional prestige. If students are worried about being priced out of their higher education experience, they'd better start asking why that's happening rather than demanding someone else to pay for the increase. *CJ*

Bats in the Belltower

UNC-CH-CH-CHIA? University Mulls Growing Vegetation on Rooftops

Green roofs" may become part of the University of North Carolina at Chapel Hill's "Environmental Master Plan" — something *Carolina Journal* hastens to point out is not the outcropping of a James Bondian supervillain in Chapel Hill, but just a way for the university to deal with new regulations for stormwater runoff passed by the town of Chapel Hill.

The idea is to grow grass, shrubbery, and other plants on campus rooftops. Really, it is.

In January, university officials met with environmental engineer Tom Cahill of Cahill Associates and Charlie Miller of Roofscapes to discuss construction methods and environmental benefits of green roofs. According to *The Daily Tar Heel* Jan. 18, the university is planning to put green roofs on Carrington Hall, the new Visitor Education Center at the Botanical Gardens, and the future Ramshead parking lot.

UNC-CH architect Diane Gillis, of facilities planning and construction, told the *DTH* that despite the new regulations, the university was originally interested in green roofs because of aesthetics.

Upon reading in the *DTH* that "Roofs on campus could soon become vegetated landscapes filled with flowering shrubs and diverse plant life," UNC-CH senior Rheta Burton said, "Great, now we have to worry about diversity in plant life."

Thanks for the publicity, Ben

No doubt, members of the UNC Board of Governors were proud to learn that the Jan. 28 issue of *National Review* magazine featured a quotation from Chairman Ben Ruffin in its "For the Record" section.

"I love America. I detest what happened in New York and Washington," Ruffin is quoted as saying. "But if you've been up on the wall with black folks, you've already seen terrorism."

"Homeless awareness" — with movies, games, & sleeping bags

Students at UNC-CH kicked off "Hunger and Homelessness Awareness Week" by holding a "sleep-in" in the Pit in early February. The event was sponsored by the student group Campus Y, whose ads for the homelessness awareness project read:

"Please come join us in the pit to raise awareness about homelessness. We'll have lots of activities: movies, music, games and breakfast in the morning. Please wear warm clothes and bring a sleeping bag!"

The students' comfy homelessness experience was reminiscent of a similar event held at N.C. State in 1996. That event was rudely interrupted by a couple of people who had actually been homeless.

"Take your damn sleeping bags. This ain't homeless," one of them told the students.

Telling them he once was homeless but now works as an outreach case worker for homeless students, the man said. "Did you take a shower today? Then this ain't homeless."

At least it's not D-Day

Feb. 14 was Valentine's Day — unless you were on one of a number of college campuses in North Carolina. Then you may have heard it was "V-Day," that cute moniker that man-despising, narcissistic feminists have tried to paste on the holiday. "V-Day" stands for Violence-against-women Day, where one can mull all the horrible things men have done to women, or Vagina Day, where one can freely express one's fascination with female genitalia.

N.C. schools featuring "celebrations" of "V-Day" (either on Valentine's Day or, seriously, later) include: Appalachian State University, Davidson College, Duke University, East Carolina University, Elon University, Guilford College, Meredith College, N.C. State University, Salem College, UNC-Asheville, UNC-Chapel Hill, UNC-Charlotte, and Wake Forest University. The key activity for "V-Day" is a performance of "The Vagina Monologues," where individual speakers tell stories of women from their vaginas' perspectives. This is considered one of the most powerful performances in the world. The previous sentence is not hyperbole.

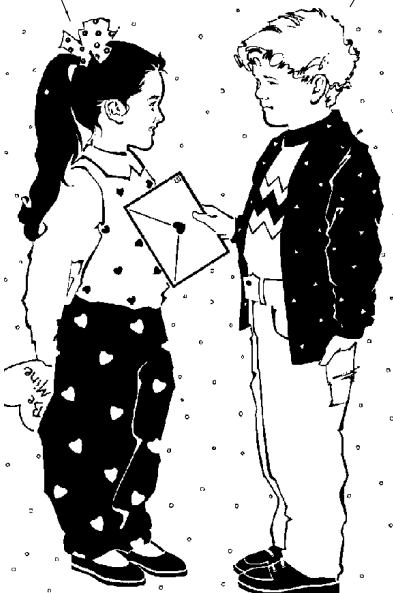
Incidentally, Eve Ensler, creator of the monologues, has expanded her campaign, formerly known as "Spotlight on Afghan Women." That campaign was inspired by her "optional" monologue, entitled "Under the Burqa," which "is for the brave, tender, fierce women of Afghanistan. That we may all rise up to save them."

Now that we have, and now that *USA Today* of Jan. 21 has reported "In a dramatic reversal of Taliban policy, Afghanistan's new government is strongly encouraging female workers at national ministries not to wear the head-to-toe covering known as the burqa on the job," Ensler has refocused and renamed the campaign. It's now "Afghanistan is Everywhere." *CJ*

Will you be my Valentine?

No! You, you future oppressor, you! I know all you want is to slap a burqa on me.

I just wanted a box of chocolates. You're nuts.



Poll of College Students Shows How Sept. 11 Affected Them

By JON SANDERS
Assistant Editor

RALEIGH About two out of three college students have changed their behavior as a result of the terrorist attacks of Sept. 11, according to a poll released this week by the Independent Women's Forum. Ninety-six percent of students polled report that the attacks had an impact on their lives.

The poll, conducted for the IWF by the Tarrance Group, was conducted through telephone interviews with 600 college students 18 to 25 years old. It has a confidence interval of plus or minus 4.1 percent.

Among the changes in behavior noted by the poll, the greatest by far was that students reported praying more; 32 percent of students said their praying had increased since Sept. 11. Other activities seeing large increases were volunteering, 24 percent, and studying, 22 percent. The poll also found students reported decreases in such activities as partying, 13 percent reported a decrease; drinking, 7 percent; and smoking, 7 percent.

The top three most powerful emotions felt after Sept. 11 reported by students polled were "compassion for the victims," receiving a mean rating of 8.4 on a 10-point scale; "gratitude for your blessings," 7.6, and "determination to protect our country," 6.2.

The most important values reported by the students polled were "personal responsibility" and "family" — 94 percent labeled these values either "extremely important"

or "very important." By way of comparison, "patriotism" was considered extremely or very important by 63 percent of students; "volunteering in the community," by 58 percent; and "religion," by 50 percent.

"We looked beyond the obvious questions of how America's college students feel about the war on terrorism and asked how terrorism has directly affected their lives," said IWF President Nancy M. Pfothenauer. "What we found is a generation of young people who, forced to grow up by the events of Sept. 11, have done just that."

The poll also found that college student voters were much more likely to identify themselves as politically liberal than the rest of the U.S. electorate. While 33 percent of the U.S. electorate considers themselves liberal, 55 percent of college students do. Also, 61 percent of the U.S. electorate considers themselves conservatives, compared with 39 percent of college students.

The latter results make the poll's findings concerning college students' opinions of President Bush more surprising. Seventy-five percent of students polled approved of the job Bush is doing as president (41 percent "strongly approve"), and 70 percent approved of Bush as a person (34 percent strongly approve). Sixty-four percent approved of Bush on both measures.

Sixty-five percent said they are glad Bush is president in light of Sept. 11, and only 18 percent said they wish Gore was president.

The poll is available on the IWF's web site, www.iwf.org. *CJ*

Inspired by Sept. 11, College Courses Are Dismissed as 'Psychobabble'

By JON SANDERS
Assistant Editor

RALEIGH New courses inspired by the terrorist attacks of Sept. 11 have been developed on college campuses nationwide. Most deal matter-of-factly with the issues, but some have come under criticism for being "gadfly courses" and "politically correct pseudo-courses."

Ironically, initial criticism of the courses came in the *Sunday Times of London* by writer Bryan Appleyard, who cast a distinctly British critical eye on them. Some of the courses he cited were from the University of California at Los Angeles, given such names as "Navigating Between Blithesome Optimism and Cultural Despair," "Women's Participation in Political Violence," and "Zen-like Understanding the Unthinkable and the Incomprehensible."

"What Americans do best is domesticate things," Appleyard wrote. "That is what is happening here. An unprecedented assault on mainland America is being turned into sentimental psychobabble, an occasion for nationwide counseling or politically correct pseudo-courses. Daft as these things are, they are like tea and crumpets to the Americans — they exude the cosy glow of home."

Other UCLA courses get singled out in *The New York Times* by reporter Tom Kuntz. (A possible reason that UCLA became the lightning rod for such criticism is that the university developed 49 new courses specifically to address "the innumerable issues arising out of the events of Sept. 11). Among the ones cited by Kuntz were: "What the U.S. Should Do to Be Popular in the Third

World," which looks at "The persistently negative reaction of the Latin American left wing against U.S. trade policies; the 20th-century condemnations of the U.S. by essentially all communist countries; the Ugly American in Southeast Asia; the demonstrations against our W.T.O. [World Trade Organization] meetings; and the growing Arab hatred of the U.S.;" "Terrorism and the Politics of Knowledge," which examines America's "record of imperialistic adventurism" and asks, among other things, "Should the continuing sanctions against Iraq also be considered a form of terrorism?"; and "Terror & Society in Berfman's Films," in which "questions will be asked about the origins of terror in Society and, in particular, within male/female relationships."

Kelly Beaucar Vlahos of Fox News has also written about the new courses. "Many of these gadfly courses share a common theme: That America is largely responsible for the attacks, not Islamic extremists," Vlahos wrote.

Vlahos also wrote about a course taught at California State University at Hayward by Roxanne Dunbar-Ortiz, whom Vlahos said is "a former activist with such homegrown terror groups as Students for a Democratic Society and the Weather Underground." Dunbar-Ortiz's course is entitled "Terrorism and Sexuality."

Designed to cover "the feminist perspective of 9/11 and its aftermath," "Terrorism and Sexuality" discusses war as eroticism for the "patriarchs." Dunbar-Ortiz "makes no attempt to hide her contempt for the current wave of patriotism, which she equates with terrorism." *CJ*

Elected Official Asked to Step Down from Board

UNC-Wilmington Trustee Under Fire for Accusing Police of Racism

By JON SANDERS

Assistant Editor

RALEIGH
A trustee at the University of North Carolina at Wilmington is at the center of a storm of controversy in Wilmington after accusing the Wilmington Police Department of harassing her family and beating black people.

The comments from the trustee, Katherine Bell Moore, were particularly roiling because Moore is the city's mayor pro tem.

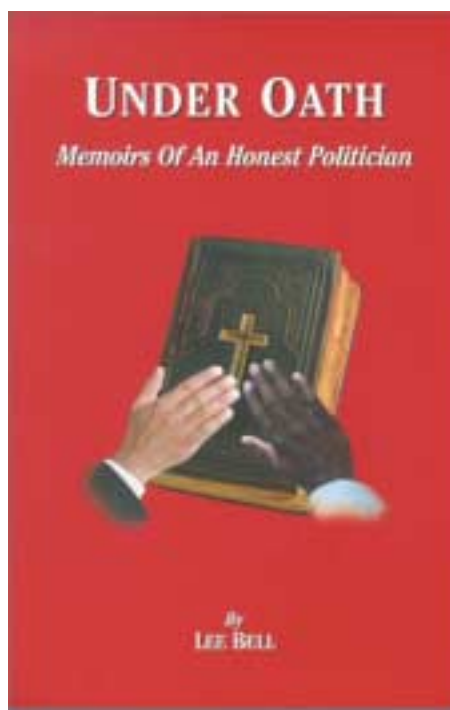
Two former mayors of Wilmington, Don Betz and Hamilton Hicks, have called on Moore to resign from the city council, as have other council members. Joining in the chorus is an organization called Citizens for Responsible Leadership, which has also asked for her removal from the UNCW Board of Trustees.

Others, including Councilwoman Sandra Spaulding Hughes and Mayor Harper Peterson, have supported Moore remaining on the council. The local chapter of the NAACP has also issued support for Moore.

On Jan. 18 policeman Josh Miller issued Moore's daughter a ticket for driving in reverse on a one-way street. Moore berated Miller for issuing the ticket, charging that police were harassing her family and also alleging that police beat blacks.

Moore's tirade was recorded by a videotape in Miller's car.

After learning of Moore's outburst, the



Cover of 1999 book by Katherine Bell Moore

Wilmington City Council voted Jan. 25 to censure her. Councilwoman Laura Padgett said Moore had "used her position to frighten the police." Peterson said, "As long as I am mayor, there will be no discussion challenging our support" of the Wilmington Police Department.

In a press conference before she was censured, Moore apologized for her actions,

saying she was ill that day and had called her daughter to bring her medicine, but that "there was no justification for my outburst."

Moore also took out ads in the Wilmington *Morning Star* newspaper to apologize.

Previous Incident Cited

The outburst Jan. 18 was not the first time Moore had launched accusations against the police, however. In June, Moore's daughter was ticketed for parking in a fire zone in front of a store, and a witness said Moore called the officer "poor white trash." Moore denies she said that.

In March 1998, Moore was cited for driving 57 mph in a 45-mph zone by patrolman J. K. Nedley. The stop was also caught on video. According to a transcript published by the *Morning Star*, Moore questioned the officer's account of the details of the stop, and after failing to change the officer's mind about the traffic incident, she told him "the gloves are off."

"I'm tired of being harassed by y'all," Moore told Nedley. "I'm getting sick and damn tired of it. You harass every black person in this town, and more importantly, you harass all the black elected officials."

"Are you saying that I'm racist, ma'am?" Nedley asked.

"Yes, sir," Moore replied.

Moore also charged that the police "continue to stop me" and that she has "a record where they were sitting in my yard with the blue light running" and that they "come to her house all the time."

During her censure, Moore was challenged by Padgett to produce evidence to back up her allegations of harassment by police or to resign. Those allegations include some made in her book, *Under Oath: Memoirs of an Honest Politician*, which Moore published in 1999 under the name Lee Bell.

In *Under Oath*, Moore says she was harassed by "not only local depart-

ments in Pittsburgh, Myrtle Beach, Durham, New York City, Los Angeles, and Cambridge, Mass.; but also by state patrolmen in North Carolina and other states, especially Mass." Some of the chapters in the book are titled "Harassment," "Threats," and "Betrayal."

At the conclusion, she offers a \$5,000 reward "for information leading to the arrest and conviction of the person or persons responsible for the illegal wiretapping and bugging of my telephone and home, and the harassment and stalking of my family and me. Call 1-800-548-0567." *ci*

"Are you saying that I'm racist, ma'am?" the police officer asked.

"Yes, sir," the city's mayor pro tem replied.

UNC-CH Drops Plans to Establish Business Campus in Qatar

By JON SANDERS

Assistant Editor

RALEIGH
Officials at the University of North Carolina at Chapel Hill announced in early February that the university will not establish a campus of the UNC-CH Kenan-Flagler Business School in Qatar.

The university had been negotiating with the Qatar Foundation for Education, Science and Community Development for more than a year. The proposed business school would have been placed in an "education city" within the capital of Qatar, Doha.

The proposed "UNC-CH-Q" would have awarded the bachelor of science in business administration degree, and it would have initially enrolled about 25 Qatari students who are expected to go to work in the oil and petroleum business.

"I regret that we were unable to reach an agreement," UNC-CH Chancellor James Moeser said.

"Both the university and the foundation held to a very high standard of academic excellence for the envisioned program. But at the end of the day Tuesday, we concluded that the distance between our two positions was beyond the ability to negotiate any further."

Fiscal dispute key

Disagreements over finances spelled the end of the negotiations. One of the selling points of the project for UNC-CH was that the Qatar Foundation would bear all operating costs for the campus. In December the university proposed a budget of \$28

million for UNC-CH-Q. According to *The Daily Tar Heel*, Moeser had requested \$35 million from the Qatar Foundation, but the foundation's offer was \$10 million.

Another sticking point was how much UNC-CH faculty teaching in Qatar would be compensated. Moeser wanted the foundation to fund a 40 percent salary bonus for UNC-CH professors teaching in Qatar.

Security was also a concern. The university's December budget increased the allotment to address safety concerns.

Professors concerned about safety

Doubts over security was one of the main focal points of criticism for the Qatar proposal.

Glaxo Distinguished International Professor of Management Dennis Rondinelli, one of the proposal's most outspoken campus critics, cited the potential for danger for American professors, reports of human rights abuses, and other problems in Qatar, as reasons the university should reconsider the proposal.

Despite feeling "great sadness" over the failure of the negotiations, Moeser said he was "very optimistic about the prospects for making substantial progress toward our goal of expanding and improving an already impressive array of international programs and initiatives."

"This experience with the Qatar proposal has solidified in my own thinking about how having a viable international presence is among the defining characteristics of the great universities in the 21st century," Moeser said.

"We intend for Carolina to be among those universities." *ci*

**A New Web Site Providing a State Perspective on 9/11 and the Current International Crisis From the John Locke Foundation**

Recent Articles and Columns Spotlighted on NCAatWar.com Include:

- Military historian Victor Davis Hanson argues that the Western way of war — and Western notions of freedom and civilization — are proving their worth.
- Moderate Muslim clerics preach peace in Durham and Greensboro while a former Black Panther leader calls First Lady Laura Bush a murderer at Duke.
- North Carolina's economy, hurt further by wartime deployments, awaits help from Washington, where disagreements about tax cuts block a stimulus bill.
- Dr. Andrew Taylor, NCSU Political Scientist, on the likely impact of the war on North Carolina politics and the U.S. Senate race.
- As U.S. Marines from Camp Lejeune participate in military action near Kandahar, Seymour Johnson airmen prepare for deployment to the Mideast.
- Gov. William Yarborough, former head of Special Warfare Center at Ft. Bragg, distinguishes terrorism from legitimate armed resistance.
- Locke Foundation President John Hood argues that North Carolina short-lived anti-war movement unknowingly exposed its own fallacies.

For the latest news, analysis, and commentary on the war on terrorism, visit what National Review once named its "Cool Web Site of the Day" located at www.NorthCarolinaAtWar.com — or www.NCAatWar.com.

Town and Country

• The "By the Numbers 2002" report was released in February. Using last year's report, Charlotte's Tax Limitation Caucus, headed by Don Reid and Thomas Ashcraft, determined that the burden in the Queen City was too high.

The caucus said the rejection of the arena proposal June 5 was due in part to high taxes in the area. Even though arena supporters spent more than \$700,000 on the campaign, they were defeated soundly at the ballot box. By contrast, arena opponents spent \$25,000.

Ashcraft and Reid note that the Charlotte has never conducted a study of annual revenues adjusted for inflation on a per-capita basis.

Ashcraft and Reid wonder why such a study by the city has never been done.

This is why the Center for Local Innovation's "By the Numbers" report exists: to give citizens information they can use to individually evaluate their governments. It makes no claims as to the relative happiness or unhappiness of taxpayers in a city or county. Cities and counties have not conducted such internal studies.

Reid and Ashcraft used last year's "By the Numbers" Report and did further research to come to grips with Charlotte city government. They found that over a six-year period, gross local revenues to Charlotte grew by 75.6 percent.

Even when adjusting for inflation and other factors such as population growth, the Tax Limitation Caucus, using "By the Numbers", found out why Charlotte is consistently North Carolina's most burdensome city in which to live.

• More annexation: Fayetteville is grappling with annexation. It seems that a majority of the citizens in an area outside the city do not want to be annexed.

The opposition was so overwhelming that only two people from the areas proposed for annexation spoke in favor of it at a recent council meeting.

The city wants to forcibly annex about 7,300 residents and add them to the city tax base

Residents opposed to the annexation said they moved out of the city by choice to escape the takeover. They said they do not want the higher taxes that come with annexation. Nor do they want to be forced to hook up to city services such as water and sewer.

Jeff Light, a resident in the proposed annex area, said that forced annexation is "neighborhood cannibalism" and that the city is annexing out of greed.

Other opponents said they feel "betrayed" because they do not have a vote in the matter. Others do not see a real benefit with city services they will receive because, as county residents, they like the fact that they provide services for themselves.

One county resident said he takes the trash to the landfill himself and does not see a benefit from having the city provide trash pickup.

Another resident said, "The city council appears to have a mob mentality" because the council wants to proceed with annexation despite overwhelming opposition. *CI*

Citizen Activists Sounds Off in Wake

Discussion focuses on satellite polling places and school system budgeting

By ERIK ROOT
Assistant Editor

RALEIGH

The statewide group North Carolina Citizens for a Sound Economy sponsored an event on Wake County issues at the McKimmon Center at North Carolina State University campus last month.

The event featured an update on roving voting stations by Rob Mosley and an update on the state of Wake County by Commissioners Kenn Gardner, Michael Weeks, and Herb Council.

Fair voting in Wake County?

A concerned citizen, Rob Mosley, was the first to update the audience on Wake County's satellite polling places.

Satellite polling places, which are mobile, are placed throughout the county and augment normal polling places in communities. Regional voting sites are satellite voting offices, which are chosen by the board of elections on the recommendation of a committee.

"Like redistricting... the Democrat Party uses the process to unfairly influence the voting process," Mosley said.

What is the process in choosing the sites? "There really is no real process," he said.

Mosley took a serious look at the satellite polling places and went before the committee to report on his research.

Mosley turned to Mecklenburg County to see how its satellites were located. According to Mosley, Mecklenburg's plan was logical and provided broad representation around the county and city.

Mecklenburg officials placed satellite polling places where there were regional libraries. This decreased costs significantly, since there are regulations that require electronic access.

It made sense to Mosley that officials look for similar libraries in Wake County because libraries are already wired, which cuts costs to government.

Based on the supposed goal of satellite polling places to attract as many voters as possible, Mosley constructed countywide maps to demonstrate his plan. Like Mecklenburg, Wake had several regional libraries that could be used. However, he met opposition.

Apparently, he said, some politically active citizens wanted a special site for Southeast Raleigh, a predominantly black section of town. The site they wanted was close to the mandated downtown polling place at the State Board of Elections.

Local Democrats were explicit, however, according to press reports. The party supported the Southeast Raleigh site because it would garner more votes for Democrats.

But Mosley asserted to the committee that polling places are supposed to provide fair access to the most people. Mosley's plan actually covers more precincts and reaches more Democrats for less money.

"I guess my plan just didn't reach the right kind of Democrats. There are Democrats and then there are Democrats, I guess," Mosley said.

The bulk of the CSE program featured a presentation by the Wake County commissioners. "We appreciate the three county



Local activist Rob Mosley discusses satellite voting. Photo courtesy of CSE-North Carolina.

commissioners, Michael Weeks, Herb Council, and Kenn Gardner and their efforts to pursue the goal of more efficiency in county government and to work for the hard-working taxpayers of Wake County," N.C. CSE Director Jonathan Hill said.

Optimism on schools

Commissioner Kenn Gardner said at the meeting that he thought the sometimes-strained relationship between the Wake County Board of Education and the commissioners was clearly improving.

One way the system is saving money is by repeatedly using prototype designs for new school construction. "As we use them over and over, costs come down... contractors become more familiar and bugs are worked out," Gardner said.

If there is a troubling area for schools, it would be in their fleet operations, he added. The school system has 234 cars. The question the commissioners have raised is at what level do educators stop getting cars?

Not only do school system directors have cars, so do their project managers. The commissioners think that if the schools have to pay for the vehicles themselves, then they will be more efficient and won't need as many cars.

Gardner's expertise in building has served him well. He told the school board that they were overestimating their projects by about \$900,000. They claimed they were not. "But the truth came out a few weeks ago," Gardner said.

Holly Ridge was one of the projects that he noted earlier had come in under budget. Board members were actually \$1.7 million under budget, Gardner said. Even though

such expertise has served the county well through Gardner's experience, "I don't want to take money away from construction needs of the county," Gardner said.

All the commissioners believe that schools could better use money for projects such as removing asbestos. Commissioner Michael Weeks said he was convinced the schools could do a better job than when Willow Springs School renovated a gym but tore it down three years later to build a new one.

The renovation basically wasted money, he told the audience.

Tax hike unlikely

Commissioner Herb Council believes there won't be a tax increase to offset the shortfall.

Concerning the way commissioners have conducted their budgets, he said, "I hope and pray we don't get to that point. The easiest thing we do is give money to people; the hardest is to say no, and we have said no this year."

Ultimately, "we are trying to impress on the school board that we are paying attention to some things in their budget. There's never enough money, and there will never be enough money," Council said.

He said the county's zero-based budgeting process is best. Many government entities start with what they have gotten in the past and increase it, and that is not the right way to budget, he said.

"It was good to see that the commissioners committed to a financially responsible budget. Hopefully their efforts will prevail in making the school district more accountable for the money it spends," said one person in attendance.

The next N.C. CSE event on local government will feature Raleigh Mayor Charles Meeker. *CI*



Wake Commissioner Kenn Gardner at CSE.

*Regulations raise housing costs***Reason Institute Director Discusses Growth**By **ERIK ROOT**
Assistant Editor

The Real Estate and Building Industry Coalition sponsored an Issues Forum recently in Charlotte. Sam Staley, director of the Urban Futures Program at the Reason Public Policy Institute, spoke on issues surrounding development and so-called "Smart Growth."

Staley began his presentation asking why a house in one place may cost little, compared to a house at another location. "Why would a house in Cleveland, Ohio, cost about \$50,000, and a similar house in Los Angeles, California cost \$600,000? I find that intriguing," Staley said.

He admitted that there are many factors that determine different prices in different areas, such as living near the beach, in a place where there is almost always pleasant weather. Staley said, of course, that location is a part of it. Density is a part of it, too. But Staley noted that today, among some government officials and professional planners, single-family homes in suburbs are considered bad living, while "dense apartment living is now considered a good thing to the Smart Growth crowd."

However, frequently there is a disconnection between what the Smart-Growth advocates say they want and what they do. "The actual densities that are approved by people like me [planners], and by city councils are 55 percent lower than the densities necessary if they are going to achieve their goals," Staley said.

In places like Ventura County, where planners must follow a comprehensive plan, the county will run out of land in 2003. The consequences are so far into the future in some other areas that nobody pays any attention to them, he said. In Ventura, planners are counting on other counties to absorb growth that it would normally receive.

What is Smart Growth?

This is not smart planning or smart growth, Staley said. The "bottom line is that it is not a very rational way to plan for population growth," Staley said. "The truth is nobody really knows what Smart Growth is," Staley said.

According to Staley, there is general agreement on only a few issues, such as transit and air quality. However, there is general agreement that sprawl reduces congestion.

Staley himself does not live on a cul-de-sac and does not really like them, but he admits he is unwilling to jettison the choice that people ought to have in choosing them. Planners ought to be neutral in such things, he said. The key is to preserve choice.

"Once you go down the road of prescription and say this is the urban form that is the optimal form... then you run into trouble and you get a mismatch between what people want and what people can get. And that is what creates a disfunction in the real-estate market. And that has also contributed to higher housing prices" Staley said.

He referred to Portland, Ore. as a good example. If planners start putting people into townhouses when they really want a single-family home with a yard, then they've create pent-up demand, he said. So, if a house becomes available, its price skyrockets because there are so few homes available.

There are consequences to what planners do, concluded Thoreau Institute President Randall O'Toole.

The REBIC Issues Forum also provided for consump-



Sam Staley explains how regulations impact housing costs at a recent appearance in Charlotte.

tion of several reports on growth. According to studies completed by Dr. John Connaughton and Dr. Ronald Madsen of the University of North Carolina-Charlotte, growth does pay for itself. Their studies are organized by county, so they include county-specific numbers in their studies. The counties included in the report were Mecklenburg, Gaston, Union, and Cabarrus.

The methodologies of studies are similar in that they focus on two residential construction projects in each county. The reports state that "the first project involves the construction, sale, and subsequent occupancy of 100 single family homes.

The second project involves the construction, sale, and occupancy of a 100-unit multifamily development." The professors note that the focus on the 100-unit projects provide for ease of adjusting estimates "to fit newly announced or proposed residential developments in the county."

According to the executive summaries of all the studies, in the construction phase and the ongoing occupancy phase, the amount of government revenue generated by each far outpaces the incurred public costs. For example, in Gaston County, the increase in total local tax revenue generated in the construction phase was about \$700,000, while the total local public sector costs amounted to about \$135,000. Both figures fall under the 100 single-family home category.

The authors have similar findings in the 100 new multifamily units. In Union County, for example, the construction phase provides an increase in local tax revenue of about \$393,000, but only an increase in local public sector costs of \$54,000. The same trend continues into the occupancy phase of the building. According to Connaughton and Madsen, "during the ongoing occupancy phase, single family homes provide a net revenue stream for county and local government." The full reports may be downloaded from the REBIC website at <http://www.rebic.com>.

REBIC also made available the North Carolina State Commission on Smart Growth, Growth Management and Development, which included little representation from critics of Smart Growth itself. Compiled by two legislators from the Chapel Hill area, Sen. Howard Lee and Rep. Joe Hackney, the report notes that if the state ignores growth, it will be "at our own peril." At the forum, members of REBIC promised they would release a more representative report soon. **CR**



A house in Ventura County, Calif. (above) costs much more than a similar house in Ohio.

**Like Smart Growth?
Check Out Portland**

The "Smart-Growth" urban planning fad that is sweeping the nation has taken root in North Carolina. Its supporters promise reduced congestion and air pollution, more affordable housing, and more urban open space.

The reality turns out to be exactly the opposite. Smart Growth's prescriptions of high-density housing combined with few highways greatly increase congestion. This dirties the air because cars pollute more in stop-and-go traffic. Smart Growth creates plenty of affordable housing if residents want to live in apartments, but it prices most families out of owning their own homes. Urban open space rapidly disappears under Smart-Growth demands for infill development.

All of these trends are visible in Portland, Ore., which has adopted the strongest Smart-Growth plan in the nation. Planners promised to save Portland from becoming like Los Angeles, the most congested, most polluted, and one of the least affordable urban areas in the country. So Metro, a planning agency, was created.

Metro planners drew an urban-growth boundary around the region that included Portland. Most land outside the boundary was downzoned so that landowners can't build a house on their own land unless they own at least 160 acres and, if it is farmland, earn \$80,000 a year farming it. Metro estimated that the region's population would grow by 80 percent over the next 50 years. To accommodate the population, Metro ordered localities inside the boundary to upzone existing neighborhoods to much higher densities.

Portland built a light-rail line that carries fewer than half as many people as originally projected and does nothing to relieve congestion. The system cost as much per mile as an eight-lane freeway, yet carries fewer people than one-third of a freeway lane. Yet Metro wants to build another 85 miles of rail transit. To promote transit, Metro directed that dozens of high-density developments be built. Since developers knew that there was little demand for high-density housing, Metro had to offer millions in subsidies.

What is the effect of all these policies? In 1990, 92 percent of all travel in the Portland area was by auto, while only 2.5 percent was by transit and 5 percent was by walking and bicycling. Metro predicts that its policies will double transit's share and slightly increase walking and cycling. But that still leaves 88 percent of all travel by automobile. With an 80 percent population increase and few new roads, Metro predicts that the amount of time people waste sitting in traffic will quadruple. That's OK, Metro said, because congestion is a sign of "positive urban development."

Metro's plans are also destroying the urban open spaces it promised to protect. In 1994, Metro reviewed U.S. urban areas to see which one had a high density with few roads and lots of rail transit. It turned out that the highest density urban area in America also has the fewest miles of freeway per capita and is building one of the most expensive rail transit networks. What urban area is that? Believe it or not, it is Los Angeles, which turns out to be the epitome of Smart Growth. Metro concluded Los Angeles "displays an investment pattern we desire to replicate."

If you want to replicate Los Angeles in Raleigh, Charlotte, Winston-Salem, or Asheville, then follow Portland's example. If your idea of livability is something other than congestion, pollution, unaffordable housing, and disappearing open space, however, then you should avoid Smart Growth like the plague. **CR**

Randall O'Toole (rot@ti.org) is senior economist with the Thoreau Institute (www.ti.org) and author of *The Vanishing Automobile and Other Urban Myths*.



Randall O'Toole

Local Innovation Bulletin Board

Tax Hikes Prolong Recession

The following column, revised from a Public Policy Institute (New York) article, can be applied to North Carolina, given Gov. Mike Easley's proposals to balance the budget and withhold \$209 million from localities:

Projected shortfalls in state tax revenues produced by a recession are already producing calls for higher taxes to boost state revenues. But that strategy will backfire, if experience in the last major recession can be used as a guide.

New York's experience

Higher state taxes enacted during the early 1990s to boost revenues drove jobs out of states such as New York and drove revenues down. The same type of analysis applies to all states.

Much of this data is revealed in "It Didn't Work The Last Time," a report released by The Public Policy Institute, the research affiliate of The Business Council.

The full report is available in PDF format at www.bcny.org/ppi/reports/ddnetwork.pdf.

During both the recession of the early 1990s and the recovery that began in 1994, taxes and revenues were shown to be inversely related: Just as tax increases in the recession suppressed revenues, tax cuts begun in 1994 fostered economic growth, which produced dramatic increases in state revenues.

For example, New York lost 51,000 private-sector jobs in the 12-month period ending in October 2001, with a noticeable yearlong decline in manufacturing and other sectors compounded by the attacks of Sept. 11.

North Carolina has also lost several thousand manufacturing jobs over the years.

The economic downturns produced a significant shortfall in state tax revenues. Although

states such as New York are projecting a \$1 billion surplus in the current fiscal year, significant revenue shortfalls are predicted for the next fiscal year, and New York Gov. George Pataki has announced a refinancing of state debt, a partial hiring freeze, and other cost-cutting steps.

According to the study: "Some voices are already calling for new taxes or the deferral of tax reductions that are scheduled to occur in 2002. But that would only make our fundamental problem — the weakness in the economy — even worse."

How higher taxes backfired

In 1987, Gov. Mario Cuomo and the state legislature enacted a multiyear tax cut as part of a long-term effort to make New York's tax code more competitive with that of other states.

But after a faltering economy weakened tax collections in 1989, "It Didn't Work The Last Time" noted, lawmakers deferred some planned tax cuts and enacted some new tax increases, includ-

ing a 15 percent business surcharge.

This misstep had serious consequences. Most notably, businesses relocated from the Northeast to Southeastern states. The fear is that many states in the Southeast did not learn from the lessons learned in the Northeast.

According to the report, eventually "What had begun as a relatively mild downturn turned into the worst employment disaster since the Great Depression — nearly 275,000 private-sector jobs eliminated in 1991, and another 80,000 the following year."

Moreover, for New York in particular, "the Empire State continued to lose valuable jobs more than a year after most other states were on the rebound; companies investing in the recovery simply put more of their growth in states that had not raised the cost of doing business during the recession."

This does not bode well for North Carolina, which was one of the few states that raised taxes in the recession. North Carolina will not rebound as quickly from the recession as those states that held the line.

Generally speaking, the 1990 tax increases intended to boost revenues actually produced a decline in revenues of \$130 million over the previous year's total on a cash basis.

Tax cuts help reverse recessions

The same economic policy that President Bush is pushing on the national level applies to the state level.

Beginning in 1994, New York reversed course. The scheduled phaseout of the corporate tax surcharge finally took place, and Pataki and state lawmakers began a historic seven-year run of tax cuts that totaled more than \$8 billion.

As a result of the tax cuts, businesses added hundreds of thousands of jobs. The state's job-growth rate caught up with the nation's and, in 1999 and 2000, passed it.

New opportunities blossomed for both highly paid individuals and entry-level workers, and poverty fell sharply, from 16.6 percent in 1996 to 13.8 percent in 2000.

The lower tax rates were producing higher state revenues — a reversal of the high-tax, reduced-revenue experience of the early 1990s, the paper said.

The economic growth that comes partly by lowering taxes produces ever-greater revenue for important state services. "The main threat to a brighter future for working New Yorkers is the prospect that we could repeat the mistakes made in an earlier era," the report said.

"Deferring tax cuts and raising taxes didn't help the last time," the report said. Why would they this time?"

More information on the study, contact The Public Policy Institute, 152 Washington Ave., Albany, NY 12210, www.ppiny.org.

Harnett Commissioner Discusses Politics, Economic Development

By ERIK ROOT

Associate Editor

RALEIGH

CJ: What is your background?

Teddy Byrd: I was born and raised in Harnett County. I have lived in Harnett County all my life. I married a woman named Shelia, and we have been a couple since about the second grade.

I am a graduate of Coats High School back when schools were K-12. From there I went on to graduate from Campbell University with a degree in social science.

I really thought I was going to be in the military all my life. My father was in the military and I had an uncle in the military too. So, I thought I would follow in their footsteps. While at Campbell I was in ROTC.

The Lord has blessed my life. I was fortunate enough to be 82nd Airborne at Fort Bragg after college. This allowed me to stay in Harnett County. I really never left home, or had to move my family, during my tenure in the military. I am very fortunate to have been stationed at Fort Bragg. I was a platoon leader in the airborne infantry. That taught me how to deal with stressful situations and taught me how to better deal with people. I am still an Army Reservist today. I am a major currently and I am just a couple of years shy of lieutenant colonel.

CJ: What about your political background?

Byrd: I ran for my first political office in 1992. I went to some commissioners meetings and was urged to run. I think that many were looking to infuse the party with younger people. Really, the Republicans were just trying to get a foothold in the state.

I would sit in those commissioner meetings and I watched what they did. I would ask myself what would I do or what would I say in given situations. I thought I was capable of being a good commissioner. So I put my name on the ballot and I ran for county commissioner at 29. I lost by 300 votes. It was a good thing because I spent the next four years growing my business. I opened up insurance offices in Angier and Erwin. My original office is in Coats.

In 1994 was a landslide year for Republicans and I did wish I would have been involved in that. But I ran for office again in 1996 and that time I won by 300 votes.

Now this was the time that Bill Clinton was up for re-election, and Bob Dole was not the strongest presidential candidate in the world. Bob Etheridge and Elaine Marshall carried Harnett County that year as well, but I was able to win my race. So, I thought that was quite an accomplishment.

CJ: Talk about the Harnett County Commission.

Byrd: We have a five-member board, and we all get along very well. For my first four years it was two Republicans and three Democrats. On a five-member board you just can't separate yourself by party. There's too much respect that we have for each other as well in Harnett County.

I guess it would be different if there were 100 people sitting on the commissioners. But when you've got five people and you're all looking at each other in the eye

on every issue certainly you cannot separate by party. What you have to do is use your ideals and core values and ask yourself what's best for the county. And you have to be able to count to three.

Really, our board works real well together and we have a lot of respect for each other.

In the year 2000 I was re-elected. In 1998 I ran for the Senate and that was a growing experience. In all honesty, it was probably too early for me to run for that position. I learned what it was like to run a bigger campaign and get out and raise money. I also learned to talk to people in four different counties and understand the issues affecting them.

In 2000, though, the commissioners changed to 3-2 Republican and I was elected chairman. I was really flattered that the people of Harnett County put all that faith and trust in me to re-elect me to the commissioners.

Republican or Democrat, I will do what I can to make sure I am doing what is best for Harnett County. I am now in my second year as chair.



Commissioner Teddy Byrd

CJ: You emphasize economic development.

Byrd: Yes. My big push as chairman is economic development. There are issues now that we are dealing with like everyone else in these economic times. Harnett County is centrally located. We are not far from Cumberland and Wake counties.

Over the last four years we lost 3,100 jobs. That's big for a county our size. The jobs lost were textiles and manufacturing industries. Many blame the loss on NAFTA or competition of the Asian market. Regardless of how it happened, it happened.

There are many people coming to our county as well and there are many services that government needs to provide. Unfunded mandates from the state government also does not help our situation. We don't want to raise taxes to compensate for these things. We would rather recruit businesses to grow our tax base.

You might ask, and it's a fair question, what sets us apart from other counties. We are centrally located. I think that makes us an attractive choice to businesses looking for a place. We have had to prepare our county to be shovel-ready industrial sites so businesses will have a ready area to move. We have also had to market ourselves better. Since we are in the middle of two big counties (Cumberland and Wake), we tend to be overlooked.

The thing about our industrial park development is that we are not going to buy land. We have a very effective method of public-private partnerships. I won't get into the specifics, but basically what we are doing is inviting property owners to be part of a corporation. You put your property into the corporation and the county will help with infrastructure.

For example, if you come to us with 200 acres, we will commit to getting the area water and sewer. As the lots sell, everybody gets their money back. We have already closed one of these deals.

Bottom line is industrial development is going to do a lot of things for Harnett County. It will keep us from being swallowed up by other counties and help us retain our identity. *cr*

From Cherokee to Currituck

More Election Results: Money Does Not Buy an Election

By ERIK ROOT
Assistant Editor

It has been reported in many academic books and journals that money does not buy elections. It appears academicians have been correct. *The News and Observer* of Raleigh has recently reported that the winner of the mayoral races in Raleigh and in Durham spent less than their opponents.

Both Raleigh Mayor Charles Meeker and Durham Mayor Bill Bell spent thousands of dollars less than their opponents. What's more, Meeker and Bell were challenging incumbents, hence lending more credibility to the argument that big money is not necessary to win elections.

The new mayors join many winning candidates in Asheville and Wilmington who were outspent by their opponents. In the case of Wilmington City Councilman Jason Thompson, not only was he a newcomer challenging longtime and established members of the community, but he had far less money than many of his competitors.

These facts do not bode well for the city of Cary, whose political leaders believe it takes money to win elections and have sought to use taxpayer funds to that end.

Schools told to live within means

Iredell County commissioners have told the school officials there to live within their means, according to the *Boone Report* of

Statesville. Even with the budget constraints, that did not stop the school board from giving acting Supt. Julia Williams a \$2,000 raise, all the while complaining that they did not have enough money for students.

The actions of the school board has prompted some commissioners to say the school is mismanaging funds. None of this has either been omitted or has undergone revision in the local news media, according to the *Report*.

Moore under siege

The antiproperty rights faction in Wilmington has been relentless after City Councilwoman Katherine Moore for comments she made to a police officer (for a full description, see page 12). The *News-Star* of Wilmington ran several cover stories of the Moore debacle widely quoting her opponents while omitting those of her supporters.

However, the same publication has not covered her detractors in the same manner when they have misspoke.

Council member Jim Quinn (who wants Moore recalled) said government is to be used to "club" citizens like the Good Neighbors of New Hanover County when they resist governmental actions like annexation. When given a chance to amend his state-

ments, Quinn said annexation was an arrow that shouldn't be taken from government's quiver.

Good Neighbors off to Virginia

The long and winding legal trail leads to Richmond, Va. for the Good Neighbors of New Hanover County. *CJ* has learned that the 4th Circuit Court of Appeals will hear oral arguments the last week in February.

According to some of the Good Neighbors, the 4th Circuit does not entertain formal oral arguments unless the court believes a case is of the utmost importance. Should the 4th Circuit find in favor of the Good Neighbors, the group will be headed back to local district court.

Candidates Charles Meeker and Bill Bell spent thousands of dollars less than their opponents.

Charlotte stings the public

The Charlotte Hornet's owners, George Shinn and Ray Wooldridge, and New Orleans have reportedly struck a deal that would move the team to Louisiana, according to the *Charlotte Observer*. The team has been losing the public relations campaign for some time. Not only did the public overwhelmingly reject money for a new stadium, attendance has been declining as well.

This did not stop the city council from trying to find some way to keep the team. This prompted many citizens to pack council chambers in protest. Most who showed up wanted to know whether the council understood the public when it spoke loudly on the matter only a few months earlier.

You can't drive my car

Confirming a plethora of data, a census sample reported in the *Herald-Sun* of Durham says people are unwilling to give up their vehicles for other modes of transportation. Public transportation supporters argue that the U.S. Census Bureau's "Census 2000 Supplementary Survey," demonstrates that the government needs to subsidize public transportation.

However, as Raleigh radio host Jerry Agar noted on WPTF, the Triangle Transportation Authority's own recently released numbers demonstrate that its system will remove only 1 percent of motorists off roads. With so few people wanting to ride the rails, why should taxpayers spend billions on a project nobody will use, asked Agar.

Waste not when privatizing

Roxboro has decided to privatize its waste collection services, according to the *Courier Times* of Roxboro. City officials are finding that privatizing services is saving them in capital expenditures and insurance costs.

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From the Liberty Library

• In his first two *Commanders* series books, Tom Clancy provided blends of history, biography, first-person narrative, and insight into the practice of leadership. His latest in the series, *Shadow Warriors: Inside the Special Forces*, promises more of the same from the best-selling novelist. In *Warriors* Clancy co-writes with Carl Stiner, only the second commander of SOCOM, the U.S. Special Operations Command, responsible for the readiness of all the Special Operations forces of the Army, Navy, and Air Force. Together, he and Clancy trace the transformation of the Special Forces from the small core of outsiders of the 1950s through the cauldron of Vietnam and to the rebirth of the Special Forces in the late 1980s and 1990s as the bearer of the largest, most mixed, and most complex set of missions in the U.S. military. See www.penguinputnam.com for more information.

• Steven Emerson, hailed as “the nation’s leading expert on Islamist terrorism,” has been working full-time since 1993 to track the spread of terrorist networks to U.S. shores. In 1995, not long after the release of his PBS documentary “Jihad in America,” he was informed by federal officials that a South African Islamic death squad had been dispatched after him, and told that he should leave his home immediately. Since then he has not maintained a home address, though he has continued to write and testify under his own name. His writings have now produced *American Jihad: The Terrorists Living Among Us*. In addition to research on Osama bin Laden’s al Qaeda network, Emerson explains the actions in the U.S. of Hamas and Hezbollah, which has been tied to cells in North Carolina and Michigan. Published by Simon & Schuster, learn more about Emerson’s book at www.simonsays.com.

• Andrew Peyton Thomas has written *Clarence Thomas: A Biography*, which explores the Supreme Court justice’s remarkable rise from a childhood of poverty in segregated Georgia to the nation’s highest court. In his attempt to understand what drives the elusive and sometimes enigmatic Thomas, the author located and conducted the first-ever interview with his father, as well as interviews with his mother, sister, and other relatives and friends. Published by Encounter Books, whose web site www.encounterbooks.com provides more details about Thomas’ book.

• Encounter Books has also published Norman Podhoretz’s *My Love Affair with America: The Cautionary Tale of a Cheerful Conservative*, a memoir that recreates his experience growing up in a Jewish immigrant family in a working-class neighborhood of Brooklyn during the Depression. Podhoretz uses his own experience to launch a strong defense of America and American values at a time when he fears that his fellow conservatives are in danger of following the path of the New Left into contempt for their native land. Making the personal political, the gratitude Podhoretz feels for the United States is a challenge to the political Right as well as the Left. *CR*

Book Review

Diagnosing the Truth about Medicare’s Future

• Sue A. Blevins, *Medicare’s Midlife Crisis*, Washington, D.C.: The Cato Institute, 2001, 136 pages.

By JOHN HOOD
Publisher

Okay, so this multi-billion-dollar enterprise is on the verge of going belly-up. Despite recent assurances from the executives in charge that its assets exceeded its liabilities — indeed, the debate has been about what to do with the surplus in the coming years — it now comes out that these rosy scenarios were based on faulty projections and fraudulent accounting.

In fact, it comes to light that the enterprise has had a long history of manufacturing budget numbers and purposefully misleading the public. But through political manipulation and careful marketing, it headed off criticism and corrective action until its status as a house of cards was too obvious to obscure.

This financial miscreant is the Medicare program, founded in 1965. And as described in a new book by Sue Blevins, a registered nurse and the founder of the Institute for Health Freedom, Medicare got its start with generous use of hype and fraud, and never got out of the prevarication habit.

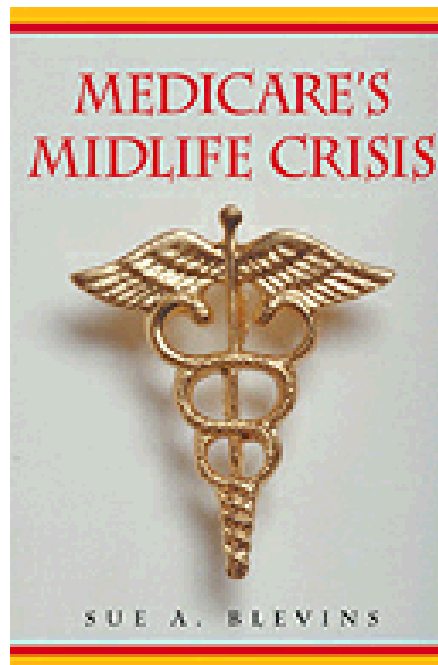
A change of strategy

Serious leftists had sought a government-run health care system in the United States since the turn of the century, taking their lead from Bismarck’s Germany and the other nascent welfare states of Europe. Early attempts, just after the first and second world wars, were rebuffed by Congress and the public as contrary to American principles of freedom and self-reliance.

So in the 1950s, the activists changed their strategy, dumping honest socialism for dishonest incrementalism. While in other countries, the welfare state had gotten its start in the class warfare of employer vs. worker, America had resisted such simplistic divisions. So big-government advocates decided to start with beneficiary populations more likely to attract public sympathy: the elderly and disabled.

The first fruits of the new political strategy came in 1957 and 1960. In the first case, Congress and President Eisenhower added disability benefits to the Social Security system. In 1960, the same alliance created Medical Assistance, also known as the Kerr-Mills program, to provide basic health care services to the elderly poor using a joint federal-state model that later became the Medicaid program. In both cases, advocates skillfully built political constituencies made up of families with elderly or disabled dependents, state governments struggling with revenue shortfalls, and organized medicine — the various, powerful state associations of doctors and hospitals — to overcome opposition from congressmen espousing traditional concerns for the size of government and cost to taxpayers.

Still, the political movement for national health care wasn’t satisfied with Kerr-Mills. As a means-tested program, it would never grow to encompass the entire population and would likely remain relatively limited in scope and expense. Moreover, it gave far too much power to state governments, which political liberals tended to distrust. So, despite passage of the program in 1960, advocates immediately set to work on a more ambitious goal, seizing on an alternative proposed during the 1960 de-



bate over Kerr-Mills by Sen. John F. Kennedy of Massachusetts, who later in the year would narrowly defeat Richard Nixon to become president.

His bill, to create national and mandatory health insurance for all seniors, paid for by payroll taxes, was renamed the King-Anderson bill after its two main sponsors. Unlike Kerr-Mills, it was strenuously opposed by organized medicine and other groups fearful that a federal monopoly would result in federal regulation of virtually all aspects of health care (a fear that ultimately proved to be solidly rooted in reality). Congressional Republicans offered an alternative plan, “Bettercare,” that used general federal revenues to subsidize a voluntary insurance plan for which seniors would pay monthly premiums. Meanwhile, doctors and hospitals decided to offer a counterplan of their own, dubbed “Eldercare,” that would expand the Kerr-Mills program and retain a state-run design. It would also employ the services of the Blue Cross and Blue Shield associations, run respectively by the nation’s hospitals and physicians, in order to keep commercial insurers at bay.

Organized medicine had already used government power, in the form of tax exclusions and regulatory exemptions, to keep the dreaded private insurers from playing a large role in health care, since the latter tended to pay claims in cash directly to patients, giving them power as consumers to shopping around for better rates and service. The Blues paid providers instead of patients, thus keeping those pesky market forces from reducing hospital and physician incomes. Ultimately, Eldercare turned into Medicaid, and the Blues did in fact seize control over most Medicare administration.

This period, the legislative run-up to the pivotal 1965 creation of Medicare, is the subject of Blevins’ most telling revelations. She provides persuasive evidence, for example, that the administrators of Kerr-Mills in the Kennedy and Johnson administrations sabotaged the implementation of Medical Assistance in many states. Being almost to a man strong advocates of Medicare, they didn’t want to see an effective alternative program set up in the states to care for the elderly poor, whom they needed as poster children for Medicare. Furthermore, after the Kennedy assassination, Medicare advocates apparently saw their chance for legislative victory and sought to manufacture bogus projections of how many seniors lacked access to health care and how much the new program would cost.

In 1965, actuaries in the Department of Health, Education, and Welfare projected that the hospitalization part of Medicare would cost \$9 billion by 1990. The program actually cost \$66 billion in 1990. Meanwhile, Medicare Part B, which basically adopted the Bettercare concept advanced by Republicans to subsidize doctor visits, was itself the subject of faulty predictions. The original design called for only 50 percent subsidy by federal taxpayers. But by 1990 the subsidy was 75 percent of cost, tens of billions of dollars higher than the ratio originally anticipated would have yielded.

Were Americans misled?

Were these revenue numbers, which make Enron’s bad accounting look comparatively accurate, the result of simple error? Alas, it doesn’t look like it. Blevins points to the prescient warnings of Dr. Barkev Sanders, a renowned statistician who had done health and welfare cost estimates for 35 years for the Social Security Administration, the U.S. Public Health Service, and other agencies. During the 1960s, he warned his colleagues and the nation that “the Social Security Administration has been concealing the truth by means of its actuarial estimates” in selling national health insurance. In 1962 he sent the Social Security Administration a 33-page memo detailing numerous problems with its Medicare cost estimates, such as failing to adjust for increasing hospitalization and faulty numbers on eligibility. Seeing no effort to correct the “errors,” Sanders told a business magazine in 1964 that “if a sound, realistic health program cannot be accepted by the public on its merits, it should not be imposed on them by the government.” Blevins further points out that Sanders was not a conservative opponent of Medicare but was actually an advocate, albeit an honest one.

The fuzzy math and misrepresentation continues. Because Medicare Part B does not earmark payroll taxes for a trust fund to pay providers, unlike Part A, its financial problems have traditionally not been factored into computations about the Medicare “surplus.” That has allowed the federal government to shift services from A to B, as the Clinton administration did in the case of home health care, in order to mask the size of Medicare’s unfunded liability. In its 2001 budget plan, the Bush administration came clean, noting that projected revenues from payroll taxes and the current share of other federal taxes devoted to Medicare would fall short of projected expenditures through 2011 by a cumulative \$645 billion. In other words, there is no Medicare surplus — despite attempts by Democrats to blame Bush for using “it” to fund his tax cuts.

Blevins adequately discusses market-friendly reforms of Medicare, such as giving younger workers the ability to opt out of the program in favor of personal savings accounts or private insurance. I wish she had worked in a discussion of Medicaid reform, which might have prompted her to consider merging the programs and transferring their administration to the states. Nevertheless, Medicare’s Midlife Crisis is an excellent, concise, and readable treatment of how shameless politicians, left-wing federal bureaucrats, and brazen special interest groups tricked the American public into becoming “investors” in their giant, and unsustainable, pyramid scheme. Somehow, I doubt the Senate will be holding any hearings on this scandal. *CR*

Hood is president of the John Locke Foundation and publisher of Carolina Journal.

Book Review

'Money Talks': Hail to a Champion of Freedom of Expression

• Martin H. Redish: *Money Talks*, New York University Press, 2001, 319pp. \$35

By **GEORGE C. LEEF**
Contributing Editor

RALEIGH
Amid the chatter over the collapse of Enron, the shrill voices of the campaign-finance zealots can be heard, trying to capitalize on this colossal business blunder to push their agenda. Sen. John McCain has declaimed that Enron's large contributions to candidates and parties somehow proves that his reforms that hack away at the First Amendment are imperative.

Enron will soon be history, but the advocates of campaign finance and other schemes to regulate freedom of expression are not going to go away. Fortunately, the First Amendment has a new champion to take them on — Northwestern University law professor Martin Redish. In his book *Money Talks*, he takes a thorough and devastating look at the whole range of expression-restricting laws and proposals. Redish works them over the way our bombers worked over Tora Bora.

Commercial speech

The book tackles three main issues. First, commercial speech — should communications lose their First Amendment protection because they are of a commercial nature? Second, corporate speech, whether or not commercial — should there be a lower level of First Amendment protection for communications made by corporations? And third, should the government attempt to neutralize the impact of money on our political discourse by enacting campaign finance rules and other measures that would redistribute speech the way the welfare system redistributes money?



Martin H. Redish

On all three, Redish is unwavering in his opposition. He writes that his goal "is to refute both the conclusions and the underlying theoretical rationales of those who believe that money and economic power cause significant harm to the systems of free expression and democracy..." A short review can't possibly do justice to the depth and breadth of the author's attack on all the anti-First Amendment arguments.

The Supreme Court has long chosen to give commercial speech — advertising — a lower level of constitutional protection than other kinds of expression. Governments can ban, for example, advertising for products they don't like, such as tobacco. But Redish finds all the stated rationales to be unsatisfactory if not outright dangerous. He writes, "Just as...political speech facilitates the process of self-government by

making the individual a more informed voter, so, too, does commercial speech facilitate the process of private self-government, by making individuals better informed in making private life-affecting choices." Thus Redish rejects the fashionable notion that the First Amendment should place political speech in a marble pedestal and relegate commercial speech to the basement.

Corporate speech

But what about corporations? Certainly those artificial people don't merit the same kind of protection under the First Amendment as do real individuals or lobbying organizations. Some scholars argue that it is constitutionally permissible to stifle corporate communications (e.g., by outlawing corporate sponsorship of advertisements for candidates or ballot issues) because it "fails to foster the values of personal liberty and self-expression that exclusively underlie the free speech right." Redish belts that feeble argument out of the park, pointing out that the corporation is "merely one form of voluntary association, an aggregation of talent and resources, consciously entered into by individuals." General Motors, in other words, has as much right to speak as does the Sierra Club.

Won't corporations "drown out" the pathetic little voices of their opponents, though? That's another common worry among those who favor restrictions, but it is baseless, Redish contends. The argument falsely assumes that there is a limited quantity of speech opportunities and that there is no point of diminishing returns when it comes to the efficacy of communications. It also erroneously assumes that corporations all have the same interests and would speak with one voice, but that is one of the few rejoinders that Redish misses.

Most important of all is the book's treatment of the supposed need for the regulation of campaign finance. Redish mauls the arguments advanced by campaign finance reform proponents one after another. For example, there is the voting analogy argument — that just as the government must not allow anyone to cast more than one vote, so too must it not allow anyone to unduly influence the political process. Redish counters that this argument is "misguided and dangerous."

The Founders did not intend to sacrifice open, uninhibited speech to an egalitarian idol, and we should not either. Redish points out that if we were to take the argument seriously, we would have to ensure that all speakers have the same amount of time to speak and take other measure to equalize their influence on the political debate.

"Such a result, however, would no doubt destroy the flow and spontaneity that is essential to the expressive system," he writes.

Those who want to regulate campaign contributions and in other ways "equalize" speech seek to put a power in the hands of politicians that is certain to be abused. Redish shows his familiarity with the "public choice" literature in economics, which posits that public officials can be expected to act in their own interests.

Politicians, if empowered to control speech (including funds given for the purpose of facilitating speech) at all, will sooner or later use that power to help themselves and their allies. Consequently, freedom of speech could come to depend on who happens to be in power.

Money Talks is not an easy read, but if you want to be ready to do battle with those who believe that we need more government control over speech in America, it is indispensable. *CL*

Movie Review

'Black Hawk Down' Salutes Valor of America's Fighting Men

• *Black Hawk Down*, 143 min., Rated R

By **HANS MARC HURD**
Editorial Intern

RALEIGH
When I left Somalia in December 1993 after my second tour in that country I sensed a bitter aftertaste of a futile mission nobody seemed to care about. I remember a girlfriend of one of my fellow soldiers asked after our return, "What did you do on the weekends? Did you go to the mall?"

The inability of civilians to grasp what we had been through drove home the point to many of us that our sacrifices were irrelevant. I would have never thought that I would one day be able to watch a movie about that conflict.

Based on true events

Based on the book *Black Hawk Down*, by *Washington Post* journalist Mark Bowden, the movie depicts the longest sustained ground combat mission of U.S. forces since Vietnam. In October 1993 a group of special operation forces, mostly Delta Force members and Army Rangers, attempted to capture two of warlord Muhammad Farah Aideed's top lieutenants. The mission was supposed to last only 30 minutes, but went awry when the first of two helicopters was shot down. Before long, more than 100

American military personnel were pinned down by several thousand armed Somalis and engaged in a desperate fight for their lives. By the time they were extracted the next day, 19 Americans had been killed, nearly 100 injured, and as many as 2,000 Somalis killed in action.

The image of a dead American being dragged through the street by a jubilant Somali crowd and another American soldier taken captive made President Bill Clinton's foreign policy in Somalia another casualty of war. Instead of hunting down Aideed, our forces were ordered to protect him so that we could negotiate our withdrawal.

Realistic portrayal of combat

The movie is a grippingly realistic portrayal of modern ground combat. If you were squeamish about the first 30 minutes of *Saving Private Ryan*, then this might not be the right movie for you. However, if you want to understand how it must have felt like to be trapped in Mogadishu, *Black Hawk Down*, with vivid imagery places the viewer into the middle of the scene and conveys the sense of taking part in the firefight, leaving the audience shell-shocked from the intensity of the battle. This has led some reviewers to quibble that the battle scenes flow into each other without nary a rest (a sentiment the Rangers who partook in the

battle shared), not leaving enough time to fully develop the characters.

It is at times difficult to discern the identity of the individual actors in the fast-paced action sequences; however, any extension of time devoted to characterization would have had to be taken out of the depiction of the actual events. The movie achieves a fair balance, considering the directors goal of imbuing the audience with a sense of the human sacrifices of the battle. I don't think another *Pearl Harbor* would have done the battle justice.

Another criticism has been that *Black Hawk Down* does not do a very good job of explaining how we got into this mess in the first place. It only hints at the refusal of the Clinton administration to provide proper support for the troops because of political consideration, and it doesn't explain the military support Aideed had received from Osama Bin Laden in carrying out this battle.

But this movie isn't about the geopolitical implications of U.S. foreign policy, it is about the honor and courage of America's fighting men. *Black Hawk Down* is in its essence a very patriotic movie, it shows the sacrifices American soldiers are willing to make as true to their mantra "leave no Ranger behind," are willing to jeopardize their lives to save their fellow comrades.

Unfortunately the Academy could not see that when it snubbed *Black Hawk Down* for its best picture nomination. *CL*

Black Hawk Down
Author Anonymous

"Black Hawk Down!" across the net came the cry
A wisp from the ground brought fire to sky
Two hundred heads turned in that moment
so clear
Yet not a first thought their own lives' fear.

Pilot, soldier, sailor, crew
Hell's fire below meant nothing to you
Yet into the maelstrom only two could leap
Against oppression fury they would reap

I can still see them coughing against the desert sand
Fearing naught, an upraised hand
Gesturing towards the fallen, neither haughty
nor proud
They disappeared quickly into the rising cloud

Nothing further could I offer, they doubtless knew
As towards the injured with wings they flew
Through smoke, through fire, and failing light
Two soldiers together entered a selfless night

They gave without asking
A reward never known
They sacrificed freely
And our brother came home.
Thank you.

Editorials

MOLDY LEAVES

Tobacco settlement money up in smoke

Public policy and those who make it suffer from a lack of respect when promises are made and not kept. This is a central reason that politicians and public officials as a class are held in often base esteem by the public. Too often, promises are made that, upon their financing, result in nothing but shell games and political gamesmanship.

North Carolina shares with several other states the ignominy of having seized private resources via litigation for ostensibly laudable purposes. Upon securing such funds, that citizens were told at the time were intended for various policies of alleged public benefit, politicians and influential appointees seize the money to use for their own nefarious interests.

Take, for example, the Golden LEAF Foundation, established in 1999 by the General Assembly as a nonprofit organization to control distribution of North Carolina's share of \$4.6 billion in funds maliciously extorted from legally operating private enterprises — i.e. tobacco companies. In 2000, it distributed \$5.1 million to 39 organizations and government committees. As *Carolina Journal* reported in January, the creation of Golden LEAF raises numerous troubling questions. In related fashion, the legislature also authorized the creation of an additional nonprofit entity, the North Carolina Health and Wellness Trust Fund Committee, to disburse 25 percent of North Carolina's \$4.6 billion in tobacco funds to, among other things, subsidize prescription drugs for low-income elderly citizens.

Incestuous nonprofits?

Establishing nonprofit corporations financed by tobacco settlement funds has justly raised questions, not to mention hackles, among those concerned with both matters of political accountability and the efficiency of expenditures authorized by these organizations. Given that each board member has been appointed by the state's three leading state politicians — Gov. Mike Easley, Speaker of the House Jim Black, and Senate President Pro Tempore Marc Basnight — such concerns should not be dismissed lightly. Recent decisions confirm such suspicions.

National and state governments have targeted the allegedly nefarious tobacco industry and won multi-billion-dollar legal settlements all on the pretext that the industry was maliciously damaging the health of the nation's citizens and so should be forced to pay for both preventive educational campaigns and for the extra medical care costs allegedly incurred from tobacco users. Yet, as with most any government-oriented enterprise, the promises were facile and their fulfillment has been nebulous.

Now, the Golden LEAF Foundation itself ostensibly exists to assist in the alleviation of economic distress in North Carolina for those who have been adversely affected by the assault on tobacco. The legal and political attacks have harshly accelerated a decline in the tobacco sector of

our state's economy, an enterprise that lost nearly 40 percent of its jobs from 1973 through 1996. Given the degree to which tobacco-generated income has directly benefitted the state throughout its history, interest in helping displaced workers and farmers is laudable, despite the questionable source of the money. But consider some of the ways much of the \$2.3 billion is being dispersed.

Carolina Horse Park near Southern Pines wanted \$300,000 to build a horse barn, but "settled" for \$200,000. After several name changes, park officials still claim their mission is "to conserve open land and natural habitat" said Roger Secrist, the organization's president. Oh, and yes, they also "promote national and international equestrian competition." This is obviously of great service to displaced tobacco workers and farmers.

As we have previously reported, funding has been awarded to a library system in four rural counties to link its computers to the Internet. Also, Golden LEAF announced in December that it would give \$75,000 to assist in financing the production of a movie based on Charles Frazier's "Cold Mountain," if the film were made in North Carolina.

Political slush funds

These nonprofit boards, created as creatures of the state to disperse billions in ill-gotten gains, are essentially political slush funds. It is hard to see how such dispensations as noted above can possibly help those suffering from the fallout in the fight over tobacco. It is even harder to see how money won under the pretense of promoting public health be shoveled about for horse barns and rich movie production companies.

Many conservatives are up in arms. But legislators in power are more inclined to, as Rep. Warren Oldham said, "give it a try." While proponents claim the foundations will be held accountable, the state's experience with other nonprofits has been less than stellar. The fashion in which the money was acquired is bad enough. The manner in which it is being handled is a recipe for scandal.

LOCAL LEVERAGE

Possible tax shift not what it appears to be

With Gov. Mike Easley wallowing through a seemingly interminable state budget crisis, he declared a budget emergency Feb. 5 and announced that he is withholding \$209 million from local government coffers to help balance the books. At the same time, he has suggested that he is open to the idea of increasing the authority of counties to increase the sales tax a year earlier than scheduled to help cushion the blow. We find Easley's actions disgraceful and disingenuous.

Municipalities and counties in North Carolina are largely creatures of state government. They must receive

authorization from Raleigh for virtually any tax increase other than property-tax hikes. In one way, this is not a bad idea. Because local governments tend to rely primarily on property-tax funding, citizens have a ready means with which to hold localities accountable, in that property taxes help to make government finance easy to track.

Sales taxes are easier tools for the acquisition of government revenue simply because they are less directly visible to taxpayers. In suggesting the equivalent of another \$400 million tax increase to bail out the state government in 2002-03, Easley engages in a degree of deception to raise revenue that does not need to be raised.

Not surprisingly, local officials note the transparency of the veil and are angry. And for good cause.

In a recent report entitled "By the Numbers 2002: What Government Costs in North Carolina Cities and Counties,"

the Locke Foundation's Center for Local Innovation documented the annual changes in the tax burden by counties and cities throughout the state. Looking at these data, one can understand why many local elected officials — including the governor's fellow Democrats — are wary of Easley's game. He is putting them in a position of cutting direct services and/or raising the few fees and taxes they have the authority to raise. Easley won't take that hit in the November elections because he doesn't face voters again until 2004. Legislators and many local leaders do not enjoy such a luxury.

As *The News & Observer* of Raleigh reported Feb. 16, local officials are already scaling back on public safety financing, delaying or stopping road projects, closing swimming pools, and trimming other public services. They are further outraged by Easley's deceptive talk of "protecting the classroom." In New Hanover County, \$2 million is being taken from school financing. Rowan County is withdrawing \$384,000 in education funding, while \$750,000 is being cut from schools in Alamance County.

As we have noted before in this space, Easley can bring the budget into balance without seizing local tax reimbursements or raising taxes by using a combination of suspending the issuance of new state debt, using the rainy day fund, and eliminating portions of the expansion and continuation budgets — even while repealing last year's tax hikes.

Easley protects his own hide

Easley seems more interested in shielding his own political hide and special-interest lobbies for bigger government than he does in sound fiscal management. North Carolina, now already a high-tax state and in recession, will be much the worse for wear. And our county and municipal governments will feel the punch.

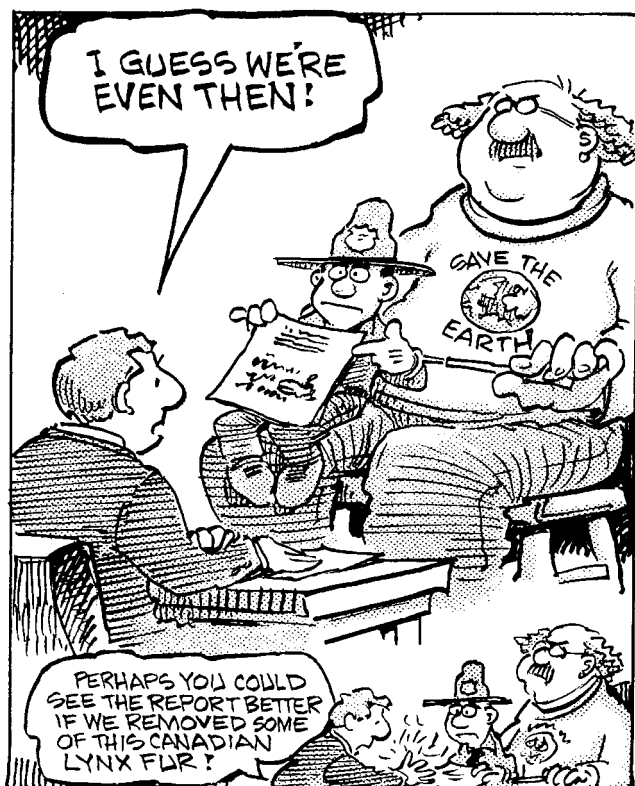
So Easley passes one of the biggest tax increases in history accompanied by massive spending increases and then, this year, turns around and takes back \$209 million in local revenues. This increases the odds that members of his own party, who marginally control the General Assembly and, in many counties, are precariously perched, will lose power in the next round of elections. Throw in the endless dispute over redistricting and we find a lot of angry Democrats who increasingly view Easley as a loner, disinterested in the prospects of his party or his ostensible political allies and most concerned about, well, Mike Easley.

To build rather than to burn

But political common sense indicates that, if Easley wishes a second term, he would be building bridges rather than burning them. Forgive the cliché, but clichés are largely grounded in truth. To alienate so many folks down the line who in many ways represent the grass roots of his party at the local level is shortsighted and opposed to his own long-term interests.

Mayor Don H. Johnson of Benson said in the Raleigh paper, "We budget in good faith that you and the state can be taken at your word. Recent events lead me to believe that your word is meaningless." New Hanover County Manager Allen O'Neal said, "We're using a chain saw now." And so it goes.

To deliberately put local officials in the line of fire to serve Easley's personal political interests is both suspect and, in a sense, deviously Machiavellian. Yet Machiavelli's intent was to expose a strategy for acquiring and retaining power. Easley seems to have turned the idea on its head. His is a strategy for dissipating and losing power. His is a menu for becoming a failed and despised politician. If that is his chosen entree, he should enjoy the feast — because he is unlikely, following such a strategy, to be well-nourished for a second course.



RETRO ERA?

Post 9/11, tradition is renewed

Has America changed following the Sept. 11 terrorist attacks? Perhaps it has with respect to certain tactical modifications of law as we take additional, and perhaps in some ways too aggressive, measures to protect our homeland. Nonetheless, we suggest not so much that we have “changed” as a people but more that traditional, largely middle-class values have been revived and energized with rare vigor.

Our instinctive and cultural conservatism and the latent patriotism of our nation’s citizens has been vivified in a way unseen since World War II. The Sept. 11 attacks were the first direct attacks by foreigners on American soil since the War of 1812. Pearl Harbor, while comparable in its impact on the psyche of the American people, was in fact an attack on an American territory established in 1900. It did not become a state until 1959.

In his various landmark speeches since Sept. 11, Bush has shown an impressive ability to stir those passions within the body politic that bring out the best in the American people. Patriotism. A willingness to defy all odds in the face of great danger. A reaffirmation of that America has a special place in the world unlike any other nation in history.

Messianic? Perhaps. We would argue that these sentiments come closer to “the greater angels of our nature.” And while we wish only for our nation’s security — and by extension that of our families, our neighborhoods, and our communities — we must also be aware of the dangers of blind nationalism. It is comforting in some sense to see that the president has shown little interest in calibrating the governance of other nations so long as they are on our side and not the other, so long as they do not harbor or support terrorists. The “axis of evil” is just that. Even some of our ostensible friends, such as Saudi Arabia, have ample warning of the consequences of their behavior.

While we sense an increasing partisanship by certain political interests, largely born of desperation and a rising sense of impotence, it is heartening to see our fellow citizens diligently returning to the roots of what it means to be an American. Those sinews stretch deeply into our history. Many attempts have been made in the past half-century to sunder them. It took the atrocity of Sept. 11 to raise anew the flight of the American eagle in all its glory. War fever burns intensely, but, in a soft and touching way, it has relit home fires long under attack. Americans should be proud and comforted. As a people, we should also be humbled that it took a calamity to bring us closer to where we once were and nearer now to where we should be.

ALL WET

Environmental protections run amok

Birds and water are, without question, beautiful renditions of nature’s majesty. Sometimes, however, life calls upon us to make self-interested sacrifices. We therefore surrender nature to various degrees of development in pursuit of human health and comfort. Yet these pursuits, whatever their motivation or execution, inevitably give rise to sometimes fanatically passionate backlash. There we find, for now, the state of North Carolina.

First, our Department of Transportation has entered into an agreement with The Nature Conservancy, the U.S. Army and, according to *The News & Observer* of Raleigh, “other groups” with the intent of making recompense for cockaded woodpecker habitat destroyed by highway development.

Second, the Department of Environment and Natural Resources, through its Wetlands Restoration Program, has sought to promote so-called wetlands “restoration” projects whereby developers must “restore” wetlands to a degree equal to any amount they allegedly destroy upon execution of approved development.

Each of these policies has in common the desire to mitigate the effects of economic growth by forcing consumers or taxpayers to foot the bill for unproven, often utopian and often useless, environmental policies. Let us take each one in turn.

Ostensibly to protect the dwindling longleaf pine ecosystem, habitat for the cockaded woodpecker, the state paid \$5.3 million for 2,500 acres. This is intended to make up for the birds’ habitat destroyed by DOT highway projects,

an effort also made with a separate purchase of 10,000 acres in Tyrrell County in 1999. The Nature Conservancy is likely to take over future management of the newly purchased acreage.

It must be noted that the new purchase, adjacent to Fort Bragg, comes under the jurisdiction of the federal government’s Endangered Species Act. In our view, the issue has less to do with saving a particular species than it does the abuse of the federal ESA and its impact on the preparedness of our armed services — because of the ESA’s impact on the use of domestic training facilities — and the propriety of using state taxpayer money to mitigate a demand of the federal government. Aside from that, given the fraudulent spotted owl controversy in the American Northwest that has destroyed the livelihoods of many timber industry dependent communities, it pays to be skeptical when legal obligations against taxpayers are mandated by incongruous and often deceptive government activity.

The term “wetland” has been capriciously defined by the U.S. Army Corps of Engineers in a fashion that comes close to protecting errant mud puddles. Peoples lives have been destroyed by gratuitous legal sanctions to enforce

such laws. Even worse is predicated assumptions on ill-conceived and unconstitutional regulatory powers. The corps’ wetlands regulation, upon which both federal and state governments depend, was pulled out of thin bureaucratic air with little or no debate outside the dingy halls of the corps’ offices. So the failure of wetlands restoration policy should come as no surprise.

North Carolina’s 29 percent “success” rate compares with a national rate of 25 percent. Whether these projects are as ineffective as these numbers indicate, such abysmal performance points to the not surprising and innate ineffectiveness of much government regulation. Is it truly worth smothering job-creating enterprise or detracting from our military preparedness to satisfy redundant, often deceptive, and constitutionally suspect public projects or regulation? Even if such policies can be justified, such programs deserve far more scrutiny and justification than they now receive.

But this is true of all government activity. When tangential interests collide with the employment and security needs of the American people it is long past time to call public officials to account. *CJ*

State Can't Turn Away from World

As it grapples with wrenching economic and social changes, North Carolina is flirting with a familiar, if self-destructive, path: insularity. There are unmistakable signs that public sentiment in our state is rising against free trade and immigration.

In the political realm, for example, candidates of both parties are calling for higher trade barriers to shield companies from foreign competition. The few principled lawmakers, like North Carolina congressmen Robin Hayes and Cass Ballenger, who have embraced free markets in the face of protectionist pressure from labor unions and faltering businesses are on the political defensive.

At the same time, recent scandals in the state’s granting of drivers licenses to undocumented aliens and felons are stirring the immigration-policy pot, as is the growing competition between native African-Americans and Hispanic immigrants for jobs, public attention, and political clout in communities across the state.

Admittedly, there are specific policy issues to address here. North Carolina manufacturers have had to deal with problems not of their own making, like our punitive income tax system that disadvantages domestic-made goods over foreign-made ones.

And self-styled immigration “advocates” have managed to weaken our traditional pro-immigrant consensus by lobbying for bad ideas like bilingual education and the provision of public services in foreign languages, both of which encourage Balkanization and interrupt the natural assimilation process, and costly government entitlements for undocumented aliens such as subsidized tuition at the University of North Carolina.

The Larger Truth

These issues threaten to obscure a larger truth about free trade and immigration. Both are net positives for North Carolina. When companies are free to compete across state and national boundaries, those offering the best products for the lowest prices will prevail, thus raising the real standard-of-living of consumers.

Dislocation is part of the “churn” that characterizes free enterprise; to treat workers whose jobs are lost from free trade as charity cases or corporate victims is to demean them and misstate reality. None of us has the right to force others to purchase our services. Instead, we have a responsibility to find how best to use our talents and work effort to serve others. The market process helps us do that.

Invisible Hand, Visible Foot

What is often lost in political debates about free trade is that the so-called “victims” are easy to spot, while those who suffer from protectionism are not.

For example, protectionism in the textile, apparel, and furniture businesses takes money directly out of

the hands of poor families who are made less able to clothe themselves and furnish their homes. Protectionism in such areas as farm products and steel means that Americans lose their jobs in other industries, such as food processing and automobiles.

Economist Walter Williams calls this problem “the invisible foot” — a takeoff on Adam Smith’s famous image of the market as an “invisible hand” that, without central planning, guides an economy to satisfy our needs to the greatest possible extent.

A More Complex Issue

Immigration is a more difficult case. While virtually no serious economist questions the value of free trade, there are conflicting studies about the net impact of immigration.

Again, the costs are easier to see than the benefits. Because today’s immigrants tend to be of childbearing age, they can generate significant costs to taxpayers in such areas as education and public health.

On the other hand, their relative youth means that they will pay payroll, sales, and other taxes for a significant portion of their stay in the country, helping to keep the Social Security and Medicare programs solvent for the elderly (a sharp decrease in immigration levels would lead to earlier and steeper payroll tax hikes to bail these programs out).

Immigrants also bring new ideas, a strong work ethic, and entrepreneurial spirit to communities that often need them. As the late Julian Simon wrote, human beings are themselves “the ultimate resource.” Immigration doesn’t simply create new competitors in the labor market. It also leads to new companies and new consumers.

A New Policy Towards The World

To help North Carolinians resist the current temptations, our political leaders will have to school themselves on the complex issues involved and think more clearly about what is at stake. To lower trade barriers without also reducing domestic taxes and regulations that hamper new job creation is a recipe for economic turmoil and political backlash.

Similarly, our immigration policies should encourage more legal immigration but also rapid assimilation and more intensive efforts to screen out criminals, terrorists, and those without realistic prospects of self-sufficiency through work.

If North Carolina turns away from the free flow of products and people to our state from abroad, it will turn away from its future.



John Hood

Hood is president of the John Locke Foundation and author of *Investor Politics: The New Force That Will Transform American Business, Politics, and Government in the Twenty-First Century*, just out from Templeton Foundation Press (www.TempletonPress.org).

Editorial Briefs

Unemployment Among Youths Soars

Labor specialists confirm that jobless rates are soaring for workers ages 24 or younger. The trend alarms economists because youth unemployment can hamper income and advancement later.

The jobless rate for people ages 20 to 24 hit 9.6 percent in December, while the unemployment rate for 16- to 19-year-olds is more than 16 percent, according to the Department of Labor. The national jobless rate is 5.8 percent.

One reason the rates are so high in this category is that employers are favoring applicants with skills and proven performance, unlike their preferences in the last recession, when the strategy was to cut people who were older and more expensive. Also, high school and college-age students were disproportionately represented in high-tech industries, a sector which has been hit hard by the downturn.

Climbing unemployment has increased competition for jobs, causing older workers with more experience to take more entry-level jobs typically held by younger workers.

More than 44 percent of the unemployed are under 30, according to the Employment Policy Foundation. But only one-third of those are heads of families. More than half are children or other relatives of the heads of households, or single people living on their own.

The wealthy carry tax burden

Simply mention the words "tax policy" and liberal politicians fly into their "Rich People Should Pay Their Fair Share" lecture. But the latest data from the Internal Revenue Service demonstrate that the wealthy are bearing an increasingly disproportionate share of the tax burden.

Data from the IRS show that the top 1 percent of U.S. earners accounted for 19.5 percent of all adjusted gross income reported to the IRS but paid 36.2 percent of all federal income taxes. The top 50 percent of earners took in 86.8 percent of adjusted gross income, but accounted for 96 percent of personal income taxes paid.

The bottom 50 percent of earners, on the other hand, accounted for 13.2 percent of personal income, while contributing only 4 percent of all personal income taxes.

It doesn't take a high income for Americans to land in high tax brackets. All one had to earn to qualify among the top 25 percent of filers in 1999 was a modest \$52,965. People in that heady income class paid 83.5 percent of all taxes.

To be among the top 50 percent, a person had to earn only \$26,415 a year. The 27 percent marginal tax rate kicks in for single taxpayers at only \$27,050 of income.

Meager WIC benefits

The Special Supplemental Nutrition Program for Women, Infants and Children costs \$5 billion per year and serves about 7.3 million women and children. But experts say research shows "WIC's benefits are modest at best."

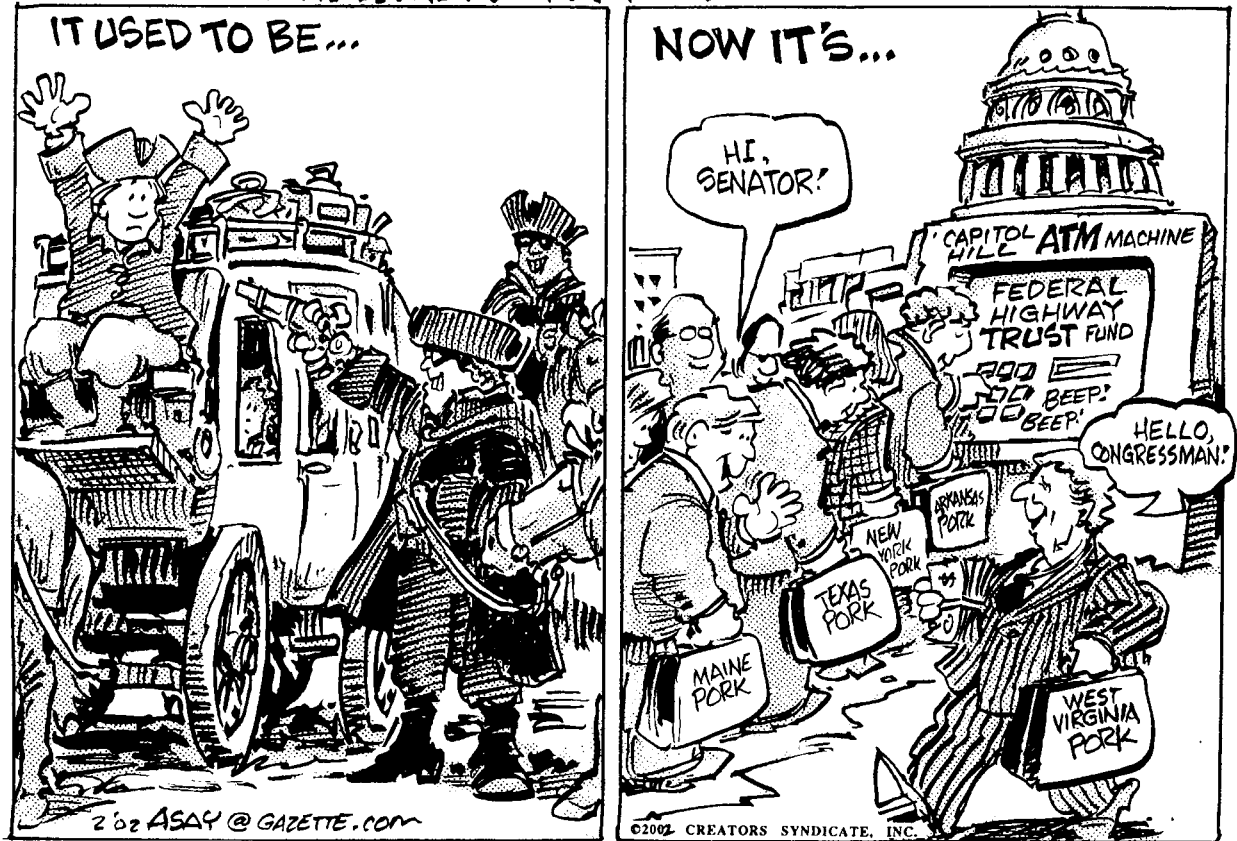
The goal of the 30-year-old WIC program is to prevent nutritional deficiencies that can cause physical or medical problems among low-income pregnant, breastfeeding and postpartum women, and their infants and children up to age 5. It seeks to improve their diets by providing healthy foods, together with nutrition education, counseling, and referral services.

Among the problems welfare experts see in the program:

Claims that every dollar spent on WIC saves \$3 in Medicaid costs relate only to the prenatal program, which involves only about 11 percent of program participants, and even there the evidence suggests the benefits are modest at best.

Among the conditions WIC is intended to ameliorate are premature delivery and low birth weight among pregnant women, but in fact, from 1986 to 1998, the incidence of low birth weight increased by 12 percent.

HIGHWAYMEN IN ACTION



N.C. the Enron of State Governments

By RICHARD WAGNER
Editor

RALEIGH

Enron or North Carolina: Which is the worse disaster? Enron, the seventh largest corporation in the United States, having registered the largest corporate bankruptcy in history, revealed that company executives used accounting gimmicks, phony transactions, fictitious partnerships, and lax oversight that enabled corporate executives to hide nearly \$1 billion in losses.

By comparison, Gov. Mike Easley announced Tuesday that North Carolina is expected to lose at least \$900 million in revenue this year, on top of an \$800 million hit last year. Other officials paint a grim picture of \$1.2 billion this year and probably more next year. The total bust so far is at least twice that of Enron's.

Yet Enron is grabbing the bigger headlines and its executives face congressional investigation and possible criminal charges.

In announcing North Carolina's catastrophe, Easley didn't mention any scandal or disaster. Neither did any of the state's major newspapers. The media, in fact, used the ever-so-polite words "emergency," "shortfall," or "deficit" — and portrayed state leaders as unlucky victims of an economy damaged by the terrorist attacks on Sept. 11.

Parallels in infamy

But the parallels in infamy are there. North Carolina's leaders, like Enron's, knew before the fall that they were monkeying around with other people's money.

State leaders knew for at least a year before Sept. 11 that the economy was turning sour, but Easley and his allies in the General Assembly still railroaded through last year's legislative session a bloated budget that raised tax rates by a predicted \$685 million and grossly overstated revenue growth of 4 percent this year and 4.9 percent next year. Now we learn that revenues instead actually shrank by 3.1 percent.

Just like Enron's shenanigans, hidden from public view, North Carolina's leadership has spun a web of phony transactions and fictitious partnerships that threaten to further undermine the state's solvency.

Included in this foolhardy new way of doing business is a questionable creation called the North Carolina Infrastructure Finance Corporation, a third-party nonprofit entity, that will build three new 1,000-cell prisons in Alexander, Anson, and Scotland counties. Former State Treasurer Harlan Boyles called the legislature's handiwork an "apparent end run on the state constitution." Others have called it an illegal attempt to circumvent the referendum process required for the construction of public facilities, such as schools.

Once built and financed through what are called "cer-

tificates of participation," the corporation would then lease the facilities to the state through a lease-purchase arrangement.

State officials assure us the arrangement is on the up-and-up, yet there is no doubt the state is on the hook to pay one way or another for the prisons. Total financing costs for the prisons are expected to reach \$450 million.

Questionable nonprofits, slush funds

The Infrastructure Finance Corporation follows the creation of other controversial nonprofits that wield considerable authority in state affairs and manipulate vast sums in slush funds. Among these are the Rural Development Center, Golden LEAF Foundation, and the North Carolina Technological Development Authority.

The Rural Center, incorporated in 1987, is a private organization that survives largely on state revenue. The center has oversight of hundreds of millions of dollars from the Clean Water Bond Act of 1998 and various other state programs. The group's mission, according to its annual report, basically is to promote economic development in rural areas.

Critics, however, say the authority serves no other purpose than to provide jobs for political insiders and to funnel money to pet projects favored by powerful legislators.

The Technological Development Authority made headlines recently for wasting state money on high salaries and bonuses, lobbying, travel, and entertainment. The TDA has received almost \$19 million of taxpayers' money since 1992.

Then there is the newly created Golden LEAF Foundation, which has control of \$2.3 billion of the state's share of tobacco settlement money. Golden LEAF so far has doled out about \$14 million, \$200,000 of it to a horse park in Southern Pines and \$400,000 to Universal Leaf in Rocky Mount, a tobacco processing company, of all things. Because the agency operates outside normal government control, there is no end to the questionable dealings in which the new agency could engage.

Politicians play, citizens pay

So, who's stuck with the monumental tabs for these debacles? In Enron's case, it's the stockholders and employees. In North Carolina, it's the taxpayers.

What will happen to Enron's executives? Public and political outrage, no doubt, will seal their fate.

But what of the culpability of North Carolina politicians? Given the disposition of the state's mainstream media, it's clear that we will witness nothing more than a flood of crocodile tears and blank checks for which taxpayers will be held responsible.

Defense Spending Stands Tall in Economic Development

By MICHAEL WALDEN
Contributing Editor

Here's a pop quiz (typical for a professor, right?). Which of the following federal departments has more impact on our economy and economic development: (a) the Commerce Department, (b) the Labor Department, or (c) the Defense Department?

Some of you are probably tempted to answer (a), and a few may answer (b), but the correct answer is (c), the Defense Department. Those of you correctly choosing (c), go to the head of the class, or, at least take an extra piece of pie! Defense spending contributes much more to the economic development of the nation than do the programs, subsidies, and training expenditures of the Commerce and Labor departments.

Safety promotes progress

And I don't mean economic development in the sense of the Defense Department contracting with private firms for equipment and supplies and paying salaries to soldiers. Such expenditures merely redirect spending in the economy that would have taken place anyway, and so no net positive impact results.

Instead, defense spending enhances commerce and economic development for one simple reason. Entrepreneurs and investors and even everyday households must feel safe and protected for them to take risks and invest in property and education.

Consider an analogy to your private home. How many of us would spend money and time to purchase a lawn mower and keep up the yard if neighbors could take the lawn mower without returning it and if nearby children could play in the yard and rip up the turf as they pleased?

Or, how many of us would save and invest money or spend resources on education and training if we were unsure we would be alive in the future to enjoy the payoffs. To refrain from spending and consuming today, people



need assurance they will be around to spend and consume in the future. Without saving and investing, improvements in technology, productivity, and our standard of living would tumble and stall.

Protecting property rights

The enforcement and protection of property rights—ownership of resources—is crucial to a well-functioning economy. Countries where property rights aren't well defined and protected typically flounder economically (Russians—are you reading this?).

In this sense, then, defense spending, as well as all spending for public safety and law enforcement, are key tools of economic development. Without the protection of laws and rules, no economy can get off the ground. It should not be surprising the Founding Fathers established as a priority function of the federal government "to provide for the common defense."

The idea that safety is a key to economic development

is more than a theory. Several years ago I conducted a detailed study of economic growth in North Carolina. One of my findings was that the state economy received a big bounce in economic growth in years following increases in public safety spending.

Of course, none of these comments should be taken as support for a blank check for defense and public safety spending with no accountability. All public expenditures deserve constant scrutiny to determine whether they are meeting their objectives in the most cost-effective manner. Defense and public safety expenditures are no exception.

The Bush budget

President Bush has proposed major increases in federal spending for defense and homeland security. Although likely fewer in number since Sept. 11, there will surely be critics of these spending plans who will argue the monies would be better spent on social programs or business subsidies. Such critics ignore the fundamental importance of defense and public safety spending to our economic development. They also ignore the fact that federal defense spending per dollar of income in the economy has been falling on trend for two decades and now hovers near 1930s Depression-era levels.

Security is the foundation on which prosperous economies are built. To put our economy back on track, we must rebuild and improve our security. As a country, we will likely be tested on this in the future, and the grade is for real. *CI*

... we must rebuild and improve our security. As a country, we will likely be tested on this in the future, and the grade is for real.

Michael L. Walden is a William Neal Reynolds distinguished professor in the Department of Agricultural and Resource Economics at North Carolina State University and an adjunct scholar with the Locke Foundation.

The Signs of a Changing Culture: Something Is Lost

By MARC ROTTERMAN
Contributing Editor

My brother-in-law is great when it comes to sending my wife and me great jokes and interesting articles via e-mail.

Ah e-mail — an example "in and of itself" of our changing American culture as we "chat" with our clients, friends, colleagues, and family today. Sometimes we drone on in long philosophical paragraphs. But more often we use the staccato shorthand of "e-mail jargon" — Fine. OK. See you at home. You get the dry cleaning, etc.

But even though I do like many of these handy 2002 cultural goodies that modern technology gives us, I know that is important to stop and note how rapidly the world is changing in other ways. Some are not so hot.

Beloit College in Wisconsin annually assembles a list to try to give the faculty a sense of the mindset of their incoming freshmen.

Allow me to share with you some of their observations of this year's list:

To begin, the people who are starting college this fall across the nation were born in 1983.

In their lifetimes:

Bottle caps have always been "screw off" and plastic. The CD was introduced the year they were born.

They have always had an answering machine.

They have always had cable.

They cannot fathom not having a remote control.

Jay Leno has always been on the "Tonight Show."

Popcorn has always been cooked in the microwave.

They can't imagine what hard contact lenses are.

They don't know who Mork was or where he was from.

They do not care who shot J. R. and have no idea who J. R. even is.

But on another note they remarked:

They are too young to remember the space shuttle Challenger blowing up.

Their lifetime has always included AIDS.

And of course, now we must amend the list to add that they will be a part of the decade of lost innocence that saw



The Challenger's final crew: Francis R. Scobee, Michael J. Smith, Judith A. Resnik, Ellison S. Onizuka, Ronald E. McNair, Gregory B. Jarvis, and Sharon Christa McAuliffe.

their country attacked right before their eyes.

Our culture is changing. Change is always inevitable. It is a constant. But we have to ask ourselves with harsh reality today about how our culture is changing, and why.

I have to admit that sometimes it really gets me down to think about how very little America's schoolchildren know about how this great country came to be the great nation and world power we are today.

I hate to see how little they know about the people who struggled to give us the freedoms we enjoy. To some of these children, Franklin and his fellows are just names on paper — and to some the Founders are names they don't even vaguely know. But I am afraid that we are partially responsible for that.

Last week *The Washington Times* had an article about the state of New Jersey approving a new history textbook. One catch — the names Washington, Jefferson, and

Madison are not mentioned in them (according to the article.)

The story quoted state officials who said people should not be concerned because of course the Founders would be mentioned when the students were taught that period in American History, or words to that effect.

I guess my problem is that I simply don't know if all of our teachers are capable of doing that if left to their own devices.

Without a carefully documented textbook for correct historical references (if there is one) how do we know that all of our teachers even know the historical facts themselves?

But it may not be their fault if they don't. Do you realize how many of America's college campuses do not have a history requirement of any kind for their students? It is simply staggering.

Now I know we assume those classes would be taught by history majors. But those folks are becoming far and few between. And we are aware (or we should be) of how many teachers are teaching "out of field." And as teacher shortages grow, these numbers will grow as well.

And so some of our students are getting some sad preparation in American and world history. The results of this may be no laughing matter.

I got another email this week that showed sixth-graders' explanations of some historical facts:

"The Greeks were a highly sculptured people, and without them we wouldn't have history. The Greeks also had myths. A myth is a female moth.

"Socrates was a famous Greek teacher who went around giving people advice. They killed him. Socrates died from an overdose of wedlock. After his death, his career suffered a dramatic decline."

Lets hope we don't end up like Socrates — in dramatic decline. *CI*

Marc Rotterman is a senior fellow at the John Locke Foundation and treasurer of the American Conservative Union.

Global Warming: North Carolina at Fever Pitch

'We're all gonna die,' if we don't radically change our lifestyles immediately, famed researcher says

By HEIDI FAHRENHEIT
Voodoo Sciences Writer

RALEIGH
Global warming is set to affect weather patterns in North Carolina over the next few months, according to scientific research conducted by Dr. Roy Cordato at the Czich & Little Institute for Attaching Scientific Credibility to Buncombe and Scaring the Bejeebers out of the Gullible. According to the research, the trend was noticed in January and continued unabated in February, while forecasts showed expected further warming in March. Significantly, all the monitoring stations across the state have detected this distinct warming trend.

When the trend began to emerge, average temperatures hovered around 45 degrees Fahrenheit. By February, with just one month of warming, the average temperature was 50 degrees Fahrenheit. The forecast average temperature in March is 55 degrees, with the latter half of the month higher than the monthly average as the temperatures continue to rise. If the trend holds, the research says, the average temperature in North Carolina in August would be around the mid-80s, and it would not be unusual to see some days in the 90s or even higher.

Changing lifestyles

At temperatures that high, the report says, North Carolinians would have to live completely different from the way they live today. The report lists several theoretical changes in lifestyle North Carolinians would have to undergo. Immediate changes in dress, recreation, and even diet are crucial if North Carolinians are to survive.

For instance, North Carolinians will have to abandon their penchant for multiple layers of clothing, and various aspects of clothing will have to be altered — sleeve and cuffs will be shortened, thinner cloths will become popu-



The Environmental Protection Agency measures the Earth's temperature at one degree higher over the last 100 years..

lar, and some popular forms of clothing may be abandoned altogether (the report mentions furred hats, gloves, sweaters, and possibly even socks). A new form of recreation envisioned by the report is that North Carolinians will actively seek out and immerse themselves *en masse* in large pools of water, so as to regulate their body temperatures. Also, diet would change substantially, as cooling becomes such a high priority for life sustainability. The report suggests that manufactured ice-based rations would become a greater part of the North Carolina diet.

The report warns that efforts to adapt can only last in the short term. Average temperatures are projected to nearly double from January to August. As the report shows, if this warming trend isn't reversed, the atmosphere in

North Carolina would become unsustainable for human existence by early December, when average temperatures would exceed 110 degrees. By the end of the following year, temperatures could be so high as to boil out all existing bodies of water in the state.

Causes of the warming crisis

The report cites many factors as contributing to the warming crisis, many of which that occurred so closely to the warming as to be, in the report's words, "beyond coincidence": The release of the 2002 SUVs, animal and co-worker flatulence, the beginning of the U.S. Senate race, massive amounts of hot air from the longest legislative session in history, and tempers flaring over a losing season by the men's basketball team at UNC-Chapel Hill.

The report recommended several urgent reforms to stem those factors' effects on the state's environment: 1) immediate recall of all automobiles, to be remanufactured into scissors to shorten clothing and machines to produce iced rations (which would also eliminate the co-worker flatulence problem), 2) declaration of the first Democrat to file for Senate the *de facto* winner, 3) immediate institution of a statewide lottery to preclude another long legislative session, and 4) the immediate forfeiture of games by men's basketball opponents of UNC-CH.

Global-warming critics have suggested that Cordato's research ignores the affects of cyclical changes in the sun's proximity to the Earth. For his part, Cordato said that while this criticism is valid, it is irresponsible. "Under the Precautionary Principle, we should try to do anything in our power to stop this warming," he said. "I don't want to take the chance of watching my family get flame-broiled just become someone got overzealous about scientific principles. It would take years to study this responsibly, and we don't have time! We're all gonna die!"



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