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## Businesses, Politicians Turn Taxpayers Into a 'Cash Cow'

*Corporate government relations officials learn how to get economic incentives*

By PAUL CHESSER  
Associate Editor

**A** workshop conducted in late March, led by experts in getting economic development incentives from state and local governments, shows that large companies are now banding together to learn how to extract as much public money as possible from elected officials.

The seminar, presented during a portion of the annual three-day meeting of the State Government Affairs Council, taught dozens of corporate government-relations executives how to "Turn Your State Government Relations Department from a Money Pit into a Cash Cow." Michael Press, national director of Ernst & Young's Business Incentives Practice, and Robin Stone, former vice president of state and local government relations for The Boeing Company, delivered the Microsoft PowerPoint-supported presentation March 26 in Savannah, Ga.

"Cash cow? You got that right," said N.C. Rep. Paul Stam, an Apex Republican who serves on the General Assembly's Joint Committee on Economic Growth. "They look at (government) as just turning on the spigots."

Comments drawn from the PowerPoint document, which *Carolina Journal* shared with people interviewed for this article, reveal a cynical attitude and a willingness to "milk the system," say two lawmakers (including Stam) who were appalled by the government-relations presentation.

### Who is the 'Cash Cow'?

Press told *CJ* in a phone interview that the purpose of the presentation was to show participants that businesses need not view their government-relations departments as a necessary administrative cost center, "but rather as a source of value."

"This group (SGAC) gets together to discuss business that they have in common and the issues they confront," Press said. The workshop on incentives constituted about one-third of the meeting, he said.

Press said he did not create the title of



Carolina Journal illustration by Kim Pickering

the "Cash Cow" seminar, and he wasn't sure who did.

"That title was not my choice," he said. "It was part of a joint presentation."

Asked who he thought the cash cow represented in reality, Press said, "...the corporation that's providing jobs to the community — much the way the feedstock and the farmer provide an important commodity."

"It's kind of a partnership arrangement and incentives are part of that partnership," Press said. "There's a lot the public gets out of it."

Two legislators from opposite ends of the political spectrum viewed the cash-cow terminology differently.

Stam considered the cash cow to be the state Treasury, and ultimately, taxpayers.

"They play state legislators like violins," he said. "They're treating us like a scam."

Stam rejected the idea that business "partners" with government.

"There is no partnership," he said. "A partnership is two different entities that share in some risk, rewards, and control. There is no sharing here at all. The government is providing the money, and the business is getting it."

State Rep. Paul Luebke, a Durham Democrat, also was troubled by the PowerPoint document.

"I think referring to government as a

cash cow is a very cynical way to look at the 50 state governments," Luebke said. "Many, if not all of them, are acting in good faith with the corporate sector."

"It doesn't surprise me that (businesses) would come together to trade notes. But it does strike me as cynical that the hard-earned and reluctantly paid taxes are there for the pickin'."

At the same time, Stam said businesses weren't doing anything illegal.

"They're doing what's completely normal and natural," he said. "They see a big pool of money and they're advising their clients how to get it. It's proving to the taxpayers how ridiculous these (incentives) programs are."

### Power points and power plays

The PowerPoint document (see graphic, Page 3) obtained by *CJ* outlined several principles for pursuing government incentives. Press implied that much of the presentation was composed by Stone, who is now director of legislative affairs for Republican Gov. Bob Riley of Alabama. Stone did not respond to telephone messages or an electronic mail inquiry seeking comment.

The PowerPoint document began with

Continued as "Ernst & Young," Page 3

*Incentives experts Ernst & Young helped create law, then get money for clients*

By PAUL CHESSER  
AND DON CARRINGTON

Associate Editor & Associate Publisher

**E**rnst & Young, the international firm known best for its accounting services, has become a player on both sides of incentives policy in North Carolina.

The company established a cozy relationship with state officials through an incentives bill it helped create in 2001, the N.C. Economic Stimulus and Job Creation Act. The Department of Commerce hired Ernst & Young to study incentives in Southeastern states, and its findings were a significant contribution to the new bill. It was enacted into law in 2002.

As the law was developed, Ernst & Young also advised Time Warner Inc. on how to extract incentives from the department, essentially working both ends of the issue.

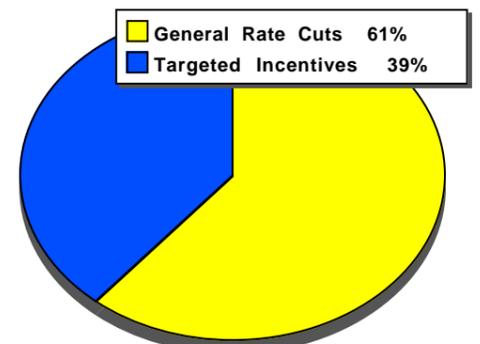
At the time, the media giant planned to create a campus of 1,100 employees in Charlotte for its cable operations. *The Charlotte Observer* reported that Time Warner's project depended on legislative approval of the program and that the company could reap as much as \$55 million in incentives.

Media scrutiny, and an admission by a Time Warner official that the company had already decided to come to Charlotte, apparently thwarted the deal to get incentives. However, the company announced in March 2004 that it would expand in Charlotte, adding 350 new jobs. Time Warner could receive up to \$4.2 million in incentives related to the expansion.

Ernst & Young also negotiated with states in 2001 on behalf of The Boeing Company, when the airplane manufacturer moved its headquarters from Seattle to Chicago. Boeing received a reported \$63 million in incentives from Illinois, far surpassing offers from Texas and Colorado.

Washington gave Boeing \$3.2 billion in tax incentives in June 2003 to assemble its new 7E7 Dreamliner, even though the company has reduced its workforce in the state since 1998, from 104,000 to about 53,000. That bid won out over North Carolina's \$534 million package.

### Best Single Change in NC Tax



% of NC Business Execs in March 2004 JLF Poll

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## Calendar

### Locke Foundation to Host Transit Discussion in Charlotte

The John Locke Foundation will host an afternoon panel discussion on June 24 in Charlotte on the issue of light rail transit. Among the guest panelists will be policy analysts Ted Balaker and Thomas Rubin.

Balaker is a research fellow for the Reason Public Policy Institute, a Los Angeles-based think tank that promotes individual liberty, government accountability, and market reform. He edits *Privatization Watch*, Reason's monthly publication that chronicles and comments on the latest developments in privatization.

Prior to joining Reason in 2003, Balaker spent five years with the John Stossel Unit at ABC News where he reported on a wide array of issues, such as: privatization, monopolies, government waste, regulation, corporate scandals, economic development, free speech, grade inflation, environmental policy, drug policy, and addiction.

While at ABC News, Balaker helped produce 20/20 segments and hour-long John Stossel specials, such as, "Tampering with Nature, Is America #1?," "Losing Control: Help me I can't help myself," and "John Stossel Goes to Washington," which revealed the benefits of privatized roads, water, EMS services, and air traffic control.

Apart from television writing, Balaker has written for ABC News Radio, the *Orange County Register*, the *San Diego Union Tribune*, *Ideas on Liberty*, and *Lithuanian Papers*, among others. He is co-authoring a book called *The Ideological Migration of Intellectuals*, which examines the significance of intellectuals who break with political philosophies they once held.

Balaker graduated Phi Beta Kappa from the University of California, Irvine with bachelor degrees in political science and



Ted Balaker

English.

Thomas A. Rubin, CPA, CMA, CMC, CIA, CGFM, CFM has over thirty years of experience in governmental surface transportation and public sector finance. He has served as Chief Financial Officer of two of the largest transit operators in the nation. He founded and headed the public transit consulting and auditing practice for one of the nation's largest CPA firms, where he served over 100 transit agencies from coast-to-coast with a wide variety of projects.

Rubin has worked on dozens of rail transit projects as a senior executive of the operating agency and as an auditor and consultant. His work has included long-range capital/operating/financial modeling and forecasting, planning, budgeting, capital project management oversight, risk management, and safety. He has written and spoken extensively on many elements

of public transit planning, design, operations, construction, and finance.

Details on location and time were not yet determined at press time. For more information or to preregister, call (919)828-3876, send an e-mail message to events@JohnLocke.org, or visit the Locke Foundation website at www.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 St., Suite 200. Parking is available in nearby lots and decks.

### "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.

### "Carolina Journal Radio"

The staff of *Carolina Journal* co-produce a weekly newsmagazine, "Carolina Journal Radio," which appears in syndication on 16 radio stations across North Carolina. You can visit CarolinaJournal.com to locate an affiliate in your area. Also, subscriptions to a monthly CD containing selected episodes of the program are available by calling (919) 828-3876. *CJ*

# Ernst & Young Expert, Former Boeing Official Tell How It's Done

Continued From Page 1

examples of large corporations that in recent years were "provide(d) significant saving opportunities" with government incentives. The companies listed were Ernst & Young, Boeing, IBM, Fidelity, and Mercedes.

Stone undoubtedly had his extensive experience with Boeing to draw from. He wrapped up his 18-year career with the aerospace giant last year after playing a key role in the company's headquarters relocation to Chicago. Boeing was established in Seattle in 1916, but in early 2001 announced it would move and publicly said it would choose Dallas, Denver, or Chicago. After a swift seven-week, secretive evaluation of the cities, Chicago (and the state of Illinois) won the company's heart with a reported \$63 million in incentives. News articles pegged Dallas's offer at \$14 million, and Denver's between \$13 million and \$18 million.

Ernst & Young officials negotiated tax incentives and evaluated proposals from the three cities for Boeing.

Stone had left Boeing before the much-publicized effort made by North Carolina to lure the airline manufacturer to build its new 7E7 jetliner at the Global TransPark in Kinston.

## Corporate welfare or public good?

The cash-cow workshop advised government relations executives from some of the largest U.S. corporations, including Wal-Mart, Proctor & Gamble, Bank of America, and Microsoft, to "provide government with justification: (a) quid pro quo" for granting incentives.

Under a PowerPoint slide headlined "What is in it for Government?," Stone and Press told SGAC attendees that the "public doesn't like corporate welfare" and that lawmakers are "caretakers of the state's economy, not your business." Therefore, they advised, corporate government-relations people should make "a strong business case" by "identify(ing) public benefits of the project (economic and fiscal impacts);" make the case for a "unique opportunity to partner with government;" but also that the company communicate a "but for threat." Such a threat means that a company won't relocate to a state unless it provides adequate financial incentives.

"I'm trying to give the folks I'm speaking to government's perspective," Press said.

"What I'm saying is that you want to be successful," he said. "You're not going to be successful by going to government without identifying benefits. Don't expect it to be a one-way street."

Press denied that he and Stone were trying to portray "corporate welfare" in a more favorable light, and called the term "a misnomer."

"(The public) do(es)n't like something for nothing," he said. "I'm saying, 'don't kid yourself here.' Make sure you have appropriately assessed what government is going to wind up with."

Press gave a business perspective of the but-for threat, saying it is important for a company to communicate what it needs in order to "make its investment in the community." He said that businesses evaluate offers from states and communities, compare them, then tell economic developers what they need in order to persuade the business to come to their state.

"It's important that that be expressed," he said.

## Projecting the message

The cash-cow presentation had two principle themes: control the message and

## 'Turning Your State Government Relations Department from a Money Pit into a Cash Cow'

**Excerpts from the State Government Affairs Council PowerPoint Presentation Savannah, Ga. March 25-27, 2004**

### 'What Is In It for Government?'

#### **Provide Government with Justification: Quid Pro Quo**

- Public doesn't like corporate welfare
- Unique opportunity to partner with government
- Caretakers of the state's economy, not your business

#### **A Strong Business Case**

- Identify public benefits of the project (economic and fiscal impacts)
- Corporate citizenship
- But for threat

### 'Process: Best Practices'

- Company has to speak for itself
- Go in knowing what your priorities are
- Control publicity
- Avoid legislation if possible

### 'On the Front End'

- Is it real or just an idea? Approved? By whom?
- Make the case for incentives. What are YOU bringing to the party?
- Identify key players
- What is the REAL scope of the project? Verify it.
- Identify clear focal points for communications with state & local gov'ts.
- Is the timing right?

### 'In the Middle'

- Use local subs and vendors whenever possible and brag about it
- Update your messages and stay on them
- Communicate progress to the elected officials and their constituents
- Keep Senior Executives engaged with key officials

### 'At the End'

- Contracts are great, but are you REALLY going to sue the state?
- Clawbacks are real -- be prepared and bring non-performance to the gov't, don't wait for them to discover it.
- Incentives are good only if you get them — are you prepared to do it yourself?
- Make sure you get the incentives
- Identify milestones and publicize them
- Involve elected officials in press announcements

### 'More at the End'

- Thank everybody a zillion times
- Offer to be a reference
- Conduct lessons learned session
- Communicate directly and often with the people who made it happen
- Establish incentives working group for follow-up action and monitoring

### 'Just a Few Ideas'

- Try to create a win-win strategy
- Identify the REAL incentives. Don't settle for off the shelf but...
- Be mindful of the election & legislative cycle
- ...Don't be greedy
- Be mindful of the local turf battles

get the attention of the right people, i.e., politicians with power.

Among Press's and Stone's "best practices" advice were communications-related bulletpoints: "Company has to speak for itself," "make a strong business case," and "control publicity."

Luebke said the message delivered by government-relations professionals to lawmakers has to be carefully crafted.

"For a government and a legislature to go along with this," he said, "you have to have the right language."

Perri Morgan, North Carolina state director for the National Federation of Independent Business, opposes government incentives (which she called "corporate welfare") targeted for specific businesses.

"The fact that it's bad enough that we have to make excuses for it means that we shouldn't be doing it," she said.

Press and Stone also told SGAC attendees to "avoid legislation if possible," meaning that businesses should try to get incentives that don't require the passage of a special law.

The N.C. General Assembly did so last autumn when it convened a special session in order to create targeted incentives for pharmaceutical company Merck & Co., and

for cigarette manufacturers R.J. Reynolds Tobacco Co. and Philip Morris USA.

Stam and Luebke had similar interpretations on that point. Stam said businesses probably believe it is best not to seek a special law to create incentives, because it draws more attention to the special treatment it is getting from government.

"It seems to be suggesting that a side deal is better than a bill," Luebke said.

But Press and Stone seemed to contradict their "avoid legislation" message by telling businesses to "identify the REAL incentives... don't settle for off the shelf, but don't be greedy."

If a business sought more incentives than are provided for in existing state law ("off the shelf"), special legislation would seem necessary. That bothered both Stam and Luebke.

"We've got a number of laws written, and then corporations come in and ask for a special deal," Luebke said. "This seminar is telling them to cook up special deals."

"('Off the shelf') wasn't good enough for Merck," Stam said. "They wanted land bought for them. (Business) will never be satisfied because there will be more companies who want what the last company got."

Other advice about the process sug-

gested that businesses develop support from the general public. Press and Stone said SGAC members should "use local sub (contractor)s and vendors whenever possible and brag about it;" "communicate progress to the elected officials and their constituents;" and "update your messages and stay on them."

Other recommendations by Press and Stone perhaps belie businesses' stated motives to provide a "public benefit" in exchange for economic incentives.

The two told SGAC participants to "involve elected officials in press announcements;" to "thank everybody a zillion times;" and to "be mindful of the election and legislative cycle."

"That just shows how politically motivated it is," Stam said. "When there are 100 jobs (announced) you can cut a ribbon, but when it's one by one, you can't do that."

"Government is much more likely to give up tax credits if you let (politicians) shine in (businesses') press announcements," Luebke said. "A zillion times? That's cynical."

"It's hard to look at this and say after this retreat that any corporation is really playing it straight with the state of North Carolina."

*Congressman says he will not seek re-election*

## Ballance Helped Sex Offender and Promised Hyman Funds for Pork

By DON CARRINGTON  
Associate Publisher

**A**fter originally announcing his intention to run for re-election in North Carolina's First Congressional District, U.S. Rep. Frank Ballance withdrew from the race because of health reasons.

Ballance filed with the State Board of Elections on May 4, but changed his mind on the filing deadline day, May 7. He has served only one term in Washington, after succeeding longtime U.S. Rep. Eva Clayton in the seat.

The former state senator's decision came amid his revelation that he was suffering from myasthenia gravis, a neuromuscular disease. Ballance said that after filing to run May 4, his condition worsened May 5, which led him to reconsider his campaign for office.

But Ballance's move also came on the heels of new developments related to troubles he has had with his nonprofit drug counseling program, the John A. Hyman Memorial Youth Foundation.

### *Ballance helped sex offender*

Ballance and Warren County Sheriff Johnny Williams helped a woman avoid registering as a North Carolina sex offender as required by law and a federal plea agreement.

Subsequent to her conviction as a sex offender, Ballance employed her as an instructor in a substance-abuse program run by an organization of which he was the chairman.

The woman, Lisa Louise Hayes of Warren County, was employed as a drug treatment specialist at the Federal Correctional Institution in Butner from October 1991 until February 2001. In August 2001 federal authorities arrested her and charged her with engaging in a sexual act with a person who was in official detention and who was under her custodial, supervisory, and disciplinary authority.

Pursuant to a plea agreement in January 2002, she entered a plea of guilty to the sexual abuse. In return for her plea, Hayes agreed to the following: one year of probation, 120 days of home detention, mental health treatment, sex-offender treatment, a \$2,500 fine, and registration as a sex offender with the state.

N.C. law requires a person who is a state resident with a reportable conviction to maintain registration with the sheriff of the county where the person resides.

*Carolina Journal* was unable to reach Hayes by phone, but sources say she resides in Warren County and thus would be required to register with the sheriff.

Lisa Hayes is married to James K. Hayes, chief of the state probation and parole program in the county.

After leaving her job at Butner, she was hired by the Vance, Granville, Franklin, and Warren Mental Health Authority. The program's director, Foster Norman, told *CJ* he was unaware of her problems at Butner and her requirement to register as a sex offender.

In addition to that job, she also moonlighted as an instructor for a substance-abuse program run by the Hyman Foundation in Warrenton.

The foundation, which Ballance chairs, has received more than \$2 million in state money for substance-abuse programs.

But last year, an investigation by *CJ* and a special review by State Auditor Ralph Campbell uncovered that the foundation's spending was totally controlled by Ballance,



Former U.S. Rep. Eva Clayton, D-1st, supported the Buck Spring Leadership Center in Warren County. Her successor in Congress, Rep. Frank Ballance, pledged public money for the project.



and often went for items unrelated to substance abuse. While a state senator, Ballance steered money to the foundation through a committee on which he served.

*CJ* also found that the foundation failed to file required annual reports with the Internal Revenue Service.

Sometime around March 2002, Williams asked the N.C. Attorney General's Office for a clarification on whether Hayes was required to register as a sex offender, since she was convicted in federal, instead of state court.

Ballance, then a state senator in the middle of his campaign for Congress, also asked the Attorney General's Office the same question in May or June 2002.

On June 24, 2002, Special Deputy Attorney General John J. Aldridge, III issued the advisory opinion titled: "sex offender registration predicated on a federal conviction." The opinion, was in the form of a letter addressed to Williams with a copy marked for Ballance. Aldridge and Senior Deputy Attorney General James J. Coman signed it.

The opinion stated as fact that, "One of the special conditions of supervision was that the defendant register with the State of North Carolina as a sex offender."

As to the law in general, the opinion concluded that "the clear and unambiguous language of our Registry Program is that all persons convicted of a reportable offense on or after the appropriate effective dates, or release from a penal institution after these dates for a reportable conviction, must register as a sex offender. No exceptions exist in North Carolina's sex offender registry program either to exclude an otherwise "registerable" offender from the program, or to include an otherwise "non-registerable" offender in the program."

Information obtained by *CJ* also indicates that in July 2002 Ballance helped stall the situation further by promising to introduce legislation in the General Assembly to change the criteria for reporting offenses — specifically federal misdemeanor cases such as the Lisa Hayes case.

*CJ* was unable to determine exactly to whom Ballance made the promise, but the information was conveyed to Hayes's federal probation officer. The legislation was never introduced.

Hayes's probation ended in January

2003. She had never registered as required until a version of this article appeared on the *CJ* website. Hayes is now registered as a sex offender in the state.

Reached at his office, Williams told *CJ* that that he merely was asking for clarification from the NC Attorney General's Office and that it was Ballance who did not want her registered. When told about the attorney general's opinion dated June 24, 2002, he said he had not seen it.

"You got something I do not have," he said.

Williams said that U.S. Judge William Webb and the U.S. attorney told him not to pursue it, but he would not elaborate. He said he would look into the matter.

Aldridge did not return phone calls to *CJ*, but he referred the matter to the agency's public information officer, Noelle Talley. *CJ* asked Talley why her office had not followed up on the issue. Talley had not responded by press time.

*CJ* reached Ballance's chief of staff, Corliss James, seeking a comment from Ballance. She said for Ballance the only issue that came before him "was whether or not a person who had been convicted of a misdemeanor, whether or not that provision would have been triggered for such person to be registered as a sex offender." She would not comment as to why Ballance hired Hayes at the Hyman substance abuse program and would not answer any other questions.

The North Carolina program stipulates that the registration of a sex offender is to be maintained for a period of 10 years after the offender is released from a penal institution. If no active term of imprisonment was imposed, registration is to be maintained for a period of 10 years following each conviction for a reportable offense.

The State Bureau of Investigation's Division of Criminal Information provides each sheriff with forms for registering people. The registration forms require: the person's full name, each alias, date of birth, sex, race, height, weight, eye color, hair color, drivers license number, and home address; the type of offense for which the person was convicted, the date of conviction, and the sentence imposed; a current photograph; and person's fingerprints.

A person required to register who fails to register is guilty of a Class F felony and a

probation officer, parole officer, or any other law enforcement officer who is aware of the violation may immediately arrest the person or seek an order for the person's arrest.

The Department of Justice provides free public access to the statewide registry, including a photograph at <http://sbi.jus.state.nc.us/DOJHAHT/SOR>.

Read Attorney General's Opinion at <http://jus.state.nc.us/lr/538.pdf>.

### *Pork project pledged Hyman funds*

Ballance also pledged \$10,000 from the embattled Hyman Foundation toward the Buck Spring Leadership Excellence Center, a Warren County conference facility in the planning stages.

The pledge was made about four months before *CJ*'s first story about Ballance's foundation appeared one year ago. The pledge does not appear to have been paid.

A spreadsheet obtained by *CJ* documented Ballance's \$10,000 pledge to the Buck Spring project. In the note column beside the Ballance pledge was the notation, "Substance abuse foundation which he controls will contribute."

Notes accompanying the spreadsheet indicated it was a tally of pledges and payments as of Jan. 16, 2003. The documents originated from Creative Campaign Consultants, a political fund-raising firm located in Raleigh.

In December 2002, supporters of Clayton held a retirement dinner for her. The event was promoted as a tribute to her with contributions going to the Buck Spring project, which she was supporting. Creative Campaign Consultants organized the event.

Both Clayton and Ballance have used Creative Campaign for their political fund-raising.

Warren County, which will own and operate the facility, is paying the firm to raise money for the project.

The project has been described in news stories as a conference center, special event center, and youth camp. The site is situated near Lake Gaston on what was part of a plantation owned by former U.S. Speaker of the House Nathaniel Macon.

The total cost estimate for Phase I is more than \$3.9 million. The U.S. Department of Agriculture is providing a \$1.5 million low-interest loan and \$500,000 in a grant. The remainder of the money, almost \$2 million, is to come from a fund-raising campaign led by Carolyn Ross-Holmes, chairwoman of the Buck Spring Management Team, and Creative Campaign consultants.

The N.C. Agricultural & Technical Foundation, a nonprofit affiliated with the Greensboro state university, is being used as a collection depository for the fund-raising campaign. Research by *CJ* shows that the fund-raising is far short of the goal. As of April 15, the amount on deposit with the NC A&T foundation earmarked for Buck Spring was \$301,731.

The Hyman Foundation received a scathing review by the state auditor last year.

While the audit uncovered more than \$300,000 in questionable spending, it did not uncover the \$10,000 Buck Spring pledge. Federal and state investigations are being conducted and a federal grand jury has interviewed Ballance's associates and family members. The foundation has terminated its substance-abuse counseling program and state Attorney General Roy Cooper has ordered the foundation not to spend any funds.

*Wants to help finance motorsports track and continue TransPark funding*

## Easley Releases Budget Adjustments; Spending Up 7.4 Percent

By PAUL CHESSER

Associate Editor

RALEIGH  
Gov. Mike Easley released his mid-biennium budget term adjustments May 10, which coincided with the opening day of the General Assembly's short session. The governor said his proposal maintained his priorities for spending discipline, creating jobs, and improving public education.

"I think it sets priorities," the governor said, "and reflects the priorities of the people of North Carolina."

Easley's plan states that it would increase "non-federal spending" by \$876 million over last year. Because authorized General Fund spending for fiscal 2003-04 was reported as about \$14.8 billion, the governor's proposal of \$15.9 billion would appear to be an annual increase of nearly \$1.1 billion, or 7.4 percent.

But Dan Gerlach, a key fiscal-policy aide to the governor, explained that the 2003-04 budget baseline should be expressed as about \$15 billion, including nearly \$200 million in Medicaid expenses that for one year only were financed by federal rather than state dollars.

If the Medicaid spending counted for fiscal 2003-04, then last year's spending increase was underestimated. Under this revised fiscal math, last year's increase was about \$630 million, or 4.4 percent.

Easley said that after only providing a minuscule raise for state employees during



Gov. Mike Easley

the last three years of economic difficulty, he wanted to offer them something more after this year's improvement in revenues. He proposed a 2 percent salary increase, plus a onetime bonus of \$250 per employee.

"I'm most concerned about state employees in general," Easley said at a May press conference. "The dollars are just not there to do more."

General Fund revenues are expected to

exceed budget projections by \$198.3 million for fiscal 2003-04, which ends June 30. Forecasters anticipate economic growth by a rate of 5.5 percent for 2004-05, which raised revenue expectations by \$200 million.

Easley's revised budget includes \$119 million for education enrollment, \$231 million for state employee retirement and health care, \$220 million for employee compensation increases, and \$80 million for servicing debt and capital expenditures. Also, last year's temporary Medicaid relief (\$191 million) from the federal government was removed, and state spending on the program will rise by \$182 million.

The new spending proposals mean that some across-the-board budget savings were necessary.

The governor said the budget keeps spending below the cap he proposed last year, which was limited to the previous 10-years' average of personal income growth, though this assumes use of the \$876 million spending-increase number in the calculation.

His recommendations included an additional \$105 million for the state's "Rainy Day" reserve fund.

The governor's proposals for economic development included an additional \$20 million for the One North Carolina Fund, which Easley uses to "clinch" business deals for corporations negotiating to relocate or remain in the state. He wants \$48 million in tax breaks for businesses, which includes an exemption from the corporate income

tax on the first \$20,000 companies earn. He also would add or increase tax credits for business research and development and for new ventures.

Easley also renewed \$1.6 million in state funding for the Global TransPark in Kinston, which both he and the General Assembly planned to eliminate. He also called for \$5 million to go to the North Carolina Biotechnology Center, for business development in the life sciences.

In addition, Easley included \$500,000 in his budget to promote North Carolina "as a wonderful state to visit" at the 2005 U.S. Open golf tournament, which will be held in Pinehurst.

The governor also recommended a \$15 million appropriation for the proposed North Carolina Motorsports Testing and Research Complex in Charlotte. The controversial facility would provide a test track for NASCAR.

Bowing to political reality in an election year, Easley did not include revenues from a hypothetical state lottery in his plan, as he has done in past years. He said he had not given up on the idea.

"I'm going to push hard for the lottery every single [legislative] session," Easley said.

A one-half percent sales tax increase and a temporary personal tax hike on the highest earners is scheduled to end in June 2005. "We're still going to need a source of revenue as we go forward," the governor said. *CJ*

*Atmosphere cleaner than it was 20 years ago*

## Environmental Scientist Debunks Alarmists' Claims on Air Pollution

By PAUL CHESSER

Associate Editor

RALEIGH  
Contrary to exaggerated claims by environmental extremists that air pollution is worsening, air-quality expert Joel Schwartz told three audiences in North Carolina in early May that conditions have improved nationwide.

Using data culled from studies published by the Environmental Protection Agency, Schwartz demonstrated that pollution trends for all major cities in the United States are falling. He said the truth contradicts what the majority of Americans have shown they believe in various polls.

"Americans think the air has gotten worse," Schwartz said at a luncheon in Raleigh sponsored by the John Locke Foundation. "Of course, just the opposite is the case."

Schwartz served in several posts in California as an environmental consultant or public official administering air-quality policies. Most recently he was senior scientist and director of the Air Quality Project for the Reason Public Policy Institute in Los Angeles. He currently is a Sacramento-based scholar for the conservative American Enterprise Institute in Washington, D.C.

In his North Carolina speaking engagements, which also included Locke-sponsored events in Charlotte and Winston-Salem, Schwartz told audiences that the pollutants that the EPA monitors — particulate matter, ozone, carbon monoxide, nitrogen dioxide, and sulfur dioxide — have all diminished since 1975. Oddly, rates of hospitalization from asthma increased during

the corresponding period.

Schwartz said the inverted evidence shows that air pollution is not the chief cause of current respiratory ailments, contrary to what activist organizations such as the American Lung Association and the Public Interest Research Group often claim.

"The ALA would have you believe that 40 percent of the population (is "at risk" from air pollution)," Schwartz said in Raleigh.

He also refuted other exaggerated, or false, statements made by environmental activists, and by media outlets that have adopted alarmist outcries as their own.

For example, a Sierra Club report entitled "Clearing the Air with Transit Spending" warned that "smog is out of control in almost all of our major cities." Schwartz compared that remark to a EPA data-based chart which showed that the number of days that exceeded the agency's eight-hour ozone standard dropped by 62 percent since 1975. The average number of days per year that the standard is exceeded is under four — compared to 13 days 30 years ago.

Schwartz also showed that in contrast to published remarks about North Carolina's air quality, the state does not "have some of the worst air pollution in the country," as the N.C. chapter of PIRG reported in September 2001.

The Bakersfield, Fresno, and San Bernardino areas of California all had an average of at least 38 eight-hour ozone exceedance days between 2000-2002. NC communities averaged about six exceedance days during the same period — far less than the worst. *CJ*



For more than 12 years, *Carolina Journal* has provided its thousands of readers each month with in-depth reporting, informed analysis, and incisive commentary about the most pressing state and local issues in North Carolina. With a particular emphasis on state government, politics, the General Assembly, education, and local government, *Carolina Journal* has offered unique insights and ideas to the policy debate.

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Currently broadcast each weekend on 17 commercial radio stations — from the mountains to the coast — **Carolina Journal Radio** is a one-of-a-kind program that seeks to inform and elevate the discussion of North Carolina most critical issues, and to do so in a fair, entertaining, and thought-provoking way.

For more information or to find an affiliate of *Carolina Journal Radio* in your community, visit [www.CarolinaJournal.com](http://www.CarolinaJournal.com).

## NC News In Brief

## On your mark...

The start and end dates of the school year always have been local decisions, but this year the General Assembly is considering a statewide bill to open schools no earlier than Aug. 25, and to end the school year by June 10. The bill that legislators will consider cuts 10 days from teachers' schedules without changing the length of the school year, or teacher pay.

According to the Greensboro *News & Record*, more than 90 percent of North Carolina's districts open for business during the first two weeks of August.

A Raleigh-based organization, Save Our Summers, has voiced opposition to early school openings. The group cites a shortening of the tourism and vacation industry seasons, and notes that North Carolina families can neither vacation nor work during part of the prime summer months.

The value of lost business is estimated to be at least \$300 million, according to the report.

## Board changes in Durham

Durham's School Board Chairman Michael Page was required to follow state law and resign his chair, once he learned that redistricting had placed his residence outside of the district he has been representing.

According to a *News & Observer* of Raleigh report, the school board chose to follow precincts as defined by the elections board in 2001. Durham "has since changed those district lines," said school board lawyer Ann Majestic.

Because of redistricting, the home Page purchased is no longer in his district.

Page is eligible to run for an at-large seat, or for the seat being vacated by board member Phyllis Scott. He had not made a decision on a new bid when the resignation was announced. The next Durham school board elections will take place in July 2004.

## Teachers may get a pass

Out-of-state teachers who want to work in North Carolina schools may get a pass on competency tests, at least for a year.

The *News & Observer* of Raleigh reports that the state legislature has pushed for the moratorium in an effort to "ease the state's chronic teacher shortage." The State Board of Education has so far agreed "under pressure from the state legislature."

A legislative committee vote of April 27, recommended removing the requirement that out-of-state middle and high school teachers pass subject-area exams. The legislature will have to consider whether the change will become part of state law.

Elementary teachers entering North Carolina schools from other states will still be examined, the report states.

Governor Mike Easley is quoted opposing the change because it would "undermine" progress. CJ

## NC School Enrollment Projected to Drop

School construction and the demand for teachers could be affected in many districts

By KAREN PALASEK  
Assistant Editor

RALEIGH

The National Center For Education Statistics predicts that by 2013 North Carolina will have 11,000 to 12,000 fewer K-12 students in its schools, compared to its 2001 enrollment. According to the *NC Statistical Profile 2001*, 1.29 million K-12 students, including charter students, enrolled in the public schools that year. If the NCES projections are correct, by 2013 enrollment will drop to about 1.28 million statewide.

The NCES study examines trends across all states, and the expected gainers outnumber the losers. In all, 30 states will pick up K-12 enrollment, NCES says in its *Projections of Education Statistics to 2013*. One-third of those should increase enrollments by more than 10 percent. Average national enrollment is expected to increase by 4 percent, with the biggest bump occurring in Western states.

North Carolina's expected drop is mild compared to predictions for some states. The percentage decline in enrollment ranges from 0.2 percent predicted for New Hampshire, to 6.1 percent for West Virginia. Among 20 states expected to see shrinking enrollments, North Carolina's is the second-smallest. But the implications for North Carolina school districts, some of which have been bursting at the seams, could be significant.

## What's a prediction worth?

A slowdown or gradual decline in enrollment could take some pressure off school districts to fund a never-ending cycle of school construction. The NCES website lists 51 new public schools across North Carolina for the 2003-04 school year. Because of differences in the timing of data collection and reporting, NCES dates the facilities in 2003, while the N.C. Department of Public Instruction counts most of them in the 2001 school year.

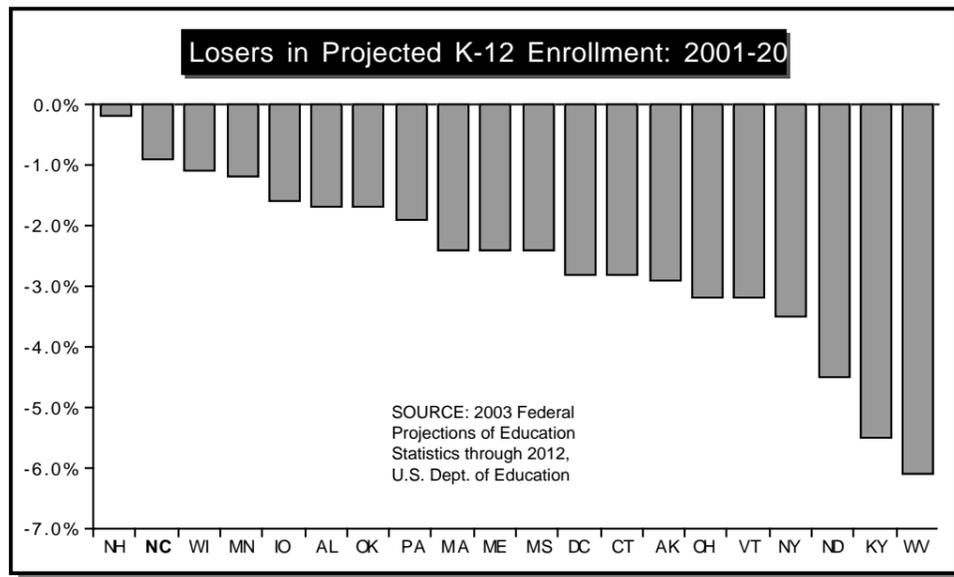
"New Schools For North Carolina," a February 2004 report from the Department of Public Instruction, lists another 52 completed facilities on new or existing sites from 2002 to 2004. Recent student assignment cases in Guilford, Mecklenburg, and Wake counties have highlighted the problems associated with rapidly expanding school populations. Construction costs for new schools, as outlined in the "Wake County Plan 2000 Midpoint Report," range from \$35 million to \$45 million per high school, \$21 million to \$30 million per typical middle school, and \$11 million to \$17 million per elementary. These figures do not reflect increased costs since 2000.

A general leveling off of enrollment won't necessarily mean that every county will see slower enrollment growth, but statewide budget pressures for education expenditures could clearly be affected.

According to NCES, school enrollment projections reflect "internal migration, legal and illegal immigration, the relatively high level of births in the 1990s, and resultant changes in population, rather than changes in attendance rates."

What they do not include are statistically unpredictable factors such as attitude or policy changes. An example of this type of change would be a move toward mandatory pre-kindergarten, they note. The measures also exclude home schoolers, on the ground that national data were available for only one year.

North Carolina is one of several states that has increased enrollment in recent



years, partly because of Hispanic immigration. Although public elementary and secondary enrollment swelled by 19 percent nationally from 1988 to 2001, the 2001-2013 increase of 4 percent indicates both a slowing and some change in the internal migration of families in the United States. The Northeast is expected to lose about 2 percent total enrollment, the Midwest to gain slightly, the South to increase by 4 percent, and the West to grow by 13 percent.

Coming up with numerical predictions is a risky and uncertain business, and predictions about the near future are always more accurate than ones for the more distant future. The National Center for Education Statistics used year 2000 Census data as the basis for their assumptions, but presented a range of high, moderate, and low estimates for the number of elementary and secondary teachers, pupil-teacher ratio, current expenditures per pupil, and teacher salaries. Spending and salary estimates are given in 2001 equivalent purchasing power.

How accurate are the data? For one-year-out K-8 enrollment, the prediction is expected to be within 0.3 percent of actual student numbers; by 10 years out it can vary by 2.7 percent. Grades nine to 12 near-term predictions are within 0.6 percent of enrollment, and 10 years out within 2.8 percent.

## Graduation rates, teacher issues

North Carolina's total enrollment may be scheduled to shrink by 2013, but the number of high school graduates should increase significantly, NCES says.

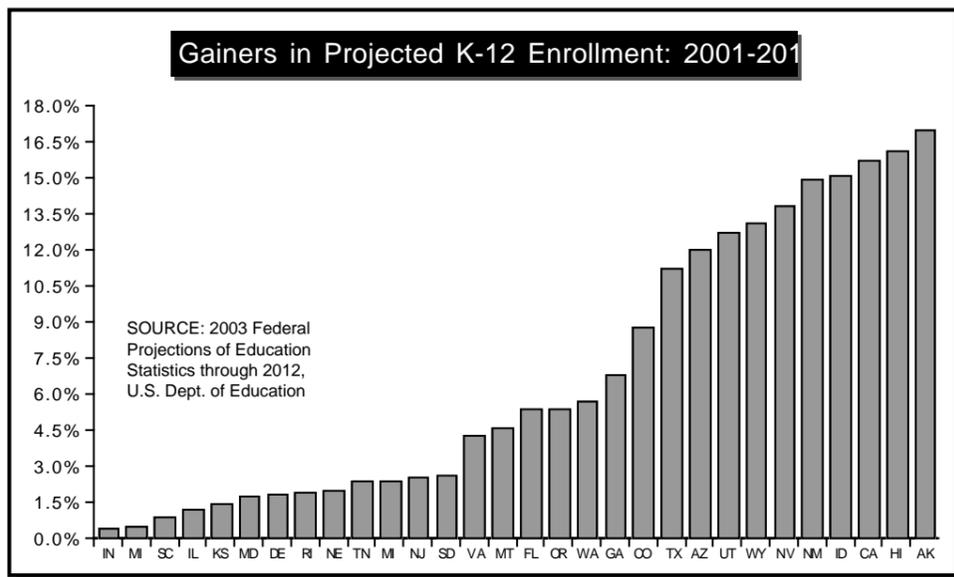
Current four-year graduation rates hover around 60 percent in North Carolina, a statistic the Department of Public Instruction is anxious to improve. About 3.2 million students are expected to graduate nationwide in 2013, up 11 percent over 2001 figures. The projected increases, according to the study, reflect "changes in the 18-year-old population," rather than changes in the graduation rates. That may vary by state.

State education policy affects both graduation rates and the number of public school graduates. According to the U.S. Department of Education, predictions for graduation rates are less accurate than predictions for enrollment—the 10-year prediction error is as high as 4.4 percent in either direction.

Even so, the projected increase in high school graduation for North Carolina, estimated at 20.6 percent, is among the highest in the nation. At the top of the list, NCES estimated that Nevada's 2001-13 gain will be 72.2 percent, 40 percent higher than the nearest state. The biggest drop in graduations, at minus 31.7 percent, is projected for North Dakota.

According to NCES, there will be a 5 percent increase in the number of teachers nationwide, totaling 3.2 million by 2013. The pupil-teacher ratio is estimated to fall slightly from 15.9 to 15.8. Moderate salary projections, in constant 2001 dollars, would put average teacher pay at \$47,400 in 2013, a 6 percent increase over the 2002-03 national average. Because of cost-of-living differences among the states, the real effect of any pay increase will play out differently in different states. CJ

**The projected increase in high school graduation for North Carolina, estimated at 20.6 percent, is among the highest in the nation.**



## ANALYSIS: Closer look at Durham schools' transfer policy

## Newspaper Far From Right on 'White Flight'

By MAXMILIAN LONGLEY

Contributing Editor

**I**n recent articles, editorials, and columns about "white flight" in Durham Public Schools, the *News & Observer* of Raleigh made sweeping assertions and accusations without offering proof and advocating "solutions" that some educators say that might actually compound the problem.

The paper ran white-flight articles April 4 and April 14. While acknowledging that "[r]ace does not motivate all parents," the articles emphasized a racial angle. The articles suggested that Durham Public Schools were unfairly suffering from guilt-by-association on account of the bad reputation Durham had acquired. The academic quality and safety of Durham county schools, the articles suggested, was comparable with that in Wake and Orange county public schools.

In an editorial April 8 the *N&O* sounded the call for getting white families back into Durham County schools. The editorial said that Durham County schools could stem white flight by continuing their academic improvements, as well as by improving their public relations.

The day after the editorial, the *N&O* published a column by Barry Saunders that chided white parents. Saunders said that he felt "disdainful" toward the departing whites. Some of the fleeing white parents, Saunders said, were motivated by racism, and "Durham schools are better off without them or their poisoned progeny."

The *N&O* returned to the fray May 11 with an article quoting some white parents in Durham Public Schools who liked the schools their children were attending.

The *N&O's* April 4 article said Durham County schools had "a liberal transfer policy." The *N&O's* April 8 editorial, "Bailing out," returned to this theme: "The unfortunate result [of "white flight"] is that children of every race in Durham increasingly are deprived of the benefits of classrooms that look like the world they will work in as adults. The Durham school board doesn't help with its flabby transfer policy that lets parents hopscotch their children to nearly any school in the district. The pattern is in marked contrast to that in Wake County, where socioeconomic diversity guidelines help keep a reasonable racial balance in the schools."

## Parents might pull out of schools

The *News & Observer* overlooked the danger that granting fewer transfer requests might well exacerbate the very problem of white flight that the paper deplors.

Former Durham School Board Chairman Michael Page says that white parents requesting transfers frequently threaten to take their children out of Durham Public Schools altogether if their requests are not granted. Current School Board Chairwoman Gail Heath also agrees that allowing transfer requests dissuades some whites from sending their children to private schools.

Thus, there is considerable evidence that being less "liberal" with transfer requests would have the effect not of promoting racial integration within Durham Public Schools but of driving out even more white families, thereby making the situation worse.

Current School Board Chairwoman Gail Heath praises the transfer policy. "When people choose to go to a school," Heath said, "they [tend] to stay there." Focusing on engineering a certain racial composition in the various schools in the county, Heath said, would divert a lot of "energy and focus [that would] not [be] going into something else." The current transfer policy, in contrast, is "family friendly" and "promotes parental involvement." Parents will find a way to get out of a public school they don't like, Heath said.

Page, a candidate for Durham County commissioner, says that, in administering the transfer policy, he tried to be "respectful of parental choice."

Bill Bartholomay, executive director of Durham Public Schools' Office of Student Assignment, said the Durham School Board is "committed to parental choice in schools."

## Blacks and whites get transfers

Another fact overlooked by the *N&O* in its criticism of Durham's transfer policy is the fact that blacks as well as whites avail themselves of the policy. In the 2003-2004 school year, about 63 percent of transfer requests were ap-



A teacher helps a pupil at Durham's Club Boulevard Elementary School.

proved, according to calculations based on statistics provided by Durham Public Schools. At the elementary-school level, about 76 percent of transfer requests were approved, compared to 57 percent at the middle-school level and 63 percent at the high-school level.

Examining transfer requests on behalf of white students and black students, the approval rate of transfer requests is about the same for both groups at the elementary level (77 percent compared to 75 percent), somewhat higher for blacks than whites at the high-school level (38 percent for whites versus 45 percent for blacks), and significantly higher for whites than for blacks at the middle-school level (73 percent for whites compared to 47 percent for blacks). Thus, if the Durham school board became less liberal in granting transfer requests, the choices of black students as well as white would be restricted, especially at the elementary and high-school level.

The reasons for allowing transfers under Durham's policy vary. If a student is assigned to a year-round school, the parent or guardian can automatically obtain a transfer to a designated alternative school that operates on a conventional schedule. Large numbers of parents request, and obtain, transfers on that basis. Other grounds for seeking transfers include medical or other hardship, child-care needs, the desire to put one's child in a particular program available at the requested school, and general reasons within the administration's discretion.

Even with the "liberal" transfer policy, transfer requests are often far from automatically granted, especially when parents try to get their children transferred to the more desirable public schools in Durham. In the 2003-2004 school year, for example, among both whites and blacks, requests to transfer to Jordan High School were more often denied than granted (nine requests granted compared to 25 denied for whites, 20 granted to 40 denied for blacks). Both blacks and whites were far more likely to be turned down for transfer to Riverside High School as to be accepted (13 requests granted to 33 denied for whites, six granted to 27 denied for blacks). Most black requests to transfer out of Githens or Chewing Middle Schools, and/or to transfer into Brogden and Carrington middle schools, were denied. In addition, transfer requests to magnet schools were not guaranteed success. Even with these restrictions, the transfer policy is condemned by the *N&O* as too "liberal."

## Pupil Placement Act of 1955

The Durham School Board could, of course, continue liberally granting blacks' transfer requests while adopting a more skeptical attitude toward white requests. This would be fully in line with the discriminatory history of the Pupil Placement Act, the state law authorizing school boards to block requested student transfers. The Pupil Placement Act, enacted in 1955, gives local school boards a variety of excuses that they may invoke if they wish to block student transfers from one school to another. The reason the General Assembly passed the law was to allow school boards to block the implementation of the *Brown v. Board of Education* decision of the U. S. Supreme Court. As intended, the law gave school boards a method of thwarting transfer requests from black parents who wanted their children to go to "white" schools. Durham's school board was accused of invoking the statute for precisely this purpose during the Jim Crow era. Now the *N&O* in the name of racial progressivism, wants the Durham School Board to again use the Pupil Placement Act to deny transfer requests from families of the "wrong" race. CJ

## What Do Test Scores Really Mean in N.C.?

**I**t's the time of year again for end-of-grade and end-of-course test scores to be released. If history repeats itself, educators will be patting themselves on the back. Remember last year? About 94 percent of schools received bonuses for achievement on North Carolina tests.

Confusion set in when the National Assessment of Educational Progress test revealed only 32 percent of fourth-grade students in North Carolina were proficient, while the state test indicated 81.1 percent were proficient. What about the 49.1 percentage point difference? What could possibly be wrong?

Many reasons are given for the vast difference in reporting. First and foremost the education establishment makes sure everyone knows that the NAEP standards, or cut scores, are much higher than reasonable for the average student. That means the standards for North Carolina tests are set at "minimal expectations," a term I heard stated many times at State Education Board meetings.

Now the establishment boasts about how state tests are aligned with NAEP. The test questions may be aligned, but the levels of achievement are far from alignment. However, I offer a quick solution if the state would like to correct this obvious discrepancy.

Educators should create a Level V and rename Level III as "minimal mastery." Level III can be kept as passing, if educators fear the political ramifications of high standards. The cut scores for Levels IV and V could become more consistent to NAEP's proficient and advance levels. If this were done, parents would get a better comparison of their children's ability.

Currently both tests have four levels of achievement. The North Carolina levels are: Level I, insufficient mastery; Level II, inconsistent mastery; Level III, consistent mastery; Level IV, superior mastery. Levels I and II are considered below grade level, while levels III and IV are considered grade-level or proficient. The NAEP levels are: below basic, basic, proficient, and advance. Proficient and advance are grade level.

Patterns emerge when comparing the percentages at the top two levels, or lower two levels. Using the 2003 percentages for the fourth-grade reading, state test scores revealed 18.9 percent of students were at level I and II, while 81.1 percent were at Level III and IV. NAEP scores revealed 67 percent of students were below basic and basic, while 32 percent were proficient and advanced. Subtract 32 percent (NAEP considers proficient) from the 81.1 percent (NC considers proficient). The remainder is a 49.1 percent discrepancy. The addition of 49.1 percent to 18.9 percent (NC considers not proficient) equals 68 percent, which is only one percentage point difference from the NAEP score of 67 percent not proficient.

I calculated the fourth-grade math, eighth-grade reading, and eighth-grade math scores the same way, and each time the percentages if "not proficient" came out the same or had a one-point difference.

What does this tell a parent? If a child scores at a Level I/II, a parent should look for intense intervention, because the student is probably one or more years behind. If a child scores at Level III, a parent should get some summer tutoring for the student. Remember, achievement levels are minimal standards. If a child scores at a Level IV, a parent should not feel overly confident. Top achievement levels for fourth-grade 2003 reading scores are inconsistent. The state reports 40.4 percent at Level IV, or superior mastery, while the NAEP reports only 32 percent at both the proficient and advanced levels.

The education establishment prints Level III as consistent mastery and Level IV as superior mastery on written documents. However, verbally the same group declares these are minimal standards for proficiency. It is time for the state to be clear with parents and be consistent. If the state educators want to align with the NAEP, then state achievement levels also should be aligned. CJ

Lindalyn  
Kakadelis

## Charter Schools Celebrate

### Charter School Week

National Charter School week occurred one week earlier than charters were celebrated in Raleigh. That's because the General Assembly reconvened for its 2004 short session during the week of May 10, and charter operators wanted to be sure to get the ear of their representatives.

Roger Gerber of the League of Charter Schools reported that 13 charter schools and almost 400 charter school students participated in programs and meetings with North Carolina legislators.

The league presented its Teacher of the Year Award to Jennie Kennel Adams. Adams has been a teacher in North Carolina public schools for 34 years, and teaches at Arapahoe Charter School in eastern North Carolina. Arapahoe, serving about 360 students, has been a state school of distinction and a school of excellence.

Charter School Week is designed not only to celebrate the accomplishments of charter schools, but to stress the need to open up more opportunities in this form of public education.

Charter Day, May 12, opened with a press conference at the legislature. State Rep. Steve Wood, R-High Point, was one of several legislators on hand to deliver and to listen to the opening remarks. As part of his own statement, Wood read a press release from U.S. Secretary of Education Rod Paige, acknowledging, "Charter schools are part of a growing and powerful movement that is improving the quality of education for all children."

Wood's remarks stressed that although charter schools "have had some setbacks," they have also had some great success. As cochair of the House Education Committee, Wood said that "we can't get too much of a good thing."

He favors an increase in the charter cap, but said "it is OK to close a school if it is failing and failing the students." The competitive process, Wood cautioned, requires letting schools that can't make the grade lose their charters.

Renee Jones spoke for the Parent Network for Better Education, a federally funded initiative to help parents "become better advocates for their children." Following Jones, Rep. Mike Gorman, R-Craven, Pamlico, also a teacher at Arapahoe charter, stressed the accountability that charters have been able to bring to schools.

Remaining speakers included Sen. Fern Shubert, R-Union; Lindalyn Kakadelis, of the North Carolina Education Alliance; Principal of Healthy Start Academy Dietrich Danner, and a representative of the U.S. Department of Education's Atlanta bureau.

Shubert's remarks focused on reading and literacy, and the urgency of reform. Kakadelis promoted choice in the schools, and Danner outlined the benefits he sees in No Child Left Behind and the flexibility of charter schools. *CJ*

# Exit Exams Won't Bring State Closer To Goals

## School improvement and high school graduation unaffected by tests

By KAREN PALASEK

Assistant Editor

RALEIGH

When North Carolina legislators decided to drop the planned high school graduation exit exam for 11th graders, they weren't necessarily saying that there should be no final requirement for graduation. But with the four-year graduation rate at just 60 percent, they also weren't willing to see it go lower on the basis of one high-stakes test. The idea of a high-stakes exit exam is, after all, to inspire better performance from schools, teachers, and students.

In language designed to limit the number of required tests each school year, the legislature barred the State Board of Education from imposing "any additional standardized tests beyond those that were administered in the 2002-2003 academic year." The high-stakes 11th-grade exit exam was to be implemented starting in the spring 2004. For the first time, the results would have determined a student's eligibility for graduation.

Instead, the state will keep, for now, the exam procedure it has used in the past. To be eligible to graduate, students must take the required courses and pass the eighth-grade reading and math competency tests.

Students can take the high school competency tests beginning in the fall of their ninth-grade year, with the provision that "students who fail to attain the required minimum standard for graduation in the ninth grade shall be given remedial instruction and additional opportunities to take the test up to and including the last month of the 12th grade." If students fail part of a test, they need retake only that part.

The competency tests are hardly the kind of all-or-nothing hurdle that parents and educators fear will knock kids out of contention to graduate. Still, the state is rethinking the need to have an exit measurement for all students about to receive a diploma.

According to reports in *The News & Observer* of Raleigh, State Schools Superintendent Mike Ward and State Board Chairman Howard Lee are considering pre-graduation alternatives. One option might be to use the end-of-course tests, which currently count for only 25 percent of a student's grade, but to increase the weighted effect on student grades. Increasing the weight attached to these exams doesn't violate the prohibition against new exams. Another option could be a senior project, already a requirement in some schools.

The difficulty that education officials face involves creating a tough exit measurement, but not one so tough that it leads to lower graduation rates, or to grades inflated just enough to get students through.

### Pushed out or pulled up?

Exit exams have been under attack recently because educators fear that higher standards translate into fewer graduates. According to statistical research on a number of factors that might affect student outcomes, neither exit exams, class size, spending, nor the secondary student-teacher ratio had a significant effect on high school completion.

A May 2004 study by the Manhattan Institute, "Pushed Out or Pulled Up? Exit Exams and Dropout Rates in Public High



Carolina Journal Photo

Rep. Steve Wood speaks at National Charter School Week.

Schools," specifically looked for factors that might improve achievement without causing more students to drop out.

According to Jay Greene and Marcus Winters, authors of the study, under two different methods of calculation, "[T]he results for both graduation rate calculations show that adopting a high school exit exam has no effect on a state's graduation rate."

One method for calculating the graduation rate relies on the National Center for Educational Statistics data set, which compares national graduation rates over time. The method is not perfect, according to Greene, but is it well-respected and free of the problems of some of the alternative methods.

A second method was developed by Greene for use in earlier studies. The Greene method divides the number of diplomas awarded... in a given year by the estimated number of students who entered the ninth grade four years earlier, according to the report. Because of possible "jags" in enrollment from year to year, Greene's method has a statistical component to adjust for anomalies in the number of students from year to year.

Eighteen states have had some type of exit exam in place since at least 1980, which allowed for at least 10 years worth of data. The exams, of different types, all fit the requirement that students pass successfully before graduation.

### No difference

According to "Pushed Out or Pulled Up?" either calculation method gives the same result: Exit exams are not responsible for lowering graduation rates. States that are leery of a drop in graduates if they adopt an exit standard can breathe easier over the prospect.

But is that true? Some critics argue that more recent tests have raided the stakes by

adopting higher standards and more difficult material. Maybe the 1980s results aren't valid.

Not so, according to Greene and Winters. The analysis found no statistical relationship between the year a test was given and graduation rates, so that "current tests are having the same null effect on graduation rates as the graduation tests of the past."

This is an interesting conclusion. Apparently, tougher tests don't cause fewer students to graduate. They speculate that the tougher tests may translate into pressure to improve. Even if they don't, the "meaningfulness" of a diploma should increase with harder exit exams.

A final note on the reality of using exit exams to weed out students who are not prepared to graduate—the authors argue that they would most likely have failed even without the exam. If there is any positive reason to have an exam in place, the authors suggest that it could force schools to address the low-performing end of their student spectrum.

"Exit exams force schools to focus their time and resources on low-achieving students they previously ignored. This improved use of resources causes some students to earn their diplomas who otherwise would have dropped out," Greene

and Winters write in an op-ed for the *Indianapolis Star*. So the tests may act as a kind of quality control even if they have no other measurable consequences.

### Quality of existing standards

Abandoning the originally planned exit exam is not the final step in North Carolina's high school accountability efforts, Lee said. "I really do think we need a strong exit measurement," Lee told *The*

*News & Observer* of Raleigh. "I'm not sure what that is yet—is it an exam, is it a senior project?"

Existing standards for K-12 accountability are rated "fair" for North Carolina by the Thomas B. Fordham Foundation and Accountability Works. These organizations scrutinize stan-

dards, curriculum, and accountability measures.

In "Grading the Systems: The guide to state standards, tests, and accountability policies," Theodor Rebarber, Richard Cross, and Justin Torres summarize a 30-state study. They find that for all 30, the accountability systems "may best be described, on average, as mediocre."

North Carolina's results for standards, testing, and accountability policies were "fair" on average, but the scores vary widely depending on elementary, middle or high schools.

Tests in the state received a "solid" mark, but evaluators didn't have access to high school tests for the study. That was a factor in its "poor" rating on test trustworthiness and openness. For the same reason, the authors could not gauge the rigor of existing tests.

Over all, North Carolina continues to flirt with a soundly positive review of its testing and accountability. The Fordham study indicates that it could be outstanding, but without openness, how to proceed from here is still subject to speculation. *CJ*

**Neither exit exams, class size, spending, nor the secondary student-teacher ratio have a significant effect on... completion.**

*'Reasonable and creative' approach***'Choice in the Classroom': Students in Charge of Their Education**

By KAREN WELSH

Contributing Editor

RALEIGH  
A paradigm shift from the cut and dry test-based K-12 school system to a more liberal, free-flowing learning environment is under way in North Carolina.

The quiet revolution, known as "choice in the classroom," is creating reform meant to bolster students' self-esteem, personal motivation, and happiness by addressing their social, emotional, intellectual, and physical needs.

Dr. William Glasser, psychiatrist and author of many books, including *Unhappy Teenagers*, *A Way for Parents and Teachers to Reach Them*, said the revolution moves away from a system that relies on authoritarian practices and coercion to one that uses cooperation, collaboration, and self-regulatory skills in the classroom. "Teaching is a hard job when students make an effort to learn. When they make no effort, it is an impossible one. Students cannot be coerced to learn, nor can they be forced to behave in a certain manner. The choice of how to behave is just that, 'a choice.' What education needs to do is to teach students how to make better choices."

**Responsibility training for students**

One way to achieve this, Glasser said, is through responsibility training. The training gives students a step-by-step understanding of the factors influencing their behavior, a way to process the information, and the ability to take control over their own lives, he said.

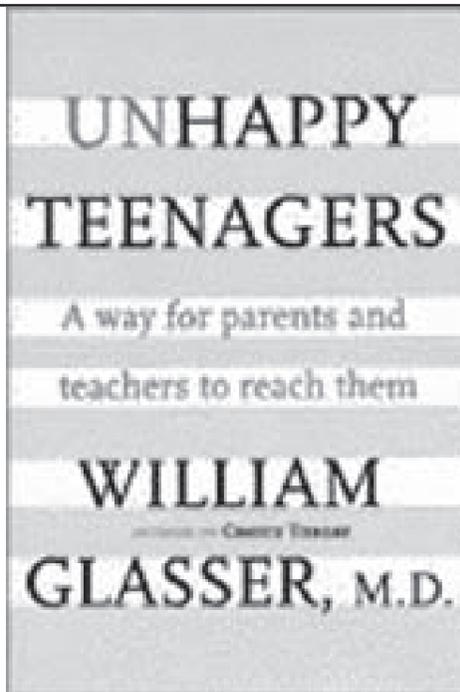
In an article on how engaged children are in learning, co-written by Dr. Wendy McCloskey, a member of SERVE, an outreach division of the University of North Carolina at Greensboro, and Dr. Judith Meece, professor at the School of Education at the University of North Carolina at Chapel Hill, the writers found "schools and teachers can encourage or discourage student responsibility for, and interest in, learning through the ways in which they structure the learning environment."

The authors said the best schools are innovative ones that go through a process of self-evaluation centered around the development of a culture of motivation, basic skills and active, life-long learners out of their students.

McCloskey and Meece also said these



Dr. William Glasser



schools take site-based management seriously and hold themselves accountable for student outcomes that go beyond state-mandated test scores. "The success of many of these schools in helping students to perform at high levels is in part due to their commitment to engaging student motivation," they wrote. "They care about getting the conditions right that foster students' commitment to the learning process. These students demonstrate that fostering motivation to learn is a worthy goal that pays rich dividends."

**Tailoring the classroom**

Dr. Lisa Horne, principal of Konnoak Elementary School in Winston-Salem, said her institution puts students first. She said this ideal requires thinking outside the box and gives teachers the opportunity to tailor the classroom to students' needs.

Whether it's a multi- or non-graded classroom made up of various age groups of children, looping or having a teacher follow their children up through the grades, transition classes intended to help retained children catch up with their classmates, or other creative programs, Horn said the school is willing to try many approaches to help each child succeed. "It's a good school," she said. "We do have some interesting programs going on here. I think anything

you do that is exciting to the students is help. We hope it keeps a love for learning for the child. That's why we do it."

Although schools similar to Konnoak Elementary appear to be on the right track, many other schools, especially ones following Glasser's and other liberal thinkers can fail when they force the teaching pendulum to swing too far from the ultra academic "teaching to the test" mode to "there are no wrong answers" environment.

These permissive class environments or learning communities that Glasser condones allows each child to choose and design his own learning tasks, choose how to complete his assignments, correct his own work, and determine the grading criteria.

This approach was tried more than a decade ago on the West Coast. California is often the first to try new and innovative teaching methods before they are embraced by the rest of America. Often, however, the new methods fail. The ailing programs, still, are tried and ultimately discarded by educators on the East Coast.

In the early 1990s, Piner High School in Santa Rosa educators decided to facilitate five small, autonomous, themed learning

communities under one high school roof. It was hoped the new program would be a magic bullet that would build the self-esteem of youths. In turn, it was hoped the new program would minimize achievement gaps, lower dropout rates and drug usage, and solve other lingering problems at the high school.

At first the new learning method appeared to be successful. By the mid-1990s the school was touted as cutting-edge by many media sources. Writer Kathleen Cushman said the essential learning communities at Piner was a place where "energized students and staff and reoriented class work around meaningful community projects. Every Piner student now joins one of five mini-schools that shape their own themes, strategies, schedule and governance."

**Running wild at Piner**

In reality, however, the method was a failure. Jessica Meyer, a 1997 Piner graduate, said the program provided no accountability and allowed many students a free ride through high school. "It was a nightmare," she said. "It was not a good system. It might have been a good school on paper, but it wasn't in reality. It just didn't work. No one was governing a basic level of what you should know when you graduate. There was no regulation there. For many it was a

great time — four years of partying and playing around. They didn't learn a thing."

The program was terminated in 1999 by the Santa Rosa School Board.

Richard Thompson, vice president for the University of North Carolina School Programs in the

Office of the President, is in charge of monitoring all teaching trends for grades K-12 in the state. The new movement doesn't take teachers away from required North Carolina standards and tests, Thompson said. Instead, it embraces creativity in the classroom. "I do see an emphasis on teacher quality and creativity and knowing each child," Thompson said. "Teachers are moving away from the rigid manner of teaching to the test. They are not abandoning standards, but are trying to be reasonable. They are trying to boost creativity. They want young people to think and excel." *cr*

**"It was a nightmare... It might have been a good system on paper, but it wasn't in reality. It just didn't work."**  
— Jessica Meyer

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**See what one Raleigh paper called "Matt Drudge with Class"**

## Course of the Month

## A stinky convergence of fads

Q. What happens when you combine all these ridiculous campus fads: first year seminars, "service learning," Earth Day, and multidisciplinary studies?

A. You deposit the contents of dumpsters on campus and watch students rut around through huge, stinking mounds of waste in search of "recyclables."

Indeed, that's what happened in the "culmination" of this month's chosen course, which is from North Carolina State University.

**MDS 302: Contemporary Science and Human Values**

*An interdisciplinary evaluation of recent and potential influences of current scientific-technological developments on society. Emerging social, ethical, and intellectual issues include: the adequacy of contemporary scientific frameworks; the relations among science, technology, and society; the social consequences of scientific applications; and human prospects and possibilities.*

This course, which is cross-listed under N.C. State's program in "science, technology and society," came to CM's attention by way of an article in the April 21 *Technician*, which opened with the image of N.C. State freshman Lesley Evans, "[a]nkles deep in garbage and suited up in a Tyvek 'spacesuit,' ... [digging] deep into a heaping pile of trash from Owen residence hall spilled in the middle of Tucker Beach" and exclaiming "Ewww!" when she "retrieved a glob of hair." She was, it turns out, participating in class.

"Evans, along with fellow students from MDS 302: science, technology, and society, mined for recyclables in several day's worth of trash from both Tucker and Owen during the annual 'Trash Out' on Tuesday," reported *Technician*. "Students sorted the trash into separate barrels for plastics and bottles, paper, reusable items and garbage. At the end of the dig, they wanted to see how much of each of the residence halls' waste could have been recycled."

As *Technician* reported, "Trash Out" is an annual "Earth Day" event at N.C. State. Also, "[f]or a handful of students in [Prof. Janice] Odom's First Year Inquiry class, it was also the culmination of a semester's worth of work."

Usually to say a college class culminates in a big ol' pile of garbage is to speak metaphorically. But not this class, which "is part of the First Year Inquiry program, offered to First Year College students. In the spring semester, the class incorporates a service-learning component led by reflection leaders from the upper classes."

As one student (presumably not a "reflection leader") said, "It's starting to smell." CJ



The classroom of tomorrow?

# College Athletes' Low Graduation Rates Spur Another Reform Effort by the NCAA

By SHANNON BLOSSER

Contributing Writer

CHAPEL HILL

In a few short months, thousands of college football players will put on their helmets and pads and begin final preparations for the season and the goal of playing in the Orange Bowl — this year's site of the Bowl Championship Series National Championship game.

College sports are a central aspect of life at many colleges and universities. For marketing purposes, college administrators hope for strong athletic success in marquee sports to reach out to prospective students. Still, those who participate in college sports are supposed to be students first, athletes second.

It's the student-athlete aspect of college athletics that have been placed under the microscope recently by the NCAA in its attempt to increase graduation rates. The 2003 NCAA graduation rate report indicates that 62 percent of student-athletes graduated within six years of entering college, so the 2003 report is based on students that entered college in the 1996-97 school year. Owing to the NCAA's methods, a student who transfers to a different school is counted as a nongraduate for his original school — and whether he gets a degree in the new school, his academic performance is not counted in calculating the second school's graduation rate.

"In college athletics, the focus is on the individual athlete," NCAA and former Indiana University President Miles Brand said in a recent speech. "He or she is a student first. Their [sic] primary reason for attending a college or university is — or should be — to obtain an education."

Recently, NCAA officials passed recommendations that would place more pressure on schools to increase the graduation rates among the various sports. Programs that do not meet a yet-to-be-established graduation rate requirement could face probation and suspension from post-season play.

The NCAA is scheduled to review the 2004 and 2005 graduation reports before setting the rate limits.

Brand called the reform a "landmark decision" when it was announced.

"These are strong and well-thought out reforms that are critically necessary to ensuring that student-athletes are academically successful," Brand said.

**Low rates at marquee programs**

How will the NCAA actually enforce this new reform — or can it? According to a review of the 2003 graduation report conducted for the Pope Center for Higher Education Policy ([www.popecenter.org](http://www.popecenter.org)), several schools that had teams in postseason play in football, men's basketball, and women's basketball had graduation rates below 50 percent.

In football, BCS national champion Louisiana State had a graduation rate of 40 percent. The football graduation rates of 13 of the 25 programs in the final *USA Today*/ESPN Top 25 coaches' poll were below the 50 percent.

A further review of the six major conferences that make up the BCS — ACC, Big 10, Big 12, Big East, SEC, and Pac-10 — found that five of the seven conference champions had graduation rates below 50 percent. Miami and West Virginia shared the Big East title and both had graduation rates below 50 percent.

The overall graduation rate among football players is 54 percent.

**College Football Graduation Rates — Competitive Programs, 2003****Major Conference Champions**

ACC: Florida State — 49 %

Big East (co-champions): Miami — 49 %

West Virginia — 48 %

Big 10: Michigan — 46 %

Big 12: Kansas State — 57 %

Pac-10: USC — 61 %

SEC: LSU — 40 %

**Bowl Participants**Memphis, *New Orleans Bowl* — 46 %North Texas, *New Orleans Bowl* — 39 %Miami (Ohio), *GMAC Bowl* — 53 %Louisville, *GMAC Bowl* — 38 %N.C. State, *Tangerine Bowl* — 47 %Kansas, *Tangerine Bowl* — 45 %Boise State, *Fort Worth Bowl* — 48 %Texas Christian, *Fort Worth Bowl* — 56 %Oregon State, *Las Vegas Bowl* — 35 %New Mexico, *Las Vegas Bowl* — 37 %Hawaii, *Hawaii Bowl* — 57 %Houston, *Hawaii Bowl* — 34 %Bowling Green, *Motor City Bowl* — 49 %Northwestern, *Motor City Bowl* — 83 %California, *Insight Bowl* — 50 %Virginia Tech, *Insight Bowl* — 49 %Virginia, *Continental Tire Bowl* — 76 %Pittsburgh, *Continental Tire Bowl* — 35 %Nebraska, *Alamo Bowl* — 57 %Michigan State, *Alamo Bowl* — 41 %Fresno State, *Silicon Valley Football Classic*

— 26 %

UCLA, *Silicon Valley Football Classic*

— 63 %

Texas Tech, *Houston Bowl* — 58 %

Source: NCAA.

Navy, *Houston Bowl* — (rate unavailable)Washington State, *Holiday Bowl* — 57 %Texas, *Holiday Bowl* — 38 %Auburn, *Music City Bowl* — 44 %Wisconsin, *Music City Bowl* — 52 %Minnesota, *Sun Bowl* — 43 %Oregon, *Sun Bowl* — 64 %Utah, *Liberty Bowl* — 36 %Southern Mississippi, *Liberty Bowl*

— 62 %

Arkansas, *Independence Bowl* — 44 %Missouri, *Independence Bowl* — 38 %Boston College, *San Francisco Bowl*

— 79 %

Colorado State, *San Francisco Bowl*

— 41 %

Iowa, *Outback Bowl* — 57 %Florida, *Outback Bowl* — 44 %Maryland, *Gator Bowl* — 50 %West Virginia, *Gator Bowl* — 48 %Georgia, *Capital One Bowl* — 62 %Purdue, *Capital One Bowl* — 58 %USC, *Rose Bowl* — 61 %Michigan, *Rose Bowl* — 46 %Miami, *Orange Bowl* — 49 %Florida State, *Orange Bowl* — 49 %Mississippi, *Cotton Bowl* — 52 %Oklahoma State, *Cotton Bowl* — 38 %Clemson, *Peach Bowl* — 53 %Tennessee, *Peach Bowl* — 41 %Ohio State, *Fiesta Bowl* — 41 %Kansas State, *Fiesta Bowl* — 57 %Georgia Tech, *Humanitarian Bowl* — 39 %Tulsa, *Humanitarian Bowl* — 66 %LSU, *Sugar Bowl* — 40 %Oklahoma, *Sugar Bowl* — 33 %

In men's college basketball, the rate is worse — 44 percent. National champion Connecticut's rate was 27 percent, as was runner-up Georgia Tech's. This year's title game featured the lowest combined graduation rate since 2002, when Maryland (0 percent graduation rate in 2001-02) defeated Indiana (20 percent).

Of the 65 teams in this year's NCAA tournament, 46 either had a graduation rate below 50 percent or did not have a graduation rate listed in the report.

Women's basketball, however, does not have graduation rates as low as those in football and men's basketball. Women athletes, in general, graduate at higher rates than their male counterparts — 70 percent to 55 percent. The rate for women's basketball was 66 percent in 2003.

Women's basketball national champion Connecticut's rate was 67 percent, while runner-up Tennessee's was 67 percent. Only 13 of the 64 teams in the NCAA women's basketball tournament had graduation rates below 50 percent or had no rate listed.

Ultimately, if the NCAA follows through on its plans to ban some teams from postseason play for low graduation rates, it will place many of the marquee programs in college sports on the hot seat. How the NCAA will handle historically dominant programs whose graduation rates are below the required rate will test

the validity of these reforms. The NCAA reaps billions of dollars in television contracts and merchandise sales each year during the postseason, and marquee programs help drive the interest.

*Beer and Circus* author Murray Sperber, however, said he doubts if any program will ever have a scholarship taken away or suffer a postseason ban. That's because the NCAA, Sperber said, would set graduation rates to benefit the various programs.

"I'm skeptical and I think I have a perfect right to be," said Sperber, a faculty member at Indiana University.

Sperber said the NCAA's contract with CBS to televise the men's basketball tournament could prevent the reform from succeeding.

"They're basically in the business of protecting their money and the huge revenue that comes into their departments," Sperber said.

Apart from facing stern challenges from the business aspect of collegiate athletics, the NCAA's reform will need to be strict enough to prevent colleges from dumbing down their graduation requirements in order to achieve compliance without addressing the problem. The presence of those daunting obstacles make it not hard to wonder whether this latest reform will stick or just be another in a long list of well-intentioned NCAA reforms that failed. CJ

## North Carolina University Graduates Hear From a Range of Commencement Speakers

By SHANNON BLOSSER  
Contributing Writer

CHAPEL HILL

With the war on terrorism ongoing in Iraq and Afghanistan, graduates at some area colleges heard firsthand from two individuals who have been involved in policy decisions regarding Iraq and the Middle East.

Secretary of State Colin Powell and former Secretary of State Madeleine Albright highlighted a list of graduation speakers this May at colleges across North Carolina. Powell spoke May 17 at Wake Forest, while Albright spoke May 9 at Duke. Others scheduled to speak during graduation ceremonies included Sen. Elizabeth Dole, R-N.C., and Elizabeth Edwards, the wife of former Democratic Presidential candidate Sen. John Edwards, D-N.C.

Here is a look at some of the speakers who were featured at commencement exercises in May:

**Colin Powell, Wake Forest:** Powell's speech was held in the backdrop of one of the most stringent security plans for any graduation ceremony in the state. Access to Reynolda Campus was limited to vehicles with a commencement parking pass. Those attending graduation ceremonies had to go through a security checkpoint. Graduation ceremonies were not opened to the public, as has been historically the case at Wake Forest.

Powell, who has served as secretary of state since 2001, is a retired Army four-star general and former chairman of the joint chiefs of staff, a position he held during the first Gulf War.

**Madeline Albright, Duke:** Former Secretary of State Albright spoke to Duke graduates in a ceremony opened to the public.

Albright became the first female U.S. secretary of state when she was sworn into office in 1997. During Albright's tenure, U.S. military forces, under NATO, were sent to Kosovo, and the United States conducted bombing raids in Iraq in 1998.

**Julius Chambers, UNC-Chapel Hill:** Former N.C. Central University Chancellor Chambers spoke to UNC-Chapel Hill graduates May 9 at Kenan Stadium. The ceremonies were opened to the public.

Chambers is a civil rights lawyer and an alumnus of UNC-CH, having received his law degree from the School of Law. He graduated in 1958 from N.C. Central. Chambers argued the 1971 Supreme Court case *Swann v. Charlotte-Mecklenburg Board of Education*, which upheld busing as a means of desegregating schools.

He is currently the director of the Center for Civil Rights within the School of Law. The center works toward

the advancement of civil rights and social justice in the South, with a focus on education, economic justice, employment, health care, housing and community development, and voting.

**Lt. Gen. Dan K. McNeil, N.C. State:** McNeil, deputy commanding general and chief of staff of the U.S. Army at Fort McPherson, Ga., spoke to graduates at N.C. State on May 15 at the RBC Center in Raleigh.

McNeil, an N.C. State alumnus, previously commanded almost all of the U.S. forces and coordinated the efforts of coalition forces from England, Canada, and other allies in the war on terror in Afghanistan.

McNeil graduated from N.C. State in 1968 with a degree in wood technology. He has previously commanded the 82nd Airborne Division and the 18th Airborne Corps at Fort Bragg.

**U.S. Sen. Elizabeth Dole, UNC-Pembroke:** Dole, the state's junior senator, spoke before graduates at UNC-Pembroke on May 8.

A Republican, Dole entered the Senate after defeating Democrat Erskine Bowles in 2002 to succeed Sen. Jesse Helms, R-N.C. Dole is a former president of the American Red Cross and secretary of transportation in the Reagan administration. She also served as the secretary of labor in the first Bush administration from 1989 to 1991.

**James Earl Jones, N.C. A&T:** Jones, an acclaimed actor, spoke May 8 at N.C. A&T's commencement ceremonies, held at the Greensboro Coliseum.

Jones is best known as the voice of Darth Vader in the *Star Wars* movies. He also provided the voice of "Mufasa" in *The Lion King*. He also starred in *Field of Dreams*, *The Hunt for Red October*, *Clear and Present Danger*, *Patriot Games*, *Matewan*, and other films.

**Elizabeth Edwards, Peace College:** Edwards, wife of North Carolina senior senator and former presidential candidate John Edwards, D-N.C., spoke to Peace College graduates on May 8. The ceremony was not opened to the public.

Edwards is a graduate of UNC-CH School of Law.

Among other area graduation speakers were Wake Forest Provost Edwin Graves Wilson (Campbell University, May 10), Mount Holyoke College English professor Christopher Benfey (Guilford College, May 8), North Carolina Blue Cross & Blue Shield President Robert J. Greczyn Jr. (Mount Olive College, May 8), Millard Fuller, president and founder of Habitat for Humanity (Pfeiffer University, May 8), former North Carolina Republican Gov. James E. Holshouser Jr. (St. Andrews Presbyterian College, May 8), and Mae Jemison, the first black woman in space (Winston-Salem State College, May 8). CJ

## Forum Attendees Hear Stories, Discuss Ways To Address Campus Hostility to Conservative Ideas

By SHANNON BLOSSER  
Contributing Writer

CHAPEL HILL

About 30 people attended a forum May 8 to discuss bias against conservatives on college campuses. Speakers cited personal examples of bias from North Carolina, Virginia, and New York.

The forum was held at the headquarters for Robert "Whit" Whitfield's campaign for the 4th District U.S. House seat. That seat is currently held by Rep. David Price, a Democrat.

In attendance was Third District Rep. Walter Jones, R-N.C., who called for a hearing on academic bias.

"I really believe this should not be a liberal or conservative issue," said Jones, one of the cosponsors of a House Resolution calling for the passage of the Academic Bill of Rights. Jones said no Democrats had cosponsored the resolution, which will be amended to another bill for passage.

In his opening remarks, Whitfield cited examples from the University of North Carolina known to *CAROLINA JOURNAL* readers, including the Elyse Crystall email accusing her UNC-Chapel Hill student of violent, heterosexist, hate speech and the UNC-CH Women's Center initially refusal to allow a prolife group to participate in its "Women's Week" program, as well as the controversy surrounding UNC-Chapel Hill's summer reading program.

The event provided a look at some of the issues surrounding academic bias on college campuses. Some of the

sessions were titled "Persecution of Professors" and "Intellectual/Ideological Abuse and Bias."

Michael Filozof, a political science professor at Monroe Community College in Rochester, N.Y., said he was accused of sexual harassment because of his views on the war on terror. The accusations came after Filozof placed a sticker on his car that said "I support President Bush," according to Accuracy in Academia.

"I try to make my teaching as nonpartisan as possible," Filozof, who was on the tenure track at that time, said.

"To me intellectual diversity is a no-brainer," Central Connecticut State University history professor Jay Bergman said. "Universities that do not practice intellectual diversity are guilty of nothing less than malpractice."

Eugene Mathews, a South Carolina lawyer, said he had some concerns about higher education and the lack of academic freedom in the classrooms.

"American colleges are in danger of marginalizing themselves," Mathews said.

The conference also included discussions from college students who have been active in preserving academic integrity on college campuses. Among those were Michael McKnight, a 2004 graduate of UNC-Chapel Hill and the founder of the Committee for a Better Carolina.

McKnight said that he thinks liberal students at UNC-Chapel Hill are an outspoken minority.

"It's hard for me to believe it's that overwhelming liberal," McKnight said of UNC-Chapel Hill. "It's not." CJ

## UNC activists push *Komfort Über Alles*

Homosexual activists at the University of North Carolina at Chapel Hill are circulating a petition to stop "a perversion of anti-discrimination codes." The perversion? Such codes might actually be used to protect a "white, heterosexual, [C]hristian male," too. Egad!

"Existing anti-harassment and antidiscrimination policies based on race, gender, and sexual orientation," the petition announcement states, "are meant to protect those who are historically marginalized." To them, marginalizing someone now doesn't count unless the victim is also one of the "historically marginalized."

At issue behind the petition is the ongoing Office of Civil Rights investigation into instructor Elyse Crystall's English class, sparked by her classwide email. Crystall objected to the students' remarks in response to her classroom discussion topic of "Why do heterosexual men feel threatened by homosexuals." She wrote that he "has created a hostile environment" and is "a perfect example" of "a white, heterosexual, [C]hristian male" feeling "entitled to make violent, heterosexist comments and not feel marked or threatened or vulnerable."

For those of you keeping score, that student isn't one of the "historically marginalized," as Crystall made clear by delineating his race, sexual orientation, creed, and gender when she named him. But any homosexuals within earshot is — thus Crystall's remarks about the student creating a hostile environment.

In the petition, the activists first "affirm our commitment to the cultivation of an academic environment... that is both safe for and inclusive of all students and is principled on the concept of academic freedom." The rest is reserved for disaffirming it.

The activists state they "feel" the OCR investigation is "unnecessary for several reasons." First, "it has the potential to harm this academic environment by creating a chilling effect on professors who take steps to make their classroom more respectful." They seem to think it "respectful" when a university instructor, a person in power over students, uses the forum of a classwide email to savage one of her own students.

Second, "this investigation will dilute the academic integrity of all classrooms by restricting professorial autonomy in teaching, researching, and developing courses." Indeed, "Academic integrity" demands that instructors be allowed to develop discussion topics as traps set for any unwitting white, heterosexual Christian male. Should one take the bait and join the discussion expecting a "safe and inclusive" classroom environment, "professional autonomy" merits the instructor singling him out to the rest of the class as the "perfect example" for them to rail against. Heaven forbid such things be diluted.

Third, "this investigation compromises UNC-Chapel Hill's internal policies and policy-creating mechanisms, and could subject our school's code to constant reinterpretation. UNC-Chapel Hill must do everything it can, in spite of this investigation, to ensure that our university remains committed to both the cultivation of respectful environments in classrooms and the maintenance of academic integrity."

"Constant reinterpretation" apparently means removing that unstated "historically marginalized" clause. The activists fear what could follow: harsh, cold, unfeeling equality where the "feelings" and comfort of the "historically marginalized" aren't as important as academic freedom and speech rights. This clashes mightily with their idea of *Komfort Über Alles*.

The Crystall controversy has perfectly demonstrated the palpable tension between university anti-harassment codes and the First Amendment protection of speech. You cannot simultaneously protect people's feelings and ensure free speech. You cannot have a policy on speech that protects everyone's feelings equally. Such a policy requires an understanding of what (or whom) it is really "meant to protect." CJ



Jon Sanders

## Bats in the Belltower

## UNC-Greensboro Shocked When Students Agree to On-Campus Pub

The Office of Student Life recently surveyed over 1,000 students in an online poll about the possibility of a pub on campus, reported the May 6 issue of UNCG's *Carolinian*, "and officials say the response was higher than expected." Gosh, who would have thought college students would actually favor an on-campus alcohol establishment? That's almost as surprising as a public university expending resources to poll students about the idea.

### More inflated rape stats at Duke

On April 20, the *Duke Chronicle* published a letter from Kristin Grimm and Brooke Palmer, "two senior women who came to Duke terrified of rape," who announced the findings of their "independent study to educate the young leaders of sports teams and fraternities about sexual assault." Here was the biggie:

"Most Duke men did not realize how prevalent sexual assault is on campus. When we told them that statistics show 1 in 6 women will be sexually assaulted while on Duke's campus, they were appalled."

Problem is, as has been written about in *CAROLINA JOURNAL* and elsewhere, those statistics are flawed, based on studies designed to inflate the statistics by using such a wide definition of sexual assault that most of the women counted as victims by the studies didn't even know that they had been "assaulted." For those statistics to be correct, that would mean there are more sexual-assault victims than left-handers among Duke's females.

Grimm and Palmer also wrote that men who knew someone who had been raped or sexually assaulted "felt angry, sad, disappointed and powerless." Which means they agree with Grimm and Palmer morally about the issue. They didn't need to lie to the men to make the issue seem important. It is important to them.

### At UNC-Asheville: Hey! You got your racism in my smut!

Here's a hypothetical situation: Suppose you're a college professor viewing pornography on your office computer. You get caught. What do you do, what do you do?

It's easy: Just do what you always do — play the diversity card. Say you're concerned about diversity in pornography; you suspect it's too white, too racist, and not sufficiently diverse.

Anyway, Mike Adams' April 26 TownHall.com column had this: "On April 20, 2004, the University of North Carolina at Asheville hosted a film called *Masters of the Pillow* by Darrell Y. Hamamoto, a Professor of Asian American Studies at the University of California-Davis... Hamamoto's cause is the 'yellow porn movement,' which he began in response to what he sees as a 'white, racist' porn industry.... In a nutshell, he wants to see more Asians in porn movies."

### N.C. State needs help

N.C. State's position advertisements in *The Chronicle of Higher Education* con-

clude thus:

"AA/EOE [affirmative action/equal opportunity employer]. NC State welcomes all persons without regard to sexual orientation. In its commitment to diversity and equity, North Carolina State University seeks applications from women, minorities, and persons with disabilities. Individuals with disabilities desiring accommodations in the application process should contact" etc.

The university doth protest too much. What exactly was there left to say after "NC State welcomes all persons"? Why shift focus away from "all persons" to a certain few select groups?

### Angry vagina at N.C. State

Whenever "The Vagina Monologues" is performed on campus, one can count on the following things to happen:

- articles will be written by feminists and "enlightened" men saying something along the lines of how wonderful it is that women can *finally* speak freely of their vaginas in the face of all this male repression
- sensible men and women will respond with some variant of "What the hell are you talking about?"
- the latter's honest reaction to this abject silliness will be taken as proof of the existence of this male repression seeking to stifle the sounding of the word "vagina"

N.C. State hosted "The Vagina Monologues" in April. Predictably, in a *Technician* on April 12 announcing the play's opening on campus, one could find the following: "The Vagina Monologues' are important because they talk about things that have been silenced for so long," [cast member and sophomore in sociology Megan] Cole said. "I mean really as a woman, who hasn't wanted to yell, 'My vagina is angry and I don't care who knows it,' some days."

Indeed.

Oh, we almost forgot our line. "What the hell are you talking about?"

### One more from N.C. State

On May 13, *USA Today* featured an article on the difficulties of being a commencement speaker, and as part of it the paper touched on last year's fiasco at N.C. State: "Talk-show pioneer Phil Donahue was booed when he asked students to 'bring America back to basic constitutional values' and to stress civility rather than a 'trend to the sword.' Merciful heavens, those loutish N.C. State grads! Who could boo that?"

Not so fast. As eyewitness Baker Mitchell reported in *CAROLINA JOURNAL* online ([www.carolinajournal.com/issues/display\\_story.html?id=660](http://www.carolinajournal.com/issues/display_story.html?id=660)), Donahue was insulting to the region, the parents, and the ceremony from the minute he began his talk. It's no wonder he was booed.

As N.C. State Chancellor Marye Anne Fox said afterwards, "I share your disappointment in Phil Donahue's address to our graduates on Saturday. Mr. Donahue chose instead to use our ceremonies as a platform for a speech better suited for a political audience." CJ

## General Assembly To Consider Increases in Education Spending

By SHANNON BLOSSER  
Contributing Writer

CHAPEL HILL

Despite worries of it being "cut to the bone," the budget for the University of North Carolina is expected to be a little larger by the time the General Assembly concludes its short session this year.

Legislators are expected to consider a \$64 million increase in funding for the 16-campus system when the short session opens May 10. If approved, the increase in funding will represent a 6 percent increase in funding on top of what had already been approved for the upcoming fiscal year.

The UNC system was to receive \$1.82 billion for 2004-05. The proposal would increase state funding of higher education in North Carolina to \$1.89 billion.

Currently, the UNC system's state funding is \$1.79 billion. If legislators approve the funding increase, the UNC system will receive more than \$94 million more in state funding during the upcoming fiscal year than it did in 2003-04 budget.

### Tuition increases

The reason for the increase in UNC's General Fund allotment is attributable to an expected increase in enrollment for the upcoming school term, as well as a recent tuition increase approved by the UNC Board of Governors. In March, board members

voted to increase tuition by \$250 for in-state students at UNC-Chapel Hill and North Carolina State University. Students at 13 other campuses saw their tuition increase about \$225 per year. Those who attend the North Carolina School of the Arts received a \$450 increase in undergraduate tuition and \$750 for graduate tuition.

The tuition increase will take effect with the 2004-05 academic year. The amounts were less than what administrators at the 16 campuses had originally asked from board members. At the time, board members claimed the tuition increases were to offset three years of "budget cuts" by the legislature.

"Tuition increases such as these cannot be the cornerstone of academic quality and are merely a finger in the dike during tough economic times," board member Jim W. Phillips Jr. told the Associated Press in March.

Higher-education funding in North Carolina has not been cut, however. The Assembly approved small increases for UNC each year for the 2003-04 and 2004-05 budgets. Before the short session, UNC's General Fund appropriation grew from 2002-03 to 2004-05 by about \$54 million. That amount does not include, of course, the proposed \$64 million increase.

For more information on NC budget, check out the John Locke Foundation's *Spotlight* report online at [www.johnlocke.org/spotlights/2003063078.html](http://www.johnlocke.org/spotlights/2003063078.html). CJ

## CAROLINA JOURNAL Publisher John Hood Garners Praise for His Most Recent Book:

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## Are UNC executives underpaid?

## 'Price Creep' Drives Chancellor Salaries Into the Budgetary Stratosphere

By JON SANDERS

Assistant Editor

RALEIGH

Come an' listen to my story 'bout a  
woman named Fox  
Smart Texas lady really took State  
up a notch  
And then one day some recruiters  
came around  
And she lent them an ear to their  
babblin' sound  
Dough, they said; green gold, big money.

Now the first thing you know  
Doc Fox grinned ear to ear  
While recruiters filled her in on  
the things she liked to hear  
They said, "California's where you  
oughta really go!"  
So she said all her good-byes and  
she flew to San Diego  
Gone, that is; cliff house, higher pay.  
— "The Lament of Marye Anne," the  
UNC Board of Governors no-gee club, 2004

This spring Chancellor Marye Anne Fox surprised folks at North Carolina State University and the UNC system when she announced that she had accepted the chancellorship at the University of California at San Diego. It didn't take long for people at UNC to find an old foe to blame for Fox's departure: low pay.

As it turns out, Fox was earning \$248,225 at N.C. State, and also received a house and a car from the university. UCSD will pay her \$350,000 and also provide her with a house and car.

It was enough to prompt the UNC Board of Governors to set up a review committee for June to ask whether UNC under-

pays its chancellors. Allow me to go out on a brittle, shaky limb and say the committee will answer, Yes.

As *The News & Observer* reported May 14, "Some board members worry that UNC chancellors could be hired away easily by other universities." Board member Irvin Aldridge said that the chancellors are "totally underpaid."

Alert readers will note that the chancellor-underpayment argument is remarkably similar to the faculty-underpayment argument that recurs whenever a star faculty member is recruited away (even though "the standing of top-rung professors, their bankable asset, depends upon what they write, not how they teach," and that they therefore "have only modest teaching responsibilities," as David Kirp noted in *The New York Times*). It also bears similarity to the administrator-underpayment argument that surfaces occasionally.

**Was it really just her salary?**

Nevertheless, there is enough reason to doubt whether salary concerns really were the motivating factor driving Fox out of Raleigh and into San Diego. Key to this is purchasing power. Any sensible person considering taking a job in another city or region would want to know how the new salary compared with the old. You wouldn't take the same salary in Manhattan that you have in Raleigh, for example, because everyone



knows the cost of living in Manhattan is markedly higher.

What about San Diego and Raleigh? According to cost-of-living data published in the ACCRA *Cost of Living Index*, the cost of living in San Diego is much higher than it is in

Raleigh. It's so much higher that Fox's purchasing power under her Raleigh salary (\$256,696) is slightly higher than that under her new one in San Diego (\$253,623). This suggests that salary concerns might NOT be the sole motivating factor for Fox's decision to leave. Other factors would, of course, be known to Fox. But it certainly could be worth speculating whether Fox's run-ins with N.C. State administrators and the censure vote she was given last year by the Faculty Senate played a role.

While UNC may be fretting (again) about underpaying chancellors and complaining that its budget is in a bind ("cut to the bone" and all that), have you paid attention to the train wreck of the UC budget? Nevertheless, UC folks are busy recruiting top officials with much larger salaries than their predecessors'.

Fox will earn \$70,000 a year more than the previous chancellor. The UC just hired former UC-Santa Cruz Chancellor M.R.C. Greenwood as system provost, and Greenwood will earn nearly \$100,000 more than the previous provost. With the chancellorship open at UCSC as well as Berkeley, the *San Francisco Chronicle* reported, "observers expect the trend to continue," which

could start the "domino effect" of boosting administrators' salaries even during UC's "most severe budget shortfall in years."

UC officials basically blame "market realities" for hundred-thousand-dollar salary hikes. Speaking of, the *N&O* reported April 17 that the UNC system could be offering more than \$400,000 for the next N.C. State chancellor. One has to ask, when do market realities take a backseat to good, old-fashioned university extravagance?

The *N&O* also reported that the search committee for a new chancellor at N.C. State "is expected to have a budget of \$150,000 to \$200,000." That means that the minimum spent on the search for the next chancellor is what the previous chancellor, Larry K. Monteith, earned nine short years ago.

And that's just to find someone; that's not to "install" the new chancellor. UNC-Wilmington spent \$100,000 on a lavish ceremony to install Rosemary DePaolo as chancellor — a one-day amount that exceeded what the position was worth the whole year of 1993.

The upshot of all this is that UC cited market forces and "price creep" when it hired Fox at \$100,000 more than her current salary — which is \$70,000 more than what that position paid. UNC folks are now sounded remarkably like UC folks, offering the next chancellor potentially over \$150,000 more than what Fox was just earning.

All this when UNC budgets are cut to the bone with only the "essentials" left. Right. And if "global warming" happened as fast as chancellor "price creep," the movie "The Day After Tomorrow" would be aired on The History Channel as "The Disaster Back Then." *cf*



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## Town and Country

*Durham's specialty: red tape*

In April, Dixie Lawn Service of Gastonia offered the lowest bid for a city job mowing and cleaning up some of Durham's more high-profile streets and highways, *The Herald-Sun* of Durham reports.

With an offer of almost \$80,000 per year less than the nearest competitor, the company seemed a lock for the job.

But Dixie ran into a hitch: It hadn't demonstrated the "good-faith" efforts to hire minority- or women-owned subcontractors that Durham's Equal Business Opportunity Program requires. The city deemed the company's \$286,998 bid "nonresponsive" and ineligible to win the contract. The city administration recommended taking the next highest bid of \$366,991. Over the three-year term of the contract, the difference would have amounted to \$240,000.

Instead of swallowing the higher cost, City Council decided to rebid the contract. But the quandary has delayed the job, and, along with several other similar examples recently, it has left some observers wondering whether the city's diversity contracting ordinance needs amending.

"It's just red tape on top of red tape on top of red tape," said David Bordeaux, an owner of Bordeaux Construction Company Inc., which has sworn off bidding on city work until the policy changes. "Durham is the single hardest place to solicit bids for in the state of North Carolina, and I work all over."

*Critics win, developer loses*

In a rare move, the Durham City Council voted unanimously May 10 to reject rezoning 53 acres near Woodcroft and Hope Valley Farms for a proposed housing development, after neighbors flooded council chambers complaining that the developer was trying to squeeze in too much, *The News & Observer* of Raleigh reports.

Developer Michael Dean Chadwick of Apex submitted the rezoning to accommodate more homes than current zoning allowed.

He proposed developing 175 single-family homes, with minimum lots of 5,000 square feet, on an undeveloped site at Harmony Road and Ardmore Drive in South Durham.

Before the vote, a lawyer representing Chadwick tried to delay council action by at least 60 days for the developer to again meet with residents. Council members John Best Jr., Thomas Stith and Howard Clement supported that motion, but it failed for lack of a majority.

Neighbors objected to the extension, saying the proposal was incompatible with their homes and would contribute to school crowding and traffic congestion. Traffic projections show an extra 774 daily car trips in the area with the development.

More than 80 neighbors signed a protest petition, which meant that six of the seven council members had to vote "yes" for the rezoning to pass. *CJ*

## 911 Wireless Service Goes Haywire

*Uneven capability in North Carolina's counties despite surcharge since 1997*

By DONNA MARTINEZ

Associate Editor

RALEIGH

Cellular-phone customers may think their service includes access to any thing and anyone they need 24 hours a day, but the value of the technological wonder many consider a lifeline in an emergency will depend on which North Carolina county customers are in when they make the call to 911 for help.

The uneven capability to detect a cell caller's location in North Carolina exists despite the fact that the state's wireless users have paid more than \$125 million in monthly cell-phone surcharges since 1997 to upgrade systems that serve the growing cell-phone market. In 2003, 40 percent, or more than 2.5 million of the 6,289,848 calls made to 911 in North Carolina, were dialed from cell phones. The calls are answered by one of the state's 126 public safety answering points. Some counties have more than one. The level of service provided depends on how quickly and efficiently the answering points and commercial wireless carriers have worked together using the nearly \$75 million in cell-phone taxes distributed to them as of Dec. 31, 2003.

*Phase I in North Carolina*

Two-thirds of North Carolina's counties are considered 100 percent compliant with Phase I of Federal Communication Commission standards for enhanced wireless 911 services. That means a 911 cell call can provide the operator with the number of the caller and the cell tower address, said Frank Thomason, a member of North Carolina's 911 Wireless Advisory Board and director of emergency services for Rowan County. "It's a big jump. It doesn't pinpoint the call, but gives the general area and direction of where the call is coming from. At least the needle is now in a particular haystack," Thomason said.

Another 31 counties are working toward that capability. Depending on the county, implementation ranges from 25 percent to 75 percent complete. Lagging behind are Warren and Anson counties, which haven't yet begun wireless work. Warren County activated its wire line 911 service only for calls from hard-wire phones late last year, said Richard Taylor, executive director of the 911 advisory board. Anson did the same in late April. Before that, nailing down a location from a 911 caller in Anson County was dependent on "things like turn left at the tree," Taylor said.

Yancey County holds the dubious distinction as the least-prepared county, Taylor and Thomason said. Well, not exactly, said Bill Davis, the county's E-911 coordinator. Yancey County's operation will be ready to implement FCC-required technology in July, Davis said. Once the wireless carriers serving the area are also ready, he said, Yancey County will be among the state's most technologically advanced, although he's unsure when it will happen. Davis dismissed the notion that Yancey County is lagging. "We're behind but we're ahead," he said.

Once Yancey's 911 system is operational, callers from traditional hard lines will also benefit, Davis said. Currently, 911 calls are answered by the sheriff's office, which can't tell the phone number or loca-

*'It's a big jump. It doesn't pinpoint a call, but it gives the general area and direction of where the call is coming from.'*—Thomason



Carolina Journal Photo

*A 911 cell call can provide the operator with the number of the caller and the cell tower address.*

tion of any caller, whether from a hard-line phone or a wireless phone. With enhanced technology in place, all 911 calls will go to the local public safety answering point and the operator will be able to identify the number and location of every call.

Twelve commercial phone carriers operate in North Carolina, but not all operate in every county. As they roll out the FCC-required technology, the public safety answering points around the state must be able to receive and display the information transmitted from the carriers' phones. Some answering points have found they need new hardware to get the job done. Others lack necessary software. Some spent time negotiating the bureaucratic maze to determine whether other government departments already possess what they need for enhanced 911 services.

The surcharge paid by cell-phone users is administered by the 911 Wireless Advisory Board, created by the General Assembly in 1997 in response to an FCC mandate to provide emergency services to cell-phone customers. The 911 service is based on 1970s technology in which identifying information is imbedded in a traditional hard-line phone. That data is transmitted to the public service answering point during a call to 911. The challenge is to implement technology to provide equivalent emergency services for wireless customers.

Pat Garner, communications supervisor for the Sanford Police Department, knows how vital the capability is to public safety. Before he became the supervisor in Sanford, he spent 11 years answering 911 calls. He vividly remembers a young woman who, in 1999, called from her cell phone pleading for help. She was having an anxiety attack, was disoriented, and couldn't tell Garner where she was. Enhanced 911 technology wasn't yet in place, so Garner had to ask her questions until he was able to determine where she was. That took about five minutes. "I was suffering from a little anxiety myself... she wasn't alone in that," he said, recalling the urgency of the moment.

Taylor thinks the safety impact of enhanced 911 services will continue to grow because of a "big market shift" toward cell phones, which includes replacing home-

based phones with wireless ones. "We hear stories all the time about now being able to locate people," he said of progress around the state.

*Phase II still incomplete*

Thankfully, Garner's 1999 call had a good ending. But the more technology that's in place, the easier and faster it is to locate the caller. That's the point of Phase II of the FCC requirements. The stricter rules require carriers to install technology in phones, and the answering points to receive the information, which pinpoints a caller's location using latitude and longitude coordinates. A county can't begin implementation until its Phase I service is in place. Taylor said 59 counties have made requests to their carriers for Phase II coverage. In those 59 counties, carriers have completed 55 percent of the deployment.

Rowan County is 100 percent Phase II deployed, and in 2001 was designated North Carolina's enhanced 911 "model community" by the National Association of Public Safety Communications Officials. Rowan and other communities around the country periodically report to the FCC as a barometer on progress.

Thomason thinks North Carolina is doing well compared to other states. Looming, however, is a potential stumbling block the 911 advisory board, carriers, and public safety answering points can't control: the sticky fingers of politicians looking for cash to divert into the state's general operating fund.

The enhanced 911 surcharge revenue has proved a tempting target. Even though the taxes are earmarked for enhanced wireless 911 use, the General Assembly in March snatched \$33 million from the board's pot designated to reimburse carriers for their costs, and put it into the general fund. That's on top of about \$5 million the legislature confiscated in fiscal 2000-2001, and \$2.5 million it took in 2001-2002.

Taylor is bracing for another \$25 million hit in April or May 2005. So far, the 911 fund's revenues have been ahead of expenditures, so all carrier bills have been paid. But, next May is when Taylor projects the board will be unable to pay carrier invoices on a timely basis. They'll eventually get their money, he said, plus 8 percent interest. Taylor's not happy about it, and neither are the carriers.

"If you had \$58 million taken from you, how would you feel?" he asked. *CJ*

*Proposed rail lines in Charlotte, Triangle***Transit Cost-Effectiveness Questioned**

By MICHAEL LOWREY

Associate Editor

When the Federal Transit Administration released its proposed fiscal 2005 budget in February, there were plenty of disappointed transit supporters in both the Triangle and Charlotte. Rather than committing to pick up half the tab for new rail transit systems in the two communities, the FTA's upcoming budget recommended providing only limited funding for the systems.

Though the two authorities may well get the funding they sought in the future, the coming year's limited authorization makes it likely that the completion date for the routes will slip. The Charlotte route was to open in 2006, the Triangle line a year later.

An examination of the FTA's yearly reports on possible new projects reveals the weaknesses of both projects. The Charlotte Area Transit System and Triangle Transit Authority's proposals both rated poorly in cost-effectiveness, a key funding criteria. Large capital investments would be required in systems that will carry only a relatively small number of people.

To make matters worse, both CATS' and the TTA's proposals have seen substantial changes, large cost increases and fluctuating ridership estimates over the last three years, further calling into question the systems' viability.

**Charlotte cost growth**

Charlotte's transit vision involves creating five transit corridors by 2025. The envisioned lines would run from uptown Charlotte to the towns in northern Mecklenburg County; along Independence Boulevard toward Matthews; to UNC-Charlotte; to Charlotte Douglas International Airport; and toward Pineville.

When voters approved an additional 1/2-cent sales tax in Mecklenburg County to help pay for it, the system was described in 1998 as a \$1 billion project. The overall cost has grown considerably since then — it now exceeds \$3 billion and continues to escalate. Perhaps this should come as no surprise, as all that was certain in 1998 was that there would be five transit corridors running out from the center of Charlotte. The exact routes, the number and location of stops, and even the choice of rail or bus serve for each corridor was not specified when voters approved the transit tax.

CATS is currently seeking federal money to help build the first of these lines, the South Corridor light rail line that would run from uptown Charlotte to Pineville. The line's financial backing and land-use planning scored well with FTA. More problematic, however, is the route's cost-effectiveness.

The FTA measures cost-effectiveness using a measure called "incremental cost per incremental hour of transportation system user benefit." The figure for the south Charlotte line is \$23.84, which earns a "low-medium" rating from the FTA. Low-medium is second worst of the FTA's five ranking categories. A cost-effectiveness measure of \$25 or above would get a "low" rating and substantially reduce the chance of a project getting federal funding.

At its core, cost-effectiveness measures a system's costs and its usage (ridership). CATS has seen substantial changes in both figures since the line was first proposed six years ago. In 1998, the south corridor was projected to cost \$277 million. By late 2001, the figure had increased to \$348.2 million for a 11.2-mile line.

In 2002, CATS made a major change to the route. Pineville requested that the line stop short of the town.

"They would want about 5,000 people living within a half-mile of a station," Pineville Mayor George Fowler said to *The Charlotte Observer* at the time. "We're only a town of 3,500, and that would have made such a huge impact on the town."

As a result, CATS changed the end point for the line, eliminating a station, a bridge over Interstate 485, and reducing the line's length by 1.6 miles to 9.6 miles. Despite these changes, estimated costs actually increased to \$370.8 million as the projected cost of other elements increased. The November 2003 cost estimate was \$385.9 million.

The FTA's 2003 analysis of CATS's proposal found potential problem with both CATS' cost and ridership

CHARLOTTE

*The Triangle Transit Authority's proposed route map*

projections. On the cost side, the FTA noted CATS' aggressive construction schedule, with completion of the line scheduled for within two years of receiving the requested federal funding. "FTA further notes that the project schedule is very aggressive and that capital costs are likely to change if the schedule slips" the report said.

On the ridership side, "FTA notes that CATS' forecast of new riders and user benefits reflects a significant share of induced non-home-based trips. This is a market that traditional travel forecasting procedures have not typically addressed; as such, the project's travel forecasts and subsequent estimate of cost effectiveness entail some risk."

CATS ridership projections have been inconsistent over the past three years. In 2001, it thought the line would draw an average of 21,110 riders on an average weekday in 2025 with 14,200 of these being new transit users. Despite chopping the length of the line, CATS' ridership projections for 2025 actually increased the following year to 25,700. Strangely, the projected number of new transit users fell to 8,600.

The most recent projections, reported in the FTA's November 2003 new starts assessment, shows the line drawing only 17,900 riders on a weekday in 2025. Of these, 7,000 would be new to transit. Opening-year ridership was estimated at an average of 9,100 per weekday, down from 12,880 projected only a year earlier.

**TTA's weaknesses similar**

**The (cost-effectiveness) figure for the south Charlotte line is \$23.84, which earns a "low-medium" rating from the FTA.**

The TTA's proposed 35-mile Durham-to-Raleigh diesel multiple-unit rail system shares many of the strengths — and weaknesses — of the south Charlotte line. As in Charlotte, the financial and land-use planning aspects of the TTA's proposal were well-regarded by the FTA. The TTA's primary weakness was, again like Charlotte, cost-effectiveness. Its incremental cost per-incremental-hour-of benefit measure was \$24.48, slightly worse than in Charlotte and rated as "medium-low" by the FTA.

To barely achieve even that rating, the TTA had to make major changes to its proposed system last year. The system will buy fewer trains, construct a smaller rail yard, and build a less-complex rail net. Total track length was also shortened slightly, with the end station in north Raleigh being relocated. The new site allows the system to avoid building several bridges.

Despite more than \$40 million in cuts, the TTA's total cost estimate still increased from 2002 (\$832.2 million) to 2003 (\$843.3 million). The November 2001 cost estimate was \$754.8 million.

The latest figures from the TTA also show a marked decrease in projected ridership compared to earlier estimates. In November 2001, the system projected the line would average 31,700 weekday boardings in 2025, including 11,600 new transit users. By late 2002, the 2025 projections increased to 36,200 weekday riders, including 15,400 new transit users. Last November however, it projected only 25,200 riders in 2025 with 8,300 new to transit.

Even these usage estimates might be overstated demand. The FTA notes in its November 2003 assessment that the system uses very optimistic farebox revenue assumptions in its operating projections. *CJ*

**Business As Usual Won't Save Localities**

One of the age-old arguments made by business leaders turned candidates is that government should be run more like a business. Often this is a conclusion reached by a series of (somewhat) logical steps: Unlike when a business fails, government service failures do not result in them going away. Often, the proposed correction requires spending more money. This leads to a government that is inefficient, wasteful, and costly, and for that reason it must be "run like a business."

Local governments arrived at this year's budget table in pretty bad shape. Sales tax collections are down and some property tax collections are also down because of accelerated depreciation of equipment in the manufacturing sector. Commissioners and council members staring down both of these barrels then look up and see who's holding the gun: school boards demanding more money, and state legislators piling on more mandates. Having adopted some cost-saving measures and facing voters weary of property tax increases, local officials would be wise to be creative.

One tool beginning to take hold in many communities is performance management. At the conceptual level, performance management marries many of the driving forces of business with the need to maintain, and often improve, government services. Essentially, performance management requires accountability at budget time.

When faced with the opportunity to determine budget needs based on performance, managers and employees alike grimace with fear. But it is possible that in such an environment, stellar employees can be rewarded, new ideas can be recognized, efficiencies can emerge, and taxpayers can have more access to how things are being done.

First, to be successful, managers and elected officials alike must support the concept. Then the public and staff need to be involved. For instance, public surveys can gauge how local departments are viewed from a service-delivery standpoint. Managers can look at their largest expenditures in more creative, cross-departmental ways. Mission statements can be adopted. (If you want to have fun, ask any local-government manager, or even elected official, what their mission statement is. Most have no idea.)

Once officials achieve that level of involvement, they can adopt objectives, look at what outcomes they want to measure and, over time, make other large and small adjustments that will bring about some level of efficiency and possibly create monetary savings.

In Honolulu, city leaders discovered that using wireless water meters allowed a single employee to read thousands of water meters a day without leaving a city vehicle. This saved nine full-time employee positions. Charlotte is implementing this program, and hopes to improve billing accuracy as well.

Combining back (and front) office functions, using information technology for citizen services and procurement, merging city-county functions, and improving customer service are all within the realm of possibility with performance management techniques.

Simply applying business models to government doesn't work. But applying the methodology that drives businesses within the government can work exceedingly well. Some savings and improvements will not be realized right away and some will take a strong vision to implement. But as with all change, patience and time are required.

A secondary, but equally important, component of this methodology is that local governments can create far more transparency, allowing citizens to see and understand where the money is going. When the public can fully view what is going on and understand it, elected bodies have essentially begun the process of restoring trust. In North Carolina, this is a golden opportunity for towns and counties of any size. *CJ*

**Chad Adams**

## Local Innovation Bulletin Board

## Smart Growth and Crime

Author Douglas Morris and other "smart growth" advocates say that suburban sprawl contributes to increased violent-crime rates. But a comparison of crime rates among cities characterized as smart growth and "sprawlers" shows a different story, say the National Center for Policy Analysis' H. Sterling Burnett and Pamela Villarreal.

In 2002, Los Angeles' violent-crime rate of 1,349 per 100,000 was more than double that of the Riverside-San Bernardino metro area, considered the country's most sprawling area by Smart Growth America.

Portland's violent-crime and property-crime rates of 828 and 7,127 per 100,000, respectively, were much higher than sprawling Raleigh-Durham, which had rates of 455 and 4,416. Seattle's violent-crime and property-crime rates of 705 and 7,298 per 100,000 outpaced sprawling Denver's rates of 534 and 4,994.

In addition, both violent-crime and property-crime rates in Portland, Seattle, and Los Angeles are much higher in the central city than in the wider metropolitan area including the suburbs. In fact, there are no suburbs in the country that have a higher murder rate than their associated central city, according to FBI crime statistics.

Smart-growth policies have produced mixed results at the neighborhood level as well. A study of Raleigh showed that street robberies were less likely in neighborhoods having sprawl-associated features such as cul-de-sacs, high rates of home ownership, and single-family homes.

## Using statistics to fight crime

Since the mid-1990s, New York City's police department has used a new management program based on predicting and preventing crimes before they happen. Known as Compstat, the program emphasizes the use of updated weekly data on crime statistics in various precincts, and more "hands-on" leadership from commanders and accountability from officers.

Nationwide, crimes dropped by 4.9 percent between 1998 and 2002. Many cities have adopted Compstat techniques because former NYPD officials have taken charge of their police departments. The results have been amazing, observers say.

In Baltimore, major crimes declined by 39 percent over four years, under the direction of two former NYPD officials. In Raleigh, major crimes dropped by 13 percent under a former New York deputy chief.

Some officials in smaller cities argue that New York's big-city crime problems do not apply to them, and that Compstat's emphasis on gathering statistical information about crime occurrences would not be necessary.

However, Chief Jose Cordero of Newton, Mass., who was formerly a New York City inspector, said Compstat methods "have nothing to do with size. It's common-sense police management."

Reported in the *New York Times*.

## Public housing service work

Federal legislation enacted six years ago requires public-housing recipients without certain exemptions to perform community service work as a condition of receiving their housing. The requirement, part of the welfare reform movement of the 1990s, requires that all public-housing residents who are not employed full-time, in school, disabled, or of retirement age, to perform 96 hours of community service per year — equivalent to 12 days of full-time work.

The New York City housing authority began implementing the legislation a year ago. Recipients can divide up their hours in a variety of increments, whether eight hours per month for a year, or 96 hours over one month. Community service hours can be spent working for the housing authority or in nonhousing authority activities.

Those who didn't meet a May 1 deadline for performing the service may face eviction unless the city housing authority allows them an additional year's extension to complete their work. In fact, the city had been sending reminder letters to those who have not yet begun their community

service work.

Some public-housing advocates decry the community service requirement, claiming that many residents lack information about the requirements and have been baffled by the letters. Moreover, some residents find it insulting that they are being told what to do with their time.

Reported in the *New York Times*.

## Hunger exaggerated

Since 1987, the U.S. Conference of Mayors has released an annual report on hunger and homelessness. Over this period, the mayors have reported that food-bank use, which is a proxy used to measure hunger, has grown at an average rate of 17 percent per year, roughly doubling every four years.

Researchers at the Heritage Foundation, however, say these claims of mass hunger are exaggerated. In their latest study, the researchers found that the mayors' results are not only implausible, but are also contradicted by other more reliable surveys.

The U.S. Census reported that there has been a slight decrease in the use of food pantries and soup kitchens from 1995 to 2001 as compared to a 150 percent increase claimed by the mayors' reports over that same period. Second Harvest, the major supplier to food banks, reports that emergency food use has increased by 9 percent between 1997 and 2001.

One of the problems with the mayors' report is it does not report the number of people using these services, only the rate of increase as compared to the prior year. In addition, it fails to account for the 20 percent of emergency food providers that go out of business every year, thus leading to over-counting.

The Heritage report is available online at [www.heritage.org/Research/Welfare/bg1711.cfm](http://www.heritage.org/Research/Welfare/bg1711.cfm) CJ

## From Cherokee to Currituck

## Arts Group Seeks \$190 Million For Cultural Projects in Charlotte

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

A Charlotte arts group has proposed a \$190 million vision for the city's cultural future. If, how, and to what degree the proposal will be accepted and built remains to be seen.

Under the proposal by the Arts & Science Council, Charlotte would spend \$88 million over five years. Mecklenburg County would contribute \$14 million. The remaining \$88 million would be raised from private sources. The Arts & Science Council acts as an umbrella agency for Mecklenburg County cultural organizations.

Specific projects to be funded include renovating the Discovery Place science museum, at \$44 million; building a new modern art museum, \$51.5 million; constructing a 1,200-seat theater, \$33.5 million; and helping to move the Mint Museum of Art to uptown Charlotte, \$24 million.

The proposal is a pared version of a \$236 million plan the ASC floated in November. The ASC is asking the city to commit to its new plan by June 14, when it adopts its budget for the new fiscal year. The arts organization refuses to prioritize the individual projects it is recommending.

"It's a game-changer for the cultural community," ASC chair Tim Arnoult told *The Charlotte Observer*. "One of our beliefs is (that) in order to attract the level of support necessary to get the cultural facilities plan launched, there has to be a huge amount of excitement."

Ordinarily, most cultural facilities are built with hotel-motel tax revenues that must, by law, be used for tourism-related projects. Charlotte's entire future stream of hotel-motel tax receipts, however, is pledged toward building a new arena for the NBA expansion Charlotte Bobcats. As a result, any city money for the arts facilities must come from other funding sources.

Charlotte has \$213 million budgeted for capital projects over the next five years. Only \$17 million is earmarked for cultural projects.

The city faces a projected \$6 million budget deficit for the fiscal year that begins July 1 and is considering postponing road work and sidewalk work to close the gap.

The ASC's refusal to prioritize projects has irked at least one city leader.

"It is irritating," council member John Tabor said to the *Observer*. "I understand, they serve a bunch of masters, and the minute they do (prioritize), they will piss off more people than they please. But that's what we do. Why do we have to be the only ones that piss people off?"

## Currituck incorporation?

All but three of North Carolina's 100 counties contain at least one incorporated municipality. That could change though, as Currituck County officials are examining the possibility of incorporating the entire county as a single town.

"It's not an official issue, the board has not discussed it," Currituck Board of Commissioners Chairman Paul O'Neal told the *Daily Advance*. "However, it is interesting, it's an interesting idea."

The possible advantages cited by those

suggesting the idea center on maintaining a single, countywide, land-use policy and preventing a duplication of services.

Incorporating the county as a whole would prevent communities within the county from becoming separate towns with their own zoning regulations, which might differ from the county's.

Likewise, any new municipalities that might be created could feel compelled to provide their own police or water and sewer services, effectively duplicating services provided by the county.

"We'd probably be better off with just the county (incorporating as a whole)," Commissioner Gene Gregory told the newspaper. "The people would be better off. We make a special effort to take care of this whole county... We just do not disregard any part of our county."

The county attorney is looking into the legality of such a countywide incorporation.

Camden and Hyde are the other counties that have no towns in them. Both have populations of less than 8,000. Currituck's population was just under 20,000 as of July 1, 2003.

## Durham, Duke debate impact fees

Duke University and the city of Durham are arguing of how much in impact fees the school should pay on its new buildings, the

*News & Observer* of Raleigh reports. The main point of contention is exactly how much the city is overcharging the university as even a city-hired consultant agrees the city is asking for too much.

Durham, like many other North Carolina localities, charges impact

fees to recover the costs of additional transportation infrastructure that must be built to support development. The city billed Duke more than \$1,400 per 1,000 square feet of new construction to provide for additional roads.

The city is also asking Duke to increase its contribution toward city fire protection.

Duke challenged the transportation impact fee, contending they were far too high. In response to the appeal, the city hired the Raleigh firm of Kimley-Horn and Associates to determine how appropriate its fee structure was.

The consultants concluded that Durham should create a separate impact-fee category for major research universities with rates of just under \$800 per 1,000 square feet. Future expansion at the Duke Medical Center would be charged a slightly higher fee. Other local colleges' impact fees would be cut to about \$900 per 1,000 square feet of new construction.

Duke's consultant, meanwhile, has recommended a fee of less than \$300 per 1,000 square feet.

His lower value was based upon the availability of on-campus housing, public transportation access, and the school's urban setting.

Duke is pushing for a quick resolution of the issue. "We fear that the issue of future traffic has the potential to delay approval of several of our major projects," Duke Executive Vice President Tallman Trask III told City Manager Marcia Conner in a recent letter. "This must not happen." CJ

# Brian Crowley: Canada's Health-Care System Lacks Freedom

By CAROLINA JOURNAL STAFF

RALEIGH

**B**rian Lee Crowley is the founding president of the Atlantic Institute for Market Studies, Atlantic Canada's public policy think tank. He has written extensively on the centrally planned, government monopoly model of health care in Canada.

Carolina Journal's Donna Martinez interviewed Crowley during a recent visit to Raleigh.

*Martinez: Health care and health coverage are the subjects of continual and growing conversation here in the United States, and a frequent refrain from so-called reformers is that the United States should really dump the system that we are using and adopt the Canadian single-payer system. Now you are an analyst, a researcher, and you know that system inside and out. What do you think when you hear the Canadian system presented as such a panacea?*

**Crowley:** It makes me think of a famous historian who once said that the history of the 20<sup>th</sup> century was of the abandonment of what works in favor of what sounds good. And when I hear many American advocates of the Canadian system describe it, I have to admit it sounds really good. I don't think the reality is quite as bright as it is often painted. And I don't mean to suggest that there aren't strengths of the Canadian system, but I think you would want to be very careful that you understood what the Canadian system was before you decided that you wanted to import it wholus bolus.

*Martinez: Well, do you have any sense then of if there are downsides to the Canadian system—and we will talk about that in a moment. Why is there so much romance, almost, about the Canadian system here in the United States as this debate continues?*

**Crowley:** I think one of the reasons is because there is something that appeals to people's altruism about the Canadian system. It is a system in which people say, "Well, profit doesn't matter. Money's not the issue. We make sure that people who need health care get it." And indeed, all of these things have their virtues. But people forget that there are consequences to the Canadian system. Like for instance, it's a public-sector monopoly provider. There's one place you can go for most health care, and if they don't give you the health care that you want or you think you need, unlike the American system, you cannot go somewhere else and say, "I wasn't getting satisfactory service where I was before. I brought my money. I want you to look after me." You don't have that choice in Canada. You are not allowed to buy health care.

*Martinez: And in fact, isn't that illegal, to do that?*

**Crowley:** It is illegal to sell health care and it is illegal to sell insurance for health care, where whatever health-care service we're talking about is insured by the public system. You may not buy it and you may not buy insurance to cover it.

*Martinez: You know, there seems to be a belief that somehow Canadian health care is free to Canadian citizens. Is it free?*

**Crowley:** Well, as we say in the technical language, it's free at the point of service. You don't pay when you go to see the doctor. On the other hand...

*Martinez: You pay, though.*

**Crowley:** ...You do pay. There is no free lunch. It takes about seven percent of the Canadian GDP. In other words, seven per-



Brian Crowley spoke at a John Locke Foundation luncheon in April.

cent of the national wealth, in order to pay for the public health care system in Canada, and that's an amount that's been rising faster than GDP growth. It's rising faster than tax revenues. It's rising faster than all other forms of public spending, so it's really become quite unsustainable, and clearly it's going to get worse.

*Martinez: Now how long can that go on, if costs are continuing to rise?*

**Crowley:** The average Canadian province—which provides most of the health care services, it's like an American state—used to spend 30 percent of its budget on health care. It now spends 50 percent of its budget on it. That's up over the last 30 years.

*Martinez: Half of its budget in health care?*

**Crowley:** Half of every dollar spent by the provinces in Canada. The provinces are much bigger than states. Their budgets are much bigger. They have much bigger responsibilities. Fifty percent of the average province's spending now goes on health care. It's growing faster than their economy. It's growing faster than their tax revenues. They're just falling behind all the time.

*Martinez: Now, I find that fascinating, because one of the myths that you hear about the Canadian system is that it's able to keep costs under control, while the criticism of the U.S. system is that it really encourages over-consumption, because there's no relationship between, for most of us, what we pay for a service and what the actual cost is for that health care, so it sounds to me like you're saying the Canadian system is not more efficient.*

**Crowley:** Well, my view is that it's not a great system for keeping costs under control. It's very good at making sure that bureaucrats decide who gets what health service. You know, if they decide that you should be queuing up for an MRI or if it's going to take eight months to get a hip replacement, or whatever, they can do that. But they're not very successful at reducing costs, and indeed, if Canada hadn't enjoyed very significant faster economic growth than the United States in the '70s and '80s, we would've had the most expensive health care system in the world. It was our faster economic growth that was keeping us afloat.

*Martinez: One vexing question that we deal with here in this country is the question of the uninsured. Now, the Canadian system covers every citizen as I understand it. But there's a tremendous wait for services, is there not?*

**Crowley:** Well, we have to be a little bit careful, but it's certainly true that for many services there are significant waits. The worst I've heard is for an MRI scan in

Saskatchewan is 22 months. Recently the province of Ontario had to send cancer care patients to New York state because the cancer treatment waits were simply too long in Ontario.

*Martinez: Now one of the common beliefs about the Canadian system is that somehow it empowers poor people, while the criticism of the U.S. system is that our system either ignores the poor or it provides them with sometimes substandard or untimely care. Is the Canadian system really better at providing service for the poor?*

**Crowley:** Well, the poor don't think so. If you look at polling results, what the poor actually say, more poor people are interested in being able to buy private coverage and pay for health-care services than people who are better off and better-educated. People under \$25,000 a year, about half of them want to be able to buy private insurance for their own health care, whereas people over \$75,000, it's less than 40 percent of them are interested in that. And in my view, and I think this has been borne out by the research that has been done on the Canadian system, is that medical care in the Canadian system is distributed in middle-class networks; you know, the articulate, the smart, get around the obstacles in the

system, they get in the face of providers, they get what they need. But if you're not able to — you know, payment makes you powerful. I think one of the things that we've learned from the Canadian system is that when you deprive people of the ability to pay for health care if they think it's important to them, that you really do disempower them.

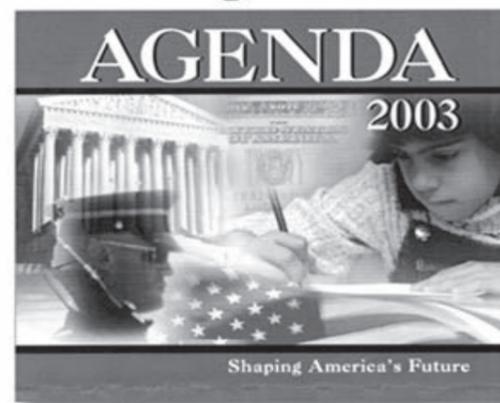
*Martinez: That's interesting, because, again, one of the things that I think is common to hear or read about the Canadian system, the single-payer system, is that it's really fair to all people, that there's no prejudice based on your wealth or who you know, if you're a family member of a doctor, etc. But it sounds as if that is really more of a myth. Am I misinterpreting, or is that correct?*

**Crowley:** No, I think that is correct. The research very clearly shows that the articulate, the well-connected, are able to get health care faster, and as I've already said, if you have enough money to be able to drive 100 miles to the U.S. border and go to a U.S. clinic, you can jump the queue completely.

*Martinez: We in the U.S. are told that Canadians really love this system. We should look to Canadians because they're using it and they're saying it's the way to go. Do they love this system?*

**Crowley:** I think Canadians love the system in theory, but I think the evidence is growing that they are very, very concerned about its sustainability and I think, according to the polls, they are very willing to look at new reform options that would put the system on a sustainable basis. We need to know what the facts are. cj

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## From the Liberty Library

• Thomas Sowell, in *Affirmative Action Around the World: An Empirical Study*, moves the discussion of "affirmative action" beyond the United States to other countries that have had similar policies, often for a longer time than Americans have. He also moves the discussion beyond the theories, principles, and laws that have been often debated to the actual empirical consequences of affirmative action in the United States and in India, Nigeria, Malaysia, Sri Lanka, and other countries. Much of what emerges from a factual examination of these policies flatly contradicts much of what was expected and much of what has been claimed, Sowell reveals. Learn more at [www.yale.edu/yup](http://www.yale.edu/yup).

• For soldiers in the 101st Airborne Division, the road to Baghdad began with a midnight flight out of Fort Campbell, Ky., in late February 2003. For journalist Rick Atkinson the war in Iraq provided a unique opportunity to observe today's U.S. Army in combat. Now his odyssey with the 101st is presented in an intimate and revealing portrait of the soldiers who fight the expeditionary wars that have become the hallmark of our age, in *In the Company of Soldiers: A Chronicle of Combat*. At the center of Atkinson's drama stands the compelling figure of Major General David H. Petraeus, who wrestles with innumerable tactical conundrums and directs several intense firefights; he watches him teach, goad, and lead his troops and his subordinate commanders. See [www.henryholt.com](http://www.henryholt.com) for more information.

• In *Endgame: The Blueprint for Victory in the War on Terror*, retired generals Thomas McInerney and Paul Vallely devote their experience and expertise to the question of how to win the war on terror. Unlike past enemies, radical Islam is not confined to particular nations. *Endgame* is a blueprint for victory over "this tenacious and bloodthirsty foe," detailing the new strategy that America must adopt to fight this new kind of war, and reveals a wealth of inside information (including the location of Saddam's weapons of mass destruction). Published by Regnery, at [www.regnery.com](http://www.regnery.com).

• September 11, 2001, Cold War historian John Lewis Gaddis argues in *Surprise, Security, and the American Experience*, was not the first time a surprise attack shattered American assumptions about national security and reshaped American grand strategy. We've been there before, and have responded each time by dramatically expanding our security responsibilities. The pattern began in 1814, when the British attacked Washington. This early violation of homeland security gave rise to a strategy of unilateralism and pre-emption. Only when the Japanese attacked Pearl Harbor in 1941 did the inadequacies of this strategy become evident: as a consequence, Franklin D. Roosevelt devised a new strategy of cooperation with allies on an intercontinental scale. That strategy defined the American approach throughout World War II and the Cold War. The terrorist attacks of Sept. 11, Gaddis writes, made it clear that this strategy was now insufficient to ensure American security. Details at [www.hup.harvard.edu](http://www.hup.harvard.edu). CJ

## Book review

## Unlikely Conservative: Backlash for Liberals

• Linda Chavez: *An Unlikely Conservative: The Transformation of an Ex-Liberal (Or How I Became the Most Hated Hispanic in America.)*; Basic Books; 2002; 262 pp; \$26.

By JOHN PLECNIK

Guest Contributor

DURHAM

Linda Chavez's *An Unlikely Conservative* is a compelling political autobiography. The work begins and ends with a retelling of Chavez's failed nomination to be U.S. secretary of labor. In the prologue, she recounts her meeting with then Texas Gov. George W. Bush in the summer of 1998. Chavez describes the governor as being surprisingly serious, compassionate, and intellectual and he compared Bush to Bush's mother, Barbara Bush. Chavez's praise merits attention, because she has substantial reason to be bitter with the administration.

The meeting with Bush led to an invitation for Chavez to join his presidential campaign. Heading a task force on immigration issues, Chavez provided advice and made campaign appearances. As Chavez confesses, nothing in her role suggested that she was being groomed for a high-level political appointment. However, when she was mentioned as a possible nominee for secretary of labor, her name was leaked to the press.

*Illegal immigrant in her home*

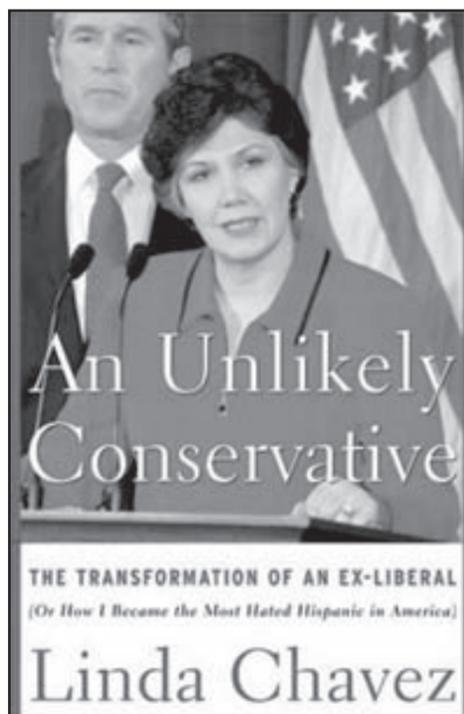
From there, Chavez describes her efforts to acquire the top job and the fatal failure to disclose her history with Marta, an illegal immigrant who lived in her home. According to Chavez, she knew Marta was an illegal immigrant from the time Chavez agreed to take her in. But Chavez also says that she never hired Marta but that Marta merely performed the duties of a courteous houseguest.

Chavez seems to acknowledge that withholding this fact, however, was substantively dishonest. Not only did Chavez fail to volunteer information about Marta, she spoke with her ex-neighbor, Peggy Zwisler, about remaining silent as well. Little did Chavez know that Zwisler was an influential Democrat lawyer with family connections to ABC News. The prologue ends with an unmistakable sense of foreboding. Having accepted the nomination to be labor secretary, Chavez recites Bush's vow to "stick with [her]" and her return promise "not to give up," but warns that both promises would soon be broken.

In the final chapter, Chavez describes her excitement at arriving in Washington. Although various civil rights groups were quick to attack her conservative record, the nomination stayed on course until she received a nervous call from Bush's transition team. The media had gotten wind of Marta, and Zwisler was the likely leak. Only then did Chavez learn of her ex-neighbor's prominence in the Democrat Party.

Chavez describes the Bush camp's growing exasperation. Each attempt to restore her credibility with the media had failed. At this point of the book, Chavez tries to convey a sense of inevitability. There is no longer any doubt that her nomination will fail. She chooses to step down.

Regardless, Chavez does not go out quietly. Even though her nomination was unsalvageable, Chavez wanted to argue her case before the public. During her final press conference, Chavez collected the many needy people with whom she had shared her home — people she had helped to get through school and to find jobs. They testified to her character and generosity. Chavez



explained how Marta, like the others, had been given a much needed home. However the situation was interpreted, Chavez wanted to provide context for the controversy. Providing this context seems to be the chief endeavor of her book. Between the dramatic prologue and conclusion, Chavez tells her life's story.

Chapter One details the circumstances of Chavez's early childhood. Born in Albuquerque, N.M., she was raised by a proud but impoverished family. Her Hispanic father, though a housepainter, came from wealthy ancestors. Starkly contrasting in appearance, Chavez's mother was blonde, blue-eyed, and light-skinned. This mixed heritage often led to Chavez's exclusion from both European and Hispanic circles. Interesting to note, while Chavez kept her father's name and considers herself Hispanic, in the text she often refers to herself as a white woman.

In Chapters Two and Three, Chavez finds herself applying to college on a whim. Her acceptance led to her attendance and it is here that Chavez met her husband, Chris Gersten. Gersten was a young socialist, and Chavez found herself dominated by his liberal politics. Still, her experience with the rise of "affirmative action" led her to oppose racial discrimination in admissions.

As a student, Chavez found herself teaching in the affirmative-action programs at the University of Colorado and UCLA. Although Chavez originally believed such programs would inspire underachievers, years of experience led her to conclude that quotas ultimately create a culture of self-defeatism and racial tension.

In Chapter Four, Chavez details her career on Capitol Hill and gives an opinion of former President Richard Nixon. Describing several jobs, Chavez expresses her frustration with race-based hiring. Not only did she find these employment decisions condescending, but Chavez thought her status as an affirmative-action hire made it more difficult to demonstrate professional excellence.

Though she became increasingly conservative, Chavez remains critical of Nixon. While she pays grudging admiration to his political genius, Chavez accuses Nixon of appealing to the radical Chicano movement. Observing the president during the Watergate era, Chavez describes Nixon as a cynical politician who supported Anglo-hating

fanatics in order to neutralize the Hispanic vote. Chavez's disgust with Nixon makes it all the more ironic that her own fate was destined to mimic his. Like Nixon, Chavez found her political future derailed by a coverup. If anything, her underlying behavior was meritorious. It was Chavez's failure to discuss Marta that had been her undoing.

Although Christine Todd Whitman had braved her nomination to EPA secretary after having admitted to employing two illegal immigrants, Chavez was a more controversial candidate. Chavez protests that an early admission might have prevented her nomination.

Chapters Five through Nine describe Chavez's final evolution from liberal to neoconservative. She testifies that her eight years with the American Federation of Teachers, under President Al Shanker, was a transformative experience. Chavez argues that Shanker held very conservative views on quotas and foreign policy, and that she came to adopt his conservatism across the board. From the AFT, Chavez proceeded to hold the position of staff director on the Civil Rights Commission. There, she battled against the proposition that further discrimination should be used to remedy past wrongs against select minorities.

Then Republican in all but name, Chavez finally switched parties to join the Reagan administration as White House director of public liaison. While it appeared to be a glamorous post, Chavez found her position was little more than that of a hostess. She also claims that Reagan's staff was uncomfortable around women and tended to exclude her. After less than a year as a Republican, Chavez left the administration to run for the U.S. Senate. Although she was widely recognized as the most intelligent candidate, Maryland was a liberal state with a high minority population. Chavez lost, predictably, by a wide margin.

Left to the private sector, Chavez advocated making English the nation's official language. She argues that joining as lobby allowed her to address the isolating effect that bilingual education was having on Hispanic students. Chavez asserts that taking this stand is what led to the branding of her as the "most hated Hispanic in America."

She thinks the powerful Hispanic and bilingual lobbies did more than label her as a racist; she thinks they portrayed her as a race traitor.

Considering her opposition, one must question Chavez's decision to face such visceral hatred in the open forum of a nomination process. It is also questionable whether the determined

lobbyists would have destroyed Chavez's candidacy, scandal or no scandal. Perhaps her crime was not that of harboring an illegal immigrant or failing to reveal Marta. Perhaps her sole crime was being a Hispanic conservative.

Though Chavez's failed nomination forced her return to the private sector, she was able to rejoin to the think tank that she founded. She also contracted with Fox News as a commentator and resumed writing columns. While Chavez had failed to become the liberals' worst nightmare as secretary of labor, she defiantly uses her biography's epilogue as a written vow to remain "a thorn in their side." CJ

John Plecnik is a law student at Duke University.

**Chavez asserts that her taking a stand on English is what led to the branding of her as the "most hated Hispanic in America."**

## Book Review

**War Against Excellence: Government Schools Give You the Creeps**

• Cheri Pierson Yecke: *The War Against Excellence*; Praeger; 2003; 260pp.; \$49.95

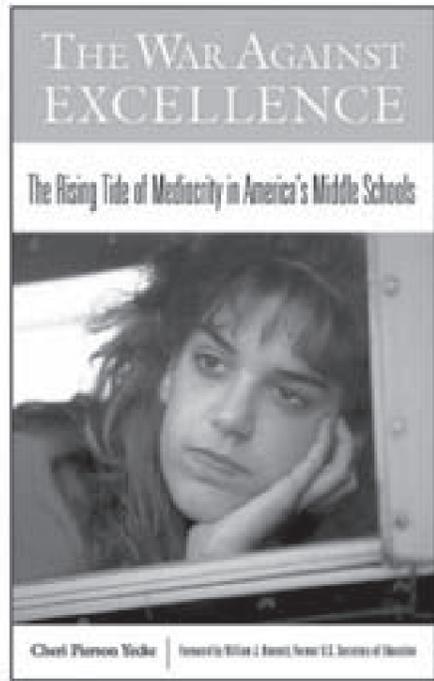
By **GEORGE C. LEEF**  
Contributing Editor

RALEIGH  
The 1983 "A Nation at Risk" report said, "If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war." Since then, there has been a great deal of talk about improving the educational system and some legislative developments purporting to "raise standards." On the whole, though, it's hard to perceive any improvement and if Cheri Pierson Yecke is correct in *The War Against Excellence*, things have gotten worse, particularly at the middle-school level.

Yecke, U.S. Department of Education commissioner of Minnesota, has penned another in the stream of books exposing the deplorable truth about government schools. The education establishment is quite happy with the fact that about 88 percent of all children attend government schools and it invests mightily in public relations to keep parents, taxpayers, and politicians convinced that "public education" is doing wonderfully, but just needs more money. *The War Against Excellence* pulls back the curtain to reveal that over the last 20 years or so, middle schools (usually grades six through eight) have been infested with an alarmingly antieducation mindset.

According to the author, five beliefs that "progressive" education theorists embrace have infiltrated the middle schools. (Yecke does not say that these views are confined to middle school — they certainly are not — only that the problem seems worst there.) The five are:

- Belief in the equality of educational outcomes.
- Belief in questioning the value of individualism.



- Belief in the supremacy of the group over the individual.
- Belief that advanced students have a duty to help others at the expense of their own needs.
- Belief that competition is negative and must be eliminated.

If those ideas sound like the fundamental tenets of egalitarianism, that's just what they are.

Listen to one of the educational Maoists whom Yecke quotes, University of Florida Professor Paul George, who opines that middle schools should become "the focus of societal experimentation, the vehicle for movement toward increasing justice and equality in the society as a whole." Schools, he writes, "are not about taking each child as far as he or she can go. They're about redistributing the wealth of the future."

The United States has always had plenty of educational theorists eager to use gov-

ernment schools as experimental laboratories for their crackpot notions about the reformation of society, but the current crop seems to have been particularly effective in getting theirs implemented. Yecke discusses several distressing manifestations of those egalitarian beliefs.

One is the attack on ability grouping. Schools have customarily followed the practice of putting the brighter students in accelerated classes so they could proceed at a faster pace, and sometimes also grouping the slower students so they could receive special attention. To the egalitarian theorists, naturally, that practice is both educationally bad and morally wrong. They have insisted that schools end ability grouping, and quite a few have done so.

What's so bad about ability grouping? Supposedly, it contributes to "the stratification of society." If gifted kids could be slowed down, the thinking goes, they wouldn't be so successful later in life, thus taking a big step toward one of the favorite egalitarian catch-phrases, "social justice."

If there were a Hall of Fame for Stupid Ideas, that would have to be one of the first enshrined. Even if you buy into coercive redistribution, why take steps that are calculated to reduce the future output of ideas, inventions, and wealth? The abolition of ability grouping has met with strong resistance from parents of gifted children, who resent having their kids held back so the education theorists can enjoy their utopian daydreams. Unfortunately, when those parents have complained, for the most part they've run into a stone wall — many administrators are also infected with the "progressive" disease.

Another manifestation of rampant egalitarianism is the move toward "cooperative learning." That's another of those warm and fuzzy notions that hides an unpleasant concept, namely that students should work and be graded in groups, rather than individually. Again, this is suppos-

edly necessary to correct an underlying "social injustice."

The obvious problem with cooperative learning is that the smarter kids do most of the work, but must share the credit.

A particularly disquieting aspect of cooperative learning is that it not only groups students together, but demands that the more gifted students instruct the slower ones. Under the concept of "peer tutoring," students who have already mastered new material are expected to help teach students who haven't. Supposedly, peer tutoring compels gifted students to develop "a sense of responsibility to their classmates." If there aren't any instructional tasks the gifted students can do, they can be required to help the teacher with other tasks.

The author is rightly concerned about the spread of the egalitarian vision of school, observing that it has been absorbed into the curriculum of many teacher training programs. Young, gullible teachers in training often hear from their professors that these notions are widely accepted and that they should aspire to become change agents within their schools. The unfortunate truth is that most students who choose to major in education are not very bright themselves and the idea that they are doing something really important for society when they downplay academic achievement in favor of nebulous sociological goals is bound to catch on. And how much easier their jobs become when they can brush aside the educational needs of children who are much sharper than they are.

Thanks to Dr. Yecke for turning the rock over so we can see all the creepy things under it. As people read *The War Against Excellence*, it is bound to increase the number of parents who want to bail out of government schooling. CJ

George C. Leef is the executive director of the Pope Center for Higher Education Policy

## Book Review

**Genius Denied: Bright Children Fall Through the Cracks at School**

• Jan and Bob Davidson: *Genius Denied*; Simon & Schuster; 2004; 242pp.; \$24

By **GEORGE C. LEEF**  
Contributing Editor

RALEIGH  
The American education system purports to accommodate the particular needs of all students. We have numerous programs for those with learning disabilities. We have special curricula for students of various ethnic backgrounds that are said to boost their self-esteem. We have vocationally oriented schools for students with strong interests in fields such as the fine arts.

But as authors Jan and Bob Davidson argue in *Genius Denied*, there is one group of students whose educational needs receive little more than lip service, if even that — gifted children.

"Over the years," they write, "we have discovered that when it comes to leaving no child behind, highly gifted students are the most likely to fall through the cracks in American classrooms." The authors, who founded a successful educational software company, sold it several years ago to be able to devote their time and resources to a cause for which they have a great passion. *Genius Denied* makes a powerful case for programs to develop the talents of America's brightest youngsters.

The book reverberates with stories the Davidsons have collected about the difficulties and frustrations that gifted kids face in an educational system where, by and large, their remarkable talents are ignored. Consider, for example, Rachel, who grew up in a small Pennsylvania town. Early in life, she displayed astounding verbal ability and by the time she was in middle school, she was writing a novel. "Every night, she scribbled and typed a bit more for a novel, an arching saga that swelled to four hundred pages. Meanwhile, at school, her English teacher insisted that the class circle nouns in sentences, and then sent everyone home with more worksheets of the same. The pointlessness of it stunned Rachel."

Rachel's parents approached the school administration, asking for more appropriate work for their daughter, but hit a brick wall of indifference. Not only did school officials insist that Rachel remain with her classmates, but they even refused to give her any credit for advanced-writing classes she took on-line through Johns Hopkins University. (Several universities have established programs to help provide gifted children with accelerated learning opportunities.) Requiring Rachel to do the same work as other students her age was like forcing a race car to putter along at 25 mph, but school officials weren't concerned with her educational needs.

Children like Rachel are few and far between, but the Davidsons think that the small number of them is beside the point. No child, they argue, should suffer an inappropriate education, but it occurs frequently with gifted kids. Why? The chief culprit is the hostility that many educational theorists have for giving gifted students any special treatment.

**"False egalitarianism"**

What the Davidsons label as "false egalitarianism" is rampant among the self-proclaimed experts whose opinions dominate in the education establishment. They quote one educational theorist to give the reader a taste of the regnant ideology: "The sorting of students into groups... contradicts American values of schools as democratic communities of learners which offer equal educational opportunity to all."

These educational levelers insist on treating gifted children in the same way the internal revenue code treats highly productive individuals — as resources to be exploited. A favored approach is to assign gifted students to help teach others who don't learn so rapidly.

"Making bright kids tutor others denies them the opportunity to learn to the extent of their abilities and holds them back with the rest of the class," the Davidsons

observe, and then acidly comment, "But, again, this is exactly what the levelers want to do."

Another justification for ignoring the needs of gifted students is the popular "multiple intelligences" theory, which says in essence that every child is gifted. Big deal if some kids excel at math and reading — others have their own kinds of genius, like "kinesthetic intelligence." In other words, since some kids are great athletes, why make a fuss over kids who are whizzes at math?

What is to be done? The authors would like to see the public education establishment start taking the educational needs of gifted kids seriously, suggesting that "all teaching candidates should be trained in gifted education, just as prospective teachers learn about reaching other populations." My guess is that little improvement will come that way. American schools of education are too steeped in the "progressive" educational theory that embraces leveling.

The most effective approach, I believe, will be for universities and organizations such as the Davidsons' own Davidson Institute for Talent Development to continue to find gifted children and offer them the super-charged learning opportunities that they need. The egalitarian mindset of public education is an obstacle far more easily avoided than overcome. CJ

## Muckraking at Work On Iraq's Abu Ghraib

By now everyone has been bombarded by the disgusting pictures of prison abuse at Abu Ghraib and had to grapple with how these deplorable acts came to be committed. While the crimes carried out on the prisoners were repugnant, the news media have been deficient in their analysis of events, misdirecting attention away from the perpetrators and trying to shift blame to the Pentagon.

Within days of receiving notification of possible abuses in January, Maj. Gen. Antonio Taguba was appointed to investigate the sordid details of the case and the press was notified of the investigation.

The investigation was completed in March and an indictment of both the soldiers accused of the crimes and their command was drawn up. The same month criminal charges were filed against six members of the 372nd MP Battalion.

Yet over a month later the reporters were crying cover-up over a story they had ignored. What made the difference? It was the release of pictures that changed the story. Without the pictures, the story was not considered worthy of the front-page. Once the photos became public, journalists had something to show on TV and the front page. They suddenly cared about a story they had ignored.

It wasn't long before Seymour Hersh of *The New Yorker* weaved a tale of widespread abuse of prisoners being an official Pentagon policy, supported only by unidentified sources from the CIA, the very agency that has been competing for control of the interrogation process with the Pentagon. His unsubstantiated account, which has been vigorously denied by the Pentagon, was supported by claims of those accused of wrongdoing that they were following orders.

This sequence of events is not unusual. It dovetails with a similar treatment by the press to accusations of war crimes in a different war, Vietnam, which still shapes the thinking of many reporters today. Coincidentally, the same reporter, Hersh, stands in the center of the affair today, as he did in the exposure of My Lai more than three decades ago.

My Lai, a massacre of several hundred Vietnamese conducted by Lt. William Calley, who claimed he was acting under orders, shocked the consciousness of the nation when it was revealed. It became common to assume that the commission of war crimes was part of Pentagon policy and antiwar groups were willing to supply false confessionals to support those claims. What was an isolated incident was portrayed as everyday occurrences. The media's treatment of the massacre helped turn the public against the war.

The same mindset is at work in Iraq. People are accepting unsupported claims of widespread abuse and Pentagon encouragement of such behavior because it suits their philosophical predispositions. To those accused of committing war crimes trying to shift blame becomes the best defense. To ensure they received media attention, the defense released the pictures to the press, followed by a publicity blitz by their lawyers. Unfortunately, the majority of the press seemed to have taken the bait.

Spc. Jeremy C. Sivits, one of the accused, pleaded guilty to the charges brought against him. He was convicted and sentenced to one year in prison. As far as to the charges of a conspiracy, "Our command would have slammed us," he said. "They believe in doing the right thing. If they saw what was going on, there would be hell to pay."

The press, for the most part, seems to have either ignored or downplayed Sivits's confession. The media's own preconceived notions of what occurred are leading them to misrepresent the story. A government conspiracy sells better than a small criminal conspiracy, and it is more likely to be rewarded with a Pulitzer. Having to "sex up" the story a little bit to sell it is a small price to pay. *CJ*

Hurd is a mobilized Reservist with the U.S. Army Civil Affairs and Psychological Operations Command.



HansMarc Hurd

### Editorials

## PRESSURE TACTICS

### The administration and its critics

When Gov. Mike Easley speaks of One North Carolina, some might be forgiven for concluding that the full phrase should read "Number One's North Carolina," given the lengths to which his administration seems willing to go to prevail on policy issues and punish critics of the governor.

Those who have opposed the administration on several fronts have found their appropriations reduced or threatened. Others who probably spoke the truth and embarrassed the governor have lost their jobs.

The administration has denied that there is a pattern here. And on a case-by-case basis, a forgiving observer might give Easley the benefit of an overwhelming doubt. The sum of the parts, however, when fully assembled, does not portray the administration in a benign way. If this is merely an appearance problem, it is a serious one.

Consider State Auditor Ralph Campbell, a fellow Democrat. Audits performed by Campbell and his staff have uncovered hundreds of millions of dollars, perhaps more than \$1 billion, lost to the state because of mismanagement or malfeasance. His office has specifically questioned the management of the state's Medicaid and Smart Start programs.

What was Campbell's reward? Easley's budget plan cuts Campbell's budget by 2.2 percent in the next fiscal year — the largest such reduction among major offices.

Easley, whose administration has felt the sting of some of Campbell's audits, denied that the cut was retaliatory. "We're not playing games with the auditor," he said. "It is a very important office and the auditor does a good job." *Right.*

A couple of years ago, the administration seems to have played the same kind of game with cities and counties that sued the state. The localities were attempting to recoup hundreds of millions of dollars in tax sharing and reimbursement revenue that Easley seized instead of distributing it to localities as required by law. Obviously miffed by the lawsuit, John Merritt, Easley's senior assistant for policy and communications, called officials in New Hanover and Alamance counties to lodge a complaint that reasonably was construed as a threat.

The *Wilmington Star-News* reported that Merritt said that if New Hanover County won its lawsuit, the governor would have to reconsider state projects in the Wilmington region. Likewise, the *Burlington Times-News* reported that Alamance County Manager David Cheek received a call from Merritt, who told Cheek that state money earmarked for Alamance County might be spent elsewhere. Merritt reasoned that if an "economic engine of the state" like Charlotte doesn't sue, how do you think [Charlotte] is

going to feel?"

Merritt denied any bad blood. He said he called the local officials "to tell them when they sued, that it could not be viewed by the state government as a friendly act. I asked them to please think carefully before they did that. I didn't tell them not to do it, and I didn't threaten them."

*Right.*

A former member of the State Board of Transportation, Frank Johnson, sent emails asking Statesville Rotarians to contribute to Easley's re-election and indicating that Easley expected him to raise money. The message received loudly by many of the Rotarians was that if they didn't contribute to Easley's campaign, the governor might not put the Statesville area on his to-do list of highway projects.

Easley demanded Johnson's resignation, and he got it.

Easley, of course, denied that he based the awarding of roadwork on whether contributors gave to his re-election campaign. According to *The Charlotte Observer*, five transportation board members also said there was no connection between contributions to Easley's re-election campaign and state road projects.

*Right.*

These kinds of pressure tactics might be seen by some as an inevitable part of hard-ball politics in the real world. So be it, if North Carolinians want their government to be run that way. We doubt that they do.

The overriding issue is that this apparent pattern of intimidation has serious ramifications for the welfare of the North Carolina. In the auditor's case, Easley angrily dismissed findings that his More at Four program was duplicative and wasteful. The auditor suggested that More at Four be eliminated because another "educational," day-care program, Smart Start, already provided similar services. Campbell also found that the Easley administration was not providing sufficient financial scrutiny of More at Four. About a year later, the auditor found that the state Department of Health and Human Services mismanaged a Medicaid program to the tune of more than \$400 million. Easley administrators took Campbell to task, arguing that they had already identified and addressed the problem.

The governor's office also bridled at another finding by the auditor. The auditor found that bill-payment duties in the governor's office were not adequately divided, no written policies existed for purchases of \$5,000 or less, and that some payments were made without prior documentation.

The collective weight of these conflicts expose an administration that is either systematically attempting to bully its critics or that, at the very least, seems little concerned about how its actions are interpreted by the broader political community and the voters in the state. When given opportunities to address serious problems or allegations, those in the administration have demonstrated an attitude of intransigence and arrogance.

We should be, truly, "One North Carolina." Honest differences of opinion and credible revelations of questionable or embarrassing conduct may be difficult for those in political office to hear, but they are predictable elements of the democratic process. Pressure tactics and budgetary retaliation are the wrong response. *CJ*

## No Local Heroes

*Tax hikes not the solution to local woes*

**T**axpayers in North Carolina have had a rough time of it during the past three years. State income, retail sales, and other consumer taxes have risen by hundreds of millions of dollars a year. Many city and county governments have imposed tax increases of their own.

Now, in 2004, the state budget situation is somewhat different. With a small surplus of 2003-04 revenue collections over projections and some unspent funds in the treasury, Gov. Mike Easley and the General Assembly need not and will not jack up tax rates in this election year and may even toss a few small tax cuts into the 2004-05 budget revisions.

(It should be clearly understood that this new budget plan will still be a tax-increase budget — the tax increase will simply come in 2005, after the election, to pay for hundreds of millions of dollars in new recurring expenditures for which neither the governor nor legislature will identify a new recurring source of revenue).

With North Carolina's city and town governments not scheduled for elections in 2004, the political dynamic is different than what is found at the state level. As the local-budgeting cycle started in May, it quickly became evident that there will be substantial pressure to raise municipal tax rates this year, sometimes by a large amount.

There are already proposals from staff, in some cases supported by elected officials, to impose higher taxes in such cities as Durham, Raleigh, Winston-Salem, Asheville, High Point, Charlotte, Lenoir, and Greenville, just to name a few. But the proposed tax increases are by no means confined to municipalities. Despite the impending elections, there appears to be serious discussion under way about raising taxes on the part of county commissions in Mecklenburg, Durham, Union, Lincoln, Orange, and elsewhere.

### *Understanding the sources of local deficits*

Every local situation is different, naturally, but there are some common themes worth pondering:

- **Exported state deficits.** Some cities and counties are still suffering the effects of having their tax sharing and reimbursements dollars snatched by Easley and legislators to help balance the state budget. The issue is now in litigation in the state courts, but few expect an outcome that would change the local financial picture this year.

- **Recessionary revenue weakness.** Many localities have seen slow revenue growth by historically standards, and some have actually seen revenue declines — much of it due to businesses either going bankrupt or taking advantage of accelerated depreciation offered in federal tax packages.

- **The Medicaid monster.** Counties continue to be socked by rapid spending growth in the state's Medicaid program, for which they are billed for about 6 percent by North Carolina's state government, one of the few in the country to do so. Local officials have no control over whom gets paid what for which services, and the growth rate is rapidly outstripping the normal rate of growth in population, property development, and retail sales that generate local-revenue gains.

- **School facility needs.** A combination of enrollment increases in public schools and Easley's imposition of class-size reductions in elementary grades has led many counties to take on additional debt loads to finance school facilities. The bills are now coming due, even in areas where past bond-referendum campaigns promised that the new debts would not result in tax increases.

- **Undisciplined and unjustified spending.** You didn't think we were going to let city and county officials off the hook, did you? Local governments overspend almost to the same degree that state and federal governments do. During the booming years of the 1990s, they took on unnecessary obligations far outside their core functions, including new "economic development" activities and entertainment attractions, the funding for which is now crowding out dollars for legitimate local services.

### *Looking for solutions in Raleigh*

So what's the solution? Several local governments are pushing the state legislature to act on one notion this year: local authority to levy new taxes other than property taxes. For them, you see, the problem isn't that the tax burden continues to rise. The problem in their minds is that taxpayers, armed with clearly delineated property-tax bills,

can tell.

A better approach would be for local governments to set firm fiscal priorities, to identify more clearly the core city or county functions that have a legitimate claim to the taxpayers' money, and to work together in Raleigh not to achieve new ways to tax their citizens but instead to keep future governors and state legislators from raiding their funds and imposing costly programs on local governments without voting themselves to accrue the necessary revenues to finance them.

## TRANSPORT SENSE

*New idea is HOT in Research Triangle*

**N**orth Carolina has not been blessed recently with sensible thinking on transportation policy. For example, back in 1989, to get lawmakers from across the state to vote for a multibillion-dollar Transportation Improvement Program, then-Gov. Jim Martin and legislative leaders had to agree to some questionable highway priorities, including the paving of rural secondary roads with only a few dozen cars traversing them each day.

This promise is still costing highway users tens of millions of dollars a year that would more productively be spent alleviating major traffic snarls.

More recently, the General Assembly approved a plan from Gov. Mike Easley to redirect some bonding authority originally approved by North Carolina voters back in the 1990s. The voters were told originally the highway bonds, borrowed against the proceeds from taxes imposed by that 1989 legislation, would speed up loop highways around the state's major cities, among other high priorities.

But now, Easley is steering some these dollars into road resurfacing and mass transit. Some of the projects are worthwhile. Others are not. But it is undeniable that they are not the same as the projects sold to the voters in the original referendum.

Speaking of transit, the state's three largest metropolitan areas — Charlotte, the Triangle, and eventually the Triad — are planning to devote billions of dollars among them to build and operate rail-transit lines within communities that are woefully ill-suited for such 19th-century technology. Again, not sensible, however benign the motivation.

### *HOV and HOT in the RTP*

Last month, however, a glimmer of sense was evident. To cope with escalating traffic on the I-40 corridor through Research Triangle Park — among the busiest traffic spots in the state — state and local officials were talking about adding separate and possibly elevated high-occupancy-vehicle (HOV) lanes to encourage carpooling and express-bus usage. More importantly, some were even talking about making them high-occupancy-toll (HOT) lanes, which would allow commuters willing to pay a little more to use the new capacity.

For regular users, a HOT lane doesn't have to become a quarter-pitching bottleneck. Smart cards read by sensors can debit the toll funds from the account of registered users. Robert Poole at the Reason Public Policy Institute in California has written extensively about how to use tolls and HOT lanes to make the most efficient use of roads to alleviate traffic congestion.

Those whose reflex is to say "no" to the idea of dedicated tollways should poke around a little at RPPPI's website ([www.rppi.org](http://www.rppi.org)) and consider that the alternatives politicians will resort to for transportation funding are likely to be legislative attempts to raise taxes on property, cars, or gasoline.

Roads are public goods only because it is very costly to charge users and exclude nonpayers. Until the automobile came along, very few good roads were even built, other than for military purposes, because of the collection problem. Afterwards, taxes on motor fuels offered a rough approximation of a user fee but did not eliminate problems of misallocation and cross-subsidy for city streets and unlimited-access roads.

Limited-access highways, on the other hand, are well-suited to the user-pays principle. That improves efficiency, because those who use the highways more pay more for their upkeep, and is also more consistent with limited government, since tollways reduce cross-subsidies and the temptation of planning elites to try to tell the community as a whole where to live and how to travel.

Sensible thinking on transportation in North Carolina: Who would have thunk it? CJ

## State Budget Adrift On Sea of Red Ink

**T**here's a quote from James Madison opining against the idea of a "progressive" income tax that is worth quoting in full: "The moment you abandon the cardinal principle of exacting from all individuals the same proportion of their income or of their profits, you are at sea without a rudder or compass and there is no amount of injustice and folly you may not commit."

My purpose here is not to make the case for the flat tax (though it is the only just and efficient one). Instead, I'll apply Madison's maxim to the spending side of the ledger. When politicians abandon the cardinal principles of fashioning sound budgets, they find themselves adrift on a sea filled with red ink and an ever-flowing current of special-interest demands.

What are those cardinal principles? Well, for starters policymakers should err on the side of ensuring that existing govern-

mental responsibilities are effectively discharged before creating new ones. Second, and more fundamentally, they should limit their appropriations to true public services — to functions that private individuals and associations cannot perform for themselves — rather than seeking to erase the line between what is voluntary and private on the one hand and what is coercive and public on the other.

Without a firm set of priorities, including a general presumption in favor of activities that benefit all or most of the population rather than just a few, politicians can't fashion sound budgets. They end up saying "yes" or "maybe" to spending lobbies rather than saying "no," the latter being the response that ought to be virtually automatic (because if our society has survived until now without some great new tax-funded idea, it can probably survive a while longer).

Consider what's going on in Raleigh as the General Assembly convenes for its 2004 session. Despite the appearance of a small budget surplus, funding current operations in the 2004-05 budget plus normal expansion items will likely require at least half a billion dollars more in revenues that are projected to come in. There is, simply put, no extra money to be found under North Carolina's collective couch to satisfy all the lobbies' pent-up demands for spending.

The motorsports industry, for example, wants taxpayers to help build a \$50 million test track near Charlotte. Film-industry buffs want the state to pitch additional dollars to artists and movie studios. Biotech hucksters want millions more for their dubious schemes. The UNC system wants tens of millions to build new research centers at East Carolina, Chapel Hill, Charlotte, and other campuses. The list goes on.

No sensible list of priorities would have policymakers build a race track with tax dollars as long as legitimate needs exist in traditional state services — not to mention the need to reduce tax rates to competitive and efficient levels.

It's easy to be seduced by fake economic-development arguments when the dollar amount attached to each project is low. It's that element of human nature that also leads folks to eat too much fatty food when they ought to be dieting. After all, what's one more ice-cream cone going to matter?

Well, it matters quite a lot if you eat "just one more cone" of the creamy stuff every day — more or less the equivalent of what your elected officials are doing. From 1993 to 2003, state spending in North Carolina rose by more than 75 percent. Yes, service needs were growing, too, along with the population, but the increase works out to be nearly 50 percent more spending per person. That's a rapid fiscal weight gain in just 10 years.

Or to return to the original metaphor: Without a rudder, without a compass, North Carolina's ship of state has been blown drastically off course. CJ

*Hood is president of the John Locke Foundation, publisher of Carolina Journal, and a syndicated columnist.*

John Hood

## Editorial Briefs

**Food irradiation cheap, beneficial**

If half of the food consumed in the United States were irradiated, foodborne illnesses would decline by 900,000 annually and deaths would decline by 352, according to the national Centers for Disease Control and the *New England Journal of Medicine*.

Like pasteurization, exposing food to a burst of radiant energy is a beneficial, cheap, and safe method of killing disease organisms, researchers say. It is approved for use by the U.S. government, science, and health-related organizations, yet irradiation remains underused.

Irradiation increases the shelf life of foods, while decreasing losses resulting from spoilage and pests; it also controls pathogens and parasites, and inhibits the sprouting of vegetables. Irradiation is cheap, costing consumers less than five cents per pound for meat or poultry, when done on large volumes of food products. However, only 10 percent of herbs and spices and less than 0.002 percent of fruits, vegetables, meats, and poultry are irradiated.

Opponents of food irradiation say it is dangerous and cite a study done in Europe in 2002, where the synthesized chemical 2-ACB (found in irradiated foods) was found to be a carcinogen. However, the carcinogenic effect of 2-ACB was found in concentrations that were 1,000 times more than what is found in irradiated foods. The World Health Organization eventually concluded that the findings were not relevant to irradiated foods.

Opponents also say irradiation destroys the nutrient content of food, but the American Dietetic Association has not found any link between irradiation and the break down of important nutrients and molecules in such foods.

**Multinationals create American jobs**

Rather than abandoning the United States for locations with lower wages or lower taxes, American multinationals are almost as rooted in the United States now as a quarter-century ago.

According to Commerce Department data, in 2002, 73.1 percent of the global employment of American multinationals was in the United States, down slightly from 77.9 percent in 1977. Capital spending of these companies was concentrated in the United States — 75 percent of the \$467 billion they spent on factories, offices, and equipment in 2002 was in the United States, compared with 79.8 percent in 1977 (the peak year was 1985, at 83.5 percent). U.S. multinationals increased their U.S. production for global markets from 75.3 percent in 1977 to 77 percent in 2001.

From 1992 to 2002, U.S. multinationals added about five American jobs for every three foreign jobs.

Expansion abroad may also create U.S. jobs, concludes economist Matthew Slaughter of Dartmouth University in a study for the Coalition for Fair International Taxation, a group of multinational firms. He said that growing foreign activity may require more U.S. scientists and engineers, financial specialists, and managers.

Reported in the *Washington Post*.

**Creating economic growth**

Countries that wish to grow economically must reduce regulations that constrain businesses, Harvard University Professor Dani Rodrik says.

In a paper from the National Bureau of Economic Research, Rodrik and researcher Arvind Subramanian of the International Monetary Fund use India as an example. From the 1950s to 1970s, real annual growth in gross domestic product hovered between 2 percent and 4 percent each decade. In the 1980s and 1990s, however, real GDP grew at an annual average of 5.8 percent. Factory productivity grew from an annual rate of 2 percent in the 1970s to 6.3 percent in the 1980s.

Why the sudden growth after the 1970s? According to Rodrik and Subramanian, India's leadership (under the direction of Prime Minister Rajiv Gandhi) adopted a more pro-business stance. His government gradually eliminated production quotas for manufacturers and allowed the importation of capital goods. Freed from bureaucratic regulation, businesses were able to expand and invest in new capital.

Reported in *Business Week*.

CJ

**Is America Ready for Teddy and Kerry?**

By MARC ROTTERMAN

Contributing Editor

RALEIGH

**G**ov. Haley Barbour of Mississippi describes John Kerry as a taller, thinner version of Ted Kennedy. Precisely.

In fact, Kennedy is a driving force in the Kerry presidential campaign. During the recent Democratic primaries, Kennedy was the emcee at numerous rallies and fundraisers for Kerry. Kennedy and his operatives are heavily invested in the Kerry campaign.

Kerry has hired former chief of staff Mary Beth Cahill as campaign manager and Kennedy's former press secretary.

The chief political strategist in charge of developing "the message" is Bob Shrum, who has worked with Kennedy for decades.

**Democrats test election themes**

Shrum and Kennedy have been testing two main themes for the general election. One is that Iraq is "George Bush's Vietnam." The second theme they are resurrecting is that old-time democratic religion of class warfare.

The class-warfare theme is designed to appeal to the battleground states, particularly in the Midwest, where job loss has been significant.

Shrum will try to position Kerry as "standing up for Main Street not Wall Street."

Make no mistake about it, during this presidential campaign, Kerry will do all he can to position himself as a populist and not a liberal.

**Liberals from Massachusetts**

Which brings up Teddy again. Not all democratic activists and operatives believe that Kennedy is an asset to their nominee or their party.

Some Democratic activists and operatives think that Kerry can be "painted" as a Massachusetts liberal and that having Kennedy so closely associated with the Kerry campaign only highlights that image.

To make matters worse for Kerry, the Democratic convention is being held in Kennedy's power base of Boston. Culturally, by almost any standard, "Boston values" on such issues as "gay marriage" are closer to Hollywood than they are to middle America.

In regard to the war in Iraq, Kennedy has been on the

offensive, calling the war "a fraud" that was made up in Texas. Kennedy has said that Bush has "created the largest credibility gap since Richard Nixon."

The Bush administration's reaction to Kennedy has been weak, at best. Secretary of State Colin Powell confronted the "liberal lion" of the Senate remarks by saying he hope Kennedy would be "a little more restrained and careful in his comments because we are at war."

Kennedy is hoping that his left-wing rhetoric will become the topic of conversation in mainstream America. The horrific pictures that America sees on the nightly news from Iraq are supporting Kennedy's premise that the president has a bankrupt foreign policy.

Kennedy has had a free reign with the Bush administration. He was overwhelmingly the dominant force on the big-government Education Bill and the recent prescription drug benefit legislation that many conservatives consider the largest expansion of government since the Great Society.

**The coward of Chappaquiddick**

If the 2004 presidential race ends with Kerry as the victor, then he will owe a large part of his electoral success to Kennedy. Only in America and with the help of the liberal media could Kennedy rebound after the scandal of Chappaquiddick.

Many in the press have conveniently forgotten the 1969 scandal in which then two-term Sen. Kennedy left the scene of an accident, resulting in the fatal drowning of Mary Jo Kopeckne. Kennedy, thinking only of him-

self and his career, failed to report the accident for at least eight hours.

Kennedy proved himself a coward that day. He covered up and left a young woman for dead. His sentencing hearing was closed to the public, and the autopsy was sealed.

Kennedy has no business lecturing President Bush, or for that matter anyone else, on topics such as morality, honesty, or judgment.

It says a lot about Kerry that he would have an advisor such as Kennedy. At every turn, conservatives need to remind Americans of who is at the wheel in the Kerry campaign.

CJ

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



Marc Rotterman

# What's the Big Deal About Having a Service Economy?

By MICHAEL WALDEN  
Contributing Editor

**T**he phrase "We're becoming a service economy" is used frequently today. But many people are worried when they hear these words because they think a service economy implies low-paying jobs and a lower standard of living.

Is there something special about a manufacturing economy and problematic about a service economy that makes countries and regions built around services less prosperous? Let's see.

First, here's some background. The claim "We're becoming a service economy" is derived by looking at employment trends. After World War II, 60 percent of workers nationwide were in the service sector; today it's up to 83 percent. Manufacturing employment in the country peaked 25 years ago.

In North Carolina, the employment shift to services has been even more dramatic. When WWII ended, only 11 percent of employees were service workers, and today the rate is almost 80 percent.

With all the movement of jobs to the service sector, most people think factories are producing less. This is wrong! North Carolina's factories are manufacturing more than 70 percent more today than a quarter century ago, and the same is true for the nation. Modern equipment and

technology are allowing factories to make more with fewer workers.

In fact, manufacturing is moving in the same direction as agriculture. Farm output today is 150 percent higher than after World War II, but using only 16 percent of the workforce.

RALEIGH



Michael Walden

So we shouldn't think that becoming a service economy in jobs means we're manufacturing less. And it's also not the case that all service jobs are low-paying. The fastest growing job sector in recent decades has been professional service jobs, including positions in health care, management, education, and technical fields.

Also, 60 percent of the service jobs added in North Carolina in the past decade have paid the same or more than the manufacturing jobs lost in the state.

However, even with these positive aspects to a service economy, there's still an argument made by some that a country or region can't prosper by trading services. This point of view says prosperity comes only from growing or manufacturing something and selling it to someone outside the region or country.

Although at one time this viewpoint was accurate, it is no more. For example, in international trade, services can be exported to consumers in other countries just like manufactured products. When U.S. legal firms, architectural companies, or computer experts do business in foreign

countries, the transaction is an export of services.

Or, when foreigners watch U.S.-made firms, and when foreign families visit the United States as tourists, these activities also represent an export of services. In fact, the U.S. perennially runs an international trade surplus in services, with last year's positive balance being \$60 billion.

States and regions can also earn money by exporting services. Regional hospitals and medical facilities that attract patients from other areas are engaged in an "export" of medical services. Likewise, universities, colleges, and technical schools export educational services and bring money to the region when students from outside the area attend the schools.

Similarly, the movement of retirees or second-home owners into a county brings a stream of future income for the locality. Think of this as "exporting" the natural beauty and other amenities of an area to outside buyers.

Technological transformations and shifts in spending patterns are causing us to increase the proportion of our income earned from services. This should not be feared, any more than the change from an agricultural to manufacturing economy should have been feared over 100 years ago. Rather than fighting the change, states, localities, and individuals must learn how to prosper from the emerging service economy. *CJ*

*Michael Walden is a William Neal Reynolds distinguished professor at North Carolina State University and an adjunct scholar with the John Locke Foundation.*

## North Carolina Needs Lower Taxes, Not a Stimulus, Job Creation Act

By ROBERT F. MULLIGAN  
Guest Contributor

**S**tate governments are always searching both for new revenue sources and new programs to fund. New revenue is necessary to finance expanded programs, which in turn are necessary to keep voters happy and incumbents safely in office. This is cynically described as bribing the voters with their own money, which is particularly apt, because properly understood, this is a cynical process. Voters, however, generally do not want to pay higher taxes. Partly because incumbents recognize that economic growth can both increase the tax base and support tax increases, and because of the insatiable desire to fund additional programs, most politicians recognize the desirability of creating a favorable business environment. That was the motivation behind last year's N.C. Stimulus and Job Creation Act, empowering a committee of political appointees to award payroll tax rebates to new businesses that relocate to North Carolina.

One of the many flaws in the Stimulus Act is that it ignores all the companies that are already in North Carolina and already employing North Carolinians. Not only

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do North Carolina businesses receive no benefit from the Stimulus Act, but they could conceivably be driven out of business by competitors that relocate because of the payroll tax subsidy. It would be a lot fairer to provide an equal rebate to everybody in the form of a tax cut, but to cut taxes, we have to cut the state budget.

What features do businesses actually look for when deciding to relocate? An adequate and well-maintained infrastructure, good schools, good health facilities and other emergency response functions, and low crime, which are all things provided by government. But one other thing businesses look for is low taxes. This places a premium on efficiency. State governments need to avoid doing things they do poorly or expensively, and voters have every right to insist on getting the biggest bang out of their hard-earned tax dollars. The trouble with government programs that aim to create a favorable environment for business, is first, that they face conflicting objectives: better services and support and lower taxes, and second, that they insinuate government into business decision-making, an arena to which government is especially poorly adapted.

What is the root cause of North Carolina's glaring economic uncompetitiveness? It's nothing more compli-

cated than the state's oppressively high tax burden. How can state taxes be lowered? Only by lowering the state budget. North Carolina's marginal income tax rate is 8.25 percent, among the highest in the United States. That compares with a very high marginal 7 percent in South Carolina, 6 percent in Georgia, and 5.75 percent in Virginia.

North Carolina's corporate income tax rate of 6.9 percent is also among the highest in the United States, and compares with 6 percent in Georgia, Tennessee, and Virginia, 5.5 percent in Florida, and 5 percent in South Carolina. Combined state and local tax incidence in North Carolina is significantly higher than in any neighboring state except Georgia. This makes it very difficult for a corporation to locate in North Carolina.

It is essentially wrong-headed to think that our state government can guarantee future prosperity by attempting a limited program to lure businesses to relocate. The best a state can be expected to do, is simply stay out of the way and let the private sector function. *CJ*

*Robert F. Mulligan is associate professor of economics in the College of Business at Western Carolina University.*

## Some 'Fellow Behind a Tree' Pays for 'Self-Financed' Bonds

BY ROY CORDATO  
Contributing Editor

**U**nder current law, if local government officials want to borrow money to finance an "economic development project" they must first get approval from voters. The problem for spending-hungry politicians has been that their constituents typically vote the projects down. Local citizens make their position clear by regularly defeating bond referendums to subsidize stadiums, civic centers, and similar ventures. Voters understand when governments at any level borrow money it has to be paid back through higher taxes in the future.

In November, North Carolina voters will be asked to give up their right to "just say no." There will be a constitutional amendment on the ballot that would allow local governments to borrow money without voter approval through what supporters call "self-financed bonds." The sales pitch being used by supporters is that the bonds are a form of free money — i.e. they will be "self-financed." As amendment supporter and former Republican Gov. Jim Martin was recently quoted as saying: "No tax increase would be needed" to pay off the bonds.

RALEIGH



Dr. Roy Cordato

This defies logic. No government bond has ever been or ever can be "self-financing," if indeed this expression has any meaning. The reality is the bonds will be financed by future taxes on someone. The question is on whom. Martin's statement contains a sleight-of-hand answer to this question. "The taxes created from the new industry or development would be allocated to pay off the bond," he said. In other words, these bonds won't be "self-financing," they will be paid back with taxes from "somebody else." But the reality is different.

The logic behind the bonds, traditionally known as "tax increment financing" or TIFs, is that the government will use the borrowed money to subsidize new business ventures. This will increase property values in the area and higher property-tax revenues. Bondholders will be repaid with revenues from all taxpayers whose property values are enhanced, not just from the "new industry or development," as implied by Martin.

First, the premise of this approach is that businesses that are subsidized will not only succeed and stay in business over time, but that property values will increase by enough to meet the new debt obligation. If this doesn't happen, then the bonds still have to be paid back out of the existing tax base (few localities

would be willing to let them go into default). But more important, for the plan to work, even if everything goes as expected, existing property owners in the area, homeowners and businesses, will have to pay higher taxes.

The fact is that the assessed valuation of properties is likely to go up not only on the newly developed parcels but also for previously existing businesses and homeowners. This means that the existing residents of the area will have to pay additional property taxes while not necessarily receiving the benefits of the program. These higher tax payments are not going to improve schools in the area or provide better services, but to pay back the bondholders. Two Iowa State University economists who studied Iowa's program, which is nearly identical to the one being proposed in North Carolina, concluded that, "existing taxpayers, its householders, wage earners, and retirees are aggressively subsidizing business growth and population via this practice... the overall expected benefits do not exceed the public's costs."

What this implies is that the subsidized businesses will thrive at the expense of those who are already living, owning businesses, and paying property taxes in the area. As Louisiana Sen. Russell Long said, "Don't tax you, don't tax me—tax that fellow behind the tree." What Martin and other amendment supporters are trying to do is persuade us that these are "fellow behind the tree" financed bonds. But in fact the fellow behind the tree is you and me. *CJ*

# Governors Gone Wild: It's Party Time in Dixie

States compete to land production of TV video series; only coastal sites are under consideration

By BLUTO BLUTARSKY  
Debauchery Correspondent

**T**he producer of the *Girls Gone Wild* video series is looking for a permanent site to produce the controversial tapes, and three Southern governors have gone wild over the prospects for landing the project. North Carolina is competing with South Carolina and Virginia for the project, N.C. Commerce Department officials say.

As with every other important business decision in North Carolina, Gov. Mike Easley is actively involved in this effort. He said the project could create as many as 200 new jobs and have an annual economic impact of \$200 million. State incentives are estimated at \$178 million.

*Girls Gone Wild* videos are not shown on television, but they are advertised late at night on several cable channels. The series is controversial because each video involves young people consuming lots of alcohol and engaging in spontaneous R-rated activity. Each video is pretty much like a wild spring break party.

"*Girls Gone Wild* is a harmless, reality-entertainment product," the show's producer, Joseph Francis, told *Carolina Journal*. The new site would also become the new headquarters for his company, Mantra Entertainment, which is currently based in Santa Monica, Calif. Francis has built the operation into a \$100-million-a-year business. But with that success has come a number of lawsuits and legal disputes primarily due to the nature of the videos.

Francis recently visited the Wilmington area and Dare County to look at sites. A key requirement for the project is a coastal location that Francis can transform to look like Cancun, Key West, or another site where the filming had been on location.

"Having a flexible site will save us a lot of money and improve our bottom line," Francis told *CJ*. "Our viewers are mainly looking at the girls, so we think we can fool them into thinking each show is actually on location."

RALEIGH



To meet this requirement, the governor wants to turn over state property for the exclusive use of Mantra Entertainment. The state would lease New Hanover's Fort Fisher State Recreational Area to Francis for \$1 per year for as long as he agrees to produce at least two new videos per year. The Dare County site being considered is currently the home of the state-owned Wanchese Seafood Industrial Park. "Those sites are, let's face it, under-utilized and with a little imagination we think that Mr. Francis can make either one look like a tropical paradise," Easley told *CJ*.

Another key feature of the state package is the free after-hours use of some state ferry boats. "After the last run for public use, a ferry boat can be transformed into a party boat where the kids can really get down," the governor said. "The Fort Fisher-to-Southport Ferry docks close to my Southport home, so I could keep a close eye on our state's investment most of each week," he added jokingly.

Insiders say the Fort Fisher site has the edge even though State Sen. Marc Basnight plans to put up a fight to

get the project in his district. Basnight recently ordered an emergency meeting of the Golden LEAF Foundation for the purpose of "requesting" an additional \$20 million for the project, but only if it went to Dare County.

"You gotta flash something to get attention," Basnight reportedly said at the meeting.

Easley aides told *CJ* that they were tired of Basnight trying to pick winners and losers in the private marketplace.

"That's the governor's job," they said.

The following are additional highlights of the deal being offered for the Fort Fisher site:

- Job Development Investment Grant tax refund.
- \$5 million from the One North Carolina Fund.
- A new video-marketing specialist at Commerce.
- Special *Girls Gone Wild* (GGW-) mandatory license tags for vehicles in Southeastern North Carolina.
- Tax credits for a new Fort Fisher Development Zone.
- Free use of the Global TransPark.
- Cash payments to use the Global TransPark.
- Expedited cash payments to use the Global TransPark.
- Careful preview of all videos by governor's legal staff to ensure quality control and head off any liability.

Opposition to the plan is sparse, coming primarily from misguided fiscal conservatives. An upcoming organizational meeting for a group tentatively named *Girls Gone Riled* is expected to draw feminists critics who object to the video deal as well as the tentative name of their own group.

Some state Republicans, reportedly worried about being out-manuevered on the job-creation front, are reportedly working on an incentive offering of their own to Mantra Entertainment that would be predicated on a slight change in content. Videos produced in North Carolina would be required to feature only footage taken at church picnics, Mandy Moore concerts, and debutante balls.

The new videos would be entitled *Girls Gone Mild*. *cj*



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