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Layoffs may await state workers

BY MARK JOHNSON
STAFF WRITER

RALEIGH - Gov. Beverly Perdue tried to get ahead of a deepening budget crisis Thursday by ordering larger cuts in state agencies, freezing vacant jobs and halting millions of dollars in construction, purchases and travel.

She said agencies are close to laying off employees.

It was the second time Perdue, governor for less than a week, has dispatched an emergency order to help stabilize the state's finances.

She issued an executive order Thursday afternoon telling agencies to increase cuts in the current year's spending — 7 percent for most of them. Smaller cuts were ordered for schools, mental health, prisons and courts.

"State services will be cut," Perdue said, quickly adding that she will protect education spending — the state's "seed corn" — and public safety funding as much as possible.

Perdue's budget team expects a $2 billion gap between revenue this year and planned spending. The cuts announced Thursday provide $1.1 billion toward filling that hole. She is banking on another $900 million from the federal government that will go primarily toward Medicaid.

So far, she can cover the budget gap without tapping the state's rainy-day fund of about $700 million. She wants to hold that money in the event of a hurricane, ice storm or more severe budget problems next year.

Agencies forced to make 7 percent cuts have limited places to slice. "There are going to be some agencies that have to lay people off," Perdue, a Democrat, said in a brief news conference outside the Capitol on Thursday evening.

Her budget director, Charlie

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Perusse, softened those comments, saying agencies will trim operating budgets first and then look at the least useful programs. If programs are cut, that could lead to eliminating jobs, he said.

"Before any live bodies go home," Perusse said, "we're going to pinch pennies on the operating budgets."

Legislative leaders generally praised Perdue's actions.

"That's what families have to do, and I think government would be prudent to do," said Sen. Eddie Goodall, a Union County Republican.

Rep. Mickey Michaux, a Durham Democrat and an appropriations committee chairman, worried that a cash infusion for the state health plan won't be covered by the steps Perdue ordered.

Senate Republican Leader Phil Berger, of Eden, questioned why Perdue was halting construction funded by the budget when last month former Gov. Mike Easley sped up projects funded by bonds, or debt.

"There may be a little inconsistency on the Democrat side," Berger said, "as to whether there is real benefit to the government spending that kind of money."

Perdue's order also freezes vacant jobs, except for those already promised to a candidate. "Extraordinary exceptions" are permitted with the approval of agency heads.

Other budget trimming includes:

- No new purchase orders, except for school supplies and special exceptions approved by department heads.
- No travel or training expenses except for those involving public safety, public health, job requirements, economic development opportunities and emergency situations for people in the state's care, such as state hospital patients.
- A freeze on construction and repairs funded out of this year's budget.

Perdue cautioned that she expects a deeper gap in the next fiscal year's budget, from July 1 of this year to June 30, 2010. Some of the federal stimulus money funneled into this year's budget won't be provided next year.

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Colleges cut back spending on instruction

By Mary Beth Marklein
USA TODAY

Most of the nation's colleges are gradually paring back their investments in classroom teaching, an analysis of federal data shows. And all colleges have in recent years been spending a greater share of their revenue on expenses other than instruction, including computing centers, student services, administrative salaries and lawn care.

Those are among findings of a report released today that sheds light on where various types of colleges and universities get their money and how they spend it. Though instruction remains the largest share of education and general spending at most colleges, much of the revenue raised by increasing tuition is not going to that core function of higher education, it concludes.

With one notable exception, "Students are paying for more and arguably getting less, particularly in the classroom," says Jane Wellman, director of the Delta Cost Project, a Washington-based nonprofit that released the report. It is based on federally reported data from 2002 to 2006 of nearly 2,000 public and private institutions that enroll about 75% of all college students.

The exception is private research universities, which spend more per student than any other sector, but which enroll fewer students overall than most other institutions.

The report found that total spending on education and related services, including academic and administrative support, remained flat or declined from 2002 to 2006 everywhere but at those institutions, which can draw from more sources, including endowment income.

That could change as more private research universities, including Cornell, Harvard and Yale, see precipitous drops in their endowments.

At public colleges and universities, much of the decline in instruction spending -- which is primarily faculty salaries and benefits -- can be linked to a decline in state appropriations.

"I don't think institutions have decided to disinvest in instruction," Wellman says, but their spending patterns do show "a lack of a strategic approach."

"The quickest place to cut costs is in instructional programs. When the primary focus is on balancing the budget from year to year, you grab what you can and spend where you must," Wellman says.

Existing data can't speak to the quality of education, nor is it detailed enough to determine whether specific spending is justified. A key goal of the report is to encourage institutions and policymakers to be more transparent about their finances.

"Policymakers and the public are showing increasing skepticism about spending in higher education, questioning whether tuition increases are helping to expand access and improve quality," it says. "The data in this report show that this is a valid question."

Other findings:

▼ More students, particularly low-income and minority students, are attending the colleges and universities with the least to invest in students. "Basically what we're asking is (for) a set of folks who don't have resources to pay more, even as we disinvest in their instruction," says Kati Haycock, president of the Education Trust, a nonprofit that works to increase access to college.

▼ If tuition increases were tied to increased spending on education-related expenses, tuition at most public institutions would have dropped from 2002 to 2006. At public research universities, about 8% of tuition increases can be linked to increased spending on education-related expenses.

▼ At some point from 2002 to 2004, most private four-colleges began spending a larger share of their budget on administrative and academic support than on instruction. The exception: private research universities.

"Students are paying for more and arguably getting less, particularly in the classroom."

— Jane Wellman, director, Delta Cost Project