2) Does a school official have qualified immunity from a damages lawsuit under 42 U.S.C. 1983 when, in accordance with school policy, she disciplines a student for displaying a banner with a drug reference at a school-supervised event?

Yes and not reached. The Court reversed the Ninth Circuit by a 5-4 vote, ruling that school officials can prohibit students from displaying messages that promote illegal drug use. Chief Justice John Roberts's majority opinion held that although students do have some right to political speech even while in school, this right does not extend to pro-drug messages that may undermine the school's important mission to discourage drug use. The majority held that Frederick's message, though "cryptic," was reasonably interpreted as promoting marijuana use - equivalent to "[Take] bong hits" or "bong hits [are a good thing]." In ruling for Morse, the Court affirmed that the speech rights of public school students are not as extensive as those adults normally enjoy, and that the highly protective standard set by Tinker would not always be applied. In concurring opinions, Justice Thomas expressed his view that the right to free speech does not apply to students and his wish to see Tinker overturned altogether, while Justice Alito stressed that the decision applied only to pro-drug messages and not to broader political speech. The dissent conceded that the principal should have had immunity from the lawsuit, but argued that the majority opinion was "[...] deaf to the constitutional imperative to permit unfettered debate, even among high-school students [...]."