

# Popular Government

Institute of Government • The University of North Carolina at Chapel Hill



**In this issue:** Medical Costs Put Stress on County Jails

**Also:** County jail population City and county budgeting Self-dealing statute

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The University of North Carolina at Chapel Hill

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**On the cover** Lt. Randall Rush accompanies an inmate/patient at the medical facility of Guilford County Detention Center at High Point; the nurse is Gwen Redfearn. In-house medical facilities allow county jails to reduce medical costs. Photograph by John Manuel.

Popular  
Government





# County Jails Struggle with Rising Costs of Health Care

John Manuel

**W**hen an inmate in a county jail experiences chest pains, the prisoner is not the only one who hopes that it's just indigestion.

North Carolina law makes counties largely responsible for the medical care of their prisoners, a weighty responsibility that has two primary components: routine health care and emergency services. First, counties must have medical plans that protect the health and welfare of these prisoners, control the spread of contagious diseases, and detect and treat tuberculosis and venereal disease.<sup>1</sup> Second, and most expensively, the county is totally responsible for "the cost of emergency medical services,"<sup>2</sup> regardless of whether the medical emergency has any relationship to the incarceration—other than that it happened while the prisoner was in jail.

In recent years the cost of these obligations has been staggering.

## County Jail Responsibilities

In North Carolina, the local responsibility for jails is split between the county commissioners, who are responsible for building, maintaining, and financing the jail,<sup>3</sup>

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*The author is a freelance writer who specializes in medical, business, and environmental issues. He would like to express his appreciation to Robert Lewis, of the Department of Human Resources' Division of Facility Services, and to Michael Hamden, of North Carolina Prisoner Legal Services, for their assistance in the preparation of this article. Photographs by the author.*

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and the sheriff, who, in the quaint language of the statute, “shall have the care and custody of the jail.”<sup>4</sup>

Even acting together, these county officials do not have total control over how the jails are run. The state Department of Human Resources (DHR) is directed by statute<sup>5</sup> to develop and publish minimum jail standards to ensure custody of prisoners and to protect their health and welfare—standards that provide for prisoners’ medical care, including mental health, mental retardation, and substance abuse services.<sup>6</sup> DHR, by statute, inspects every jail twice a year to ensure that the standards are met.<sup>7</sup> If the inspector’s report discloses that a jail does not meet minimum standards and the secretary of DHR concludes that conditions there threaten the inmates’ health, safety, or welfare, the secretary may order corrective action or close the jail.<sup>8</sup>

The effect of the statutes and administrative rules is a requirement that North Carolina jails provide secure custody of confined persons to protect the community, to protect the health and welfare of the prisoners, and to provide for humane treatment of prisoners.<sup>9</sup>

### Attempts to Avoid Responsibility for Medical Care Costs

The responsibilities relating to medical care, which are proving the most costly, have not always been warmly embraced by the counties. Two cases, sixty years apart, illustrate this fact.

In the fall of 1925, a Duplin County deputy sheriff tried to arrest Peter Camel for robbery, and Camel resisted. The deputy shot and seriously wounded him. When the sheriff took Camel to the hospital in Goldsboro, the surgeon advised that a difficult operation was called for. Who would pay the costs?

“My advice,” the surgeon said, “is to consult the [county] commissioners, and see if they will stand for it.”

Expecting the commissioners to meet the next day, the sheriff said he would talk with them about it. When the sheriff later reported to the surgeon that the commissioners had not met after all, the surgeon asked, “What do you want me to do?”

“He is a human being,” the sheriff replied, “he is under my charge. I don’t know anything to tell you except to go ahead and do the best you can to save him.” And so, a couple of days after Peter Camel was wounded, the surgeon performed the operation.

When the sheriff presented the surgeon’s bill to the county commissioners, they refused to pay—after all, they had never authorized the medical treatment—and the surgeon sued them.

The North Carolina Supreme Court held that the commissioners must pay: "The prisoner by his arrest is deprived of his liberty for the protection of the public; it is but just that the public be required to care for the prisoner, who cannot by reason of the deprivation of his liberty, care for himself."<sup>10</sup>

The North Carolina Court of Appeals held similarly in a more recent case:

In the fall of 1985, Donald Hill was arrested and incarcerated in the Alamance County jail for failing to appear for trial on a charge of failing to comply with a child support order. He became ill and was seen by a physician at the jail. When his condition became worse, he was transferred by ambulance, in the custody of a deputy sheriff, to the Alamance County Hospital. The doctors there diagnosed spinal meningitis and ordered Hill transferred to North Carolina Memorial Hospital in Chapel Hill.

The deputy called the sheriff's department for instructions. An Alamance County magistrate telephoned a district court judge, who ordered Hill released on a \$1,500 unsecured bond. Told that Hill was unconscious and could not sign the bond, the judge ordered him released without the necessity of signing. The deputy then told the doctor that Hill had been released from custody. Hill was taken to Memorial Hospital, where he was treated over a period of six weeks, running up a bill of \$99,783.56. As in the 1925 case, the commissioners refused to pay—after all, the entire Memorial Hospital bill was incurred after he was released from the custody of the Alamance jail.

The North Carolina Court of Appeals held that the commissioners must pay the proportion of the Memorial Hospital bill that reflected *emergency treatment* for Hill. The law provides, the court noted, that the county "shall pay the cost of emergency medical services"<sup>11</sup> for jail prisoners, and the county cannot avoid that obligation "by releasing from its custody an unconscious prisoner in need of emergency care."<sup>12</sup>

The issue remaining, the court said, was a determination of what portion of the \$99,783.56 covered "emergency services." There was evidence at trial that it *all* did.

In counties with no in-house medical staff and no physicians on call, it is common for prisoners who become ill to be transported by a sheriff's deputy to the local health clinic or hospital emergency room. The cost in time and manpower of the transportation alone is a considerable burden on small county jails. Not surprisingly, sheriffs occasionally have sought to rid themselves of inmates that do get sick, as these 1925 and 1985 cases illustrate. One way to rid the jail of a troublesome prisoner has been to get him transferred to Central Prison,

which houses the state Department of Correction's primary medical care facility, for safekeeping. This has been an especially effective method of controlling costs, since traditionally, North Carolina law held the state responsible for the costs of maintaining inmates transferred to Central Prison. In 1992, however, the General Assembly amended that law<sup>13</sup> to make counties responsible for the costs of maintaining such a prisoner transferred from local to state custody, including the cost of extraordinary medical care.

## Upward Trend of Jail Health Costs

Even before the counties assumed this increased responsibility related to prisoners' medical care, their jail health costs were rising sharply. For jails with larger populations, the upward trend in medical costs is clear. In 1992 Mecklenburg County's jail medical costs for inmates were up 357 percent over 1989, from \$612,096 to \$2.8 million, for an inmate population averaging about 1,300 (see Figure 1). Nash County's inmate medical costs were up 2,000 percent from 1986 for a population of about 120 (see Figure 2). Compared to what it spent a decade ago, Orange County's 1992 health care costs for inmates were up more than 3,000 percent. In 1981 Orange County spent \$1,042 for an average of 23 prisoners; in 1992 the county spent \$39,991 for an average of 90 prisoners.

For jails with smaller inmate populations, meaningful trends are harder to identify, perhaps because a single inmate incurring a costly illness can skew the small-jail cost data dramatically. Tyrrell County, for example, has had an average inmate population since 1988 of 3.5 persons. During that time, medical expenses for prisoners were \$650 in 1988–89, \$450 in 1989–90, \$9,313 in 1990–91, \$5,712 in 1991–92, and \$1,663 in 1992–93. According to the Tyrrell County Sheriff's Department, more than \$8,000 of its \$9,313 in jail medical expenses for 1990–91 were incurred by a single prisoner requiring hospital treatment for bleeding hemorrhoids, and nearly \$5,000 of the next year's bill was for an inmate with heart problems.

In fact, unfortunately, there is no central repository of data on medical costs for jails in North Carolina, and individual counties often find it difficult to provide useful data. Medical cost records more than a few years old are often stored where they cannot easily be retrieved. Accounting methods for different medical products or services—direct purchase of drugs by the jail, salaries of in-house nurses, payments to the county health department, payments to contract physicians—may have changed from one year to another, making direct com-



parison impossible. The trend, therefore, is very difficult to quantify.

The portion of the counties' health costs that covers inmates' emergency medical care needs—for the dreaded high-expense, emergency illnesses and injuries—is unpredictable and, for the most part, unavoidable. Counties simply must be prepared to deal with these costs as they arise (it is undeniable, however, that one such illness can be much more fiscally disruptive to a small county than to a large one).

### Routine Medical Costs

The other component of county jail costs for health care involves the somewhat more predictable, but increasingly expensive, responsibility for routine medical costs for inmates. County officials cite a litany of reasons for these increases, including higher state standards for medical care, higher inmate populations, fear of liability, higher costs for medical supplies and procedures, increased health care staff and facilities, and an increase in serious illnesses such as AIDS and tuberculosis.

**Rising standards for health care.** Before 1990 the minimum jail standards governing the care of inmates had not changed in twenty-two years. The old standard, adopted by the state in 1968, simply called on county jails to have a medical care plan "posted in the booking area of the facility for ready reference to all jail supervisory personnel." The standard contained few specifics about what that plan should include.

The vague standards, combined with societal indifference toward inmates' physical health and a lack of financial resources, had led most county jails to offer little or no in-house treatment of inmates. A Jail Nurse Survey conducted by the School of Public Health of The University of North Carolina at Chapel Hill in 1991 showed that forty-seven of the state's then ninety-six county jails had no in-house nurses and no regularly scheduled physician visits. Another twenty-six had only a part-time nurse or regularly scheduled visitation from a nurse or physician.

In 1990, after two years of work by the North Carolina Jail Standards Task Force—a body composed in part of county officials and sheriffs—the state Department of Human Resources issued revised standards<sup>14</sup> replacing the old general requirement that county jails have a written medical plan for inmates. The new standards now go into considerable detail as to what kind of care counties must provide.

Specifically, the new regulations require each county to develop a written medical plan that addresses: 1)

**Figure 1**  
Growth of Health Care Costs: Mecklenburg County Jail Inmates

	1989	1992
<b>Expenses</b>		
Average expense per inmate treated	\$3.90	\$13.58
Total doctor's expense	\$24,000.00	\$96,000.00
Total cost of medical supplies	\$94,385.88	\$168,500.00
Nurses salaries and fringes	\$320,474.49	\$1,028,587.00
Total medical expenses*	\$612,096.85	\$2,798,587.00
<b>Services</b>		
Total inmates seen by nursing staff	156,668	200,764
Average number of inmates treated by nurses daily	429	550
Total inmates sent to hospital and clinic	194	3,427
Inmates seen by doctors on call	901	1,909

Source: Mecklenburg County Sheriff Department

\*Not all components of "total medical expenses" are listed here.

**Figure 2**  
Growth of Health Care Costs: Nash County Jail Inmates

Year	Professional Services	Drug Costs	Total Costs
1984-85	\$ 2,723	\$ 1,255	\$ 3,978
1985-86	2,246	1,316	3,562
1986-87	2,061	1,707	3,768
1987-88	6,070	1,550	7,620
1988-89	10,854	3,031	13,885
1989-90	30,948	3,834	34,782
1990-91	56,615	10,760	67,375
1991-92	44,281	15,874	60,155
1992-93	64,031	15,855	79,886

Source: Nash County Finance Office

health screening of inmates upon admission; 2) handling routine medical care; 3) handling inmates with chronic illnesses or known communicable diseases; 4) administration, dispensing, and control of prescription and nonprescription medications; 5) handling emergency medical problems including those related to dental care, chemical dependency, pregnancy, and mental health; 6) maintenance and confidentiality of medical records; and 7) privacy during medical examinations. The regulations also require that inmates be provided an opportunity each day to communicate their health complaints to a health professional or a jail officer. Qualified medical personnel must be available to evaluate the medical needs of the inmates. And a written record must be maintained of all requests for medical care and the action taken.



George Herron, Forsyth County Jail medical administrator, in front of the county's partially constructed \$50 million detention center; it will house a state-of-the-art inmate medical facility.

"The issuance of these regulations has had a major impact on the amount and type of care that county jails are providing inmates," says Robert Lewis, director of the Jail and Detention Branch of the Department of Human Resources' Division of Facility Services. "Twenty years ago in most county jails, there was little or no attention paid to any of these factors. Now, everyone is addressing these issues, and, of course, that comes at a higher cost."

**Fear of liability.** In addition to upgrading medical facilities and services to meet the new jail health care standards, county jails have been increasing spending for medical services in an effort to avoid lawsuits filed by inmates.

"Liability is the overriding reason for increase in health care costs in county jails," says Austin George, administrator for the Robeson County jail. "No one wants to get sued."

George has good reason to know—Robeson County has been sued successfully several times for improper care of inmates, and it is under federal consent decree to relieve overcrowding in the county jail. One of the suits, to cite an example, was brought by the family of Billy McKeller, an asthmatic inmate confined in the Robeson County jail in 1987. He suffered a fatal asthma attack while living in a cell with prisoners who smoked. The plaintiffs alleged that McKeller's confinement in a smoke-filled cell brought on the attack and constituted cruel and unusual punishment. The county defended the suit by pointing out, among other things, that McKeller had smoked all his life and was still smoking at the time of his death. Nonetheless, the case was settled for \$125,000.<sup>5</sup>

Greg Dion, physician extender at New Hanover County Jail, shown here doing routine screening of inmate.

Since the early 1970s, poor medical care has been a major prisoners' rights issue. The alleged absence of adequate health care has been cited as a factor in lawsuits that affect 35 percent of jails in the United States today.<sup>16</sup> It has been an important factor in many North Carolina lawsuits as well. The North Carolina Prisoner Legal Services, Inc., is a not-for-profit organization that provides legal assistance for prisoners in matters relating to conditions of confinement. It has represented numerous inmates in suits against counties and the state related to health care.

"There have been several dozen class actions and probably hundreds of individual suits against county jails over the last decade," says Michael Hamden, a lawyer for Prisoner Legal Services. "Most suits are related to overall jail conditions but often cite medical treatment as one of the problems."

Most suits related to denial of medical care for inmates are brought in federal court. In the 1976 landmark case *Estelle v. Gamble*,<sup>17</sup> the United States Supreme Court ruled that corrections officials may not deliberately ignore the serious medical needs of inmates.<sup>15</sup> Ignoring such needs amounts to a violation of the prisoner's constitutional rights, involving the possibility of large money payments to the prisoner to compensate him or her for that violation.

While most suits related to health care in the county jails are brought in federal court on constitutional claims, state courts have seen their share of litigation, usually over the issue of *who* must pay for medical costs incurred in particular situations. That was the issue, for example,





in the 1925 and 1985 cases cited above. It remains to be seen whether the issuance of new Department of Human Resources medical standards, providing additional legal protections for inmates, will give rise to new theories of liability and new avenues for litigation in the state courts.

Austin George says the lawsuits filed against Robeson County have been instrumental in leading the county to build a new jail, which, in addition to providing more cell space, includes extensive facilities for in-house medical treatment that the old jail did not have. The new jail includes a dental office, examining room, nurse's office, drug storage room, and a medical records room. Delivery of health care—formerly provided by an outside contractor—has been brought in-house. A medical director has been hired and has developed a health plan. Under that plan, a contract physician now visits the jail every morning to examine inmates and review records, a psychiatrist with a regional mental health service visits twice a week, a nurse practitioner is in attendance eight hours a day for five days each week, and a dentist comes on demand. The annual budget is now \$584,000 compared to \$75,000 five years ago, but county officials say they wouldn't have it any other way.

"There's no going back to the old way of doing things," says George. "If the doctor leaves, I'm going with him."

**Rising inmate populations and longer incarceration times.** Sheriffs surveyed for this article frequently cited increasing jail populations as a major factor for the overall increase in medical costs. In Orange County, for example, the average daily inmate population in 1983 was

twenty-three. Last year, that figure had jumped to ninety-five. That corresponded to a thirty-fold increase in medical costs for the same period. Clearly, on average the more prisoners there are in jail the higher the medical costs for prisoners will be. (For a discussion of the *quadrupling* of county jail populations in the last seventeen years, see "County Jail Population Trends, 1975-92," on page 10 of this issue.)

**Rising incidence of serious illnesses.** Jacqueline M. Moore, of Durham, cofounder of Prison Health Services, the first company formed in the United States specifically to provide health care in state and local correctional facilities, wrote recently in *American Jails* magazine: "Reflective of their disadvantaged background, prisoners are more likely than the general population to harbor serious, undetected health problems. The majority of illnesses and complaints experienced by inmates are clearly related to their previous addictive or criminal lifestyles or associated with the overcrowded conditions of incarceration."<sup>19</sup>

In the same issue of *American Jails*, John Clark, M.D., chief medical officer for the Los Angeles County Sheriff's Department, states that communicable diseases, including tuberculosis, human immunodeficiency virus (HIV), sexually transmitted diseases, hepatitis, and measles, present the greatest threat to the correctional health care environment today.<sup>20</sup>

Interviews with jail staff in North Carolina indicate that most of these communicable diseases are, indeed, present among North Carolina's inmate population and appear to be on the rise. Treating these illnesses can entail special costs.

"We are seeing a lot more hepatitis B, tuberculosis, and HIV," says Greg Dion, physician extender with the New Hanover County jail. "We will treat most S.T.D.'s [sexually transmitted diseases] here. We will send inmates suspected of having TB to the hospital for X-rays. Prisoners with hepatitis or full-blown AIDS we send to Central Prison in Raleigh."

Tuberculosis is of special concern to health care and correctional officials. TB rates began increasing in the mid-1980s. At the same time, multiple-drug resistant strains of tuberculosis began to surface. In 1988 the National Commission on Correctional Health Care released a position statement urging health care staff of adult and juvenile confinement facilities to undertake aggressive antituberculosis programs.<sup>21</sup> These programs include screening, diagnosis, treatment, and prevention—all extra cost items for county jails. The North Carolina Prisoner Legal Services has begun requesting that all counties run TB tests on any inmates confined more than seventy-two hours.

A Guilford County Detention Center (High Point) nurse shows inmates' medications. The cost of pharmaceuticals is one of many factors forcing up jail medical costs.



Counties are addressing inmate health care issues that were given "little or no attention" twenty years ago, says Robert Lewis (right), Department of Human Resources' Division of Facility Services. Recent suits against county jails often cite medical treatment as one of the problems, says Michael Hamden (far right), a lawyer for N.C. Prisoner Legal Services.



A fast-growing area of concern after communicable diseases is mental health. In 1988 a random survey of county jails conducted by the Criminal Justice Center of the Governor's Crime Commission revealed that 10 to 15 percent of the inmates were mentally ill.<sup>22</sup> Traditionally, jails offered little in the way of special services to these inmates. However, the new jail health care standards, which specifically require counties to address the mental health problems of their prisoners,<sup>23</sup> can be expected to add to jail medical costs.

**Increased pregnancy/childbirth costs.** Women prisoners frequently present additional health care needs, such as pregnancy. Such needs increase costs to the counties and jails. "We're housing as many as twelve to fourteen pregnant women right now, whereas we maybe averaged one to two a year five years ago," says Sandy Carter, chief nurse with the Mecklenburg County jail. "We've had three babies born in jail this year. Costs for the delivery and care of a child can range from \$5,000 to \$7,000. That comes out of our budget."

**Higher costs for medical supplies and procedures.** Health care costs for consumers generally have been rising well above the rate of inflation for years, and county jail populations are no exception. Mecklenburg County has been tracking average medical expense per inmate seen since 1989. In that year the average expense was \$53.90 per inmate. That figure has risen steadily to an average of \$133.58 in 1992 (see Figure 1). Some of that increase is due to other factors—an increase in TB among prisoners, for instance—but some of it, undoubtedly, is due simply to higher prices for medical goods and services.

## The Search for Solutions

One approach to jail medical cost containment suggested by health care officials is to bring as many health care services into the jail as possible. While the author could find no studies documenting this, it was the opinion of a number of officials that in-house care is less expensive, for the same level of care, than having to transport in-

mates to the local health clinic or emergency room for treatment. Nash County, for example, has prisoners in its own jail and, because of overcrowding, in the Dare County jail as well. Nash County officials say there is a marked difference in the per person cost of medical care for its two prison populations, based on the availability of in-house treatment in the Nash facility.

"We have a physician that we contract with to come by here [the Nash County jail] whenever we need him," says L. E. Raynor, jail administrator for Nash County. "Our prisoners in Dare County accrue much higher costs, because they don't have any in-house visitation."

Even better than having physicians come on demand, say health care officials, is having regularly scheduled in-house treatment. Writing in *Corrections Today*, Kim Marie Thorburn, M.D., the health care director of the Hawaii Department of Public Safety, states:

"Sick call," a system that reacts to medical complaints, is not a public health model, nor does it ensure adequate management of chronic disease. Systems based solely on sick call bog down with an overload of inappropriate demands. Instead, health care delivery must be preventative, including chronic disease clinics, regular examinations and other screening programs.<sup>24</sup>

For larger counties, contracting out health care services minimizes administrative problems and may provide service at a lower cost than the county could do on its own. The larger contract services have computer programs to track inmates' health care costs. They can monitor and sometimes shorten expensive hospital stays by providing follow-up treatment inside the correctional facility. Drugs can be purchased in bulk at reduced prices. And these services may review all hospital bills for appropriateness.

"This is the way to go," says Michael Schweitzer, director of Corrections for Forsyth County, which recently contracted its health care out to a national service. "All I have to do is worry about one line item in the budget. They [the contract service] are the experts. They do all the hiring."

Of course, many counties lack the financial resources to contract out their health care. The poorest ones may be unable to afford any in-house medical staff.

Nationally, there is a move afoot to accredit jails with respect to medical standards. Both the American Correctional Association (ACA) and the National Commission on Correctional Health Care (NCCCHC) have developed accreditation standards addressing the issues of a prisoner's access to health care, qualifications of health care providers, and basic health care concerns, such as safety, equipment, and programs. While jails may incur costs



bringing their jails up to these standards, accreditation has been shown to deter inmate lawsuits and make it less likely that judges will decide in favor of inmates who do file lawsuits.<sup>25</sup>

Finally, there is the possibility that county jails may be able to charge nonindigent inmates a fee for medical services. Some people find it unconscionable that inmates obtain for free medical services that the rest of society must pay for. For this reason, and for reasons of cost containment, some states now require nonindigent inmates to pay for at least some medical services. A 1993 North Carolina law on its face would appear to relieve counties of some financial burden by providing that counties be responsible for emergency medical costs only to the extent that an inmate's health insurance does not cover the costs. Medical providers must bill the insurers directly, and the county may recover from the inmate the cost of the nonreimbursed medical services. In fact, however, it is common for jail inmates to have no insurance coverage. It is not anticipated that this act will provide great relief to counties. Further, the new act does not address "nonemergency" medical costs at all.

In the inmate-pays system, "The inmate decides what medical care is important enough for him to pay for," says Rhoda Manning, director of nursing, Mobile County jail, in Mobile, Alabama. "Because he decides when he will seek medical attention, it is reasonable to assume that he is less likely to initiate a lawsuit claiming indifference or cruelty."<sup>26</sup>

Manning says that the Mobile County jail has also begun a policy of self-medication among inmates for over-the-counter medications. Inmates purchase medications through the commissary, rather than requesting them from a nurse. The Mobile County jail does not refuse medical treatment to indigent inmates, and it does not charge chronically ill inmates for services. According to Manning, overall requests for sick call at the Mobile County jail have dropped 50 percent since the new policy was initiated.

## Conclusion

There is clear evidence that health care costs are rising steadily for most county jails in North Carolina. A percentage of these costs reflect improved and increased delivery of health care services. Other costs are reflective of other problems, including rising jail populations, increased prevalence of serious illness, and increasing unit costs for medical supplies and services. It is clear that county commissioners, sheriffs, jailers, and the North Carolina General Assembly will be faced with tough

choices and high prisoner medical bills in the closing years of the twentieth century. ♦

## Notes

1. N. C. Gen. Stat. (G.S.) 153A-225.
2. G.S. 153A-224(b). The 1993 amendments to this statute provide that if the inmate has health insurance, the medical services provider is to bill the insurer directly and collect from the insurer. The county is liable only to the extent that the insurer does not pay, in which case the county may recover from the inmate the cost of the nonreimbursed medical services. See discussion on this page.
3. G.S. 153A-218. Of North Carolina's 100 counties, all but one (Gates) have their own jails, and five counties are served by two regional jails.
4. G.S. 162-22.
5. G.S. 153A-221.
6. N.C. Admin. Code tit. 10, Subch. 3J.
7. G.S. 153A-222.
8. G.S. 153A-223.
9. G.S. 153A-215.
10. *Spicer v. Williamson*, 191 N.C. 487, 490, 132 S.E. 291, 293 (1926).
11. G.S. 153A-224(b).
12. *University of North Carolina v. Hill*, 96 N.C. App. 673, 386 S.E. 2d 755, *aff'd*, 327 N.C. 465, 396 S.E. 2d 323 (1990).
13. G.S. 162-39(c).
14. N.C. Admin. Code tit. 10, section 3J 3200.
15. Telephone conversation with Hal Kenlaw, Robeson County Attorney's Office, July 20, 1993.
16. "Census of Local Jails, 1988," *Bureau of Justice Statistics Bulletin*, U.S. Department of Justice.
17. *Estelle v. Gamble*, 429 U.S. 97, 97 S. Ct. 285, 50 L.Ed. 2d 251 (1976).
18. The Eighth Amendment's guarantee against cruel and unusual punishment establishes the government's obligation to provide medical care for those whom it is punishing by incarceration. Courts have also ruled that inmates awaiting trial have the right to medical care under the Fourteenth Amendment's guarantee of due process.
19. Jacqueline Moore, "Exploration of Factors Affecting the Nursing Shortage in a Correctional Health Care Delivery System," *American Jails* 5 (Sept./Oct. 1991): 10.
20. John Clark, "Correctional Health Care Issues in the Nineties," *American Jails* 5 (Sept./Oct. 1991): 22.
21. "NCCHC Adopts Two New Position Statements," *Correct Care* (published by the National Commission on Correctional Health Care) (April/May 1993): 12.
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23. N.C. Admin. Code tit. 10, section 3J 3200.
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# County Jail Population Trends, 1975-92

Stevens H. Clarke and Emily Coleman

Most North Carolinians are familiar with news reports about the rapidly rising number of offenders in our state prisons, which increased about 60 percent from 1975 to 1992.<sup>1</sup> But many readers may not be aware that, during the same period, the total population of the county jails *quadrupled*.

This article examines statewide trends in the population of the state's county jails during this seventeen-year period and looks for some explanations. It does not discuss differences among individual counties, which may be influenced by purely local conditions, but the trends in most counties should be similar to what is described here.<sup>2</sup>

## Jail Population Growth

The jail population growth trend is unmistakable: the estimated average statewide jail population, after declining slightly in the last half of 1975, thereafter more than quadrupled, increasing from 2,032 in January 1976 to 5,760 in June 1992 (see Figure 1); the growth accelerated somewhat in the mid- and late 1980s. (The estimates are a twelve-month moving average.)<sup>3</sup> This article will describe the growth in more detail below and look at several possible explanations for it.

**Categories of prisoners.** Two kinds of jail prisoners will be considered here: *sentenced* prisoners (those serving a sentence imposed by a court for a criminal conviction) and *pretrial* prisoners. Most prisoners in the pretrial category are defendants waiting for their cases to reach

trial or other disposition (such as dismissal or guilty plea); usually they are in jail because they are unable to post a secured appearance bond set by the court as a condition of pretrial release.<sup>4</sup> Other unsentenced prisoners are included in the pretrial category: those jailed for civil contempt (chiefly for failure to make support payments); those held for violation of probation conditions or non-compliance with other court orders; those awaiting transportation to state prison to serve prison sentences; and those held for other jurisdictions such as federal court.<sup>5</sup>

Unlike most states, North Carolina uses its county jails mainly for pretrial detainees rather than for sentenced prisoners and sentences many misdemeanants to state prison.<sup>6</sup> Over the entire period 1975 to 1992, only about one quarter of the jail population was in the sentenced category (see Figure 2), but the fraction has varied. From 1975 to 1978 the sentenced fraction increased from about 16 to about 23 percent, remaining in the 23 to 25 percent range until 1982; thereafter it increased, reaching a peak of 32 percent in 1984. Later it declined, and from 1988 to 1992 it remained in the 24 to 26 percent range.

Is the sentenced proportion of jail prisoners likely to increase? This could happen if, for example, legislation required sentencing more offenders to local jails instead of state prison or lengthened time served on jail sentences.<sup>7</sup>

**Monthly admissions.** Admissions are measured here as the number of prisoners entering local jails each month. Average total admissions have increased from a low of 14,475 per month in February 1976 to a peak of 28,987 in October 1991, although they declined slightly after that peak. (See Figure 3 for a comparison of total, pretrial, and sentenced admissions; separate pretrial and sentenced admissions data were not available before 1981.) Note that while jail admissions have approximately

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doubled during the 1975–92 period, they have increased only about half as fast as the jail *population* (more about this below).

Most jail admissions (87 percent in June 1992) are pretrial; this means that the increase in pretrial admissions must be considered the major cause of increased total admissions. Sentenced admissions also have increased—in fact, they have increased much faster than pretrial admissions. From June 1981 to June 1992, average monthly sentenced admissions quadrupled (going from 901 to 3,692), while average pretrial admissions increased 51 percent (from 16,608 to 25,155). But the proportion of sentenced prisoners in the jail population has remained about the same since 1981 (see Figure 2), because, as explained below, sentenced prisoners’ average length of stay has declined.

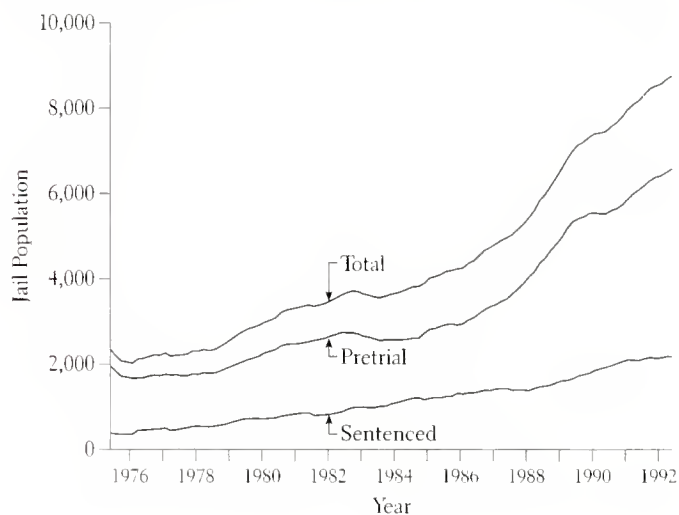
**Length of stay in jail.** The time that various types of prisoners spend in jail is just as important in determining the average jail population as is the number of prisoners admitted.<sup>8</sup>

For all jail prisoners, the estimated average length of stay (measured in days) more than doubled from 1975 to 1992, jumping from 4.1 days in June 1975 to 9.2 days in June 1992, an increase of 124 percent (see Figure 4). This explains why the average jail population quadrupled over these seventeen years even though monthly admissions only doubled: when the length of stay and admissions both become twice as large, the average population will become four times as large. The average stay of pretrial prisoners, which is shorter than that of *all* prisoners because the latter includes sentenced prisoners, increased following the same pattern as that of all prisoners.

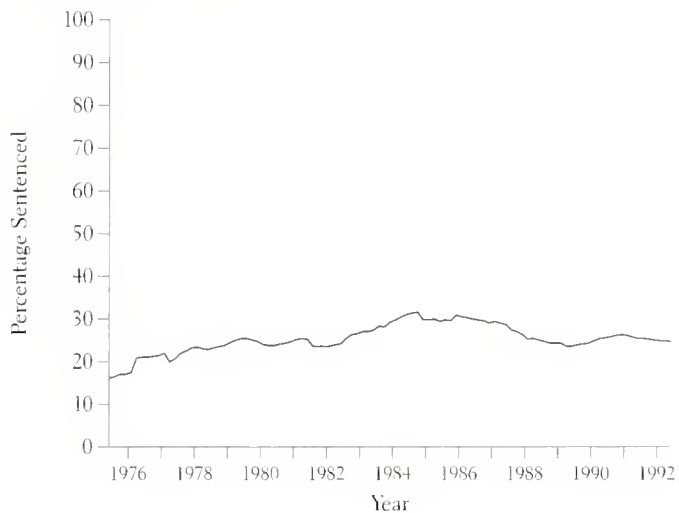
Sentenced prisoners spend much more time in jail, on average, than do pretrial prisoners. From June 1981 to June 1992, while the average stay of pretrial prisoners was increasing from 4.6 days to 8.0 days, sentenced prisoners’ average stay *dropped* from 29.1 days to 18.0 days (a reduction of 38 percent). (See Figure 4 for a comparison of growth over time.) This explains why the sentenced proportion of the total population did not increase from 1981 to 1992, even though sentenced admissions increased much faster than did pretrial admissions. The increase in sentenced admissions was counteracted by the drop in sentenced length of stay, so that the sentenced population increased at about the same pace as the pretrial population.

Why did sentenced prisoners’ time in jail decrease? One possible explanation is that courts imposed shorter jail sentences; there are no published data to verify this explanation. A more likely explanation is that the fraction of time served dropped due to liberalization of parole.

**Figure 1**  
Statewide Jail Population: 12-Month Moving Average, June 1975–June 1992



**Figure 2**  
Sentenced Prisoners as Proportion of Total Jail Population June 1975–June 1992



Because of the effects on parole of the prison population “cap” (a legislatively set limit) and related legislation,<sup>9</sup> the proportion of prison sentences actually served by certain types of sentenced offenders, especially misdemeanants,<sup>10</sup> has dropped sharply since 1987. What is true of prison sentences also may be true of jail sentences. The North Carolina Parole Commission is responsible for parole from both kinds of sentences. Some of the legislation associated with the “cap”—notably the provision

Figure 3  
Statewide Monthly Jail Admissions: 12-Month Moving Average, June 1975–June 1992

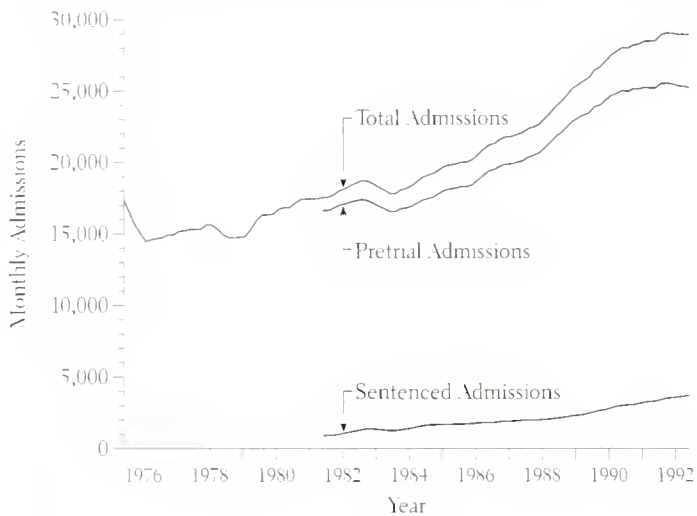
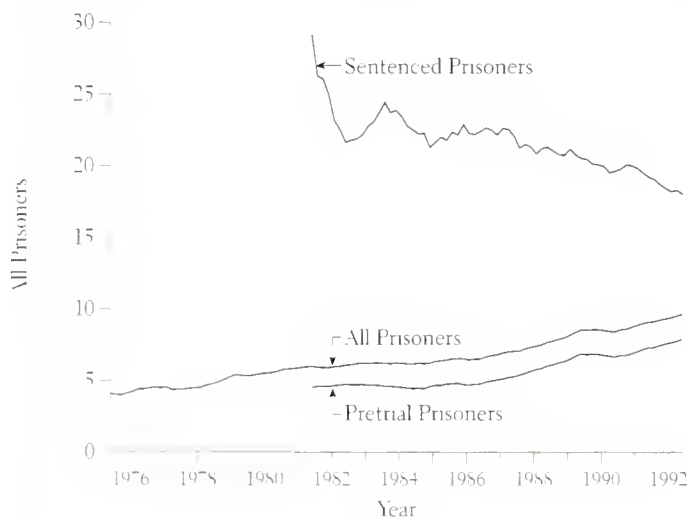


Figure 4  
Average Stay (Days) in Jail: 12-Month Moving Average, June 1975–June 1992, Comparing Sentenced Prisoners with Others



from which the Parole Commission draws the authority to parole misdemeanants (except impaired drivers) at any time after entering prison<sup>11</sup>—applies to jail sentences no less than it does to prison sentences. Also, jail administrators may become more efficient in communicating with the Parole Commission when they are struggling with increased numbers of prisoners.

## Summary of Jail Population Trends

We have seen above that the average statewide jail population quadrupled from January 1976 to June 1992. Three-quarters of jail prisoners are unsentenced, usually in pretrial detention in connection with criminal charges. The growth in the pretrial population has been the main factor driving up the total. The sentenced population since 1988 has grown at about the same rate as the pretrial population, although it has grown faster at times in the past.

Two factors equally are responsible for the increase in the pretrial jail population: increased monthly pretrial admissions and increased average pretrial length of stay. Admissions of *sentenced* prisoners increased much faster than did pretrial admissions, but the difference was offset partially by a sizable drop in the average time served for sentenced prisoners; the result was that the sentenced population, after 1980, grew no faster than the pretrial population.

## What Explains the Trends?

To explain the increases in jail population, we must focus on pretrial prisoners, who constitute the bulk of the jail population. The following are some possible explanations for the increase in pretrial prisoners' admissions and length of stay.

**Growth of the state's population.** The number of state residents has increased considerably since 1975, and generally the presence of more people means more crime, more arrests, and more detentions. This probably explains little, however, of the growth in pretrial jail admissions. From 1975 to 1991 the state's population increased by only about 22 percent, while the number of jail prisoners nearly quadrupled.<sup>12</sup> There was no increase in the proportion of residents aged fifteen to twenty-four, the age group most prone to involvement in crime. In fact, the proportion in this age group actually *decreased* from 1975 to 1990 among both white and nonwhite residents.<sup>13</sup>

**Increased arrests for crime.** The number of arrests of criminal suspects has grown rapidly in North Carolina since the 1970s. The data suggest that increasing arrests were a major cause of the growth in pretrial admissions, although it is unclear whether this is due to increased crime or to growth in the number and effectiveness of police—or to both factors.<sup>14</sup> It is useful to compare the relative increases in jail admissions and arrests<sup>15</sup> for index crimes,<sup>16</sup> using different scales (see Figure 5). The variations in pretrial admissions since 1981 have followed variations in index crime arrests fairly closely. In particu-



lar, the surge in arrests after 1984 was accompanied by a corresponding surge in pretrial admissions.<sup>17</sup>

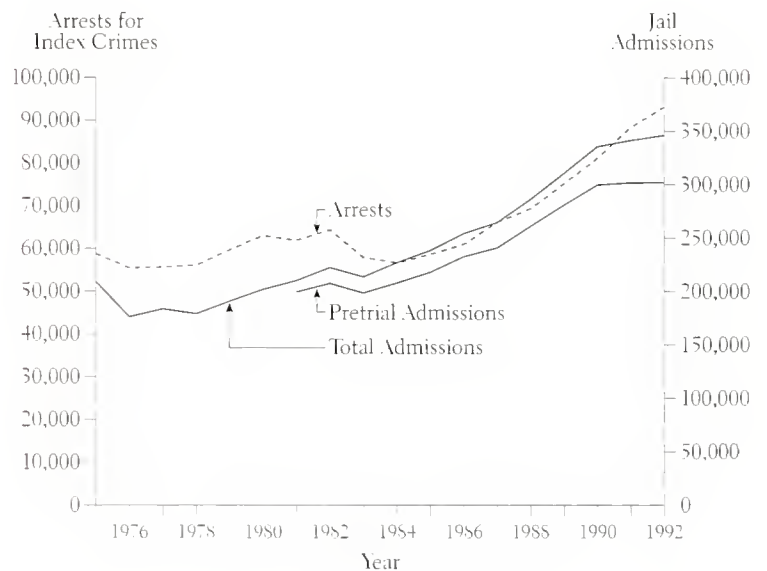
**Increased pretrial length of stay.** The factors discussed so far do not explain the doubling of the average jail time of pretrial prisoners from 1975 to 1992. One possible explanation for this doubling is increased court delay: If the time necessary for the courts to dispose of criminal cases is increasing, it would tend to increase the disposition time (the time from when a case enters the court until the court disposes of it) in cases involving defendants in detention, thus prolonging their stays. In fact, court disposition time *has* increased. For example, consider felony cases in the superior courts. The median disposition time for felony cases disposed in the 1978–79 fiscal year (earlier data are unavailable) was 69.3 days, while in 1991–92 it was 97.0 days—a 40 percent increase. Regarding criminal cases in the district courts, excluding motor vehicle cases, the median disposition time was 21.0 days for cases disposed of in 1978–79 and 36.0 days for those disposed of in 1991–92, a 71 percent increase.<sup>18</sup> One likely reason for the substantial lengthening of court disposition time is that the number of cases filed has increased much faster than have the ranks of judges, prosecutors, defenders, and court clerks.<sup>19</sup>

While increasing court delay likely has been a major contributor to increased length of stay of pretrial jail prisoners, it cannot account for the *doubling* in that figure since 1975. The length of stay in jail (by prisoners most of whom were in pretrial confinement) has grown much faster than has court delay.

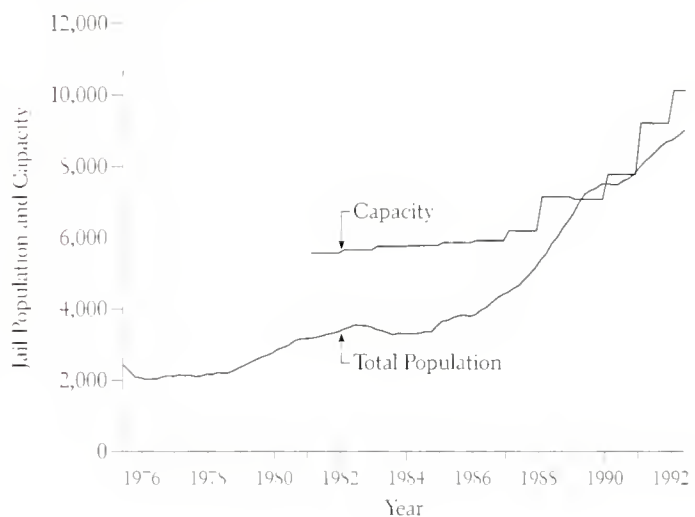
## Counties' Response to Jail Population Growth

Counties generally have responded to the quadrupling of the average statewide jail population since 1975 by building more jail space. The total rated capacity of the county jails rose from 5,567 in 1981 to 10,146 in 1992, an increase of 82 percent (see Figure 6).<sup>20</sup> Costs of jail expansion are substantial. Statewide, twenty jail construction projects from 1991 to mid-1993 cost \$261 million, according to the Department of Human Resources. The construction cost per jail inmate is generally much higher than the cost per state prison inmate. Compared with state prison construction costs, which currently average about \$25,000 per “bed” (inmate space) across all custody levels,<sup>21</sup> the twenty recent jail projects averaged \$56,547 per bed. Why does jail construction cost more than prison construction? Two possible explanations are that 1) prison construction projects usually are larger than jail projects and take advantage of economies of scale; and

**Figure 5**  
Comparative Growth: Arrests for Index Crimes and Jail Admissions, 1975–92



**Figure 6**  
Statewide Average Jail Population and Total Jail Capacity, June 1975–June 1992



2) jail construction has to meet standards under North Carolina law that prison construction does not.<sup>22</sup>

Is expansion of jail capacity inevitable? One view is that counties simply have been playing catch-up with increased arrests and admissions. This view finds support in the rapid expansion of jail capacity in 1991 and 1992 (Figure 6), probably in reaction to the situation in

1989–90, when the average population overtook capacity.<sup>23</sup> Counties simply may be following the path of least resistance: the easiest way to respond to growing demand for jail space (arrests and admissions) is to build more. The result of this course of action may be continued costly expansion of new jails into the indefinite future. If the number of jail prisoners continues to rise, driven by increased arrests, the new space will be filled as soon as it is built—exactly what happened from 1987 to 1992.

Counties may be able to reduce jail expansion by improving pretrial release. This may be especially effective in North Carolina, because most jail prisoners are pretrial detainees. Some counties have studied improvements of pretrial release and other ways of reducing the pretrial jail population. These studies show that a surprisingly high proportion of pretrial prisoners are not charged with felonies and may not be prohibitively risky to release under supervision pending trial. The studies also suggest that there are ways to improve defendants' opportunity for pretrial release while better controlling the risks of failure to appear in court and of new crime.<sup>24</sup>

Counties are constrained in their efforts to contend with the growing jail population. Although county governments (and taxpayers) must pay for jails, they have no direct control over how many and what type of prisoners are admitted to and released from jails.<sup>25</sup> The courts control admissions and releases—for example, by reviewing the legality of arrests, setting conditions of pretrial release, and imposing sentences. This separation of responsibility makes it difficult for the counties to initiate measures to improve pretrial release or otherwise control the jail population. However, counties can create a cooperative planning process in which such improvements can be planned. As difficult as it may be to bring the various elements of the criminal justice system together toward this end, it may be worthwhile when compared with the cost of continued jail expansion. ❖

## Notes

1. See Stevens H. Clarke, "North Carolina's Growing Prison Population: Is There an End in Sight?" *Popular Government* 56 (Spring 1991): 9–19.

2. The data for this article were supplied to the authors by the North Carolina Department of Human Resources, which receives monthly reports from the administrators of the various jails—103 separate reporting units. All counties but Gates have their own jails, and five share two regional jails. Some counties have more than one reporting jail unit (e.g., Guilford has jails in Greensboro and High Point plus the only county prison farm); other counties have separate jail annexes whose data are reported along with the main jails' data.

The authors are grateful for the assistance of Robert Lewis, chief, and Tanya Hinson, secretary, of the Department of Human Resources' Division of Facility Services, Licensure Section, Jail and Detention Branch. This agency was unable, due to budget cuts, to keep statewide jail totals from 103 monthly reports each month from November 1989 through December 1992. With the agency's help, the authors were able to obtain the individual reports for this period and total them. Some reports were missing and could not be obtained from individual jails. To fill the gaps, the authors developed regression models with the available data and used these for linear interpolation.

3. The twelve-month moving averages of jail population are averages of the number of prisoners in jail at the end of each month, computed over a twelve-month period; each estimate (average) is centered at the midpoint of the period it covers. For example, the estimate for June 1975 is the average of the end-of-the-month populations from January 1975 to December 1975; the estimate for July 1975 is the average of the end-of-the-month populations from February 1975 to January 1976, and so on.

4. For an overview, see Stevens H. Clarke, *Pretrial Release Policy from North Carolina's Perspective* (Chapel Hill, N.C.: Institute of Government, University of North Carolina at Chapel Hill, 1988).

5. The data shown here do not include the small number of inebriates (held in jail for their own protection up to twenty-four hours under N.C. Gen. Stat. § 122C-301) and persons who are held in connection with involuntary commitment proceedings on grounds of mental illness.

6. Only eight states including North Carolina send misdemeanants to state prisons. (Michele Nelson, unpublished staff paper prepared for Special Committee on Prisons, Sept. 3, 1986, N.C. General Assembly, Legislative Services Office, Fiscal Research Division.)

7. The structured sentencing law enacted in 1993 and effective January 1, 1995 (1993 N.C. Sess. Laws, ch. 538) could lengthen jail time served, because it abolishes the present parole system and limits the reduction of sentences for good behavior.

8. The jails do not include average length of stay in their reports to the Department of Human Resources; the authors estimated this variable by dividing the average population by the average monthly admissions. The estimation is based on "Little's Formula," which is approximately true in this situation:  $P = \lambda L$ , where  $A$  is average monthly admissions,  $L$  is the average length of stay measured in months, and  $P$  is the average population. See Shaler Stidham, Jr., "A Last Word on  $L = \lambda W$ ," *Operations Research* 22 (March/April 1974): 417–21.

9. See Stevens H. Clarke, "North Carolina's Prison Population Cap: How Has It Affected Prisons and Crime Rates?" *Popular Government* 56 (Fall 1992): 11–22.

10. A misdemeanor is a crime punishable by no more than two years' imprisonment or a fine, and a misdemeanant is a person convicted of a misdemeanor. Some examples of misdemeanors are simple assault, shoplifting, and stealing something worth less than \$1,000.

11. N.C. Gen. Stat. § 15A-1372(d).

12. From 1975 to 1991, the number of North Carolina residents grew from 5.547 million to 6.737 million, an increase of

21.5 percent. Census data were provided by the State Data Center, North Carolina Office of State Budget, Raleigh, N.C.

13. For white residents of North Carolina, the proportion aged fifteen to twenty-four decreased from 18.7 percent in 1975 to 15.4 in 1990, and for nonwhite residents, from 21.9 to 19.0 (for nonwhites the percentage increased slightly, reaching 22.6 by 1980, but thereafter declined to 19.0).

14. See Stevens H. Clarke, "Crime: It's a Serious Problem, But Is It Really Increasing?" *Popular Government* 58 (Summer 1992): 34-39.

15. The arrest data used here for all the years mentioned are from the annual publication *Crime in North Carolina* (Raleigh, N.C.: North Carolina State Bureau of Investigation).

16. Index crimes, as defined in the FBI's Uniform Crime Reporting system, include murder and non-negligent homicide, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft.

17. Was there a shift toward arrests for more serious index crimes? If so, this could have contributed to increased length of stay in pretrial confinement, because more serious charges generally take longer for the courts to dispose of. But apparently this did not occur. The proportion of all index arrests that are for violent offenses (homicide, rape, robbery, and aggravated assault) began at 30 percent in 1975, dropped slowly to around 26 percent in 1984, and then increased to 30 percent by 1991.

18. North Carolina Administrative Office of the Courts (hereinafter AOC), *North Carolina Courts 1978-79* (Raleigh, N.C.: AOC, 1980), 109, 155; *North Carolina Courts 1991-92* (Raleigh, N.C.: AOC, 1993) (advance copy; no pages available).

19. For example, in 1978-79, there were 487 felony cases filed in superior court per authorized superior court judge position, compared to 1,046 per judge position in 1991-92, a 215 percent increase in felony filings per judge. In 1978-79, there were 152 felony cases filed in superior court per authorized prosecutor (district attorney or assistant district attorney) position, compared to 264 per prosecutor in 1991-92, a 74 percent increase in felony filings per prosecutor. AOC, *North Carolina Courts 1978-79*, 63, 95; *North Carolina Courts 1991-*

92; N.C. Gen. Stat. §§ 7A-41(a) (Rep. Vol. 2, 1989, version effective Jan. 1, 1991), 7A-60(a) (1992 Cum. Supp.).

20. Data are not available before 1981. Jail capacity is measured only once per year. Thus, Figure 6 makes the total statewide capacity appear to be constant throughout each year, when in fact it may change continually as new or expanded facilities are opened. Note that in 1993 (not shown in Figure 6), capacity increased further to 10,378.

21. On prison costs, see Clarke, "North Carolina's Prison Population Cap," 11-22.

22. Unpublished information provided by Robert Lewis, Jail and Detention Section, August 9, 1993. These data do not include several ongoing projects. The total spent on the projects described in the text was \$261,475,000 for total capacity of 4,624 beds; the average per bed was \$56,547. The jail standards are issued by the Secretary of Human Resources pursuant to N.C. Gen. Stat. § 153A-221.

23. Administratively, it is desirable that jail capacity exceed the average number of prisoners to allow for peak loads. In 1989 and 1990, there apparently were times when the average population actually exceeded the capacity. But in 1991 and 1992, enough additional space was opened so that once again capacity exceeded average population.

24. The Institute of Government has published several reports analyzing jail growth in Durham, Catawba, Forsyth, Guilford, and New Hanover counties; for example, Stevens H. Clarke *et al.*, *Reducing the Pretrial Jail Population and the Risks of Pretrial Release: A Study of Catawba County*. North Carolina (Chapel Hill, N.C.: Institute of Government, University of North Carolina at Chapel Hill, 1988). For more information, the reader may contact the authors.

25. County government does have some indirect control of admissions, because the county sheriff, along with municipal and state law enforcement officers, controls the number and type of persons arrested, which of course affects admissions. But the sheriff is elected independently of county governing boards, and county government cannot dictate his or her law-enforcement policies.



# A Close Look at North Carolina City and County Budget Practices

A. John Vogt and Charles K. Coe

In the past, officials in many local governments viewed the budget simply as a means of tracking revenues and controlling expenditures. The manager forecast revenue by carrying forward and adjusting recent years' experience. The governing board was quite modest in supplying policy direction. Departments organized their budget requests in terms of object or line-item expenditure accounts rather than of programs. The final budget document, a compilation of line-item accounts, said little about objectives to be achieved or services to be provided.

Those days are gone.

In recent years local governments have faced unfunded mandates, cuts in or caps on federal and state aid, growing social problems, and an electorate increasingly frustrated by taxes. In response many of those governments have improved their budget-preparation systems. They have taken advantage of personal computers and easy-to-use software, greater access to economic and financial information, and new or refined budget-preparation procedures.<sup>1</sup>

This article examines North Carolina city and county budget practices, focusing in particular on those that reflect improvements made in recent years. The article is based on data from 74 cities and 47 counties, of various sizes, that responded to a late-1990 survey conducted by the authors.<sup>2</sup> The survey posed questions about the process each government used to prepare its 1990-91 budget.

North Carolina's basic law governing city and county budgeting—the Local Government Budget and Fiscal Control Act (LGBFCA)—sets the requirements for local government budgeting.<sup>3</sup> This article considers to what

extent cities and counties in North Carolina have adopted practices that exceed the law's requirements.

The LGBFCA requires each city and county to have a budget officer responsible for preparing and presenting the proposed budget to the governing board. In jurisdictions with the manager form of government, the city or county manager or administrator is ex officio the budget officer, and in this article the term *budget officer* means the manager for such jurisdictions. In jurisdictions without a manager or administrator—most municipalities with 5,000 or fewer people—the governing board appoints an official or employee to serve as budget officer.<sup>4</sup> This article gives special attention to decentralization of the budget-preparation process: that is, the extent to which the jurisdiction's chief budget officer involves departmental officials and the governing board in budget preparation.

Budget officers in North Carolina cities and counties have considerable discretion in designing the process of budget preparation: they may either encourage or discourage decentralization. The currently influential book *Reinventing Government* lays out the case that decentralized budget preparation contributes to more effective government than does centralized preparation.<sup>5</sup> More generally, there is evidence to suggest that decentralization leads to more productive organizations.<sup>6</sup>

The paragraphs that follow set out the questions posed in the 1990 survey and discuss the responses received.

## Involvement of Governing Boards

The LGBFCA provides for governing board involvement toward the end of budget preparation: after departments have submitted their budget requests, after the budget officer has reviewed them, and after the budget officer has presented a proposed budget to the board.<sup>7</sup> If this is the board's *only* involvement in the process, however, it consists principally of board reaction to the budget initiatives of the budget officer and departments. This puts the governing board in an anomalous situation, since it can best meet its duty to initiate and shape policy by entering the budget process at the start. Though a budget officer can choose either to try to limit board involvement or to try to draw the board in, he or she is likely to find early involvement\* to be useful. The budget officer may well get a sense of the direction that the board wants to take, and, critically, of what it will ultimately approve.

The survey asked three basic questions about the extent of the board's involvement in budget preparation (see Table 1 for a breakdown of the responses):

1. Did the governing board hold one or more meetings at or near the start of the budget-

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preparation process to discuss the upcoming budget?

2. Did the governing board hold a retreat near the start of the budget-preparation process to discuss the upcoming budget?
3. Did the governing board set any policies or goals near the start of the budget-preparation process to guide budget preparation?

Responses suggest that the governing boards in many of North Carolina's cities and counties are involved early in the process, even though no law requires it.

In a little more than two-thirds (69 percent) of the responding units, the governing board met at the start of the budget-preparation process to discuss the upcoming budget. The boards held such meetings in all cities with 50,000 or more people and in thirteen of the fifteen counties with more than 100,000 people.

Governing board meetings held early in the process sometimes take the form of board retreats, which typically last a day or two, are often held at sites away from everyday distractions, and encourage informal give-and-take among board members. Governing boards in 35 percent of the responding cities and counties held retreats at the start of the budget-preparation process. Retreats were more common among municipalities (41 percent) than counties (26 percent), and among medium-sized and larger municipalities (above 10,000 in population) than among the smaller towns.

Whatever their format, board meetings held early in the budget-preparation process may simply involve the board's listening to staff reports and discussing issues likely to arise in the upcoming budget. A board may go a step farther, however, and approve policies or goals to guide subsequent budget preparation. Survey responses indicated that governing boards approved policies or goals in 44 percent of the surveyed cities and counties. It is surprising that boards in small units were just as likely to take this action as boards in the larger units. According to the survey, board approval of policies and goals occurred by consensus in 85 percent of the responding units and by formal vote in only 15 percent.<sup>5</sup>

The survey also asked what topics governing boards discussed at their budget-planning meetings or retreats. Revenues were discussed in 70 percent of the responding units; the tax rate in 55 percent; salary and wage increases in 54 percent; status of the current year's budget in 52 percent; changes in services in 51 percent; fund balance in 46 percent; financial trends affecting the unit in 39 percent; inflation in 38 percent; and comparisons of tax rates with rates of other units in 31 percent.<sup>9</sup>

**Table 1**  
Governing Board Involvement at Start of  
1990-91 Budget-Preparation Process

Population	Selected Units Number in survey	Percentage of units in which governing board:		
		Held meetings to discuss upcoming budget <sup>a</sup>	Held retreat to discuss upcoming budget <sup>b</sup>	Approved policies or goals for budget preparation <sup>c</sup>
<b>Cities</b>				
Less than 1,000	10	50	0	40
1,000 to 4,999	16	69	13	38
5,000 to 9,999	16	56	40	44
10,000 to 24,999	11	73	73	55
25,000 to 49,999	11	64	64	45
50,000 to 99,999	5	100	60	60
100,000 or more	5	100	80	40
All cities	74	68	41	45
<b>Counties</b>				
Less than 25,000	8	57	13	50
25,000 to 49,999	10	80	22	10
50,000 to 99,999	14	57	14	36
100,000 to 199,999	10	90	30	80
200,000 or more	5	80	80	40
All counties	47	72	26	43
All cities and counties	121	69	35	44

a. All but one unit responded on this variable. Percentages for this and all other variables are calculated based on units that responded.

b. All but two units responded on this variable.

c. All units responded on this variable.

## Involvement of Departmental Officials

The LGBFCA requires departmental officials to submit budget requests and to include certain general information in the requests.<sup>10</sup> The law does not place further obligation on departmental officials to participate in budget preparation, nor on the budget officer or governing board further to involve those officials. As a matter of local policy, however, departmental officials might also help the budget officer in his or her review of departmental requests, and might participate with the governing board in its review of the budget before the board votes on it. The 1990 survey asked three questions about the extent to which departmental heads were involved, beyond the statutory requirements, in budget preparation (see Table 2 for a breakdown of the responses):

1. If the governing board set policies or goals to guide budget preparation, were such policies or goals communicated to departmental officials to use in making budget requests?

**Table 2**  
**Departmental Involvement in**  
**1990-91 Budget-Preparation Process**

Selected Units	Number in survey	Percentage of units in which:		
		Governing board budget policies or goals were shared with departments <sup>a</sup>	Budget officer met with departmental officials about requests <sup>b</sup>	Departmental officials attended governing board meetings on proposed budget <sup>c</sup>
<b>Cities</b>				
Less than 1,000	10	67	44	80
1,000 to 4,999	16	100	100	72
5,000 to 9,999	16	100	100	69
10,000 to 24,999	11	53	100	64
25,000 to 49,999	11	100	100	60
50,000 to 99,999	5	100	91	40
100,000 or more	5	100	100	60
All cities	74	94	90	65
<b>Counties</b>				
Less than 25,000	5	75	85	75
25,000 to 49,999	10	100	100	11
50,000 to 99,999	14	100	100	57
100,000 to 199,999	10	86	100	60
200,000 or more	5	100	100	60
All counties	47	89	95	52
All cities and counties	121	91	93	60

a. All but four units responded on this variable. Percentages are calculated for units in which governing board established policies or goals for budget preparation.

b. All but one unit responded on this variable.

c. All but eight units responded on this variable. Percentages are calculated for units in which governing board held meetings to review the proposed budget.

2. Did the budget officer, as he or she prepared a proposed budget, meet with departmental officials to review their budget requests?
3. Did departmental officials attend meetings held by the governing board to review the budget officer's proposed budget?

Responses to these survey questions suggest that departmental officials in North Carolina's cities and counties are significantly involved in budget preparation. They are informed about governing board policies or goals for budget preparation; they generally meet with the budget officer to review departmental requests, giving them an opportunity to share in preparing the proposed budget; and in many cities and counties, departmental officials attend governing board meetings to review the proposed budget.

Not surprisingly, in 91 percent (all but four) of the units where goals or policies were set by the governing board, the budget officer communicated them to depart-

mental officials. This process, though not mandated by statute, is a reasonable one. If the budget officer did not communicate the governing board's policies or goals to departmental officials, the budget officer would be likely to have to modify subsequent departmental budget requests to align them with established objectives.

After the departments submit their requests to the budget officer, the officer may review them with departmental officials before he or she develops a budget proposal for the board. Departmental officials can explain their requests, the manager can probe for weaknesses or gaps in the requests, and both can strive for consensus about what should be included in the proposed budget. In almost all (93 percent) of the responding units in the survey, the budget officer did meet with departmental officials to review their requests. Only in towns with fewer than 1,000 people were there a significant number of units (five) where no such meeting took place. In a few of these units, there are no departmental officials per se.

Departmental officials attended governing board meetings to review the proposed budget—either all such meetings or just those where their own budgets were discussed—in 60 percent of the responding units. Such attendance may be valuable in that departmental officials are most knowledgeable about their own budget needs. On the other hand, meeting attendance takes them away from other duties, and the budget officer may be the more effective spokesperson in explaining departmental needs to the governing board.

Departmental officials in the smallest cities and counties were most likely to attend such meetings, probably reflecting generally more frequent board-department contacts than are the rule in larger units.

## Guidelines and Help from the Budget Officer

The LGBFCA gives the budget officer the authority to prescribe the form and detail of departmental budget requests.<sup>11</sup> The budget officer cannot assume, however, that without further help the departments will submit requests that will be technically adequate, will correspond to the budget officer's or governing board's priorities, or will be reasonable in light of revenues likely to be available. A budget officer must generally establish procedures and provide technical help for departmental officials and must exercise leadership to ensure that departmental requests meet the most pressing needs and reflect fiscal realities.

Six questions on the survey asked for information about the extent of the budget officer's guidance to departmental officials (see Table 3 for a breakdown of the responses).



**Table 3**  
**Guidelines and Help from Budget Officer to**  
**Departments for Preparing 1990-91 Budget Requests**

Selected Units		Percentage of units <sup>a</sup> in which budget officer provided departments with:					
Population	Number in survey	Standard budget request forms	A sample departmental budget request	Price guidelines for equipment	Written program priority information	Percentage limits on increases in budget requests	Restrictions on requests for new positions
<b>Cities</b>							
Less than 1,000	10	40	30	0	10	0	0
1,000 to 4,999	16	69	38	44	19	13	25
5,000 to 9,999	16	100	38	25	56	13	38
10,000 to 24,999	11	100	55	45	36	9	27
25,000 to 49,999	11	100	55	64	36	18	36
50,000 to 99,999	5	100	80	60	20	80	0
100,000 or more	5	100	80	100	40	20	0
All cities	74	85	47	42	32	16	22
<b>Counties</b>							
Less than 25,000	8	100	50	13	13	50	25
25,000 to 49,999	10	100	30	10	10	10	30
50,000 to 99,999	14	100	71	43	21	36	43
100,000 to 199,999	10	100	70	40	30	40	40
200,000 or more	5	100	80	100	80	20	20
All counties	47	100	60	36	26	32	34
All cities and counties	121	91	52	40	30	22	27

a. All units responded on each of these variables.

### Technical Help for Departmental Officials

The first three questions in this category dealt with technical help:

1. Did the budget officer provide standard forms for budget requests, and require that those forms be used?
2. Did the budget officer give departments a sample departmental budget request?
3. Did the budget officer give departments price guidelines to use for requesting equipment or other capital assets?

Survey responses indicated that budget officers in nearly all North Carolina jurisdictions give departmental officials basic technical help—that is, standard request forms. In many of the medium-sized and larger units, budget officers also provide departments with sample budget requests and price guidelines to use in making requests for particular items.

Budget officers in all of the responding counties and nearly all of the cities provided departments with standard budget request forms. Some of the smaller towns were ex-

ceptions. In a few of these there simply are no separate departmental officials, as such, to make requests. In others, departmental officials do not formally submit budget requests: the budget officer estimates departmental requirements after conferring with the officials.

Budget officers in 52 percent of the responding units gave departments a sample departmental budget request, and in 40 percent they provided price guidelines for equipment or other capital assets. Not surprisingly, the largest cities and counties made the greatest use of these technical aids for budget-request preparation.

### Preset Limitations on Departmental Requests

Further survey questions about the guidance that the budget officer gave to departmental officials concerned preset limitations on what could be asked for. Such limitations may emanate from policies or goals set by the governing board, or they may be issued at the budget officer's own initiative. They can alert departmental officials to policy and fiscal realities, cause them to be more realistic in making requests, and save them from making requests that won't be funded. But such limitations may

also prevent high-priority needs from surfacing, favor ongoing programs over new ones, and unnecessarily discourage participation by departmental officials in budget preparation.

The following questions were asked about guidelines and about limits for requests:

1. Did the budget officer provide departments with written program priorities or guidelines?
2. Did the budget officer establish one or more percentages limiting increases in departmental requests over the current year's spending or budget?
3. Did the budget officer restrict departmental requests for new positions?

Responses suggest that few budget officers prescribe explicitly the content of departmental budget requests, limit request amounts, or limit requested increases. Most rely primarily on the departmental officials, informed by cues or general information from the budget officer and other sources, to submit requests that reflect the program priorities of top officials and that conform to general fiscal realities.

Budget officers in only 30 percent of the responding cities and counties gave departmental officials written priority guidelines to use for preparing their requests. Priority guidelines were issued most often in the largest counties—in four of the five largest, in fact—perhaps because they have full-time budget staffs whose job may include the development of guidelines; and because they face major spending pressures for mandated programs like schools, solid waste, jails, and social services.

Budget officers in only 22 percent of the responding cities and counties specified limits on increases over the current year's budget or spending. Similarly, budget officers in just 27 percent of the responding units issued written guidelines restricting requests for new positions.

## Form and Content of Departmental Budget Requests

The LGBFCA requires departmental budget requests to include

- requested expenditures and estimated revenues for the coming budget year,
- estimated expenditures and revenue for the current budget year, and
- actual expenditures and revenues for the previous budget year.<sup>12</sup>

Beyond this, the form and content of departmental budget requests, as they are submitted to the budget officer,

are shaped largely by concerns of the budget officer and governing board about the requests. Departmental officials generally attempt to address or anticipate these concerns in their budget requests.

Five survey questions dealt with the content and level of detail in requests submitted to the budget officer (see Table 4 for a breakdown of the responses):

1. Did departmental budget requests include program goals or objectives?
2. Did requests include performance or workload statistics?
3. Did requests use estimated expenditures for the current year as the base from which they built their requests for the coming year?
4. Did requests separately identify continuation and expansion expenditures?
5. Were requests for new positions ranked in priority?

Responses suggest that most cities with populations greater than 10,000 include program goals or objectives in their departmental budget requests, and also include performance or workload statistics. About half of the counties do the same. Most jurisdictions use the current year's expenditures as the base for building budget requests. In about half of the jurisdictions, departments rank requests for new positions. Some use systems that distinguish between continuation and expansion expenditures.

## Program Goals and Objectives and Workload Statistics

Overall, 50 percent of the responding cities and counties included program goals and objectives in their departmental budget requests, and 43 percent included performance or workload statistics. Many more than half of the municipalities with populations greater than 10,000 included goals and objectives, along with performance or workload statistics, but far fewer than half of the municipalities with populations less than 10,000 did so. In counties, there did not seem to be such a correlation with unit size.

## Base for Budget Requests

Departmental budget requests for the coming year can be built on any of several bases: the current year's original budget; the current year's amended-to-date budget; the current year's estimated expenditures, as based on actual expenditures to date in the year; some proportion of the current year's budget; some proportion of the

current year's estimated expenditures; zero, as in zero-base budgeting; or a benchmark calculated in terms of the current year's expenditures, growth in the number of clients served, inflation, and other variables. Defining the base is important in budgeting because, in common practice, expenditure requests within the base are generally approved without great scrutiny or challenge, but requests beyond the base get a much closer look.

Although jurisdictions experiment from time to time with different bases for budget requests, overwhelmingly the most common bases for departmental budget requests are (1) the current year's budget (original or as amended to date) or (2) the current year's actual expenditures, as estimated from expenditures to date during the year. Therefore the 1990 survey asked which of these two was used as a base for departmental budget requests.

The current year's budget—original or as amended to date—has the advantage of being a known amount. Using it is unlikely to engender disagreement between the departments and the budget officer. Its common disadvantage, however, is that it provides an inflated base, because departments typically spend somewhat less than their budgets authorize. On the other hand, though the current year's actual expenditures would offer an uninflated base, department officials have to estimate those expenditures—because budget preparation for the coming year must occur before the current year is finished. Estimated expenditures may be a subject of dispute between the budget officer and departmental officials.

Sixty-three percent of the units responding to the survey said that they use estimated expenditures for the current year as the base for their budget requests. Cities and counties appear equally likely to use this base, as do units across all sizes. Additional findings—not shown in Table 4—showed that departments in 24 percent of the responding units used the current year's amended-to-date budget as the base, and that in another 11 percent departments used the current year's original

**Table 4**  
Form and Content of Departmental Budget Requests for 1990-91

Selected Units	Number in survey	Percentage of units in which departmental requests:				
		Included service goals and objectives <sup>a</sup>	Included performance or workload statistics <sup>a</sup>	Used estimated current year's expenditures as base <sup>b</sup>	Separated expansion and continuation expenditures <sup>a</sup>	Ranked new-position requests into priority <sup>a</sup>
<b>Cities</b>						
Less than 1,000	10	10	0	50	30	10
1,000 to 4,999	16	19	38	73	25	44
5,000 to 9,999	16	31	25	75	31	31
10,000 to 24,999	11	82	64	91	36	45
25,000 to 49,999	11	82	64	82	18	55
50,000 to 99,999	5	80	60	40	40	40
100,000 or more	5	80	100	40	60	60
All cities	74	47	43	70	31	39
<b>Counties</b>						
Less than 25,000	8	63	25	71	13	38
25,000 to 49,999	10	30	40	60	10	30
50,000 to 99,999	14	64	50	29	57	71
100,000 to 199,999	10	40	40	60	30	60
200,000 or more	5	100	60	60	80	100
All counties	47	55	42	52	36	58
All cities and counties	121	50	43	63	33	46

a. All units responded on this variable.

b. Four units did not respond on this variable.

budget as the base. Two responding units said they used bases other than the three mentioned here.

### Continuation and Expansion Budgets

Some governmental budgeting systems distinguish between expenditures that continue programs or services at current levels and expenditures that expand programs or services or start new ones. The budget system for the state of North Carolina, for example, separately categorizes continuation and expansion expenditures. In such a system, the continuation expenditures may be treated as the base from which departments build their budget requests. Even if a budgeting system does not formally separate continuation and expansion expenditures, decision-makers often frame their thinking and questions about particular budget requests in terms of this distinction.

About a third of the responding units—most commonly the largest cities and counties—reported that their departmental budget requests separated continuation and expansion expenditures.



## Priorities

Budget officers typically must cut departmental budget requests to bring the total of requests into line with available revenues and with the governing board's program priorities. Such cuts can be less painful if they are based on priorities that the departments themselves have expressed in their requests. Departments ranked requests for new positions into priority in 46 percent of the units responding to the 1990 survey.

## Revenue Estimation

The LGBFCA requires every city and county to operate under an annual balanced-budget ordinance, with "the sum of estimated net revenues and appropriated fund balances equal to appropriations."<sup>13</sup> By implication, this statute puts revenue estimation at center stage in the budget-preparation process. The LGBFCA also exhorts such estimation to be realistic: "Estimated revenues shall include only those revenues reasonably expected to be realized in the budget year."<sup>14</sup>

North Carolina's cities and counties have a reputation for being conservative in estimating revenues, and caution remains the wise course. Uncertainties in the global economy, changes in statutory authorizations for state-shared revenues, and exclusions of property from the local property-tax base have significantly affected city and county revenue sources, making revenue estimation at the local level more difficult.

Three questions in the survey asked for information about the revenue projections in cities' and counties' 1990-91 budgets (see Table 5 for a breakdown of the responses):

1. What were actual revenues as a percentage of estimated revenues, the latter as appearing in the final amended budget for the general fund?
2. Were statistical techniques, like least squares or regression analysis, used in estimating revenues?
3. Did estimates of revenues to the general fund include estimates of charges for services provided by the general fund to other funds?

Results confirm that North Carolina cities and counties are conservative in estimating revenues for budget purposes. However, the findings cover a period immediately preceding the time that local officials began feeling the full impact of the recent recession. Whether the recession and other events have subsequently caused local officials to become more or less conservative is not known. Despite the increased availability of economic data and

of computers, which facilitate the use of statistical analyses in revenue estimation, officials in most North Carolina cities and counties still do not use statistical techniques in estimating revenues. They continue to rely primarily on experience and general familiarity with economic data to estimate revenues. Many cities and counties do include, in revenue estimates for the general fund, money paid to the general fund from other funds.

## Conservative Estimates of Revenue

The actual revenues of all the responding units, totaled together, exceeded by 3 percent the total revenues that had been estimated in the final amended budgets for 1989-90. Towns with populations of fewer than 1,000 were the most conservative in their estimates, with actual revenues amounting to 111 percent of final budgeted revenues. There appeared to be no other relationship between unit size or type in the conservatism of revenue estimation. In 85 percent of the responding units, actual revenues for 1989-90 exceeded the estimated revenues, as the latter appeared in the final amended budgets for that year. In the other 15 percent of units, actual revenues fell below estimated revenues.<sup>15</sup>

## Methods of Estimating Revenue

Budget officers in North Carolina cities and counties have historically based their revenue estimates on their own units' revenue experiences from past years and on their judgment about revenues likely to be available in the budget year. Today, however, local officials in even the smallest units of government can use statistical tools for revenue estimation: both because there is considerably more data now about sources and general trends, and because personal computers and spreadsheet programs are widely available.

Nonetheless, the survey found that local officials in only 24 percent of the responding units employed regression or other statistical techniques to estimate revenues. The larger cities and counties were more likely to use these techniques than the medium-sized or smaller ones, but in even the larger units this practice was not widespread.

## General Fund Charges to Other Funds

To budget expenditures by function more accurately, the general fund may charge other funds for their share of overhead or support services provided by general fund

departments, such as the personnel, legal, and accounting departments. The LGBFCA authorizes such charges.<sup>16</sup> Somewhat more than half (56 percent) of the responding cities and counties counted these charges for services or overhead toward revenue estimates for the general fund. Larger cities were much more likely to do this than smaller ones, but this correlation with unit size did not exist for the counties.

## Budget-Presentation Documents

North Carolina city and county budget officers present proposed budgets to their governing boards on budget documents that have been shaped by at least three factors: the Local Government Budget and Fiscal Control Act; the evolution of program budgeting; and, in recent years, the Awards Program for Distinguished Budget Presentation of the Government Finance Officers Association of the United States and Canada (GFOA).

The LGBFCA requires the budget officer to submit a "budget message" along with the budget. The act is uncharacteristically specific in saying what the message should contain: the goals served by the budget; an explanation of important features in the budget; and the reasons for any changes from past budgets in programs, goals, appropriations, and fiscal policies.<sup>17</sup>

Five questions on the survey asked for information about budget-presentation documents the budget officer submitted to the governing board (see Table 6 for a breakdown of the responses):

1. Did the documents that the manager or budget officer presented to the governing board include a budget message?
2. If the documents included a budget message, did the message have graphs or charts?
3. Did the budget-presentation documents include an executive summary of the proposed budget, separate from the budget message?
4. Did the budget-presentation documents have a budget book or forms that included departmental goals or objectives?
5. Did the budget-presentation documents have a budget book or forms that included performance or workload statistics?

Survey responses indicate that budget officers in nearly all North Carolina cities and counties prepare and use budget messages to summarize and present proposed budgets. Some include graphs or charts in their messages, and others present executive overviews of the

**Table 5**  
Revenue Estimation

Selected Units	Number in survey	Average actual revenue as % of average estimated revenue for general fund 1989-90 <sup>a</sup>	Percentage of units in which:	
			A statistical technique was used in estimating revenues for 1990-91 <sup>b</sup>	General fund revenues included charges for services to other funds for 1990-91 <sup>b</sup>
<b>Cities</b>				
Less than 1,000	10	111	11	22
1,000 to 4,999	16	102	13	25
5,000 to 9,999	16	106	19	69
10,000 to 24,999	11	105	36	73
25,000 to 49,999	11	102	36	73
50,000 to 99,999	5	105	60	100
100,000 or more	5	101	60	100
All cities	74	102	27	59
<b>Counties</b>				
Less than 25,000	8	104	13	75
25,000 to 49,999	10	103	0	40
50,000 to 99,999	14	105	23	57
100,000 to 199,999	10	104	20	50
200,000 or more	5	102	40	20
All counties	47	103	17	51
All cities and counties	121	103	24	56

a. All but fourteen units responded on this variable. Estimated revenues are per the final amended budget.

b. All but two units responded on this variable.

budgets, apart from the budget messages. Many municipalities with populations greater than 10,000, as well as a significant proportion of counties, included information about departmental goals, along with performance or workload statistics, suggesting that these units practice program budgeting or, at least, mixed line-item and program budgeting.

## Budget Message and Executive Summary

Survey responses indicated that the budget officers presented budget messages to the governing boards in nearly all (93 percent) of the responding cities and counties. Officers in nine small units (seven municipalities and two counties) reported that they did not present messages. Because a budget message is legally required, it is

Table 6  
Documents Used by Budget Officer to  
Present 1990-91 Proposed Budget to Governing Board

Selected Units	Percentage of units in which budget- presentation documents included:					
	Number in survey	A budget message <sup>a</sup>	Graphs or charts in budget message <sup>a</sup>	Separate executive summary <sup>b</sup>	Depart- mental goals or objectives <sup>c</sup>	Depart- mental performance statistics <sup>c</sup>
Population						
<b>Cities</b>						
Less than 1,000	10	50	20	11	0	0
1,000 to 4,999	16	85	14	14	13	13
5,000 to 9,999	16	100	35	19	19	13
10,000 to 24,999	11	100	36	27	45	37
25,000 to 49,999	11	100	27	36	64	45
50,000 to 99,999	5	100	20	60	80	60
100,000 or more	5	100	60	60	80	80
All cities	74	91	26	26	35	28
<b>Counties</b>						
Less than 25,000	8	87	14	38	38	25
25,000 to 49,999	10	90	33	0	30	10
50,000 to 99,999	14	100	36	14	43	21
100,000 to 199,999	10	100	40	50	30	20
200,000 or more	5	100	60	40	80	60
All counties	47	100	34	26	40	23
All cities and counties	121	93	30	26	37	26

a. All units responded on this variable.

b. All but one unit responded on this variable.

c. All but two units responded on this variable.

surprising that officials in these units reported not presenting them. The officers may have interpreted the question as referring only to written messages. The LGBFCA does not require that the message be written. An oral message meets, albeit minimally, the requirements of the law.

Thirty percent of the responding units said they included graphs or charts in their budget messages. Although the largest cities and counties were most likely to do so, many smaller units also included them. Graphs and charts are particularly effective for presenting budget information, and personal computers and inexpensive graphics programs make preparing them relatively easy.

To convey information about their budgets to the public more effectively, the budget officers in 26 percent of the responding units issued executive overviews of their budgets, in addition to the budget messages. Relatively more of the larger than smaller cities and counties issued such overviews.

## Influences of Program Budgeting and GFOA Awards

Program budgeting is different from traditional line-item budgeting.<sup>15</sup> The latter emphasizes the relation between money budgeted and the resources or inputs to be acquired with that money. Budget documents for line-item budgets typically organize departmental information by line-item or expenditure account or category, such as salaries and wages, fringe benefits, contractual services, supplies, and capital outlay. Program budgeting, on the other hand, emphasizes the relation between money budgeted and service or program goals or outcomes. Budget documents for program budgets typically include statements of departmental goals, along with performance or workload statistics in addition to consolidated expenditure accounts or line-item data.

Both program budgeting and the GFOA awards program have led more and more local govern-

ments across the country to include goals, along with performance or workload statistics, in their presentation documents. The GFOA awards program recognizes budget-presentation documents that are judged by budget professionals to be effective as policy documents, financial plans, operational guides, and communication devices.<sup>19</sup> Twenty-eight North Carolina cities and counties have won the GFOA award.<sup>20</sup>

Thirty-seven percent of the cities and counties that responded to the survey included departmental goals or objectives in the budget books or forms they presented to the governing board, and 26 percent included performance or workload statistics. Relatively few cities or towns below 10,000 in population included such information; they presented, essentially, line-item budget documents. Most of the largest municipalities, many medium-sized ones, and a significant proportion of the counties of all sizes, however, did include departmental goals, along with performance or workload statistics in their presentation documents.



## Capital Improvement Programs

A capital improvement program (CIP) forecasts facility, infrastructure, and equipment needs; projects the costs of meeting the needs; and names sources for financing the costs over a future planning period of, usually, five or six years. A CIP enables a city or county to plan and raise financing for the orderly replacement of existing capital facilities and equipment, and for major new projects. A CIP also helps generally with financial planning, can help a unit maintain or improve its bond rating, and is encouraged by the Local Government Commission. The LGBFCA does not, however, require North Carolina cities and counties to prepare CIPs; having one is a matter of local policy.

A CIP typically is prepared by the budget officer, who bases it on capital requests from departments. It is usually presented to the governing board for approval as a general plan only; the capital project and acquisition expenditures listed for the first year of the CIP planning period become the capital budget for that year. The CIP generally is updated annually, with a new planning year and some new project or acquisition requests added with each update.

Preparation of a CIP can be incorporated into the annual budget process or be separate from it. When separate, CIP preparation usually precedes budget preparation.

Four questions in the 1990 survey asked for information about capital improvement programs. The questions were put to cities with populations of more than 5,000 and to all counties in the survey (see Table 7 for a breakdown of the responses):

1. Did the city or county prepare a CIP sometime during the period from July 1, 1989, to June 30, 1990?
2. If the city or county prepared a CIP, did it include estimates of the impact of capital projects or acquisition requests on future operating budgets?

Table 7  
Capital Improvement Programs (CIPs)

Selected Units		Percentage of units <sup>b</sup> with CIPs that:				
Population	Number in survey	% of units that prepared CIP <sup>a</sup>	Estimated impact of projects on future operating expenditures	Used a formal system to rank projects into priority	Used cost-benefit studies to evaluate one or more projects	Used present-value analysis to evaluate one or more projects
<b>Cities</b>						
Less than 1,000	10	NA	NA	NA	NA	NA
1,000 to 4,999	16	NA	NA	NA	NA	NA
5,000 to 9,999	16	44	86	57	28	28
10,000 to 24,999	11	64	43	42	42	17
25,000 to 49,999	11	91	90	80	30	0
50,000 to 99,999	5	80	75	50	0	0
100,000 or more	5	100	80	20	0	0
All cities	74	69	76	55	24	10
<b>Counties</b>						
Less than 25,000	8	14	0	0	14	14
25,000 to 49,999	10	40	75	25	25	0
50,000 to 99,999	14	44	67	17	17	17
100,000 to 199,999	10	20	50	0	0	0
200,000 or more	5	100	100	60	40	20
All counties	47	39	75	28	22	11
All cities and counties	121	54	76	45	24	11

a. Preparation occurred sometime between July 1, 1989, and June 30, 1990. All but one unit responded on this variable.

b. All units with CIPs responded on all four of these variables.

3. If the city or county prepared a CIP, was a formal ranking system used to help set capital project and acquisition requests into priority?
4. If the city or county prepared a CIP, were cost-benefit studies or present-value calculations used to evaluate project or acquisition requests?

The findings about capital improvement programming suggest that about two-thirds of North Carolina municipalities with populations of more than 5,000, and about two-fifths of the state's counties, prepare CIPs. Most include the impact of capital project or acquisition requests on future operating budgets; about half of the municipalities and a third of the counties with CIPs use formal ranking systems for project and acquisition requests, but only small proportions of both cities and counties use analytic techniques like cost-benefit studies or present-value analysis to evaluate project or acquisition requests.

Sixty-nine percent of the cities but only 39 percent of the counties had CIPs. The difference may be caused by the fact that most municipalities have utility systems,

Table 8  
Multiyear Revenue and/or  
Expenditure Forecasts

Population	Selected Units Number in survey	Percentage of units that:	
		Prepared a multi- year revenue and/or expenditure forecast <sup>a</sup>	Used statistical technique(s) to forecast revenues or expen- ditures <sup>b</sup>
<b>Cities</b>			
Less than 1,000	10	NA	NA
1,000 to 4,999	16	NA	NA
5,000 to 9,999	16	25	0
10,000 to 24,999	11	46	40
25,000 to 49,999	11	36	75
50,000 to 99,999	5	50	50
100,000 or more	5	80	50
All cities	74	36	42
<b>Counties</b>			
Less than 25,000	8	0	NA
25,000 to 49,999	10	10	0
50,000 to 99,999	14	14	0
100,000 to 199,999	10	40	0
200,000 or more	5	60	68
All counties	47	22	20
All cities and counties	121	32	34

a. Preparation occurred as part of or in conjunction with preparation of 1990-91 budget. All surveyed units responded on this variable.

b. All units with multiyear forecasts responded on this variable. Percentages are calculated for those units with multiyear forecasts.

such as water and sewer, that require planning for major capital plant and equipment investments, while most counties do not. Moreover, counties' major projects typically are schools, and the preparation of a really effective county CIP depends on cooperation between school and county officials—cooperation that is sometimes inadequate or absent.

A CIP is a better planning tool if it includes estimates of the impact of capital projects on future operating budgets. For example, a new city recreation center approved and funded in the CIP one year is likely to require operating funds in future annual budgets. Seventy-six percent of the units with CIPs included estimates of the effects of CIP projects or acquisitions on future years' operating budgets. No size or type of unit was more likely than others to include these estimates.

In the CIP process, departments typically make many more requests for capital projects and equipment than

can be approved and funded—just as in the budget process, departments usually make more operating requests than can be funded. Budget officers must make difficult choices in ranking the requests. They sometimes use a formal ranking system with explicit criteria for ranking. Such a system is particularly useful when there are many requests to set into priority, when requests are complex in nature, when funds are especially limited, and when more than one or two decision makers must reach a consensus. One system that has been used by local governments to rank CIP requests uses the following categories (high to low): legal mandates, hazard elimination or reduction, improved efficiency, maintenance of current standards of service, improvement or expansion of service, and convenience. Forty-five percent of the units with CIPs used formal ranking systems. There was no difference among units by size, but relatively more of the municipalities than counties used ranking systems.

As discussed above, most capital projects or items of major equipment have long useful lives, with benefits and costs occurring many years into the future. Some, such as self-supporting utilities, generate future revenues or have future benefits that can be quantified. A city or county with a CIP that includes such projects can evaluate them through cost-benefit studies or present-value calculations, based on the time value of money and interest rate formulae.

The survey showed, however, that only 24 percent of the units with CIPs used cost-benefit studies, and only 11 percent used present-value analysis to evaluate one or more CIP projects or acquisition requests. Surprisingly, the larger units did not use these analytic techniques any more than did the smaller ones. Nor did municipalities use them any more than did counties.

## Multiyear Revenue and Expenditure Forecasts

A multiyear forecast of operating revenues and expenditures covers a specified future planning period, usually five or six years. The LGBFCA does not require a local government to prepare such a forecast, just as it does not require one to prepare a CIP; preparing one is a matter of local policy. If a city or county has both a multiyear forecast and a CIP, the planning period is typically the same for both.

Just as CIPs do, multiyear revenue and expenditure forecasts help local officials plan more effectively for the future. Moreover, regardless of how capital projects are initially financed, they are ultimately paid for from operating revenues. Future operating revenues must cover

not only future operating expenditures, but also principal and interest payments on bonds or other debt issued to finance capital projects, and capital projects financed on a pay-as-you-go basis directly from future operating revenues.

Two questions on the 1990 survey asked about multiyear forecasts (see Table 8 for a breakdown of the responses):

1. Did the city or county prepare a multiyear revenue and/or expenditure forecast in conjunction with or as part of the budget-preparation process for 1990-91?
2. If the city or county did prepare such a forecast, did it use a statistical method such as least squares or regression analysis in doing so?

The findings indicate that about a third of North Carolina cities with populations greater than 5,000, and a fifth of North Carolina counties, prepare multiyear forecasts of revenues and expenditures. In all, 32 percent of the units reported preparing the forecasts. Thus considerably fewer units prepared multiyear forecasts than prepared CIPs. The practice was more common among cities (36 percent) than counties (22 percent), and among larger cities and counties than among smaller ones. In all but one unit, the forecasts were of both revenues and expenditures.

Of the cities and counties preparing these forecasts, 34 percent used some sort of statistical technique, suggesting a certain level of sophistication in method.

## Summary and Conclusions

The authors' 1990 survey of budgeting practices of local governments suggests that North Carolina cities and counties go well beyond the requirements of the Local Government Budget and Fiscal Control Act. Survey responses reflect a continuing effort to improve budgeting practices and systems to cope with an ever more difficult budgetary environment. Five major findings are worth noting.

First, governing boards in many cities and counties started early, in the 1990-91 budget-preparation process, to familiarize themselves with upcoming budget issues. In many cases they established policies or goals to guide the budget officer and department officials in preparing the budget. They did these things even though the LGBFCA doesn't require governing board involvement except near the end of the annual budget preparation.

Second, departmental officials in North Carolina cities and counties exercised important roles in budget preparation (beyond submitting budget requests). These offi-

cially typically were consulted by the budget officer as he or she reviewed budget requests, and they often participated in governing board meetings to review the proposed budget.

Third, although the LGBFCA says nothing about program budgeting, departments in many cities and counties—more of the larger than the smaller units—submitted budget requests that included goals or objectives, along with performance or workload statistics. Budget officers presented budget documents to the governing board that also included such information. This finding suggests that many North Carolina cities and counties use program budgeting, or mixed program and line-item budgeting, to help answer questions the governing board or citizens might ask about public services.

Fourth, while the LGBFCA calls on cities and counties to be "reasonable" in their revenue estimates, most North Carolina cities and counties were in fact conservative, continuing a long tradition. The wisdom of conservative revenue estimation became evident again in the recent recession, as North Carolina local units largely escaped the budget problems suffered by other governmental entities with less conservative revenue estimates and budget practices.

Fifth, while the LGBFCA does not require capital improvement programs (CIPs) or multiyear forecasts of revenues and expenditures, many cities and counties employed both as a matter of local policy. Both have the purpose of improving budgeting and financial planning systems.

All the survey data together help answer the larger question of whether budget preparation in North Carolina cities or counties is centralized or decentralized: It's a bit of both. Centralization is built into the budget-preparation process insofar as the LGBFCA requires that each government unit designate *one* official as budget officer—and that that officer be the manager, if there is one. Nevertheless, the 1990 survey found that in most cities and counties, the governing board was involved early in the budget process, often setting policies or goals to guide budget preparation. Further, departmental officials had discretion in deciding on the amount and content of their budget requests, and they took part in preparing the budget that was proposed to the governing board.

On the whole, city and county budgeting in North Carolina combines strong executive leadership from the manager or budget officer, an increasingly important role of policy formulation for the governing board, and a significant budget-planning, request, and review role for departmental officials. ❖



## Notes

1. Budget-preparation procedures needed to meet current and future challenges are identified in Government Finance Officers Association, *National Budget Symposium: New Directions in State and Local Budgeting—Report of Proceedings* (Chicago: GFOA, March 1993), 3-5 in particular. Dr. Vogt was a participant in this symposium.

2. These units represent 73 percent of the cities and 57 percent of the counties to which questionnaires for the survey were sent.

3. Article 3 of N.C. Gen. Stat. (G.S.) Chapter 159.

4. G.S. 159-9.

5. David Osborne and Ted Goebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley, 1992), especially chapter 4, "Mission-Driven Government"; chapter 5, "Results-Oriented Government"; and chapter 9, "Decentralized Government."

6. Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence: Lessons from America's Best-Run Companies* (New York: Harper and Row, 1982); Kenneth A. Gold, "Managing for Success: A Comparison of the Public and Private Sectors," *Public Administration Review* 42 (November/December 1982): 566-72.

7. G.S. 159-9 through -13.

8. The data about method of board approval are not shown in the tables accompanying this article, but come from the authors' 1990 survey.

9. The data in this paragraph are not shown in the tables accompanying this article, but come from the authors' 1990 survey.

10. G.S. 159-10.

11. G.S. 159-10.

12. G.S. 159-10.

13. G.S. 159-8(a).

14. G.S. 159-13(b)(7).

15. These data are not shown in the tables accompanying this article, but come from the authors' 1990 survey.

16. G.S. 159-13(b). Under generally accepted accounting principles, general fund overhead or support services should be allocated as expenditures or expenses to the other funds, reducing general fund expenditures by the amount of the allocation(s). See Government Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards* (Norwalk, Conn.: GASB, 1992), ¶ 1500.102 through -107.

17. G.S. 159-11(b).

18. The distinction between line-item and program budgeting is discussed in some detail in Edward A. Lehan, *Simplified Governmental Budgeting* (Chicago: GFOA, 1951), especially chapter 1.

19. See Government Finance Officers Association, *Distinguished Budget Presentation Awards Program* (Chicago: GFOA, undated brochure) for a description of the program.

20. As of May, 1993, according to a telephone report to one of the authors by GFOA staff.

# North Carolina Legislation 1993

Edited by Joseph S. Ferrell

Institute of Government  
The University of North Carolina at Chapel Hill

The Institute of Government announces the upcoming publication of *North Carolina Legislation 1993*, its special wrap-up of the 1993 session of the General Assembly. This annual comprehensive summary is written by Institute faculty members who are experts in the respective fields affected by the new statutes. This year's summary covers legislation pertaining to courts and civil

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# The Small-Town Exception to the Self-Dealing Statute: How Towns Really Use It

David M. Lawrence

North Carolina's criminal law generally prohibits the mayor and members of a city council, or any company owned by the mayor or a member of city council, from contracting with the city—a practice called "self-dealing."<sup>1</sup> There are several exceptions to the prohibition, one of which applies to mayors and council members in smaller cities and towns: G.S. 14-234(d1) permits a limited amount of such contracting in cities with 7,500 or fewer residents.<sup>2</sup>

The theory behind this exception is straightforward. In smaller cities and towns there may be very few suppliers—perhaps even just one—of certain goods and services. Under the general prohibition on self-dealing, if the only local supplier of a good or service wishes to continue to do business with the town, he or she cannot serve as mayor or on the council. Alternatively, if that person is elected to town office, then the town government would be forced to buy that good or service at some distance from the town, however inconvenient that may be. The exception makes it possible for a town and its elected officials to avoid that dilemma.

For a town to take advantage of the exemption, the council must by resolution approve the undertaking or contract—or the series of undertakings or contracts—and the member who will be contracting with the town must not participate in the discussion or vote on the resolution. The amounts paid to any one member under such arrangements cannot exceed \$15,000 annually (plus another \$10,000 annually for medically related goods or services). Finally, the city must post an annual list of transactions with the mayor or council members and must note these transactions in the city's audited annual

financial statements. In that way, official approval by the board and publicity replace the prohibition that otherwise would be applicable.

Because of this final statutory requirement, that the city list the transactions in its financial statements, it is possible to survey the ways that towns actually use the small-town exception—or at least the way they report their use. During the summer of 1992, an Institute of Government law clerk<sup>3</sup> reviewed the audited financial statements for the 1989-90 and 1990-91 fiscal years for all North Carolina cities of 7,500 or less, on file at the Local Government Commission. The goal was to determine how much use is made of this exception by North Carolina cities, the nature of that usage, and whether the statute is serving the purposes for which it was intended.<sup>4</sup>

One of the standard notes to local government financial statements lists "Related Party Transactions." That is the proper place for cities to list transactions falling within the small-town exception. The statute requires the reporting of all self-dealing undertaken pursuant to the exception, even if it involves a small amount of money. Normally, however, financial statements include only disclosures that are "material," and the dollar amounts of the transactions involved in this survey rarely are large enough to be material. Therefore, it is possible that some cities and towns, or their auditors—unaware of this disclosure requirement or of its full scope—sometimes may omit instances of self-dealing that should be reported under the exception. Those instances, of course, are not included in this article.<sup>5</sup>

## The Survey Results

**Number and Size of Cities Reporting Self-Dealing.** There are about 450 cities and towns in North Carolina

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*The author is an Institute of Government faculty member whose specialties include local government finance.*

with a population of 7,500 or less, but very few make use of the exception to G.S. 14-234. In 1989-90 only 15 cities or towns reported any self-dealing with elected officials, and in 1990-91, 34 cities or towns did so. In 1989-90 those 15 cities and towns reported self-dealing transactions with twenty-five elected officials; the next year, the 34 cities and towns reported transactions with fifty-one elected officials. (It seems unlikely that the number of cities or towns in which self-dealing took place more than doubled from one year to the next. More likely, more towns became aware of the reporting requirement.) Of these 34 cities and towns, only 1 had a population greater than 5,000 and only 3 others had populations greater than 3,000. Twelve cities were between 1,000 and 3,000 in size, and the other 18 were all under 1,000. These numbers may suggest that the 7,500-resident cutoff for the exception is considerably higher than it needs to be to serve the purposes of the exception.

**The Nature of the Transactions.** For all cities reporting use of the small-town exception, two-thirds of the 1989-90 transactions and half of the 1990-91 transactions fell into two broad categories.<sup>6</sup> The first is the purchase of general merchandise, especially hardware-store merchandise, and the second is the purchase of motor fuels, motor parts, and motor vehicle repair and servicing. Most of the remaining transactions involved a variety of services: construction work, insurance purchase, printing work, surveying, and others. Some of the descriptions of services suggest that the elected official involved was willing to do minor work for the town at a rate below market prices, such as reading water meters for \$117.

If we focus only on the cities of 1,000 or less, a somewhat different story emerges. With these smallest cities and towns, almost all the transactions are either the purchase of hardware or other general merchandise or the provision of miscellaneous services. Two-thirds of the purchase transactions and two-thirds of the miscellaneous service transactions reported are with this group of cities. In cities and towns of this size, it is not unlikely that the store or service provider involved was the only supplier of that good or service within the community. In such situations, the statutory exception is being applied in exactly the circumstances for which it was intended.

It is interesting that almost all the transactions involving motor fuels, parts, and service are with larger cities and towns. Most cities or towns of 1,000 or more have more than one service station or garage (although they may not have more than one auto parts store), so it is unlikely that such a unit has no alternatives to the station or garage owned by a board member. It may be that

the cities and towns have developed continuing relationships with these businesses, or even have policies of rotating the unit's business among each of the town's suppliers,<sup>7</sup> and see no reason to have election to city or town office interrupt those relationships or policies.

A very few cities or towns reported transactions that do not fall within the terms of G.S. 14-234(d1). Most commonly, these were arrangements under which elected officials rented facilities to the city or town. Because a lease of real property involves neither a good nor a service, such a transaction is beyond the terms of the exception, although generally accepted accounting principles still require it to be reported as a related party transaction.

**The Amounts of the Transactions.** The statute permits an elected official to sell up to \$15,000 worth of goods or services each year, but the amounts reported rarely approach that figure.<sup>8</sup> In 1989-90, the average amount reported with respect to an individual elected official was \$2,771; in 1990-91, the average was \$2,570. The largest payments on average were for construction services: four such arrangements were reported over the two years, and the average was nearly \$6,000.<sup>9</sup> The only other category above the overall average in dollar amount was that comprising motor fuel, parts, and repair services. These averaged \$4,398 in 1989-90 and \$4,663 in 1990-91.

Two of the reports indicated possible payments to elected officials in excess of the \$15,000 limit. One town reported buying insurance through an agency owned by an elected official, with one year's premiums being in excess of \$19,000. It is not clear, however, whether the payment was made to the agency—which may involve a violation—or directly to the insurance carrier or carriers, which probably would not. Another town reported that an elected official had contracted to provide solid waste collection within the town, but the report did not specify the amount paid under the contract. The financial statements for the town do indicate, however, that the town paid somewhat more than \$16,000 for such services during the fiscal year.

## Some Tentative Conclusions

The survey results indicate that the small-town exception to G.S. 14-234 is serving the primary purpose that led to its enactment, especially with very small towns. Its relatively frequent use in larger cities and towns for transactions involving motor vehicle fuels, parts, and repair probably does go beyond the intended statutory purposes, but the circumstances suggest that these transac-



tions often involve attempts to distribute a routine sort of business fairly among all suppliers within the town.

The survey results do suggest one or two possible modifications to the statutory exception. First, the 7,500-resident cutoff appears to be higher than is necessary. Only one city above 5,000 and only three others above 3,000 made use of the exception during the survey period. The exception's cutoff probably could be cut to 5,000 without inconveniencing any cities or towns. Second, at present the \$15,000 appears to be higher than is necessary for most towns. Only four towns reported annual transaction totals of more than \$10,000, and two of those were insurance payments for which it is not clear whether the amount reported was the premium amount or the commission amount. It may be preferable, however, to leave the \$15,000 limit alone, as inflation over the coming years is likely to increase the average amounts of these transactions. ❖

## Notes

1. North Carolina General Statutes (hereinafter G.S.) 14-234. This statute is discussed in detail in Warren J. Wicker, "Conflict of Interest and Self-Dealing in North Carolina," *Popular Government* 45 (Winter 1980): 34-41.

2. There is a comparable exception for county commissioners in counties without any cities of more than 7,500, but, as noted below in note 4, it appears to be little used.

3. Edward "Tex" Harrelson, then a student at The University of North Carolina at Chapel Hill School of Law.

4. The statute also permits self-dealing, under the same procedures and limitations, by county commissioners in any county that has no city or town with a population greater than 7,500. The Institute law clerk examined the audited financial statements for all such counties for those two years, but he found insignificant use of the exception. Only one county reported transactions between the county government and members of the board of commissioners. Therefore, this article is limited to use of the exception by cities and towns.

5. The financial reports should show whether those cities and towns that do list such transactions properly followed the procedures set out in G.S. 14-234, if there was material non-compliance with the statute.

6. A small number of reports did not specify the nature of the transaction between the unit and the elected official.

7. Two of the towns reported such rotation policies for auto fuels, parts, and services.

8. A few reports do not specify the dollar amounts paid to elected officials, as was true of transaction identification.

9. It is not clear whether the reported transactions involved a single contract or a series of contracts, since the number of transactions need not be disclosed in the related party note. The small-town exception does not extend to transactions subject to the formal or informal bid requirements of G.S. 143-129; those requirements apply to any construction or repair contract of \$5,000 or more.

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## At the Institute

### New Faculty Join Institute in Law and Accounting

The Institute of Government welcomes two new faculty members, Cary M. Grant and K. Lee Carter, Jr.

Cary Grant will specialize in public personnel law. He comes to the Institute from Thomson Consumer Electronics, Inc., which manufactures consumer electronics with the "GE" brand, where he was legal operation counsel on matters relating to employment, labor, immigration, occupational safety and health,



Cary M. Grant



K. Lee Carter, Jr.

workers' compensation, and wage and hour law.

Grant is a graduate of Temple University in Philadelphia and the law school of the University of Virginia, where he held the Earl Warren Legal Scholarship for Minorities in the Law and the DuPont Scholarship for the Study of Law. He was a law clerk at the Institute in the summer of 1983.

Grant can be reached at (919) 966-4442.

Lee Carter will specialize in governmental accounting, auditing, and financial reporting, and local government debt financing. He comes to the Institute from the Department of State Treasurer, where he was director of the Fiscal Management Section of the State and Local Government Finance Division. His responsibilities included reviewing audited financial statements, preparing comparative financial statements for local government bond offerings, educating and consulting with local officials and auditors, and maintaining local government financial databases.

Carter is a graduate of The University of North Carolina at Chapel Hill and earned a master's degree in business administration from East Carolina University. He is a certified public accountant and former professor of business, economics, and computer science at Peace College in Raleigh.

Carter can be reached at (919) 966-4376.

—Editors

### Grady Fullerton Retires

S. Grady Fullerton, a lecturer in governmental accounting at the Institute of Government since 1985, retired in June. Fullerton brought to the Institute and its clients a rich combination of governmental accounting expertise and teaching experience. His career combined service as the director of finance for the city of Birmingham, Alabama, and as chief financial officer of Harris County (Houston), Texas, for example, with stints teaching at the University of Alabama

(Birmingham) and the University of Houston.

At the Institute, Fullerton developed training programs in governmental accounting and financial reporting and worked closely with the state Public Finance Officers Association and the state Association of County Finance Officers. His retirement citation commended him especially for his innovative actions in helping to establish the State Treasurer's Governmental Accounting/Financial Management Awards Program and for the intellectual leadership in governmental accounting that he exhibited through his teaching and consulting and through publication of *Carolina County, North Carolina, Comprehensive Annual Financial Report*. He is succeeded in the financial accounting field at the Institute by K. Lee Carter, Jr.

Fullerton is already active in retirement, as a consultant for the Governmental Accounting Standards Board.

We at the Institute will miss Grady's day-to-day wit and southern gentility.

—Editors

### CPAs Honor Lawrence for Outstanding Teaching

The North Carolina Association of Certified Public Accountants this spring honored the Institute of Government's David M. Lawrence with its annual Outstanding Discussion Leader Award. Lawrence was cited for his outstanding teaching in the association's school on governmental accounting, a program designed to be of special benefit to CPAs who will be auditing financial statements for North Carolina governmental units.

Lawrence, a professor of public law and government and a member of the Institute faculty since 1968, specializes in the law related to local government finance. His book *Local Government Finance in North Carolina*, in its second edition, is recognized as the leading published authority in the field.

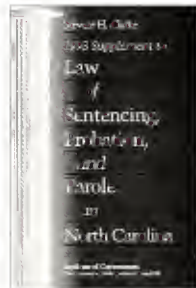
—Editors



# Off the Press

## 1993 Supplement to Law of Sentencing, Probation, and Parole in North Carolina

Stevens H. Clarke



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