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# Popular Government

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**Combating Illicit Drug Use:  
Are We Succeeding?**

*Also*

**Helping Small Businesses Recover from Floyd**

**The ABCs of Nonprofits**

**Reaching Higher Ground in Group Work**

**A Model for Multicampus Governance**

# Popular Government

James Madison and other leaders in the American Revolution employed the term "popular government" to signify the ideal of a democratic, or "popular," government—a government, as Abraham Lincoln later put it, of the people, by the people, and for the people. In that spirit *Popular Government* offers research and analysis on state and local government in North Carolina and other issues of public concern. For, as Madison said, "A people who mean to be their own governors must arm themselves with the power which knowledge gives."

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## ON THE COVER

From 1980 to 1996, the number of people in prison for drug offenses increased by 1,132 percent, and drug offenders’ share of the total population in state prisons grew from 5 to 23 percent.



# Combating Illicit Drug Use

*Some Basic  
Questions*

STEVENS H. CLARKE

*In Putumayo Province, Colombia, children play in a coca field defoliated by aerial spraying that is supported in part by the United States. Right: powder cocaine.*

Recent news illustrates the lengths to which the United States has gone to reduce illicit drug use, as well as some of the unintended consequences of its policies. The *New York Times* of January 31, 2001, reported on the latest cocaine-eradication effort of the Colombian Army, an effort supported by training and financing from the United States.<sup>1</sup> Over six weeks, 65,785 acres were sprayed with herbicides. This was part of a multibillion-dollar program to cut Colombia's coca crop in half by 2005, toward which the United States had pledged \$1.1 billion. American officials said that the herbicide used, glyphosate, could not harm humans or animals,

but the soldiers who sprayed it took showers to cleanse themselves of it. The *Times* quoted a local Colombian official (not connected with the military) as saying that legal crops such as plantains, corn, and yucca were being destroyed along with coca. He said that the defoliation campaign had prompted many farmers and their families to leave their homes. There also were reports of intoxication, diarrhea, vomiting, skin rashes, red eyes, and headaches resulting from the spraying. Among children there were particularly bad effects on the skin. An accompanying photograph (see opposite) showed children playing in a defoliated field that had recently been sprayed.

This article addresses some basic questions about drugs, drug use, and public policies concerning drug use:

- Why is drug use considered undesirable?
- What is the nature of drug dependency and addiction?
- What harm does drug use cause?
- What are recent trends in prevalence of drug use?
- How does the prevalence of drug use in the United States compare with that in other industrialized nations?
- What are the results of the criminal justice system's "war on drugs" in the United States?
- How effective is treatment of drug dependency, and how does treatment compare with other ways of reducing drug use?

This article primarily concerns *illicit drugs*, substances that are illegal to manufacture, possess, and distribute except for certain medical uses. The use of legal substances such as tobacco and alcohol may be more destructive than the use of illicit drugs, but that subject calls for a separate article.

Five illicit drugs or drug types are of primary interest here:

- Cannabis (chiefly marijuana and hashish)
- Cocaine
- Amphetamines and amphetamine-type stimulants
- Methamphetamines, such as ecstasy<sup>2</sup>
- Opiates, such as heroin

Most of the discussion deals with the United States as a whole. North Carolina data are provided where available.

Some definitions will be helpful. In this article a person "dependent on drugs" is one who has difficulty refraining from drug use, and an "addict" is one who cannot refrain without treatment. The surveys cited in this article use certain medical criteria and classify a person as dependent if he or she has been so at any point during the past year.<sup>3</sup> A "current" user as defined in the surveys is one who has consumed drugs during the month preceding the survey. A current user may go on to become dependent or addicted, may use drugs only occasionally without becoming dependent, or may stop using them.

To measure illicit drug use, researchers employ a variety of estimating tech-

niques. When the techniques are applied in a consistent way over time, they describe trends in drug use, and when similar techniques are used in different nations, they provide data for cross-national comparisons.

One technique is a confidential survey in which researchers ask a representative sample of people about drug use. There are two major national surveys of drug use in the United States. One is the National Household Survey of Drug Abuse (NHSDA). Conducted by the Substance Abuse and Mental Health



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Services Administration of the U.S. Department of Health and Human Services, the NHSDA deals with drug use by people aged twelve or older. Until recently the NHSDA provided only nationwide data, but in 2000 it began to publish use estimates for individual states and regions of the country.<sup>4</sup> The other survey is known as Monitoring the Future.<sup>5</sup> Conducted by the National Institute on Drug Abuse, it deals with high school and other students. Its scope is nationwide, and it does not provide estimates for individual states. North Carolina has its own survey, the High School Youth Risk Behavior Survey, conducted by the Department of Public Instruction.<sup>6</sup> There also are international surveys of drug use. The United Nations conducts periodic cross-national studies, in which participating nations rely on similar surveys.

Another technique is to measure the physical or medical indicators of drug dependency. One can count people who die because of a drug overdose, hospital trauma patients who test positive for drugs, and people arrested for crimes whose urinalysis reveals drug use. Two examples of this technique are the Arrestee Drug Abuse Monitoring Program (ADAM) and the Drug Abuse Warning Network (DAWN), administered by the U.S. Department of Justice and the Substance Abuse and Mental Health Services Administration, respectively. ADAM personnel perform annual urinalyses on people arrested for crime in thirty-five metropolitan areas.<sup>7</sup> DAWN personnel sample hospitals across the country to obtain estimates of emergency department visits in which medical staff believe that drug use is the reason for the patient's presenting problem.<sup>8</sup> DAWN includes illicit drug use and also alcohol use if combined with use of illicit drugs. Data from both ADAM and DAWN apply to the nation as a whole but not to individual states.

### Why is drug use considered undesirable?

There seem to be two answers to this question: (1) drug use is immoral and (2) it is harmful and unhealthy. The two views have led to quite different policies on drug use.



The "immoral" view is that drug addicts are "weak or bad people, unwilling to lead moral lives and to control their behavior and gratifications."<sup>9</sup> Consequently the government needs to protect addicts from themselves and from those who prey on them. Addicts, according to this way of thinking, should face the threat of legal punishment for possession of drugs, as should people who take advantage of addicts' weakness by selling them drugs.

The "unhealthy" view is that drug use is harmful to the user as well as the public. In this view, casual use of illicit drugs subjects the user to the risks of addiction, contamination from needles, poisoning from drugs, and other health hazards. Addiction affects the health and the safety of the addict by making him or her unable to carry on a productive life. It harms the public by spreading diseases and contributing to criminal behavior. This view underlies efforts to prevent drug use through public health education and to treat those who become dependent or addicted.

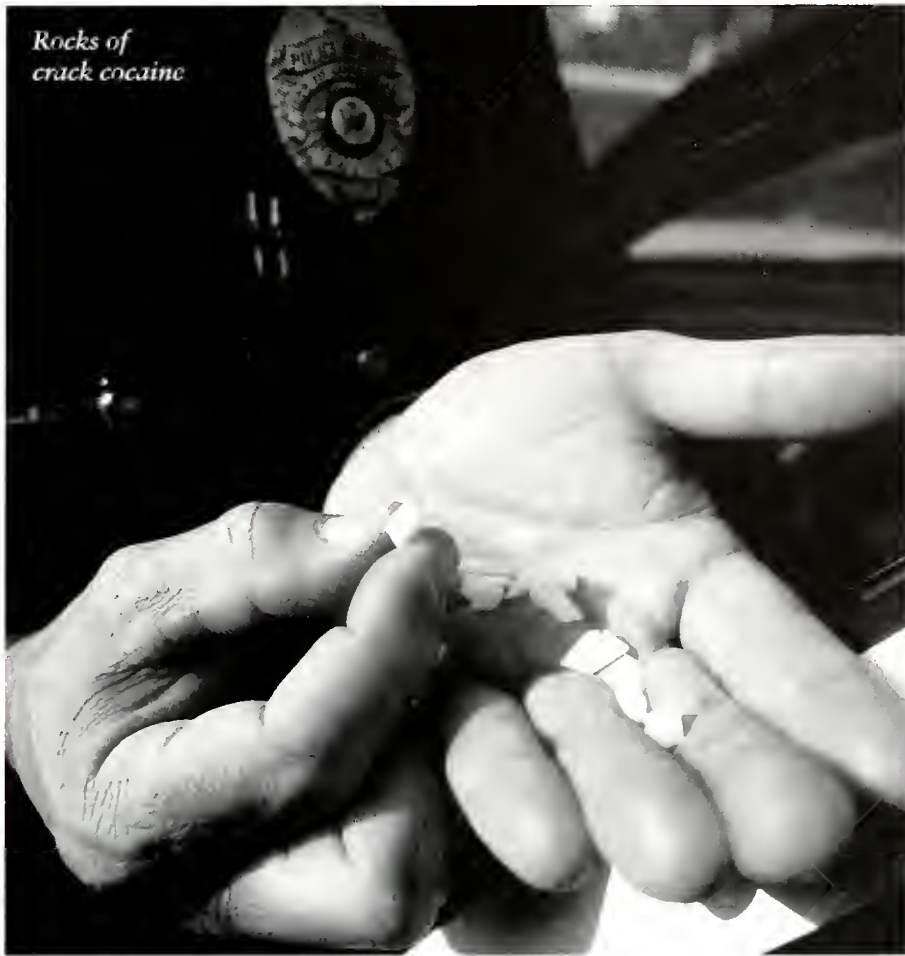
### What is the nature of drug dependency and addiction?

#### Drug Addiction

Drawing on recent advances in medical science, Alan Leshner of the National Institute on Drug Abuse describes addiction as a "chronic, relapsing illness, characterized by compulsive drug seeking and use." Addiction is a disease of the brain. When a person becomes an addict, his or her brain becomes distinctly different from that of a nonaddicted person with regard to "metabolic activity, receptor availability, gene expression, and responsiveness to environmental cues." Some of these brain changes are unique to specific types of drugs, but others are common among many different drugs, suggesting that common mechanisms underlie all addictions.<sup>10</sup>

Addiction also is a psychological illness. The social context is critically important. Even after a person has been successfully treated, exposure to certain conditions or events in his or her environment can cause recurrent cravings for

*Rocks of  
crack cocaine*



drugs and relapses in drug use.<sup>11</sup> Thus, perhaps one goal of treatment should be to change the addict's environment, even if only during the treatment period.

#### **Experimentation versus Dependence**

Available data indicate that a majority of adults try illicit drugs at some point in their lives but few become dependent on drugs. For example, according to the NHSDA for 1999, 53 percent of U.S. residents 18–25 years of age, and 51 percent of those 26–29 years of age, had used an illicit drug at some point in their lives. Considerably fewer were current users (that is, had used a drug within a month of the survey): 17.0 and 8.5 percent, respectively. Fewer still were dependent on illicit drugs: 4.7 and 1.8 percent, respectively.<sup>12</sup>

Among youth as well as adults, frequent or heavy use is much less prevalent than occasional use. For example, the Monitoring the Future survey of high school students in 1999 indicated that 37.8 percent of twelfth-graders had used marijuana during the past year and 23.1

percent had used it during the past month but only 6.0 percent were using it daily.<sup>13</sup>

Although heavy use is rare, it accounts for the bulk of illicit drug consumption. This has implications for public policy, as explained in a later section of this article.

#### **Peaks and Declines in Use**

Illicit drug use tends to begin in the late teens and early twenties. For example, according to the NHSDA for 1998, use of marijuana began at an average age of 17, use of hallucinogens at 18, use of cocaine at 21, use of heroin at 21, and use of crack cocaine at 25.<sup>14</sup>

Current use of illicit drugs, which is a statistical indicator of regular use, tends to increase as youth reach their late teens and to decrease as they get older. According to the NHSDA for 1999, current use peaks in the 18–20 age range at nearly 21 percent and drops to below half that level before age 30. Dependence on illicit drugs, which is much less common than current use, also peaks at about 6 per-

cent in the 18–20 age range and drops off in the late 20s.<sup>15</sup>

### **What harm does drug use cause?**

Drug use has harmful effects in two areas of public concern: health, and violence and crime.

#### **Effects on Health**

Drug use is implicated in the transmission of deadly diseases. For example, the U.S. Centers for Disease Control and Prevention (CDCP) report that since the AIDS epidemic began, 36 percent of cases in the United States have involved exposure through injection of drugs, and in 1998, 31 percent of new cases involved such exposure.<sup>16</sup> Users of nonintravenous drugs like crack cocaine also contribute to the AIDS epidemic by trading sex for drugs or money or engaging in risky sexual behavior in which they might not engage when sober.

Drug use also leads to medical emergencies—for example, overdoses or unexpected reactions. Trends in drug-related medical emergencies are discussed in a later section of this article.

#### **Effects on Violence and Crime**

Drug use is well known to be associated with criminal behavior. Following are a few examples of studies correlating the two phenomena:

- The Denver Youth Study found that of 1,527 children 7–15 years of age, commission of crimes and delinquency were about twice as high among those who had experimented with illicit drugs or alcohol as among those who had not.<sup>17</sup>
- A National Institute of Justice study indicated that among adults held in detention on criminal charges in 1998 in thirty-five metropolitan areas, two-thirds tested positive for at least one illicit drug.<sup>18</sup>
- The NHSDA for 1999 found that among youth aged 12–17, theft was correlated with drug use. Of those who had not stolen or tried to steal anything worth more than \$50 in the past year, only 6.2 percent were current marijuana users. Of those who had stolen one or two times, 28.6 percent were marijuana users;

of those who had stolen three to five times, 48.7 percent; and of those who had stolen ten or more times, 54.5 percent.<sup>19</sup>

That drug use is *correlated with* crime does not necessarily mean that drug use *causes* crime. The relationship is complex: each causes the other to some extent. Reviewing the literature, Jan and Marcia Chaiken conclude that

*no single sequential or causal relationship is now believed to relate drug use to predatory crime. . . . [N]o coherent general patterns emerge associating drug use per se with participation in predatory crime, age at onset of participation in crime, or persistence in committing crime.*<sup>20</sup>

Research that traces the development of children and youth shows that the onset of drug abuse does not necessarily precede the onset of delinquency. Rather, the two are intertwined. The most frequent sequence is minor delinquency, alcohol use, commission of serious (index<sup>21</sup>) crimes, marijuana use, and finally use of multiple drugs. Drug abuse increases the likelihood of delinquency. At the same time, delinquency increases the chance of drug abuse. Reviewing the findings of longitudinal studies in Denver, Pittsburgh, and Rochester, David Huizinga and his coeditors conclude that "over time substance use appears to stimulate delinquency more than . . . delinquency tends to stimulate substance use."<sup>22</sup>

The mechanisms by which drug use causes criminal behavior are complex. In the case of violent crime (assaultive offenses, including homicide, rape, robbery, and nonfatal assault), Paul Goldstein's thinking is helpful.<sup>23</sup> Goldstein theorizes that drug abuse may have three types of effects on violent crime: (1) direct or psychopharmacological, (2) economically compulsive, and (3) systemic. These three types of effects are not mutually exclusive; more than one may be involved in a single instance of drug-related violence.

Regarding the *direct or psychopharmacological effect*, using drugs may have psychological or physical consequences that cause a person to become excitable,



*Binge drinking is far more prevalent in the United States and North Carolina than use of illicit drugs.*

irrational, and violent. Also, drug use may make the user more vulnerable to crime victimization by causing him or her to act more provocatively or less cautiously than he or she would normally act.

In his review of the literature, Goldstein found that psychopharmacological violence is common, but most of it is due to alcohol rather than to illicit drugs. Common situations for such violence are domestic disputes, fights in bars involving young men, and confrontations between prostitutes and drunk customers. Alcohol use affects the chance of becoming a victim of violence as well as a perpetrator. Trauma patients in urban areas frequently have used alcohol before their injury, especially when firearms are involved. In a 1993 study that Goldstein and others conducted in Chicago, 47 percent of violence victims in hospital trauma units reported drinking alcohol at the time of their injury. This finding suggests that alcohol influenced the victims to take greater risks than they normally would have. With

regard to illicit drugs, there was no evidence that the victim's use at the time of the injury contributed to the injury. However, *previous* use of illicit drugs (in the year before the injury) significantly raised the chance of being victimized. This finding suggests a systemic effect, in the sense that a lifestyle of drug use places the user at risk for violent injury, rather than a psychopharmacological effect.

The *economic compulsive effect* of drug use occurs when a person engages in economically oriented violent crime like robbery to support his or her use of expensive drugs. This sort of violence is rare, according to research reviewed by Goldstein. If drug users turn to crime to support their drug use, they prefer non-violent crime such as prostitution, theft, or working in the illicit drug business.

The *systemic effect* of drug use on violence arises from the fact that violence is intrinsic to illegal activities. Drug users may fight among themselves over a scarce supply of drugs. Drug dealers may resort to violence when problems arise—



for example, to punish those who fail to pay debts, to resolve disputes over territory with rival dealers, to enforce their authority, or to eliminate informers. Also, when children or youth engage in drug abuse, they associate with other youth or adults who may initiate them into criminal behavior, including violence.

Goldstein's review of research indicates that violence due to involvement in drug activities is common and may influence patterns of homicide. As explained in previous issues of this magazine, the homicide rate in the United States peaked in the mid-1970s, dropped somewhat, surged to a higher point in 1980, decreased again, and then, beginning in the late 1980s, climbed to a still higher level in the early 1990s.<sup>24</sup> (For young African-American males—a group with a high risk of murder victimization—the peaks in 1980 and the early 1990s were especially pronounced.) Goldstein sees a cyclical pattern in drug markets that may help explain these fluctuations in homicide rates. He believes that the 1980 peak may have been a result of the market for powder cocaine, and the 1990s peak a result of the market for crack cocaine.

Goldstein theorizes that when a new drug is introduced and becomes popular, with the number of users growing rapidly, there is little violence among dealers because they are busy trying to obtain sufficient product to meet demand. But when the number of new customers begins to level off, dealers—who tend to carry firearms—compete with one another for market share. The result is violence, which increases the homicide rate. Later, suppliers, dealers, and consumers tend to reach equilibrium in their dealings. Also, communities suffering the most from high drug use and drug markets begin to reject the using and selling of drugs. Both of these developments tend to bring down the level of homicide.

Goldstein warns that what happened twice with powder cocaine and then with crack cocaine could happen again. Although homicide has been decreasing in the 1990s, it may increase again as soon as the next drug craze comes along.

In summary, Goldstein finds little evidence of the economic compulsive effect of drug use on violence. He finds much

**Table 1. Proportions of Current Illicit Drug Users Aged 12 and Older Using Various Illicit Drugs, United States, 1999**

Drug	Current Users (%)
Marijuana and hashish	75.4
Prescription drugs used nonmedically	26.9
Cocaine (any form)	10.1
Inhalants	6.8
Hallucinogens	6.1
Cocaine in crack form	2.8
Methamphetamine	2.7
Heroin	1.4

*Source:* UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, SUMMARY OF FINDINGS FROM THE 1999 NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE tbl. G.5 (Washington, D.C.: USDHHS, 2000).

*Note:* The size of the sample was 14,820,000. Percentages add to more than 100 because a person may use more than one drug.

evidence of the psychopharmacological effect, but mostly from alcohol rather than from illicit drugs. There also is considerable evidence of the systemic effect—violence engendered by involvement in illegal drug dealings—which may have a powerful influence on homicide trends.

The primary effect of illicit drug use on violence, Goldstein's analysis suggests, stems from the legal prohibition of drugs. Those who buy prohibited drugs expose themselves to a dangerous underworld, as do those who sell or otherwise participate in the market. Legal prohibition also is partly responsible for economic compulsion because it makes drug prices higher, thereby creating more incentive to steal or commit other nonviolent crime to get money for drugs.

Thus most of the crime connected with illicit drug use—both violent and nonviolent crime—is not intrinsic to drug use but a result of the legal prohibition of certain drugs, as well as severe punishments. Those who support the nation's current regime of drug laws and sanctions must confront the evidence that this regime contributes to homicide and other serious violence.

### **What are recent trends in prevalence of drug use?**

#### **Use in the General Population**

The NHSDA estimates that in 1999, 14.8 million Americans—6.2 percent of

the population aged twelve or older—were current users of illicit drugs.<sup>25</sup> Fifty-seven percent of these used only marijuana, 25 percent used only a drug other than marijuana, and 18 percent used marijuana plus some other drug.

Seventy-five percent used marijuana and hashish, the usual forms of the drug cannabis, making them by far the most popular. Twenty-seven percent used prescription drugs nonmedically (that is, without a prescription or other legitimate access). Ten percent used some form of cocaine, while 3 percent used cocaine in crack form. Seven percent used inhalants such as glue, 6 percent hallucinogens such as LSD (lysergic acid diethylamide), 3 percent methamphetamines, and 1 percent heroin. (See Table 1.)

Comparing rates of drug use in 1999 for the United States and North Carolina shows that North Carolina generally had a slightly lower rate of use than the nation as a whole, as well as a slightly lower rate of drug dependence (see Table 2, page 8). For youth aged 12–17, however, current illicit drug use was somewhat higher in North Carolina than in the nation. This was due to greater use of drugs other than marijuana; in that category North Carolina's rate was 6.2 percent compared with the nation's rate of 5.3 percent. This high rate for youth put North Carolina in the top fifth of all states in 1999, according to the NHSDA.

In terms of absolute numbers of illicit drug users living in North Carolina, the

NHSDA estimates that the state had 392,000 current users in 1999. Of this total, 315,000 used marijuana (possibly in addition to other drugs), and 169,000 used an illicit drug other than marijuana. Only about a fourth of the current users (estimated at 92,000) were dependent on some illicit drug under the medical criteria used by NHSDA.

Regarding use of legal but dangerous drugs, North Carolina had substantially lower rates of "binge" drinking<sup>26</sup> than the country as a whole did, ranking in the lowest fifth of the states in that respect. On the other hand, the state had very high rates of cigarette smoking for both adults and youth aged 12–17, ranking it in the highest fifth of the states. Further, the number of binge drinkers (those who had engaged in binge drinking during the month preceding the survey) was an estimated 1,038,000—far more than the number of current users of illicit drugs. The number dependent on alcohol or on an illicit drug was estimated at 259,000. Thus in North Carolina, alcohol use seems to affect many more people than illicit drug use does.

### Recent Trends in Illicit Drug Use

During the 1980s, according to NHSDA estimates, current use of illicit drugs in the United States decreased substantially (see Figure 1). From 1979 to 1991, the percentage of people aged twelve or older who were current users of any type of illicit drug dropped by more than half, from 14.1 to 6.6 percent.<sup>27</sup> This downward trend reflected decreased use of marijuana (by far the most commonly used illicit drug), but use of other drugs also declined. Current marijuana use dropped from 13.2 to 5.1 percent and consumption of cocaine from 2.6 to 1.0 percent. Looking at the data by age, one sees sharp drops in current use for the 12–17, 18–25, and 26–34 age groups. Furthermore, each ethnic group (white, black, and Hispanic) showed comparable decreases.

After 1992 the downward trend halted (see Figure 1). From 1992 to 1999, while current use of any illicit drug stayed about the same in the population as a whole (6 to 7 percent), use among teenagers and young adults increased. Among youth aged 12–17, current use of any illicit drug more than doubled from

Table 2. Rates of Drug Use, United States and North Carolina, 1999

Drug and Type of Use	Age Group	U.S. (%)	N.C. (%)
Any illicit drug <sup>†</sup> : Past month	12 and older	6.7	6.3
	12–17	10.9	11.5
	18–25	17.1	14.7
Marijuana: Past month	12 and older	5.1	5.0
	12–17	7.7	7.3
	18–25	14.8	13.8
Illicit drug other than marijuana: Past month	12 and older	2.9	2.7
	12–17	5.3	6.2
	18–25	6.4	5.9
Dependence <sup>†</sup> on illicit drugs: Past year	12 and older	1.6	1.5
	12–17	3.3	3.2
	18–25	4.7	3.5
"Binge" alcohol use (five or more drinks on same occasion at least once): Past month	12 and older	20.2	16.6
	12–17	10.9	9.1
	18–25	38.3	31.3
Cigarettes: Past month	12 and older	25.8	30.0
	12–17	14.9	19.2
	18–25	39.7	45.3

Source: UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, SUMMARY OF FINDINGS FROM THE 1999 NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE tbls. G.5, G.6, G.7, G.8 (Washington, D.C.: USDHHS, 2000).

\*The NHSDA includes the following illicit drugs: marijuana or hashish, cocaine (including both crack and powder forms), inhalants such as glue, hallucinogens [such as PCP (phencyclidine) and LSD (lysergic acid diethylamide)], heroin, and all prescription-type psychotherapeutic drugs if used nonmedically.

†The NHSDA defines "dependence" on the basis of seven criteria: health, emotional problems, attempts to cut down on use, tolerance, withdrawal, and other symptoms associated with drug use.

1992 to 1997, going from 5.3 to 11.4 percent. Thereafter it dropped somewhat, reaching 9.0 percent in 1999. For adults aged 18–25, use increased from 13.1 percent in 1992 to 18.8 percent in 1999. This trend is primarily due to marijuana use (for example, for youth aged 12–17, current marijuana use increased from 3.6 percent in 1991 to 9.4 percent in 1997, then dropped to 7.0 percent in 1999). For cocaine use, there was no clear trend for any age group.<sup>28</sup>

Further evidence of a national increase in youth drug involvement is a sharp rise in current illicit drug use among high school seniors during the 1990s, as shown by the Monitoring the Future survey. High school seniors' estimated rate of current use of all illicit drugs declined from 16.4 percent in 1991 to 14.4 percent in 1992, increased until 1997, and then leveled off, reaching 24.9 percent in 2000. Most of the increase during the 1990s was attributable to

marijuana consumption, which went from 11.9 percent in 1992 to 23.1 percent in 1999, then dropped slightly to 21.6 percent in 2000. Cocaine use also increased in the 1990s, from 1.3 percent in 1992 to 2.6 percent in 1999, but dropped to 2.1 percent in 2000. Heroin use increased from 0.3 percent in 1992 to 0.7 percent in 2000.<sup>29</sup>

In North Carolina the High School Youth Risk Behavior Survey showed that current use for high school seniors was about the same as nationwide use as measured by the Monitoring the Future survey. The rate of marijuana use increased from 16.2 percent in 1993 to 23.2 percent in 1995 and 26.4 percent in 1997. The rate of cocaine use, while slightly higher than the national rate, did not increase. It was 3.0, 3.3, and 2.9 percent, respectively, for those years.<sup>30</sup>

The 1999 NHSDA points out some reasons why illicit drug use continues among youth. Only about a third (37.2

percent) of youngsters aged 12–17 perceive a great risk in smoking marijuana once a month, and 56.5 percent say that obtaining it is “fairly easy” or “very easy.” Forty-two percent report that they have one or more friends who use marijuana or hashish.<sup>31</sup>

Even while attending school, youth are exposed to illicit drugs. In the North Carolina survey, among high school students (in grades 9–12), the proportion reporting that they had been offered, had bought, or had received illegal drugs at school during the past year was 28.9 percent in 1993, 29.8 percent in 1995, and 31.8 percent in 1997.<sup>32</sup> Nationally the proportions have been about the same—30.2 percent in 1999, for example.<sup>33</sup>

### Divergent Trends for Younger and Older People

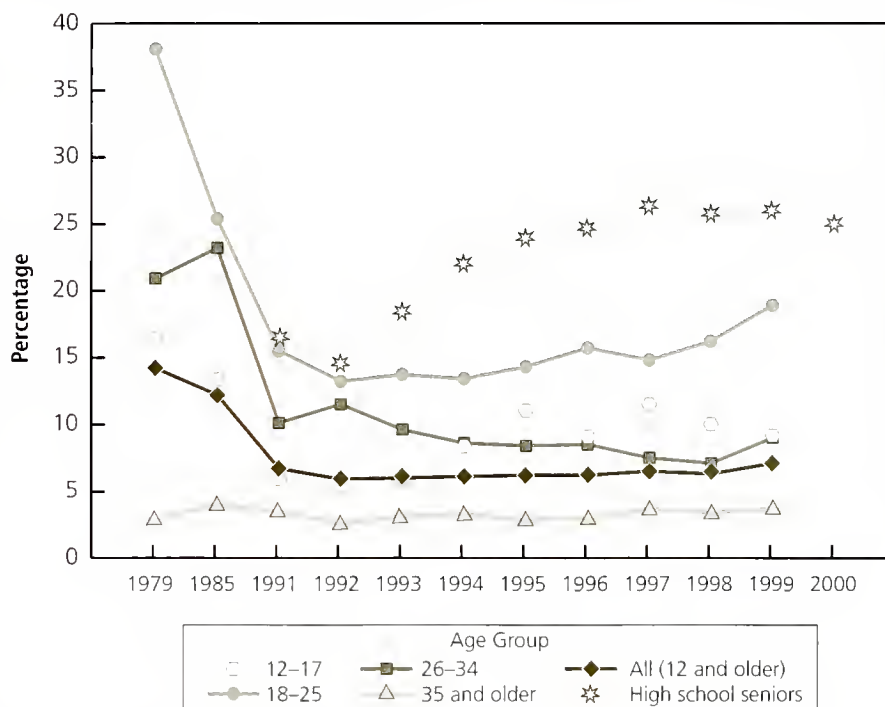
To summarize, in the U.S. population as a whole, illicit drug use decreased substantially in the 1980s. From 1992 to 2000, divergent trends emerged: illicit drug use increased for young people but declined among those 26–34 years of age, while for people over 34, there was hardly any change. The increase in the 1990s for 18- to 25-year-olds was considerably less than the increase for high school seniors, who presumably are about 18. This suggests that among young adults over age 18, there has been either a slower increase or some decrease.

There is a plausible, if optimistic, interpretation of the divergent trends. Illicit drug use usually starts in the late teens, as explained earlier, perhaps because of the natural tendency of youth to seek adventure and take risks. It appears that, during the last decade, while more youth have been taking risks with drugs, fewer young experimenters are becoming addicted or dependent as they grow older. Some possible explanations for discontinuing drug use are public disapproval of drugs, prevention and treatment programs, fear of prosecution for drug offenses, and increased incarceration of drug sellers, many of whom also are drug users.

### Medical Emergencies Related to Drug Use

Drug use may result in a medical emergency, and there is some indication that such emergencies are increasing in the

Figure 1. Percentage Currently Using Any Illicit Drug, by Age Group, 1979, 1985, 1991–2000



Source: NHSDA, 2000; TRENDS, 1919–1992; and MONITORING THE FUTURE SURVEY, 2000 (for complete citations, see notes 3, 27, and 29 of the article).

United States. From 1991 through 1998, according to DAWN, drug-related medical emergencies increased in relation to the U.S. population.<sup>34</sup> The total number of emergency department episodes<sup>35</sup> per 100,000 population increased 28 percent (from 175.8 to 225.4 episodes) over the period. Most of that growth occurred between 1991 and 1994.

In 1998, DAWN estimated a total of 542,544 emergency department episodes involving drug use, nationwide. Drug overdose was the major cause, accounting for 45 percent. Other common reasons were having an unexpected reaction to a drug, seeking detoxification, and suffering from effects of chronic drug use or withdrawal.

In 1998 the drugs most often involved in emergency episodes, according to DAWN, were alcohol combined with other drugs (34 percent of episodes); cocaine (32 percent); heroin or morphine (14 percent); and cannabis (14 percent).<sup>36</sup> Use of amphetamines and use of methamphetamines each accounted for 2 percent (the data do not indicate how often these drugs were used in combina-

While drug-related medical emergen-

cies generally increased from 1991 to 1998, the amount of increase varied among types of drugs involved. The DAWN data suggest that special concern about amphetamines and cannabis may be called for, because emergencies involving them have been increasing so rapidly. Episodes involving amphetamines nearly quintupled, from 1.0 per 100,000 population in 1991 to 4.9 in 1998, and those involving cannabis more than quadrupled, from 7.3 to 31.9. Cocaine-related emergencies per capita grew by 58 percent, heroin- and morphine-related emergencies per capita by 102 percent, and emergencies per capita related to alcohol in combination with other drugs by 41 percent.

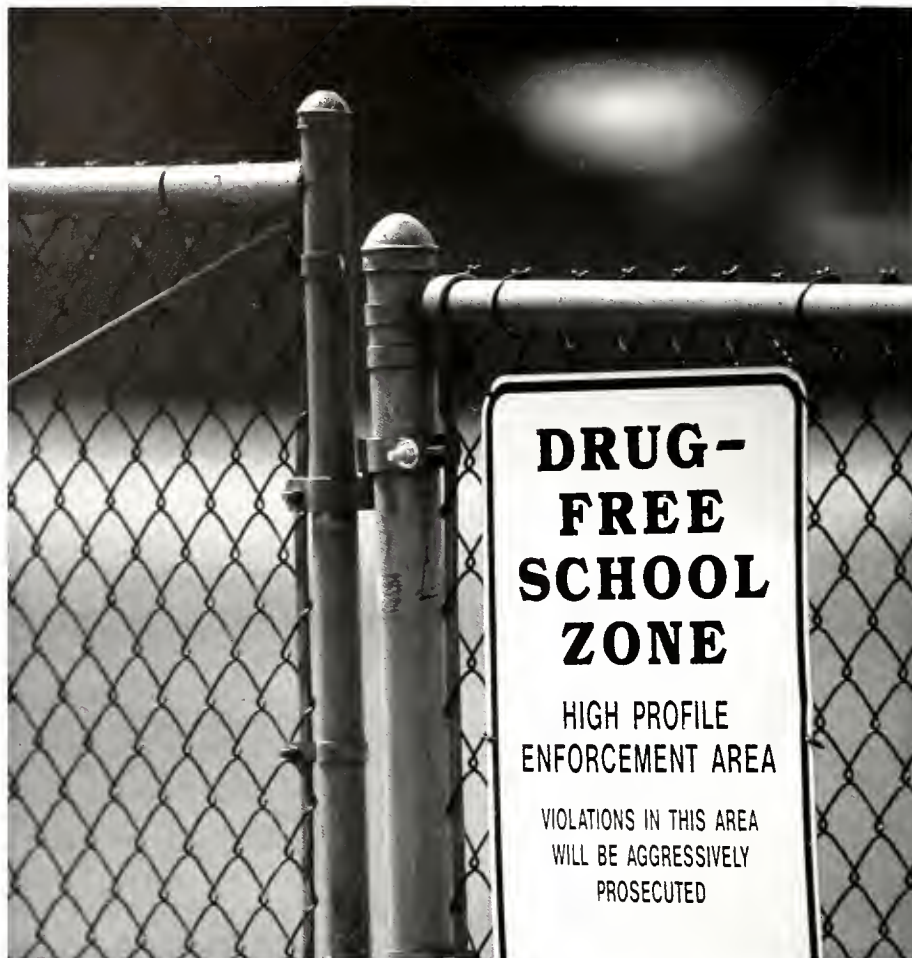
The recent increase in drug-related medical emergencies may mean that dependence or addiction is increasing, even though generally among adults illicit drug use has not been increasing. But another possible explanation of these data is that increasing numbers of users are recognizing their drug problems and seeking help from hospitals. If so, the trend would be a sign of progress rather than an indication of a worsening of the drug problem.

## How does the prevalence of drug use in the United States compare with that in other industrialized nations?

Compared with eighteen other highly industrialized nations, the United States has a high rate of cannabis and cocaine use but only moderate rates of other illicit drug use (see Figures 2–5 and Table 3, pages 11–13). The data supporting this statement, obtained from annual reports of the United Nations International Drug Control Programme, are based on questionnaires submitted to each nation. Most nations' responses derive from survey data of the type described in the introduction to this article. Most of the data are for people aged 15 and older, with a few exceptions. One exception is the United States, whose data include people aged 12 and over. Including youth aged 12–14 probably produces a lower use rate than excluding them, because use is lower for youngsters in that age range than for older teenagers. Therefore the U.S. survey may understate its use rates somewhat in comparison with countries that do not include people under 15 years of age. From an international perspective, use of both cannabis and cocaine in the United States is high. The annual prevalence of cannabis use among the countries compared ranges from 0.05 percent (Japan) to 17.9 percent (Australia) (see Figure 2), with most countries in the range of 1 to 9 percent. The United States, with 8.6 percent,<sup>37</sup> is close to the top of this range; it is exceeded only by the United Kingdom (9.0 percent) and Australia.

The United States also has a high rate of cocaine use (see Figure 3): its 1.7 percent rate is at the top of the range.

Use of other illicit drugs in the United States does not appear to be high. Regarding amphetamines as well as methamphetamines such as ecstasy, the United States' annual prevalence of 1.1 percent is well below the midpoint of the range, 0.1 to 6.0 percent, for the eighteen other nations (see Figure 4, page 12). Regarding the use of opiates such as heroin, the United States, with 0.04 percent, is near the center of the range—0.02 to 0.90 percent—for the eighteen other countries (see Figure 5, page 12).



## What are the results of the criminal justice system's "war on drugs" in the United States?

### History

Public policy toward drug use in the United States has been, and remains, primarily punitive. Legal regulation in the early twentieth century quickly turned into criminalization.

Alfred Lindesmith, in his book *The Addict and the Law*,<sup>38</sup> traces regulation starting with the federal Harrison Act,<sup>39</sup> enacted in 1914. Ostensibly a revenue measure, this act turned out to be punitive in application. It led to increasing criminalization of drug use by the federal government as well as state governments.<sup>40</sup>

The Harrison Act applied to opium, coca leaves, and their derivatives. It required manufacturers and distributors of these substances to register with the federal government, pay a nominal tax of \$1 per year, and keep records of drug transactions. It made manufacturing, distributing, or possessing the substances

without registration a crime punishable by no more than five years' imprisonment, but exempted possession of the drugs if "prescribed in good faith" by a physician. The act also made criminal the distribution of these substances without receiving a special government-issued order form from the recipient (only registered people were allowed to obtain the forms), as well as the use of the order form to obtain drugs other than in conducting "a lawful business in said drugs or in the legitimate practice of his profession." The law did not require the order form for distribution to a patient by a physician "in the course of his professional practice only" and for distribution by a dealer pursuant to a physician's prescription. Furthermore, possession of the regulated drugs was allowed if "prescribed in good faith by a physician."

The Harrison Act did not attempt to define either "legitimate practice" of the medical profession or prescription of drugs "in good faith" in the treatment of addicts. Thus it appeared to leave the door open to doctors' prescribing main-

tenance doses of drugs to addicts as part of treatment.

But courts and law enforcement agencies, rather than the medical profession, ultimately defined what medical use would be allowed. The result was to reject the idea that addiction is a disease, and to criminalize addiction (that is, to make it a crime), as well as prescription of drugs to ease the addict's suffering while in treatment. Law enforcement exploited the weaknesses of addicts because of its need for informers. To extract information, addicts were repeatedly arrested with periods of detention so that they experienced withdrawal without recovery or treatment. Meanwhile, important drug traffickers were rarely caught.

Legislation continued the punitive trend. As federal law became more severe, the U.S. government created a Narcotics Bureau to enforce it. The bureau advocated a Uniform Narcotics Law, which most states adopted. This law's penalties have become harsher over time. In North Carolina, drug offense penalties have grown more severe since the 1980s. For example, possession of any amount of cocaine or heroin is punishable as a felony, even if the user is an addict and possesses the drug only for his or her own use.<sup>41</sup>

### Arrest and Incarceration

Drug use seems to be more criminalized in the United States than in similar countries. The nation's incarceration rate is high, and its rates of prosecution and incarceration of drug offenders have been increasing in recent years.

In the United States, the war on drugs is reflected in arrests and incarcerations (see Figure 6, page 14). From 1980 to 1998, arrests of adults for drug offenses increased by 187 percent, from 471,200 to 1,353,300. Actually there were two increases in this kind of arrest, one in the late 1980s, which was followed by a steep decline, and another from 1992 to 1998. In contrast, arrests of juveniles for drug offenses were relatively stable at about 100,000 per year until 1994. At that point an increase began, reaching a new level of a little more than 200,000 per year for the years 1995-98.<sup>42</sup>

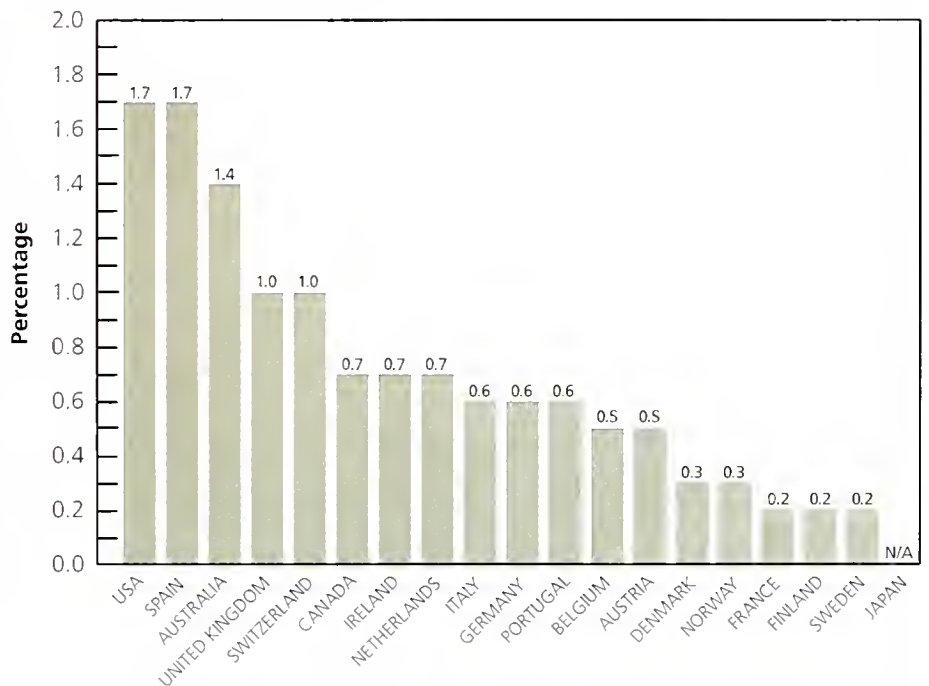
The United States' correctional system also has become more and more involved in drug criminalization as its laws and policies have become increas-

Figure 2. Rates of Cannabis Use, 19 Industrialized Nations, Mid and Late 1990s



Source: UNITED NATIONS OFFICE FOR DRUG CONTROL AND CRIME PREVENTION, GLOBAL ILLICIT DRUG TRENDS 2000 (Vienna, Aus.: UNODCCP, 2001). Data provided to author by Dr. Adrian Moicean.

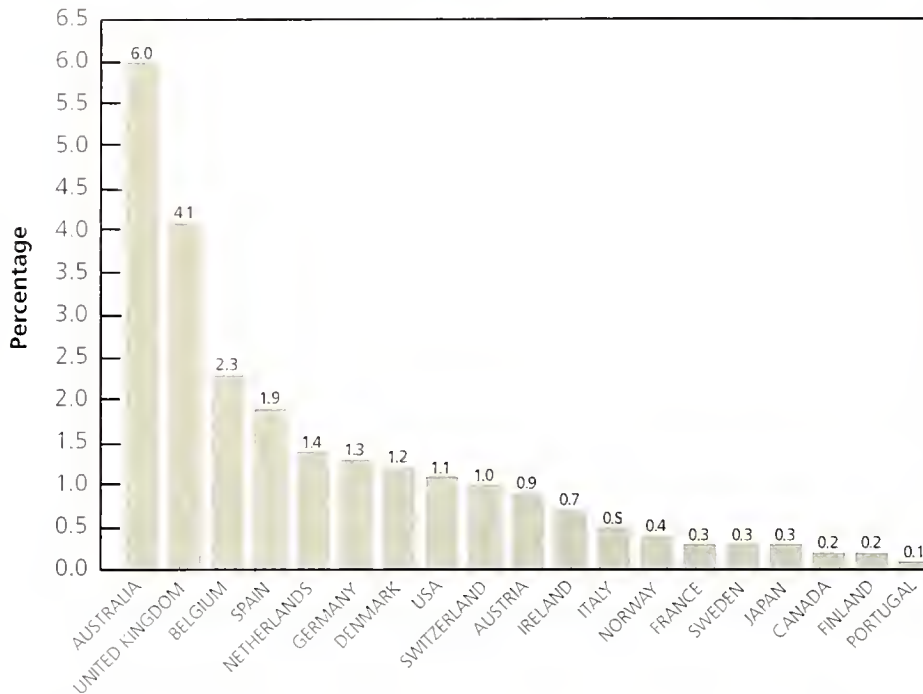
Figure 3. Rates of Cocaine Use, 19 Industrialized Nations, Mid and Late 1990s



Source: UNITED NATIONS OFFICE FOR DRUG CONTROL AND CRIME PREVENTION, GLOBAL ILLICIT DRUG TRENDS 2000 (Vienna, Aus.: UNODCCP, 2001). Data provided to author by Dr. Adrian Moicean.

Note: Data were not available for Japan.

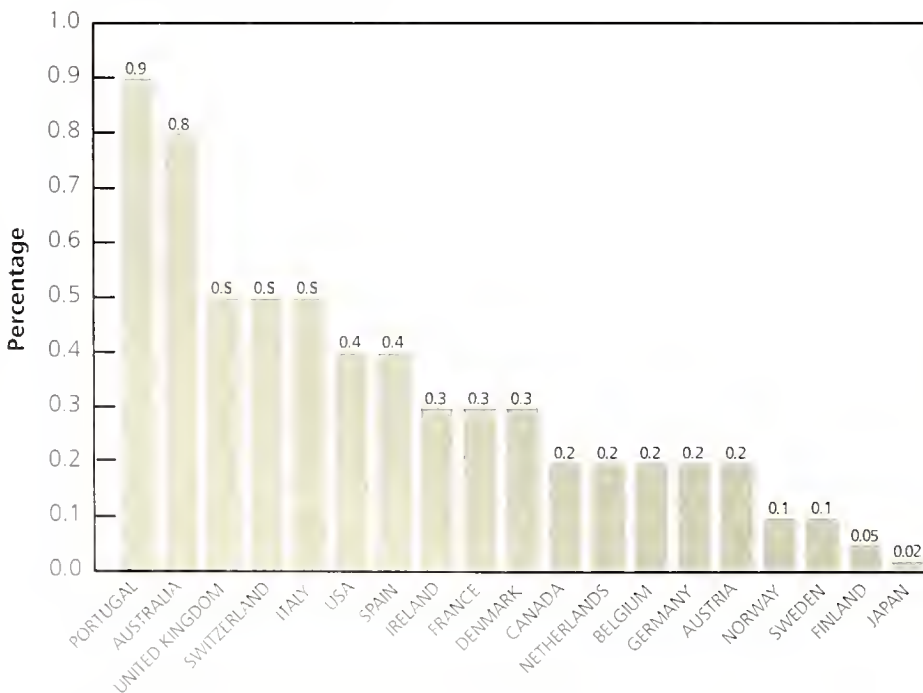
Figure 4. Rates of Amphetamine Use, 19 Industrialized Nations, Mid and Late 1990s



Source: UNITED NATIONS OFFICE FOR DRUG CONTROL AND CRIME PREVENTION, GLOBAL ILLICIT DRUG TRENDS 2000 (Vienna, Aus.: UNODCCP, 2001). Data provided to author by Dr. Adrian Moicean.

Note: The data include rates of use of amphetamine-type stimulants such as ecstasy.

Figure 5. Rates of Opiate Use, 19 Industrialized Nations, Mid and Late 1990s



Source: UNITED NATIONS OFFICE FOR DRUG CONTROL AND CRIME PREVENTION, GLOBAL ILLICIT DRUG TRENDS 2000 (Vienna, Aus.: UNODCCP, 2001). Data provided to author by Dr. Adrian Moicean.

ingly severe toward crime in general. While the total U.S. prison population has grown, the number of people incarcerated for drug offenses has grown more rapidly (see Figure 7, page 14). From 1980 to 1996, the total population locked up for four types of offenses grew from an index of 100 to an index of 350—in other words, it increased by 250 percent. Over the same period, the number incarcerated for violent offenses increased more slowly (by 182 percent) than the total, as did the number incarcerated for property offenses (by 165 percent). The number in prison for offenses against public order grew faster than the total (by 467 percent). But by far the greatest growth was in the drug offense category, which increased by 1,132 percent. The result of this disproportionate growth was that, from 1980 to 1996, drug offenders' share of the total population in state prisons grew from 5 to 23 percent, while the share of violent and property offenders declined (see Figure 8, page 16).<sup>43</sup>

In North Carolina the criminal justice system's response to drugs has followed the national trend. From 1980 to 1998, the number of people arrested for drug crimes grew from 16,858 to 42,131, an increase of 150 percent, according to the State Bureau of Investigation. Meanwhile, from 1980 to 1999, imprisonment of drug offenders increased. While the state's prison population doubled, from 15,479 to 31,333, the number imprisoned for drug crimes increased sixfold, from 720 to 4,512. Drug offenders' share of the total prison population nearly tripled, from 5 percent in 1980 to 14 percent in 1999.<sup>44</sup>

There appear to be no data that compare international rates of incarceration specifically for drug offenses. However, it seems likely that the rate of incarceration for drug offenses is quite high in the United States because the country's overall rate of incarceration (for all offenses) is so high and is increasing so rapidly. In 1995 the United States had nearly 1.6 million people in state and federal prisons and jails serving sentences for crimes, or in local jails, producing an incarceration rate of 600 inmates per 100,000 residents. In the same year, according to Marc Mauer's recent survey, incarceration rates of other highly industrialized nations—Canada,

Table 3. Residents Using Illegal Drugs during Last Year, 19 Highly Industrialized Nations, Mid and Late 1990s

Country	Cannabis (Marijuana and Hashish) (%)	Cocaine (%)	Amphetamine- Type Stimulants, Including Ecstasy (%)	Opiates (%)
USA	8.6*	1.7	1.1	0.4
Canada	7.4	0.7	0.2	0.2
United Kingdom	9.0	1.0	4.1	0.5
Switzerland	8.5	1.0	1.0	0.5
Ireland	7.9	0.7	0.7	0.3
Spain	7.6	1.7	1.9	0.4
Netherlands	5.2	0.7	1.4	0.2
Belgium	5.0	0.5	2.3	0.2
France	4.7	0.2	0.3	0.3
Italy	4.6	0.6	0.5	0.5
Germany	4.1	0.6	1.3	0.2
Denmark	4.0	0.3	1.2	0.3
Norway	3.8	0.3	0.4	0.1
Portugal	3.7	0.6	0.1	0.9
Austria	3.0	0.5	0.9	0.2
Finland	2.5	0.2	0.2	0.05
Sweden	1.0	0.2	0.3	0.1
Australia	17.9	1.4	6.0	0.8
Japan	0.05	n/a	0.3	0.02

Source: UNITED NATIONS OFFICE FOR DRUG CONTROL AND CRIME PREVENTION, GLOBAL ILLICIT DRUG TRENDS 2000 (Vienna, Aus.: UNODCCP, 2001). Data provided to author by Dr. Adrian Moicean.

Note: The age range of people surveyed varies. Most nations' surveys cover people aged 15 and older. The U.S. survey includes people aged 12 and older with regard to cannabis, cocaine, and opiates; most others are limited to people aged 18 and older.

\*This figure is from UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, SUMMARY OF FINDINGS FROM THE 1998 NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE 91, tbl. 28 (Washington, D.C.: USDHHS, 1999). The U.N. publication reported 12.3 percent.

Spain, England and Wales, France, Germany, Switzerland, the Netherlands, Norway, and Japan—were much lower, ranging from 37 to 115. By the end of 1999, nearly 1.9 million persons were in U.S. prisons and jails, and the incarceration rate had reached 690,<sup>45</sup> reflecting both increasing arrests and increasingly severe legislation.

#### Source-Country Control

Source-country control, another federal government policy, refers to trying to reduce the production of drugs in other countries. This policy, which is carried out with the help of foreign military forces and law enforcement agencies, has significant social and environmental consequences, as illustrated by the *New York Times* report concerning cocaine

eradication in Colombia, discussed at the beginning of this article.

#### Expenditure and Effectiveness

The commitment of U.S. drug policy to punishment is evident in public expenditures. According to research reviewed by Robert MacCoun and Peter Reuter, in the mid-1990s, two-thirds of the federal government's \$16 billion expenditure on drug use control went to supply-reduction programs such as attempts to cut off supplies from other countries, rather than to demand-reduction programs such as treatment or prevention. State and local governments devoted 75 to 80 percent of their \$18 billion expenditures to policing, prosecution, and corrections.

This tough policy of increased prosecution and incarceration has not reduced

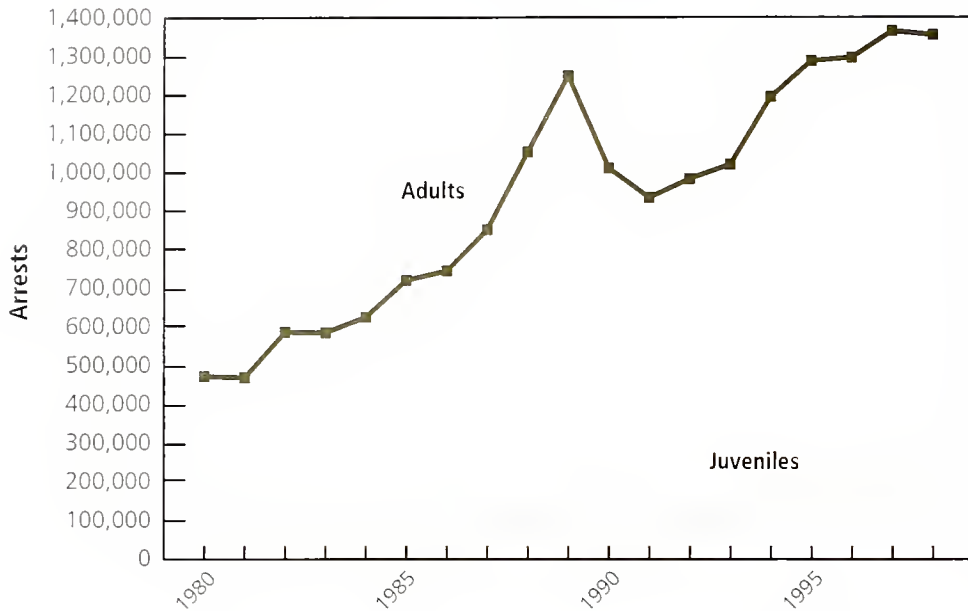
the supply of illicit drugs, according to MacCoun and Reuter. Although the probability that a seller of cocaine or heroin will be incarcerated has increased sharply since 1985, prices of these drugs have not risen, nor has their availability declined.<sup>46</sup>

In recent years, support has grown for a government policy of treating drug-dependent people instead of, or perhaps in addition to, locking them up for drug offenses. California's Proposition 36, approved by the voters in 2000, formally adopts a policy of treatment in lieu of incarceration (see sidebar, page 15).

#### Racial Disparity in Drug Law Enforcement

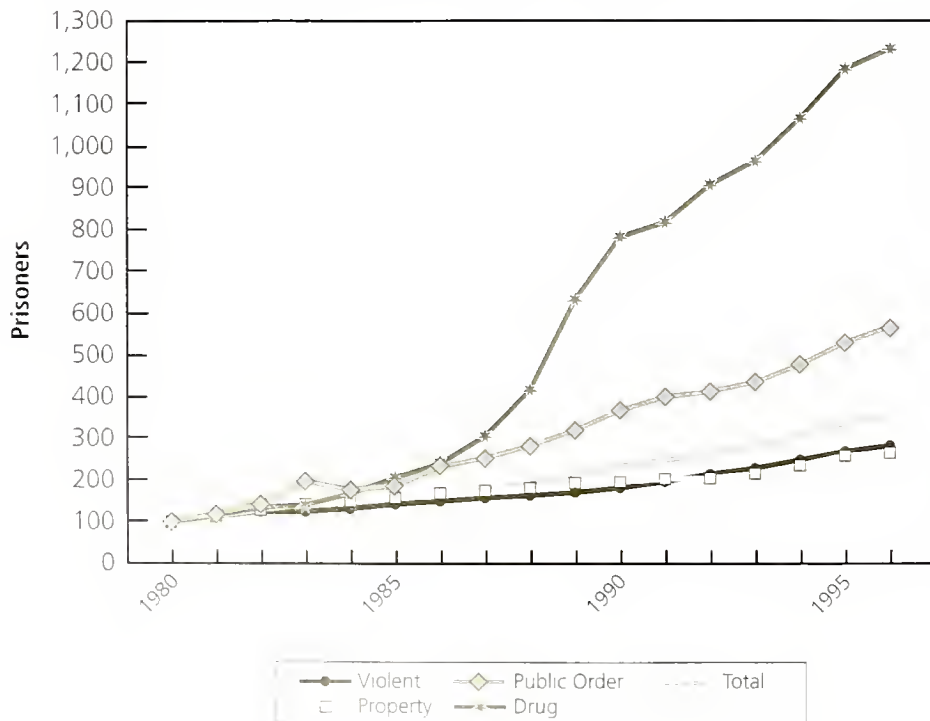
The United States' emphasis on punishment for drug use affects minorities disproportionately. Although racial dispar-

Figure 6. Arrests of Adults and Juveniles for Drug Offenses, United States, 1980–98



Source: UNITED STATES DEP'T OF JUSTICE, FEDERAL BUREAU OF INVESTIGATION, UNIFORM CRIME REPORTS (Washington, D.C.: FBI, 1981–99).

Figure 7. Growth of Four Categories of Prisoners in State Prisons, Relative to Number in 1980



Source: UNITED STATES DEP'T OF JUSTICE, BUREAU OF JUSTICE STATISTICS, CORRECTIONAL POPULATIONS IN THE UNITED STATES, 1996, at 6, tbl. 1.13 (Washington, D.C.: USDO, 1997).

Note: An index value of 100 is assigned to 1980.

ity is seen in prosecution of other crimes, it is especially evident with regard to drug crimes. This is another problem for supporters of the nation's present drug policy to address.

For all types of criminal offenses in 1999, the national arrest rate was 7,459 per 100,000 black residents and 2,797 per 100,000 white residents. The black-to-white ratio—the ratio of the black per capita rate to the white per capita rate—was 2.7 to 1. For drug offenses the arrest rate was 1,015 per 100,000 black residents and 285 per 100,000 white residents, for a black-to-white ratio of 3.6 to 1.<sup>47</sup> (See Table 4, page 17.)

The data for North Carolina are similar. In 1998, according to the State Bureau of Investigation, for all offenses the arrest rate per 100,000 residents was 15,347 for blacks and 4,549 for whites, producing a black-to-white ratio of 3.4 to 1. For drug offenses the arrest rate was 1,429 for blacks and 313 for whites, producing a ratio of 4.6 to 1.<sup>48</sup>

The higher arrest rate for blacks might be understandable if blacks had a much higher rate of illicit drug use than whites and if one assumed that blacks tended to buy drugs from black sellers. But, according to the NHSDA, blacks' use is very close to that of whites. In 1999, 7.7 percent of blacks were current users of all types of illicit drugs, compared with 6.6 percent of whites.<sup>49</sup>

Incarceration for drug offenses involves greater racial disparity than arrest. In 1998 in the nation as a whole, among prisoners in state prisons serving a sentence of more than a year, the incarceration rate for all types of offenses was 1,542 per 100,000 black residents and 171 per 100,000 white residents—a ratio of 9.0 to 1. The black-to-white disparity was twice as high for drug offenses: 392 per 100,000 for blacks and 21 per 100,000 for whites, a ratio of 18.7 to 1. (See Table 4.)<sup>50</sup>

In North Carolina, among all prisoners in state prison at the end of 1999 regardless of sentence length, there were 19,792 black inmates and 10,255 white inmates. This works out to incarceration rates of 1,174 per 100,000 for black residents and 178 per 100,000 for white residents, yielding a black-to-white ratio of 6.6 to 1. Among drug law offenders only, there were 3,566 black inmates and 682 white



## CALIFORNIA'S PROPOSITION 36

In November 2000, California's voters approved a ballot initiative known as Proposition 36. Its stated purposes are as follows:<sup>1</sup>

- (a) *To divert from incarceration into community-based substance abuse treatment programs nonviolent defendants, probationers and parolees charged with simple drug possession or drug use offenses;*
- (b) *To halt the wasteful expenditure of hundreds of millions of dollars each year on the incarceration—and reincarceration—of nonviolent drug users who would be better served by community-based treatment; and*
- (c) *To enhance public safety by reducing drug-related crime and preserving jails and prison cells for serious and violent offenders, and to improve public health by reducing drug abuse and drug dependence through proven and effective drug treatment strategies.*

At the heart of the measure is a requirement that a person convicted of a nonviolent drug-possession offense receive probation with treatment rather than imprisonment. The person must complete a licensed or certified treatment program for drug dependency lasting no more than a year. If the person is found not to be amenable to one program, the court may substitute another program. If no form of treatment proves suitable or if the person commits drug-related probation violations (such as a new nonviolent drug-possession offense), the court may revoke probation and imprison the person. If a drug-related probation violation occurs, the court also has the option of intensifying or altering the treatment plan and continuing probation, unless it finds that the person is either dangerous to public safety or not amenable to any form of treatment.<sup>2</sup> If the person successfully completes treatment, the court may dismiss the charges.

Proposition 36 excludes any person convicted of sale, possession for the purpose of sale, or manufacture of illicit drugs. The measure also excludes the following people:

- A person who possesses methamphetamines, cocaine, heroin, or certain other drugs while using a firearm

- A person who refuses drug treatment as a condition of probation
- A person who has previously received two convictions for nonviolent drug possession as well as two separate courses of drug treatment under the measure, and whom the court finds not to be amenable to any available drug treatment (the court must sentence such a person to at least thirty days in jail, apart from any other provision of law)

Thus the measure provides a carrot as well as a stick. The stick is the minimum thirty-day imprisonment for a third conviction after going through treatment for two previous ones, plus the possibility of revocation of probation at all times. The carrot is the possibility of dismissal of charges. But the real incentive for the person is recovery from drug dependency.

Proposition 36 provides funding for its treatment scheme. It creates a Substance Abuse Treatment Trust Fund in the State Treasury, appropriating \$60 million to it for 2000–2001 and \$120 million annually through 2005–6. The measure also respects the role of local government. The state's Health and Human Services Agency is to distribute these funds to counties for treatment programs, as well as to the courts and the probation department for their associated costs. Local treatment programs must abide by local government zoning ordinances and development agreements.

The legislature's fiscal analysis estimates that Proposition 36 will divert as many as 24,000 offenders from state prison within several years after it goes into effect, saving \$200 million annually; plus as many as 12,000 offenders from county jails, saving \$40 million annually. For more information on Proposition 36, visit the League of Women Voters' Internet site at <http://www.smartvoter.org/2000/11/07/ca/state/prop/36/>.

### Notes

1. Substance Abuse and Crime Prevention Act of 2000, 2000 Cal. Legis. Serv. Prop. 36 (WESTLAW).

2. Probation also may be revoked for non-drug-related violations such as committing a new crime or violating a non-drug-related condition of probation.

inmates, producing an incarceration rate of 211 per 100,000 for black residents and 12 per 100,000 for white residents, and a black-to-white ratio of 17.6 to 1.<sup>51</sup>

### Treatment Needs of Drug Law Offenders

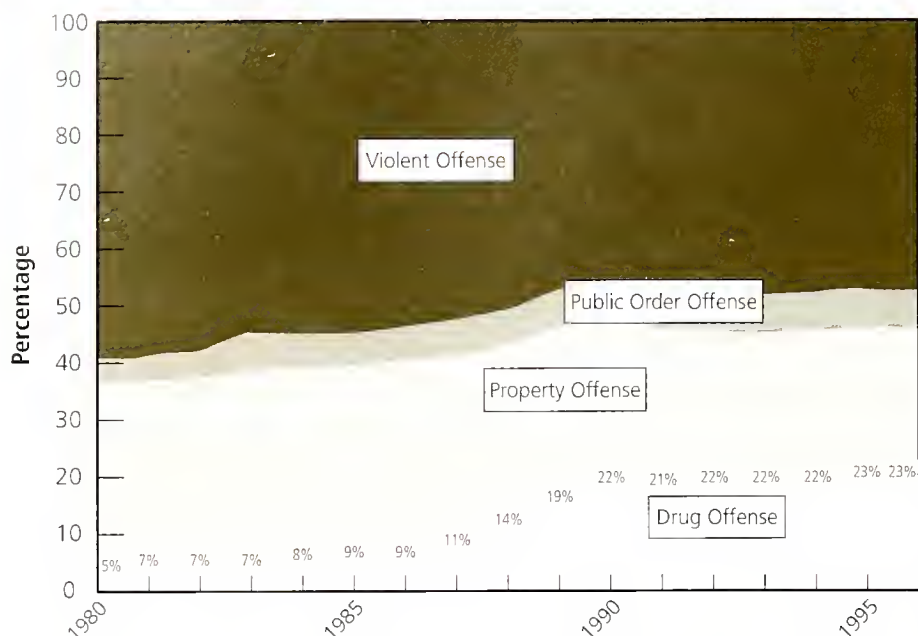
Part of the rationale for drug law enforcement in the United States is to catch and punish "drug pushers" and "drug

kingpins," who victimize other people while enriching themselves. But many drug lawbreakers, including sellers, are themselves dependent on drugs. This is evident in urinalysis to detect recent drug use, conducted in samples of people arrested and held in detention up to forty-eight hours in thirty-five metropolitan areas across the country (none in North Carolina).<sup>52</sup> In some cities of the

South, a majority of people arrested on drug charges have tested positive for illegal drugs of one kind or another.<sup>53</sup>

Many people sentenced for crimes of all kinds, and specifically for drug crimes, are drug users. In a 1997 survey of state prisoners incarcerated for all types of crimes, 33 percent reported being under the influence of illicit drugs at the time of their offense, 37 percent being under the

Figure 8. Composition of State Prison Population by Most Serious Offense, 1980–96



Source: UNITED STATES DEP'T OF JUSTICE, BUREAU OF JUSTICE STATISTICS, CORRECTIONAL POPULATIONS IN THE UNITED STATES, 1996, at 6, tbl. 1.13 (Washington, D.C.: USDOJ, 1997).

Note: The data omit juvenile offenses and unspecified felonies.

influence of alcohol, and 53 percent being under the influence of both.<sup>54</sup> Of prisoners serving time for drug crimes, 42 percent reported being under the influence of illicit drugs at the time of their offense, 27 percent being under the influence of alcohol, and 52 percent being under the influence of both. In a survey of people placed on probation for drug crimes in 1995, 32 percent reported drug use at the time of the offense, 16 percent alcohol use, and 38 percent use of both.<sup>55</sup>

The widespread use of drugs by offenders does not excuse their violation of criminal laws. It does suggest a need for treatment to prevent criminal recidivism (a relapse into previous behavior) caused by drug dependency. But many drug-dependent offenders receive no treatment. Christopher Mumola, in a survey of state prisoners, found that among those who said they had been influenced by drugs or alcohol at the time of their offense, only 17 percent had received treatment (such as treatment in a residential facility, professional counseling, detoxification, or a maintenance drug) since admission to prison. Thirty-five percent had participated in other programs such as self-help groups. A total of 41 percent had been in treatment or other programs or both since admission.

A majority had never received any treatment for drug use either before or after being in prison.<sup>56</sup>

As noted earlier, the lack of treatment for convicted drug users has led California to adopt a new policy requiring treatment rather than imprisonment for certain offenders.

### How effective is treatment of drug dependency, and how does treatment compare with other ways of reducing drug use?

#### Prevention versus Treatment

Most readers will probably agree that it is better to prevent illicit drug use, concentrating efforts on children and youth, than to deal with it after it has occurred. But there also seems to be a continued need for treatment of those who have become dependent on drugs. Whatever the merits of prevention programs, they have been unable to thwart an increase in drug use among teenagers and young adults in the last decade. This increase, as explained earlier, may indicate only youthful experimentation. In any event, use by older adults seems to have remained at the same level.

#### Effectiveness of Treatment

There has been much research on the effectiveness of various forms of treatment for drug dependency. The results are promising, although questions about them remain. Cocaine dependency provides an example. Several types of treatment have shown a drop in cocaine use during and after treatment. According to a review by Robert Hubbard and others, among cocaine users who managed to stay in treatment for at least three months, 40 percent or more abstained from cocaine for a year after treatment. The percentage who were heavy users (those who used it once a week) dropped during treatment, although it increased afterward. The longer users stayed in treatment, the more their drug use was reduced.<sup>57</sup>

These results sound good—people treated at least three months are able to reduce their cocaine use, at least for a while. However, many dependent users do not enter treatment, and many who enter drop out before they complete it. Therefore those who complete three months of treatment may be able to reduce their use without treatment.<sup>58</sup> One cannot be sure because most evaluative studies do not use a control group (that is, an untreated group similar to the treated group). Douglas Anglin and Yih-Ing Hser make this point:

*In the absence of a control group, it is difficult to determine whether unanticipated bias occurred in selecting the subjects for study, and whether the resulting experimental group is sufficiently representative for generalizations to be made about the outcome findings. Furthermore, without comparison groups, behavioral changes during and after treatment that result from the passage of time may wrongly be attributed to program activities.<sup>59</sup>*

What makes treatment evaluation even more difficult is that addiction is really a “career,” extending over years of varying levels of use, abstinence, and treatment. This calls for a research design that covers several years before and after treatment, as Anglin and Hser have pointed out.<sup>60</sup> Such research is difficult to carry out.

Despite concerns about research methodology, treatment has shown considerable promise. Leshner advises that

Table 4. Black-to-White Ratio of Per Capita Arrests and Incarcerations, 1998–99

		Black Total	White Total	Blacks per 100,000 Black Residents	Whites per 100,000 White Residents	Ratio of Black Rate to White Rate
<b>Arrests</b>						
U.S. 1999	All offenses	2,600,510	6,283,294	7,459	2,797	2.7 to 1
	Drug offenses only	353,851	639,277	1,015	285	3.6 to 1
N.C. 1998	All offenses	255,581	258,560	15,347	4,549	3.4 to 1
	Drug offenses only	23,797	17,807	1,429	313	4.6 to 1
<b>Prisoners in State Prison*</b>						
U.S. 1998	All offenses	531,100	380,400	1,542	171	9.0 to 1
	Drug offenses only	134,800	46,300	392	21	18.7 to 1
N.C. 1998	All offenses	19,792	10,255	1,174	178	6.6 to 1
	Drug offenses only	3,566	682	211	12	17.6 to 1
<b>Estimated Resident Population</b>						
U.S. 1998		34,427,000	222,980,000			
U.S. 1999		34,862,000	224,611,000			
N.C. 1998		1,665,368	5,683,891			
N.C. 1999		1,686,143	5,759,680			

Source: Arrest and incarceration data from UNITED STATES DEP'T OF JUSTICE, FEDERAL BUREAU OF INVESTIGATION, UNIFORM CRIME REPORTS, 1998, 1999, at tbl. 43 (Washington, D.C.: FBI, 1999, 2000); ALLEN J. BECK, PRISONERS IN 1999, at 9, tbl. 13 (Washington, D.C.: U.S. Dep't of Justice, Bureau of Justice Statistics, 2000). Estimated 1998 and 1999 population data from Census Bureau's Internet site, <http://www.census.gov/> (last visited March 2001).

\*Data for the United States include only prisoners serving sentences of more than one year. Data for North Carolina include all prisoners in state prisons.

treatment be expected not to *cure* addiction but to *manage* it. In most cases, he says, addiction is a "chronic, relapsing disorder" rather than an acute illness. Total abstinence is rare.

*Thus, addiction must be approached more like other chronic illnesses—such as diabetes and chronic hypertension—than like an acute illness, such as a bacterial infection or a broken bone. . . . [A] good treatment outcome, and the most reasonable expectation, is a significant decrease in drug use and long periods of abstinence, with only occasional relapses.*<sup>61</sup>

#### Reduction of the Demand: Treatment versus Other Means

Adult drug users, presumably, are the main source of demand fueling the illegal drug trade, supplying the profits that keep the cartels in business despite the risks. With the steady demand from the affluent United States, economic law guarantees that youth will have drugs available to experiment with, and a few

of these youth inevitably will become the next generation of dependent or addicted adults. Treatment of dependent adults may be essential to break this cycle.

As Peter Rydell and Susan Everingham explain, to reduce demand for illicit drugs, the best strategy may be to *reduce heavy use*. Their analysis focuses on cocaine. According to their calculations, in 1990 heavy cocaine users constituted about one-fifth of all users but accounted for about two-thirds of total cocaine consumption. To reduce the demand for cocaine, as they see it, the objective should be to help heavy users either quit altogether or become light users.<sup>62</sup>

Treatment of heavy users can be cost-effective, according to research reviewed by Rydell and Everingham. They estimate that, without treatment, 2 percent of heavy cocaine users become nonusers each year and another 4 percent become light users. In other words, a total of 6 percent cease being heavy users. With treatment, 13 percent more will cease being heavy users—that is, 13 percent in addition to the 6 percent who would cease in the absence of treatment. Rydell and Evering-

ham's data indicate that, at the time of their publication (1994), only about one-third of heavy users received treatment.<sup>63</sup>

Rydell and Everingham conclude that, on average, "treatment programs are about 80 percent effective at keeping users off cocaine while they are actually in the program" but the effect usually does not last. After treatment is completed, there is much less of an effect (and, of course, many participants leave treatment before completing it). Eighty percent of the reduction in consumption of cocaine attributable to treatment occurs while users are in treatment and only 20 percent after treatment.<sup>64</sup>

Even though its effects may not be lasting, treatment does reduce cocaine use. Involving more heavy users in treatment and treating them for longer periods both could have a substantial impact on total demand for cocaine. Furthermore, treatment is considerably more cost-effective than other programs to reduce cocaine consumption, according to Rydell and Everingham. They compare four types of programs: source-country control (measures such as eradication of

coca leaf and seizures of coca products in Colombia, Peru, and Bolivia); interdiction efforts (actions such as seizures by the U.S. Customs Service, Coast Guard, Army, and Immigration and Naturalization Service); domestic law enforcement efforts (for example, seizures, arrests, and imprisonment); and treatment of heavy drug users. The last is by far the most cost-effective, according to their analysis. Their estimates of the cost of a 1 percent reduction in annual cocaine consumption for four programs are as follows: source-country control, \$783 million; interdiction, \$366 million; law enforcement efforts within the United States, \$246 million; and treatment of heavy users in the United States, \$34 million.<sup>65</sup>

## Summary and Conclusions

Half of the adults in the United States experiment with illicit drugs at some point in their lives, usually in their teens or early twenties, but most stop as they get older. Drug use exposes the user to the risk of addiction and other health hazards. Addiction harms not only the addict but the public, in a variety of ways. Addiction to illicit drugs contributes to crime, primarily to property crime, although that relationship is largely due to the criminalization of drug activity.

From an international perspective, illicit drug use in the United States is a mixed picture. The use of cocaine and cannabis in the United States is high compared with that in other highly industrialized nations. On the other hand, this country's use of amphetamines is relatively low, and its use of opiates is in the middle of the range for these other nations. North Carolina's rate of drug use by teenagers is rather high, ranking in the top fifth among states.

Some recent trends in illicit drug use are troubling. One example is the increase in drug-related medical emergencies reported by hospitals, although perhaps that means only that more users are seeking help. Another example is that, among teenagers and young adults in their early twenties, use of illicit drugs of all kinds (but primarily marijuana) increased during the 1990s. Use among older adults did not increase. The increase among young people could be due to one-time experimentation, but it also

could eventually result in an increase in heavy users if more experimenting users become dependent.

Addiction to drugs may be regarded either as immoral or as unhealthy and harmful. In the history of drug policy in the United States, the "immoral" view has been dominant, leading to a more punitive and military-oriented approach than is seen in other highly industrialized nations. This approach has been particularly evident in the last two decades as the criminal justice system, in the war on drugs, has increased sixfold the number of people imprisoned for drug crimes and as the government has pursued various schemes to reduce foreign drug production, such as helping Colombia's army defoliate farmers' fields. Another result of the war on drugs has been racial disparity. For example, on a per capita basis, almost five times as many blacks as whites are arrested for drug offenses in North Carolina, and nearly eighteen times as many are incarcerated. Similar ratios exist in the nation as a whole.

In 1965, Lindesmith concluded that the punitive approach had not succeeded in eliminating illicit drugs, and he observed,

*[I]t is inconceivable that the illicit traffic in narcotics would be wiped out by police action unless something were done to eliminate or greatly reduce the demand for illicit drugs. The effective demand for illicit narcotics obviously comes from the addict. To reduce the demand it is necessary to take the addict out of the market (a) by curing him of his craving, (b) by locking him up in establishments to which peddlers do not have access, or (c) by providing him with access to legal drugs.<sup>66</sup>*

Lindesmith believed that only approach (c) was "successful anywhere in minimizing illicit operations."<sup>67</sup> This is true—in fact, it is a truism—because legalizing means that access is no longer an illicit operation. There is much to be said for and against legalization of drugs, but it is beyond the scope of this article. I for one do not favor legalization. My inclination is to concentrate on reducing the harm caused by drug use as well as the harm caused by punitive policies.

Lindesmith also predicted, correctly, that "if there is to be a new program in this country in the near future, it will be based on the first two of the above alternatives [curing the craving and locking up users] and will reject the third [legalizing drugs]."<sup>68</sup> Since 1965, when these words were published, the country has aggressively locked up users and to a much lesser extent has provided treatment to cure the craving.

Treatment can help. The current view of medical science is that addiction is a chronic illness involving both physical components (such as changes in the brain) and psychological and social components (such as sensitivity to certain conditions or events in the addict's surroundings that cause relapses). Research findings suggest that treatment can help to manage and alleviate drug dependency, if not cure it.

Many who are dependent on or addicted to illicit drugs, probably a majority, do not get treatment. A substantial percentage of people arrested and imprisoned for crime, especially for drug offenses, are under the influence of drugs at the time of the crime. Many of these will leave prison in a short time or be free on probation, yet the majority do not receive treatment at any time in their lives. As noted, California's voters recently decided to remedy this situation by mandating that drug-dependent offenders receive treatment as the first option, rather than incarceration.

Most readers would probably agree that continued efforts are needed to educate youth about the dangers of experimenting with illicit drugs. Youth drug use, particularly marijuana use, has increased during the past decade, probably because many teenagers don't think it risky, find marijuana easy to get, and have friends who use it.

While pursuing youth-focused prevention, the country also might be wise to concentrate on lessening drug consumption among heavy users. Heavy users of cocaine, for example, constitute a small proportion of all users but account for the bulk of total consumption. Therefore, targeting them can have a significant impact on the total demand for the drug, even if treatment is only partly effective. If the total demand can be reduced, arguably the supply available in

the United States will be lessened, making the drug less available to young people and preventing first use. Research suggests that treatment of heavy users is considerably more cost-effective than other ways of reducing drug consumption, such as law enforcement and source-country control.

## Notes

1. Juan Forero, *No Crops Spared in Colombia's Coca War*, NEW YORK TIMES, Jan. 31, 2001, p. 1.

2. The National Institute on Drug Abuse defines "ecstasy" as follows: "MDMA (3,4-methylenedioxymethamphetamine) has a chemical structure similar to the stimulant methamphetamine and the hallucinogen mescaline and can produce both stimulant and psychedelic effects. Reportedly, MDMA's psychedelic effects are milder than those produced by hallucinogens such as LSD [lysergic acid diethylamide] and mescaline. MDMA has been available as a street drug since the 1980s. Its use has escalated in the 1990s among college students and young adults, particularly those who participate in all-night dance parties called 'raves.' MDMA's street names include 'ecstasy,' 'XTC,' 'clarity,' 'essence,' and 'Adam.'" *NIDA Notes* (newsletter of the National Institute on Drug Abuse), vol. 14, no. 4 (Nov. 1999), available at the institute's Internet site, [http://www.nida.nih.gov/NIDA\\_Notes/NNVo114N4/tearoff.html](http://www.nida.nih.gov/NIDA_Notes/NNVo114N4/tearoff.html) (last visited May 16, 2001).

3. A more precise definition of "dependence," used by the National Household Survey on Drug Abuse, is based on seven standard criteria used by physicians and psychologists. These criteria deal with health, emotional problems, attempts to cut down on use, tolerance, withdrawal, and other symptoms associated with drug use. UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, SUMMARY OF FINDINGS FROM THE 1999 NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE § 2.6 (Washington, D.C.: USDHHS, 2000), hereinafter cited as NHSDA, 2000.

4. NHSDA, 2000. This information also is available through the Office of Applied Studies' Internet site, <http://www.samhsa.gov/oas/oasftp.htm>.

5. LLOYD D. JOHNSTON ET AL., THE MONITORING THE FUTURE NATIONAL RESULTS ON ADOLESCENT DRUG USE: OVERVIEW OF KEY FINDINGS, 1999 (Bethesda, Md.: U.S. Dep't of Health and Human Serv., Nat'l Inst. on Drug Abuse, 2000). This information also is available through the survey's Internet site, <http://monitoringthefuture.org>.

6. The results of the most current study are available on the Department of Public

Instruction's Internet site, [http://www.dpi.state.nc.us/accountability/evaluation/youth\\_risk\\_behavior/high\\_school\\_97](http://www.dpi.state.nc.us/accountability/evaluation/youth_risk_behavior/high_school_97) (last visited May 14, 2001). This confidential survey is conducted by the Evaluation Section of the Division of Accountability Services, Department of Public Instruction. The survey has been done only for 1993, 1995, and 1997. In 1997 the sample was 2,340 students in thirty-nine randomly selected schools.

7. UNITED STATES DEP'T OF JUSTICE, NAT'L INST. OF JUSTICE, ARRESTEE DRUG ABUSE MONITORING PROGRAM, 1998 ANNUAL REPORT ON DRUG USE AMONG ADULT AND JUVENILE ARRESTEES (Washington, D.C.: USDOJ, 1999), hereinafter cited as ADAM, 1999.

8. The data do not include emergencies resulting from taking medications as prescribed or from accidentally ingesting or inhaling a substance. To be included in DAWN, the patient must be six years of age or older, be treated in a hospital's emergency department, and present a problem induced by or related to drug use regardless of when the drug use occurred. Furthermore, the episode must involve either the use of an illicit drug or the use of a legal drug or other substance contrary to directions, and the patient's reason for using the drug must be dependence, an attempt to commit suicide, or a desire to obtain the psychic effects of the drug. UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., MID-YEAR 1999 PRELIMINARY EMERGENCY DEPARTMENT DATA FROM THE DRUG ABUSE WARNING NETWORK 6 (Washington, D.C.: USDHHS, Mar. 2000).

9. Alan I. Leshner, *Addiction Is a Brain Disease, and It Matters*, SCIENCE, Oct. 3, 1997, p. 45.

10. *Id.* at 45-46.

11. As an example of environment, Leshner cites the Vietnam War, in which many American soldiers became addicted to heroin. When these soldiers returned home, treating them proved much easier than treating people who became addicts "on the streets of the United States." The returning veterans "had become addicted while in a setting almost totally different from the one to which they had returned. At home in the United States, they were exposed to few of the conditioned environmental cues that had initially been associated with their drug use in Vietnam." *Id.* at 46.

12. NHSDA, 2000, tbls. G.9, G.12.

13. JOHNSTON ET AL., MONITORING THE FUTURE NATIONAL RESULTS tbl. 2. Injection of drugs and use of heroin are two other indicators of heavy or dependent use. According to the NHSDA, in 1998 only 1.1 percent of 26- to 34-year-olds said that they had injected themselves with drugs at some time in their lives, and only 0.9 percent said that they had smoked or snorted heroin. UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, SUMMARY

OF FINDINGS FROM THE 1998 NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE 104, tbl. 40B (Washington, D.C.: USDHHS, 1999), hereinafter cited as NHSDA, 1999.

14. NHSDA, 2000, § 2.1.

15. *Id.* at § 2.6.

16. Of the 15,024 new AIDS cases in 1998 attributed to injection of drugs, 74 percent were directly due to injection. The rest were indirectly due to injection—for example, through having sexual relations with intravenous drug users. This information is published by the CDCP at [http://www.cdc.gov/nchstp/hiv\\_aids/pubs/facts/idu.pdf](http://www.cdc.gov/nchstp/hiv_aids/pubs/facts/idu.pdf) (last visited May 14, 2001).

17. URBAN DELINQUENCY AND SUBSTANCE ABUSE: TECHNICAL REPORT (David Huizinga et al. eds.) 5-9 (Washington, D.C.: U.S. Dep't of Justice, Office of Juvenile Justice and Delinquency Prevention, 1993).

18. ADAM, 1999, at 3.

19. NHSDA, 2000, tbl. G.70. In these statistics, youth who reported *attempting* to steal are included with those who reported actually stealing.

20. Jan M. Chaiken & Marcia R. Chaiken, *Drugs and Predatory Crime*, in DRUGS AND CRIME (Michael Tonry & James Q. Wilson eds.), vol. 13 of CRIME AND JUSTICE: A REVIEW OF RESEARCH, 203-39, 205 (Chicago: Univ. of Chicago Press, 1990). In "predatory crime" the authors include offenses committed for material gain, such as larceny, burglary, and robbery, and exclude assaultive crimes unrelated to robbery or burglary as well as consensual crimes such as prostitution.

21. "Index" crimes, as defined by the FBI's UNIFORM CRIME REPORTS, include homicide, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft.

22. URBAN DELINQUENCY (Huizinga et al. eds.), at 5-23.

23. Paul J. Goldstein, *The Relationship between Drugs and Violence in the United States of America*, in UNITED NATIONS INT'L DRUG CONTROL PROGRAMME, WORLD DRUG REPORT 116-21 (New York: Oxford Univ. Press, 1997); and *The Drugs/Violence Nexus: A Tripartite Conceptual Framework*, 85 JOURNAL OF DRUG ISSUES 493 (Fall 1985).

24. See Stevens H. Clarke, *Murder in North Carolina*, POPULAR GOV'T, Summer 1995, p. 2; *At Last, Some Good News about Violent Crime*, POPULAR GOV'T, Summer 1998, p. 2.

25. NHSDA, 2000, "Highlights."

26. The NHSDA defines "binge drinking" as consumption of five or more drinks on the same occasion. The numbers discussed here refer to binge drinking during the month preceding the survey.

27. The data in this and the next few paragraphs come from NHSDA, 2000, and from UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, TRENDS IN THE INCIDENCE OF DRUG

USE IN THE UNITED STATES, 1919–1992 (Washington, D.C.: USDHHS, 1996). The information also is available through the Substance Abuse and Mental Health Services Administration's Internet site, <http://www.samhsa.gov>. The NHSDA publication provides data for 1979, 1985, and 1991 but not for intervening years; therefore only these years appear in Figure 1. From 1991 to 1999, yearly data are available.

28. Cocaine data, however, are less reliable than marijuana data because cocaine use is comparatively rare. For the population aged twelve and older, current cocaine use remained at approximately 1 percent from 1991 through 1999.

29. JOHNSTON ET AL., THE MONITORING THE FUTURE NATIONAL RESULTS, at 22. The researchers attribute the rise in heroin use to more smoking or snorting of heroin, rather than to increased injecting. The former has been made possible by the growing purity of heroin available to users.

30. The results of the most current study are available on the Department of Public Instruction's Internet site, [http://www.dpi.state.nc.us/accountability/evaluation/youth\\_risk\\_behavior/high\\_school\\_97](http://www.dpi.state.nc.us/accountability/evaluation/youth_risk_behavior/high_school_97) (last visited May 14, 2001).

31. NHSDA, 2000, "Highlights."

32. For the results of the most current study, see [http://www.dpi.state.nc.us/accountability/evaluation/youth\\_risk\\_behavior/high\\_school\\_97](http://www.dpi.state.nc.us/accountability/evaluation/youth_risk_behavior/high_school_97) (last visited May 14, 2001).

33. UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., CENTERS FOR DISEASE CONTROL AND PREVENTION, MORTALITY AND MORBIDITY WEEKLY REPORT, SURVEILLANCE SUMMARIES, YOUTH RISK BEHAVIOR SURVEILLANCE—UNITED STATES 1999, vol. 49 (SS05), tbl. 28 (Washington, D.C.: USDHHS, June 9, 2000). This information also is available on the CDCP Internet site, <http://www.cdc.gov/mmwr/preview/mmwrhtml/ss4905a1.htm> (last visited May 14, 2001).

34. All the data in this section come from UNITED STATES DEP'T OF HEALTH AND HUMAN SERV., SUBSTANCE ABUSE AND MENTAL HEALTH SERV. ADMIN., OFFICE OF APPLIED STUDIES, MID-YEAR 1999 PRELIMINARY EMERGENCY DEPARTMENT DATA FROM THE DRUG ABUSE WARNING NETWORK 79, tbl. 30 (Washington, D.C.: USDHHS, 2000).

35. An "episode" is a single emergency department visit involving one or more drugs.

36. A single incident may involve more than one drug.

37. The 8.6 percent comes from NHSDA, 1999, at 78, tbl. 6.

38. ALFRED LINDESMITH, THE ADDICT AND THE LAW (Bloomington, Ind.: Ind. Univ. Press, 1965).

39. Harrison Act, Pub. L. No. 223, 38 Stat. 785 (1914).

40. This modest debut by the federal government into the regulation of drug use is

understandable if one recalls that in 1914 the federal government's role in the legal system, compared with the states' role, was considerably more limited than it is today.

41. Section 90-95(d)(2) of the North Carolina General Statutes (hereinafter G.S.) makes simple possession of cocaine a Class I felony. For a first offense when the offender has no criminal record, probation must be imposed, with a suspended prison term ranging from three to eight months. G.S. 15A-1340.17(c).

42. UNITED STATES DEP'T OF JUSTICE, FEDERAL BUREAU OF INVESTIGATION, UNIFORM CRIME REPORTS (Washington, D.C.: FBI, 1981–99).

43. UNITED STATES DEP'T OF JUSTICE, BUREAU OF JUSTICE STATISTICS, CORRECTIONAL POPULATIONS IN THE UNITED STATES, 1996, at 6, tbl. 1.13 (Washington, D.C.: USDOJ, 1997).

44. The arrest data come from NORTH CAROLINA DEP'T OF JUSTICE, STATE BUREAU OF INVESTIGATION, CRIME IN NORTH CAROLINA (Raleigh: SBI, 1980–2000), the prison data from NORTH CAROLINA DEP'T OF CORRECTION, ANNUAL STATISTICAL REPORT (Raleigh: NCDOC, 1980–2000). The 42,131 drug arrests in 1998 include 4,445 arrests of juveniles (people under eighteen years of age). At the time of this writing, arrest data by offense were unavailable for 1999.

45. ALLEN J. BECK, PRISONERS IN 1999, at 2, tbl. 1 (Washington, D.C.: U.S. Dep't of Justice, Bureau of Justice Statistics, 2000).

46. Robert MacCoun & Peter Reuter, *Interpreting Dutch Cannabis Policy: Reasoning by Analogy in the Legalization Debate*, SCIENCE, Oct. 3, 1997, pp. 47–52.

47. UNITED STATES DEP'T OF JUSTICE, FEDERAL BUREAU OF INVESTIGATION, UNIFORM CRIME REPORTS, 1999, at tbl. 43 (Washington, D.C.: FBI, 2000).

48. NORTH CAROLINA DEP'T OF JUSTICE, STATE BUREAU OF INVESTIGATION, CRIME IN NORTH CAROLINA 1998 (Raleigh: SBI, 1999).

49. NHSDA, 2000, at tbl. G.13.

50. BECK, PRISONERS IN 1999, at 9, tbl. 13. The per capita rates were computed using the Census Bureau's estimated 1998 population data, available from <http://www.census.gov/> (last visited March 2001).

51. The prison data come from the North Carolina Department of Correction's Internet site, <http://www.doc.state.nc.us/rap/rapweb/web/reportgen.htm> (last visited May 15, 2001). The per capita rates were computed using Census Bureau data from <http://www.census.gov/> (last visited March 2001).

52. Drugs for which tests are performed are cocaine, marijuana, opiates, amphetamines, barbiturates, PCP (phencyclidine), and other substances. A person may test positive for more than one drug.

53. Here are some examples, considering only people arrested and charged with drug offenses. In Atlanta in 1998, 50 percent of men tested positive for cocaine, 50 percent for

marijuana, and 83 percent for any illegal drug. In Birmingham, 45 percent of men and 69 percent of women tested positive for cocaine; 49 and 39 percent, respectively, for marijuana; and 76 and 92 percent, respectively, for any drug. In Dallas, 41 percent of men and 28 percent of women tested positive for cocaine; 63 and 36 percent, respectively, for marijuana; and 90 and 52 percent, respectively, for any drug. ADAM, 1999.

54. CHRISTOPHER J. MUMOLA, SUBSTANCE ABUSE AND TREATMENT, STATE AND FEDERAL PRISONERS, 1997 (Washington, D.C.: U.S. Dep't of Justice, Bureau of Justice Statistics, 1999).

55. CHRISTOPHER J. MUMOLA & THOMAS P. BONCZAR, SUBSTANCE ABUSE AND TREATMENT OF ADULTS ON PROBATION, 1995 (Washington, D.C.: U.S. Dep't of Justice, Bureau of Justice Statistics, 1998).

56. MUMOLA, SUBSTANCE ABUSE.

57. The one-year abstinence rates were 47 percent for those treated in a residential program, 40 percent for those treated in an outpatient methadone program, and 42 percent for those treated in an outpatient drug-free program. ROBERT L. HUBBARD ET AL., DRUG ABUSE TREATMENT: A NATIONAL STUDY OF EFFECTIVENESS 108–09 (Chapel Hill, N.C.: The Univ. of N.C. Press, 1989).

58. Alternatively these results could simply show "regression to the mean." That is, people who enter and stay in treatment may be seeking treatment after a period of what, for them, is abnormally high drug use, and their "reduction" of use during or after treatment could simply be a return to their normal level of use.

59. M. Douglas Anglin & Yih-Ing Hser, *Treatment of Drug Abuse*, in DRUGS AND CRIME (Michael Tonry & James Q. Wilson eds.), vol. 13 of CRIME AND JUSTICE: A REVIEW OF RESEARCH, 393–460, 408 (Chicago: Univ. of Chicago Press, 1990).

60. *Id.* at 407.

61. Leshner, *Addiction*, at 46.

62. C. PETER RYDELL & SUSAN S. EVERINGHAM, CONTROLLING COCAINE: SUPPLY VERSUS DEMAND PROGRAMS 2, 17–27 (Santa Monica, Cal.: Drug Policy Research Center, RAND, 1994). Rydell and Everingham define "light users" as those who use cocaine less than once a week but at least once a year.

63. *Id.* The figure of 13 percent is a weighted average of the rate who leave heavy use after residential treatment (17 percent) and the rate who leave heavy use after outpatient treatment (12 percent).

64. *Id.* at 20–23.

65. *Id.* at 24. Rydell and Everingham cite HUBBARD ET AL., DRUG ABUSE TREATMENT, who suggest that three months is the shortest period of treatment that can have any effect on heavy users of cocaine.

66. LINDESMITH, THE ADDICT, at 62.

67. *Id.*

68. *Id.*

# Helping Small Businesses after Hurricane Floyd

*Scott Daugherty*



HARRY LYNCH / NEWS & OBSERVER

**O**n September 15, 1999, Hurricane Floyd struck the southeastern coast of North Carolina, near Wilmington. It was the second of two hurricanes that hit the coast in near succession that year. A month before, Hurricane Dennis had saturated the coastal region's rivers and streams. Floyd brought huge additional amounts of rain—upwards of 20 inches in a number of counties.

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The result was enormous damage to housing, crops, infrastructure, and business. The damage to business and agriculture alone was estimated at \$6 billion (see Figure 1, page 22), most of it attributed to heavy flooding.<sup>1</sup>

On September 16, at the request of Governor Jim Hunt, President Bill Clinton declared much of eastern North Carolina a major disaster area. This area eventually included 66 of the state's 100 counties. The Federal Emergency Management Agency (FEMA) categorized the economic impact of Floyd as severe in 12 counties, moderate in 14, and minor in

*In Hurricane Floyd's aftermath, flooding from the Tar River engulfs parts of downtown Rocky Mount, North Carolina.*

18, with negligible impact in the remaining disaster counties (see Figure 2, page 23). The 44 counties most affected became the focus of massive federal, state, and local recovery efforts.

Small businesses in the region were hardest hit. Of the approximately 96,000 businesses with employees in the region, more than 60,000 employed fewer than 100 people. Of these, nearly 60 percent

Figure 1. Hurricane Floyd-Related Losses

BUSINESS STRUCTURES

\$1 billion

BUSINESS REVENUES

\$4 billion

AGRICULTURAL LOSSES

\$1 billion

Source: REGIONAL DEV. SERV. ET AL., EAST CAROLINA UNIV., A SOCIO-ECONOMIC HURRICANE IMPACT ANALYSIS FOR COASTAL NORTH CAROLINA: HURRICANE FLOYD (Greenville, N.C.: Regional Dev. Serv., ECU, Nov. 12, 1999).

reported damage as a result of the hurricane.<sup>2</sup>

This article focuses on the disaster-recovery assistance to business undertaken by the state of North Carolina, the U.S. Small Business Administration (SBA), and the Small Business and Technology Development Center (SBTDC), a business development service of The University of North Carolina system (see sidebar below). This assistance began almost immediately after the hurricane and is ongoing.

The article looks first at the role and the importance of the small business sector in eastern North Carolina and the expected economic impact of Floyd. Next, it reports the steps taken from September through December 1999 to aid the business-recovery efforts. Then it describes a long-term initiative, begun in January 2000 and continuing today. The article closes with an assessment of the state's disaster-recovery efforts and recommendations for future undertakings.

## THE SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER: REACHING OUT TO NORTH CAROLINIANS

"Supporting the SBTDC is the best use of my state and federal tax dollars," says a client of the Small Business and Technology Development Center (SBTDC), a business development service of The University of North Carolina system. Most of the 70,000 past and present SBTDC clients agree.

The SBTDC started in 1984 in a single, small basement office at The University of North Carolina General Administration building in Chapel Hill. It now has more than seventy full-time associates and 250 to 300 graduate students (in business, law, and technology) in sixteen offices across North Carolina. In addition to assisting beleaguered companies after disasters like Hurricane Floyd (the subject of the main article), SBTDC employees regularly provide in-depth management counseling and educational services to

small and mid-sized businesses, to non-profit organizations, and to communities in all of North Carolina's 100 counties.

### SBTDC Services

SBTDC services are based on annual needs-assessment surveys and are strategically focused to meet clients' needs while achieving the greatest impact. The SBTDC focuses primarily on providing management counseling, addressing issues such as strategic positioning, financing, marketing, human resources, operations, business planning, and feasibility assessment. It also provides targeted, research-based educational products on change management, strategic performance, and leadership development for business owners and organization managers. Further, it undertakes a broad range of applied research projects on business and community needs, economic development, and ways of improving the entrepreneurial environment.

The ultimate goal of SBTDC services is to support the growth and development of North Carolina's economy. According

## Small Business in Eastern North Carolina

North Carolina is a small business state. Of its 370,000-plus businesses, more than 95 percent employ fewer than 100 people. These small firms account for nearly one-half of the state's private-sector employment and about one-half of the state's gross product. More important, firms employing fewer than 100 people have contributed about 75 percent of the state's net employment growth over the past decade.<sup>3</sup>

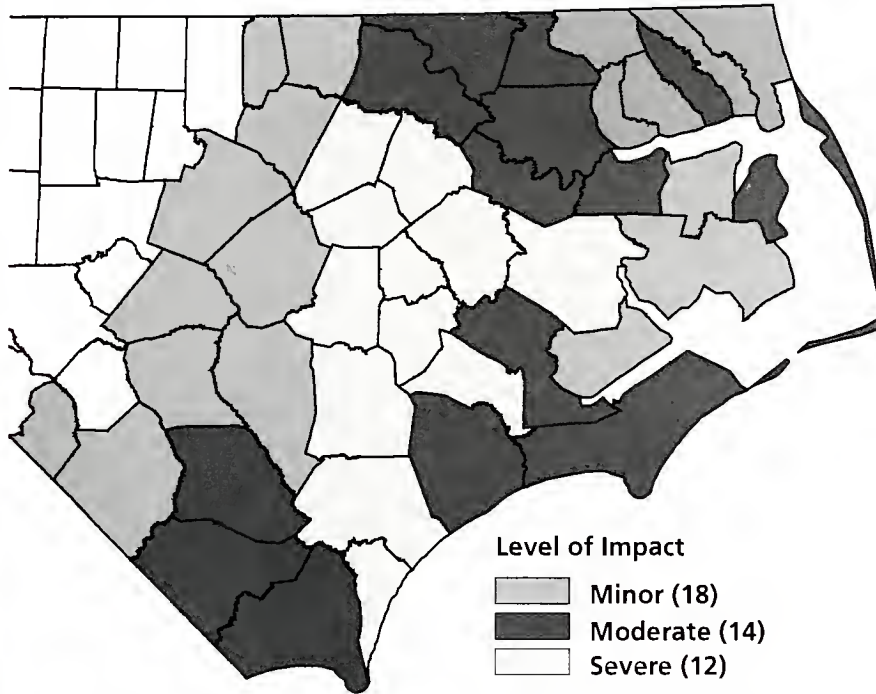
Eastern North Carolina's economy has generally lagged behind the state's economy, and the effects of Floyd are yet another setback to it. The region has had slower growth, higher unemployment, lower per capita income, and a heavier dependence on agriculture and traditional industries than the state's metropolitan areas. As is the case elsewhere in the state, small businesses dominate the economy of eastern North Carolina. They account for much of the service and retail sectors, about one-half of the

to a third-party study of the SBTDC's economic impact, SBTDC clients increased their sales by almost 30 percent from 1997 to 1998, while the average North Carolina business had only a 7 percent increase. Also, SBTDC clients experienced a 9 percent increase in the number of full-time employees, while North Carolina businesses in general increased their employment by less than 1 percent. Further, long-term SBTDC clients generated \$199.8 million in new sales, and they created 1,472 new jobs through SBTDC counseling assistance. SBTDC clients with existing businesses and those starting new firms generated a total of \$12.9 million in additional tax revenues: \$9.98 million of this went to the state of North Carolina, the remainder to the federal government.<sup>1</sup>

The SBTDC targets established firms, particularly high-growth companies (businesses with more than a 150-percent growth in sales or employment over a four-year period), and serious start-up businesses. On average, the SBTDC assists more than 6,000 clients annually in one-on-one counseling



Figure 2. Hurricane Floyd's Impact



Source: ECONOMIC DEV. ADMIN. (ATLANTA REGIONAL OFFICE) FOR THE FEDERAL EMERGENCY MANAGEMENT AGENCY, ECONOMIC IMPACT ASSESSMENT FOR HURRICANE FLOYD IN NORTH CAROLINA § 2.2 (Atlanta: EDA, Jan. 2000).

sessions and a like number of people seeking small business information by phone, in group counseling sessions, and at SBTDC-sponsored seminars, workshops, and conferences.

In the study cited earlier, SBTDC clients estimated that, had they paid for the services they received from the SBTDC (most of which are free), they would have spent \$23.8 million. According to this study, SBTDC counseling was worth an average of \$17,778 to existing businesses and \$15,024 to start-up ventures.<sup>2</sup>

The SBTDC's client base is as diverse as the state's economy. Following are three stories of businesses assisted by the SBTDC.

### Helping a Venerable Family Business

A typical SBTDC client is Van's Hardware in Greenville. Van's Hardware opened in 1953, and the original owner's son, Van Everett, still owns it today with his wife, Cynthia. For almost half a century, Van's Hardware successfully weathered recession, increased competition, and changing neighborhood demographics. But never did Van and Cynthia expect to

find five-and-a-half feet of muddy water in their store.

The Tar River flooding that followed Hurricane Floyd in September 1999 destroyed parts of Greenville and virtually all of Van's Hardware (except the mechanical pecan shellers that Van and Cynthia reconditioned and still operate today). "After the flooding, Cynthia and I had to decide whether we wanted to reopen or close the business for good," Van says. "Closing seemed like a better option because we just didn't know where to turn for help reopening the store."

After the waters subsided, and as Van and Cynthia were trying to salvage whatever they could from their business, Cynthia heard from her banker at Wachovia that the state was offering help to small business owners who needed assistance following the flooding. "We were skeptical," admits Cynthia, "but since it was a local office over near the East Carolina University campus, I decided to call."

Walt Fitts, the SBTDC's Greenville office director until his retirement in June

manufacturing sector, and most of the tourism sector.

### The Economic Impact of Floyd on Small Businesses

According to a Business Impact Survey conducted by East Carolina University and FEMA shortly after the hurricane, nearly 75 percent of all businesses shut down, at least temporarily, because of the storm and the severe flooding that followed. About 20,000 reported physical damage, and almost 45 percent reported significant business disruption. Small businesses suffered disproportionately, with almost 80 percent sustaining physical or business losses.<sup>4</sup> Survey data show that fewer than one in six small businesses carried insurance against business interruption, and most did not carry insurance against floods—the principal cause of damage across the region.

More ominous for the future, the Institute for Home Business and Safety (an initiative of the insurance industry to reduce deaths, injuries, property dam-



FRANK POPE / SBTDC

age, economic losses, and human suffering caused by natural disasters) has found that, "of all businesses that close down following a disaster, more than 43 percent never reopen, and an additional 29 percent close down permanently within two years."<sup>8</sup> Because of their more limited access to capital, small businesses find it difficult to recover from the short-term market disruptions caused by disasters like Floyd.

### **The Federal Government's Immediate Disaster Response**

FEMA has the lead responsibility for immediate disaster response nationwide. This response includes very early deployment of Disaster Assistance Teams from the SBA to the area of impact. These teams promptly begin the federal damage assessment and disaster-loan process for both businesses and homeowners.

Disaster loans for businesses (without regard to size) are available for direct physical losses and for economic injury resulting from closures and lost business,

up to \$1.5 million per business. Physical loss loans are available only to the extent of losses not covered by insurance, and they may not place the business in a better position than before the disaster. Economic injury loans also are available to the extent not covered by insurance; they are intended to provide relief from lost revenues in the aftermath of the disaster. Both types of loans typically carry interest at 4 percent and allow for repayment terms of up to thirty years.

The FEMA/SBA business-disaster response in North Carolina was quick and impressive. Between the president's declaration of eastern North Carolina as a disaster area on September 16, 1999, and the closure of the disaster-loan application dates (February 29, 2000, for physical loss and June 16, 2000, for economic injury), the SBA deployed approximately 350 staff to twenty-eight field offices in eastern North Carolina. As of February 2001, the SBA had processed 6,203 applications for business-disaster loans and had approved nearly \$188 million in loans. This swift and

effective federal action is characteristic of the remarkable response seen after most major disasters across the country.

### **The State Government's Immediate Response**

What was unique about the response to Floyd was the state's aggressive role in reaching out to the business community in eastern North Carolina. This resulted from lessons learned during the recovery from Hurricane Fran three years earlier.

Following Fran, Governor Hunt appointed a task force to assess the state's recovery effort and to recommend areas where improvements could be made. Key among the task force's findings was that the state had not done enough to assist businesses in their recovery. In light of the state's previous experiences, in the aftermath of Floyd, officials at the North Carolina Department of Commerce focused on (1) expanding outreach to the business community with information on recovery assistance; (2) improving the quality of disaster-loan applications; and



*Nearly six feet of floodwater invaded Van's Hardware in Greenville, North Carolina. With help from the SBTDC, owners Van and Cynthia (right) Everett rebuilt the store at a new location.*

2000, answered Cynthia's 6:30 P.M. call. He responded to her questions and scheduled an appointment with her and Van the following Monday to give them the help they needed. "Like many of our local businesses, that flooding destroyed Van and Cynthia's life's work," Walt notes. "They had decisions to make."

After learning what Van and Cynthia had lost and after advising them on what issues they had to consider, Walt assigned a team of graduate business students from East Carolina University to work with them as part of the statewide Graduate Business Student Competition. This competition, now in its fourteenth year, gives student teams from twenty-six eligible colleges and universities in North Carolina an opportunity to work with companies as small business consultants. It is sponsored by the SBTDC, Wachovia Bank, and RSM McGladrey.

Student teams are assigned by the SBTDC to a local small or medium-sized business. They work with company management as business consultants (for an estimated 100–120 hours per team member), identifying and analyzing

FRANK PORE / SBTDC



MEL NATHANSON / NEWS & OBSERVER

(3) speeding access to financing. To help meet these concerns, the SBTDC proposed to assist the Department of Commerce by establishing and staffing five Business Recovery Assistance Centers (BRACs) at SBTDC offices in Elizabeth City, Fayetteville, Greenville, Rocky Mount, and Wilmington. Through these offices and its state headquarters in Raleigh, the SBTDC would undertake an aggressive outreach effort to businesses in eastern North Carolina. It would provide information about the SBA disaster-loan process, and it would make direct counseling assistance available to businesses to help improve the quality of loan applications. The latter assistance was deemed vital in order to increase the SBA disaster-loan approval rates, which his-

*Left: The proprietor of a boat store in Kinston, North Carolina, tries to salvage what he can. Below: Visible in the background is about one-third of the radio station that Batanga.com operates. The CD case in the foreground offers a size comparison.*

problems and making recommendations for resolution of those problems. The teams submit a written case report to a panel of judges for review and evaluation, then present their results in person. Prize money totaling \$6,000 is awarded.

For Van's Hardware, the students (who won second place in the statewide competition) rebuilt financial statements lost in the flood. They then analyzed the data (including demographics) to determine whether relocation or rebuilding was more feasible. "And they gave us a marketing strategy, an advertising plan, and some recommendations about how we could better operate the store," Van says. "So we decided to rebuild."

Van and Cynthia had no business plan (they had operated successfully without one for fifty years), so with Walt's help, they immediately began to craft one. "I like to say that Van and I went back to school for five months under Walt's direction," laughs Cynthia, a former English teacher, "because he taught us what effective business people need to know."

Van and Cynthia also needed to apply for disaster assistance through the U.S.

Small Business Administration (SBA). "But the disaster-loan application was so detailed, we would have been lost without Walt's help," says Van. "Walt was the consummate professional."

"Seventy percent of SBTDC-assisted disaster-loan applicants received their loans," notes Walt, "whereas the acceptance rate nationally is only 50 percent."

Cynthia gave Walt's business card to many other business owners who had suffered in the flooding. "Each one told me afterwards how wonderful he was," she says.

Van's Hardware reopened temporarily at its flooded site in March 2000, but between then and October, Van and Cynthia built a new store in a suburban Greenville neighborhood. "Even since his retirement, Walt still visits us when he's in town," Cynthia comments. "What a prince, a jewel, a gentleman."

### Breaking into Internet Broadcasting

Imagine a radio station that could double as carry-on luggage: ten thousand songs stored in an area the size of your compu-



FRANK POPE / SBTDC

torically were about 50 percent in the southeastern United States. The start date for the BRACs was set for Monday, September 27.

State officials also discussed ways to advance limited funds to businesses in order to speed recovery efforts. The SBA disaster-loan process typically has taken nine to eleven weeks from the submission of the application (if complete) to initial loan disbursements. To assist businesses in the interim, a \$2 million state fund was created for advances of up to \$10,000 to businesses that submitted applications to SBA for disaster loans. These interest-free Business Advance Payment (BAP) loans were to be made through the BRACs and repaid from the proceeds of SBA disaster loans once approved.

Extensive discussions between the Department of Commerce and the SBA office in Atlanta followed over the next several weeks to link the state's BAP initiative to the SBA disaster-loan process. The SBA agreed to conduct within twenty-four hours a credit review of all applicants for business-disaster loans who

were being considered for a BAP loan. If the review was favorable, the state would extend the BAP loan through Centura Bank, and the SBA would assign a portion of the initial SBA loan disbursement to satisfy the state's advance payment.

### Near-Term Results

Through most of this early period (September–December 1999), the BRACs operated six days a week from 8:00 A.M. to 8:00 P.M. SBTDC headquarters personnel staffed toll-free telephone counseling lines on a similar schedule. Also, the SBTDC called on staff from all its offices across the state to support the BRACs. Rotating staff schedules made it possible for nearly fifty SBTDC professionals to participate. This work was supplemented by a number of volunteers and several temporary hires.

Extensive outreach efforts to eastern North Carolina businesses began September 27 and continued through December. Numerous press releases were distributed to all eastern North Carolina media

outlets through the Department of Commerce. Dozens of town hall informational meetings were held for business owners. These were typically arranged in cooperation with city officials, chambers of commerce, community colleges, and merchant associations. The SBTDC organized "street walking" teams, which called on all businesses in areas with a high concentration of damage, such as Goldsboro, Kinston, Rocky Mount, Tarboro, and Windsor. Also, in conjunction with area community colleges, the SBTDC arranged regular circuit-riding schedules to provide information and business counseling in twelve communities of the main counties affected by the hurricane.

From late September through December, the BRACs provided counseling to 635 businesses. They also processed 217 BAP loans, totaling \$1.6 million, and helped 215 firms apply or reapply for SBA disaster loans.

The most notable impact of these early efforts, as well as the efforts of the first nine months of 2000, was the magnitude of federal hurricane relief secured by

ter's central processing unit. This reality exists as Batanga.com, an Internet broadcasting company. Partners Troy McConnell, Jochen Fisher, and Luis Brandwayn employ seven people at their suite of offices in Greensboro's historic Revolution Mill, a former textile factory converted to a small-business incubator.

Batanga.com began in late 1999 with one station streaming Latin music via the Internet. "Eleven percent of the U.S. population identifies itself as Hispanic," notes Troy, "and by 2010, it'll be 15 percent. It represents the largest minority segment under thirty-four years old in the nation, and that's our target market." Eighty percent of Batanga.com's audience is from the United States, so such advertisers as Wal-Mart, mp3.com, and Verizon can reach that market segment via Batanga.com.

Before the station began broadcasting,

*SBTDC staffers helped Troy McConnell (left), Jochen Fisher, and Luis Brandwayn (not pictured) find investors for Batanga.com, their Internet broadcasting company.*



FRANK PORE / SBTDC

businesses in eastern North Carolina. During this period, SBA approval rates for business-disaster loans in North Carolina were at a remarkably high 65 percent. The SBA attributes this result in large part to the role of the BRACs in improving the quality of loan applications.<sup>6</sup> Because of this higher loan-approval rate, through September 2000, North Carolina firms received \$42 million more in SBA loans than was projected.

### The Long-Term State Response

In the immediate aftermath of Floyd, state officials began a comprehensive planning effort, putting together proposals to both the U.S. Congress and the North Carolina General Assembly for supplemental disaster-related funding to support the recovery effort. This initia-

*In Tarboro, two women contend with more rain as they attempt to clean up a gift and antique shop that was flooded during the hurricane.*



CHRIS SEWARD / NEWS & OBSERVER

Troy, Jochen, and Luis already were pondering the company's future. "Jochen has the software knowledge, Luis has the marketing experience, and I have an e-commerce background and management experience, but none of us know about venture capital or angel funding [risk capital provided by individual investors]," observes Troy, "so I called the SBTDC for help."

"Troy already had a business plan and financial projections," says John Craichy, an SBTDC specialist in development and commercialization of technology, "but it needed more focus and impact to wow potential venture capitalists." John helped Troy rewrite and reformat the proposal. "Together we created a powerful product," notes Troy. "John really understood what investors are looking for." Batanga.com then went online and, within two months of start-up, had 15,000 listeners.

"It was time for us to refine and expand," says Troy, "but we needed investors to do that." John suggested that Troy practice presenting the plan to venture capitalists through North Caro-

lina's Council for Entrepreneurial Development (CED). The CED sponsors a program that enables entrepreneurs to be mentored by and showcased to investors from the angel and venture-capital communities. Two companies per quarter are invited to present to North Carolina's at-large entrepreneurial and investment communities. Batanga.com became one of those companies in spring 2000.

"After working with the CED program, John and I felt we were ready to talk with actual investors," relates Troy. "And he was with me at every turn." Troy first took his plan to LatinForce in New York City, an angel investor in Spanish-language Internet companies. "By the end of my presentation, the principal angel had agreed to fund us," says Troy. He then made proposals to Tristate Investment Group, a North Carolina-based pool of 100 angels, with equal success. "We now have sixteen radio stations—and 200,000 listeners," Troy states proudly.

Before deciding into which of the many Latin music genres Batanga.com would expand, Troy and his partners required market research. Mark Hagenbuch,

back in the SBTDC's Greensboro office after a post-hurricane business-counseling stint in eastern North Carolina, began to investigate the possibility of using one of the many graduate student interns the SBTDC engages annually. "We take MBA students who want exciting, real-world business experiences and match them with businesses who need their energy and expertise," he explains.

Mark put Troy in touch with Brian Lux, a Babcock Graduate School of Management student at Wake Forest University in Winston-Salem, and Brian began a summer internship with Batanga.com in May 2000. His task was to research other Spanish-language broadcasters to update the competitive-analysis section of Batanga.com's business plan. Brian also targeted his market research to give Troy, Jochen, and Luis some idea about professional partnerships they might form with these other broadcasters. "Our partnerships with other Internet-based businesses are a direct result of Brian's work," observes Troy.

Batanga.com also had had major problems making headway with advertising

Table 1. State-Funded Hurricane Relief Package

Housing	\$350.2 million
Public health	34.4 million
Agriculture/fishing	161.4 million
Small business	51.0 million
Schools	6.3 million
Federal match	232.4 million
General economic recovery	1.0 million
Total	\$836.7 million

Source: Interview with Gene Byrd, Director, Housing and Business Redevelopment, Hurricane Redevelopment Center, in Raleigh (Mar. 6, 2000).

tive was carried out through the state's Hurricane Redevelopment Center. In mid-October 1999 a massive supplemental funding proposal was submitted to Congress, under which the state sought \$2.2 billion in additional FEMA and SBA loans and supplemental appropriations to replenish housing stocks and redevelop infrastructure and flood-remediation-related projects. The Hurricane Redevelopment Center also began

agencies. So, tying into the statewide Graduate Business Student Competition, Mark put together a team of students from the Bryan School of Business and Economics at The University of North Carolina at Greensboro to help. In late 2000 the team created and distributed a marketing survey, the responses to which it will track and analyze.

The team's ultimate goal was to create a media kit for Batanga.com. They had accomplished this goal by March 2001, when Graduate Business Student Competition teams from across North Carolina presented their findings and results to a panel of judges. "Jochen, Luis, and I are tremendously excited about this project," says Troy, "and we love the team's enthusiasm. This is just another of the many valuable and effective services we've received from the SBTDC."

### Developing Specialized Markets

3TEX, in Cary, North Carolina, is a typical client for another SBTDC service, specialized market development. In this area, the SBTDC helps growing companies develop specialized markets in govern-

ment procurement, international business development/exporting, marine trades services, and technology development and commercialization. These services aid the companies in expanding their markets and increasing their competitiveness.

Over the next two months, Governor Hunt and other state leaders made numerous visits to Washington, D.C., to meet with congressional and executive agency leaders. Because of the size of the state's supplemental funding request and the inclusion of a controversial tobacco-farming relief element, congressional

Dr. Mansour Mohamed, Burlington Professor Emeritus at North Carolina State University's College of Textiles, started 3TEX in 1996 to apply his newly patented three-dimensional weaving technology. Mansour, who began his textile career in Alexandria, Egypt, fifty-one years ago, had an idea in the early 1990s, to develop a revolutionary weaving process that would create stronger, lighter fabrics. Although many scoffed at his idea, Mansour persisted—and 3TEX's \$8 million in sales for 2000 provide strong evidence of the popularity of his creations. Just in the past year, the company's workforce grew from five employees to thirty, and the company moved into a new Cary facility in 1999.

3TEX first sought SBTDC technology development and commercialization assistance from John Craichy in the Raleigh office. Brad Lienhart, 3TEX president and

chief executive officer, had worked with John in previous professional endeavors. John engaged specialists in two other SBTDC resources, marine trades services and government procurement, to aid 3TEX.

Brad then met with Mike Bradley, program director of the SBTDC's marine trades services office in Beaufort. "Mike was particularly helpful in guiding us through the boat-building industry and in evaluating opportunities," Brad notes. "He introduced us to the players." Marine trades in North Carolina is an \$18 billion industry and includes such areas as boat building; pier, dock, and seawall construction; and floating-structure manufacturing. Mike and Brad attended five statewide and regional trade shows at which 3TEX demonstrated its wares.

3TEX next worked with the SBTDC's Procurement Technical Assistance Center (PTAC) to seek and secure government contracts. Kay Etzler of the SBTDC's Chapel Hill office, a specialist in the federal government's Small Business Innovation Research (SBIR) program, worked with Jeff Leung, director of 3TEX's medical

action bogged down. Congress finally reached a compromise in late November 1999, approving a supplemental relief package of more than \$2 billion.

The state's own supplemental funding initiatives were deferred pending congressional action. The governor, senior advisers, and key legislative leaders agreed that state action before a decision by Congress would undermine the state's request to Congress. Accordingly, the governor did not convene a special session of the General Assembly until December 16. The two-day special session resulted in approval of a state supplemental Hurricane Relief Package of \$836 million (see Table 1).

The amount of state funds designated for business-recovery assistance was \$51 million. Although modest in comparison with other allocations, the amount was deemed necessary to help with the pace of business recovery and to address the needs of businesses unable to obtain federal disaster loans from the SBA.

The state funds were to support two business initiatives. One was a Recovery

with Jeff Leung, director of 3TEX's medical

and Development Fund (READE) to provide state loans to hurricane-damaged businesses that had applied but been turned down for SBA disaster loans. These loans were to be without interest and without principal payments for three years. Thereafter the loans would convert to five-year term loans at 4 percent interest (the SBA disaster-loan rate). As a condition of these loans, borrowers had to reapply to the SBA for a federal disaster loan and, if successful, apply the proceeds of the SBA loan to the state READE loan.

The second initiative of the state's business-recovery package was a fund to provide interest rebates to businesses that had successfully applied to SBA for disaster loans. The rebate amount was equal to the interest on the SBA loans over the first three years of those loans. Successful SBA loan applicants thus would be treated consistently with those who were not successful but had received a READE loan instead.

The Department of Commerce was charged with responsibility for carrying

out these business-recovery programs. To do so, the department contracted with the SBTDC to manage all support for program marketing, community outreach, applications for interest rebate, and applications for loans for both the READE program and the SBA loan program. The SBTDC also was to provide ongoing management counseling and education over a three-year period to both READE and SBA loan recipients to improve their chances for recovery and longer-term survival. The department engaged Centura Bank and First Union National Bank to make READE loans

and provide interest-rebate checks on behalf of the state.

The state's disaster-relief programs were deferred until after the 1999 holidays and then further deferred pending finalization of program details for housing assistance. As a consequence, not until early February 2000 were these efforts, including the business-related initiatives, announced by the governor.

Immediately thereafter, the SBTDC implemented both the READE loan program and the interest-rebate program. Marketing and outreach efforts included multiple direct mailings to all SBA business-

OMB No. 3245-00

## SBA DISASTER BUSINESS LOAN APPLICATION

U.S. Small Business Administration

NOTE: Physical Injury Filing Deadline Economic Injury Filing Deadline

Physical Injury  Economic Injury

1. APPLICANT'S LEGAL NAME 2. TELEPHONE NUMBER (including area code)

3. TRADE NAME (if different from legal name) 4. FEDERAL EMPLOYER'S TAX I.D. NUMBER (if applicable)

MAILING ADDRESS City state zip

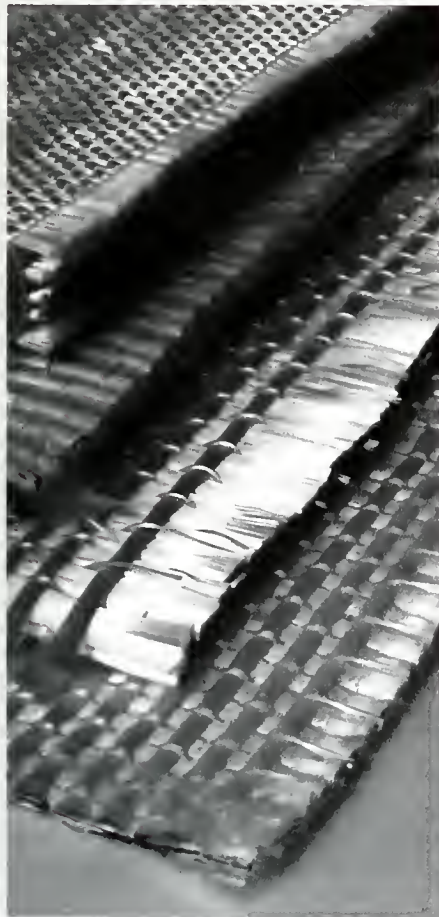


PHOTO COURTESY OF 3TEX

products division, to identify potential projects and then to review 3TEX's applications for these projects. SBIR funds are available to qualifying small and medium-sized businesses that propose innovative ideas meeting specific research and development needs of the federal government. "Kay's experience as a contract evaluator for the U.S. government made her an excellent reviewer for our government contract proposals—format, requirements, protocol," observes Jeff. 3TEX won SBIR research and development awards valued at nearly \$300,000 and now has \$1 million in government contracts.

"We're working with Tom Elam, procurement counselor in the SBTDC's Raleigh office, to identify even more opportunities," adds Brad. "And we're anticipating even greater success as our product line matures."

*With its innovative weaving technology, 3TEX produces a fabric called 3WEAVE™ E-Glass, which has been used for boat hulls and decks, automotive parts, and ballistic panels and shields, among many possibilities.*

Further information on the SBTDC can be obtained from its Web site, [www.sbtdc.org](http://www.sbtdc.org), or by calling its headquarters in Raleigh, 1-800-258-0862.

### Notes

1. James J. Chrisman, Economic Impact of Small Business Development Center Counseling Activities in North Carolina: 1997-1998 (unpublished report, Univ. of Calgary, Calgary, Alta., Can., July 1, 1999). The taxes reported are limited to sales and employment-related taxes; a heavier portion of these typically is returned to the state because the federal government does not collect sales taxes.

2. *Id.*

disaster-loan applicants (both successful and unsuccessful) and group intake sessions for interest-rebate applicants in the five communities with the largest concentrations of SBA loan recipients. Aggressive efforts also were made to provide counseling and loan-preparation assistance to businesses that had been unsuccessful in securing SBA disaster financing.

### Long-Term Results

From February to July 2000, the READE program achieved substantial results. The SBTDC contacted nearly 5,000 companies in eastern North Carolina. More than 1,200 companies received interest rebates; more than 250 received direct loans; and several hundred were assisted in preparing applications and reapplications for SBA disaster loans.

The amount of direct state funding disbursed for businesses was nearly \$25 million by the close of the READE application period (March 31, 2001), well below the \$51 million appropriated by the state. Three factors contributed to this. First, the funding estimates for the business-recovery program were based on a historical 50 percent SBA disaster-loan approval rate at an average of \$40,000 per loan. As noted, rates of approval on SBA disaster loans actually approached 65 percent and resulted in an additional \$42 million in federal loans.

Second, the significant time delay in securing supplemental federal and state disaster funding caused numerous businesses either to find other means to sustain their business operations, reduce the scale of their businesses, or close down.

Third, a sizable number of businesses in eastern North Carolina did not use the state programs, either because they decided not to take on additional debt or because they misunderstood or mistrusted the programs.

The SBTDC has estimates only of the number of eastern North Carolina businesses that failed to reopen or that permanently closed as a result of hurricane-related damages. These range from 1,200 to 1,500 firms.<sup>7</sup> A major factor in the closures has been the lack of available credit—attributable in large part to the ineligibility of businesses for disaster financing (both physical loss and eco-

nomic injury) or the unwillingness of firms to assume responsibility for new, long-term debt. The timing of the availability of supplemental state funding also contributed to business closures.

As for the negative perceptions of businesses about the financial assistance available from state and federal sources, two factors can be identified. The first is the perceived "red tape" involved in securing this aid. The SBA disaster-loan process requires nearly two months to complete and is seen as paperwork-intensive. Second, because of the terms and conditions attached to federal disaster loans, many businesses approved for loans decided to forgo them.

### Conclusions and Recommendations

Several conclusions and recommendations about business recovery efforts can be drawn from North Carolina's experience after Floyd:

1. The state's response must be immediate, and sizable enough to have an impact on hurricane recovery/survival.
2. The state's response must be closely coordinated with the federal effort. Particularly important is a close collaboration with the SBA Disaster Assistance Area II Office in Atlanta.
3. Recovery efforts are best accomplished with strong state leadership committed to using existing state resources, such as the SBTDC, that serve businesses. Other effective working partnerships involve the North Carolina Department of Commerce, the SBA, and local banks.
4. An effective state recovery effort provides timely, accurate information about the assistance available, direct counseling support to improve the quality of disaster-loan applications, and management and technical support to businesses for up to three years.
5. A state BAP loan program linked to the SBA disaster-loan process can be an effective early stimulator of business-recovery efforts at minimal incremental risk of loss to the state.
6. Timing is critical to successful business recovery efforts. Delays such as

those experienced in securing supplemental federal aid and in developing longer-term state responses (READE) unquestionably had a negative impact on business survival.

7. North Carolina's experience in business disaster recovery should be documented in a disaster handbook that details the policies, the parameters, and the procedures for an effective state response.

8. The state's plan should have a formal commitment in place for staff support following natural disasters.

9. The state should commit limited resources to prevention and mitigation efforts targeted at businesses in disaster-prone areas. An annual hurricane-preparedness initiative should be considered.

North Carolina has learned significant and valuable lessons from its hurricane-recovery experiences of 1996–97 (Fran) and 1999–2000 (Floyd). The experience of 1999–2000 may never need to be replicated, but replicating it must always be anticipated. As North Carolina has learned firsthand, a good plan and immediate state action, coupled with the spirit and the energy of business owners, can speed the economic recovery of affected areas.

### Notes

1. ECONOMIC DEV. ADMIN. (ATLANTA REGIONAL OFFICE) FOR THE FEDERAL EMERGENCY MANAGEMENT AGENCY, ECONOMIC IMPACT ASSESSMENT FOR HURRICANE FLOYD IN NORTH CAROLINA § 1.1 (Atlanta: EDA, Jan. 2000).
2. REGIONAL DEV. SERV. ET AL., EAST CAROLINA UNIV., A SOCIO-ECONOMIC HURRICANE IMPACT ANALYSIS FOR COASTAL NORTH CAROLINA: HURRICANE FLOYD (Greenville, N.C.: Regional Dev. Serv., ECU, Nov. 12, 1999).
3. NORTH CAROLINA SMALL BUS. AND TECH. DEV. CENTER, ANNUAL STATE OF SMALL BUSINESS (Raleigh: SBTDC, July 2000).
4. A SOCIO-ECONOMIC HURRICANE IMPACT ANALYSIS.
5. ECONOMIC IMPACT ASSESSMENT § 5.1.1.
6. Telephone Interview with Mike Allen, Regional Director, SBA Disaster Assistance Area II Office, in Atlanta (May 23, 2000).
7. Estimates developed by SBTDC and N.C. Dep't of Commerce, Hurricane Redevelopment Center (Nov. 1999).



# A Primer on Nonprofit Organizations

Gita Gulati-Partee



**S**tate and local governments are increasingly turning to nonprofit organizations to help provide better services to citizens. The nonprofit sector is growing, its capacities are expanding, and its professionalism is increasing in ways that could make it a valuable ally and partner to government.

Although governments and nonprofits share the purpose of serving the public, they are structurally very different. The differences affect how they carry out their day-to-day activities and also how they do business together. Some government agencies or officials may be skeptical of the value of nonprofits, perhaps because of a bad experience or simply a misunderstanding of how nonprofits operate. Misconceptions not only hinder a good working relationship but also prevent the two sectors from benefiting from each other.

To strengthen relationships between governments and nonprofits, the Institute of Government at The University of North Carolina at Chapel Hill and the North Carolina Center for Nonprofits, as part of a joint project funded by the Jessie Ball duPont Fund, have probed into the questions that each of the two sectors is asking about the other. This article presents some of the questions that government officials ask, and offers some answers.<sup>1</sup> The intent of the article is to help those officials better understand how they can work with nonprofits to stretch tax dollars and tap nonprofits' unique capacities to benefit communities.<sup>2</sup>

## 1. What is a nonprofit organization?

A nonprofit organization is a private corporation that works for the public's benefit but is separate and independent from government. Nonprofits are so entwined in communities that it is easy to miss the impact they have on daily life. Consider the organizations with which people come into regular contact—churches, day-care centers, arts programs, human services, youth centers, and the many groups that work to improve the quality of life in communities. Many of these are nonprofit organizations.

Nonprofits may earn revenues like private businesses or government agencies, but they must use any funds in excess of their operating expenses to further the public purposes stated in their charters. Nonprofits may not distribute profits for private gain by individuals. The boards of directors that govern most nonprofits are composed of volunteers who oversee the work of the nonprofits without compensation.

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**T**he nonprofit sector is growing, its capacities are expanding, and its professionalism is increasing in ways that could make it a valuable ally and partner to government.

Since nonprofits are guided by a specific mission, staff and volunteers focus their work on providing a public benefit related to that mission. A nonprofit may serve the entire community, or it may serve a particular group, such as children, older people, or victims of crime. A nonprofit's work may complement or supplement existing government services or may provide services that government does not offer. Governments may choose to contract with nonprofits to provide community services as a way of meeting their own public responsibilities.

## 2. What does "501(c)(3)" mean?

The designation "501(c)(3)" identifies the sections of the Internal Revenue Code (IRC) for one type of nonprofit. The IRC defines twenty-one categories of nonprofits. Each category—501(c)(1), (2), (3), and so on—contains specific restrictions and regulations with which the organization must comply to maintain its tax-exempt status. The largest and most common category of nonprofits, and the only kind to which contributions are tax-deductible, is 501(c)(3).

Nonprofits that fall under Section 501(c)(3) include religious, educational, charitable, scientific, and literary organizations, as well as private foundations. For example, this section includes organizations that monitor streams for pollution, provide literacy training, run after-school care, deliver meals to older people who are homebound, and advocate for low-income citizens.

Members of the Masons, country clubs, or professional associations are part of a different type of nonprofit, one that falls under IRC Sections 501(c)(6) or (7). These sections specify restrictions and privileges unlike those of 501(c)(3). For example, contributions to these organizations may not be taken as charitable tax deductions, nor may membership dues.

Government is most likely to contract with 501(c)(3) nonprofits. These organizations are regulated closely by the Internal Revenue Service (IRS) and must follow a long list of IRS regulations, which include demonstrating accountability for using their money for charitable or public purposes. The vast majority of 501(c)(3) nonprofits work hard to maintain the public trust, are careful stewards of scarce resources, and mon-

itor their tax-exempt activities carefully. Most of the following discussion applies to 501(c)(3) nonprofit organizations.

### 3. Why are nonprofits tax exempt?

Generally, governments collect taxes to redirect private funds toward public purposes. Thus, for-profit businesses contribute to societal needs by paying taxes. (Many companies also make voluntary charitable contributions.)

Nonprofits, however, are created to serve the public. To encourage this work, Congress and the state legislature have set up a legal framework that trades tax exemptions for a benefit to the public (for a summary of the tax status of nonprofits, see sidebar on this page).

Nonprofits annually report details on taxes paid, program activities, and other financial and organizational data to the IRS through federal tax return Form 990. The Form 990 filed by each nonprofit is available to the public, on request, as a means of enhancing the accountability and the transparency of nonprofits. (The nonprofit may charge a reasonable fee to cover copying costs. Many nonprofits' Form 990s now are available on the Web at [www.guidestar.org](http://www.guidestar.org).)

### 4. What roles do nonprofits play in a community? Why do they matter?

The public often thinks of nonprofits as serving needy people—and they do. But they do much more than that. They help connect the community to arts and culture, assist in ensuring public safety, help with economic development, and provide mental health and other social services. Consider the following roles that nonprofits play (also, see sidebar on this page):

- Delivering needed services in their communities—for example, teaching English to new immigrants or serving food to people who are poor
- Providing organized opportunities for religious worship—running churches, synagogues, temples, and so forth
- Educating the public about issues facing society—organizing community forums, publishing newsletters related to women's issues, and more
- Serving as a testing ground for solutions to community problems—for example, developing a model recycling program
- Conducting research—collecting and analyzing quantitative and qualitative data on the effects of welfare-to-work programs, for instance
- Developing public policy options for government to

## TAX STATUS OF NONPROFITS

After filing IRS Form 1023 and receiving approval from the IRS, nonprofits are exempt from federal income taxes on money earned from goods and services directly related to their mission. States use a nonprofit's federal status in making their own determination on exemption.

Nonprofits also may apply for the following:

- Refund of state sales and use taxes in North Carolina
- Exemption from property taxes (administered by counties)

Nonprofits do pay these taxes:

- Social Security
- Medicare
- Unrelated business income tax (on income unrelated to their tax-exempt purpose)
- Some federal excise taxes (for example, import taxes)
- Gross receipts tax in North Carolina (charged, for example, on admission fees to large events)

## WHAT DO NORTH CAROLINIANS LOOK TO NONPROFITS TO DO?

1. Deliver services needed in the community
2. Provide avenues for citizens to get involved as volunteers
3. Serve as a testing ground for solutions to community problems
4. Develop public policy options for government to consider
5. Provide a voice for underrepresented citizens
6. Educate the public on issues facing society
7. Provide structures for citizen participation in a free society
8. Provide opportunities for religious worship

Source: North Carolina Center for Nonprofits.

consider—for example, organizing parents and teachers to recommend educational standards and goals for the public schools

- Offering avenues for volunteering, from answering phones to delivering client services and serving on boards of directors
- Providing a voice for underrepresented citizens, like people with disabilities
- Creating structures for citizen participation in a free society, such as community advisory panels

The nonprofit sector is having a growing positive impact at local, state, and national levels. As of October 2000, North Carolina had 29,337 nonprofit organizations. Of these, 18,128 (62 percent) were 501(c)(3) organizations. Nationally the non-

profit sector is expanding faster than either business or government. The nonprofit sector also is a major employer. In 1996 it employed 15.9 million people (10.2 million as paid employees and a full-time equivalent of 5.7 million as volunteers). The scale and the scope of the nonprofit sector mean that most citizens are working with, for, or through a nonprofit at some time during each week.

Like government agencies, nonprofits range in size, from large institutions like Duke University or the Red Cross, to small groups like local soup kitchens, shelters, literacy programs, and parent-teacher associations. Regardless of their size, all are important to citizens at large and to the particular people whom they serve.

Nonprofits' budgets also vary in size. Eighty percent of 501(c)(3) nonprofits have annual budgets under \$100,000, and two-thirds have annual budgets under \$25,000.

Although their budgets may be limited, even small nonprofit organizations can have an impact on the community by leveraging other resources—for example, by effectively using volunteers. Many nonprofits bring in additional federal and state dollars, as well as private dollars from foundations and corporations, to improve the community and raise its visibility.

### **5. How do nonprofits help build a sense of community?**

Nonprofits can help build community in a way that governments or private businesses cannot. Since no person or entity can gain financially from a nonprofit's activities, everyone collaborates for the public purpose that the group is organized to serve. The small size of most nonprofits keeps the staff and volunteers close to the people whom they serve in a way that may be more difficult for a large government agency.

Additionally, volunteers become knowledgeable about the mission and the clients that their nonprofit serves. For example, a volunteer providing support to a hospice patient visits with the patient and may learn not only about the patient's needs but also about the illness, the medical procedures involved, side effects, and medical technologies. This volunteer can use that information to help the patient and the patient's family; he or she also can take home the information to help raise consciousness and educate friends. Those friends may be sparked to contribute in their own way by volunteering, counseling, contributing to health research efforts, or providing financial support for local hospice care. Like a pebble in a pond, volunteerism has a ripple effect, producing outcomes that might be too expensive for the government or a business to support directly.

### **6. Local governments cannot do everything. How do nonprofits help address problems in the community?**

Governments are generally responsible for the broad goal of serving the public at large. Nonprofits usually serve particular groups of citizens, so they can become specialists in that area and stay close to the needs of their constituents. Local governments can capitalize on that expertise by seeking information from nonprofits for program development or community problem-solving.

Some of the most innovative public policies in this country have developed from programs and research performed by

nonprofits. For example, in North Carolina the statewide early childhood program known as Smart Start was modeled on a nonprofit program in Greensboro called Uplift. As advocates for their clients and programs, nonprofit practitioners can offer experience, insight, and alternative solutions to problems that the community faces.

Additionally, local government can contract with nonprofits for services that the government probably cannot deliver as efficiently as nonprofits can.

Local government officials also can look to nonprofit leaders as a source of current research or specialized knowledge. Governments can take advantage of these special skills or knowledge by having nonprofit organization members sit on local government boards, such as those that deal with social services, mental health, or health. Nonprofits can bring a voice for, or a perspective on, the community that might not otherwise be represented. They often are able to identify trends and solutions quickly because of their close connections to their client populations. Small nonprofits also are flexible and can adjust quickly as the needs of the community change.

### **7. Who works for nonprofits? How are their staffs compensated?**

Many nonprofits do not have paid staff because of the small budgets mentioned earlier. Other nonprofit organizations operate with a very small professional staff and an active group of volunteers. Big organizations may enjoy a large professional staff and an even larger body of volunteers, depending on the nature of the organization's work. If a nonprofit can use volunteers in an efficient and effective manner that enhances its work, it can multiply the impact of each dollar. Each nonprofit organization, regardless of size, is governed by a volunteer board of directors.

Some nonprofits can deliver the bulk of their programs with volunteers. But larger or multifaceted organizations usually require paid professional staff. It is up to the board of directors to set policies for the nonprofit, hire an executive director, and determine salary schedules and benefits that are competitive.

Because of limited funds, employees of nonprofits often are paid far less than people with comparable skills and education in government or for-profit businesses. According to a 1997 study by the North Carolina Center for Nonprofits, among the nonprofits included in the study, 31 percent of the jobs required a college degree, while only 13 percent of the nation's business employees and 21 percent of government workers had college degrees. Yet in North Carolina the average participating nonprofit employee with a college degree earned 35 percent less than the national average for a business employee and 15 percent less than that for a government worker.<sup>3</sup> With increasing demands for accountability, professionalism, and retention of qualified staff, nonprofits are trying to increase staff compensation.

### **8. How do nonprofits operate? Where does their funding come from?**

Raising funds is a constant challenge for most nonprofit organizations because they rely on a variety of funding sources, both private and public. Nonprofits receive financial and in-kind

## TWENTY STAKEHOLDERS OF NONPROFIT CORPORATIONS IN NORTH CAROLINA

1. Board of directors
2. Clients or constituents served
3. Members (who may have voting rights in board of directors elections and/or on organizational policy issues)
4. The general public (to whom nonprofits are accountable for providing a public/community benefit in exchange for tax exemption)
5. Individual donors: annual and periodic donors; people who attend events sponsored by the nonprofit; those who make planned gifts and bequests to the nonprofit
6. Foundations that provide funding—specifically, their boards of trustees and staffs (if they have staffs)
7. Corporations that provide funding—specifically, their boards of directors and staffs
8. Federal government agencies that regulate nonprofits
  - Internal Revenue Service, Tax Exempt and Government Entities Division
  - Internal Revenue Service, Withholdings Division
  - U.S. Department of Labor, Occupational Safety and Health Administration
  - U.S. Postal Service
  - U.S. Social Security Administration
9. Federal government bodies and agencies (if the nonprofit receives federal funding)
  - Congress
  - Office of Management and Budget
  - The agency that provides the funds
  - Other regulatory agencies that have authority over federal grantees or contractors
10. State government agencies that regulate nonprofits
  - Department of the Secretary of State, Corporations Division (for incorporation approval and records)
  - Department of the Secretary of State, Charitable Solicitation Licensing Section
  - Department of the Secretary of State, Lobbyist Registration Section
- Office of the Attorney General, Consumer Protection Division
- Department of Justice
- Employment Security Commission
- Department of Labor, Wage and Hour Division
- Department of Revenue, Sales and Use Tax Division
- Department of Revenue, Withholding Tax Division
- Other agencies involved in legal and regulatory compliance
11. State government bodies and agencies (if the nonprofit receives state government funding)
  - General Assembly
  - State auditor
  - State budget officer
  - The agency that provides the funds
12. Local government agencies that regulate nonprofits
  - County tax assessor (for property tax filing and exemption)
13. Local government bodies and agencies (if the nonprofit receives local government funding)
  - County commissioners or city or town council
  - City or county manager
  - The agency that provides the funds
14. Employees and their families
15. Volunteers
16. National office of the nonprofit's parent organization (if the nonprofit is a local or state affiliate of a national organization)
17. Local affiliates
18. The media
19. Customers other than primary constituents who purchase services, publications, etc.
20. Vendors

*—Jane Kendall, president,  
North Carolina Center for Nonprofits*

support from government, private individuals, corporations, and foundations. In addition, they may contract with different levels of government to deliver specific government services. Governments can stretch public funds when citizens receive services through nonprofits, leveraging nonprofits' private resources with government dollars.

Some nonprofits generate revenue through fees or sales. If a nonprofit provides a service (such as legal assistance) and charges a fee (often below market rates or on a sliding scale), the revenue helps cover the organization's operating expenses. This type of service can demonstrate an efficient combination of government dollars and nonprofit resources. For example, a government agency may provide a subsidy for a vaccination; the nonprofit may arrange for a volunteer nurse to administer the vaccination; and then a low-income client may pay a small fee for the service. This collaborative effort offers the service at a lower rate than any one entity can provide, while generating revenue to support the nonprofit's operations.

Volunteers are a significant resource, saving nonprofits expenses by performing work, from administration to board leadership. For example, volunteers may answer telephones, stuff envelopes, conduct client in-take interviews, counsel clients, help build homes, provide medical assistance, give legal advice, offer tax services, or teach reading. By contracting with a nonprofit, government benefits from these volunteers as well.

In-kind donations are another resource for nonprofits. For example, hardware stores donate building supplies for a nonprofit to build a home or a shelter. Other businesses may donate a variety of office items, including computers, photocopying machines, printers, and office supplies. All these contributions make a difference by reducing operating costs and allowing the nonprofit to focus its limited funding on delivering services. Consequently the government, private corporations, and individuals all play an important role in helping the nonprofit fulfill its mission.

### **9. How can government officials ensure that a nonprofit will do what they expect it to do?**

If government officials provide funding to a nonprofit and want to ensure that it does what they expect it to do, they should discuss their expectations and agree on outcomes; put both in writing, perhaps using contracts; stay in touch to monitor progress; and request periodic project reports. In effective partnerships, governments do not place unnecessary, burdensome requirements on nonprofits. At the same time, nonprofits do

## **RESOURCES ON NONPROFITS**

For resources related to administration of nonprofits or nonprofits' relationships with government, call the North Carolina Center for Nonprofits at (919) 790-1555 or visit [www.ncnonprofits.org](http://www.ncnonprofits.org). Founded in 1990, the Center is a 501(c)(3) nonprofit that serves as a statewide network and coalition for North Carolina's nonprofit sector, a resource center on effective nonprofit management and leadership practices, and an advocate for the nonprofit sector as a whole. With more than 1,400 member organizations in every part of the state, the Center hosts an annual statewide conference, manages a Board & Staff Helpline, publishes the bimonthly newsletter *Common Ground*, and helps local nonprofit leaders improve their communities. Membership is open to all 501(c)(3) nonprofits in North Carolina and to those applying for that status. Government officials may become Center Associates for \$50 a year and receive *Common Ground* and access to other services.

An organization called Independent Sector serves a purpose similar to the Center's but on a national scale. For more information about the national nonprofit sector, call Independent Sector at (202) 223-8100 or visit [www.independentsector.org](http://www.independentsector.org).

For additional assistance in a particular community, or to arrange local presentations or discussions, contact either of the codirectors of the Project To Strengthen Government-Nonprofit Relationships:

- Gordon Whitaker, Professor of Public Administration and Government, Institute of Government, UNC-CH, CB# 3330 Knapp Building, Chapel Hill, NC 27599-3330, phone (919) 962-0427, fax (919) 962-0654, e-mail [whitaker@iogmail.iog.unc.edu](mailto:whitaker@iogmail.iog.unc.edu)
- Gita Gulati-Partee, Program Director, Public Policy, North Carolina Center for Nonprofits, 1110 Navaho Drive, Suite 200, Raleigh, NC 27609, phone (919) 790-1555, ext. 105; fax (919) 790-5307; e-mail [ggulati-partee@ncnonprofits.org](mailto:ggulati-partee@ncnonprofits.org)

what they have agreed to do with the funding, provide required documentation, and communicate with government partners to solicit, retain, and renew their support.

Nonprofits are accountable to a variety of public and private entities. Like a corporation that is monitored by its shareholders, and like a government that is monitored by its taxpayers, a nonprofit is held accountable by all its stakeholders (see sidebar, opposite). These stakeholders include its board of directors, the people whom it serves, the IRS, private and public funders, volunteers, and the community at large.

**Internal accountability.** People within the organization have duties that hold it accountable. The nonprofit's board of directors (composed of professionals, community leaders, and constituents) oversees the organization's operations and ensures that its actions are in line with its mission. Like a city council or a board of county commissioners, the nonprofit's board of directors looks at what the organization is doing and how it is using its funding. The directors have a legal, fiduciary duty to ensure that all funds are used in accordance with the organization's primary purpose. The board members bring with them their skills and expertise to ensure that the nonprofit conducts business properly. Also, the board is responsible for strategic planning for the organization's future.

*External accountability.* In addition, nonprofits are held accountable by the foundations or other sources (such as the government) that provide them with funding. These sources often require program reports and audits to ensure that the funds are being used to serve the intended purpose. A nonprofit is held accountable through budgets, program evaluations, annual reports, and external audits by a certified public accountant (CPA). For grants and contracts of more than \$300,000, state and federal governments require an additional, special audit, referred to as a "yellow book" audit. Yellow-book audits are complicated and expensive, and finding a CPA firm that will do them is difficult. For grants and contracts between \$15,000 and \$300,000, North Carolina state government requires a sworn statement specifying how all government funds have been spent.

*Accounting standards.* Governments and nonprofits frequently differ in how they keep records, make reports, and evaluate performance. Public officials follow detailed accounting practices from the Government Accounting Standards Board (GASB). Nonprofit financial and evaluation practices are subject to accounting standards from the Financial Accounting Standards Board (FASB). Since nonprofit accounting practices are different from those of governments and may be unfamiliar to local government officials, some government officials may think that nonprofits are not keeping track of their money in standard, generally accepted ways, when actually they are complying with a different set of standards.

*Disclosure and IRS requirements.* Nonprofits are accountable to the IRS and to state tax authorities. Nonprofits with gross receipts of more than \$25,000 must complete an annual Form 990, which reports financial data and other information. Nonprofits that file Form 990s must produce copies of the documents on request. The IRS routinely audits nonprofits, as it does private corporations and individuals, on the basis of random selection or referral.

Just like corporations, nonprofits also must abide by all federal, state, and local laws and regulations related to Social Security (for example, completing and filing W-2 and W-3 forms) and immigration (for example, completing and filing I-9 forms, which verify employees' citizenship), and they must pay any required payroll taxes. Unlike their counterparts in the business world, nonprofits also must do the following:

- Receive and maintain tax-exempt status (by filing IRS Form 1023 and subsequently conducting activities consistent with their exempt status)
- Comply with limitations and prohibitions on expenditures or activities

- Follow requirements regarding the tax deductibility of contributions

Additionally, any nonprofit that intends to solicit contributions in North Carolina must first obtain a "charitable solicitation license" through the Charitable Solicitation Licensing Section of the North Carolina Department of the Secretary of State. Licenses must be renewed annually.

### **10. Besides providing financial support, how can local governments improve their work with nonprofits?**

Local governments can work more effectively with nonprofits by sharing information about government priorities, funding opportunities, and expectations for reporting and accountability on government grants and contracts. They can streamline their application and reporting processes and coordinate those processes with other local grant makers, such as the United Way, to cut down the duplication of effort by nonprofits. Further, they can encourage their employees to volunteer, give to United Way or other federated campaigns, and conduct drives for goods needed by nonprofits.

To get a firsthand perspective on nonprofit management and governance, elected officials and government employees can serve on nonprofits' boards. At the very least, they can make site visits, ask to be on mailing lists, and invite nonprofit organization leaders to serve on public boards and to participate in important meetings and discussions.

Local governments also can make in-kind resources available to nonprofits. They can donate used furniture or office equipment, provide office or meeting space, and allow nonprofit organization staff to attend training opportunities offered through county departments. Further, they can allow nonprofits to tap the professional expertise of government staff through informal conversations or participation on ad hoc committees.

Local governments and nonprofits independently gather information on their community, and both can learn and benefit from sharing relevant findings with each other. For example, if employees of the court system see an increase in domestic violence cases, they might find it helpful to talk to staff of battered women's shelters or advocacy nonprofits to ask if they are experiencing the same trends, and to explore causes and solutions. Such partnering and communication allow both the nonprofit and the local government to pool human and financial resources for the benefit of the community. Through greater interaction, government and nonprofit leaders will see that they share goals and challenges, and that together they can serve the common good.

*For sources of more information on nonprofits, see page 35.*

### **Notes**

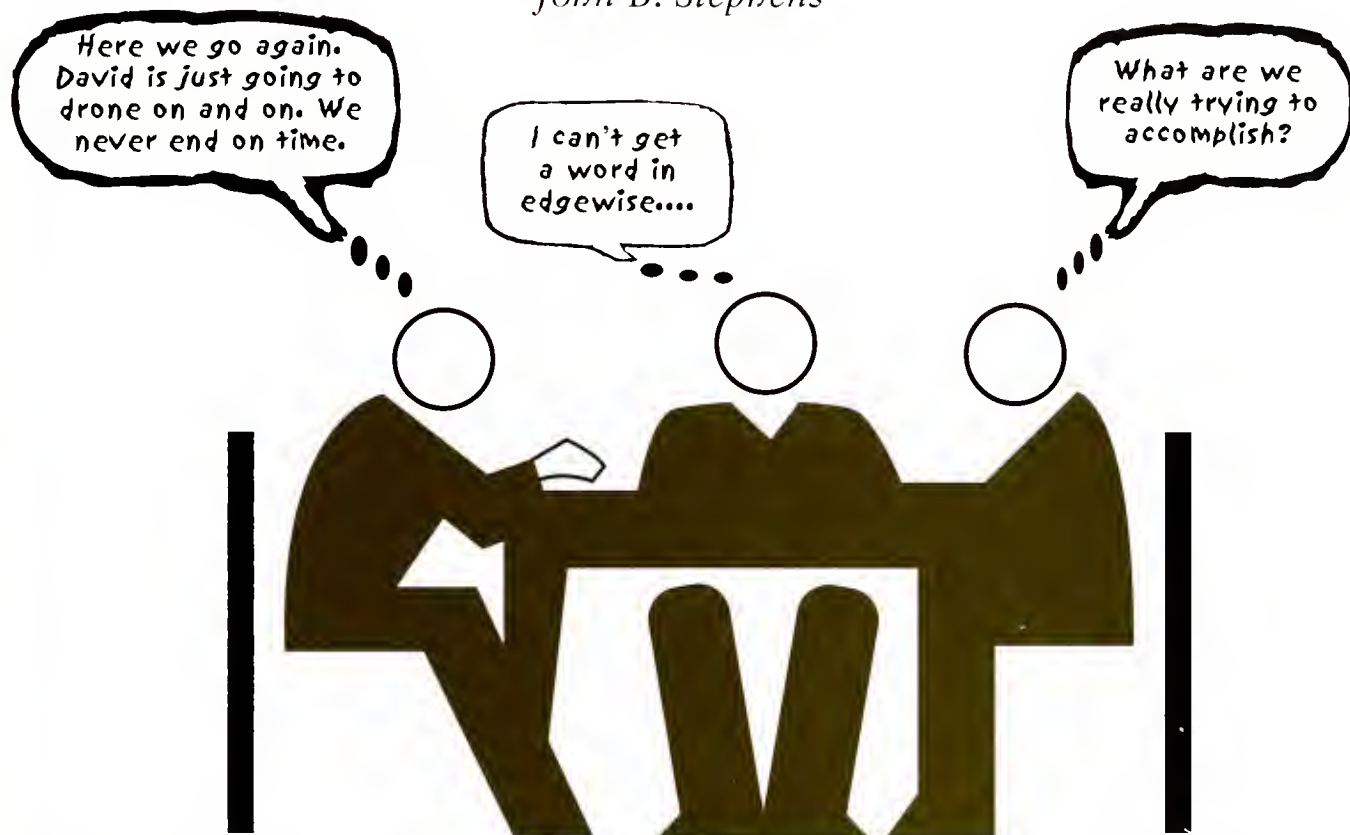
1. The author thanks Kate McGuire and Emily Crowder for their contributions to the article.

2. A parallel publication, *TWENTY QUESTIONS NONPROFITS OFTEN ASK ABOUT WORKING WITH LOCAL GOVERNMENT*, by Lydian Altman-Sauer, Margaret Henderson, and Gordon P. Whitaker, is available from the Institute of Government. Excerpts from it appeared in a four-part series in the North Carolina Center for Nonprofits' bimonthly newsletter, *COMMON GROUND*, Mar.-Apr. through Sept.-Oct. (2000).

3. Data on nonprofit jobs and employees are from N.C. CENTER FOR NONPROFITS AND THE MANAGEMENT CENTER, *COMPENSATION AND BENEFITS IN NORTH CAROLINA'S NONPROFITS: A REPORT OF PRACTICES IN 501(C)(3) ORGANIZATIONS* (Raleigh: N.C. Center for Nonprofits and The Management Center, 1997). Data on business and government employees' salaries are from the same source, which gave its primary source as data from 1990 U.S. CENSUS OF POPULATION AND HOUSING, adjusted 3 percent annually for inflation.

# Achieving Better Group Performance

John B. Stephens



**P**ublic affairs activities are demanding more and more work in groups. Whether a group of business, non-profit, and government representatives is collaborating on Smart Start or Work First, an elected local government board is deciding on services and taxes, or people simply need to get through meetings and accomplish their tasks, working effectively in groups is key.

When they are working in a group on a public matter, people often dread the time and the slow sense of progress. "Committees keep minutes and lose hours" is one fatalistic view of what happens when a task force, a committee, or another group must get something done.

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Many difficulties arise from insufficient attention to how a group approaches its work. A thoughtful approach to a group's process is important to its effectiveness. For example, if the duration of a group's work is medium- to long-term (from a few months to a year or more), specific attention to expectations of behavior is more likely to pay off than if the duration of the group's work is brief. Similarly, if the membership of a group is diverse—people from several government departments, representatives of different neighborhoods, or people of various ages and racial or ethnic heritages—greater attention than usual to how the work gets done can minimize misunderstanding and conflict. (For more factors that determine when there is a heightened need to develop shared expectations for a group, see Table 1, page 39.)

This article is intended for groups of *medium- or long-term duration* (three

months or more) addressing *important public matters* (for example, development of policies affecting many people, or private-public efforts to monitor and deliver social services) on which *conflicting viewpoints* are likely. It draws on the themes of a recent book I coauthored with E. Franklin Dukes and Marina Piscolish, *Reaching for Higher Ground in Conflict Resolution: Tools for Powerful Groups and Communities*.<sup>1</sup>

The article begins with a statement of the principles of an approach to group process that my book coauthors and I call "reaching for higher ground." It then describes at length how those principles were relevant in two recent state-level situations, one of which occurred in North Carolina. Finally, it summarizes several other government and community efforts that illustrate how ideas about reaching for higher ground are taking concrete shape.

## The Need for More than Ground Rules

"Before this meeting begins, let's go over our ground rules." This phrase, in various forms, is becoming more and more common in North Carolina government circles. In 1990 the Institute of Government began offering a two-week course, Group Facilitation and Consultation. It has prepared dozens of state and local government employees to facilitate the work of their own agencies and to assist elected boards, top management teams, and government-citizen groups from other jurisdictions.

A central part of the facilitation model taught in the course is three general values and sixteen specific ground rules. Examples of the ground rules are "Test assumptions and inferences" and "Disagree openly with any member of the group." The rules are designed to support the values of gaining valid information, making free and informed choices, and committing oneself to group decisions.<sup>2</sup>

Since 1993 the Institute has offered a workshop entitled Working for Results as a Governing Board, which helps city councils and county commissions conduct their work productively. A key component of this workshop is to make explicit certain ground rules for people to follow.

Finally, several Institute publications have helped guide North Carolina government officials in working more efficiently and in using various tools for planning, meeting management, and organizational change.<sup>3</sup>

Ground rules for a group often are useful. However, my book coauthors and I have identified several weaknesses or outright failures in the common use of typical ground rules.<sup>4</sup> There are three categories of problems: how ground rules are introduced, how ground rules are used, and what ordinary ground rules don't do.

*How ground rules are introduced* often can weaken their effectiveness. They are usually offered in a directive manner. A list of rules is presented, typically by a group's chair or facilitator. He or she may ask, "Are these rules acceptable?" but the question is frequently taken as rhetorical. Further, once the meeting starts or the group meets a second or third time, there is little opportunity to illustrate or understand the rules.

Second, ground rules are introduced so that following them appears to be less valuable than "really doing the work." They are almost always cast as a preliminary part of what happens in a meeting or a work group, an element of "just getting started" or "putting things on the table." This implies that establishing the ground rules is not as important as doing the substantive tasks of the group.

Regarding *how ground rules are used*, there are four problems:

- Ground rules are misunderstood or not applied consistently.
- Deviations from ground rules are handled heavy-handedly.
- There is no recognition of tensions between certain rules.
- There is no agreed-on process for revising the rules.

An example of the first problem is the lack of a clear understanding of one popular rule, "Make decisions by consensus." Does consensus mean 100 percent agreement with every detail of a solution or an agreement? Does it mean "Well, I can live with it"? How is consensus different from a series of compromises that people grudgingly support as a complete package? The implicit tension in using consensus decision making is between completing a task within a specified period and taking the time needed to seek understanding and creatively craft an agreement that genuinely satisfies everyone.

Finally, there is the matter of *what ordinary ground rules don't do*. Many ground rules are formal, limited, and prohibitive, describing what group members *cannot* do rather than affirming what they *should* do. "Don't interrupt" is an example of a basic communication rule that falls short of ensuring productive exchanges. Having rules that function as guardrails, keeping people away from danger, is certainly useful. However, this approach to ground rules does not necessarily propel a group toward its destination.

A second shortcoming of ground rules is that they don't acknowledge diversity. Most have evolved from a Western tradition that emphasizes efficiency and individuality. However, in today's workplaces and communities, diverse cultural and racial representation is not uncommon. Two typical rules, "Speak only for

yourself" and "Make 'I' statements," would strike people in some cultures as inappropriate and ego-centered, violating their cultural norm of giving greater weight to the community's views than to any individual's perspective.

A third aspect of what common ground rules don't do relates to a group's assets and opportunities. The word "rules" connotes standards and strictures to avoid disorder and harm. Ordinary rules direct people away from being inspired or looking for new benefits of collective action. As described later, there is a way to rethink ground rules as shared expectations and jointly created values and aspirations.

A lack of focus on outcomes is another disconnection between ground rules and the group's values. Too often, ground rules are introduced and applied with almost no explicit link to underlying principles. Fortunately the Institute's training of facilitators and group leaders always focuses on the underlying principles for particular ground rules.

## Reaching for Higher Ground

As my book coauthors and I reflected on what we have individually done with groups to help them work together effectively, we realized that one of the most potent metaphors for complex negotiations—finding common ground—did not capture all of what we observed. Finding common ground can be like two explorers separated by high weeds and vines hacking their way toward a center point: they know a "middle" or "compromise" ground exists, and they find it by moving toward one another.

Our vision is for the explorers to climb a tree before charting a course that brings them together. From the higher vantage point, they might learn that a straight line to a midway point would take them into a swamp. Their viewpoint allows them to see a different course. That course might call for one or both of them to travel farther in order to meet, but the journey might be safer and easier. Similarly, in helping groups the three of us were taking a different vantage point, away from the direct compromise and toward a "higher" clearer approach to tasks and problems. Thus we chose the metaphor of "reaching for



Table 1. Level of Attention and Commitment to Shared Expectations Needed for Higher Ground

	Low Effort	Medium Effort	High Effort
Group diversity	Homogenous	Some diversity	Highly diverse
Duration of group	Short-term	Medium-term	Lasting
Complexity of task	Simple, clear task	Medium complexity	Very complex
Group size	Small	Medium	Large
Significance of issue(s)	Low	Fairly significant	Great significance
Level of trust	High	Uneven	Substantial distrust
Power distribution	Equal	Somewhat disparate	Highly stratified
Level of aspirations	Low	Medium	High

Source: E. FRANKLIN DUKES, MARINA A. PISCOLISH, & JOHN B. STEPHENS, REACHING FOR HIGHER GROUND IN CONFLICT RESOLUTION: TOOLS FOR POWERFUL GROUPS AND COMMUNITIES 146 (San Francisco: Jossey-Bass, Sept. 2000). Copyright © 2000 by Jossey-Bass, Inc., 350 Sansome Street, San Francisco, California 94104. This material is used by permission of Jossey-Bass, Inc., a subsidiary of John Wiley & Sons, Inc.

higher ground” (RHG) to characterize what we were seeing in our work and the work of others.

The RHG metaphor emphasizes six components of what many groups need in order to achieve. RHG calls on a group to seek the high road, or (1) *principled ground*. Truth telling and truth seeking are honored, integrity is valued, and trust is given because it is earned. RHG calls for moving beyond ground rules created to ensure a lowest common denominator for group interaction. It focuses on principled behavior for solid, meaningful relationships.

Like seeing clearly above the weeds and the vines, RHG means finding (2) *new ground* as well as (3) *a place of enlarged perspective*. The newness comes from discovery of a stronger vantage point by learning more about one’s own needs, the group’s capabilities, and new, creative options. As one can see more, there is a wider, more inclusive perspective from which to seek agreement.

Under RHG, higher ground acts as (4) *a refuge*, a safe haven from the incivility and outright nastiness that too often accompany conflict. That higher ground must be (5) *shared ground*, though. Unlike the sailor’s crow’s nest, which shelters only one or two from the waves below, RHG must operate like a mountain-climbing team, helping each member reach the summit. It cannot work with one person standing on—and keeping down—many so that only the leader reaches a pinnacle of achievement. Finally, RHG is (6) *a continuing challenge*. Moving uphill takes energy

and is tiring, and climbers risk slipping and falling.<sup>5</sup>

Anyone can paint an appealing picture of hard work, harmony, and achievement that moves a work team, a city council, or a community group not only forward but upward. The real question is How can this work? What are the practical pieces of RHG?

### Shared Expectations: The Six Keys to Success

Six common stepping-stones make RHG work: establish the need; educate and inspire; envision desired outcomes; promote full participation; be accountable; and evaluate and revise. The steps are offered in one logical order. However, because groups differ, the steps may be better addressed in another order. Using the stepping-stones is like learning a second language. Learners will vary in the ease or difficulty with which they comprehend various components of the language, such as grammar, vocabulary, and noun and verb forms, and acquire reading and speaking skills. The stepping-stones all must be explored and used but possibly in different orders or degrees depending on the nature of the group.

*Establish the need.* As noted earlier, one reason that typical ground rules often achieve less than desired is that the need for such guidelines is assumed or enforced, rather than discovered by the group itself. Worse, many people view such guidelines as benign or useless. Taking some time to focus on why ground rules and higher shared expecta-

tions are needed is important. Here are two ways to accomplish that: (1) Using Table 1, a group can see which characteristics are likely to make reaching agreements and solving problems more challenging, thus learning why concerted efforts on shared aspirations, principles, and specific ground rules are necessary. (2) The chair of a committee can cite past problems or challenges of the committee and explain how jointly developed methods for working together would have helped ease or avoid those problems.

*Educate and inspire.* It is important for a group to work on its principles and learn how other durable groups use covenants and shared expectations to engage their hopes and hearts as they do business. Inspiration means not merely well chosen and beautiful words but examples and challenges for people to learn from one another and appreciate the strength of different perspectives.

Many people want “to get down to business” and may not welcome this second stepping-stone of RHG. Critics may consider it too “touchy-feely” or not sufficiently attentive to rational approaches to problems, or possibly naïve about clashing political interests. The step may be deferred, or taken in smaller bites over several meetings. For example, at its first meeting, a group might propose and use a provisional set of ground rules. Then, before the second meeting, group members would each define one or two key principles or features of an especially effective committee or task force on which they had worked. In this way the substantive work could start, but the

group still could build a shared set of principles as part of the second (and possibly the third) meeting.

In another approach the group can review a different group's "covenant"—that is, its statements of aspirations and principles and its ground rules—and have its own members identify a few items relevant to the tasks it faces. This approach could be conducted in 20–40 minutes, depending on group size. If the group is going to work together over several months and through a dozen meetings or more, this is a modest investment.

*Envision desired outcomes.* For each of the stepping-stones, *Reaching for Higher Ground* includes a section called "From the Toolbox" that describes specific techniques. For "Envision desired outcomes," here is one such tool:

*Have members of the group individually and silently complete the phrase, "This group will be a roaring success if our product is..." Then compare the results and compile the replies by general categories (such as particular outcomes, how outsiders view the group, how long the group takes to finish its work, or the durability of the outcome).<sup>6</sup>*

(For another tool to put this stepping-stone in place, see the sidebar on this page.)

*Promote full participation.* There are many pressures to compromise on the scope of participation—for example, the apparent urgency to reach a decision and discomfort in hearing from dissenting voices. Time and again, the fuller and more engaged the participation in the group is, the stronger the results will be in both concrete accomplishments and relations among group members. Here are two more tools from "From the Toolbox":<sup>7</sup>

- *If you are concerned about unequal power among group members or about quiet versus talkative members, use Post-it Notes to record ideas, then arrange them in an affinity diagram, where you group like items together.*
- *At various times, go around the table one person at a time and invite people to offer ideas orally. No comments are allowed until all ideas are shared.*

## **A TOOL FOR ENVISIONING DESIRED OUTCOMES**

### **WORKSHEET: ASPIRATIONS, GUIDELINES, AND DOS AND DON'TS**

- When I envision how we should best work together, my highest aspirations are . . .
- To make these aspirations come alive, the principles and practices we must follow are . . .
- To enact these principles, we agree to the following duties and behaviors:
- *Categories to consider*

Participation  
Use of information  
Decision making  
Confidentiality  
Use of time  
Roles in group  
Other

Source: E. FRANKLIN DUKES, MARINA A. PISCOLISH, & JOHN B. STEPHENS, *REACHING FOR HIGHER GROUND IN CONFLICT RESOLUTION: TOOLS FOR POWERFUL GROUPS AND COMMUNITIES 92* (San Francisco: Jossey-Bass, Sept. 2000). Copyright © 2000 by Jossey-Bass, Inc., 350 Sansome Street, San Francisco, California 94104. This material is used by permission of Jossey-Bass, Inc., a subsidiary of John Wiley & Sons, Inc.

*Be accountable.* Explicit, jointly created ground rules and aspirations lead to clear ways of judging individual and group behavior. Accountability is especially important in bringing more powerful group leaders into full but equal participation in a group. Such equality can be a breath of fresh air to those who have felt disempowered in groups. An illustration of accountability follows in the next section.

*Evaluate and revise.* A group's development and well-being depend on its changing the ground rules to fit its growth. Specific tools to make this step work include group "pit stops" to consider changes or additions to the ground rules. For example:

*Have each group member identify one ground rule they would like to modify or delete. Next, have each person identify a possible new ground rule. Instead of focusing on the specific changes, use the two lists of rules to focus on how the ideas relate to the desired outcome or general principles of the group. Encourage reflection on how all*

*the "uncontested" ground rules fit with the vision or desired outcome, and how people see the potential changes as strengthening their ability to reach their goals. Only then should you turn to the specific ideas to change the ground rules.<sup>8</sup>*

### **The Principles at Work in Government Settings**

To illustrate the features and stepping-stones of RHG in state government settings, two stories follow. The first provides a strong example of the benefits of RHG work in a group but comes from outside North Carolina. The second comes from within the state. Both occurred among advocates working in a very political environment on high-profile issues before state legislatures.

#### **Parity of Insurance Benefits for Mental Health Disorders**

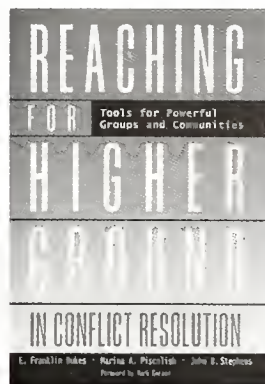
In the mid-1990s a state legislature referred a bill mandating parity between mental and physical health benefits to a special advisory commission and charged

it with developing recommendations for the following legislative session. The commission established an Insurance Parity Task Force consisting of representatives from insurance companies, the business community, mental health advocacy groups, mental health service providers, legislators, and state agencies. One of my book coauthors, E. Franklin Dukes, and a co-mediator worked with the task force.

At the first meeting, Dukes and his colleague offered some ground rules for the task force's work, which emphasized consensus. Dukes and his colleague soon found that some members expected to use majority rule rather than consensus. Outside the meetings, Dukes also heard that some task force members thought the scope and the presentation of the ground rules to be overbearing and even patronizing. In the end the task force did adopt consensus as one of its ground rules, with a specific understanding of what consensus meant and why it was important to the desired outcome of the task force.

The value of this apparently "overbearing" attention to ground rules was confirmed as the task force was completing its work. After eight meetings of the full group, work in three subcommittees, and many telephone and face-to-face discussions, a set of agreements seemed to be finalized. Unfortunately a task force member absent from the final meeting raised substantial objections to one of the eight areas of agreement, and he made clear his intent to withhold support from the whole report. Most task force members refused to consider any changes. They thought that the group could bypass the objector, yet call the report a consensus set of recommendations.

Dukes reminded the task force of its own standard on consensus. He noted not only that an "end run" would violate the group's policy and the spirit of collaboration that had developed in the task force, but also that implementing the recommendations with a key member of the task force actively opposed would likely be difficult. One group member went to the objector to explore what new language was needed to meet his needs, yet not undermine the agreements developed by the task force. The objector sought not only to clarify some slightly



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ambiguous language (in this case deliberately ambiguous, because of continuing differences in the task force) but also to advance a view that ultimately was preferred by the whole group. The revised report was enthusiastically adopted by the task force, fully endorsed by the legislative advisory commission, and easily adopted by the state legislature.

In this case the task force members' agreement to seek consensus not only suggested but demanded that they find new ground when impasse was threatened. With prompting by the mediators, the group was accountable to its ground rules, and the consensus rule had a direct impact on the desired outcome: all major interests supporting one piece of legislation. Similarly, even with the frustration of having one person threaten the work of the whole, further efforts to ensure full participation helped create a stronger outcome than the group had devised without the absent member.

### Negotiation among North Carolina Public Health Advocates

Following settlement of the multistate suit against tobacco manufacturers, the North Carolina Coalition for a Health Trust Fund sought to have a large portion of the monies allocated to North Carolina placed in a charitable foundation whose purpose would be to improve the health and wellness of the people of the state. The RHG idea of a group moving to something new and stronger than what people initially bring to the table struck a chord with Peg O'Connell, one of the active participants in the sixty-group coalition and chair of North Carolina Prevention Partners. Said O'Connell, "Groups don't have to work toward the

lowest common denominator. I was heartened by the basic principle that higher ground was possible. One could reach for something not equally distasteful but something that could be embraced."<sup>9</sup> Nonetheless, O'Connell noted, the highly charged political environment surrounding tobacco and health concerns constrained how much RHG could emerge within the coalition, compared with work groups or task forces having greater distance from pending legislation or working on other health issues.

*Desired outcomes: From a weak compromise to a solid agreement.* Creation of a mission statement for the coalition was not a simple, straightforward endeavor. The situation was very challenging: There were strong and differing personalities in the group, and there was significant wariness or distrust because members saw one another as competitors for the same pot of money. Further, some coalition members came from groups that had worked on tobacco-related health concerns for a long time, whereas others represented organizations focused on a broader range of health and wellness needs. Finally, some group members were experienced in the legislative/political arena, while others were involved in grassroots advocacy or direct health services.

"We drafted a very broad mission statement [see page 42] so the representatives at the table could get their organizations and legislators on board," O'Connell relates. "The statement did not excite people, but they could hold their noses and accept it. At least it was a starting point and something that everyone could agree to."<sup>10</sup>

"We had worked hard on preventing tobacco use for years, with no state funding," commented Sally Malek, director of the Tobacco Prevention and Control Branch of the North Carolina Department of Health and Human Services. "When the tobacco settlement came along, we saw it as the first real opportunity for state government resources for reducing tobacco use. Although the settlement came about due to the high health costs of tobacco use, there were many competing priorities. In order to get funds at all, we needed to work within a broader health coalition, and with a mission statement broader than tobacco-

use prevention. We saw it as a necessary compromise."<sup>11</sup>

*Political pressures.* Not until there were external demands that settlement monies also be directed to tobacco allotment holders (people "licensed" to grow a maximum amount of tobacco) and to tobacco-dependent communities did the mission statement serve to unite the members of the health coalition. The coalition had anticipated that, of the total tobacco-settlement monies coming to the state, the North Carolina General Assembly would allocate 50 percent for health and 50 percent for economic development. In summer 1999 the General Assembly allocated 50 percent for economic development for tobacco-dependent communities and industries, 25 percent to tobacco allotment holders, and only 25 percent for health. And it soon became evident that this 25 percent was at risk. Hurricane Floyd's devastation of much of eastern North Carolina in September 1999 raised the possibility that the state legislature would take all the health money and use it for flood relief.

Maintaining at least the 25 percent level became a rallying point for the group. O'Connell relates, "This position [25 percent for health] became the higher ground people could buy in to. The mission statement had gone from distasteful to wonderful. There still were some tensions among some groups' representatives, but everyone did commit to the 25 percent goal and worked hard to make it a reality." O'Connell adds that there were feelings of both compromise and collaboration as the coalition worked on its own differences and responded to other groups' demands for a part of the tobacco-settlement monies.<sup>12</sup>

A final phase tested the coalition. Some members were asked to join outside organizations' legislative efforts to obtain a portion of the tobacco-settlement monies. Doing so would have separated them from the coalition. Malek believes that the development of understanding, respect, and mutual accountability led those members to tell their coalition partners of the efforts of outsiders to form alliances with only some members of the coalition. The members stayed in the coalition rather than pursue those potential outside alliances. Malek reflects, "This is still a work in progress.

## HIGHER GROUND REACHED BY THE NORTH CAROLINA COALITION FOR A HEALTH TRUST FUND

### MISSION STATEMENT

Twenty-five percent of the Tobacco Settlement Funds shall be placed in a charitable foundation, the purpose of which shall be to improve the health and wellness of the people of North Carolina.

The Foundation shall fund initiatives that include but are not limited to research, education, prevention and treatment of health problems in North Carolina, and to increase capacity of communities to respond to the public's health needs.

The Foundation shall develop a comprehensive, community-based plan to fund initiatives with priority on preventing, reducing and remedying the health effects of tobacco use with an emphasis on reducing youth tobacco use.

In all endeavors, the Foundation shall place a priority on the health needs of vulnerable and underserved populations and shall provide assistance in addressing those needs.

Source: Available at <http://www.ncpreventionpartners.org/tobaccoprev/coalition.htm>.

We learned a lot about managing different needs and interests in a way that can support higher ground for the long term. Many of the interests represented in the coalition will need to work together effectively after the members of the health trust board are appointed by the governor and legislative leaders."<sup>13</sup>

*Lessons: The importance of using RHG principles.* O'Connell reflects on what she learned about RHG from the health coalition effort:<sup>14</sup>

- *The need for ground rules linked to a group's mission:* The coalition might have worked better if it had created an explicit set of ground rules in addition to the mission statement. "We could have done better creating common expectations for work in the coalition and reducing some of the personal clashes," O'Connell thinks.

- *The applicability of teamwork ideas to political coalitions:* RHG builds on the trend in the corporate world for more team-based work and on the need to combine expertise to get to good solutions. "Everything we do is an exercise in group dynamics and seeking agreement," O'Connell says. "Paraphrasing James Madison, 'We live in a world of competing factions.' It is very hard having five or ten sides—let alone fifty—trying to get what they want. You can either lock heads and make it as difficult as

possible, or find groups that do want to try to work together effectively."

- *Leadership in a collaborative context:* O'Connell notes that collaboration does not mean avoiding having a leader for a group. The coalition's push in 2000 depended on a well-led, focused effort. She credits Chris Hoke, legislative liaison from the North Carolina Department of Health and Human Services, with helping get the coalition focused and advocating a simple, persuasive goal (a clear "desired outcome," in RHG language). Hoke remarks, "The group did need someone to serve as a catalyst or leader. I certainly was not a leader in the sense of making a decision and getting others to follow it. Instead, I emphasized that success depended on each member repeating the mission statement in every contact with state legislators."<sup>15</sup>

- *Action, not talk:* O'Connell believes that although the RHG metaphor and guidelines are useful, in a political environment many people are more oriented to hard-nosed deal making. She says, "Use the concepts and techniques of RHG, but don't take time talking about 'higher ground' because many people will assume it is too touchy-feely or unrealistic."

- *Upcoming opportunities to use more of RHG:* O'Connell notes that the chal-

## HIGHER GROUND ON ENVIRONMENTAL MANAGEMENT, REACHED BY THE NATION'S GOVERNORS

### ENLIBRA PRINCIPLES

**National Standards, Neighborhood Solutions**—Assign Responsibilities at the Right Level

**Collaboration, Not Polarization**—Use Collaborative Processes to Break Down Barriers and Find Solutions

**Reward Results, Not Programs**—Move to a Performance-Based System

**Science for Facts, Process for Priorities**—Separate Subjective Choices from Objective Data Gathering

**Markets Before Mandates**—Replace Command and Control with Economic Incentives, Whenever Appropriate

**Change a Heart, Change a Nation**—Ensure Environmental Understanding

**Recognition of Benefits and Costs**—Make Sure Environmental Decisions Are Fully Informed

**Solutions Transcend Political Boundaries**—Use Appropriate Geographic Boundaries for Environmental Problems

*Source:* As summarized in E. FRANKLIN DUKES, MARINA A. PISCOLISH, & JOHN B. STEPHENS, REACHING FOR HIGHER GROUND IN CONFLICT RESOLUTION: TOOLS FOR POWERFUL GROUPS AND COMMUNITIES 204–5 (San Francisco: Jossey-Bass, Sept. 2000). Copyright © 2000 by Jossey-Bass, Inc., 350 Sansome Street, San Francisco, California 94104. This material is used by permission of Jossey-Bass, Inc., a subsidiary of John Wiley & Sons, Inc.

challenge of better addressing health needs in North Carolina now moves to how the board of the health trust will operate. “The RHG principles can be helpful in avoiding the pain of the work the coalition did on legislative matters,” says O’Connell. “I’m looking at this as the board of the health trust is selected and starts its work. I keep asking, How can the various groups in the public health community move forward without having so much dissatisfaction along the way?”

### Other Promising RHG Applications

RHG has shown promise in some other situations across the United States. Some brief illustrations follow.

#### Environmental Management in the West

In the many skirmishes or outright wars over environmental and economic needs in the western United States, two governors sought a better way to frame the

array of issues. Governor Mike Leavitt (R–Utah) and Governor John Kitzhaber (D–Oregon) worked together on a set of environmental management principles that they termed ENLIBRA (see above). My book coauthors and I see these principles as consistent with the general metaphor of RHG and as illustrative of the steps related to identifying general aspirations and needs to guide specific group decisions.

The ENLIBRA principles have been adopted by the Western Governors Association (WGA) and the National Governors Association (NGA). Additionally the WGA and NGA resolutions adopting the principles cite a variety of inter- and intra-state examples of collaborative, innovative approaches to environmental issues, such as air pollution in the Grand Canyon, drinking-water supply in Texas, salmon habitats in Oregon, and trail access in Alaska.<sup>16</sup>

In North Carolina the ENLIBRA principles were introduced in spring 2000 to the Stormwater Management Stakeholders Initiative, twenty-eight rep-

resentatives who sought agreement on how to implement new U.S. Environmental Protection Agency rules for stormwater management. The group worked for five months and produced a majority report, but it is unclear to what degree the group used the ENLIBRA principles to guide its efforts.

#### Creation of a New City Charter

At the municipal government level, a strong example of RHG was provided when Chelsea, Massachusetts, created a new city charter in the 1990s. The town of 28,000 in the Boston area included second- and third-generation Americans of eastern European descent and a substantial proportion of recent Hispanic and Asian immigrants. Corruption and mismanagement had led to the state putting Chelsea into receivership in 1990.

The Chelsea Charter Consensus Process used a mediation team to develop a variety of ways to involve a wide range of citizens. Beyond interviewing formal and informal community leaders, the team trained Chelsea citizens as facilitators to run some forty-five community meetings. Surveys and public forums were supplemented with English- and Spanish-language newsletters, call-in cable TV programs, and a telephone hotline. The effort yielded wide citizen participation and 60 percent support when the new charter was voted on in a referendum.

Both the process and the outcome of the city charter effort reflect the need for explicit shared expectations about how a community wants to be governed. Many aspects of RHG—a principled, safe, new, and enlarged perspective—were part of the Chelsea Charter Consensus Process.<sup>17</sup>

#### Core Values for Public Participation

Many people who are responsible for citizen involvement processes face pressures to turn away from openness, inclusiveness, and a fair opportunity for citizens to express concerns, toward public relations, the hard sell, and withholding of relevant, often critical information from stakeholders. The International Association for Public Participation has responded by preparing a list of seven core values for public participation (see page 44). Although the values are very general guidelines that require specific

## HIGHER GROUND PROMOTED BY THE INTERNATIONAL ASSOCIATION FOR PUBLIC PARTICIPATION

### CORE VALUES FOR THE PRACTICE OF PUBLIC PARTICIPATION

1. The public should have a say in decisions about actions that affect their lives.
2. Public participation includes the promise that the public's contribution will influence the decision.
3. The public participation process communicates the interests and meets the process needs of all participants.
4. The public participation process seeks out and facilitates the involvement of those potentially affected.
5. The public participation process involves participants in defining how they participate.
6. The public participation process communicates to participants how their input affected the decision.
7. The public participation process provides participants with the information they need to participate in a meaningful way.

Source: Available at <http://www.iap2.org/coreofvalues.html>.

discussion and application, in 1996 the U.S. Environmental Protection Agency's National Environmental Justice Advisory Committee found them compelling and adopted them as part of its Model Plan for Participation. It then used the principles to develop a more specific checklist for public participation relevant to environmental issues.<sup>18</sup>

### Conclusion

Amid the contention, the uncertainty, and the sometimes great distrust among political foes, RHG appears at first glance to be a pipe dream. Nonetheless, my *Reaching for Higher Ground* co-authors and I are heartened by the many public officials who are finding value in both the general vision of RHG and the specific stepping-stones and techniques to make it real. More important, as examples from North Carolina and several other places show, there is a growing recognition that reaching for principled agreements and moving from basic ground rules to broader and more durable shared expectations are what is truly called for to create community out of conflict.

On organizational change and group effectiveness: Margaret S. Carlson, *A Model for Improving a Group's Effectiveness*, POPULAR GOV'T, Summer 1998, p. 37; Anne S. Davidson & Richard R. McMahon, *One City's Journey toward More Responsive Government: Laurinburg, North Carolina*, POPULAR GOV'T, Winter 1999, p. 12; Roger M. Schwarz, *Managing Planned Change in Organizations*, POPULAR GOV'T, Winter 1988, p. 13, Reprint No. 88.13A.

On public dispute resolution: John B. Stephens, *Using a Mediator in Public Disputes*, PUBLIC MANAGEMENT BULLETIN NO. 2 (Institute of Gov't, The Univ. of N.C. at Chapel Hill, Sept. 1998).

4. Some of the deficiencies apply to common uses of ground rules in North Carolina and to lists of ground rules other than those typically used by Institute of Government-trained facilitators. The whole set of weaknesses is drawn from the authors' experience across the United States, including changes in our own approach to ground rules, and from reports by mediators, facilitators, and committee members on problems encountered in typical approaches to introducing and applying ground rules.

5. This very brief summary of RHG is covered, with real-life illustrations, in chapter 4 of the book.

6. DUKES ET AL., REACHING FOR HIGHER GROUND, 93.

7. *Id.* at 95.

8. *Id.* at 101.

9. Telephone Interview with Peg O'Connell, Chair, N.C. Prevention Partners (Dec. 7, 2000).

10. *Id.*

11. Interview with Sally Malek, director, Tobacco Prevention and Control Branch, N.C. Dep't of Health and Human Serv., in Raleigh (Jan. 8, 2001).

12. Interview with O'Connell, N.C. Prevention Partners.

13. Interview with Malek, N.C. Dep't of Health and Human Serv.

14. All the quotes and the paraphrases that follow in this section are from the interview with O'Connell, N.C. Prevention Partners.

15. Interview with Chris Hoke, Director, Office of Intergovernmental Relations, N.C. Dep't of Health and Human Serv., in Raleigh (Jan. 8, 2001).

16. The WGA's resolution is available at [http://www.policyconsensus.org/statements/principles\\_environmental\\_mgmt\\_in\\_the\\_west.html](http://www.policyconsensus.org/statements/principles_environmental_mgmt_in_the_west.html).

17. S. L. PODZIBA, SOCIAL CAPITAL FORMATION, PUBLIC-BUILDING AND PUBLIC MEDIATION: THE CHELSEA CHARTER CONSENSUS PROCESS (Dayton, Ohio: Kettering Foundation, 1998).

18. The model plan is available at <http://es.epa.gov/oeca/oej/nejac/pdf/modelbk.pdf>. The checklist appears on pages 9–11.

### Notes

1. E. FRANKLIN DUKES, MARINA A. PISCOLISH, & JOHN B. STEPHENS, REACHING FOR HIGHER GROUND IN CONFLICT RESOLUTION: TOOLS FOR POWERFUL GROUPS AND COMMUNITIES (San Francisco: Jossey-Bass, Sept. 2000). The book is available from the Institute of Government's Publications Sales Office.

2. ROGER M. SCHWARZ, THE SKILLED FACILITATOR: PRACTICAL WISDOM FOR DEVELOPING EFFECTIVE GROUPS (San Francisco: Jossey-Bass, 1994). Schwarz subsequently reduced the ground-rules list from sixteen to ten.

3. On selecting and working with a facilitator: Roger M. Schwarz, *A Consumer's Guide to Hiring and Working with a Group Facilitator*, POPULAR GOV'T, Spring 1994, p. 12, Reprint No. 94.08C; SCHWARZ, THE SKILLED FACILITATOR.

On governing board retreats: Kurt J. Jenne, *Governing Board Retreats*, POPULAR GOV'T, Winter 1988, p. 21, Reprint No. 88.13B.

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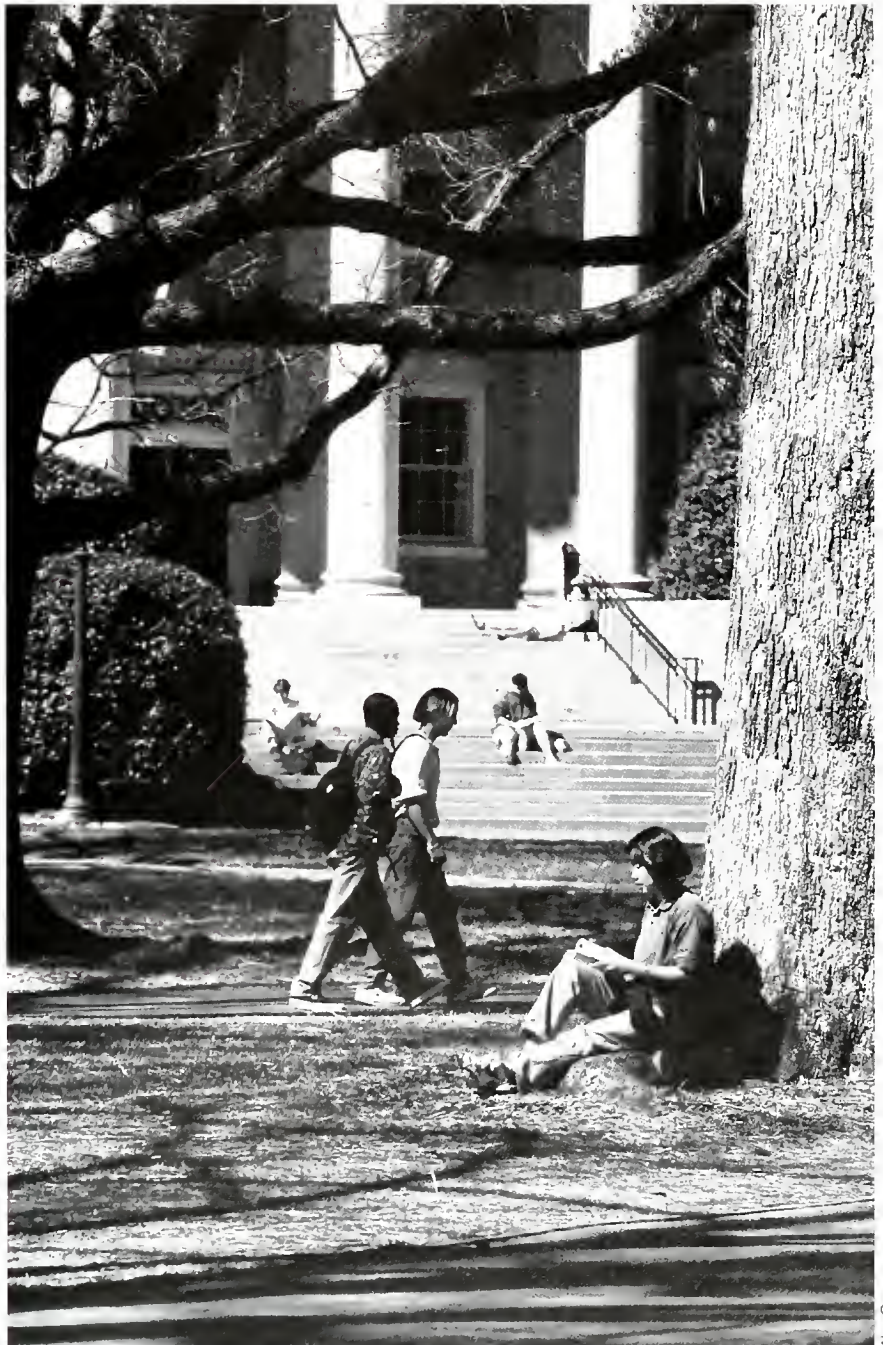
## ESSAY

# Successful Multicampus Governance: The North Carolina Model

*John L. Sanders*

**F**or much of the period since the end of World War II, public higher education has been one of the strong growth sectors of the American economy. The rapidly expanding college-age population, the increasingly recognized need for continual reeducation of much of our workforce, the introduction of new technologies that enable distant and continuing education of our population, the willingness of state governments to finance the establishment and the enlargement of institutions of higher education, and the readiness of the federal government to finance student assistance programs and large-scale research endeavors have fueled that growth.

As states have enlarged their higher education responsibilities, they have become more concerned about how best to manage their educational institutions to get the highest return for their citizens from the large investments they make in those institutions. For several decades, the trend was to move from separate state institutions, each with its own direct relations with the state legislature and governor, to systems of public institutions governed by central state authority. This trend found its roots in earlier decades. Georgia established the first statewide university system in 1931, followed closely by North Carolina in the same year. Georgia's plan embraced all public degree-granting institutions; that of North Carolina brought together only the three principal public institutions maintained by the state.



WILL OWENS

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The forms of consolidation vary widely and change often over time, for in this area, the creative ingenuity of state legislatures seems infinite. Today, multicampus public higher education systems exist in at least three-quarters of the states, embrace two-thirds of the nation's public colleges and universities, and serve about 80 percent of public institutions' students. Typically, those systems consist of one or two state-level governing boards that directly govern all or a subset of the state's degree-granting public institutions. Those institutions do not have their own local governing boards (though some may have local boards of visitors or the like with only advisory powers).

In recent years, however, a counter trend has become evident. Several states—notably New Jersey, West Virginia, and Florida—have effectively devolved much of the power formerly vested in their central higher education governing boards to newly established campus governing boards. Other states are contemplating similar moves. The justification is that with their own boards, institutions are better able to respond to local program needs and pressures for broader or improved service (and, cynics might observe, to realize institutional ambitions).

Where does North Carolina stand in the controversy over central versus local board authority?

North Carolina successfully dealt with this issue thirty years ago.

Each of North Carolina's sixteen public, degree-granting universities already has its own board of trustees, exercising extensive powers delegated to it by the central governing body, the Board of Governors. This blended model permits both oversight from a statewide perspective and accommodation to local initiatives. (Only Utah has had a similar structure for years, with both a statewide governing board and institutional boards with significant power.)

In 1971, North Carolina maintained sixteen public, degree-granting institutions of higher education. Six were campuses of The University of North Carolina, which was governed by one 100-member board of trustees and one president. A chancellor headed each of the six constituent institutions. Created in 1931 by legislative consolidation of three institutions—the University of North Carolina (Chapel Hill), North Carolina State College of Agriculture and Engineering (Raleigh), and the North Carolina College for Women (Greensboro), as they were then known—into one multicampus “University of North Carolina,” the multicampus University was augmented in the 1960s by adding three previously separate public institutions (at Charlotte, Asheville, and Wilmington). Chancellors reported only to the president; there were no institutional boards of trustees. The state also maintained ten other public institutions, each with its own board of trustees of thirteen members and a president chosen by that board. The University's board of trustees was elected by the state legislature; the other ten institutional boards of trustees were appointed by the governor. (There was also a large system of public, two-year community colleges, then under the same governing board as the public school system; that set of institutions will not be treated further in this article.)

To achieve better returns on the state's investment in higher education through central planning and coordination, program authorization and allocation, resource distribution, and advo-

cacy in the interest of meeting the state's higher education needs—and to curb unsubstantiated institutional aspirations—the state legislature in 1971, at Governor Robert W. Scott's insistence, “restructured” all of public higher education in North Carolina, effective in 1972. The ten previously separate public institutions were merged into The University of North Carolina, so that henceforth it encompassed all sixteen public campuses.

The board of trustees of the multicampus University was continued as a legal entity but was renamed the Board of Governors of The University of North Carolina and reduced from 100 to 32 members, all of whom continued to be elected by the legislature. Each of the sixteen institutions was given its own board of trustees of 13 members—8 elected by the Board of Governors, 4 appointed by the Governor, and the student body president. (One feature of the new structure was that it gave each of the six institutions that previously made up the multicampus University its own board of trustees, which the original three campuses had not had for forty years.) Complete governing authority over the University was vested in the Board of Governors, which was empowered to delegate to the boards of trustees and chancellors such powers as it saw fit; those delegations were not required to be uniform.

During legislative consideration of the restructuring plan, proposals for statutory assignment of powers to institutional boards of trustees, put forward by friends of the ten then-separate institutions, were rejected in favor of leaving discretion as to such power delegations in the Board of Governors.

It is highly relevant here that one stated objective of restructuring was to extend the benefits of the successful, unified, multicampus University of North Carolina as it had operated for forty years. In 1971 its six institutions enrolled 56 percent of the students in public senior institutions and had faculties and facilities even larger in proportion to those of the other ten institutions that were about to join the University.

The General Assembly in 1971 sought to create an informed body with the authority to respond definitively—whether positively or negatively—to regional and institutional ambitions for new programs and other ventures in higher education and thus to shield the legislature from those pressures. Over three decades, the legislature has supported the Board of Governors when the board has made and accepted responsibility for those decisions.

The one specific role of great importance given by the 1971 statute to each institutional board of trustees is that when choosing a new chancellor, the president must select from a list of two or more names recommended by the institutional board of trustees the one person to be nominated to the Board of Governors for election. Thus the institutional boards have a major voice in the selection of their chancellors.

From the beginning, the Board of Governors recognized the value of local discretion in meeting institutional needs. Thus, at its organizational meeting in July 1972, the board delegated to each of the sixteen boards of trustees and sixteen chancellors extensive powers to govern their respective institution, reserving to the Board of Governors and the president only those powers essential to the exercise of their systemwide responsibilities. Those reserved powers are



1. the definition of institutional missions and allocation of degree and other major academic programs to institutions;
2. establishment of enrollment levels for each institution;
3. election of the president and on the president's nomination his or her principal staff and the chancellors;
4. election of the principal administrative officers and tenured faculty of the sixteen institutions on nomination of the boards of trustees of the institutions;
5. preparation of the comprehensive University budget and its advocacy before the governor and the General Assembly; and
6. determination of tuition and fee charges at the institutions.

**The needs of the governor and the General Assembly are well served by having one president and one Board of Governors that they can hold accountable for those aspects of University operations of greatest concern to them.**

All Board of Governors' actions particularly affecting individual institutions are heavily influenced by institutional recommendations and advice.

The boards of trustees and the chancellors of the sixteen constituent institutions have final authority over myriad aspects of institutional life and operations that necessarily differ among institutions ranging in enrollment from 700 to 27,000 and in degree offerings from only bachelor's degrees to the wide array appropriate to major research universities. Such potentially vexatious subjects as athletics, student admission and graduation standards, student services, student discipline, all personnel decisions (except the formal election of senior campus administrators and the conferral of permanent tenure upon faculty members, all done on recommendation of the institutions' boards of trustees), campus physical planning and development, fund-raising, conferral of honorary degrees and awards, alumni relations, and the countless other issues that can complicate relations between institutions and their many constituencies—are left for local decision. In limited instances, an institutional decision may be appealed by an aggrieved faculty member or student to the president and the Board of Governors. Administration of budgets, personnel systems, and purchasing are carried on directly between the institutions and the relevant agencies in Raleigh.

The delegations of power by the Board of Governors to the institutional boards have, with minor changes, survived intact for twenty-nine years. Nearly all delegations have been uniform for all sixteen institutions, any differences being due chiefly to variations in institutional size and administrative structure.

These early and generous delegations of power reflected the fact that the president (William Friday) and half of the initial members of the Board of Governors had had long experience in governing the University in its six-campus form and so understood the vital differences between governing a single-campus institution and governing a multicampus university. They knew which powers it was essential to retain at the center and which could and should be delegated to the institutions.

The statute says that the president "shall be the chief administrative officer of the University." The chancellors are administratively responsible to the president, and through the president to the Board of Governors. The chancellors are also responsible to their boards of trustees as the executors of the policies and the directives that those boards adopt pursuant to their delegated power.

The needs of the governor and the General Assembly are well served by having one president and one Board of Governors that they can hold accountable for those aspects of University operations of greatest concern to them—program prioritization and authorization, effective resource allocation and use, upper-level staffing, and comprehensive planning and advice to the governor and the legislature on how best to meet the higher education requirements of the whole state.

The Board of Governors, with the cooperation of the boards of trustees, has been able to gain sufficient resources to fulfill much of the state's ambition to educate an ever-enlarging share of our high school graduates, to provide the economy with a well- and currently trained workforce, and to meet the institutions' needs for renewed and expanded physical plants.

The scope for University-wide initiative is extensive. The president's office is leading a coordinated program to engage all of the constituent institutions to serve more effectively the needs of the state public school system for more and better-prepared administrators and teachers (the state needs 80,000 new teachers by 2010). A bond issue of \$2.5 billion for University facilities, approved last fall by the state's citizens by a 73 percent vote, could never have been gained by a decentralized set of institutions, each pleading its own case with the state legislature and the public.

More coordinated lobbying of the legislature and executive agencies is enabled. The development of information technology is being achieved more efficiently and economically with central guidance. Program proliferation is controlled. Even where the institutions' boards have full delegated power over a function (such as student recruitment or fund-raising), the president's office can provide technical help and obtain financial support for staff development.

Substantial discretion and flexibility (with consequent economies) have in recent years been delegated by the General Assembly and the governor to the constituent institutions in budgeting, purchasing, and personnel management, in place of systems that had been closely controlled by state administrative agencies in Raleigh. These measures of institutional flexibility are strongly advocated by the president and the Board of Governors.

All sixteen institutions have gained much and lost little by being integral parts of a multicampus university that is organized and operates to achieve unity in essentials while permitting institutional differentiation in all else.



## Institute Launches Center for Public Technology

**A**s director of social services for the State of North Carolina, Kevin FitzGerald dealt with some of the state's most complex information technology systems. He now is applying this experience at the Institute as planning director for the new Center for Public Technology.

The center's mission is to help North Carolina governments and their partners better understand and use information technology to improve public services and to strengthen their communities. In 1997 the North Carolina Association of County Commissioners commissioned the Institute to evaluate the technology needs and capacity of all 100 counties. According to FitzGerald, "The study clearly defined a set of critical needs and barriers to effective use of information technology. The Center for Public Technology is our direct response to these needs."

The center will use teaching, research, and technical assistance to improve the delivery of public services and to transform citizen involvement with government. As it develops, the center will seek ways of using technology to improve communication within individual governments and between those governments and their many private and public partners.

"We are creating several advisory groups drawn from state and local government, other academic units and institutions, technology companies, and other private companies and nonprofit organizations doing business with government," FitzGerald explains. "These partners



will guide the formation of the center and its operation, help select and participate in demonstration projects, and help generate adequate support and access to specialized technical expertise when it is needed."

The center is in start-up mode. In January, more than 180 local and state government employees attended a training session that offered practical advice on managing and procuring technology projects. Also, information technology training sessions have been added to the Institute's existing course offerings on topics ranging from streamlining government processes to information technology and citizen involvement.

In early February the center went online with a new Web site, [www.cpt.unc.edu](http://www.cpt.unc.edu). The site offers information about the center's services and provides technology resource links for local governments. In the future, FitzGerald says, the site will add an information clearinghouse on public technology issues. Through the clearinghouse, local and state government officials will be able to obtain unbiased, reliable, and helpful information about peers' experiences with new business processes, specific hardware, network and software applications, best practices, and results of demonstration projects.

"We also hope to find funding to establish an 'eGovernment' demonstration lab in the expanded Institute building," FitzGerald adds. "The lab would allow existing software to be demonstrated and new software to be modeled and tested before governmental units make purchase decisions. It would support the creation of better, more serviceable products by enabling governments and various private, public, and nonprofit partners to collaborate on software development."

The center is currently supported by planning funds from The University of North Carolina at Chapel Hill, the North Carolina Association of County Commissioners, and the Rural Internet Access Authority and through a demonstration project in rural eastern North Carolina.

For more information on the Center for Public Technology, check the Web site, [www.cpt.unc.edu](http://www.cpt.unc.edu), or contact Kevin FitzGerald, phone (919) 962-4301, e-mail [kfitz@iogmail.iog.unc.edu](mailto:kfitz@iogmail.iog.unc.edu).

—Ann Cary Simpson



## Grantham Joins Institute Faculty

**K**imberly M. Grantham joined the Institute in February as assistant professor of public law and government. She specializes in real and personal property records, property tax collection, state and local taxation, notaries public, and privilege license taxation. All of these areas were formerly handled by Professor William A. Campbell, who began a phased retirement in March.

Before taking a position at the Institute, Grantham was assistant county attorney in Durham County, representing the county in tax assessment and collection matters. From 1994 to 1997, she also served as the assistant general counsel for the North Carolina Association of County Commissioners, in Raleigh.

Grantham is a Phi Beta Kappa graduate of The University of North Carolina at Chapel Hill, earning her B.A. with distinction in 1991. She received her J.D. from Duke University Law School in 1994. Her professional memberships include the North Carolina State Bar, the American Bar Association, the North Carolina Bar Association, and the North Carolina Association of Black Lawyers. A native of Onslow County, Grantham is married and is the mother of two young daughters.

At the Institute, Grantham can be reached by telephone at (919) 966-4169 and by e-mail at [grantham@iogmail.iog.unc.edu](mailto:grantham@iogmail.iog.unc.edu).

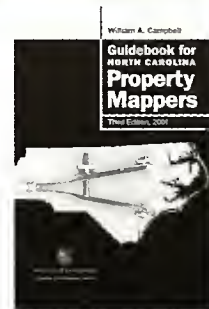
—Ann Cary Simpson

# Off the Press

## Guidebook for North Carolina Property Mappers

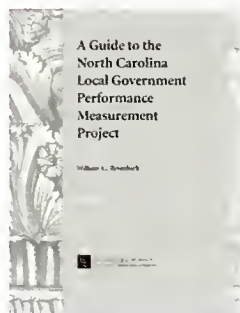
*William A. Campbell*  
Third edition, 2001 • \$14.00\*

Discusses legal subjects important to the work of property mappers, land records managers, and county assessors. Includes chapters on the law of real property, land records and basic title searching, listing of property and determination of ownership for purposes of the ad valorem property tax, and recording requirements for maps and plats.



## A Guide to the North Carolina Local Government Performance Measurement Project

*Edited by William C. Rivenbark*  
2001 • \$55.00\*

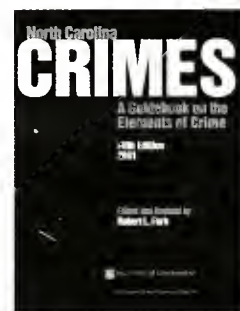


Presents the methods developed and used by the North Carolina Local Government Performance Measurement Project, an effort to encourage the use of performance measurement and benchmarking to produce comparable performance and cost data and to promote data use for the purpose of service or process improvement. The guide represents the work of local government officials in North Carolina who are committed to improving the numerous services provided by cities and counties.

## North Carolina Crimes: A Guidebook on the Elements of Crime

*Robert L. Farb*  
Fifth edition, 2001 • \$37.00\*

A reference book for law enforcement officers, judges, and criminal lawyers on substantive criminal law in North Carolina. Outlines the elements of several hundred criminal offenses. Each outline explains the offense, reprints relevant statutes, and cites relevant case law. Also covers criminal states of mind, bars and defenses, participants in crime, and attempts and conspiracy. The fifth edition replaces the fourth edition, 1995, and the 1997 supplement.



## Recent Publications

The Law of Employment in North Carolina's Public Schools

*Robert P. Joyce*  
2001 • \$45.00\*

Boards of Adjustment Workshop, August 2000: Course Materials and Videotapes

(set of four tapes)

*Videotapes feature Institute of Government faculty members Richard D. Ducker and David W. Owens.*

2001 • \$50.00\*

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