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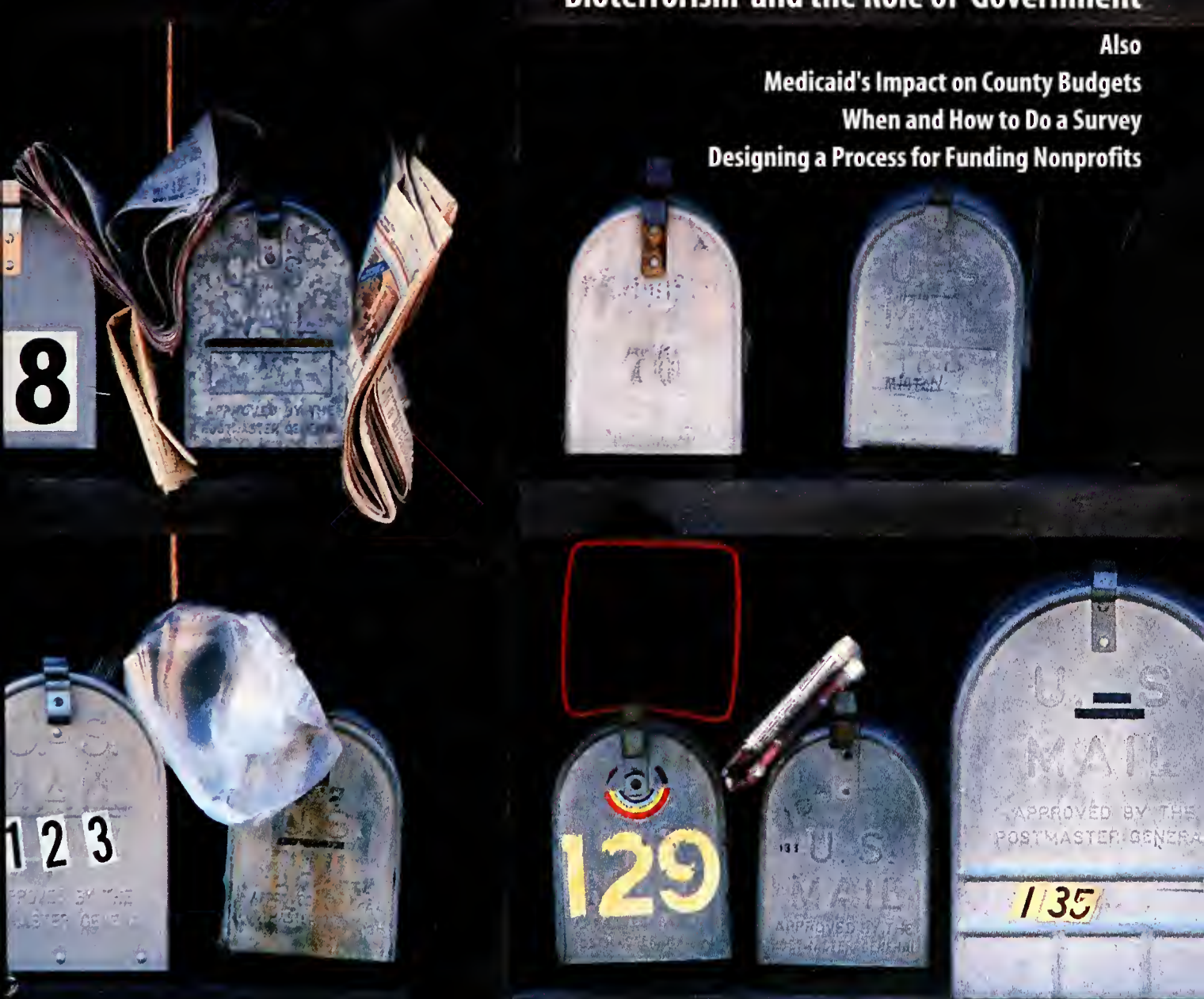
Bioterrorism and the Role of Government

Also

Medicaid's Impact on County Budgets

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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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Counties Not Liable for Injuries Sustained in Criminal Attacks in Courthouses

Recently the North Carolina Supreme Court decided *Wood v. Guilford County*, 355 N.C. 161, 558 S.E. 2d 490 (2002), which addresses a county's liability when a person is injured at a courthouse by the criminal act of another person. The *Wood* decision elaborates on the responsibilities of the state and local governments in providing security for courthouses and related judicial facilities. These responsibilities were described in an article published in the Summer 1999 issue of *Popular Government*.

In *Wood* an employee of the clerk of superior court was assaulted in a courthouse restroom. The assailant was captured, tried, and convicted for the assault. The employee sued the county and the private security firm with which the county had contracted to provide security for the courthouse, for negligence in failing to protect her adequately from the assault.

Guilford County denied that it was liable for the employee's injury, giving

several possible legal defenses. The trial court refused to dismiss the case at the pretrial stage and ruled that the case should proceed to trial to determine the facts in the case. The county appealed the decision. Ultimately the North Carolina Supreme Court decided the case in favor of the county.

The supreme court held that the public duty doctrine applied to this situation. Therefore the county was not liable to the injured employee for its alleged failure to protect her from the assailant. The public duty doctrine is complicated and applies in different ways to state governments and local governments, so a complete discussion of it is beyond the scope of this update. For local governments it provides that counties offering police protection have a general duty to protect the public but do not have a special duty (for which they may be held liable if they fail to perform the duty) to protect each person from the criminal behavior of others. The doctrine "acknowledges the limited resources of

law enforcement and refuses to impose, by judicial means, an overwhelming burden on local governments for failure to prevent every criminal act" (*Wood*, 355 N.C. at 166, 558 S.E. 2d at 495).

Wood establishes two important principles in determining a county's liability for this kind of injury in a courthouse. It makes clear that providing court security services is part of the county's police protection function. That clarification is important because the public duty doctrine shields a local government from liability for negligence when it is providing police services. When the North Carolina Court of Appeals heard the *Wood* case, it held that, in providing security services for courts, a local government is not providing a police function but is acting as the owner and operator of a building and may be liable if it provides inadequate security. The court of appeals reiterated that principle in *Doe v. Jenkins*, 144 N.C. App. 131, 547 S.E.2d 124 (2001). The supreme court in *Wood* reversed the court of appeals, so *Doe*, which is inconsistent with the supreme court's opinion in *Wood*, is no longer a correct statement of the law.

The supreme court's decision in *Wood* also makes clear that a county may receive the benefit of the public duty doctrine when it contracts with a private entity to provide police services, instead of providing the services directly. The court did not decide whether the private firm might be liable, because that issue was not raised in the appeal.

A county has a responsibility to provide a secure environment in local court facilities, but as *Wood* indicates, the recourse for people injured by criminal attacks in a courthouse is not likely to come through the imposition of liability on a county for its negligence in failing to prevent their injuries.

For more information about the impact of this decision, contact James Drennan at (919) 966-4160 or drennan@iogmail.iog.unc.edu.





Former M.P.A. Program Director Lauded for Accomplishments

Accolades for Deil S. Wright, a professor of political science at UNC Chapel Hill and a former director of the university's Master of Public Administration (M.P.A.) Program, mounted as the twentieth century ended and the twenty-first began. In 1999 he received two prestigious awards from the American Society for Public Administration, and in 2001 the UNC Chapel Hill M.P.A. Alumni Association honored him for his career and service. A former student of Wright's, Brendan Burke, pays tribute to him in a Web Supplement to this issue of *Popular Government*, available at http://ncinfo.iog.unc.edu/pubs/electronic_versions/pg/pgsum02/wright.pdf.

October 2002 Deadline for HIPAA Compliance Plans

State and local government agencies subject to HIPAA should take note: the first HIPAA compliance deadline is fast approaching.

HIPAA, which is short for the Health Insurance Portability and Accountability Act of 1996, directed the U.S. Department of Health and Human Services (DHHS) to develop several "Administrative Simplification" regulations to standardize electronic transmission of health care information. A few of these regulations have become law, including those relating to privacy of medical information and transmission of electronic transactions and code sets. An example of a "transaction" is the filing of an insurance claim on behalf of a patient. A "code set" may include, for example, the patient's diagnosis that appears on the insurance claim. The deadline for complying with the Transactions and Code Sets regulations is October 16, 2002, unless a regulated entity obtains a one-year extension by filing a compliance plan.

The Transactions and Code Sets regulations are expected in the long run to reduce administrative costs related to health care by requiring that all the major players in the health care industry speak the same language when communicating electronically. Entities regulated by HIPAA—including many state and local government agencies, such as state-operated psychiatric hospitals, local health departments, mental health area authorities, and emergency medical services agencies—were initially required to comply with the Transactions and Code Sets regulations by October 16. Last winter, however, Congress passed a law permitting all regulated entities to request a one-year extension.

To take advantage of the one-year extension, entities must submit a compliance

plan to DHHS by October 16. The plan must include answers to several specific questions about the entities' progress in implementing the regulations. Information about the requirements for compliance plans, including a link for filing a plan electronically, is available at www.cms.hhs.gov/hipaa/hipaa2/ASCAForm.asp. For more information on filing a compliance plan or on the HIPAA privacy regulations generally, contact Aimee Wall at (919) 843-4957 or wall@iogmail.iog.unc.edu. Information on the HIPAA privacy regulations also is available at www.medicalprivacy.unc.edu.

M.P.A. Journal

Unnatural Disasters:

Dip arrows in matter of smallpox, and twang them at the American rebels. . . . This would sooner disband these stubborn, ignorant, enthusiastic savages, than any other compulsive measures. Such is their dread and fear of that disorder!

—British Major Robert Donkin, advocating the use of disease as a weapon during the American Revolution (1777)



JIM BOUNDS / NEWS & OBSERVER



HENRY LYNCH / NEWS & OBSERVER

Clockwise from top right: (1) A high school student taking part in a natural-disaster drill holds a “triage” tag, a label that indicates to medical personnel the nature of her injury and the priority she is to be given. (2) Scenes like this became uncomfortably familiar last fall as some federal offices were tested for anthrax. (3) A laboratory worker demonstrates the procedure used to determine whether a mysterious substance contains anthrax spores. (4) During the anthrax-letter attacks of fall 2001, physicians used antibiotics to protect exposed workers.



HENRY LYNCH / NEWS & OBSERVER



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Bioterrorism and the Role of Government

Jill D. Moore

The anthrax-letter attacks of fall 2001 claimed five lives and brought new attention to bioterrorism in the United States. Bioterrorism itself is not new, however. The use of disease as a weapon and agent of terror has a long history in this country:

- British troops, who were more likely to have immunity against smallpox than late-eighteenth-century Americans, used infected soldiers and slaves to spread the disease during the Revolutionary War.¹
- In the years immediately following World War II, the United States vigorously pursued a biological weapons development program. At the time some political and military leaders believed that a war waged with disease might be more humane than one using conventional weapons. The program eventually was scrapped, and the United States signed the international Biological and Toxin Weapons Convention in 1975.²
- In 1984, in Wasco County, Oregon, a religious cult called the Rajneeshees poisoned salad bars at ten popular restaurants with salmonella, a bacterium that causes violent gastrointestinal illness. At the time, there was a lot of tension in the county between the newly arrived Rajneeshees and longer-term residents, which ultimately led to attempts by the cult to elect sympathetic candidates to

county government positions. The salmonella poisonings were reportedly part of a scheme to make voters who opposed Rajneeshee-backed candidates too sick to go to the polls on election day.³

- In the late 1990s, anthrax-hoax letters appeared in women's health clinics throughout the country, including at least one clinic in North Carolina. A typical hoax letter contained a powdery substance and a note claiming that the substance was anthrax. The hoaxes proved that the mere threat of a frightening disease could effectively disrupt communities, strain local government resources, and induce terror among citizens.⁴
- In fall 2001, anthrax was sent through the U.S. mail to various news media outlets and the U.S. Congress. Twenty-two people contracted the disease, half becoming ill with the highly lethal inhalation form of anthrax, the other half with cutaneous (skin) anthrax. Tens of thousands more underwent preventive antibiotic treatments. Five of the inhalation anthrax victims died.⁵

Although the idea behind the 2001 anthrax letters was not new, the impact of the attack was unprecedented in the United States. By the time it was over, it had forced members of Congress and justices of the Supreme Court to vacate their offices temporarily. State and federal public health officials had worked

around the clock to identify possible new cases of illness and provide information to a frightened public. Local governments had been severely taxed by responding to citizens' concerns about suspicious packages and substances. The need for government at all levels to develop plans for responding to bioterrorism had never been more clear.

State and federal government agencies are significant players in ensuring that any community can respond quickly and effectively to a bioterrorist attack. However, the initial impact of an attack, and the response to it, are most likely to occur at the local level. This article identifies some of the key issues facing local governments in planning for bioterrorism and offers some basic information about the biological and chemical agents of particular concern. It also identifies individuals and agencies that should be involved in developing a local plan for responding to bioterrorism and describes some of the key elements that a local plan should address. Finally, the article describes bioterrorism preparedness activities at the state level in North Carolina and identifies some key federal resources for bioterrorism response.

The author is a School of Government faculty member who specializes in public health law. Contact her at Moore@iogmail.iog.unc.edu.

POSSIBLE BIOLOGICAL AND CHEMICAL AGENTS IN A BIOTERRORIST ATTACK

Despite the prefix “bio,” in common usage the word “bioterrorism” extends to the use of chemical as well as biological agents. The federal Centers for Disease Control and Prevention (CDC) defines “biological terrorism” as “an intentional release of viruses, bacteria, or their toxins for the purpose of harming or killing American citizens.”¹ Chemical terrorism also has the purpose of harming or killing but involves the release of chemicals that can cause injury, illness, or death. These may be chemical weapons designed for war, or ordinary industrial chemicals.

The CDC has designated certain biological and chemical agents as “high priority” for purposes of bioterrorism response planning because they have characteristics that may make them particularly attractive to terrorists.²

Biological Agents

The CDC categorizes high-priority biological agents according to the risk they pose to national security. Category A agents pose a particularly high risk because they can be easily disseminated or transmitted from person to person, have a strong potential to cause death and to have a major public health impact, and might cause public panic and social disruption. The illnesses caused by Category A organisms, and the organisms themselves, are as follows:

- Anthrax—*Bacillus anthracis*
- Botulism—*Clostridium botulinum* toxin
- Plague—*Yersinia pestis*
- Smallpox—variola major
- Tularemia—*Francisella tularensis*
- Viral hemorrhagic fevers—for example, the Ebola virus

Local Governments’ Role

Local response is the key to stopping this demon in its tracks.

—Samara Adrian, bioterrorism planner, North Carolina Division of Public Health³

When an act of bioterrorism occurs, its first impact is felt locally, and the front-line responders are local people and agencies. Even the anthrax-letter attacks, which involved several states, the District

The biological agents of next-highest priority are designated Category B. These agents are moderately easy to disseminate, have a moderate-to-low likelihood of causing death, and may be difficult to diagnose or detect. Following are Category B illnesses and/or agents:

- Brucellosis—*Brucella* species
- Epsilon toxin of *Clostridium perfringens*
- Glanders—*Burkholderia mallei*
- Q fever—*Coxiella burnetii*
- Ricin toxin from *Ricinus communis* (castor beans)
- *Staphylococcus* enterotoxin B

Category C biological agents have a lower priority but could be engineered for mass dissemination in the future because they are readily available, easy to produce or disseminate, and have the potential to cause high death rates or to have major public health impact. The Category C illnesses and/or agents are as follows:

- Hantaviruses
- Multi-drug-resistant tuberculosis
- Nipah virus
- Tickborne encephalitis viruses
- Tickborne hemorrhagic fever viruses
- Yellow fever

Information about these illnesses—including details about symptoms, severity, and communicability—is available on the CDC’s bioterrorism Web site, www.bt.cdc.gov.

Chemical Agents

Priority chemical agents are categorized by the type of effect they produce, rather than by their degree of priority. A chemical may be included on the priority list if it meets one or more of the following criteria:

- It is already known to be used as a weapon.
- It is likely to be available to potential terrorists.
- It is likely to cause “major morbidity” (serious or widespread illness) or mortality.
- It has high potential for causing public panic and social disruption.
- It requires special action for public health preparedness.

The following list identifies the primary categories of priority chemical agents and gives some examples:

- Agents that induce vomiting
- Blister agents (“vesicants”) (such as mustard gases)
- Blood agents (such as hydrogen cyanide)
- Choking agents, or agents that damage the lungs or the pulmonary system (such as chlorine or nitrogen oxide)
- Incapacitating agents (such as LSD)
- Nerve agents (such as sarin)
- Riot control/tear gases or agents (such as chloroform)
- Industrial chemicals

Notes

1. U.S. DEP’T OF HEALTH AND HUMAN SERVS., CENTERS FOR DISEASE CONTROL AND PREVENTION, *THE PUBLIC HEALTH RESPONSE TO BIOLOGICAL AND CHEMICAL TERRORISM: INTERIM PLANNING GUIDANCE FOR STATE PUBLIC HEALTH OFFICIALS 43* (Atlanta: CDC, July 2001).

2. The information in this sidebar is drawn from the CDC’s Web page on bioterrorism, at www.bt.cdc.gov/Agent/Agentlist.asp#categorybdiseases.

of Columbia, and the U.S. postal system, initially presented themselves locally, in the form of ill patients diagnosed in local hospitals, or suspicious letters and substances requiring a local response. Local governments must prepare for the possibility of a bioterrorist attack in their jurisdiction.

Planning to be able to respond efficiently and effectively to a bioterrorist attack is a tremendous and complex undertaking. The goals are clear enough:

- To *detect* when an act of bioterrorism has occurred
- To *respond* effectively to contain the threat and protect the public
- To help the community *recover* when the emergency has passed

However, a number of variables make it impossible to develop a one-size-fits-all plan that will accomplish those goals in every situation. Instead, a plan must be flexible enough to

BUILDING - CENTURY PO



A security officer patrols in front of a Raleigh post office that was closed after an envelope containing a white powder was found in the building.

anthrax, cannot be spread from one person to another. A person must have direct contact with anthrax spores to become ill. A community faced with anthrax therefore would probably focus its efforts on locating and eliminating the source of the spores. It would not need to isolate or quarantine ill or exposed people. Other agents, such as smallpox, are highly contagious. A community dealing with smallpox would have to ensure that health care providers had appropriate facilities and equipment to care for ill patients without spreading the disease further. It might have to impose quarantines.⁷

Disease-causing agents can be disseminated in a variety of ways—for example, introduced into food or water sources, released into the air, or sent through the mail. The impact on a community and the appropriate community response will be different in each case.

For example, in the anthrax-letter attacks, there was a focus on suspicious letters, packages, and substances. Local governments throughout North Carolina had to develop plans for responding efficiently when citizens reported suspicious items or sought information about the safety of their mail. When diseases are spread through another source, such as a salad bar (as in Oregon), the local focus will be quite different. For example, restaurants or water sources might be investigated or even temporarily closed down.

Therefore, at the outset, officials involved in developing bioterrorism response plans should have a general understanding of the different biological and chemical agents that terrorists might employ, the illnesses those agents might cause, and the different effects those agents might have on communities. The federal Centers for Disease Control and Prevention (CDC) has identified a number of agents likely to be used in bioterrorist attacks (for more information, see the sidebar on page 6).

account for differences in the following factors:

- The *agents*—the various disease-causing organisms, toxins, or chemicals that a bioterrorist might employ
- The *impact on the community*, which will vary depending on which agent is used and how it is disseminated
- The *players*—the various public and private agencies and individuals that might be involved in a response

Understanding the Variables

A potential bioterrorist has many choices: a number of disease-causing organisms or chemicals to choose from, and multiple ways to disseminate them. Different agents produce illnesses of various types and degrees of severity, which in turn produce variations in the types of health care and other resources that a community needs to heal the sick and protect itself.

For example, some agents, such as

CLUES TO A POSSIBLE BIOTERRORIST ATTACK

- A large number of ill people with a similar disease or syndrome
- A large number of unexplained diseases, syndromes, or deaths
- Higher rates of illness or mortality than expected with a common disease or syndrome
- The failure of a common disease to respond to usual therapy
- A single case of a disease caused by an uncommon agent
- Multiple unusual or unexplained diseases coexisting in a patient without other explanation
- A disease that appears outside its usual geographic location or off its usual seasonal occurrence
- Multiple atypical presentations of disease agents
- A similar genetic type among biological agents isolated from temporally or spatially distinct sources
- An unusual, atypical, genetically engineered, or antiquated strain of an agent
- An unexplained increase in the incidence of an “endemic” disease (that is, a disease that occurs naturally in a particular location or within a particular population)
- Simultaneous clusters of a similar illness in noncontiguous areas
- Death or illness among animals that precedes or accompanies death or illness in humans
- Illness among those in proximity to common ventilation systems

Source: Adapted from U.S. DEP’T OF HEALTH AND HUMAN SERVS., CENTERS FOR DISEASE CONTROL AND PREVENTION, *THE PUBLIC HEALTH RESPONSE TO BIOLOGICAL AND CHEMICAL TERRORISM: INTERIM PLANNING GUIDANCE FOR STATE PUBLIC HEALTH OFFICIALS* 17 (Atlanta: CDC, July 2001).

Meeting the Goals

Step 1: Detecting the Problem

If a bioterrorist attack occurred in North Carolina, the first challenge probably would be to recognize that something causing a threat to public safety had happened. Most emergencies begin with a definite, identifiable act: a fire, an explosion, a plane crash. Such events, easily detected, are likely to set in motion immediate action by traditional “first-responders,” such as firefighters or police.

By contrast, an act of bioterrorism may be covert, and health care providers, rather than traditional first-responders, may detect the early critical information.⁸ For example, when the Rajneeshees poisoned the salad bars in Oregon, no one knew that anything had happened until large numbers of county residents became ill.⁹ Also, although some of the anthrax letters in the 2001 attacks contained threatening notes and suspicious substances, the source of the

initial fatal case of anthrax—also believed to be a letter or a package—apparently went unnoticed.¹⁰

Early detection of bioterrorism can mean the difference between life and death for ill and exposed people, as the anthrax-letter attacks demonstrated.¹¹ Early detection also is necessary to avoid significant delays in investigating the nature and the source of the attack.

The critical players in early detection are health care providers and public health officials. By law, physicians in North Carolina must make a report to local public health officials when they know or suspect that a patient has a “reportable” communicable disease or condition. The list of reportable diseases and conditions includes most of the biological agents designated by the CDC as high priority.¹² Health care providers also should be alert for unusual events, such as increased numbers of patients seeking care for particular symptoms or illnesses, or unusual

groupings of symptoms that are difficult to diagnose but possibly related to a biological or chemical agent. Those events should be reported to public health officials as well.¹³ Public health agencies must have the capacity to compare information received from health care providers with baseline information about residents’ health status, so that they can detect unusual changes. They must be able to recognize when changes in health status indicate that a bioterrorist attack might have occurred, and know how to activate local, state, and federal resources to respond. (For a list of clues that an attack might be in progress, see the sidebar on this page.)

Step 2: Activating the Response

Once information indicating the possibility of a bioterrorist attack has been detected, rapid response is essential. A good response plan must include measures to protect public health and safety during the emergency, ensure that essential government services are available for the duration, and provide emergency relief to public and private entities and individuals affected by the terrorism.¹⁴

Designing those measures presents a number of challenges. First, the measures must address the likely impact on the community of an attack, but, as explained earlier, that may vary dramatically, depending on the biological or chemical agent used and the manner in which it has been disseminated.

Second, any response is likely to involve a number of individuals and agencies. Planning for interagency communication and coordination is therefore critical but complicated—in large part because the specific agencies and individuals required for an effective response will depend on the community impact of the particular event. Not every event will involve every potential responder or strain every potential responder’s resources equally.

For example, in the anthrax-letter attacks, large numbers of people referred suspicious letters to a variety of local agencies, usually the local police department, the local fire department, a regional hazardous-materials team, or the local health department. In North

INTERNET RESOURCES

Readers, especially those involved in developing local response plans, are encouraged to consult the following Internet sources for additional information:

Centers for Disease Control and Prevention

www.bt.cdc.gov (English)

www.cdc.gov/spanish/bt/ (Spanish)

Comprehensive information for health professionals and the public about biological and chemical agents, preparedness planning, and resources for bioterrorism response.

Food and Drug Administration

www.fda.gov/oc/pacom/hottopics/bioterrorism.html

Bioterrorism information with a focus on protecting the food supply.

Johns Hopkins University, Center for Biocivilian Defense Strategies

www.hopkins-biodefense.org

Information about agents, preparedness and response, and the "Dark Winter" bioterrorism preparedness exercise.

North Carolina Division of Public Health

www.epi.state.nc.us/epi/anthrax.html

Information on public health emergency preparedness and response and the North Carolina Biological Agents Registry.

North Carolina Safety and Security

www.ncgov.com/asp/subpages/safety_security.asp

Information on North Carolina's security efforts, including answers to frequently asked questions and up-to-date information about current safety issues.

The University of North Carolina at Chapel Hill, School of Public Health

www.sph.unc.edu/bioterrorism/

News articles, answers to frequently asked questions, resources and links, and information about educational programs on bioterrorism



Carolina some local governments were nearly overwhelmed. Most had to grapple with quickly developing and implementing plans to respond in a coordinated fashion. Fortunately, no one in North Carolina became ill, so local governments did not have to tap the resources that might have been required if there had been mass casualties.

In the event of mass casualties, an entirely different set of individuals and agencies might be critical to the response. Hospitals might have to cancel or delay routine services to make beds available. Social services agencies might have to arrange for the care of children orphaned by the attack. Emergency shelters might have to be opened.

Because so many public and private individuals and agencies might be involved in responding to an attack, the CDC recommends forming a response planning team, including representatives of some or all of the following areas:¹⁵

- Law enforcement
- Fire and rescue
- Dispatch/911 call center
- Emergency medical services
- Emergency management office
- Public health department
- Hospitals
- Private health care providers
- Medical examiner/coroner
- Mental health
- Social services
- Local officials or managers
- Public information officer
- Volunteer organizations
- Legal counsel

Following are some issues for teams to consider in developing a response plan:¹⁶

- **Intra-agency preparedness and communication:** All agencies that are likely to be involved in responding to an event should clearly identify their own resources, capabilities, and limitations. They also should identify primary and alternate contacts within the agency, provide for round-the-clock access to staff members who would participate in the initial

In the event of a bioterrorist attack, an accurate medical diagnosis is critical to an effective response.

Perpetrators of the anthrax-letter attacks in fall 2001 used the U.S. mail as their delivery mechanism.

response, develop policies and procedures for access to and use of agency resources in an emergency, and train appropriate staff members in those procedures.

- **Interagency preparedness and communication:** Local response teams also should consider how agencies will work together in responding to an event. They should identify the agencies that may need to be involved in a response and determine the resources, the capabilities, and the limitations of each. Different agencies are likely to have different goals and organizational cultures, and these may conflict. For example, both public health and law enforcement agencies would be involved in investigating a bioterrorist attack, and they would share the primary goal of protecting the public. However, the techniques and the goals of epidemiologic and criminal investigations are not identical. Agencies also may have different ideas about chain of command, or who is (or should be) in charge of the response. These issues should be worked out before an event actually occurs. The response planning team also should identify primary and alternate contacts for each agency, define interagency relationships, provide for standard means of communication, and arrange for alternative means if ordinary channels are unavailable.
- **Communication with the public:** Accurately identifying risks and concerns without inducing public panic can be a delicate task. The response plan should designate a primary and an alternate spokesperson and identify which responders will provide what types of information to the spokesperson. The plan also should address the various ways in which information will be communicated, such as through press conferences, Internet sites, or recorded call-in lines.
- **Marshalling of resources:** The plan should identify public and private local, regional, state, and federal



resources that might be available in an event, and develop procedures for drawing on those resources in an emergency.

Once teams have developed response plans, they should test the plans by conducting intra- and inter-agency drills.

Step 3: Helping the Community Recover

A good bioterrorism preparedness plan will take account of a community's need to recover from the impact of an attack and the steps that the community must take to do so. There are two aspects to a full community recovery: (1) containing

or eliminating the health risks and removing any restrictions on normal community activities, and (2) supporting individuals, businesses, government, and other entities within the community as they attempt to return to normal.¹⁷

Although conceptually the ideas of response and recovery are separate, efforts to begin recovering are likely to overlap with response efforts. Therefore the same team that develops the local response plan should consider the kinds of actions that local government agencies can take to assist and hasten recovery. The agencies and the actions that may be required will vary according to the

Anthrax victim visited N.C.; bioterrorism connection uncertain

BY SARAH AVERY
STAFF WRITER

A 63-year-old Florida man who traveled to North Carolina last week has been diagnosed with an extremely rare and lethal form of anthrax that has been associated with bioterrorism. U.S. officials said there was no evidence of terrorism but promised "a very intense investigation."

"There's no need for people to fear they are at risk," said Dr. Jeffrey P. Koplan, director of the Centers for Disease Control and Prevention in Atlanta. He and others emphasized that the disease is not contagious and that there is no evidence yet of other people infected.

North Carolina health officials held a news conference Thursday night to allay public fears about the bacteria, and officials in Florida indicated that the victim probably contracted the disease there. He left Florida last Thursday on a driving trip to Charlotte, Chimney Rock and Durham.

"The incubation time is variable," said Dr. Kelly McKee, an epidemiologist for the state of North Carolina. "It can be as short as one day or several days to a couple of weeks."

The man, Bob Stevens, began to feel sick Sunday while visiting Duke University and returned home. He checked into JFK Medical Center in Atlantis, Fla., on Tuesday with a high fever and confusion. Meningitis was initially suspected, but the blood test showed

the anthrax bacilli.

The CDC confirmed the diagnosis Thursday morning and dispatched investigative teams to Florida and North Carolina to help public health officials pull information from area hospitals about any other similar cases. McKee said no other North Carolina hospitals reported anything suspicious.

Anthrax is typically transmitted through contact with infected cows, goats, sheep and other animals, most often by eating diseased meat or handling diseased hides. But it is extremely rare in the United States, and acquiring it through the lungs is even more rare.

The last known case of inhalation anthrax in the United States was in 1978, and researchers reported in a 1999 *Journal of the American Medical Association* article that a single incident of inhalation anthrax was "cause for alarm" because anthrax has been developed by some countries as a possible biological weapon.

The Sept. 11 terrorist attacks have put public health officials on high alert for incidents of biological warfare, but they said Thursday that the isolated case was not evidence of a deliberate release of the germ by terrorists.

Still, they acknowledged it is one of several possibilities under investigation.

"It's certainly a concern," McKee said. "It's naive to think that the current situation in the world isn't a part of the equation in our evaluation

of this. But it's not fair to jump to conclusions that this is bioterrorist event. I'm not saying that it isn't, I'm not saying that it is."

McKee and other state officials said they did not know Stevens' connection to the state or why he had taken the driving trip to North Carolina. Stevens is a photo editor at the supermarket tabloid *The Sun* and has been described as an avid outdoorsman.

The most recent U.S. case of anthrax was earlier this year in Texas. But it was the more common skin form that is usually curable. Inhalation anthrax is up to 90 percent lethal, because the symptoms start out mimicking flu — fever,

chest congestion, fatigue. Unless treated promptly with antibiotics, the disease leads a deadly course in as few as three days.

There is a vaccine to prevent the spread of the disease, but it is available only to the military.

Fears that terrorists may have been planning an airborne chemical or biological attack were raised last month when it was learned that a group of men, including one of the hijackers in the attack on the World Trade Center, had been asking a lot of questions about a crop-duster at an airfield in Belle Glade, Fla.

Because of those fears, the government grounded all crop-dusters across the country for a few days

after the Sept. 11 terrorist attacks.

The men who visited the airfield had asked employees of a fertilizer company about the range of the airplane, how much it could haul in chemicals, how difficult it was to fly and how much fuel it could carry.

In North Carolina, Debbie Crane, spokeswoman for the state Department of Health and Human Services, said, "Anthrax occurred before Sept. 11. And it will occur in the future. The presence of a case of anthrax does not necessarily mean that some evildoer has done something horrible."

Koplan, the Atlanta CDC chief, said the disease actually may be more common than people think

but goes undetected. The latest case may have come to health officials' attention only because of heightened concern about the use of anthrax as a possible weapon of mass destruction, he said.

"What might have been tossed off as an undetermined bacterium was sent on to a state lab, where people recently received training in detecting anthrax," he said. "It is a possible answer, which is an improved detection system."

The Associated Press contributed to this report.

Staff writer Sarah Avery can be reached at 828-4882 or savery@newsobserver.com

The Florida man who was diagnosed with inhalation anthrax in October 2001 was traveling in North Carolina when he first became ill, so officials initially thought he might have been exposed to the deadly bacteria while he was here. Later they linked the man's exposure to his Florida workplace.

- Relationships within the community may need to be repaired if they were strained or fractured during the response to an event. For example, during the anthrax-letter attacks, differences between the treatment of potentially exposed congressional workers and that of potentially exposed postal workers created a lot of tension in the District of Columbia.¹⁸
- Finally, virtually any type of bioterrorist attack has the potential to produce widespread anxiety, depression, and other mental health problems. Therefore, in most instances, community mental health resources would play a vital role in overall community recovery.

The State Government's Role

The terrorist attacks of September 11, 2001, and the anthrax letters that closely followed drew national attention to the need for bioterrorism preparedness efforts and bioterrorism response plans. But in North Carolina, work was well under way before those events. It began in 1999, when the state Division of Public Health received funding from the CDC to develop a statewide response plan, conduct bioterrorism training for local governments, and provide technical assistance to local governments developing their own response plans.

The work accelerated after September 11. The General Assembly passed a

law authorizing the governor to use up to \$30 million of the state's savings reserve account to implement measures to defend against terrorism.¹⁹ The governor subsequently allocated \$5 million to the Division of Public Health to be used to strengthen public health infrastructure and the capacity to respond to bioterrorist attacks. The money funded four initiatives:

- **Formation of regional teams to conduct public health surveillance.** The teams will be based at seven locations around the state.²⁰ They will gather and analyze information continually, in order to detect public health problems early.
- **Purchase of information technology linking every local health department in North Carolina to the CDC's Health Alert Network.** This connection will allow rapid communication in the event of a bioterrorist attack or another public health emergency.
- **Expansion of the state's public health laboratory.** The state's capacity to process specimens rapidly will be increased, and new regional laboratories will be developed.²¹ During the anthrax-letter attacks, the laboratory was overwhelmed with specimens requiring testing.²²
- **Creation of a state bioterrorism team.** A state position of bioterrorism coordinator has been created, and a state-level bioterrorism team organized. The team is responsible for

nature of the event. Following are some possible scenarios involving different recovery needs:

- If a bioterrorist contaminated a local water supply, cleanup of the supply would be essential for community recovery.
- If the attack involved a contagious disease, people may have been quarantined. Recovery might begin with the lifting of the quarantine, but it may not be complete until unintended consequences of the quarantine have been addressed as well. For example, some quarantined people may have suffered economically as a result of being unable to work.
- A community as a whole might suffer economically if it became known as the place where a highly feared disease broke out. Community recovery might include efforts to rehabilitate the community's image and promote it as a safe and desirable place to visit, work, or live.
- Public schools might have been shut down. Community recovery would require reopening schools, making up lost school time for students, and assisting students in readjusting to normal school operations.

Some people responded to the September 11 and anthrax-letter attacks by purchasing protective gear such as gas masks, but public health officials have warned that gas masks are likely to be useless in most bioterrorist attacks. A mask can protect the user only from agents that are inhaled, and even then only if the person happens to be wearing the mask when the agent is released.

planning and response activities, including development of statewide plans and policies, implementation of a new registry of biological agents, and provision of technical assistance to local governments.²³

Congress responded to the anthrax-letter attacks by appropriating nearly \$3 billion to the federal Department of Health and Human Services (DHHS) for bioterrorism preparedness, of which more than \$1 billion was earmarked for distribution to the states.²⁴ In January 2002, DHHS announced the amount of money that would be available to each state and required all the states to submit detailed plans for how they would use the funds to develop preparedness plans and upgrade key elements of public health infrastructure, including laboratories and disease surveillance systems. The amount earmarked for North Carolina's state and local health departments was \$22.9 million, which must be expended by August 2003. DHHS allocated an additional \$3.4 million to North Carolina specifically for hospitals to improve their ability to respond to bioterrorism.

In June 2002, North Carolina received its full share of federal funding, which will be used to implement two plans (one for each funding source). Among other activities, the plans call for implementing a hospital bioterrorism preparedness program, continuing to develop and expand critical public health infrastructure, reviewing state laws to determine whether they provide for adequate public health response to bioterrorism, and conducting planning and training efforts. The federal funds also will provide additional support for



the four initiatives funded by the governor's allocation.

The Federal Government's Role

The federal government could play an important role in responding to a bioterrorist event, even one that was confined to a local area.

The Federal Response Plan (FRP) provides for federal assistance in disasters of any type. The FRP is activated when a governor requests federal support and the president responds with a declaration of an emergency in the requesting state. Federal support to local and state governments can include provision of personnel, technical expertise and assistance, equipment, or other resources. The Federal Emergency Management Agency (FEMA) takes the lead in implementing the FRP, but resources and support may be drawn from any of twenty-six federal departments and agencies.²⁵

Whether or not the FRP has been activated, the CDC has resources and support that are available in bioterrorist events. The CDC operates the Epidemiology Program Office, which can assist investigation and surveillance efforts in disease outbreaks or other

public health threats. It also manages the Laboratory Response Network, which provides overflow laboratory sites for processing specimens in an emergency. Further, the CDC maintains a laboratory that is classified as Biosafety Level IV, meaning that it is equipped to manage even the most dangerous pathogens safely.²⁶

The CDC also operates the National Pharmaceutical Stockpile (NPS), a national repository of pharmaceuticals (for example, antibiotics and antidotes) and medical supplies that state and local public health agencies can draw on in a bioterrorist event. The NPS maintains prepared packages that can address a number of health problems caused by biological or chemical agents. The packages are stored in secure warehouses in regional locations, allowing them to be delivered anywhere in the continental United States within twelve hours. To receive the packages, a state must ask the director of the CDC to deploy the NPS. The director must consult with the surgeon general, the secretary of DHHS, FEMA, and the Federal Bureau of Investigation before deployment.²⁷

Finally, the CDC offers public information about bioterrorism. The two primary sources of this information

are the agency's bioterrorism Web site, www.bt.cdc.gov, and a telephone hotline, (999) 246-2675 (English) or (888) 246-2857 (Spanish).

If an attack by a terrorist is confirmed, a federal crisis plan will take effect. The FBI is the lead agency for managing the plan. The CDC, FEMA, and other federal agencies will work with the FBI to plan and implement the response.²⁸

Conclusion

A bioterrorist attack is a unique kind of disaster: a criminal act with a public health impact, a threat to national security that is played out at the local level. It is unpredictable in a number of unsettling ways: people probably will not see it coming, they may not realize that it has happened, and they may not be able to say for certain if or when it is over. Nevertheless, they must recognize that it could happen and prepare to respond appropriately.

This article is not a comprehensive guide to preparing a local response plan and should not be used as such. Comprehensive guidance and a model local plan are available from the North Carolina Division of Public Health (see the sidebar on page 9).

Notes

1. Elizabeth A. Fenn, *Biological Warfare, circa 1750*, NEW YORK TIMES, Apr. 11, 1998, at A11. The quotation on page 4 is from Elizabeth A. Fenn, *Biological Warfare in Eighteenth-Century North America: Beyond Jeffery Amherst*, 86 JOURNAL OF AMERICAN HISTORY 1, 50 (Mar. 2000).

2. JUDITH MILLER ET AL., *GERMS: BIOLOGICAL WEAPONS AND AMERICA'S SECRET WAR* 34-71 (New York: Simon & Schuster, 2001).

3. *Id.* at 15-33.

4. Testimony of George Bond, Buncombe County Health Director, to the North Carolina Public Health Study Comm'n, Raleigh, Jan. 2001 (author's personal notes); see also Centers for Disease Control and Prevention, *Bioterrorism Alleging Use of Anthrax and Interim Guidelines for Management—United States*, 1998, 48 MORBIDITY & MORTALITY WEEKLY REPORT 69 (Feb. 5, 1999).

5. Julie Louise Gerberding et al., *Bioterrorism Preparedness and Response: Clinicians and Public Health Agencies as Essential Partners*, 287 JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION 898, 898

(2002); see also Centers for Disease Control and Prevention, *Update: Investigation of Bioterrorism-Related Anthrax—Connecticut*, 2001, 50 MORBIDITY & MORTALITY WEEKLY REPORT 1077 (Dec. 7, 2001). An additional cutaneous anthrax victim was identified in early March 2002—a laboratory worker who had examined specimens during the anthrax-letter attacks. CDC investigators concluded that the worker had contracted the disease in the laboratory. Centers for Disease Control and Prevention, *Suspected Cutaneous Anthrax in a Laboratory Worker—Texas*, 2002, 51 MORBIDITY & MORTALITY WEEKLY REPORT 279 (Apr. 5, 2002).

6. Quintin Ellison, *WNC Leaders Meet to Unify Agencies' Emergency Plans*, ASHEVILLE CITIZEN-TIMES, Feb. 23, 2002, at B1.

7. See CONTROL OF COMMUNICABLE DISEASES MANUAL 23, 455-57 (James Chin ed., 17th ed., Washington, D.C.: American Public Health Ass'n, 2000).

8. Centers for Disease Control and Prevention, *Biological and Chemical Terrorism: Strategic Plan for Preparedness and Response* (Recommendations of the CDC Strategic Planning Work Group), 49 MORBIDITY & MORTALITY WEEKLY REPORT No. RR-4, at 3 (Apr. 21, 2001).

9. MILLER ET AL., *GERMS*, at 23-25. Even then, the fact that the illness was caused deliberately was not uncovered until months later.

10. Centers for Disease Control and Prevention, *Update: Investigation of Bioterrorism-Related Anthrax and Interim Guidelines for Exposure Management and Antimicrobial Therapy, October 2001*, 50 MORBIDITY & MORTALITY WEEKLY REPORT 909, 909 (Oct. 26, 2001).

11. See Rebecca Voelker, *Bioweapons Preparedness Chief Discusses Priorities in World of 21st-Century Biology*, 287 JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION 573 (2002).

12. N.C. GEN. STAT. § 130A-135.

13. Such reports would likely involve the disclosure of confidential patient information. Legislation that would specifically authorize health care providers to disclose the information in order to make the types of reports described has been proposed in North Carolina but not yet enacted (H. 1508, S. 1166, 2001 N.C. General Assembly, 2002 Sess.). Even in the absence of legislation, health care providers may make the reports without fear of breaching confidentiality. The federal medical privacy regulation (also known as the HIPAA privacy rule) specifically authorizes health care providers to disclose confidential patient information to public health authorities for purposes of public health surveillance, investigation, or intervention, 45 C.F.R. § 164.512(b), or when necessary to avert a serious threat to public health or safety, 45 C.F.R. § 164.512(j).

14. U.S. DEPT OF HEALTH AND HUMAN SERVS., CENTERS FOR DISEASE CONTROL AND

PREVENTION, *THE PUBLIC HEALTH RESPONSE TO BIOLOGICAL AND CHEMICAL TERRORISM: INTERIM PLANNING GUIDANCE FOR STATE PUBLIC HEALTH OFFICIALS* 27 (Atlanta: CDC, July 2001) (available on the Internet at www.bt.cdc.gov).

15. See *id.* at 14.

16. Adapted from North Carolina Div. of Public Health, *Local Response Plan Checklist* (Raleigh: DPH, 2001) (on file with author), and DHHS, *THE PUBLIC HEALTH RESPONSE*.

17. DHHS, *THE PUBLIC HEALTH RESPONSE*, at 8.

18. Eric Lipton & Kirk Johnson, *Tracking Bioterror's Tangled Course*, NEW YORK TIMES, Dec. 26, 2001, at A1 ("The folks on the Hill got swabbed, now you're not swabbing us. . . . The white folks got Cipro—we're getting doxy. . . . They got the expensive drug—you're trying to save money with us.")—Dr. Ivan C. A. Walks, District of Columbia health commissioner, relaying remarks made to him by postal workers).

19. SL 2001-457.

20. The seven counties in which the teams will be based are Buncombe, Mecklenburg, Guilford, Durham, Cumberland, Pitt, and New Hanover. Although each team will be housed and supported by the local health department in which it is administratively located, it will serve a multicounty region.

21. The new regional laboratories will be located in Buncombe, Mecklenburg, and Pitt counties.

22. Lawrence K. Altman & Gina Kolata, *Anthrax Missteps Offer Guide to Fight Next Bioterror Battle*, NEW YORK TIMES, Jan. 6, 2002, at 1.1.

23. SL 2001-469 required the North Carolina Department of Health and Human Services to establish a biological agents registry. The purpose of the registry is to identify the biological agents possessed and maintained by any person in North Carolina and to provide other information that may be important in the event of a communicable disease or law enforcement investigation. The term "biological agents" was defined to include all the bacteria and viruses on the CDC's Category A (highest-priority) list of agents likely to be used by bioterrorists.

24. An Act Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2002, and for Other Purposes, Pub. L. No. 107-117, 115 Stat. 2229 (2002).

25. NORTH CAROLINA DIV. OF PUBLIC HEALTH, *BIOTERRORISM EXERCISE*, APP. B (Raleigh: DPH, 2001; limited distribution, on file with author).

26. DHHS, *THE PUBLIC HEALTH RESPONSE*, at 24.

27. *Id.* at 86.

28. CDC, *Biological and Chemical Terrorism*, at 9.

The Fiscal Impact of Medicaid on North Carolina Counties

John L. Saxon



The recent economic recession, shortfalls in state and local tax revenues, and rapidly increasing Medicaid costs have caused significant fiscal problems for North Carolina and its counties, especially counties with relatively limited property tax bases, high poverty rates, and high per capita spending for Medicaid. In state fiscal year 1999–2000 (SFY 2000), more than one-third of North Carolina’s counties spent 5 to 9 percent of their budgets on Medicaid.

This article briefly explains the Medicaid program; describes the responsi-

bilities of the federal government, the state, and the counties with respect to Medicaid funding; examines the fiscal impact of Medicaid on North Carolina’s counties; and describes some options for eliminating or reducing the counties’ fiscal responsibility for Medicaid.

What Is Medicaid?

Medicaid is a federal-state health insurance program for certain groups with limited incomes: children, pregnant women, people who are disabled, and senior citizens.¹ Congress established

the program in 1965 when it enacted Title XIX of the Social Security Act.² North Carolina established its Medicaid program in 1970.

Pregnant women, children, people who are disabled, and senior citizens generally are eligible for Medicaid if their incomes are low enough to receive public assistance (Supplemental Security

The author is a School of Government faculty member who specializes in social welfare law and policy, elder law, and child support enforcement. Contact him at saxon@iogmail.iog.unc.edu.

MEDICAID ELIGIBILITY AND SERVICES

Who Is Eligible for Medicaid?

Federal law generally requires states to provide Medicaid to pregnant women and children under the age of six whose family incomes do not exceed 133 percent of the federal poverty level, children between the ages of six and nineteen whose family incomes do not exceed the federal poverty level, children who receive foster care or adoption assistance payments under Title IV-E of the Social Security Act, people who are elderly or disabled who receive Supplemental Security Income payments, people with low income who are covered by Medicare, families that meet the state's 1996 requirements for Aid to Families with Dependent Children, and other "mandatory eligibles."

States have the option of extending Medicaid eligibility to people who are elderly or disabled and meet a state's "medically needy" income limits, pregnant women and infants with family incomes up to 185 percent of the federal poverty level, nursing home patients with incomes up to 300 percent of the federal poverty level, and people who are elderly or disabled whose family income does not exceed the federal poverty level. These people are "optional eligibles."

What Services Are Provided to Medicaid Recipients?

Federal law requires states to provide certain medical services (including inpatient and outpatient hospital services, rural health clinic services, laboratory and X-ray services, nursing home and home health care services for people more than twenty years old, physician services, and family planning services) to eligible Medicaid recipients other than Medicare beneficiaries who have low income. However, it gives states some flexibility in defining the amount, the scope, and the duration of covered services.

States may choose to provide up to thirty-three optional Medicaid services, including optometrist services, chiropractor services, dental services, prescription drugs, eyeglasses, dentures, emergency hospital services, hospice services, and medical transportation services.

What Are the Optional Eligibility Groups and Services in North Carolina?

North Carolina has chosen to provide Medicaid coverage to several optional groups, including people who are elderly or disabled and have incomes up to the federal poverty level. It also provides a number of optional Medicaid services, including intermediate-care facilities for people who are mentally retarded, personal care services, prescription drugs, dental care, eye care, chiropractic care, and hospice care. The state Division of Medical Assistance estimates that almost half of all Medicaid payments are for optional services provided to mandatory eligibles and for services provided to optional eligibles.

Source: Information in this sidebar is based on *MEDICAID IN NORTH CAROLINA: ANNUAL REPORT, STATE FISCAL YEAR 2000* (Raleigh: Div. of Medical Assistance, N.C. Dep't of Health and Human Servs., no date), available at www.dhhs.state.nc.us/dma/2000report/annualreport.pdf, and *A PROFILE OF MEDICAID: CHART BOOK 2000* (Washington, D.C.: Health Care Financing Admin., U.S. Dep't of Health and Human Servs. no date), available at www.hcfa.gov/stats/2Tchartbk.pdf.

Income or Temporary Assistance for Needy Families) or are below the federal poverty level. More than 1.2 million North Carolinians were covered by Medicaid during SFY 2000.³

North Carolina's Medicaid program pays for hospital care, nursing home care, physicians' services, dental care, prescription drugs, and other medical services. The total cost (federal, state, and county funding) of North Carolina's Medicaid program for SFY 2000 was approximately \$5.8 billion, including \$4.8 billion in payments for medical services to eligible Medicaid

recipients and \$228 million in state and local administrative costs—a 17 percent increase from SFY 1999.⁴

The Federal-State Relationship

Federal law does not require states to establish Medicaid programs. The federal government, however, provides significant funding for state Medicaid programs—about \$125 billion in federal fiscal year 2000–2001 (FFY 2001), or 7 percent of the total federal budget.⁵ The total cost nationwide (federal, state, and local funding) of the

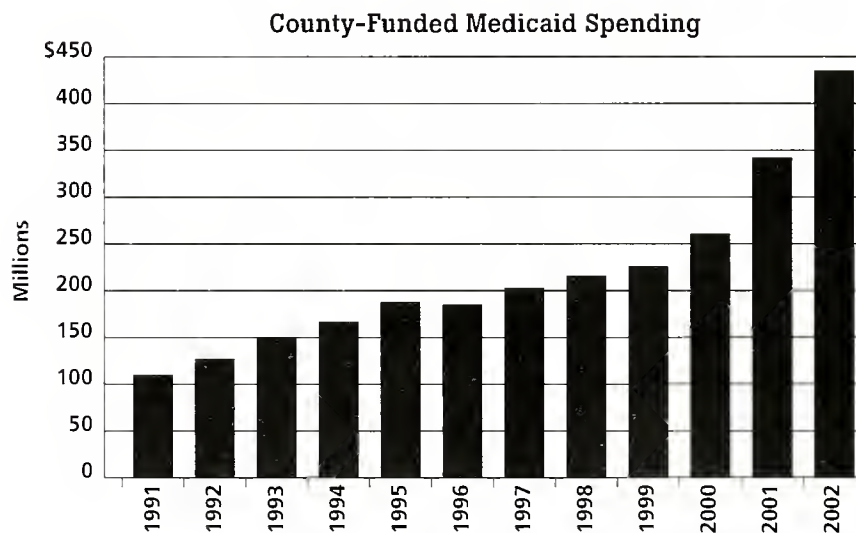
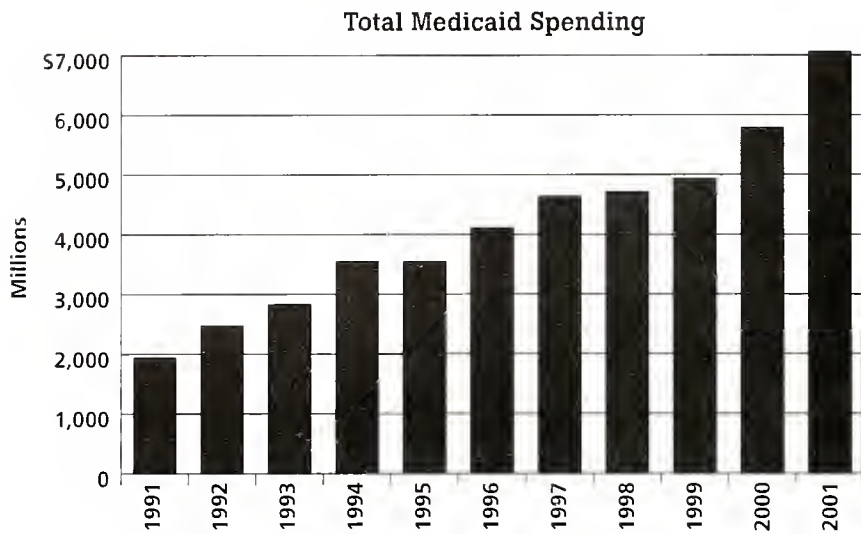
Medicaid program in FFY 2001 was approximately \$219 billion.⁶

The federal government pays at least 50 percent of the amount that state Medicaid programs pay to health care providers for covered Medicaid services delivered to Medicaid recipients, plus at least 50 percent of the cost of administering each state's Medicaid program. The federal government's share of the cost of Medicaid services in a state is called the "federal medical assistance percentage" (FMAP); the nonfederal share is called the state "match."⁷ Each state's FMAP is based on its per capita income relative to the national per capita income.⁸ As a state's per capita income rises relative to the national per capita income, its FMAP declines, requiring the state to pay an increased share of Medicaid costs. A state's FMAP, however, may not be less than 50 percent or more than 83 percent. In FFY 2000, ten states had an FMAP of 50 percent, and ten had an FMAP greater than 70 percent—Mississippi having the largest, at 76.8 percent.⁹

North Carolina's FMAP for FFY 2002 is 61.46 percent. This means that the federal government pays about \$.61 of each dollar that North Carolina's Medicaid program pays for medical services for Medicaid recipients. The remainder (\$.39 of each dollar) must be paid from state (or state and county) revenues. North Carolina's FMAP has decreased more or less steadily over the past seventeen years—from 69.5 percent in FFY 1985, to 67.5 percent in FFY 1990, to 64.7 percent in FFY 1995, to 62.49 percent in FFY 2000, and, as noted, to 61.46 percent in FFY 2002—but will increase to 62.56 percent in FFY 2003.¹⁰

Federal Medicaid funding comes with strings attached. When a state accepts the funding, federal law requires the state to administer its Medicaid program on a uniform statewide basis, to provide Medicaid to certain groups of people with low income, to provide certain medical services to Medicaid recipients, and to comply with other federal requirements regarding Medicaid eligibility, services, and administration (for more detail, see the sidebar on this page).

Figure 1. Medicaid Spending in North Carolina, SFY 1991 through SFY 2002



County-Funded Spending as a Percentage of Total Spending

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
County-Funded Medicaid Spending (millions)	\$110	\$127	\$149	\$167	\$188	\$185	\$203	\$216	\$226	\$261	\$342	\$435
Percentage Increase	—	15.5	17.3	12.1	12.6	-1.6	9.7	6.4	4.6	15.5	31.0	27.2
Percentage of Total Medicaid Spending	5.7	5.1	5.2	4.7	5.3	4.5	4.4	4.6	4.6	4.5	4.8	NA

Source: Information for SFY 1991 through SFY 2001 is based primarily on data from North Carolina Division of Medical Assistance (DMA) annual reports. It reflects actual spending for Medicaid services and administration. Information for SFY 2002 is based on DMA spending estimates and projections. NA = not available.

The Role of State and Local Governments

Although states must comply with federal Medicaid requirements, they may cover nonmandatory groups, cover nonmandated services, and establish (within certain limits) their own payment rates for covered services. As a result, there are essentially fifty-six Medicaid programs—one for each state, territory, and the District of Columbia.¹¹

Because the federal Medicaid law requires that state Medicaid programs be administered uniformly statewide, Medicaid policies regarding coverage for optional groups, provision of optional services, scope and duration of covered services, payment levels for providers, and other issues that are not mandated by federal law are established on a statewide basis by state legislatures or state health or social services agencies.¹² In North Carolina, nonfederal Medicaid policy decisions are made primarily by the General Assembly through its enactment of the state budget. County officials exercise little, if any, policy-making authority with respect to Medicaid.

Federal law requires that state Medicaid programs be administered by a single state agency or by local agencies under the supervision of a single state agency.¹³ Most states have opted for administration by a single state health or social services agency. North Carolina's Medicaid program is administered jointly by state and county agencies.¹⁴ County departments of social services administer Medicaid at the local level, processing applications and determining whether individuals are eligible, under federal and state rules, for Medicaid coverage. The state Department of Health and Human Services' Division of Medical Assistance (DMA) administers Medicaid at the state level, supervises local Medicaid administration by the counties, and ensures that administration of the entire state Medicaid program is consistent with federal and state requirements. DMA also is responsible, through a private contractor, for processing Medicaid claims and making Medicaid payments to health care providers for services provided to Medicaid recipients.

Table 1. Estimated County Spending for Medicaid as a Percentage of County Budgets, SFY 2001–02

Counties like Hertford and Robeson, with high poverty rates and other contributing factors, spend a significant percentage of their budgets on Medicaid.

County	Percentage of County Budget	County	Percentage of County Budget	County	Percentage of County Budget
Hertford	14.1	Avery	7.8	Polk	5.4
Robeson	14.0	Pamlico	7.7	Cumberland	5.4
Swain	13.9	Montgomery	7.6	Stokes	5.4
Bertie	13.8	Burke	7.6	Camden	5.2
Bladen	12.9	Warren	7.2	Davidson	5.2
Richmond	11.2	Chowan	7.2	Macon	5.1
Columbus	11.0	Perquimans	7.2	Moore	5.1
Northampton	10.2	Caldwell	7.2	Pitt	5.0
Yancey	9.9	Stanly	7.2	Alexander	5.0
Madison	9.8	Granville	7.2	Johnston	4.9
Hoke	9.6	Surry	7.1	Lincoln	4.9
Anson	9.5	Wayne	7.1	Clay	4.6
Duplin	9.5	Wilson	7.1	Transylvania	4.6
Lenoir	9.4	Caswell	7.1	Carteret	4.5
Cherokee	9.3	Craven	6.7	Davie	4.3
Vance	9.3	Cleveland	6.7	Watauga	4.2
Ashe	9.2	Wilkes	6.7	Iredell	4.2
Washington	9.1	Nash	6.7	Brunswick	4.2
Greene	9.1	Yadkin	6.6	Forsyth	4.1
Graham	9.0	Rockingham	6.6	Onslow	4.1
Pasquotank	8.9	Gaston	6.4	Chatham	4.1
Sampson	8.6	Alamance	6.4	New Hanover	4.0
Martin	8.5	Alleghany	6.4	Guilford	3.9
Rutherford	8.5	Rowan	6.3	Cabarrus	3.9
Jones	8.4	Franklin	6.1	Union	3.6
McDowell	8.4	Gates	6.1	Catawba	3.5
Edgecombe	8.3	Haywood	6.1	Orange	2.9
Halifax	8.1	Lee	6.1	Wake	2.9
Tyrrell	8.1	Randolph	6.0	Mecklenburg	2.4
Beaufort	7.9	Jackson	5.7	Currituck	2.3
Scotland	7.9	Henderson	5.6	Durham	2.2
Mitchell	7.8	Buncombe	5.6	Dare	1.6
Harnett	7.8	Person	5.6	All Counties	5.0
Pender	7.8	Hyde	5.5		

Source: For Tables 1–3, estimated county spending for Medicaid is based on the North Carolina Division of Medical Assistance’s projected *budget estimates* (not *actual spending*) for each county’s share of the total cost of Medicaid services for county residents during SFY 2001–02 (\$377.8 million for all counties, not including local administrative costs). The amounts of county budgets and adjusted property values are based on data from the NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS BUDGET AND TAX SURVEY 2001–02 (available at www.ncacc.org/budtax.htm) (\$7.6 billion combined budget for all counties).

Table 2. Estimated County Spending for Medicaid Per \$100 of Adjusted Assessed Property-Tax Base, SFY 2001–02

Counties with limited property-tax bases and high rates of poverty, Medicaid eligibility, and Medicaid spending feel the fiscal effects the most. Robeson, for example, spends 25.8 cents on Medicaid for every \$100 of its property-tax base. Dare, by contrast, spends only 1.4 cents.

County	Cents Per \$100 of Property	County	Cents Per \$100 of Property	County	Cents Per \$100 of Property
Robeson	25.8	Caldwell	9.5	Haywood	6.4
Hertford	20.2	Rockingham	9.4	Johnston	6.3
Bladen	20.2	Stanly	9.4	Pender	6.2
Bertie	19.2	Beaufort	9.3	Clay	6.1
Northampton	17.9	Pitt	9.1	Alamance	6.0
Edgecombe	17.4	Wilkes	8.9	Lincoln	5.8
Columbus	17.0	Mitchell	8.9	Alleghany	5.8
Washington	17.0	Burke	8.8	Polk	5.7
Richmond	16.6	Cumberland	8.8	Davie	5.2
Halifax	15.9	Gaston	8.7	Durham	5.2
Scotland	15.7	Surry	8.7	Henderson	5.1
Hoke	15.7	Nash	8.7	Avery	5.1
Vance	14.2	Pamlico	8.6	Forsyth	4.9
Greene	14.0	Hyde	8.6	Moore	4.8
Martin	13.9	Yadkin	8.6	Cabarrus	4.6
Sampson	13.7	Rutherford	8.4	New Hanover	4.5
Jones	13.6	Franklin	8.4	Chatham	4.5
Chowan	13.3	Yancey	8.2	Transylvania	4.5
Lenoir	13.2	Montgomery	8.0	Union	4.4
Swain	12.7	Ashe	8.0	Jackson	4.3
Duplin	12.5	Onslow	7.9	Guilford	4.3
Pasquotank	12.5	Craven	7.7	Catawba	4.3
Anson	12.5	Stokes	7.6	Orange	3.6
Graham	12.3	McDowell	7.5	Iredell	3.6
Warren	12.1	Madison	7.5	Macon	3.6
Gates	11.9	Lee	7.4	Carteret	3.4
Harnett	11.7	Person	7.4	Brunswick	3.3
Caswell	11.6	Granville	7.2	Mecklenburg	3.1
Wayne	11.0	Rowan	7.2	Watauga	2.6
Cleveland	10.7	Alexander	6.8	Wake	2.4
Cherokee	10.6	Randolph	6.7	Currituck	2.3
Tyrrell	10.3	Camden	6.6	Dare	1.4
Perquimans	10.0	Buncombe	6.5	All Counties	6.1
Wilson	9.9	Davidson	6.4		

Source: See Table 1, page 17.



Under Medicaid, dental care is an optional service for low-income adults, a mandatory service for low-income children.

In most states the state pays the entire nonfederal share of Medicaid costs from state revenues. Federal law, however, allows states to require counties to pay part of the nonfederal share.¹⁵ North Carolina is one of about ten states that have chosen to require counties to do so.¹⁶

In North Carolina, state law currently requires counties to pay 15 percent of the nonfederal share of the cost of Medicaid services provided to county residents (about 5.6 percent of the total cost of Medicaid payments on behalf of county residents) and almost all the nonfederal share of local administrative costs.¹⁷ State revenues pay the remaining 85 percent of the nonfederal share for Medicaid services, 100 percent of the nonfederal share for state administration, and some of the nonfederal share of local administrative costs—a total of about \$2 billion in SFY 2002, or 14 percent of the state's General Fund budget.

State law also requires county commissioners to levy property taxes in an amount sufficient to pay the county's part of the nonfederal share of Medicaid costs. The state may withhold payment of county sales tax revenues

collected by the state Department of Revenue on behalf of a county if the county fails to pay its share of mandated public assistance costs to the state.¹⁸

The Fiscal Impact of Medicaid on North Carolina's Counties

A number of factors that counties cannot control drive their spending for Medicaid: federal and state policies expanding Medicaid eligibility and services; increases in the number of county residents covered by Medicaid; county poverty rates; increased health care costs; increased use of health care; and decreases in North Carolina's FMAP.

During the 1990s, county-funded spending for Medicaid in North Carolina rose from about \$86 million in SFY 1990 to \$226 million in SFY 1999—a 163 percent increase without adjusting for inflation (see Figure 1). By contrast, during the same period, total county spending increased by 115 percent. Despite these increases, county spending for Medicaid in SFY 1999 remained less than 3 percent of the \$7.9 billion combined budgets of North Carolina's 100 counties, representing

about \$.05 per \$100 of the counties' combined property tax bases. Since then, however, a skyrocketing increase in the total cost (federal, state, and county funding) of Medicaid—about 50 percent between SFY 1999 and 2002—has put even greater pressure on state and county budgets.

From 1988 through 1991, increased Medicaid caseloads (due to policy changes, the economic recession during that period, and increased outreach) accounted for about one-third of the national increase in Medicaid spending. Inflation accounted for another third, and increased use of services and higher reimbursement rates for the remaining third.¹⁹ Federal officials now project that caseload growth will account for about one-sixth of future increases in Medicaid spending, that inflation will account for about one-third, and that the balance will be due to spending per Medicaid recipient in excess of inflation.²⁰

The Impact in Particular Counties

Although rising Medicaid costs and falling or stagnant tax revenues have dealt state and county budgets a "one-two punch," fiscal responsibility for

Table 3. Additional State Spending Using a Per Capita Income Formula for County Medicaid Costs, SFY 2001–02

One option for reducing counties' fiscal responsibility for Medicaid costs would be to base each county's share on its per capita income. What the counties would save, the state would pay.

County	Adjusted Percentage of Nonfederal Share	County Savings	County	Adjusted Percentage of Nonfederal Share	County Savings
Alamance	14.9	\$ 20,624	Jones	8.7	\$ 297,572
Alexander	10.8	407,886	Lee	14.3	122,724
Alleghany	13.8	56,510	Lenoir	10.8	1,174,726
Anson	9.9	659,589	Lincoln	10.6	788,552
Ashe	9.8	602,909	Macon	9.1	612,109
Avery	12.1	229,955	Madison	10.9	350,217
Beaufort	9.9	1,083,246	Martin	8.3	965,211
Bertie	8.2	907,369	McDowell	8.1	1,065,093
Bladen	9.4	1,177,216	Mecklenburg	15.0	0
Brunswick	9.2	1,479,328	Mitchell	9.0	427,579
Buncombe	15.0	0	Montgomery	9.6	554,281
Burke	10.4	1,399,381	Moore	15.0	0
Cabarrus	15.0	0	Nash	13.1	571,063
Caldwell	11.5	933,424	New Hanover	15.0	0
Camden	9.7	105,836	Northampton	8.4	887,234
Carteret	12.6	415,844	Onslow	11.6	1,006,197
Caswell	8.0	597,951	Orange	15.0	0
Catawba	15.0	0	Pamlico	10.6	262,993
Chatham	15.0	0	Pasquotank	9.3	790,304
Cherokee	7.2	960,362	Pender	7.7	1,107,990
Chowan	10.4	323,671	Perquimans	7.8	332,186
Clay	8.8	228,590	Person	10.5	639,119
Cleveland	10.4	1,754,039	Pitt	12.4	1,185,365
Columbus	9.4	1,990,351	Polk	15.0	0
Craven	12.9	606,932	Randolph	12.1	1,047,832
Cumberland	13.7	1,066,392	Richmond	8.5	1,555,074
Currituck	11.6	144,023	Robeson	6.9	5,989,514
Dare	12.8	134,053	Rockingham	10.2	1,687,582
Davidson	12.8	850,803	Rowan	11.2	1,475,830
Davie	15.0	0	Rutherford	9.5	1,298,832
Duplin	10.0	1,081,415	Sampson	9.9	1,413,601
Durham	100.0	0	Scotland	8.8	1,247,044
Edgecombe	8.3	1,927,803	Stanly	11.0	846,977
Forsyth	15.0	0	Stokes	9.8	602,543
Franklin	11.1	683,011	Surry	11.9	831,721
Gaston	12.9	1,474,329	Swain	6.2	546,663
Gates	7.8	263,709	Transylvania	13.1	179,353
Graham	6.9	427,371	Tyrrell	6.6	175,988
Granville	10.7	625,582	Union	12.0	828,620
Greene	8.2	518,975	Vance	8.8	1,382,009
Guilford	15.0	0	Wake	15.0	0
Halifax	8.1	2,104,303	Warren	6.4	846,039
Harnett	8.6	2,014,448	Washington	8.1	481,181
Haywood	11.1	766,728	Watauga	10.4	414,259
Henderson	15.0	0	Wayne	9.0	2,321,315
Hertford	7.4	1,110,240	Wilkes	11.6	893,263
Hoke	5.0	1,345,437	Wilson	13.1	550,173
Hyde	8.4	182,114	Yadkin	10.9	525,588
Iredell	13.9	304,988	Yancey	7.9	512,717
Jackson	10.1	550,276	All Counties		\$75,138,008
Johnston	12.7	826,762			

Source: See Table 1, page 17

Medicaid has affected some counties more than others because of differences between counties in poverty rates, percentage of residents covered by Medicaid, average Medicaid spending per recipient, value of the property tax base, and other demographic, political, and economic factors.

In Martin, Halifax, Hertford, Robeson, Bertie, Northampton, and twelve other counties, between one-quarter and one-third of all residents were covered by Medicaid

in 2000, compared with less than one-eighth of the population in Wake and ten other counties.²¹ Furthermore, total federal, state, and county Medicaid spending per capita and per recipient varies significantly from county to county, from a high of \$1,420 per capita in Martin County to a low of \$300 in Wake County and from a high of \$5,695 per recipient in Avery County to a low of \$2,955 in Cumberland County.²²

Counties that have relatively limited property-tax bases combined with relatively high rates of poverty, Medicaid eligibility, and Medicaid spending feel the fiscal effects the most. In SFY 2000, more than one-third of North Carolina's counties were required to spend 5 to 9 percent of their budgets for Medicaid. In twenty-five counties, county-funded spending for Medicaid services that year represented between \$.08 and \$.18 per \$100 of adjusted property-tax value. Meanwhile, county-funded spending for Medicaid services accounted for less than 3 percent of the total county budgets of twenty counties in SFY 2000, and county-funded spending for Medicaid represented less than \$.04 per \$100 of adjusted property-tax value in twenty-eight counties (for estimates of comparable data for SFY 2001–02, see Tables 1 and 2, pages 17–18).

In Martin, Halifax, Hertford, Robeson, Bertie, Northampton, and twelve other counties, between one-quarter and one-third of all residents were covered by Medicaid in 2000, compared with less than one-eighth of the population in Wake and ten other counties.

Proposals to Eliminate or Reduce Counties' Responsibility for Medicaid

Several bills to eliminate or reduce counties' fiscal responsibility for Medicaid were introduced during the General Assembly's 2001 legislative session. House Bill 1082 and Senate Bill 923 would have required the state to pay 100 percent of the nonfederal share of the cost of Medicaid services (calling for \$365–\$378 million in additional state funding in SFY 2002). House Bill 65 would have reduced the fiscal responsibility of Tier 1, 2, 3, and 4 counties from 15 percent across the board to 3, 6, 9, and 12 percent, respectively.²³ (North Carolina counties are classified as Tier 1, 2, 3, 4, or 5 under the William S. Lee Economic Development Act; Tier 1 counties are the most economically distressed, Tier 5 the least.)²⁴

Although none of these bills were enacted last year, the North Carolina Association of County Commissioners is continuing to study ways to eliminate or reduce counties' fiscal responsibility for Medicaid.²⁵ Options include the following:

- Seeking emergency federal funding to offset (partially) rising Medicaid costs and shortfalls in state and local revenues²⁶
- Requiring the state to pay the entire nonfederal share of the cost of Medicaid services provided to county residents
- Swapping the counties' fiscal responsibility for Medicaid, for fiscal responsibility for programs or services currently funded by state revenues
- Capping each county's fiscal responsibility for Medicaid on the basis of past or current Medicaid spending for county residents
- Requiring the state to pay the entire nonfederal share of increased

Medicaid costs resulting from changes in federal or state policy

- Basing each county's share of Medicaid costs on its relative per capita income (using a formula similar to the one used to determine each state's FMAP)²⁷ (see Table 3, page 20)
- Basing each county's share of Medicaid costs on its per capita adjusted property-tax base relative to the statewide average or median per capita adjusted property-tax base²⁸
- Basing each county's share of Medicaid costs on its tier designation
- Basing each county's share of Medicaid costs on its poverty rate, percentage of residents receiving Medicaid, or other factors

Each of these proposals has significant economic consequences for both the counties and the state. Clearly, however, given the continued forecast for rapidly rising Medicaid costs and limited state and local revenues, fiscal responsibility for North Carolina's Medicaid program will remain a major issue in the coming years.

Notes

1. The public sometimes confuses Medicaid with Medicare. Medicare is a separate federal program providing health insurance to people who are elderly or disabled. The federal government administers it, and federal payroll taxes primarily finance it. Unlike eligibility for Medicaid, eligibility for Medicare is not limited to people with low income. A person with a low income who is elderly or disabled may be eligible for both Medicare and Medicaid.

2. 42 U.S.C. §§ 1396–1396v.

3. The average monthly number of Medicaid recipients doubled between SFY 1990 and SFY 1999. Effective January 1, 1999, North Carolina's Medicaid eligibility rules were expanded to include about 35,000 people who were elderly or disabled and had incomes under the federal poverty guideline. MEDICAID IN NORTH CAROLINA: ANNUAL REPORT, STATE FISCAL YEAR 2000 (Raleigh: Div. of Medical Assistance, N.C. Dep't of Health and Human Servs., no date), available at www.dhhs.state.nc.us/dma/2000report/annualreport.pdf (hereinafter N.C. MEDICAID ANNUAL REPORT 2000).

4. *Id.* Expenditures for nursing home care (\$808.9 million), prescription drugs (\$754.5 million), and inpatient hospital care (\$736.1 million) accounted for somewhat less than

half of Medicaid payments in SFY 2000. Although Medicaid recipients who are elderly or disabled make up less than one-third of all Medicaid recipients, they account for approximately 75 percent of total Medicaid spending.

5. BACKGROUND MATERIALS AND DATA ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS 912-13 (Washington, D.C.: Gov't Printing Office, 2000), available at www.utdallas.edu/~jargo/green2000/contents.html.

6. *Id.*

7. The FMAP applies only with respect to payments for covered services provided to eligible Medicaid recipients. An enhanced FMAP applies with respect to family planning services. The FMAP does not apply to administrative costs. Instead, the federal share of Medicaid administrative costs is set at 50 percent for all states (or an enhanced rate, 75 percent, for specified administrative costs).

8. 42 U.S.C. §§ 1396b(1), 1396d(b); 45 C.F.R. § 433.10. A state's FMAP generally is equal to 0.45 times the square of its average per capita income divided by the average national per capita income. Federal law currently sets the FMAP for U.S. territories at 50 percent, for Alaska and the District of Columbia at 70 percent.

9. A PROFILE OF MEDICAID: CHART BOOK 2000, at 36-37 (Washington, D.C.: Health Care Financing Admin., U.S. Dep't of Health and Human Servs., no date), available at www.hcfa.gov/stats/2T/chartbk.pdf (hereinafter MEDICAID CHART BOOK 2000).

10. *Id.* at 37; 66 Fed. Reg. 59,792 (Nov. 30, 2001).

11. MEDICAID CHART BOOK 2000, at 6.

12. 42 U.S.C. § 1396a(1); 42 C.F.R. § 431.50.

13. 42 U.S.C. § 1396a(5).

14. In North Carolina, California, Minnesota, Montana, New York, North Dakota, Ohio, and Wisconsin, Medicaid is administered locally by county health or social services agencies rather than by the state Medicaid agency. PUBLIC HUMAN SERVICES DIRECTORY (Washington, D.C.: American Public Human Servs. Ass'n, 2000).

15. If a state requires counties to pay part of the nonfederal share of Medicaid costs, federal law requires the state to pay at least 40 percent of the nonfederal share of Medicaid costs from state revenues and to ensure that a lack of adequate funds from local sources will not result in lowering the amount, the duration, the scope, or the quality of care and services available under

the state's Medicaid program. 42 U.S.C. § 1396a(2).

16. There is no current, accurate, and complete list of states that require counties to pay part of the nonfederal share of Medicaid costs for administration or services. North Carolina, Arizona, Florida, Iowa, Nevada, New Mexico, and New York require counties to pay part of the nonfederal share of medical services provided. New York requires counties to pay 20 percent of the nonfederal share (about 10 percent of the total cost) for Medicaid long-term-care services for county residents and 50 percent of the nonfederal share (about 25 percent of the total cost) for other Medicaid services. Arizona requires counties to pay about 10 percent of the total cost of Medicaid services. Iowa counties must pay about 4 percent of the cost of Iowa's Medicaid program. North Carolina, Colorado, Minnesota, and Nevada require counties to pay all or part of the nonfederal share of local administrative costs for Medicaid.

17. North Carolina law requires the state to pay *at least* 50 percent of the nonfederal share of Medicaid costs. N.C. GEN. STAT. § 108A-54 (hereinafter G.S.). Before the state's Medicaid program was established, counties and the state shared fiscal responsibility for three programs that provided medical services and hospital care for public assistance recipients and indigent people. *See* G.S. ch. 108, art. 8, pts. 4, 4A, and 4B (repealed by 1965 N.C. Sess. Laws ch. 1173). When the state Medicaid program was first established, state law required counties to pay 50 percent of the nonfederal share of the cost of Medicaid services provided to county residents. 1969 N.C. Sess. Laws ch. 807, § 8(f). In 1971 the General Assembly reduced the counties' fiscal responsibility for Medicaid payments to 10 percent of the nonfederal share. 1971 N.C. Sess. Laws ch. 708, § 7. Since 1973 the General Assembly has required counties to pay 15 percent of the nonfederal share of most Medicaid services provided to county residents. 1973 N.C. Sess. Laws ch. 533, § 7; SL 2001-424, § 21.19(b).

18. G.S. 108A-90, -93. In the early 1990s, several North Carolina counties attempted (unsuccessfully) to withhold payments for their share of Medicaid costs. *See* John L. Saxon, *Mandates, Money, and Welfare: Financing Social Services Programs*, POPULAR GOVERNMENT, Summer 1994, at 2.

19. JOHN HOLAHAN, EXPLAINING THE RECENT GROWTH IN MEDICAID EXPENDITURES (Washington, D.C.: Urban Inst., 1993).

20. MEDICAID CHART BOOK 2000, at 26.

21. N.C. MEDICAID ANNUAL REPORT 2000, tbl. 10 (last visited Apr. 18, 2002), available at www.dhhs.state.nc.us/dma/2000report/table10.pdf.

22. *Id.* The data are based on total federal, state, and county spending for Medicaid services provided to county residents in SFY 2000.

23. House Bill 317 (and Senate Bills 580, 691, and 844) also would have reduced the fiscal responsibility of counties for Medicaid based on their classification as Tier 1, 2, 3, 4, or 5 counties. None of the bills considered during the 2001 legislative session would have eliminated or reduced the counties' fiscal responsibility for the nonfederal share of local Medicaid administrative costs (approximately \$54 million in county funding in SFY 1999).

24. *See* G.S. 105-129.3.

25. Section 10.4 of the Studies Act of 2001, SL 2001-491, also authorized the Joint Legislative Health Care Oversight Committee to study issues related to the counties' share of Medicaid costs.

26. Provisions authorizing additional temporary federal Medicaid funding for states were stripped from the Economic Recovery and Security Act of 2001, H.R. 3090 (107th Congress, 2001-02) before it passed the Senate and the House and was signed into law by President George W. Bush on March 9, 2002. Congress has considered but not enacted other legislation that would have provided up to \$260 million in additional temporary Medicaid funding to North Carolina. *See* State Budget Relief Act of 2001, H.R. 3414 (107th Congress, 2001-02), § 2; Economic Recovery Act of 2001, H.R. 3501 (107th Congress, 2001-02), § 404; Economic Recovery and Assistance for American Workers Act, S. 1732 (107th Congress, 2001-02), § 204.

27. A per capita income formula to determine each county's portion of the nonfederal share of Medicaid costs would be similar to the federal formula for determining the federal and state shares of Medicaid costs. A county's relative per capita income, however, is not necessarily an accurate indicator of its fiscal ability since county tax revenues are derived primarily from property and sales taxes, not income taxes.

28. The North Carolina Association of County Commissioners calculates the "adjusted" value of each county's property tax base by multiplying the reported value of taxable property in the county by a ratio of assessed value to sales.

So You Want to Do a Survey . . .

Maureen Berner, Ashley Bowers, and Laura Heyman

A city council wants to gauge citizens' views on the city's future. A human resources department wants to find out what employees think of the benefits the county currently offers. A public health office wants to assess the community's understanding of the need for childhood immunizations before it launches a major new immunization campaign. How can these various units gather the information they need to meet their objectives? Surveys.

Surveys are becoming an increasingly popular tool for local government analysts. For example, each year, more than 230 communities with a population greater than 25,000 use citizen surveys.¹ If surveys are conducted and analyzed using the appropriate methodology, they can be very useful for gathering information from a variety of audiences. However, they have some limitations.

This article describes the main types of surveys used by local governments and the advantages and the disadvantages associated with each. It also briefly discusses sample size and cost. Then it summarizes the main steps in conducting a survey. In sidebars (see pages 24, 25, 26, and 27), the article highlights the experiences of four jurisdictions,



showing how common both good and bad experiences with surveys are.

When and Why to Use Surveys

Surveys are relatively new, historically speaking. The first person to use a mail survey was none other than Karl Marx, as he was gauging support for his views among workers in France in 1880.² Yet not until the twentieth century did government, academic, and private-sector researchers begin to implement a vast range of surveys to measure phenomena from political attitudes to job satisfaction to soft drink preferences. The

twentieth century also witnessed the birth of the discipline of survey methodology, dedicated to improving the quality and the cost-effectiveness of survey research. As with everything in modern society, the discipline is changing rapidly as technology expands when and how people can conduct surveys, and whom they can survey.

In considering whether to use a survey to gather information, it is important to recognize what surveys offer. Analysts frequently turn to surveys for three reasons: (1) direct, often quantifiable, answers to questions; (2) anonymity; and (3) randomness.

Berner is a School of Government faculty member specializing in budgeting and program evaluation. Bowers is the operations director of the Survey Research Unit, The University of North Carolina at Chapel Hill. Heyman, a 2001 graduate of UNC Chapel Hill's Master of Public Administration Program, is a management analyst with the State of New York.

Contact them through Berner at berner@gmail.ioq.unc.edu.

CONCORD: FIRE, WATER, SEWER, AND ELECTRIC SERVICES

Selection of the Method

On the recommendation of a public relations firm with which it was working, Concord decided to see how satisfied citizens were with the performance of the city's police, fire, water, sewer, and electric services. An independent professional hired by the public relations firm developed and implemented a telephone survey. To help ensure a representative sample, the professional randomly pulled those contacted from the database of all Concord's utility customers.

Analysis and Use of the Data

The independent professional collected and analyzed the data, acting as a subcontractor to the public relations firm. The analysis found that Concord had been successful in meeting the needs of its citizens. The analyst stated that Concord scored extremely high in comparison with results from surveys done in other municipalities and that the city ranked higher than average in all areas.

The data were shared with the city council, as well as with all departments involved in the survey questions. The departments took pride in the areas in which citizens saw them as highly effective and took note of the areas in which citizens saw them as weaker. They also looked at the specific suggestions made by citizens to improve their service.

Recommendations for Future Surveys

A significant comment made by Vickie Weant, city clerk and administrative coordinator, was that a city should be aware of the costs that can be involved in administering a survey. She stated that in the future the city will work directly with a firm to implement a survey, instead of working through a public relations firm. This will significantly reduce costs.

Another of Weant's recommendations was to use an outside firm. She felt that by not doing the survey in-house, the municipality had a more neutral survey and therefore more accurate responses and results. Weant advised that, before contracting with outside firms, a city inquire about their performance, skills, costs, and other factors.

Recommendations in Brief

- Use outside consultants to help create a more neutral product.
- But don't have the outside consultants subcontract the work; doing it that way is too expensive.
- Research whom to hire (looking at costs, skills, history, and so forth).

Contact: Vickie Weant, city clerk and administrative coordinator, phone (704) 920-5205, e-mail weantv@ci.concord.nc.us.

Direct answers from a well-targeted, well-conducted survey can reveal or confirm information that previously was the subject of guesswork. Surveys can gather responses to specific questions that are posed in a uniform way to a representative group of people. In many cases the responses can be reported as percentages so that information can be measured and presented in an easy-to-understand, sometimes comparable format. Surveys repeated over time can measure changes in attitude or support. Surveys also help identify issues that can be investigated more fully through more qualitative methods, such as focus groups or in-depth interviews.

Anonymity means that the survey researcher has no way to link a specific response to a particular individual. Therefore respondents are more likely to be honest. This is especially important when the topic of a survey or a question is sensitive or controversial. Some people answer questions as they feel they should, rather than as they really feel. For example, a citizen may say that he fully supports a new busing system in the county, even though he has reservations, because he may think that the survey results will be made public and his

response will be traced to him. A survey that guarantees anonymity tends to avoid this problem and may provide more reliable information.

Anonymity is different from confidentiality, and often survey researchers can offer respondents only a pledge of confidentiality. For example, in conducting telephone surveys, interviewers commonly reach respondents by sampling telephone numbers. In this survey design, respondents cannot be anonymous because they are identifiable by their telephone number. So interviewers typically read respondents a pledge that their data will never be released in a form that would allow them to be individually identified. Respondents must trust that their identity is safe with the project team, and indeed most do. As with anonymity, researchers hope that by promising respondents confidentiality, respondents will be more truthful in their responses.

Randomness assures researchers that they have made the best effort possible to get results that are reflective of the overall group, or "population," they are targeting. Surveys are usually done with a small portion, or "sample," of the population, since in many cases it is impractical and cost-prohibitive to survey

everyone. For example, cities or counties cannot expect to survey all their citizens on an issue; to do so would be similar to conducting a nonbinding referendum. Randomly deciding who will be included in a survey sample means that everyone in the population has an equal chance of being chosen to participate. As a result, those included in the survey will not automatically over- or under-represent any group or view.³

Types of Surveys

Local governments typically use three types of surveys: mail questionnaires, telephone surveys, and in-person interviews. The next three sections outline some advantages and disadvantages of these three types.

The use of new modes of data collection, such as Web and e-mail surveys, is growing as Internet access increases. These new ways are still being evaluated, but their advantages and disadvantages are most clearly aligned with those of traditional mail surveys.

Mail Questionnaires

The biggest advantage of using a mail questionnaire is lower cost and less

DURHAM: CITIZENS' PRIORITIES

Selection of the Method

Durham recently conducted a survey of citizens' priorities for the city. The city had previously conducted a small-scale, in-house telephone survey of citizens, but this time it wanted to contract for the resources and the expertise to conduct a more methodologically rigorous survey. It canvassed local universities and institutes, including North Carolina Central University, North Carolina State University, Research Triangle Institute, and The University of North Carolina at Chapel Hill (UNC Chapel Hill), to determine how they could help with the survey process. Durham was especially interested in working with a group that had a call center, believing that such a facility would enable callers to reach citizens in a more timely fashion, as well as increase the response rate.

Durham decided to work with the UNC Chapel Hill Survey Research Unit (SRU). The parties kept communication lines open during the process, discussing all concerns or issues that were raised. The SRU staff frequently provided recommendations and suggestions to improve the survey. These suggestions were particularly helpful because implementing a major survey was a new challenge for Durham.

Analysis of the Data

The SRU aggregated the information from the survey, including demographic information so that there could be cross-referencing to ensure that the final view was representative of all citizens, not just the particular citizens surveyed. Largely because of financial constraints, Durham decided to do the analysis itself. City staff did a number of simple counts and tabulations, and calculated some percentages, without attempting more complicated analysis techniques. They were able to analyze the responses by geographic, socioeconomic, and other groupings in order to determine how successfully the city was meeting the needs of its citizens.

Use of the Data

The main purpose of the data collected in this survey was to help the city council set its priorities and then focus the city's strategic strengths on those priorities. A number of issues that Durham officials thought needed to be addressed were confirmed as a result of the survey. For example, officials were concerned about citizens' use of various types of city facilities, such as parks, so

demanding staffing requirements relative to the other modes of data collection, particularly if the printing of the survey and mail preparation (envelope stuffing and so forth) can be done in-house. Some units have the additional advantage of being able to distribute the survey in unit mailings that already are going to the "target population"—that is, the group to be surveyed. For example, if a water and sewer department wants to survey its customers on service satisfaction, it can send out questionnaires in a sample, or even in all, of its monthly bills.

A second advantage of a mail survey

is anonymity or confidentiality. Respondents do not need to identify themselves to a department conducting the survey, or to an interviewer, and therefore may be more honest in their responses. If the unit administering the survey wants to keep track of respondents for purposes of sending out reminders, or if it wants to link survey data with external data (for example, with address information, to analyze survey data by region of the city), it can code responses—say, by putting a random number in the corner of each survey—and keep a confidential code key.

the survey inquired about this. City officials also learned that about 80 percent of the participants in Little League were from upper-middle-class families, who were not being charged the full cost of participation. If the city implemented a sliding scale, it would save significant funds in youth programming.

Among Durham staff, there is considerable interest in continuing the survey process, particularly regarding safety issues. Tracking a particular group of citizens, while continuing random sampling, to determine whether the city is successfully increasing the feeling of safety among its citizens is a major interest. The council is very interested in this survey and future surveys as a way of gathering citizen input on the city's goals.

Recommendations for Future Surveys

In determining to do a survey, a municipality should have a deliberate use in mind for the data, says Jonathan Swift, Durham senior budget and management analyst at the time of the survey. The Durham survey was effective because it focused on areas of specific interest to the city. Had the use not been identified before implementation, the data would likely have had less significance to all involved parties.

Once a municipality has decided to do a survey, it should speak with personnel in several other cities about similar efforts and borrow ideas from the more successful and effective ones. Municipalities also should give themselves sufficient time to understand the data. Swift recommends, "If you expect a report to be presented in December, you should have at least six weeks with the report before presenting."

Finally, if a municipality is using a consultant to help implement the survey, it should have a cap on the contract but make sure that it has some additional funds available if anything more is needed.

Recommendations in Brief

- Have a purpose at the outset.
- Borrow from other effective surveys.
- Give yourself enough time to understand the data.
- Have some funds for unforeseen extras.

Contact: Michael Bryant, senior management and budget analyst, phone (919) 560-4111, e-mail mibryant@ci.durham.nc.us.

Mail questionnaires also are a great survey tool if the researcher wants or needs to include explanatory information or graphics. The respondent has more time to absorb the information and respond.

Further, mail surveys are the best vehicle to gauge citizens' preferences or priorities from a list of options. For example, if a parks and recreation department wants to know citizens' preferences for the location of a new park, presenting the options on paper is far easier than describing them over the telephone.

PITT COUNTY: RECREATION PROGRAMS

Selection of the Method

Over the years Pitt County has used three data collection strategies, including newspaper, telephone, and mail surveys, to understand citizens' views on a variety of issues. Using a local newspaper, *The Daily Reflector*, Pitt County annually publishes a survey on budgeting issues. Even though the *Reflector* reaches approximately 28,000 homes, the county received fewer than fifty responses on its most recent attempt—a response rate of less than 1 percent.

Pitt County uses telephone surveys to gather public opinion on specific projects it is considering. The most recent one was administered by Master of Public Administration students from East Carolina University (ECU). Using the county's list of registered voters, the students randomly called approximately 15,000 residents but achieved only about a 10 percent response rate.

Pitt County also has sent mail surveys to randomly selected people who have filled in comment cards regarding county services.

Pitt County staff have felt that the county's surveys could be improved. The county never has been able to hire a professional research group, but its surveys have improved as it has turned to university resources. For example, county staff have long been interested in measuring citizens' satisfaction with recreation programs, believing that the board of county commissioners would find this information helpful. After being approached by the group of ECU students interested in doing a citizen satisfaction survey, Pitt County decided to use the students' skills to answer the county's questions about recreation programming.

Mail surveys have several distinct disadvantages. Often there is no comprehensive address list for the group of interest—for example, citizens in Orange County. Further, mail surveys can take a long time relative to other survey types because they have to be printed, folded, mailed, returned, and tabulated, and reminders must be sent to those who did not initially respond.

Mail surveys generally yield lower response rates than other survey modes. However, with the use of multiple techniques to increase response (for example, personalization of letters and follow-up mailings), a lower response rate is not inevitable.

Finally, mail surveys rely on the literacy of the population. A classic problem with written surveys is too much information, and information written in a way that is difficult for the average citizen to understand. This is especially the case when part of the target population is made up of people who are not native English speakers or have limited reading skills. These groups may not be adequately

represented in the results of a mail survey. Beyond reading and answering the questions, respondents have to navigate through the survey form, so complex questionnaires involving lots of directions like "Skip to question 25 if you answered A to question 13 and B to question 14" are usually not suited to mail surveys.

Telephone Surveys

Surveys conducted by an interviewer, like telephone surveys, have advantages over written surveys because there is more flexibility in their administration. That is, the interviewer can react to the respondent immediately. Because of this flexibility, surveys with nested questions are best administered over the telephone. "Nested questions" are a series of related questions; whether the interviewer asks a follow-up question depends on how the respondent answers an initial question. For example, an interviewer may ask a citizen if she has used a service. If she answers yes, the interviewer can ask her about her experience with it. If she answers no,

Analysis and Use of the Data

The ECU students, with the assistance of the ECU Regional Development Institute, implemented and analyzed the citizen satisfaction survey. Pitt County staff knew that they would be spending additional funds on recreation and wanted to identify the services most wanted by the population. The survey found that the citizens did indeed want increased funding of programs, in addition to creation of an intergenerational recreation facility. Because of the feedback from the survey, an intergenerational facility has become a county priority.

Recommendations for Future Surveys

Melonie Bryan, director of financial services for Pitt County, thinks that one of the pluses of its recent survey has been the fostering of collaboration between government and the local universities. University resources can benefit both local governments and university students. The collaboration maximizes both organizations' resources.

Bryan also emphasizes the time-consuming nature of a survey. She recommends allowing plenty of time to complete and analyze the surveys, in order to get the best results and the most effective use.

Recommendations in Brief

- Collaborate with local universities to maximize resources.
- Give yourself enough time.

Contact: Melonie Bryan, director of financial services for Pitt County, phone (252) 830-6307, e-mail pittfinance@co.nc.us.

the interviewer can skip that question and continue with the survey. This can be done on paper, of course, but a telephone or face-to-face interviewer has more control of the survey and can guide a respondent more quickly through the pertinent parts with less chance of confusion.

Flexibility is particularly critical if the order of the questions is important. With a paper survey, respondents can start at the beginning or the end, or jump around. If it is important for citizens to go through the questions in a particular order, an interviewer can accomplish this far better on the telephone or in person.

The flexibility of telephone and face-to-face surveys also means that an interviewer can clarify a difficult term or phrase for a respondent or request further information if a response is unclear. Telephone surveys are not constrained by the literacy problem mentioned for mail surveys.

Telephone surveys have the additional advantage of being able to cover

WINSTON-SALEM: BOND REFERENDUM FOR CAPITAL PROJECTS

Selection of the Method

Winston-Salem was interested in determining whether citizens would support a bond referendum and what specific capital projects they wanted the city to undertake. The city had completed a citizen satisfaction survey two years before, working with the Catherine Bryant and Associates (CB & A) research firm. City staff felt that the firm had performed well on the previous survey, so they asked it to do the new survey. The city staff decided to undertake a telephone survey.

Before conducting the survey, CB & A pretested the survey with a small sample of representative respondents to make sure that it was asking questions in a way that would be understood as the city had intended in formulating its goals for the survey. Although pretesting requires time and money, it helps identify any potential problems with a survey questionnaire or procedures. CB & A found overall that it had "smooth sailing."

Analysis of the Data

Winston-Salem used CB & A to analyze the data that it had gathered. CB & A worked closely with city staff to ensure that they had significant input and got consistent feedback on the process and the results.

Use of the Data

The overall reaction to the survey was very positive, and Winston-Salem saw real results with the feedback from its

citizens. The city learned that citizens had four priorities for major projects: transportation, housing redevelopment, public safety, and economic development. The city then proposed bond issues in these four areas, and all four passed. The use of the data allowed the city to work toward meeting the goals of its people, with direct input on what those goals were.

Recommendations for Future Surveys

One of the major recommendations given by Kristi McCarley, the special projects coordinator in the city's Office of Organizational Effectiveness, was to know your final objectives before you start. A municipality should not do a survey just to do a survey.

McCarley also recommended that if a municipality chooses to work with a consultant, it make sure that the consultant works with it, not just for it. Another recommendation was to be aware of the political environment and be prepared to work within the existing system.

Recommendations in Brief

- Know your objectives before you start.
- Find a consultant who will work with you.
- Be aware of the political environment.

Contact: Kristi McCarley, special projects coordinator, phone (336) 727-2697, e-mail kristim@ci.winston-salem.nc.us.

a large geographic area more cheaply and efficiently than face-to-face surveys, which might require interviewers to travel significant distances to complete an interview. Also, in a centralized call center, supervisors can closely monitor the quality of interviewing. This is much more difficult with a field staff that is spread out across a large geographic region.

Perhaps the most desirable characteristic of telephone surveys for local governments is that they can be conducted, and the results tabulated, relatively quickly through the use of technology. For example, one of the authors recently responded to a completely automated telephone survey in which she keyed in her answers with the telephone keypad. If time is of the essence, telephone surveys usually are preferable to either mail surveys or face-to-face interviews.

A commonly cited negative characteristic of telephone surveys is their higher cost, relative to mail. Recruiting, training, supervising, and paying interviewers to make calls simply costs more than mailing a form. In addition, for most telephone surveys of the general

population, researchers randomly draw telephone numbers, and a significant percentage of them are lines no longer in service, or businesses, or households outside the city limits. At the beginning of a telephone survey, interviewers spend a large amount of time simply identifying eligible households. With mail surveys, local governments typically have a list that already contains eligible members of the population. On the positive side for telephone surveys, interviewers can key answers directly into a database while they are talking, in contrast to coders having to key mail-survey data in from paper forms. Still, telephone surveys are more expensive.

Telephone surveys also are limited by people's access to the technology. The "sampling frame," or the list from which a researcher chooses names or numbers to call, includes only people who have telephones. Thus the part of a community without telephones is immediately excluded from the survey, and results cannot be generalized to, or said to represent, the entire community. According to March 2000 data from

the Federal Communications Commission, more than 94 percent of U.S. households have a telephone, so this usually is not a major strike against telephone surveys.⁴ However, if the researcher is surveying in an area with low telephone ownership—for example, Mississippi, where less than 89 percent of households overall, and an even lower percentage of poorer households, have a telephone—then a telephone survey may not be the preferred approach.⁵

Technology is obviously changing the way in which people communicate, and telephone communications are no exception. They used to be connected with a place: a household, an office, or a business. With the spread of cell phones and other personal communication devices, telephone communications are becoming more tied to individuals. Younger people sometimes are choosing a cell phone over a land line, and since cell phones are typically excluded from telephone surveys, their owners will not be contacted. At present the number of people with only a cell phone is rela-

tively small, but this could be a major problem in the future.

Another significant challenge for telephone surveys is people's reliance on answering machines and Caller ID to screen calls.⁶ Survey organizations have tried to use answering machines to their advantage by leaving messages explaining what the survey is and saying that the citizen will be called again. In this case, citizens may be more likely to participate because they have more information and time to consider the request. Research organizations also may find it valuable to identify themselves on Caller ID, but this is not as easy to implement.

In another major area of technological change, there has been a rapid increase in the percentage of households with access to the Internet and in the percentage that maintain a dedicated fax or modem line. Reaching households that are frequently online is no easy task. Identifying dedicated fax or modem lines that constantly produce a "No Answer" response is another challenge that is making it more difficult to conduct telephone surveys in today's world.

Even if an interviewer can reach a household, a troubling trend for telephone surveys has been an overall decline in the percentage of people contacted who agree to participate. Refusal rates have increased over the past several decades.⁷ Given the rise in telephone solicitation, it is not surprising that people are less eager to answer survey questions.

In-Person Interviews

Face-to-face interviews are a very useful way to gather information, but they take time, effort, and lots of money. Interviews are the best way to gather complex or lengthy information while being sensitive to the respondent's needs or situation. Interviewers can use visual aids to explain complex items or response categories. For example, respondents can look at a map or review a long list of response options. Interviewers also can ask follow-up questions or probe for details or clarification. Further, like telephone surveys, interviews are good if the order of questions is important.

People may be more willing to participate in face-to-face interviews



*Clipboard and pen
—tools of the field
interviewer.*

than in telephone surveys. Shutting the door on a professional-looking interviewer is a lot harder than hanging up on an unknown voice that interrupts a family during the dinner hour. The interview session also can be longer than with a telephone survey because the respondent is more committed in his or her participation.

Interviews may be the only option in trying to reach particular populations, such as people without reliable telephone service or addresses. In such cases the interviews are conducted in places where these populations use services, such as shelters and benefit offices.

The best advantage of face-to-face interviews also is one of its problems. With interviews the interviewer can adapt to the situation, explaining terms, asking for more complete answers, even engaging in conversation so that the information being sought is drawn out. This survey style can be very useful in gathering information when the topic is sensitive or when cultural sensitivity is key. For example, surveys on the effects of welfare reform typically rely on face-to-face interviews with beneficiaries.

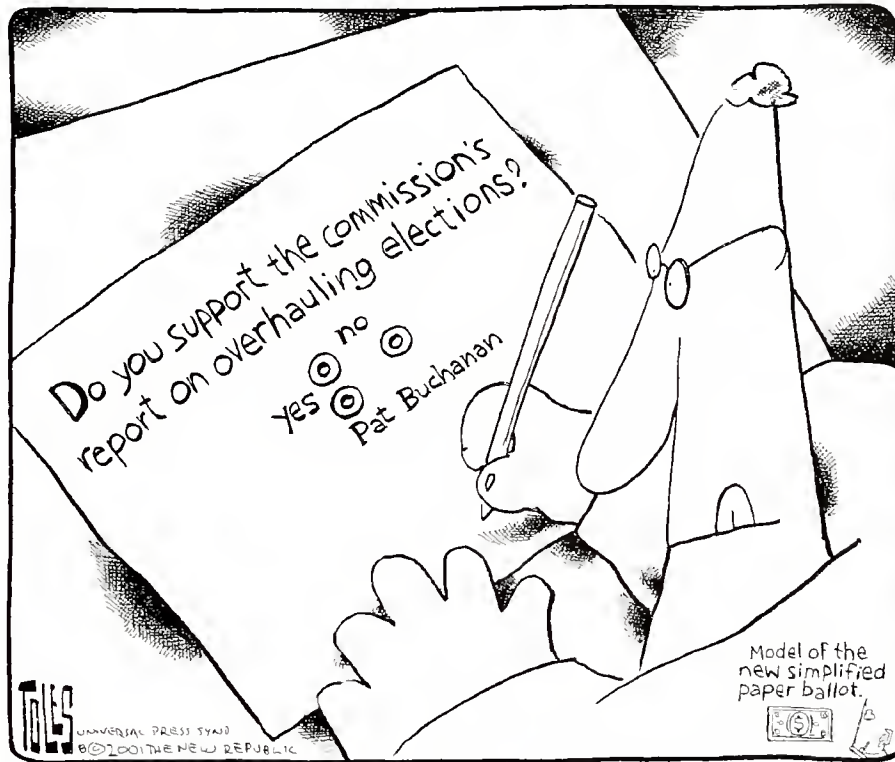
However, the ability of interviewers to be flexible also is a threat to the survey. Interviewers can conduct the

survey or ask questions inconsistently, making the answers not comparable and introducing what are formally termed "interviewer effects." For example, an interviewer may feel sympathy toward or aversion to a person, and these feelings may feed into how the interviewer conducts the interview or records the responses. Typically, face-to-face interviewers are highly trained, and a percentage of their work is evaluated to ensure that the large amounts of money spent on a face-to-face survey will ultimately yield quality data.

Unfortunately, a face-to-face approach often is not considered because of the time and the expense associated with it. The cost and the time to hire, train, and manage a field staff, along with the travel expenses and the wages for interviewers in the field, are major considerations in assessing the feasibility of a face-to-face survey approach.

Sample Size

The number of people to be included in a survey sample depends on how many usable responses the researcher needs and how many people respond to the survey.



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Usable Responses Needed

How many usable responses researchers need for a project depends on three factors: how confident they want to be in the results, how varied the responses will be, and how much error they are willing to tolerate. “Confidence” refers to how sure the researchers would like to be that their results accurately reflect the value in the population. That is, if researchers want an estimate of average income, would they like to be 90, 95, or 99 percent sure that the average income value they obtain from the survey is close to the average they would find if they surveyed everyone in the population? The more confidence they want, the larger their sample must be.

Sample size also depends on the variation in values of what the researchers are surveying. For example, if everyone in town is earning the same amount, researchers would not have to survey many people to have a good estimate of average income. If there was a large variation in income levels, they would need more “observations” (survey responses) to obtain a good estimate. In practice, researchers will not understand the variation in responses until they start surveying. Often an estimate of the variation in responses can be made from

a pretest, or it can be based on past experience or the experience of similar surveys in other jurisdictions.

Sample size also depends greatly on how precise researchers want their estimate to be. To continue with the income example, if they want to know average income within \$5,000, they need to survey fewer individuals than if they want average income within \$500. The more precision they want in their estimate, the larger the sample size must be.

Once local government officials have a general understanding of these three factors, a survey consultant can apply some standard formulas to generate the number of complete, usable responses that they should have at the end of their survey. For reasons that are beyond the scope of this article to explain, using generally accepted standards for confidence and precision, most surveys (even surveys of national scope) need only 350–450 responses.

Response Rates

In an ideal world, 100 percent of citizens or employees sampled for a survey would complete it. Rarely, if ever, is this the case. In a telephone survey, some people may not respond because they screen their calls. Others

may assume that it is a sales call and hang up almost immediately. How well survey results represent the group of interest depends in part on (1) the percentage of sampled eligible people who respond and (2) the extent to which those who respond differ from those who do not respond.

Roughly speaking, the number of eligible people who respond, the “respondents,” divided by the number of eligible people who have been sampled, is referred to as the “response rate.” The American Association for Public Opinion Research (AAPOR) has published guidelines for reporting response rates.⁸

The response rate should be considered carefully in any analysis of survey data and should be a standard part of data reporting from any survey. For example, a description of results from a survey of water and sewer customers may mention that 400 people responded to the survey. Without a response rate, the reader of the report will have no idea how many eligible people were sampled to obtain the 400 responses. If the water and sewer department obtained only 400 responses from 1,200 eligible people (response rate = $400/1,200 = 33\%$), the reader might be skeptical about whether the responses represented all sampled water and sewer customers.⁹

This inevitably brings up the question, What is a good response rate? A good response rate is, of course, 100 percent. Response rates of 20, 35, or 47 percent for general population surveys raise questions about the representativeness of the respondents. There is no magic or best response rate because each survey is unique. The general guideline is only that higher is better. The key question is whether the user of the information feels confident in the representativeness of the survey. As with any type of research and analysis, practical considerations must enter into the decision to try to achieve higher response rates and therefore better results.

A final note on response rates: there is a danger in considering response rate alone. Even when a large majority of the people sampled complete the survey, if the small group that did not complete it is very different on what the survey measures, then the results can be biased.

Steps in Conducting a Survey

There are thirteen steps in conducting a survey:

1. *Get the big picture.*

- Define the purpose of the survey: exactly what you want to know and how you will use the information. Start at the end. For example, prepare blank analysis tables showing what information you would eventually highlight in the final report. Many people start surveys without understanding precisely what information they actually want at the end of the process. For example, in several instances, an audience reviewing the final information from a survey has said, "This Y is interesting stuff, but it would be really helpful if we understood X."
- Understand the financial and staff resources available. For example, one jurisdiction conducted a large mail survey but did not anticipate needing staff to key in and analyze the results. Ultimately the jurisdiction recruited a summer intern to work on the project. The intern finished it months past the expected completion date.
- Be aware of when the results must be known. Is the information that you are seeking vital for a particular decision? When must that decision be made? When would it be most helpful for the decision makers to have your results?
- Consult your stakeholders. What are their needs? Do they understand both the opportunities and the constraints that you face as you gather information? Will conducting a survey satisfy their needs and interests?

2. *Plan.* Regardless of the mode you use to collect your data, it is vital to plan the survey recognizing the demands on your staff and realizing that a quality survey does not happen overnight. If you are conducting a survey with in-house staff, some methods will automatically appeal over others. For example, although a telephone survey may be attractive because of time savings, having your own staff conduct it may require that they work overtime, into the evening. Further, your staff may not be skilled in telephone communications. In such a situation, hiring an outside con-

tractor to conduct the survey may be a better idea. On the other hand, you may have flexible staff who could put together and process mail surveys with relative ease. The drawback is the time required to mail out questionnaires, get responses, and code responses.

Once you have decided on the mode of data collection, you should outline responsibilities and timelines for accomplishing steps 3–10 and then monitor progress. The scope of a survey often changes during the survey process, so frequently revisiting responsibilities and timelines is helpful.

3. *Define your target population and sampling frame.* Suppose your target population is adults who have lived in your city for six months or more. First, you need to identify your sampling frame. A list of telephone numbers based on telephone exchanges within the city would be a sampling frame for a telephone survey. A list of water and sewer customers would be a sampling frame for a mail survey on citizens' satisfaction with water and sewer services.

Next, you must determine whether your sampling frame has any limitations and whether these limitations are acceptable. For example, in a telephone survey of city residents, you may have a sizable Hispanic population but not be able to afford a Spanish-speaking interviewer. You must decide how many residents you are willing to exclude from the sampling frame. In practice, time and money usually play a major role in this determination.

4. *Design the survey instrument.* This means designing a questionnaire that will accurately and reliably gather the information you want, is easy for the respondent to use, and is easy for the data recorder to use. Even loose, informal face-to-face interviews should have a well-designed set of questions to guide the process. Often a person sees designing a questionnaire as fairly straightforward. However, anyone involved in a survey quickly learns that designing the survey instrument takes considerable time and resources, particularly if you are trying to satisfy many different collaborators who have ideas about how they want to ask questions.

5. *Consult with stakeholders.* Frequent communication with stake-

holders will minimize queries about the survey questions, process, and results.

6. *Pretest the survey.* Pretesting is like test-driving a car you might want to buy. It allows you to identify any major problems before you have fully committed your resources. It can be as simple as asking someone who would be a typical respondent, such as a next-door neighbor or a staff person down the hall, to take the survey and give you feedback on the questions. It can be as extensive as administering the survey to a small random sample so that you can review initial results, understand response rates and variability in responses, and assess any problems with the instrument's design. More pretesting, within time and budget constraints, typically leads to higher-quality data.

7. *Train the project staff: interviewers, data-entry staff, coders, and analysts.* To avoid confusion (and resulting poor analysis), it is important that all the major contributors understand the process and the language being used. In a face-to-face interview, for example, if different respondents ask for clarification on the same question, each interviewer should give the same answer. Standard responses should be known. If staff are coding answers (assigning lengthy answers to categories so that they can be analyzed more easily), everyone should understand the coding procedure. Otherwise, one person may code a response in one way, and another person may code a similar response in another way.

For example, for one person the response time for a service call might mean the time from when the telephone call reporting the problem is answered to when the workers arrive. For another person it may mean the time from when the problem is reported to when the problem is fixed. Both are right, depending on how response time is defined. But mixing the data from the two respondents would be problematic. It is not uncommon for researchers to toss out results when they realize that the information was gathered or reported inconsistently. It is important for interviewers, data-entry staff, coders, and analysts to have standard definitions.

8. *Conduct the survey.* There are specific steps for mail, telephone, and

FOR MORE INFORMATION on surveys, consult the American Statistical Association's series *What Is a Survey*, at www.amstat.org/sections/SRMS/whatsurvey.html, or contact the authors.

Another helpful resource is *Citizen Surveys*, by Thomas Miller and Michelle Miller Kobayashi, published by the International City/County Management Association.



face-to-face surveys, such as preparing mailing labels, cleaning bad numbers off telephone lists, or organizing an interview schedule. (For information on such details, consult the resources listed in the sidebar on this page.)

9. Debrief the interviewers, the data-entry staff, and the coders. The interviewers can highlight problematic questions, interpretation, or reporting issues and guide your initial analysis. This holds for data-entry staff and coders as well. After entering data from, or coding, hundreds of surveys, staff members often have a valuable perspective on problem areas in the survey and trends that may be important to examine in the analysis phase. Debriefing also is helpful as a first step in the next survey you undertake.

10. Analyze the results. Survey results can be analyzed using specialized

software, but common spreadsheets and databases also work very well. The responses can be analyzed as simple frequencies or counts for each question, or more advanced statistical methods can be applied to tease out additional information and to test relationships.

11. Communicate the results to the stakeholders and the decision makers. Information that cannot be communicated well is useless. It also is important to discuss the limitations of the data. Be careful about making statements like "X percent of city residents feel safe walking alone at night in their neighborhood" without some disclaimer that this number might be somewhat higher or lower depending on a number of factors—for example, if you had asked the question differently or if you had surveyed a different group of citizens.

12. Use the results. This step ties directly back to step 1. You would not undertake a survey if the information would not be useful for making decisions. However, many surveys are done, the results are communicated, and the report gathers dust on the shelf. The value of a survey depends on planning how the results will be used and then following through when the results are available.

13. Evaluate the process. The survey process and the results must be able to stand the test of critique. Was the purpose of the survey achieved? Was the information sought gathered and used? Were there any problems in the process that would discount or bias the results? Were the stakeholders adequately involved? Are there ways in which the process could be improved the next time? Recording this information will help future analysts and managers. Don't rely on the memory of individuals.

A Word on Costs

Surveys are no different from any other project in the sponsors getting what they pay for. For example, if a county plans to conduct a telephone survey on citizen satisfaction and has only a couple thousand dollars, it probably is not going to get a quality survey, and it would spend its money better by conducting focus groups or in-depth interviews in preparation for a future survey. The costs of a typical telephone survey are major:

- Professional labor to plan and manage the project
- Professional labor to design the sample
- A fee to purchase a random sample of telephone numbers (sampling vendors provide random samples of telephone numbers for telephone surveys; contact the authors for additional information)
- Professional labor for drafting and refining the survey questionnaire
- Professional labor for programming and testing the survey (when using a computer-assisted interviewing system in which interviewers enter

survey responses directly into a computerized database)

- Training, salary, and materials for interviewers
- Professional and interviewer labor for pretesting

All these expenses occur before data collection even starts. If in-house staff conduct the survey, there may not be a cost for professional staff time per se, but there will be the loss of time that could have been spent accomplishing other tasks. Surveys cost a lot more than most people ever imagine, and it is important to plan ahead to earmark funds for a quality survey.

As this article points out earlier, face-to-face surveys typically are the most expensive, followed by telephone surveys and then mail surveys. But this is not always the case, so it is important to outline the cost components of each project.

Identifying the various tasks and the associated cost components for a survey project also gives a jurisdiction an excellent start in determining whether it wants to hire a consultant to assist with some or all of the survey-related tasks. Consultants can bring expertise in survey research and experience in planning and conducting surveys, but they do so at a price. Whether or not a jurisdiction uses consultants depends on its needs and the services available. For example, a county department might want to conduct a mail survey in-house but would need some methodological expertise in designing a random sample and developing a survey instrument. The department might contract with a survey organization for *X* hours from a sampling statistician and *Y* hours from a questionnaire designer. In another situation a county department may want to post a Web survey to gather comments on the layout of its Web site and to measure the demographics of Web site users. The department has an intern who has designed a couple of other Web surveys, and there will be no sophisticated sampling or analysis of the data. In this situation the department staff may decide to keep the entire project in-house.

Conclusion

In conducting a survey, as with any other form of work, the researchers hope to have results that are timely, of high quality, and of low cost. Unfortunately, high quality usually means more money and time. Choosing a mode of data collection is one of the first decision points at which researchers must begin to think carefully about quality versus cost and time. Earlier this article presents a number of general advantages and disadvantages of the three major modes of data collection. Telephone surveys can provide information in a timely manner, but they can be hampered by access problems. Face-to-face surveys can address complex issues, yet often are expensive to conduct. Mail data collection requires a good address list, but the privacy that this kind of survey affords can increase the accuracy of responses on sensitive or controversial items. Understanding which is the best choice for a given jurisdiction requires understanding the jurisdiction's needs, audience, and time and monetary constraints.

When deciding whether to conduct a survey, and if so, how, the decision maker must be able to identify the project's overall goal. What specific information is being sought? Perhaps the biggest mistake that people make is to plan, conduct, and analyze a survey that meets none of their objectives because they had no clearly defined ones at the start. Sometimes a survey is not the appropriate tool for meeting particular objectives; a focus group or in-depth interviews would be more appropriate, or an analysis of existing data would answer the questions. But people can find this out only if they know what they want to measure from the start.

Finally, people interested in conducting a quality survey should be aware of minimum standards to be met (available at www.aapor.org/ethics/best.html). In many cases, people who have a poor experience with surveys simply lack knowledge about how to conduct a good survey.

On the other hand, local governments need not feel that they must conduct survey research in a manner meeting the most rigorous standards for

social science research, though they should be aware of the limitations in their survey approach. A general survey credo is that the quality of the data sought should equal the quality demanded by the intended use of the data. That is, if a government needs only some basic information to help it make a decision, it should keep the survey basic. If it needs in-depth understanding of an issue for a very important decision, then it should choose a survey method and process of sufficient quality for it to be highly confident in the results.

Notes

1. THOMAS MILLER & MICHELLE MILLER KOBAYASHI, *CITIZEN SURVEYS 4* (Washington, D.C.: Int'l City/County Management Ass'n, 2000).

2. EARL BABBIE, *SURVEY RESEARCH METHODS 42* (Belmont, Cal.: Wadsworth Publ'g Co., 1973).

3. There may be reasons to over- or under-represent particular groups in a survey. For more information, contact the authors.

4. UNITED STATES FED. COMMUNICATIONS COMM'N, *TELEPHONE PENETRATION BY INCOME BY STATE 7* (Washington D.C.: FCC, 2001), available at www.fcc.gov/Bureaus/Common_Carrier/Reports/FCCState_Link/lec.html.

5. *Id.* at 8.

6. Peter Tuckel & Harry O'Neill, *The Vanishing Respondent in Telephone Surveys*, Paper presented at the Annual Conference of the American Ass'n for Public Opinion Research, Montreal, Can. (May 20, 2001), available at www.worldopinion.com/reference.html.

7. ROBERT M. GROVES & MICK P. COUPER, *NONRESPONSE IN HOUSEHOLD INTERVIEW SURVEYS 166* (New York: John Wiley & Sons, 1998).

8. Although a response rate may sound straightforward enough, computing one can be quite complicated, requiring an in-depth understanding of data collection. For more information about how to compute and report response rates, consult the authors or visit the AAPOR Web site, www.aapor.org/ethics/stddef.html#about. AAPOR is one of the major professional organizations for survey researchers in government, academe, and industry.

9. Calculated according to the response rate as defined by AAPOR in *STANDARD DEFINITIONS: FINAL DISPOSITIONS OF CASE CODES AND OUTCOME RATES FOR SURVEYS* (Ann Arbor, Mich.: AAPOR, 2000), available at www.aapor.org.

Deciding to Fund Nonprofits: Key Questions

Margaret Henderson, Lydian Altman-Sauer, and Gordon Whitaker

Everyone wants guidance when making tough funding decisions, especially when they involve often controversial, time-consuming, or passionate appeals from community-based nonprofit organizations. What community services do government officials want to support by funding nonprofits? How can government officials decide which nonprofits to fund? How can they determine the appropriate level of funding?

Unfortunately there is no one right answer or practice. The practice or the philosophy that works well in one jurisdiction may be ill suited to another. This article does not suggest a single solution, a one-size-fits-all for nonprofit funding. Instead, it describes six questions that local officials should consider in designing a funding process for nonprofits:

1. Why do we want to fund nonprofits?
2. Why do we want to have a formal process for making funding decisions?
3. How will we identify community needs that we want to help nonprofits address?
4. How will we obtain nonprofits' proposals for meeting community needs?

Henderson and Altman-Sauer are School of Government research associates on the Project to Strengthen Government-Nonprofit Relationships. Whitaker is a School faculty member who specializes in local public management, including government relations with nonprofit organizations. Contact them at mhenderson@iogmail.iog.unc.edu, lydian@carolina.net, and whitaker@iogmail.iog.unc.edu.



In hard financial times, dividing up the funding pie wisely to meet community goals is all the more important.

MANAGING THE POLITICS OF FUNDING NONPROFITS

The county manager lives next door to the chair of the board of a local nonprofit. The chair uses every casual interaction as an opportunity to advocate for first-time funding of the nonprofit. The manager feels pressured.

Elected officials vote against funding a particular nonprofit because it has not shown how or whether it achieved the expected outcomes. Its supporters have been expressing their dissatisfaction through telephone calls to staff and elected officials and letters to the editor of the local newspaper, insinuating that the nonprofit is being singled out for scrutiny because its service population is not a popular one. The media start getting interested.

As planned, government staff make recommendations for nonprofit funding on the basis of objective criteria. The manager agrees with every recommendation except one, related to a request from an agency with strong political support in the community. He instructs staff to allocate more money. Staff are frustrated by his instructions.

Will these kinds of scenarios continue to surface if a local government designs a funding process by answering the six questions proposed in this article? Probably. Nonprofit advocates still will request funding. A few nonprofits still might resist fulfilling expectations of accountability. Government officials still might want to alter the defined process in order to satisfy community leaders.

What *will* change, though, are the philosophies and the tools on which the staff and elected officials can rely in responding to the challenges presented in the scenarios.

In the first scenario, the manager can give his neighbor a document that explains the process for funding applications and the service goals that the county has defined. He then can invite the neighbor to submit an application on behalf of her nonprofit at the appropriate time.

In the second scenario, staff and elected officials can refer to documentation of the purchase-of-service agreement and explain how those expectations were jointly developed at the beginning of the funding relationship.

The third scenario might be the most challenging from the perspective of support staff. It points to the importance of obtaining commitment from stakeholders to uphold the process once designed. It also suggests that building in oversight by stakeholders can reinforce the integrity of decision making.

Individual internal or external stakeholders still might expect special treatment, even in a well-defined process, and there might be unusual situations in which making exceptions to the rules is in the best interests of the community. However, governments act as stewards of public funds most effectively when they have defined goals, processes, and oversight. Both the community and the nonprofits benefit when such safeguards are in place.

5. How will we review proposals?

6. How will we make funding decisions?

The first two questions encourage local governments to clarify their reasons for setting up a funding process. The next four questions provide a way to assess alternative decision-making processes.

Ideally, if a local government has the opportunity to design or redesign its funding process, it will consider these six questions sequentially. Avoiding or skipping a particular question may introduce confusion when the government tries to implement the process.

Two Preliminary Considerations

When people make plans, they sometimes overlook the following simple truth: they must know what they want to achieve in order to determine whether they have achieved it. The two questions that follow provide a framework for assessing whether local governments' funding decisions are achieving the desired results.

1. Why do we want to fund nonprofits?

North Carolina law provides that public funds be spent only for public purposes.¹ What public purposes do local officials

want to serve through nonprofit organizations?

One possible reason for funding nonprofits is to provide general support for the work that nonprofits do to better the community. For example, a city may want to support assistance to homeless people by helping fund a homeless shelter or a community kitchen operated by a nonprofit. A county may want to encourage new employment opportunities by helping fund an economic development corporation or a Chamber of Commerce.

Rather than funding a broad range of valuable community services, elected officials may decide to tie their expenditures to programs that directly support a specific goal of their jurisdiction's strategic plan. For example, if economic development is a county's primary goal, its funding for nonprofits might focus on economic development, literacy, and subsidized child care to enhance the employability of area residents. If the county's priority is youth development, it might support nonprofits that provide after-school programs, tutoring, or recreation opportunities.

A second reason that local governments might fund nonprofits is to have them provide specific programs or services. Instead of building and staffing a swimming pool, a town might decide to partner with a nonprofit organization and help fund its capital or operating expenditures for the pool. Instead of operating an animal shelter, a town might contract with a nonprofit to operate the shelter.

Nonprofits may be better service providers than governments when they can

- supplement public funds with contributions of time, expertise, and money from volunteers and other donors.
- move more flexibly or quickly than government to address a pressing need.
- build a sense of community or encourage civic participation by involving volunteers, neighbors, or others who are known and trusted by a particular community.
- bring specialized expertise on community issues or on a specific

WAKE COUNTY'S NONPROFIT FUNDING PROCESS

The 1980s: The Wake County commissioners made the funding decisions. Nonprofits contacted the commissioners directly to educate them about issues or to request support.

The 1990s: Wake County experienced a philosophical shift about nonprofit funding allocations, from "go forth and do good deeds" to purchase-of-service contracts. There was a corresponding shift to defining mutual expectations, especially expectations of accountability. The decision-making process became less political and more objective.

This shift required a change in Wake County's infrastructure, creating a need for a decision-making body staffed by people with expertise in service provision consistent with the services being provided by the funded programs.

1994: The commissioners turned the nonprofit funding process over to the Human Services Department.

1996: Wake County Departments of Human Services, Social Services, Mental Health, Public Health, Housing, Child Support Enforcement, and Job Training merged into one comprehensive department, known as Wake County Human Services.

The commissioners delegated the nonprofit funding responsibilities to Wake County Human Services, citing the new department's practices of requiring documentation of outcomes, accountability for consumer impact, and implementation of the purchase-of-service concept as creating an appropriate environment for the funding process.

The outcomes chosen by the commissioners for Wake County government provided the framework for writing a request for proposals for nonprofit applications.

1997: Wake County Human Services identified priorities for its seven outcome groups. The priorities served as the focus for nonprofit funding.

1998: Wake County Human Services adopted its own twelve organizational outcomes, which in turn became the priorities for the nonprofit funding process.

Now, working within a budgetary allocation defined by the commissioners, a team of eleven county staff members reviews the applications from nonprofits and defines the service agreements with individual organizations.

For more information, go to www.co.wake.nc.us and follow the links to Human Services, then Contracts and Grants.

Source: Adapted from materials developed by Virginia Satterfield, grants developer, Wake County Human Services.

population because of their mission and experience.

- augment, complement, or fill in gaps in government services.

Governments can tie funding of nonprofits to general or specific public goals, but doing so requires that elected officials and government staff clarify their reasons for funding nonprofits. With such clarification, discussions about allocations can focus on larger community goals rather than on the circumstances of individual nonprofits or specific people (for illustrations of

politics that might intrude on the funding process, see the sidebar opposite). Explicit consideration of why local officials want to fund nonprofits can help them determine whether their reasons are sufficient for continuing that support.

Clarifying their reasons for funding nonprofits also changes how governments view nonprofits. They tend to stop viewing nonprofit funding as "charity" or "gifts" and start viewing it as a purchase of valuable community services and a partnership with other organizations serving citizens. Indepen-

dent of the decision-making process, a philosophical shift benefits the public by causing governments to develop purposeful alliances with nonprofits rather than maintaining a relationship of benevolence. (For a description of such an evolution in philosophy in Wake County, see the sidebar on this page.)

There are several reasons that a local government might not want to fund nonprofits.² Government officials might

- decide that the government can provide the same services better or at a lower cost than nonprofits.
- prefer to put resources into government departments, even if services are not as effective or efficient.
- not want to devote staff time and attention to oversight of partnerships with nonprofits.
- fear making nonprofits dependent on government funding.
- want to cut spending instead of providing the service.

Officials should examine each reason to determine if the assumptions on which it is based are correct. For example, officials might assume that funding a community service through government departments is more efficient than funding nonprofits to produce the service. However, a nonprofit might deliver the same services for less than government by using volunteers and supplemental grant money from outside sources.

In addition, avoiding the funding of community services through nonprofits simply because it "never has been done that way" ignores a growing national trend that encourages community problem-solving and broad collaboration among governments, nonprofits, the faith community, and the private sector. Most North Carolina local governments do, in fact, fund nonprofits to some degree. A 1999 survey by the Institute of Government found local governments to be working with nonprofits in various ways: planning with them, coordinating services, developing policy options with them, and providing them with in-kind support.³ The most common mode, however, was provision of financial support to nonprofits,

SUMMARY OF STEPS FOR FUNDING NONPROFITS

1. Define your purpose in appropriating funds for nonprofits:

- To help meet public needs not addressed by local government programs
- To help augment existing services provided by local government
- To help meet specific goals set by local government
- Other

2. Define your objectives for the decision-making process:

- To create a fair process
- To include citizen input
- To maximize accountability
- To minimize negative consequences
- To streamline decision making
- To coordinate decision making with other local funders
- To fund nonprofits that will achieve your objectives

3. Define how you want to assess needs or gather information:

- Rely on nonprofits to present needs to government in their formal proposals
- Rely on the knowledge base of government staff and elected officials
- Rely on citizens to identify needs and inform the government of them
- Search out information informally through community contacts
- Conduct a needs assessment to collect data directly

4. Decide how to obtain proposals from nonprofits:

- Let the nonprofits take the initiative
- Have government staff or elected officials notify particular nonprofits
- Put out a formal notification, a request for applications, or a request for proposals to all nonprofits or the whole community

5. Evaluate how the alternative structures for making funding decisions support identified goals.

The process of reviewing proposals and making recommendations for funding might include review and recommendations by any of the following, or various combinations of them:

- Staff of the local government
- Volunteers from the community
- Standing advisory boards
- Members of the elected body

6. Determine elected officials' preference:

- Do they want to make the funding decisions themselves?
- Would they rather refer the funding decisions to staff or volunteers?

No matter how you design the process, with each choice you gain something but lose something else. It is important that you try to evaluate the implications of each trade-off.

which was reported by 79 percent of the municipalities and 95 percent of the counties surveyed.⁴ The 217 North Carolina local governments responding to the survey reported budgeting a total of nearly \$75 million for nonprofits in 1997–98. This represented an average

allocation of 0.9 percent of municipal budgets and 1.5 percent of county budgets.

Obviously, funding nonprofits is common among North Carolina counties and municipalities. Understanding the purposes behind that funding will help

public officials (and citizens) decide how to make better funding decisions.

2. Why do we want to have a formal process for making funding decisions?

Recent interviews with local government staff show a wide variation in philosophies, practices, and concerns relating to how local governments decide to fund nonprofits:⁵

“We look to the department heads to assess whether the nonprofit service is needed.”

“New requests should come to the manager first.”

“Our county only funded one nonprofit, and that was because one commissioner has a personal interest and knowledge about the operations of this nonprofit.”

“We don’t have a process for receiving nonprofit applications because we don’t have additional money to fund new nonprofits.”

“There are no guidelines. Established nonprofits get the funding; they have the political support.”

“We only fund the nonprofits we have a history of supporting.”

“Since nonprofit funding is a relatively small part of the total county budget, it does not get a lot of attention from county staff.”

The credibility of the final choices depends in part on the manner in which the government makes the decision: who decides, what information the decision makers receive, what opportunities exist for community input, and how all of that is perceived by the public. A decision-making process can serve a variety of purposes. It can

- demonstrate fairness.
- encourage citizen input.
- maximize accountability.
- minimize negative consequences or public criticism.
- streamline decision making.
- coordinate decision making with other local funders.
- determine whether the nonprofit can achieve the government’s goals.

Some of these intentions may be in conflict. To design a process that will



AMY LEANG / NEWS & OBSERVER



MELISSA DRAPER / NEWS & OBSERVER

work well for their community, officials need to identify, clarify, and address their purposes for setting up a process. Then they need to select procedures and practices that will help them realize those purposes.

Four Key Questions in Designing the Funding Process

1. How will we identify community needs that we want to help nonprofits address?

If a government does not gather information about specific community needs, then meeting those needs is likely to be accidental rather than deliberate. A government can learn about public issues that people want it to address in several ways.

Officials might compile information that staff and elected officials have accumulated in the course of their contacts with citizens. For example, departments

can be asked to list priorities for services in their areas of responsibility. Some local governments do this as part of their annual budget-preparation process. Elected officials sometimes use work sessions or retreats to develop lists of priorities for government action. Both government staff and elected officials can gain insight into the needs of the community simply by doing their normal work. If, however, their perspectives do not encompass the diversity within a community or if they do not seek to become connected with and informed about local groups that are not represented, then they may be missing relevant information or new trends.

Another way to learn about community needs is to seek input from nonprofits or the broader community. Asking nonprofits to present evidence of community needs places the burden of determining and describing needs on the nonprofit and therefore lowers information-gathering costs for the local government.

Among the community services that nonprofits may provide are swimming pools and animal shelters.

However, this alternative is subject to bias. It tends to favor politically savvy nonprofits and might exclude legitimate community needs of invisible, disenfranchised, or unsophisticated populations. Public hearings, community forums, and other opportunities for citizens to express their views can help provide a broader assessment of community needs.

If one of the reasons for developing a formal funding process is to encourage citizen input, more open, inclusive methods of gathering information may be preferable. If streamlining decision making is a goal, relying on nonprofits to identify and document needs might be more appropriate.

An informal process of exchanging information may be all that is necessary to gather comprehensive data on needs if a community is relatively small and

provides regular opportunities for conversation among diverse stakeholders. This approach may not work as well in larger or more urban areas.

More formal methods of needs assessment include focus groups or surveys of carefully selected samples of the population.⁶ Although this approach is more costly, the expense might be shared among local funders, like the United Way, community foundations, and other governments. A joint needs assessment might be particularly useful if one of the purposes for developing a formal process is to coordinate funding with other local funders.

2. How will we obtain nonprofits' proposals for meeting community needs?

Just as advertising may increase attendance at a special public event, the manner in which governments invite funding proposals may determine what they receive. Again, community characteristics, such as the size of the local population or diversity in political philosophies, might drive how a government decides to conduct this process. In a small community, government staff can simply call or send letters to the nonprofits telling them that it is time to submit a proposal. In more populous areas, it might be necessary to use a variety of media for the notification—for example, letters, public notices, newspaper advertisements, Web site announcements, or “listservs” (a computer application that collects multiple e-mail addresses under a single e-mail address, allowing subscribers to send a message to everyone on a list using the one address).

If the government's purposes for funding nonprofits are broad, the government may want to offer all local nonprofits the opportunity to submit proposals. If, however, the purposes are relatively narrow, then contacting the nonprofits that are relevant to the identified goals may be sufficient.

A government can ask nonprofits to apply for funding in either of two ways. By issuing a *request for applications* (RFA), the local government informs nonprofits about the opportunity and the process to apply for funding and invites community agencies to design programs and outcomes to meet a problem identified by the agencies themselves. In

a *request for proposals* (RFP), the government specifically defines the target of service (certain populations or certain desired outcomes, for example) in addition to sharing information about the funding process.

3. How will we review proposals?

Government staff, community volunteers, or elected officials might review proposals. Deciding who should do so will reflect the governing board's concern about such issues as timing; efficiency; program goals; previous experience with and level of trust in potential reviewers; delegation of various aspects of program design and execution; and balance between program goals and resource allocation goals.

By having *staff* manage the review, the government might ensure that the work of nonprofits will assist it in achieving specific community objectives. This alternative also may offer the quickest, most easily controlled, and most consistent evaluation. However, it also might perpetuate previously established and familiar funding practices or preclude the infusion of new perspectives or ideas by someone outside the funding organization.

A *volunteer board* could screen applications for the council or the commissioners and might be able to alleviate political pressure on staff and elected officials. To use a volunteer board effectively, a government should allocate funds for staff support and guidance, be willing to share authority with the volunteers, and allow adequate time for the volunteers to make their recommendations.

Having *elected officials* review and rate the applications increases community influence in the process and saves some direct staff costs. On the other hand, elected officials might be swayed by the interpersonal dy-

namics of their board or by the interests of a few vocal or well-connected constituents.

By using some combination of these structures, a community might agree on the relative priority of certain goals and deal realistically with the limits of its own resources. For example, a board that values developing a broad perspective on any important issue might ask both department heads and a volunteer advisory board to review applications and make suggestions for funding to the manager. The manager might then make a final balanced recommendation to the elected board.

4. How will we make funding decisions?

The elected governing board holds the ultimate responsibility for making funding decisions, which it carries out through adoption of a budget ordinance. But it may set up procedures for subordinate groups to allocate the funds it authorizes. For example, some governing boards authorize a certain amount of funding for nonprofits and ask a citizen advisory committee or a staff task force to recommend how to allocate those funds.

Having public criteria and procedures for deciding which nonprofits to fund, and at what level, can help relieve boards of some of the political pressure that they may feel in making those decisions.

Clarity about who will decide and on what basis is important to good relationships both inside and outside government. Changing procedures in the middle of budget review can produce mistrust and resentment. If the board wants to retain full flexibility to decide on nonprofit funding, it should clearly state so at the beginning.

Hard Work but Worth It

Elected officials and staff may be inclined to ask, “Isn't there an



Having public criteria and procedures for deciding which nonprofits to fund, and at what level, can help relieve boards of some of the political pressure that they may feel in making those decisions.

easier way to do this?” Answering all the questions posed in this article may take a lot of meetings and discussions and may generate disagreements along the way to a single, useful product. However, if key stakeholders, especially elected officials, do not participate in the design of the process, it always will be subject to challenge, circumvention, or negative reaction.

Comparing the relative merits of nonprofits’ applications for funds is challenging. Decision makers face hard choices among people in need (such as youth, the working poor, and senior citizens) and competing political interests (for example, the arts, economic development, and human services). They must evaluate the organizational capacity of individual nonprofits to achieve the government’s goals.

Having to allocate limited resources among many worthy efforts is understandably frustrating. Decision makers may be tempted to take out their frustration on nonprofits by not engaging in a fully impartial or deliberate evaluation process. That would be inappropriate. The cause of the frustration is not nonprofits but the pressure to make hard choices. Nonprofits articulate existing community needs and bring forth innovative opportunities for addressing those needs.

Recommendations for All Funding Processes

In *The Poisonwood Bible*, Barbara Kingsolver writes, “Everything you’re sure is right can be wrong in another place.” That observation applies to

many governmental practices and is certainly relevant in considering all the possible forms of nonprofit funding processes. The research of the Project to Strengthen Government-Nonprofit Relationships, and the discussions that

project personnel have had with practitioners, clearly suggest that no single process can ensure fair, effective, efficient choices about nonprofit funding in every jurisdiction, or even in many jurisdictions.

The project’s research and discussions do indicate that, no matter what process a government chooses, it is more likely to be effective overall if

- the government clearly defines at the outset how it will make its funding decisions.
 - the government assigns staff to manage the logistics of the funding process.
 - the government has a broad-based, flexible strategic plan including goals that nonprofits are expected to achieve.
 - the decision makers (elected, professional, or volunteer) avoid personal or professional biases.
- Also, mutual trust and accountability among government, nonprofits, and the community they both serve may be enhanced if
- local governments share information as early as possible with all nonprofits and the public regarding the total funding available and the process for application.
 - all nonprofits seeking funding use the same application process.
 - local governments provide opportunities for input from citizens who are representative of the community.



Decision makers face hard choices among people in need (such as youth, the working poor, and senior citizens) and competing political interests (for example, the arts, economic development, and human services).

- all local governments, foundations, and other community funders use the same application form and, if possible, hold consolidated hearings to receive funding requests.⁷
- after the decisions are made, local governments share information publicly about the amounts that nonprofits sought and received.

Finally, and perhaps most important, local governments should share information about the decision-making process equally and openly within the community. This is the basic platform from which a well-designed process is successfully launched.

Notes

1. The relevant North Carolina General Statutes are Section 153A-449 for cities, 160A-20 for counties.
2. Participants in the Navigating Nonprofit Relationships training offered by the Institute of Government generated this list.
3. Gordon P. Whitaker & Rosalind Day, *How Local Governments Work with Nonprofit Organizations in North Carolina*, POPULAR GOVERNMENT, Winter 2001, at 25, available at www.nonprofit-gov.unc.edu.
4. Total funding for nonprofit organizations is likely to be considerably higher than reported in the survey. Most respondents reported only funds earmarked for nonprofits in their government’s annual budget. The totals did not include funding that comes through contracts within the operating budgets of government departments.
5. Lydian Altman-Sauer, Margaret Henderson, & Gordon P. Whitaker, *Strengthening Relationships between Local Governments and Nonprofits*, POPULAR GOVERNMENT, Winter 2001, at 33, available at www.nonprofit-gov.unc.edu.
6. For a discussion of survey procedures, see the article on page 23.
7. Such coordination makes an immediate positive difference for the nonprofits. For example, nonprofits that provide services in Orange County and were requesting financial support from assorted funders in that jurisdiction used to fill out four different application forms, due on different dates, requiring different kinds of information. Agreement to use one consolidated application format saved the nonprofits time and effort. Such coordination benefits the funders because they all have the same information at the same time, instead of each one getting slightly different versions.



Gladys Hall Coates Celebrates 100 Years

On May 19, 2002, Gladys Hall Coates, wife of Institute founder, Albert Coates, celebrated her 100th birthday at home in the company of friends and colleagues. An extraordinary woman, Coates was awarded an honorary degree in May 2001 from The University of North Carolina at Chapel Hill.

On the occasion of the award, School of Government faculty member Joe Ferrell prepared and presented a special citation. An excerpt from that citation follows:

“Gladys Hall Coates came to Chapel Hill in 1928 from her native Virginia as the young bride of a law professor. Mrs. Coates never matriculated as a student; never held a faculty position or taught a class; never served on the Board of Trustees. Yet her lifetime of achievement and service to North Carolina and this University stands as the epitome of loyalty, devotion, gentility, and steadfast commitment to an ideal.

“It is impossible to speak of one member of the Coates family without mentioning the other, for they were not only husband and wife but a team whose success was mutually interdependent. Albert Coates founded the Institute of Government in 1931. The Institute . . . stands today as the nation’s oldest, largest, and most influential university-based public service organization. Mrs. Coates was there at its birth, nurtured it through infancy, and, in tandem with her husband, brought it to maturity.

“The partnership . . . produced dozens of books and monographs, some bearing only Albert Coates’s name on the cover but all influenced by Mrs.

Coates’s keen intellect and close attention. Gladys and Albert Coates were the first couple to have separate endowed professorships named in their honor at Carolina, and the building on Franklin Street that first housed the Institute of Government was named the Albert and Gladys Coates Building in 1997.

“Mrs. Coates has received numerous awards and honors throughout her lifetime. One of the best we can now bestow is our sincerest admiration, affection, and steadfast commitment to the ideal of the Institute of Government, which continues to strengthen the governance and civic fabric of North Carolina.”

Happy Birthday, Mrs. Coates!



Mrs. Coates on her 100th birthday (above) and at the Institute in the 1940s (right).

Wicker Receives Chancellor’s Award

Warren Jake Wicker, an Institute of Government faculty member for almost 47 years despite his official “retirement” in 1991, has received a 2002 Chancellor’s Award from The University of North Carolina at Chapel Hill. Wicker is one of five people chosen for Chancellor’s Awards this year.

Among those who nominated Wicker for the Chancellor’s Award was Cal Horton, manager of Chapel Hill. Horton’s words capture the essence of Wicker’s unique contributions and special place in the history of the Institute:

“It is impossible to know the actual number of public officials and employees who have sought his advice, but the number would be in the thousands. For



Warren Jake Wicker

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Congratulations, Jake, from all the thousands whose lives you have touched and made better.

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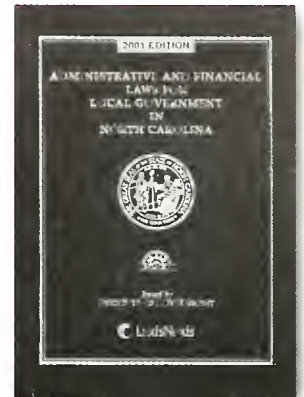
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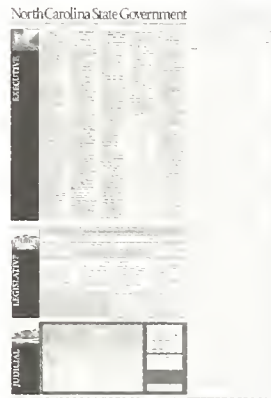
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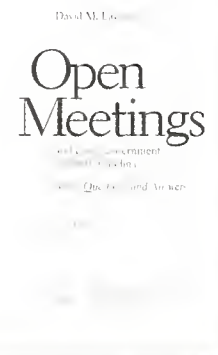
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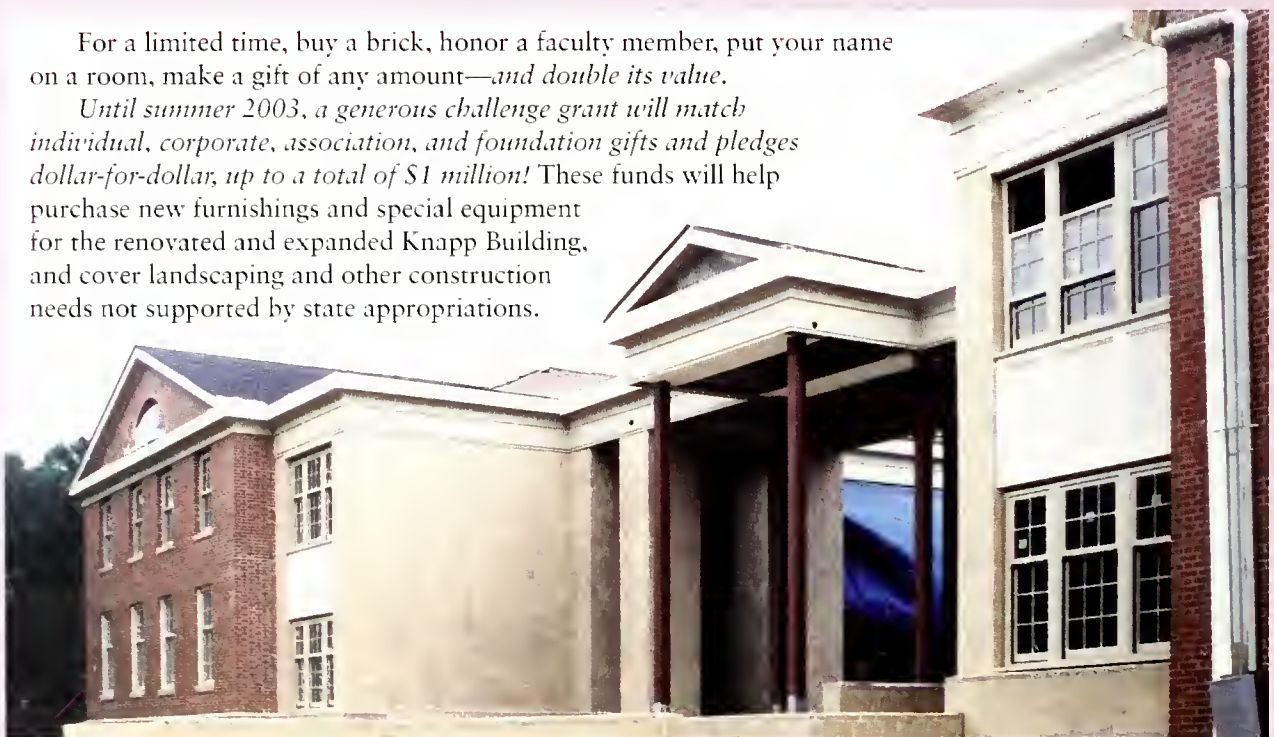
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