

NORTH CAROLINA'S RESOURCE FOR PUBLIC OFFICIALS

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Delivering Public Construction Projects

Distributing Responsibility for Human Resource Management



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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Great Things Grow in Greene County

As the first step in a project to bridge the “digital divide,” Greene County, with a rural population of less than 20,000, has placed low-cost laptop computers with all 1,700 of its middle and high school students.

Greene County Superintendent Steve Mazingo originated the idea. He first worked with Apple Computers on the concept, then approached County Manager Lee Worsley about financial support. The Greene County Board of Commissioners and Board of Education unanimously supported the iTech project.

The county funded the project for four years (2003–07), with a special 0.0 percent financing rate arranged by

Apple Computers. The result of the collaborative effort is that each student in middle or high school has a laptop that he or she can use in the classroom and take home for use by other family members.

School administrators have been to Charlotte, Greensboro, Greenville, and Pinehurst, as well as to four other states, to tell the iTech story.

Mazingo, Director of Instruction Pat MacNeill, and School Board Chairwoman Pat Adams presented the iTech program to the State Board of Education this fall. Board members from some of the state’s largest school systems hailed their efforts. Lieutenant Governor Beverly Purdue called the county a “poster child for technology.”

“To be innovative to the point where we’re ahead of all school districts, small and large, is distinctive for Greene County,” Mazingo said. He describes the program as the most significant change that he has seen in teaching in his thirty-year career.

Having laptops in the hands of the students is not the ultimate goal of iTech. More broadly, the project aims to advance the lifelong-learning capacities of Greene County citizens. iTech is helping students become more competitive as they graduate and enter the workforce or pursue higher education. The project also creates a foundation for training the adult workforce in new areas.

Further, iTech is an economic development and recruitment tool because it lays the groundwork for a technology-savvy community. For example, the county government plans to expand wireless Internet access across the county in the next year.

For more information, contact Mazingo at (252) 747-3425, Worsley at (252) 747-3446, or Gail Edmondson, iTech project manager, at (252) 747-8113.





PHOTOS BY JOHN W. MOSES JR. LEFT APPEARS COURTESY OF THE ADOLESCENT PREGNANCY PREVENTION COALITION OF NORTH CAROLINA AND IS REPRINTED HERE WITH PERMISSION; MIDDLE AND RIGHT ORIGINALLY APPEARED IN *THE YOUNGEST PARENTS: TEENAGE PREGNANCY AS IT SHAPES LIVES*, BY ROBERT COLES ET AL., PUBLISHED BY DUKE UNIVERSITY'S CENTER FOR DOCUMENTARY STUDIES IN ASSOCIATION WITH W.W. NORTON & COMPANY.

School Publishes New Legal Guide on Pregnant Students

Although the teen pregnancy rate has dropped sharply, almost 7,000 girls aged seventeen or younger still become pregnant each year in North Carolina, and almost 5,000 give birth. Nearly all of the 5,000 become the sole custodial parent of their child. Continuing education is crucial for their future and that of their children.

According to the Alan Guttmacher Institute, “[D]ropping out of school, not having a baby, is the key factor that sets adolescent mothers behind their peers. If a pregnant teenager does drop out, it is unlikely that she will return to school before her children are in school. Adolescent mothers who stay in school are almost as likely eventually to graduate (73%) as women who do not become mothers while in high school (77%). In contrast, only about 30% of women who drop out of high school either before or after their baby’s birth eventually graduate.”

To help adolescent mothers, their parents, and school officials, the School of Government published *Public Schools and Pregnant and Parenting Adolescents* in May 2004. The third in a series, this guide addresses schools’ legal responsibilities to provide services to keep pregnant girls and young mothers on track.

Above all, the law requires that pregnant and parenting adolescents be allowed to enroll and participate in school programs and activities. Teen mothers must be treated like other students, including getting college counseling, vocational education, and job training opportunities. Under North Carolina’s children-with-special-needs law, these young mothers are entitled to homebound instruction when they are medically unable to attend school. Federal law guarantees the right to excused absences for the medical necessities of pregnancy. The guide describes current law and what changes in law and enforcement could most benefit this vulnerable population and their children.

To read or print this guide or the others, go to www.adolescentpregnancy.unc.edu.

Consortium Receives Grant to Study Best Practices in Civic Education

North Carolina is one of only six states chosen by the Campaign for the Civic Mission of Schools to receive a \$150,000 grant to promote civic learning. Thirty-six states submitted proposals.

The campaign is a national initiative to help prepare America’s young people to be informed and active citizens.

The grant will support the North Carolina Civic Education Consortium’s work with several state and national partners to conduct two pilot studies of best practices in civic education. Partners include the State Department of Public Instruction and the National Center for Learning and Citizenship.

One pilot, in Duplin County Schools, will identify and evaluate new forms of civic education assessment and accountability. The other pilot, in Charlotte-Mecklenburg Schools, will develop model current-events resources for teachers and then make them available statewide.

“The North Carolina Civic Education Consortium is excited about the opportunity provided by this grant,” said Debra J. Henzey, consortium director. “It will assist us in filling gaps in our knowledge of best practices that promote lifelong civic engagement, and in giving policymakers better



LESLIE ANDERSON

information on decisions that support these practices.”

The grant begins in November 2004 and lasts two years. The Carnegie Corporation of New York and the John S. and James L. Knight Foundation fund the campaign. The Council for Excellence in Government, in partnership with the Academy for Educational Development, manages it.

The North Carolina Civic Education Consortium is a nonpartisan partnership hosted by the School of Government at UNC at Chapel Hill. More information about the consortium is available at www.civics.org. More information about the Campaign for the Civic Mission of Schools is available at www.civicmissionofschools.org/.

John L. Saxon Faith-Based Social Services:

Government . . . cannot put hope in our hearts or a sense of purpose in our lives . . . America is richly blessed by the diversity and vigor of neighborhood healers: civic, social, charitable, and religious groups. These quiet heroes lift people's lives in ways that are beyond government's know-how, . . . and they heal our nation's ills one heart and one act of kindness at a time. The indispensable and transforming work of faith-based and other charitable service groups must be encouraged . . . As President, I will lead the federal government to take bold steps to rally America's armies of compassion.

—President George W. Bush¹

On January 29, 2001, less than two weeks after taking office, President Bush announced his administration's faith-based social services initiative. Since then, the Bush administration has followed through on the president's pledge by

- establishing offices of faith-based and community initiatives in the White House, the U.S. Department of Health and Human Services (DHHS), and other federal agencies;
- issuing executive orders and administrative rules allowing faith-based organizations (FBOs) to compete for federal social services funding on a "level playing field";
- supporting the enactment of "charitable choice" legislation to stimulate private and public funding for FBOs providing social services;²
- initiating new federally funded faith-based programs to serve prisoners, drug addicts, the children of prisoners, and others; and
- creating a Compassion Capital Fund to provide technical assistance and funding for small community and faith-based social services programs.

The author is a School of Government faculty member specializing in social welfare law and policy. Contact him at saxon@iogmail.iog.unc.edu.



CORRY LOWENSTEIN / NEWS & OBSERVER

The faith-based social services initiative has not been without controversy, however. Opponents claim that it

- breaches the constitutional wall separating church and state by subsidizing religious "proselytization" (attempted conversion) and discrimination;
- diminishes the religious freedom, the autonomy, and the effectiveness of faith-based social services providers;³
- is based on the unproven assumption that faith-based social services programs are more effective than social services provided by government agencies or secular nonprofits;
- is politically or ideologically motivated;⁴

What Are They? Do They Work? *Are They Legal?* What's Happening in North Carolina?

At the Durham Rescue Mission, morning devotion begins at 6:30 each day.



CHUCK LIDDY / NEWS & OBSERVER

- is based on mistaken assumptions regarding the causes of social problems;⁵ and
- undermines the government's responsibility for providing and funding social services programs.⁶

This article addresses four sets of questions regarding faith-based social services initiatives by federal, state, and local governments:

1. What are faith-based social services? What is the president's faith-based social services initiative?
2. Are faith-based social services programs effective? If so, how and why do they work? Are they more

effective than government or secular social services programs?

3. Are government faith-based social services initiatives legal? Do they violate the Constitution's required separation between church and state?
4. What's happening in North Carolina? To what extent have state and local human services agencies collaborated with or funded faith-based social services providers?

What Are Faith-Based Social Services?

Faith-based social services are social services provided by FBOs. They include child care services, job training,

health support services, soup kitchens and food banks, housing, literacy and mentoring services, substance abuse treatment, delinquency prevention, and other programs to help needy children, individuals, and families.

But what is an FBO? And what makes the social services that an FBO provides faith based rather than secular? Although the answers to these questions might seem obvious or intuitive, they are complex and elusive.

No single definition of FBO is generally accepted among the public, media, researchers, or policy makers.⁷ Under one fairly broad definition, an FBO is any organization that is founded on or motivated by religious conviction, prin-

ciples, or beliefs, including local churches, synagogues, temples, and mosques; religious denominations or associations; interchurch and interfaith organizations; and local, regional, or national non-profit or charitable associations that are religiously affiliated or religiously motivated.⁸ FBOs, however, vary greatly in size, mission, organization, administration, funding, and resources, and with respect to whether and how they provide social services.

A 1998 survey of a nationally representative sample of *local* religious congregations found that almost 60 percent provided or supported the provision of one or more social services.⁹ Of these congregations, most provided short-term and emergency services (food, shelter, and clothing). Fewer than 10 percent provided mentoring, substance abuse, employment, or health services. Services generally were provided by small groups of volunteers. Only 6 percent of the congregations employed at least one person more than quarter-time to coordinate or provide social services. Only 3 percent received public funding for social services.¹⁰

At the other extreme are large, *national*, faith-based social services agencies like Catholic Charities USA, Lutheran Family Services, and Jewish Family Services, which provide social services to millions of people and receive billions of dollars in public funding.¹¹ These FBOs generally are incorporated under Section 501(c)(3) of the federal Internal Revenue Code as charitable nonprofits separate from the religious organizations with which they are affiliated. Although they are “imbued with strong religious motivations,” they usually “follow the same norms and procedures . . . as ‘secular’ social service organizations.”¹²

Recognizing this heterogeneity, researchers have studied faith-based social services providers on the basis of the degree to which they explicitly or implicitly incorporate religious faith into their identity, mission, and programs.¹³ Considering factors such as whether religion influences employment decisions, whether religious symbols are displayed, and whether and how inherently religious activities, prayer, worship, or “spiritual technologies” are integrated into the provision of services, researchers have

I have seen firsthand what faith-based organizations are capable of doing . . . As President Bush has said, these organizations “inspire hope in a way that government never can. And they inspire life-changing faith in a way that government never should.”

—Jim Towey, director of the White House Office of Faith-Based and Community Initiatives, August 2004

characterized faith-based services according to four typologies as

1. strongly, moderately, or not faith influenced;¹⁴
2. reflective of a high, moderate, or low level of faith integration;¹⁵
3. fully expressive, vocally inclusive, quiescent, or nonexpressive with respect to their organizational distinctiveness and religious expression in their programs;¹⁶ and
4. faith permeated, faith centered, or faith affiliated.¹⁷

Why does the classification of faith-based social services providers matter? One reason is that the purpose of President Bush’s faith-based initiative is to “unfetter” local congregations and smaller and more faith-permeated FBOs, allowing them to retain and express their religious identities while receiving public funding to provide religiously based social services. The initiative’s success, therefore, depends not only on whether FBOs provide social services but on *which* types of FBOs receive public funding to provide *what* types of social services.

A second and more important reason is that the legality of public funding of faith-based social services initiatives may depend on whether, how, and to what extent they integrate inherently religious activities into the social services they provide.

Government Faith-Based Social Services Initiatives

The phrase “faith-based social services initiatives” refers to a range of government policies, programs, and proposals designed to encourage the provision of social services through FBOs. This article focuses primarily on initiatives designed

to facilitate or encourage the funding of faith-based social services programs by federal, state, and local governments.¹⁸

Public funding of religiously affiliated social services agencies is not new.¹⁹ State and local governments have a long history of funding the provision of social services through religiously affiliated organizations such as Catholic Charities, Lutheran Family Services, and Jewish Family Services.²⁰

The federal government’s recent involvement with faith-based social services initiatives, however, originated in a charitable choice amendment sponsored by then-Senator John Ashcroft of Missouri that was added to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the federal welfare reform legislation.²¹ PRWORA’s charitable choice provision

- requires states that contract with, or allow the redemption of vouchers by, private social services providers under the Temporary Assistance for Needy Families (TANF) program to contract with, or allow the redemption of vouchers by, FBOs without discrimination based on their religious character;²²
- prohibits federal and state agencies from requiring that federally funded TANF services providers remove religious art, icons, scripture, or symbols; alter their form of internal governance; or cede control of the definition, development, practice, or expression of their religious beliefs;²³
- preserves the exemption under Title VII of the Civil Rights Act allowing federally funded faith-based social services providers to discriminate on the basis of religion in their hiring and other employment practices (but does not exempt them from other

applicable federal, state, or local employment discrimination laws);

- requires that federally funded faith-based social services programs be implemented consistent with the U.S. Constitution's clause prohibiting the establishment of religion;
- prohibits the use of *direct* federal funding (but not *indirect* federal funding through voucher programs) for "sectarian worship, instruction, or proselytization";
- prohibits federally funded faith-based social services programs from discriminating against social services

charitable choice. North Carolina and three other states received C's.

The new administration, on the other hand, lost no time in putting charitable choice and new faith-based initiatives at the top of its domestic policy agenda. Shortly after the president's inauguration, the White House released a report, *Rallying the Armies of Compassion*, calling for

- full implementation and expansion of federal charitable choice legislation;
- elimination of barriers to government collaboration with and funding of faith-based social services providers;

On January 29, 2001, the president signed executive orders establishing a White House Office on Faith-Based and Community Initiatives and centers for faith-based and community initiatives in DHHS and the Departments of Housing and Urban Development (HUD), Education, Labor, and Justice.²⁶ In August 2001 the White House released a second report, *Uneven Playing Field*, claiming that federal social services agencies showed a "widespread bias" against FBOs, that federal rules improperly and unnecessarily restricted the participation of FBOs in federal social services programs, and that federal administrators had largely ignored federal charitable choice legislation.²⁷

The Bush administration also supported legislation (the Community Solutions Act of 2001) that would have extended charitable choice to nine additional social services programs.²⁸ The legislation passed the House of Representatives on July 19, 2001. However, it died in the Senate because of concerns regarding its constitutionality and charges that it sanctioned religious discrimination in employment by publicly funded faith-based social services providers.²⁹ Congress did appropriate \$30 million to create a Compassion Capital Fund, though. Congress also appropriated \$5 million for five pilot faith-based pre-release programs for prisoners, and it authorized \$67 million for grants to state and local governments and faith-based and community organizations to provide mentoring services for the children of prisoners.³⁰

On December 12, 2002, in response to Congress's failure to enact the Community Solutions Act, President Bush issued an executive order expanding the federal charitable choice initiative to all social services programs administered by seven federal agencies and by state or local governments that receive federal social services funding from those agencies.³¹ The charitable choice requirements in the president's 2002 order are similar to those in PRWORA, with three exceptions: (1) The president's order is silent on employment discrimination by faith-based social services providers. (2) It does not expressly require that equivalent services be provided to a social services recipient who objects to



JOHN ROTTET / NEWS & OBSERVER

A Christmas tradition initiated by the Salvation Army in 1891 continues today.

recipients "on the basis of religion, a religious belief, or refusal to actively participate in a religious practice;" and

- requires states to ensure that equivalent services are available to an eligible social services client who objects to the religious character of a faith-based social services provider.

State and local governments were initially slow to implement the federal charitable choice initiative. In September 2000 the Center for Public Justice, a Christian public policy foundation, released a charitable choice report card asserting that thirty-six states had failed to comply with federal charitable choice laws.²⁴ Eight states received A's or B's with respect to their implementation of

- tax incentives to increase private giving to faith-based and community organizations;
- creation of a Compassion Capital Fund to provide start-up funding for faith-based and community social services programs, and technical and capacity-building assistance to faith-based and community social services providers; and
- new federal funding for faith-based programs to mentor the children of prisoners, to rehabilitate inmates in pre-release programs, to support "second chance" maternity homes, and to expand after-school programs for low-income children.²⁵

the religious character of a faith-based provider. (3) It expressly requires that inherently religious activities be physically or chronologically separated from programs or services supported with direct federal financial assistance.

In March 2004 the administration released data showing that in fiscal year 2003, FBOs received more than \$1.1 billion in competitive social services grants (about 8 percent of total grant funding) from five federal agencies (DHHS, HUD, Education, Labor, and Justice).³²

Are Faith-Based Social Services Programs Effective?

Many people assume that faith-based social services programs are generally effective and efficient.³³ Although conceding that FBOs cannot always perform miracles, President Bush has repeatedly stated that FBOs have “proven their power to save and change lives” and “conquer [the nation’s] toughest social problems,” including addiction, domestic violence, crime, and poverty.³⁴

Proponents of faith-based social services initiatives claim that FBOs are effective because they provide social services holistically,³⁵ are motivated by faith, and incorporate a “faith factor” into their programs. According to the president, faith-based programs “are only effective because they *do* practice faith.”³⁶ Further, believing that faith-based programs can transform people’s lives in ways that government cannot, proponents of the president’s faith-based initiative often contend that faith-based programs are *more* effective than government or secular social services agencies.³⁷

To date, though, social science research has failed to provide clear support for these claims. A 2002 report reviewing all the research on the efficacy of faith-based social services programs concluded that the quality of the studies involved was not particularly high.³⁸ The report also concluded that existing research studies do not unequivocally support the claim that faith-based programs are more effective than secular social services programs.

A more recent study of welfare-to-work programs in Chicago, Dallas, Los Angeles, and Philadelphia found that, on average, faith-based programs were

smaller, served fewer clients, and provided fewer job-oriented services than government programs. Also, it found that government programs, on average, provided as many life-oriented services to recipients as faith-based programs did.³⁹

Another recent study, looking at job training programs in Indiana, found that faith-based and secular providers had similar job placement rates for former welfare recipients. Further, people placed in jobs by faith-based and secular providers were paid comparable wages. However, those placed by faith-based providers worked substantially fewer hours and were less likely to receive health insurance coverage from their employers than those placed by secular providers.⁴⁰

A third recent study compared the effectiveness of five types of welfare-to-work programs in Los Angeles County, California: government, for-profit, secular nonprofit, “segmented” faith-based, and “integrated” faith-based.⁴¹ It found that

- for-profit programs had the highest percentage of clients moving from unemployment to employment, achieving full-time employment, and earning more than \$10 per hour;
- government programs outperformed faith-based programs with respect to increasing the wages of employed clients; and
- faith-based programs were better than government programs in helping employed clients maintain employment but were less or no more effective in helping unemployed clients become employed or obtain full-time employment.

Closer to home, a recent survey of county social services directors in North Carolina found that only a third of the respondents believed North Carolina’s Communities of Faith Initiative (discussed later) to be moderately or very successful.⁴²

What should one make of the existing research? Some claim it proves that faith-based programs are more effective than government programs.⁴³ Others assert that it provides little reason for believing that “congregations— or, for that matter, other types of re-

ligious organizations engaged in social services—deliver social services that are . . . generally more effective than those provided by secular organizations.”⁴⁴ The truth, though, seems to be that “we do not yet know either whether [FBOs] measurably outperform their secular counterparts or whether, where the preliminary evidence suggests that they might, it is the ‘faith’ in the ‘faith factor,’ independent of other organizational features and factors, that accounts for any observed differences in outcomes.”⁴⁵

Is Public Funding of Faith-Based Social Services Programs Legal?

The First Amendment to the U.S. Constitution prohibits Congress from making any law “respecting an establishment of religion.”⁴⁶ Until recently, the U.S. Supreme Court’s interpretation of the Establishment Clause made it “difficult, if not impossible, for . . . pervasively sectarian [FBOs] to receive aid directly from the government, *even for avowedly secular purposes*.”⁴⁷

However, the Supreme Court now appears to have abandoned its outright prohibition on public funding of “pervasively sectarian” organizations (such as churches and other houses of worship). Instead, it has held that government assistance for religious organizations is constitutionally permissible if it

- is used for a secular (not religious) purpose,
- does not constitute government endorsement of religious beliefs (or have the primary effect of advancing religion), and
- will not result in an excessive “entanglement” between government and religion.⁴⁸

Therefore the Supreme Court has recently upheld providing direct, in-kind government assistance to religious schools if they use it for secular rather than religious purposes.⁴⁹ It also has upheld giving publicly funded vouchers to parents to pay their children’s tuition and fees at private or religious elementary or secondary schools.⁵⁰

Thus the current state of federal constitutional law regarding public funding

of social services programs provided by FBOs seems to be that

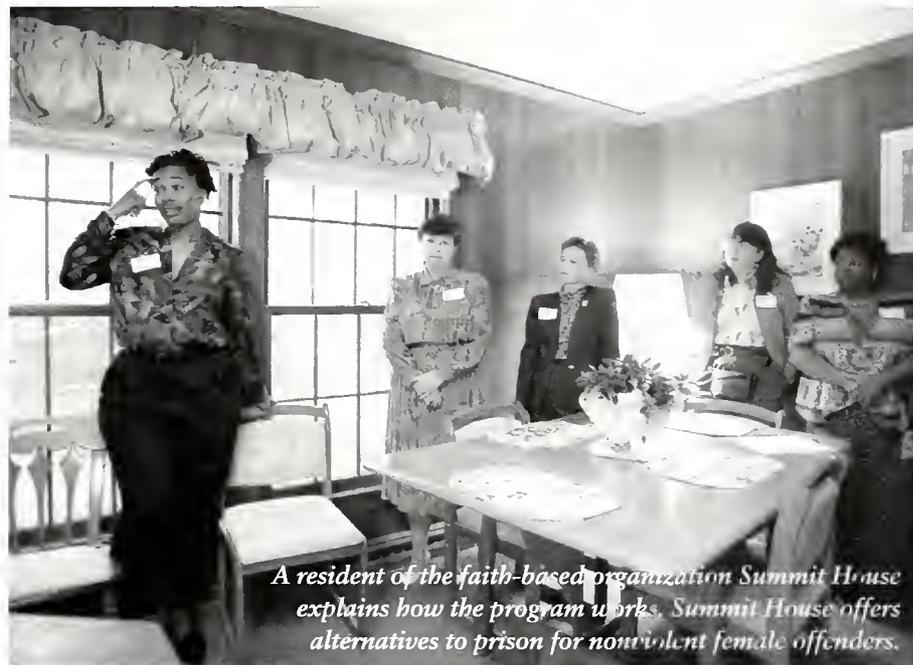
- *direct* government assistance (financial or in-kind assistance provided directly to FBOs by federal, state, or local governments) is permissible if it (a) is not “given for, or diverted to, activities that promote religious indoctrination,” (b) does not constitute government endorsement of religion, and (c) does not entangle government with religion; and
- *indirect* assistance (for example, publicly funded vouchers that individuals can use to obtain social services from public or private agencies) for FBOs that provide social services (even those that thoroughly integrate religious activities into their services) is permissible if (a) the government is neutral between religious and secular social services providers and (b) the people who receive services have a “genuine and independent choice” among religious and secular social services providers.⁵¹

Two recent court decisions illustrate the current constitutional boundaries with respect to public funding of faith-based social services programs. The first case involved a contract between the Wisconsin Department of Workforce Development and Faith Works, Inc., under which Faith Works would provide faith-intensive, long-term residential substance abuse treatment services to welfare recipients.⁵² In January 2002 a federal court ruled that the direct grant of public funds to Faith Works violated the Constitution’s Establishment Clause.⁵³ The court found that Faith Works required participants to attend faith-enhanced Alcoholics Anonymous meetings, that program counselors sought to transform participants’ minds and souls, that Faith Works integrated spiritual or religious activities into the services it provided to participants, and that the program commingled its public and private funding, so its religious as well as its secular activities could be attributed to the state.⁵⁴

The court also held that if a state or local government provides public funding directly to a faith-based social services provider, it must have, and

follow, adequate safeguards to prevent public funding of religious activities. Unenforced, boilerplate language in a contract preventing the use of public funding for religious instruction, worship, proselytizing, or other religious activities is not constitutionally sufficient.⁵⁵

In the second case, a federal appellate court held that a voucher-like program under which the Wisconsin Department



A resident of the faith-based organization Summit House explains how the program works. Summit House offers alternatives to prison for nonviolent female offenders.

MEL NATHANSON / NEWS & OBSERVER

of Corrections paid Faith Works for faith-based drug treatment services provided to criminal offenders was *not* unconstitutional because public funding was provided to the FBO as the result of the “genuine, independent choice” of the people who received services rather than the decision of the state, and public funding for other secular treatment programs was available.⁵⁶

The Bush administration, however, appears to hold a view different from that of the courts and Congress regarding what the law is, and what the law should be, with respect to publicly funded, faith-based social services programs.⁵⁷ The administration’s rules and guidance regarding charitable choice acknowledge that faith-based social services providers may not use direct public funding to pay for “inherently religious” activities such as religious instruction, worship, or proselytization. They go on to suggest, though, that FBOs may use government funding for any activity as long as the activity is not

“inherently religious.”⁵⁸ Social services (mentoring, job training, counseling, etc.) are, of course, not “inherently religious” activities, whether they are provided by a faith-based or a secular organization.⁵⁹ But social services may be provided in highly religious ways, especially in faith-saturated or faith-intensive social services programs.⁶⁰ The administration’s guidance, therefore, ignores the fact that

the constitutionality of direct public funding of faith-based social services programs depends not on whether the publicly funded activities are or are not “inherently religious” but on the explicitly “religious content of a social service with otherwise *secular* goals.”⁶¹

The administration’s guidance also suggests that publicly funded faith-based social services providers may incorporate religious instruction, worship, proselytization, or other religious activities into the services they provide as long as they separate, in time or location, their inherently religious activities from the government-funded services.⁶² However, it is not entirely clear that direct public funding of a faith-saturated social services program is constitutional as long as the faith-saturated portions of the program are separated in time or space from the secular portions of the program and government funds are used to pay only the direct or proportionate program costs of the secular portion.⁶³

In addition to constitutional issues, the president's faith-based initiative has raised important and controversial legal and policy issues with respect to whether the law does or should allow FBOs to favor "coreligionists" (people of their own faith), or to discriminate against those with different or no religious beliefs, with respect to employment.⁶⁴ Title VII of the federal Civil Rights Act of 1964 exempts religious organizations from its provisions prohibiting employers from making employment decisions that

What's Happening in North Carolina?

North Carolina has not implemented faith-based social services initiatives in a comprehensive or coordinated way.⁶⁹ As noted earlier, a 2000 assessment of the states' implementation of the federal charitable choice initiative gave North Carolina a grade of C.⁷⁰ Also, researchers conducting a 2003 survey of state-level faith-based initiatives concluded that North Carolina was "very weak" with

employs two full-time staff to work with FBOs, Catawba County employs one person as a full-time faith community coordinator, and Henderson County provides funding for the salaries of two full-time faith community coordinators employed by a private contractor. In several counties, faith community coordinators are employed by the county department of social services and work with FBOs on a part-time basis. In Wake County, for example, twelve employees of the county human



Among the services offered by faith-based organizations are free meals. Holidays often attract more takers than other days.

Chuck Lippy/News & Observer

discriminate against people on the basis of religion.⁶⁵ Moreover, all the federal charitable choice legislation enacted during the Clinton administration provided that a religious organization's acceptance of federal funding under the charitable choice initiative would not affect its exemption from Title VII's general prohibition against religious discrimination in employment.⁶⁶

Building on this foundation, the Bush administration has argued that allowing faith-based social services providers to favor their coreligionists with respect to employment is necessary to protect the religious identity and character of FBOs.⁶⁷ Others counter that FBOs should not be allowed to discriminate on the basis of religion in hiring staff to work in government-funded social services programs. This controversy has proven to be a major obstacle to enactment of legislation implementing the president's faith-based initiative.⁶⁸

respect to facilitating the participation of FBOs in the delivery of social services, and that the nature and the extent of FBO involvement in North Carolina had not changed significantly since 1996.⁷¹

Clearly, though, state and county social services agencies have collaborated with faith-based social services providers. Further, state and local governments have provided public funding for faith-based social services programs.

County Faith Community Coordinators

About nineteen North Carolina counties provide public funding for faith community coordinators, who act as liaisons between the county and local clergy, congregations, and faith-based social services providers; recruit churches to provide mentoring or other services to clients of the county social services department; and encourage involvement of the faith community in social services. Mecklenburg County

services department are assigned to work with FBOs on a part-time basis (2.85 full-time equivalents).

Not surprisingly, counties with publicly funded faith community coordinators appear to have a higher level of county involvement with faith-based social services providers than counties without such coordinators.⁷² Also, counties with publicly funded faith community coordinators appear significantly more likely to provide public funding to faith-based social services providers than counties without such coordinators.⁷³

Public Funding for Faith-Based Social Services Programs

The first explicit faith-based social services initiative by state government in North Carolina was the funding of the Communities of Faith Initiative of the North Carolina Rural Economic Development Center (hereafter the Rural

The [president's] faith-based initiative [is] little more than a push to have government fund religion. Currently, in most government programs, religious social service providers are welcome to compete on equal terms with secular providers for federal contracts. They must agree, however, not to discriminate in their hiring or to allow federal tax dollars to pay for religious activities. This is exactly the way it should stay.

—Laura W. Murphy, director of the Washington office of the American Civil Liberties Union, June 2004

Center). In March 1999 the state's Division of Social Services contracted with the Rural Center to develop the capacity of FBOs to assist families in moving from welfare to work.⁷⁴ The Rural Center, in turn, made "faith demonstration awards" to FBOs to provide job retention and support services for families who received assistance under the state's TANF program. Ten FBOs received about \$2.66 million in federal TANF funds under the initiative between 1999 and 2002.⁷⁵ Although the ten FBOs "varied greatly in terms of composition, age, size, and program structure[,] . . . most of the major funding . . . went to large multi-service entities or to projects based on existing programs," and all ten appear to have been Christian or predominantly Christian in composition, origin, or mission.⁷⁶ Public funding of the initiative was phased out in fiscal year 2001–02 and discontinued in 2002–03.

The Communities of Faith Initiative, however, was neither the first nor the only instance of state funding of faith-based social services providers. A survey by the U.S. General Accounting Office found that during 2001, state agencies in North Carolina provided about \$588,000 in federal and state TANF funding for social services for needy families through six contracts with FBOs.⁷⁷

Lutheran Family Services in the Carolinas currently receives about \$850,000 in public funding under contracts with the state Division of Social Services to provide assistance to and services for refugees. It also receives \$113,000 under a contract with the state Department of Correction to provide family counseling services to inmates at Wake Correctional Center in Raleigh.

The Methodist Home for Children in Raleigh assists county departments of social services in finding adoptive homes for foster children under a fee-for-service contract with the state Division of Social Services.

The state Division of Mental Health, Developmental Disabilities, and Substance Abuse Services provides about \$660,000 per year in federal and state funding to two nonprofit agencies to provide training in prevention and education for staff in faith-based alcohol and substance abuse prevention programs.

Several FBOs, including Greensboro Urban Ministries and Inter-Faith Social Services in Chapel Hill, receive federal funding through the state Department of Health and Human Services' Office of Economic Opportunity to provide shelter and services for homeless individuals and families.

Scores of church-operated day-care centers for children receive federal and state funding on a fee-for-service basis under the state's child day-care subsidy program.

The Welfare Reform Liaison Project in Greensboro, an FBO that was founded in 1998 as a project of Mt. Zion Baptist Church, receives approximately \$600,000 per year in federal and state funding from the state's Office of Economic Opportunity as the county's community action agency. The project also has received Work First and welfare-to-work funding from the state Department of Commerce and the state Division of Social Services to provide job training for welfare recipients.

Further, local governments in North Carolina have been involved in funding faith-based social services providers.⁷⁸ For example, for almost twenty years,

Mecklenburg County and Charlotte have funded Crisis Assistance Ministry, a nonprofit corporation founded in 1975 by several churches in Charlotte. The ministry currently contracts with the county, the city, and the Office of Economic Opportunity to administer several federal, state, and local government programs (including the federal Crisis Intervention Program) that provide emergency financial assistance to help low-income families and individuals avoid eviction and pay their utility bills. In 2002–03, public funding constituted about 70 percent of the ministry's \$9.4 million budget, paying almost all the agency's administrative and operating expenses and \$4.6 million of the \$6.6 million it provided in emergency financial assistance. Local congregations contributed more than \$650,000 for the agency's programs, while individuals, the United Way, corporations, and foundations provided more than \$2 million.⁷⁹

Faith-based social services providers in North Carolina also receive grants, "subgrants" (grants made by intermediaries, such as state agencies, that receive grants from the federal government), or payments from the federal government. For example, Metropolitan Housing and Community Development Corporation, an FBO in Washington, North Carolina, receives payments from HUD to support its operation of several apartment complexes for low-income, elderly people. Also, several North Carolina FBOs have received capacity-building subgrants under President Bush's Compassion Capital Fund initiative.⁸⁰

Conclusion

At least four observations can be made. First, churches and other FBOs have a long history of providing social services for needy individuals and families and are essential components of the nation's social safety net.

Second, government funding of faith-based social services providers, though controversial and potentially problematic, is not new.

Third, President Bush's faith-based initiative has placed more emphasis on faith-based social services than they have received at any time in American history; has focused more explicitly on

the provision of social services by local churches, congregations, and other houses of worship; has placed greater faith in the ability of faith-intensive social services programs to transform people and cure many of the nation's social ills; and has pushed the envelope with respect to government funding of faith-based social services programs.

Fourth, questions remain regarding the capacity and the effectiveness of faith-based social services programs and the legality of public funding of them.

Although some evidence supports the effectiveness of faith-based social services programs, more research needs to be done to determine whether and why faith-based social services programs work. In the meantime, "policy makers should not assume that the 'faith factor' alone can make an FBO effective in carrying out its mission[, and] government support of FBOs should be performance-based and contingent on the achievement of demonstrable results."⁸¹ Nor should policy makers assume that government responsibility for social services can be shifted entirely, or even significantly, to FBOs, through continued devolution and privatization.

Finally, policy makers need to be aware of the potential constitutional problems involved in funding faith-based social services programs—especially when direct financial assistance is provided to pervasively religious institutions and faith-saturated social services programs. State and local government officials must walk a fine line between allowing FBOs to participate along with other private social services providers, on the one hand, and preferring faith-based social services providers over secular providers simply because they are faith based, or unconstitutionally endorsing particular religious beliefs or practices, on the other hand.

Notes

1. George W. Bush, *Foreword* to WHITE HOUSE, RALLYING THE ARMIES OF COMPASSION (Jan. 2001), available at www.whitehouse.gov/news/reports/faithbased.html (last visited July 15, 2004).

2. "Charitable choice" refers to a wide range of initiatives, including tax incentives to support charitable organizations and public

funding for nonprofit and religious social services providers.

3. MICHAEL TANNER, CORRUPTING CHARITY: WHY GOVERNMENT SHOULD NOT FUND FAITH-BASED CHARITIES, Briefing Paper No. 62 (Washington, D.C.: Cato Inst., Mar. 22, 2001), available at www.cato.org/pubs/briefs/bp062es.html (last visited July 14, 2004); RENEE FORMICOLA ET AL., FAITH-BASED INITIATIVES AND THE BUSH ADMINISTRATION: THE GOOD, THE BAD, AND THE UGLY (Lanham, Md.: Rowman and Littlefield, 2003).

4. Thomas W. Ross, *The Faith-Based Initiative: Anti-Poverty or Anti-Poor?* 9 GEORGETOWN JOURNAL ON POVERTY LAW AND POLICY 167 (2002).

5. JIM CASTELLI, FAITH-BASED SOCIAL SERVICES: A BLESSING, NOT A MIRACLE (Washington, D.C.: Progressive Policy Inst., 1997), available at www.ppionline.org/documents/ACFEW0dwh4Tc.pdf; Ross, *The Faith-Based Initiative*.

6. Ross, *The Faith-Based Initiative*; FORMICOLA ET AL., FAITH-BASED INITIATIVES; Dennis R. Hoover, *Yes to Charitable Choice*, THE NATION, Aug. 7, 2000, at 6.

7. WORKING GROUP ON HUMAN NEEDS AND FAITH-BASED AND COMMUNITY INITIATIVES, HARNESSING CIVIC AND FAITH-BASED POWER TO FIGHT POVERTY (n.p.: Apr. 2003), available at www.working-group.org/Documents/SFCGbook2003Final.pdf (last visited July 14, 2004) [hereinafter WORKING GROUP REPORT].

8. *Id.*

9. MARK CHAVES & WILLIAM TSITSOS, CONGREGATIONS AND SOCIAL SERVICES: WHAT THEY DO, HOW THEY DO IT, AND WITH WHOM (Washington, D.C.: Aspen Inst., 2001), available at www.nonprofitresearch.org/usr_doc/Tsitsos%20Report.pdf.

10. MARK CHAVES, RELIGIOUS CONGREGATIONS AND WELFARE REFORM: WHO WILL TAKE ADVANTAGE OF "CHARITABLE CHOICE"? (Washington, D.C.: Aspen Inst., 1999), available at www.nonprofitresearch.org/usr_doc/19966.pdf.

11. Lutheran Services in America, the U.S.'s largest faith-based social services provider, receives about 40 percent of its \$7 billion budget from government sources. Mark Silk, *Old Alliance, New Rules*, WASHINGTON POST, Feb. 18, 2001, at B3.

12. CAN CHARITABLE CHOICE WORK? 2 (Andrew Walsh ed., Hartford, Conn.: Trinity Coll., 2001). This does not mean that these FBOs are not "religious." The services they provide are an expression of their religious faith. Their practices and procedures, however, generally do not involve proselytization, prayer, or other *inherently* religious activities.

13. Wolfgang Bielefeld et al., *Organization Analysis: The Influence of Faith on IMPACT Service Providers*, in CHARITABLE CHOICE: FIRST RESULTS FROM THREE STATES 65 (Sheila Sues Kennedy & Wolfgang Bielefeld eds.,

Indianapolis: Center for Urban Policy and the Env't, 2003).

14. *Id.*

15. MALCOLM L. GOGGIN & DEBORAH A. ORTH, HOW FAITH-BASED AND SECULAR ORGANIZATIONS TACKLE HOUSING FOR THE HOMELESS (Albany, N.Y.: Rockefeller Inst. of Gov't, State Univ. of N.Y. at Albany, 2002), available at www.religionandsocialpolicy.org/docs/research/10-23-2002_grand_rapids_study.pdf.

16. JOHN C. GREEN & AMY L. SHERMAN, FRUITFUL COLLABORATIONS: A SURVEY OF GOVERNMENT-FUNDED FAITH-BASED PROGRAMS IN 15 STATES (Charlottesville, Va.: Hudson Inst., 2002), available at www.hudson.org/files/publications/fruitful_collab.pdf. In this study of government-funded FBOs, ecumenical nonprofit social services providers and Catholic Charities generally were classified as nonexpressive, whereas most evangelical and predominantly African-American congregations that provided social services were classified as fully expressive. About three-quarters of all first-time recipients of public funding under charitable choice were fully expressive FBOs.

17. WORKING GROUP REPORT.

18. FBOs always have played an important role in providing social services. According to one estimate, FBOs provide about \$36 billion in social services annually. RAM A. CNAAN ET AL., THE NEWER DEAL: SOCIAL WORK AND RELIGION IN PARTNERSHIP (New York: Columbia Univ. Press, 1999).

19. CAN CHARITABLE CHOICE WORK?

20. GREEN & SHERMAN, FRUITFUL COLLABORATIONS.

21. 42 U.S.C. § 604a, Pub. L. No. 104-193, § 104, 110 Stat. 2105 (1996). PRWORA's charitable choice requirements also apply to the federal Welfare-to-Work and Medicaid programs. DHHS adopted final rules implementing the Temporary Assistance for Needy Families charitable choice requirements on September 30, 2003. 45 C.F.R. § 260.34, 68 Fed. Reg. 56,449 (2003).

22. Congress enacted similar charitable choice requirements for federal community services and drug treatment funding in 1998 and 2000. 42 U.S.C. § 9920, Pub. L. No. 105-285, § 201, 112 Stat. 2749 (1998); 42 U.S.C. § 300x-65, Pub. L. No. 106-310, § 3305, 114 Stat. 1212 (2000); 42 U.S.C. §§ 290kk through 290kk-2, Pub. L. No. 106-554, § 1(a)(7), 114 Stat. 2763, 2763A-619 (2000). DHHS issued final rules implementing the 1998 and 2000 charitable choice legislation on September 30, 2003. 45 C.F.R. § 1050, 68 Fed. Reg. 56,466 (2003) (community services); 42 C.F.R. §§ 54, 54a, 96.123(a)(18), 68 Fed. Reg. 56,429 (2003) (drug treatment).

23. Although PRWORA's charitable choice provision does not define the term "religious organization," it clearly was intended to encompass "pervasively sectarian" religious

organizations (such as local churches, synagogues, mosques, and other houses of worship) and independent, local, state, denominational, and national faith-based or religiously affiliated nonprofit organizations. Julie A. Segal, *A "Holy Mistaken Zeal": The Legislative History and Future of Charitable Choice*, in *WELFARE REFORM AND FAITH-BASED ORGANIZATIONS 9* (Derek Davis & Barry Hankins eds., Waco, Tex.: Baylor Univ., 1999). The DHHS rules implementing the TANF charitable choice requirements deleted a proposed definition of "religious organization" and declined to provide more specific examples of religious or faith-based organizations. 48 Fed. Reg. 56,451 (2003).

24. CENTER FOR PUBLIC JUSTICE, CHARITABLE CHOICE COMPLIANCE: A NATIONAL REPORT CARD, available at [www.cpublicjustice.org/storyReader\\$296](http://www.cpublicjustice.org/storyReader$296) (last visited July 15, 2004).

25. WHITE HOUSE, RALLYING THE ARMIES.

26. Executive Order 13,199, 66 Fed. Reg. 8,499 (2001); Exec. Order 13,198, 66 Fed. Reg. 8,495 (2003).

27. WHITE HOUSE, UNLEVEL PLAYING FIELD: BARRIERS TO PARTICIPATION BY FAITH-BASED AND COMMUNITY ORGANIZATIONS IN FEDERAL SOCIAL SERVICES PROGRAMS, available at www.whitehouse.gov/news/releases/2001/08/unlevelfield.html (last visited July 15, 2004). Neither the data contained in the report nor other studies, however, appear to support the contention that discrimination against faith-based social services providers is more than an isolated or minor problem. Mark Chaves, *Debunking Charitable Choice: The Evidence Doesn't Support the Political Left or Right*, 1 *STANFORD SOCIAL INNOVATION REVIEW* 28 (2003). A 2002 survey of 389 faith-based organizations that contracted with federal, state, or local governments under federal charitable choice legislation found that "government agencies are not generally erecting barriers that make it unreasonably difficult for FBOs to compete for funding and are not excessively intrusive in their monitoring of faith-based contractors." GREEN & SHERMAN, FRUITFUL COLLABORATIONS, at 7.

28. H.R. 7 (107th Congress, 1st Sess., 2001). The legislation is described in detail in BEN CANADA & DAVID ACKERMAN, FAITH-BASED ORGANIZATIONS: CURRENT ISSUES (New York: Novinka Books, 2003).

29. Shortly before the House passed H.R. 7, the White House repudiated a report that, in return for the Salvation Army's support of H.R. 7, it would adopt a regulation exempting faith-based social services providers from state and local laws barring employment discrimination on the basis of sexual orientation. Dana Milbank, *Charity Cites Bush Help in Fight against Hiring Gays*, WASHINGTON POST, July 10, 2001, at A1, available at www.washingtonpost.com/ac2/wp-dyn?pagename=article&contentId=A37723-2001Jul9¬Found=true. Most of H.R. 7's charitable

choice provisions were excluded from legislation introduced by Senators Rick Santorum and Joseph Lieberman in 2002 (S. 1924, 107th Congress, 2d Sess., 2002). All the charitable choice provisions were stripped from the version of H.R. 7 reported by the Senate Finance Committee in July 2002.

30. Pub. L. No. 107-116, 115 Stat. 2196 (2002) (Compassion Capital Fund); Pub. L. No. 107-77 [H.R. REP. NOS. 107-139, -278, 107th Congress, 1st Sess., 115 Stat. 748 (2001)] (pre-release program); 42 U.S.C. § 629i, Pub. L. No. 107-133, 115 Stat. 2413 (2002) (mentoring services). Congress appropriated \$35 million for the Compassion Capital Fund in 2003 and \$48 million in 2004. Pub. L. No. 108-7, 117 Stat. 320 (2003); Pub. L. No. 108-199, 118 Stat. 249 (2004). In fiscal year 2003, DHHS and the Corporation for National Community Service awarded \$9 million to fifty-two faith-based and community organizations to mentor the children of prisoners, and in fiscal year 2004, it will award \$50 million in grants for this purpose.

31. Executive Order 13,279, 67 Fed. Reg. 77,141 (2002). To date, DHHS, HUD, and the Departments of Labor, Education, and Justice have issued proposed or final rules implementing this executive order. *See, e.g.*, 68 Fed. Reg. 56,396 (2003) (final HUD rule); 69 Fed. Reg. 10,951 (2004) (proposed DHHS rule). Charitable choice legislation was proposed but not enacted during the 108th Congress. CARE Act of 2003, S. 272 (108th Congress, 1st Sess., 2003), S. 476 (108th Congress, 1st Sess., 2003) (passed the Senate on Apr. 9, 2003, but focused primarily on tax incentives to spur charitable giving and eliminated provisions regarding faith-based social services providers); Charitable Giving Act of 2003, H.R. 7 (108th Congress, 1st Sess., 2003) (passed the House of Representatives on Sept. 17, 2003).

32. WHITE HOUSE, SELECT GRANTS TO FAITH-BASED ORGANIZATIONS AT FIVE AGENCIES (Mar. 2, 2004), available at www.whitehouse.gov/government/fbci/3-2_final_pres.pdf (last visited July 15, 2004); WHITE HOUSE, COMPASSION IN ACTION: HELPING AMERICA'S CHARITIES SERVE THOSE MOST IN NEED (Mar. 3, 2004), available at www.whitehouse.gov/government/fbci/CompassionFS3-3-04.pdf (last visited July 15, 2004). The data did not include federal funding provided through state or local governments, voucher programs, or formula grant programs. From fiscal year 2002 to fiscal year 2003, DHHS increased the number of grants awarded to FBOs by 41 percent (to 680) and the amount of grant funding for them by \$91 million (19 percent). HUD awarded 765 grants (more than \$500 million) to FBOs in fiscal year 2003. More than 1,000 FBOs provided tutoring services (9 percent of the total) under the No Child Left Behind Act.

33. BYRON R. JOHNSON, OBJECTIVE HOPE: ASSESSING THE EFFECTIVENESS OF FAITH-BASED ORGANIZATIONS (A REVIEW OF THE LITERATURE) (Philadelphia: Center for Research on Religion and Urban Civil Society, 2002), available at www.manhattan-institute.org/crrucs_objective_hope.pdf. A *New York Times* poll found that 68 percent of Americans believe that "voluntary groups like charities and churches" are better able to fight poverty in the cities than government. LEWIS D. SOLOMON & MATTHEW J. VLISSIDES JR., IN GOD WE TRUST? ASSESSING THE POTENTIAL OF FAITH-BASED SOCIAL SERVICES 3 (Washington, D.C.: Progressive Policy Inst., 2001), available at www.ppionline.org/documents/FBOs_v2.pdf.

34. George W. Bush, *Remarks by the President in Announcement of the Faith-Based Initiative* (Jan. 29, 2001), available at www.whitehouse.gov/news/releases/2001/01/20010129-5.html (last visited July 15, 2004); WHITE HOUSE, RALLYING THE ARMIES.

35. CHAVES & TSISSOS, CONGREGATIONS AND SOCIAL SERVICES.

36. George W. Bush, *President Speaks with Faith-Based and Community Leaders* (Jan. 15, 2004), available at www.whitehouse.gov/news/releases/2004/01/20040115-7.html (last visited July 15, 2004).

37. Mark Chaves, *Religious Congregations and Welfare Reform*, in CAN CHARITABLE CHOICE WORK? at 132; CASTELLI, FAITH-BASED SOCIAL SERVICES; Partha Deb & Dana Jones, *Does Faith Work?* in CHARITABLE CHOICE: FIRST RESULTS, at 57.

38. JOHNSON, OBJECTIVE HOPE. The report concluded that research studies provide some evidence that participation in faith-based social services programs "tends to be associated with improved outcomes." For example, one multivariate, controlled study of Teen Challenge, a Christian drug treatment program, found that participants in this faith-based program were more likely than participants in a short-term medical inpatient program to remain sober and maintain employment. Some academics and social scientists, however, have criticized the methodology and validity of these studies. E-mail Correspondence with Prof. Robert J. Wineburg, Univ. of N.C. at Greensboro (June 2004).

39. STEVEN V. MONSMA, WORKING FAITH: HOW RELIGIOUS ORGANIZATIONS PROVIDE WELFARE-TO-WORK SERVICES (Philadelphia: Center for Research on Religion and Urban Civil Society, 2002), available at www.manhattan-institute.org/working_faith.pdf.

40. Deb & Jones, *Does Faith Work?*

41. STEPHEN V. MONSMA & J. CHRISTOPHER SOPER, WHAT WORKS: COMPARING THE EFFECTIVENESS OF WELFARE-TO-WORK PROGRAMS IN LOS ANGELES (Philadelphia: Center for Research on Religion and Urban Civil Society, 2003), available at www.manhattan-institute.org/crrucs_what_works.pdf (last visited July 15, 2004).

42. INSTITUTE OF GOV'T, UNIV. OF N.C. AT CHAPEL HILL, SURVEY OF COUNTY SOCIAL SERVICES DIRECTORS: SOCIAL SERVICES PARTNERSHIPS BETWEEN NORTH CAROLINA COUNTIES AND FAITH-BASED ORGANIZATIONS (Chapel Hill: the Institute, May 2004) [hereinafter 2004 COUNTY DSS SURVEY]. A little more than half of the respondents believed that faith-based programs generally are as effective or more effective than secular or government programs. However, one-sixth of the respondents believed that faith-based programs are less effective than secular or government programs, and one-third of the respondents were unsure regarding the effectiveness of faith-based programs versus that of others.

43. STEVEN V. MONSMA, ARE FAITH-BASED PROGRAMS MORE EFFECTIVE? (Annapolis, Md.: Center for Public Justice, 2001), available at www.cpjjustice.org/stories/storyReader5545 (last visited July 15, 2004).

44. Mark Chaves, *Congregations' Social Services: Testing the Assumptions behind the Policies*, in SACRED PLACES, CIVIC PURPOSES 276 (E. J. Dionne Jr. & Ming Hsu Chen eds., Washington, D.C.: Brookings Inst. Press, 2001).

45. John Dilulio, *Reasons for Objective Hope in the Two Faith Factors*, Foreword to JOHNSON, OBJECTIVE HOPE, at 5, 6.

46. In 1947 the Supreme Court held that the Constitution's Establishment Clause applied to state and local governments as well as to the federal government. *Everson v. Board of Educ.*, 330 U.S. 1 (1947).

47. CANADA & ACKERMAN, FAITH BASED ORGANIZATIONS, at 76 (emphasis added). The Supreme Court appears to have abandoned the "pervasively sectarian" test as an outright prohibition on public funding of religious organizations. *Mitchell v. Helms*, 530 U.S. 793 (2000).

48. *Lemon v. Kurtzman*, 403 U.S. 602 (1971); *Agostini v. Felton*, 521 U.S. 203 (1997); *Mitchell*, 530 U.S. at 793. In *Mitchell* a plurality of four justices would have held that public funding of religious organizations (even pervasively sectarian ones) is constitutional if it is provided on a religiously neutral basis (treating religious and secular organizations equally) and for a secular purpose (even if it directly subsidizes religious activities).

49. *Agostini*, 521 U.S. at 203; *Mitchell*, 530 U.S. at 793. Both *Agostini* and *Mitchell* involved direct, in-kind assistance provided to religious elementary and secondary schools for secular purposes. All of the justices in *Mitchell* expressed reservations concerning the constitutionality of the government's providing direct money payments to sectarian organizations for purportedly secular purposes when that public funding could be diverted or used for religious, rather than secular, purposes. Constitutional issues also may arise in implementing faith-based social services initiatives if government agencies provide funding for social services in a way that pre-

fers particular religious groups over others or prefers faith-based social services providers over secular social services providers.

50. *Zelman v. Simmons-Harris*, 526 U.S. 639 (2002).

51. IRA C. LUPU & ROBERT W. TUTTLE, GOVERNMENT PARTNERSHIPS WITH FAITH-BASED SERVICE PROVIDERS: THE STATE OF THE LAW 24 (Albany, N.Y.: Rockefeller Inst. of Gov't, State Univ. of N.Y. at Albany, Dec. 2002), available at www.religionandsocialpolicy.org/docs/legal/reports/12-4-2002_state_of_the_law.pdf. See also Frayda S. Bluestein & Anita R. Brown-Graham, *Local Government Contracts with Nonprofit Organizations: Some Questions and Answers*, POPULAR GOVERNMENT, Fall 2001, at 32; Anita R. Brown-Graham, *Contracts with Faith-Based Organizations*, POPULAR GOVERNMENT, Fall 2001, at 40; Anita R. Brown-Graham, *Accountability Challenges in Government Funding of Faith-Based Organizations*, LOCAL GOVERNMENT LAW BULLETIN no. 105 (Chapel Hill: Institute of Gov't, Univ. of N.C. at Chapel Hill, 2004). The constitutions of many states (but not that of North Carolina) impose more stringent limitations on public funding of religious organizations than those imposed through the federal Constitution's Establishment Clause and, in the absence of federal preemption, may prohibit the use of state or local government funding for some faith-based social services programs. See *Locke v. Davey*, 124 S. Ct. 1307 (2004).

52. The contract provided for the payment of a fixed amount of funding to Faith Works to provide services to people referred by the state agency to Faith Works. The people referred to Faith Works were not offered an alternative secular treatment program. The services provided by Faith Works were a faith-enhanced version of the twelve-step program used by Alcoholics (and Narcotics) Anonymous, coupled with individual counseling. About 20 percent of the Faith Works counselors' time was devoted to matters related to faith and spirituality.

53. *Freedom from Religion Found. v. McCallum*, 179 F. Supp. 2d 950 (W.D. Wis. 2002).

54. Another federal court is considering the constitutionality of Iowa's funding of Prison Fellowship Ministries' InnerChange Freedom Initiative, an evangelical, fundamentalist Christian, biblically based program for state prisoners. IRA C. LUPU & ROBERT W. TUTTLE, THE STATE OF THE LAW 2003: DEVELOPMENTS IN THE LAW CONCERNING GOVERNMENT PARTNERSHIPS WITH RELIGIOUS ORGANIZATIONS (Albany, N.Y.: Rockefeller Inst. of Gov't, State Univ. of N.Y. at Albany, Dec. 2003), available at www.religionandsocialpolicy.org/docs/legal/reports/12-2-2003_state_of_the_law.pdf.

55. See *American Civil Liberties Union of La. v. Foster*, 2003 WL 1193673 (E.D. La. 2003) (prohibiting FBOs that receive direct

public funding under Louisiana's teen sexual abstinence program from promoting or advocating religion in any way in any activity that is financially supported, in whole or in part, with government funds).

56. *Freedom from Religion Found. v. McCallum*, 324 F.3d 880, 880 (7th Cir. 2003). The program was voucher-like in that the FBO was paid on a fee-for-service basis only if a person chose to receive services from the FBO and only to the extent that services were actually rendered, rather than receiving a fixed amount of funding to provide services without regard to client choice or actual use. The court did not require that the secular alternative be exactly comparable to the faith-based services or that state employees refrain from making objective recommendations with respect to the choice of faith-based versus secular services.

57. WHITE HOUSE, GUIDANCE TO FAITH-BASED AND COMMUNITY ORGANIZATIONS ON PARTNERING WITH THE FEDERAL GOVERNMENT, available at www.whitehouse.gov/government/fbc/guidance_document.pdf (last visited July 15, 2004).

58. One study found a general lack of understanding on the part of faith-based social services providers in Indiana with respect to constitutional principles governing public funding of faith-based organizations. Sheila Sues Kennedy, *Constitutional Issues*, in CHARITABLE CHOICE: FIRST RESULTS, at 89.

59. *Bowen v. Kendrick*, 487 U.S. 589 (1988).

60. A study of faith-based welfare-to-work programs in four American cities found that almost all the faith-integrated programs used religious values to change the attitudes and the behaviors of clients, almost four-fifths of them incorporated prayer into their services, almost two-thirds encouraged their clients to make a personal religious commitment, and one-quarter required their clients to participate in religious worship or Bible study. MONSMA, WORKING FAITH.

61. LUPU & TUTTLE, THE STATE OF THE LAW 2003, at 8 (emphasis added); *Freedom from Religion Found. v. McCallum*, 179 F. Supp. 2d 950 (W.D. Wis. 2002); *DeStefano v. Emergency Hous. Group*, 247 F.3d 397 (2d Cir. 2001) (holding that direct government funding of Alcoholics Anonymous programs violated Establishment Clause).

62. Executive Order No. 13,279, 67 Fed. Reg. 77,141 (2002). PRWORA's charitable choice requirements prohibit the expenditure of direct federal funding for "sectarian worship, instruction, or proselytization." 42 U.S.C. § 604a(j) (2003).

63. A study of publicly funded faith-based social services providers in fifteen states found that three-fifths of them chronologically separated religious and secular activities and two-fifths maintained an accounting of the time devoted to religious versus secular activities. GREEN & SHERMAN, FRUITFUL COL-

LABORATIONS. But physically or chronologically separating religious and secular activities and providing an accounting to show that public funding supported only secular activities or the proportionate share of program costs attributable to secular rather than religious activities, may not be constitutionally sufficient. All the justices in *Mitchell* expressed doubts regarding the constitutionality of direct public funding (as opposed to the provision of in-kind assistance or indirect funding through the use of vouchers) of religious organizations, even when the funding is intended and ostensibly used for secular rather than religious purposes. CANADA & ACKERMAN, FAITH BASED ORGANIZATIONS. One federal court has held that direct public funding of a faith-based social services provider is unconstitutional when the provider commingles its public and private funding, thoroughly integrates spiritual activities into the services provided by its counselors, and uses public funding to pay a portion of the salaries of its counselors. *Freedom from Religion Found.*, 179 F. Supp. 2d at 950.

64. See WORKING GROUP ON HUMAN NEEDS AND FAITH-BASED AND COMMUNITY INITIATIVES, AGREED STATEMENT OF CURRENT LAW ON EMPLOYMENT PRACTICES, FAITH-BASED ORGANIZATIONS, AND GOVERNMENT FUNDING, available at www.working-group.org/Documents/StatementOnCurrentLaw.pdf (last visited July 15, 2004).

65. The constitutionality of the Title VII exemption for religious organizations was upheld in *Corporation of the Presiding Bishop v. Amos*, 483 U.S. 327 (1987). Not all FBOs that provide social services qualify as religious organizations for purposes of the partial exemption from Title VII. See, e.g., *Fike v. United Methodist Children's Home of Va.*, 547 F. Supp. 286 (E.D. Va. 1982), *aff'd*, 709 F.2d 284 (4th Cir. 1983).

66. FBOs, however, may be subject to state and local laws prohibiting religiously based discrimination in employment.

67. WHITE HOUSE, PROTECTING THE CIVIL RIGHTS AND RELIGIOUS LIBERTY OF FAITH-BASED ORGANIZATIONS: WHY RELIGIOUS HIRING RIGHTS MUST BE PRESERVED, available at www.whitehouse.gov/government/fbci/booklet.pdf (last visited July 15, 2004).

68. One federal court, however, has held that a religious organization that provides federally funded social services may not discriminate on the basis of religious belief with respect to a job position that is supported by federal funding. *Dodge v. Salvation Army*, 1989 WL 53857 (S.D. Miss. 1989).

69. A 2003 survey of the policy environment for faith-based social services initiatives in the fifty states found that the response of state and local governments to charitable choice and the Bush administration's faith-based initiatives "has been muted." MARK

RAGAN ET AL., SCANNING THE POLICY ENVIRONMENT FOR FAITH-BASED SOCIAL SERVICES IN THE UNITED STATES: RESULTS OF A 50-STATE STUDY (Albany, N.Y.: Rockefeller Inst. of Gov't, State Univ. of N.Y. at Albany, 2003), available at www.religionandsocialpolicy.org/docs/events/2003_annual_conference/11-17-2003_state_scan.pdf. Eighteen of the forty-three responding states (about two-fifths) reported that they had undertaken significant legislative or administrative initiatives related to faith-based social services, but thirty-seven states (more than three-quarters of those responding) were rated by the researchers as inactive, very weak, or weak with respect to specific activities to increase the participation of faith-based organizations in delivering social services. Researchers also found that, in most states (including those that appeared to have embraced charitable choice), there had not been any significant change in the nature or the extent of FBO involvement with the state in the delivery of social services.

70. CENTER FOR PUBLIC JUSTICE, CHARITABLE CHOICE COMPLIANCE.

71. RAGAN ET AL., SCANNING THE POLICY ENVIRONMENT. This conclusion appears to be inconsistent with the results of the 2004 County DSS Survey, in which a little more than half of the North Carolina county social services directors and staff who responded reported increased county involvement with faith-based social services initiatives between 1999 and 2004.

72. Five of seven counties with publicly funded community faith coordinators reported significant involvement with faith-based social services providers, compared with two of seven responding counties without publicly funded faith community coordinators. 2004 COUNTY DSS SURVEY.

73. Six of eight responding counties with publicly funded faith community coordinators reported that they provided public funding to faith-based social services providers, compared with five of eighteen counties without publicly funded faith community coordinators. *Id.*

74. The Communities of Faith Initiative is described in more detail in CHARITABLE CHOICE: FIRST RESULTS.

75. The initiative also received private funding from the Duke Endowment and the Z. Smith Reynolds Foundation.

76. CHARITABLE CHOICE: FIRST RESULTS, at 31.

77. U.S. GENERAL ACCOUNTING OFFICE, CHARITABLE CHOICE: FEDERAL GUIDANCE ON STATUTORY PROVISIONS COULD IMPROVE CONSISTENCY OF IMPLEMENTATION, GAO-02-887 (Washington, D.C.: GAO, Sept. 2002), available at www.gao.gov/new.items/d02887.pdf. The survey found that in 2001, state-level TANF contracts with FBOs totaled \$81 million (about 8 percent of \$1.0 billion in TANF contracts with nongovernmental organiza-

tions). The survey did not include contracts or grants between local governments and FBOs.

78. The 2004 survey of county social services directors found that twelve of the thirty-one responding counties had provided government funding for faith-based social services programs during the past three years. These twelve counties currently provide more than \$4 million per year in government funding for faith-based social services programs (excluding funding for faith community coordinators and financial assistance that is passed through faith-based social services providers directly to needy individuals and families). Mecklenburg, New Hanover, and Wake counties each provide more than \$500,000 per year in government funding for faith-based social services providers. Government funding for faith-based social services providers in other North Carolina counties that responded to the survey generally was less than \$100,000 per year. 2004 COUNTY DSS SURVEY.

79. Crisis Assistance Ministry also distributes clothing, furniture, appliances, and household items to needy families and individuals and coordinates a mentoring program for families. In 2002-03 the ministry provided emergency financial assistance to more than 24,000 families. About 40 percent of the agency's workload was carried by volunteers, who provided more than 46,000 hours of labor. Telephone Conversations with Crisis Assistance Ministry Staff (April and May 2004).

80. In 2002, CJH Educational Grant Services, Inc. received a three-year \$3.3 million grant from DHHS to build the capacity of faith-based and community organizations to manage and deliver social services. The agency distributes more than \$500,000 per year in federal funding to more than two dozen faith-based and community organizations in North Carolina to hire staff, purchase office supplies, contract for professional services, obtain training, and upgrade their financial management systems. About one-third of the fifty-two organizations that have received funding are churches or faith-based organizations. Funding under the grant may be used only for capacity building and may not be used for the delivery of faith-based social services. The funded organizations provide educational enrichment programs for at-risk children, transitional and supportive services for homeless women with HIV, services for victims of domestic violence, after-school programs for children, parent education, and other social services. Interview with Cynthia J. Harris, President of CJH Educational Grant Services, Inc., in Raleigh, N.C. (May 2004).

81. SOLOMON & VLISIDES, IN GOD WE TRUST? at 1-2.

Evolution of a Nonprofit, Part 1: Determining the Organization's Orientation

Margaret Henderson



- City staff receive complaints from citizens that a city-funded nonprofit is not fulfilling expectations. A program audit reveals that the nonprofit has achieved little that it promised. A financial audit reveals inadequate record keeping. When challenged, the charismatic, visionary chair of the board of directors deflects attention to the next big project to be launched by the nonprofit.
- A staff member of the county department of social services serves on the board of a local nonprofit, which has experienced significant growth during its first decade of existence. She notes that the organization's turn-around time on requests for specific budget and program information has slowed

to a standstill. A cursory review of internal processes reveals that all paperwork and decision making stops on the desk of the founding director, who is not visible behind the piles of paper on his desk.

- A nonprofit director tries to protect her overloaded program staff by taking responsibility for all administrative functions. She has a sudden illness and is unable to communicate for an extended time. A foundation grants administrator contacts the nonprofit to inquire about overdue reports and reimbursement forms, only to learn that staff do not know how to complete these forms or even where the records are kept.

Governments and nonprofits are two key players in the public sector. Governments are charged with the broad mission of serving all citizens. Nonprofits are created with specific functions or populations in mind. Particularly at the local level, the dynamics of the relationship between the two players influence the success of community problem-solving efforts.

The internal management of nonprofits can be of interest to government

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The Public Intersection Project

The Public Intersection Project, an undertaking of the School of Government at UNC at Chapel Hill, helps businesses, philanthropies, governments, nonprofits, and faith-based organizations improve communication, relationships, and collaboration, and develops materials for use in addressing local problems. For more information, see www.publicintersection.unc.edu.

staff and elected officials for several reasons:

- Local governments contract with and provide allocations to nonprofits for public purposes. Governments are interested in the nonprofits' stewardship of these public funds.
- Local governments and nonprofits partner to address public issues. They rely on each other to fulfill the expectations they have set.
- Local government staff and elected officials make personal contributions of money and effort to nonprofits, often serving on their boards of directors or otherwise volunteering for them.

Many variables, from political influences to economic climate, can affect government-nonprofit interactions. One such variable is the extent to which any single person—a founder, a director, a volunteer, a chair of the board of directors, or a financial supporter—controls a nonprofit.

Any organization benefits from its strengths being spread across many people instead of being concentrated in one person. If the nonprofit equivalent of the Lone Ranger drives the organization, then the agency assumes that person's strengths and weaknesses, for better or for worse. Such imbalance is likely to be unhealthy. When the Lone Ranger decides to ride into the sunset, the nonprofit might be left without the internal capacity for leadership or even a true sense of identity.

This article describes a series of characteristics that indicate when a nonprofit might be more accountable to and controlled by one person than it is to the community that it was created to serve. It is the first part of a two-part article. Part 2 suggests a process that nonprofits might use to evaluate whether they have the interest and the capacity to shift from

being a leader-dominated organization to being a community-based organization. Part 2 is available online at www.sog.unc.edu/popgov/.

The Difference between a Leader-Dominated and a Community-Based Orientation

At any stage in a nonprofit's life, the effort or the personality of one person can hold it together. The centralization of authority and energy may be temporary, due to circumstances such as several key employees leaving at once, or essentially permanent, based on personal characteristics or practices, like the founder being strongly charismatic or the director not liking to delegate responsibility.

If a nonprofit organization primarily depends on the strength, the influence, or the willpower of one person, it risks a crisis if that person disengages from the organization. Also, the whole organization may be operating under the unacknowledged biases, natural habits, or personal preferences of one person. It may be inadequately positioned to listen and respond to the community it is intended to serve.

The Normalcy of Leader Domination Early On

Nonprofit organizations often originate from the inspiration and the energy of one person or a few people. Nonprofit management expert Maureen Robinson

refers to these dynamic founders as "gorgeous monsters."¹ They might be driven to create new services as a result of their own experiences and interests, or those they witness. They might be trying to stop bad things from happening again or to make good things happen for the first time. Communities can benefit substantially from this kind of motivation when it is turned into action.

No matter what the issue is or how the community is defined, the phases of nonprofit development are generally similar, even if they do not always happen in the same order or with adequate success:

1. Someone recognizes and articulates an unmet need.
2. Founding supporters introduce the concept of a useful service that responds to the unmet need, and encourage others to buy in to the idea.
3. The founders begin the program by organizing a board and a staff structure and obtaining start-up funds.
4. As the initial financial support runs out, the organization tries to diversify and stabilize its funding sources.
5. While the service itself develops, the organization formalizes and enhances its internal structure.
6. The organization stretches its limited resources by recruiting, training, and supervising volunteers.
7. The board and the staff evaluate and improve the program over time—for example, by developing complementary services for the target population.

If the nonprofit equivalent of the Lone Ranger drives the organization, then the agency assumes that person's strengths and weaknesses, for better or for worse. When the Lone Ranger decides to ride into the sunset, the nonprofit might be left without the internal capacity for leadership or even a true sense of identity.

Throughout the phases the nonprofit has a responsibility to check back with its community continuously in order to ensure that it is fulfilling its intended mission and serving its designated population.

All the phases require different skills and an ever-increasing circle of support and interaction. People who are wonderfully suited for one phase may not be interested in, comfortable with, or proficient in another. Usually, leadership

Table 1. Characteristics of Leader-Dominated and Community-Based Organizations

In a Leader-Dominated Organization . . .	In a Community-Based Organization . . .
One person primarily drives the service.	A broad range of people within the community support the service.
The organization depends on one person to handle most responsibilities.	The organization relies on an interconnected system of people with different responsibilities.
The director serves as an officer on the board of directors.	The director serves as staff support to the board of directors.
The leader drives the board's agenda; the board rubber-stamps the leader's wishes.	The leader relies on board members, with their organizational knowledge and community perspectives, to drive the agenda for the organization.
Staff retain critical information mostly in their heads.	Staff document processes, decisions, etc., for future reference.
The organization depends on a few funding sources, often one-time grants from outside the community	The organization has a diversified funding base that includes support from local individuals and organizations.
Jobs are created for particular people, who are the leader's choice.	Jobs are designed to help the organization meet the expressed needs of the community.
The leader does not explain staff transitions or the reasons behind job restructuring.	The leader shares information and allows time for staff and volunteers to process the impact of transitions. When possible, the leader, the staff, and the volunteers jointly plan how to handle the impact.
The leader varies the hiring process according to the circumstances or the people involved.	Hiring practices are objective, thorough, and standardized, inviting participation from staff, volunteers, and members of the community.
Staff, board members, and volunteers share information on the basis of their personal agendas.	Staff, board members, and volunteers share all relevant information and jointly decide how to use it.
The organization focuses on getting the community to accept and support a service.	The organization focuses on ensuring that services contribute to the good of the community.
The fundamental struggle is to promote a particular vision and manipulate others to support it.	The fundamental struggle is to find ways and means to do what the community wants.

styles and organizational processes need to be modified as the organization itself evolves.²

In the beginning of a nonprofit's life, one person may drive its development. This inspired person may be a staff member, a board member, a volunteer, or even a financial supporter of the nonprofit. No matter who the person is, certain symptoms are likely to appear if only one person controls the nonprofit's development and daily practices.³

It is no small feat for a nonprofit to shift from being one person's "baby" to being owned by the community—meeting community needs, encouraging community participation, and welcoming community oversight. The shift can take years to accomplish, depending on available resources, the environment, and the people involved.

Control by Action or Inaction

People generally visualize a person gaining domination by taking specific,

direct action. Yet passivity also can be an effective tool when used indirectly to manipulate people, activities, or decisions. The result of the two strategies is the same: control of the organization.

By not sharing all relevant information early enough for the board to make informed evaluations, a leader can control the decisions that the board makes. By establishing a culture that does not welcome questions and by giving the board only one perspective, a leader can ensure that his or her ideas prevail. By ignoring requests for reports, a leader does not have to organize, seek, or share information. By passively resisting accountability, a leader can avoid unflattering feedback.

(For a list of some characteristics that distinguish a leader-dominated organization from a community-based organization, see Table 1.)

Management Styles of Leaders

Humans are so variable that making accurate generalizations about any type

of leadership or management style is difficult. People may fall clearly into one category, or they may blend several styles, adopting one for policy issues, for example, and another for personnel issues. They also might adjust their approaches to the circumstances, becoming more or less inclusive according to the conditions, such as when they perceive a personal threat to their power or they are engaged in a power struggle over turf.

Examples of three management styles follow. The first two illustrate the risks of having an organization oriented around one person. The third demonstrates the balance advocated by this article. The examples assume that the dominant leader holds the position of executive director.

Inspirational Leaders: Managing by Personal Vision

The first director of a nonprofit often is a visionary who is instrumental in defining the mission of the organization. Visionaries can be energetic, charismatic

people who are skilled at getting board members and others to share in their enthusiasm and confidence for effecting positive change, and in their vision of what the change should be.

Inspirational leaders, by nature, focus on possibilities—what the organization or the service could be. Because the big picture generates their energy, they might not be inclined to focus on the details of administration or program operation. They also might not be inclined to direct adequate resources toward the actual implementation of a vision.

Generally these leaders do not want to spend their time figuring out the intricacies of logistical support and financial management. Wise inspirational leaders surround themselves with people to perform those functions for them, and they make sure that those people have what they need to do their jobs well. However, some directors in this category might underestimate or ignore how essential it is for the health of the nonprofit to ensure strong administrative practices.

Inspirational leaders' emphasis on creativity over implementation and accountability can create trouble for an organization, and it may not be fully discovered until they move on to a new opportunity. Their successors may be left to deal with inquiries from funders about overdue reports, fines from the Internal Revenue Service for overdue payroll taxes, staff members who were hired for all the wrong reasons, or clients who were promised something that was not delivered.

Driving Leaders: Managing by Personal Initiative

With their busy lives, board members may find it attractive to hire a director who appears to be willing and able to do everything. This may be particularly true if the board has been operating without paid staff since the organization began or since the last director left. Board members may be fatigued from running the day-to-day business and feel justified in relying entirely on paid staff to provide the necessary oversight. It might be all too tempting for the board members to relax and abdicate responsibilities to someone who is willing to work diligently on their behalf. Also, if

the previous director emphasized big-picture thinking and exercised weak managerial oversight, a board might overreact by hiring someone who promises to do the opposite. The new director might focus on cleaning up the messes, have little interest in guiding the agency's overall direction, and not realize when the organization has gained enough strength that the director can begin sharing responsibility for day-to-day management with others.

Sometimes directors do have to support the weight of the organization because of inadequate resources to hire all the staff required to manage its work and supervise the volunteers. There simply is not anyone else to do all that needs to be done, and the problem becomes self-perpetuating.

Other times, nonprofits may have adequate resources, but directors may carry the burden alone anyway. The motivation not to delegate responsibility might stem from a desire to maintain total control over the organization or a fear that the work will not be performed at the desired standard.

These directors might honestly believe that they are shielding other overloaded staff from the burden of additional responsibilities by trying to manage all administrative functions directly. They might retain control by default because their board is not strong enough or informed enough to provide adequate oversight for the organization or constructive feedback for them. The directors might not make any effort to diversify the agency's strength simply because doing so might seem impossible. Also, they might not know how to adopt a more inclusive managerial style. Finally, adopting an inclusive managerial style might require changes that make them feel uncomfortable or threatened.

When a leader is strong enough to obtain what the organization needs to operate simply by working alone, other people who might be willing to share responsibility are not called on to take action. They also might be unwilling to challenge the status quo. For example, board members might be less motivated to work on fund-raising if the director is successful at getting grants. Community members might not speak out in support of the organization's programs if they

are never invited to do so. Staff and volunteers might not have the opportunity to learn new skills if the director does everything.

Having a leader who exercises tight control over internal organization, information flow, and work activities might be useful when an agency works in a hostile environment. However, if one person receives and disseminates all information, then the information is colored by the lenses—rosy or otherwise—through which that person views the world. The whole organization can lose access to information that is not what the central person wants to hear, share, or validate. The organization may not develop the balance required to meet the expectations of all its constituencies—clients, funders, professional peers, staff, volunteers, and the community at large.

Community-Based Leaders: Managing by Inclusion

Community-based directors blend both vision and administrative strengths—the best attributes of the previous two directors—with an actively inclusive style of management. They use pronouns like “we” and “our” more frequently than “I” and “my.” They share attention, responsibility, and power with others. They focus on creating a strong supportive system of people rather than on being the strongest ones themselves. Their goal is to create an environment in which individuals can do excellent work in order to accomplish the mission of the organization, even if that sometimes means the director must let go of favorite ideas.

This is not to say that inclusive managers do not have specific goals or do not exercise the authority of their positions. Their emphasis is on practices that support transparent organizational operation, not on manipulation of circumstances or people. For example, they create opportunities to collect input from inside and outside the organization, encourage objective discussion, and respond to the information provided, instead of avoiding or fearing it. Inclusive directors define expectations and demonstrate accountability by sharing feedback and other information openly and regularly with stakeholders.

Inclusive leaders have informed and passionate opinions, just as inspira-

Table 2. Indicators of Leader-Dominated and Community-Based Organizations

Leader-Dominated or Stressed Organization	Mature, Community-Based Organization
The organization tells the community what it needs.	The organization asks the community what it needs.
The leader imposes an agenda on the board. The organization imposes an agenda on the community.	The leader and the organization describe options for action and seek community feedback when making decisions.
The organization participates in larger community activities when there is an obvious self-interest to do so.	The organization regularly stays informed of and participates in the activities of the larger community.
The organization focuses on obvious beneficial or necessary relationships (clients, funders, volunteers, professional peers, etc.)	The organization builds a broad network of relationships.
Relationships are cultivated for their potential direct benefit (money, services, or influence).	Relationships are cultivated broadly throughout the community without an emphasis on potential direct benefits.
The organization does not share information unless there is a clear benefit in doing so.	The organization regularly shares information about issues, activities, and outcomes.
The organization resists when asked to justify, explain, or document actions.	The organization expects to be fully accountable to the public for all actions.
Communication is one-way, often with an informal hierarchy based on personalities rather than job responsibilities.	Communication is multidirectional, respecting but not limited to hierarchy.

tional and driving leaders do. The difference lies in how they respond to others. Responsiveness, transparency, and accountability distinguish the operational practices of community-oriented leaders.

Reasons for Shifting Orientation

Building a strong board takes the effort of many people, including the director. The director has to be willing to establish a partnership with the board; to devote energy to building a structure of relationships among people with specific responsibilities; to maintain those relationships through individual, committee, and board meetings; and to train those involved so that they can provide guidance for the agency. This is hard work for everyone. It might seem easier to skip all the effort and let the director run the whole show.

Yet nonprofits, by definition, have missions that are intended to contribute to the greater good of their defined communities. To do so successfully, nonprofits must be responsive to the people or the systems they serve. To create an environment that encourages responsiveness and responsibility for the long term, a nonprofit cannot depend on one person to receive and disseminate all necessary information or to decide the organization's direction.

Table 2 lists practices that distinguish leader-dominated and community-based

organizations. Reviewing the list might help build understanding of how individual practices, many of which might be justifiable in the moment because of limited resources or stressful circumstances, serve collectively to build organizational culture.

Neglecting to build a system of board, staff, and volunteers who are strongly connected with one another and with the community can have unintentional negative consequences for the nonprofit. When symptoms such as the following begin to arise, it may be time to begin a process of change:

- The pursuit of money, not the community's needs, is driving the nonprofit's programs. When a leader's interests and skills are devoted to obtaining grants to start new programs and the leader is less interested in finding money to sustain existing programs, the types of services provided might constantly change as old programs die for lack of funding and new programs start up. Members of the community might not know what to expect when they walk in the door to inquire about services. A vital program might disappear because the director does not enjoy doing the kinds of activities necessary to obtain sustainable revenue, and the board does not strongly support and encourage the director to do so.

- The program is not developing the capacity to strengthen itself by using feedback to drive improvements. If a leader resents and resists the tedium of program evaluation, the organization and its funders cannot be sure if the program makes a difference. The agency cannot prove to the community that it deserves continued support. Clients suffer by being forced to accept a service that is offered to them, not designed for them.
- The nonprofit is not being accountable to supporters. A leader who detests detail work might not be able to effectively share information about a program's outcomes with a funder. The leader might not have the ability or the desire to organize information carefully, document activities, track financial support to the program, evaluate changes experienced by the clients, or create a report that communicates the impact of the program.

Being accountable to supporters not only creates a lot of detailed work, but it also opens the leader up for advice or criticism, either of which may be unwanted. Some leaders might equate sharing information with losing control of a situation.
- The director is behind in filing reports and documenting agency activities. The pile of work might eventually

grow so large that the director cannot catch up and meet all the demands alone. However, asking for help from the board or the staff will necessitate admitting shortcomings and could actually put the director's job in jeopardy. The sense of overload not only creates a disincentive for honesty but also provides a motivation for the director to bolt from the agency rather than stay and try to repair the problems.

- The necessary records are not being kept in a manner that ensures documentation of institutional memory. This situation is a remarkable demonstration of inadequate risk management. An organization that centers itself on one person flirts with crisis when that person leaves or is incapacitated. This is especially true if the director does not document critical information for a successor to use.

If the director leaves abruptly, without the time or the inclination to train new staff and document the status of ongoing projects, the transition can be devastating. The staff and the board may be left floundering, not knowing how to obtain installments on grants payments, whom to contact to get something important done, when to file payroll or program reports, where to find existing financial resources, or how to accomplish any number of daily logistical processes that make regular activities happen.

- There is no reassurance from the community that the organization should exist. The staff and the volunteers of an organization that is truly community based constantly receive informal feedback that their programs meet expressed community needs. They receive support in many different forms, such as a check from a donor, an in-kind contribution from a merchant, a volunteer's time, an effort to coordinate policy with local governments, or a public expression of thanks from a client. There should be a variety of indicators—large and small, financial and otherwise—to confirm to the nonprofit that its community benefits from its services.

The sources of support for a program over time can speak volumes about its place in its own community. Receiving a generous start-up grant from a funder outside the agency's service area is a vote of confidence in the potential of a single idea. Receiving an assortment of contributions from people and organizations at home as well as elsewhere is a profound expression of trust and acceptance.

When it comes time for a nonprofit to shift from being a leader-dominated organization to being a community-based organization, dominant leaders face these choices:

- Adapt their style of management to the changing needs of the organization
- Decide to leave for a work environment that does not require personal change
- Try to stay and resist change, in the process diverting the organization's energy from its mission

It is delightful to see a director grow. It also is pleasant to celebrate a director's accomplishments and convey good wishes for new endeavors. It is detrimental to the whole organization for a director to stay in what now is the wrong job, for what are likely to be the wrong reasons. Obviously, the third choice is not the desired one.

Opportunities for Self-Evaluation

Different circumstances can stimulate a nonprofit organization to evaluate its focus and practices in relation to the community it serves. One such opportunity occurs if a nonprofit draws negative public scrutiny by failing to be accountable to the public.

But other, more positive opportunities for self-evaluation happen. For example, an organization might simply be motivated to engage in a thoughtful process of self-improvement; a founding director, or one of long tenure, may leave the agency; or a leader who has held tight controls over the organization may depart. No matter what the circumstances are, the organization can use the situation as an opportunity constructively to evaluate whether it actually is, truly

wants to be, and can be a community-based organization.

Shifting to a community-based perspective requires sustained effort on the part of the many people associated with a nonprofit. By taking time to evaluate why they desire to make the shift, what they expect to happen as a result of it, and what the logistical, philosophical, and emotional implications will be, stakeholders can ensure that the organization will be around in the future to accomplish its mission.

Why an organization begins this process of contemplation, evaluation, and action may not be as important as its simply doing so. Even an organization and a leader with strongly inclusive practices might benefit from an occasional reexamination.

Part 2 of this article poses six questions for nonprofit organization personnel to discuss as they consider the ramifications of shifting from being a leader-dominated organization to being a community-based organization. It also suggests some practices to help make the shift. Again, it is available online at www.sog.unc.edu/popgov/.

Notes

This article was developed as part of the Public Intersection Project, with funding from the Jessie Ball duPont Fund. I thank the people who made significant contributions to the content and the organization of the article: Ashley Adams, Lydian Altman-Sauer, Susan Hansell, Christi Hurt, Kurt Jenne, Susan Sachs, and Gordon Whitaker.

1. MAUREEN K. ROBINSON, *NONPROFIT BOARDS THAT WORK 103* (New York: John Wiley & Sons, 2001).

2. For more discussion of the evolution of organizations, see Larry E. Greiner, *Evolution and Revolution as Organizations Grow*, *HARVARD BUSINESS REVIEW*, July–Aug. 1972, at 37.

3. Organizations working through the challenges described in this article might find these two online publications useful: HILDY GOTTLIEB, *FOUNDER'S SYNDROME? WHO ME?* Copyright 2003 by ReSolve, Inc., available at www.help4nonprofits.com/NP_Bd_FoundersSyndrome_Art.htm (last visited July 7, 2004); and CARTER MCNAMARA, *FOUNDERS SYNDROME: HOW CORPORATIONS SUFFER—AND CAN RECOVER*, Copyright 1999 by Carter McNamara, available at www.managementhelp.org/misc/founders.htm (last visited July 7, 2004).

Public Construction Contracting: Choosing the Right Project-Delivery Method

Valerie Rose Riecke

Any construction project that misses its deadline and is millions of dollars over budget receives unwanted attention. It receives even more attention if it is funded by taxpayers' money. Public owners (state agencies, counties and towns, universities and community colleges, and hospitals) often seek new ways to make construction projects adhere to both deadlines and budgets. Many experts believe that the key to the success of a construction project is the process by which it is organized and managed, or the "project delivery method." Recently the choices among methods have expanded. Proponents of each method claim that theirs is the best choice to save money, reduce time, improve quality, and decrease administrative burden.

Historically, North Carolina's laws restricted public owners to using a project delivery method called design-bid-build using separate-prime bidding (explained later).¹ In 2001 the North Carolina General Assembly added two options for project delivery: design-bid-build using single-prime bidding and construction manager at risk.² The North Carolina statutes also include a special provision that allows the State Building Commission to approve alternative contracting techniques.³ The most commonly approved method is design-build. Now, with four methods available and various opinions bombarding the industry, public owners are wondering which one best suits their projects.

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GARY ALLEN / NEWS & OBSERVER

This article offers guidance to public officials in assessing the different project delivery methods. Construction industry professionals interested in public-sector work also will find the article of interest. The study reported in the article is not a quantitative study that determines which

the published literature on the four project delivery methods, identifying the advantages and the disadvantages of each using four construction-contracting industry goals as evaluation criteria: (1) controlling project costs, (2) meeting or accelerating the schedule,

Definitions of Project Delivery Methods

Many variations of project delivery methods exist in the construction industry. Because of this, there are no standard definitions.⁷ Therefore it is important to understand how these methods are being applied in North Carolina. The descriptions that follow use the North Carolina General Statutes as a basis and add information from the literature review and experts' comments. (For graphic representations of the methods, see Figures 1–4.) Words that appear in boldface are defined in the glossary (see page 26).

Design-bid-build using separate- (or multiple-) prime bidding. This project delivery method has four sequential phases: selection, design, bid, and construction. The selection phase entails hiring the designers, who are chosen on the basis of qualifications.⁸

Once the designers are selected, design begins. It has three phases: (a) schematic design, during which the basic appearance and the plan are developed; (b) design development, during which the functional and aesthetic aspects of the project and the building systems that satisfy them are defined; and (c) construction documents, during which the details of assembly and construction technology are finalized.

As UNC was about to embark upon a massive capital program in excess of \$4.2 billion, it was clear that a greater number of construction delivery options were necessary for success. The North Carolina General Assembly's approval late in 2001 to add construction manager at risk and single-prime bidding to the long-used multiple-prime bidding was a watershed event.

—Kevin MacNaughton, special assistant for capital projects, UNC at Chapel Hill

method is the most cost-effective and least expensive. Many quantitative studies claim to have determined the most effective approach, but a precise, comparative analysis is impossible.⁴ My analysis moves the industry one step closer to understanding the implications of each method.

Research Design and Methodology

Opinions on the relative merits and risks of each method vary. To account for the differing opinions, I sought input from experts representing all construction industry disciplines. I first studied

(3) ensuring a quality product, and (4) decreasing the administrative burden.⁵

To apply the findings of the literature review, I distributed a questionnaire to construction industry experts. They included academicians, architects, engineers, construction managers, general contractors, legislators, local and state officials in North Carolina, and prime contractors. I chose them using referral sampling; I surveyed experts who were initially interested and available to participate, and they referred me to additional experts. In total, I incorporated fifteen responses into the study.⁶

Figure 1. **Design-Bid-Build Using Separate-Prime Bidding**

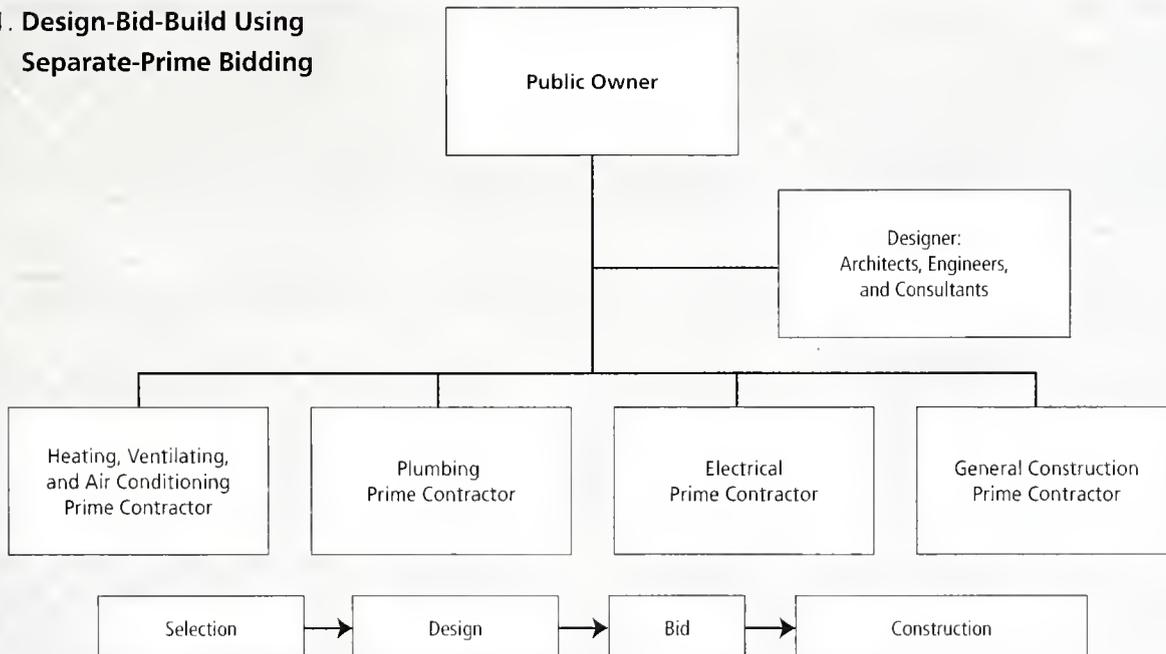


Figure 2. **Design-Bid-Build Using Single-Prime Bidding**

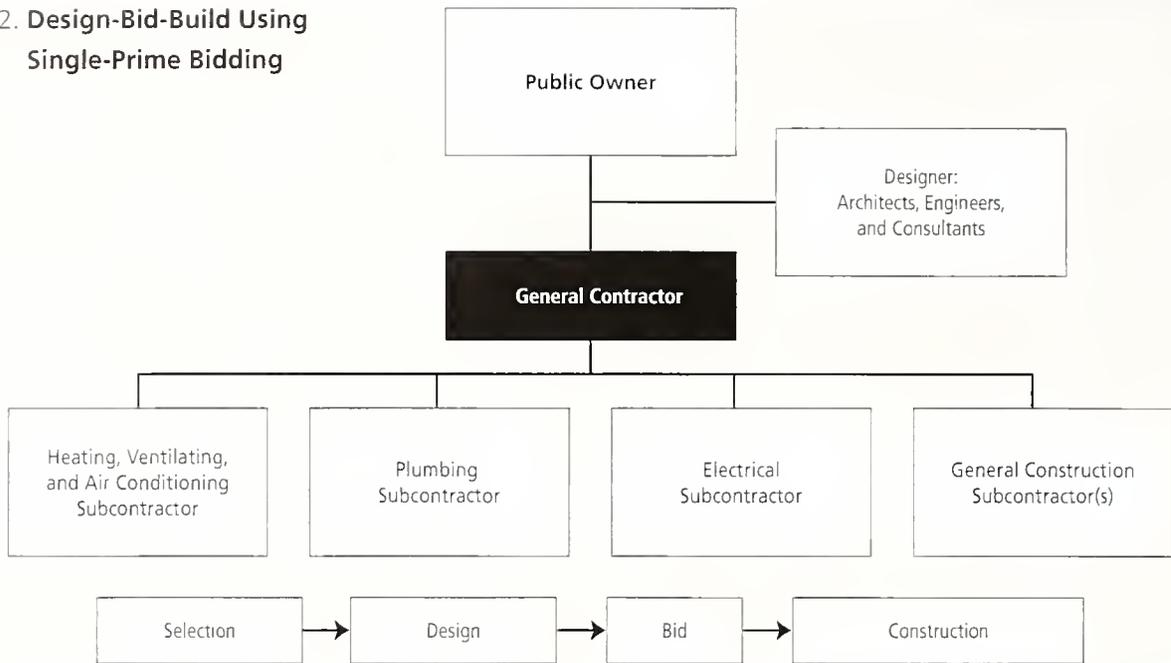
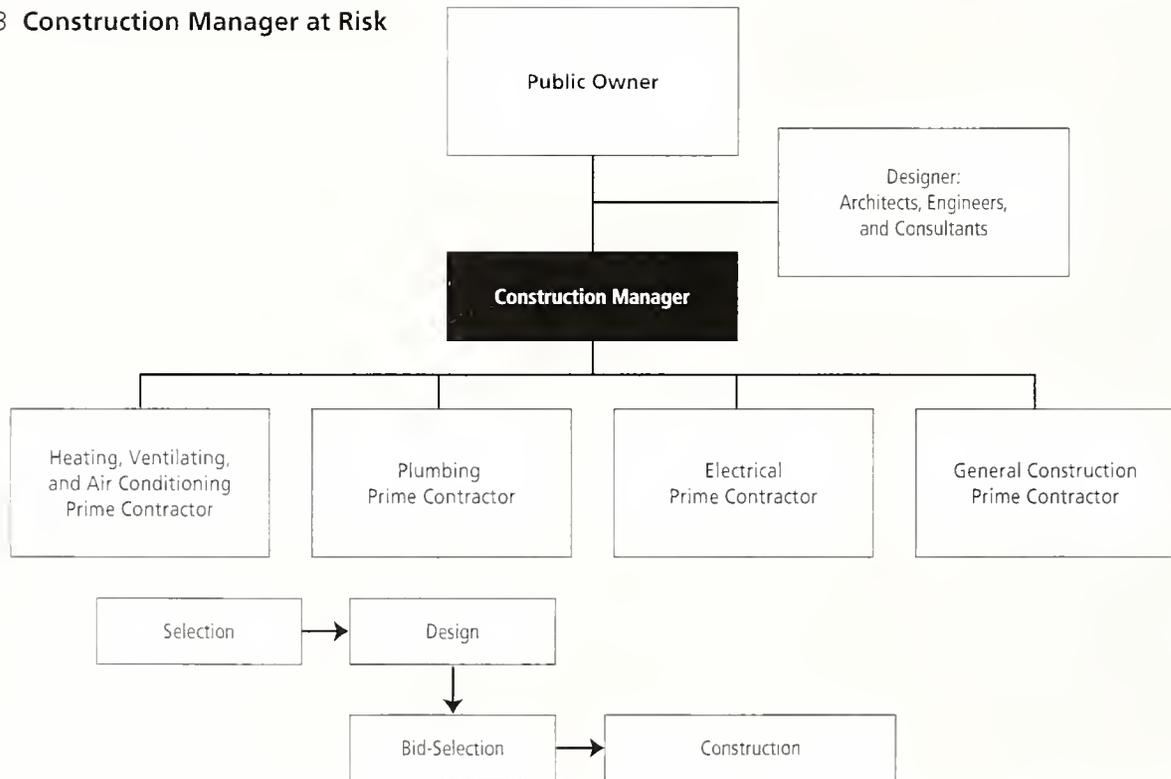


Figure 3 **Construction Manager at Risk**



During design the public owner creates the project requirements, also known as the project program. Also, the designers develop the design documents on the basis of those requirements.

Next, the designers create bid packages for the following trades: heating, ventilating, and air conditioning; plumbing; electrical work; and general con-

struction (any work not included in the other three categories). Then bidding begins on the construction project. Bids are received from prospective prime contractors and awarded to the lowest, most responsible bidders. At the end of the bid phase, contracts are executed with each of the prime contractors.

In the final phase, construction takes place. Under this method, it occurs after the design documents are complete, and the public owner contracts separately with the designers and the prime contractors.

Design-bid-build using single-prime bidding. This project delivery method also has four sequential phases: selection, design, bid, and construction. Activities

in the selection and design phases are largely the same as in separate-prime bidding. The exception is that the designers create one bid package from the design documents, as opposed to multiple packages.

After one bid package is developed, construction bidding begins. Bids are received from general contractors and awarded to the lowest, most responsible bidder. At the end of the bid phase, one contract is executed.

Construction is the project's final stage. It takes place after the design documents are complete. The public owner contracts separately with the designers and the general contractor, and the general contractor holds contracts with subcontractors.

Construction manager at risk (construction management).⁹ As with the design-bid-build methods, there are four phases of project delivery: selection (of a designer), design, bid-selection (of a construction manager), and construction. First, the public owner develops the project program and then requests proposals from prospective designers.¹⁰ As with other methods, the public owner awards the contract on the basis of qualifications.

The designer then develops design documents. During this process the public owner requests proposals from

prospective construction managers.¹¹ The construction manager is selected on the basis of qualifications.

Once the construction manager is selected, the contract has two phases of execution. In the preconstruction phase, the construction manager works with

the designers and the construction manager, and the construction manager contracts with the prime contractors and the subcontractors.

Design-build. Unlike the design-bid-build and construction-manager-at-risk methods, this method has only three

Employing single-prime bidding on less complex projects has ensured a single source of responsibility. Many institutions have found that the pre-qualification of these hard-bid contractors is worth the effort on most jobs.

—Kevin MacNaughton

the public owner and the designers until the design documents are about 80 percent complete. Then the contract is renegotiated to include a **guaranteed maximum price** for the construction.¹²

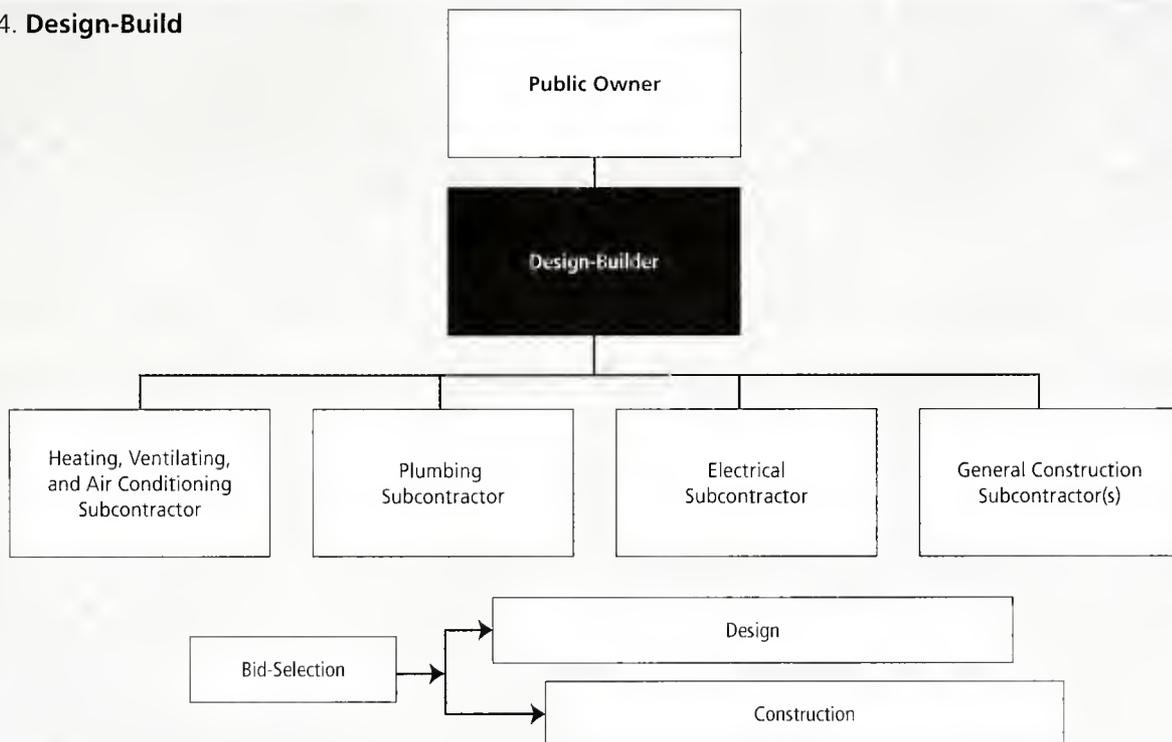
After the guaranteed maximum price has been set, the construction manager may begin construction, even though the design documents are not complete. If construction begins early, the construction manager creates multiple bid packages from the incomplete design documents and opens bidding.¹³ Contracts are awarded to the lowest, most responsible bidders, and construction takes place.

Under this method, construction begins before the design documents are complete. Also, the public owner con-

tracts with the designers and the construction manager, and the construction manager contracts with the prime contractors and the subcontractors.

The design-builders then develop detailed proposals, which include design documents and a cost for construction. A proposal is selected on the basis of the lowest, most responsible bid.¹⁴ As with the construction-manager-at-risk method, the design-builder may begin construction after being hired. Under this method, construction begins before

Figure 4. **Design-Build**



Glossary

Bid package: A group of documents issued to contractors who are bidding on a construction project. The documents include information on the bidding process and the design documents (see below); also called "bidding documents" or "invitation to bid (ITB) package."

Change order: A revision in the contract documents after the execution of the contract. A change order is an order to change the work to be performed under a contract. It is usually given by the public owner to a general or prime contractor (see column 3) or by a general or prime contractor to a subcontractor.

Cost estimating: Calculation of the approximate direct and indirect costs of the project.

Design documents: The construction documents and the project specifications. The construction documents are drawings that describe the construction requirements. The project specifications are detailed written instructions, which explain each phase of work to be done. For example, the drawings will show the size and the location of a duct, and the specifications will define the manufacturer of the

duct and the construction technique to install it.

Designer: Architects; landscape architects; civil, structural, mechanical, plumbing, and electrical engineers; technical consultants; and specifications writers.

Guaranteed maximum price: An amount stipulated in a construction contract as the maximum sum payable by the public owner to the construction manager for the work specified.

Long lead time: The extended period required to manufacture certain materials. Long lead times may create scheduling delays if the items involved are needed before they are manufactured.

Phased construction: Overlapping of design and construction, also called "fast tracking." The construction schedule is compressed by overlapping some activities that otherwise would be performed sequentially. Phased construction increases project delivery speed because construction can start before the design documents are complete. An example is to start site work and construction of the foundation before the interior is completely designed.

Prime contractor: A company responsible for all facets of construction or renovation of a building, in its particular trade: (a) heating, ventilating, and air conditioning; (b) plumbing; (c) electrical work; or (d) general construction (any work not included in the other three categories). The prime contractor employs a subcontractor or subcontractors to perform some or all of the work associated with its specialization.

Project costs: The direct and indirect costs associated with the execution of a project.

Project program, project requirements: A general project description, including project objectives, functional uses, occupancy requirements, and budget and time considerations and limitations.

Proposal: The document submitted by a bidder to a public owner for design and/or construction of a project; also called "bid."

Underbid: To submit a bid that is less than the cost to perform the work.

Value engineering: The process of analyzing the direct cost versus the value of alternative materials, equipment, and systems.

the design documents are complete. The public owner contracts only with a design-builder.

Findings

The study found that opinions vary greatly on the relative merits and risks of each method. The findings are presented in the following sections according to the evaluation criteria identified earlier.

Controlling Project Costs

Although many studies claim to have determined the most cost-effective or the least-expensive project delivery method, as noted earlier, the task is impossible. So, for each method the questionnaire asked if **project costs** were always met and usually reduced, typically met and

rarely reduced, or rarely met and never reduced. I deemed the most effective method to be the one cited by the highest percentage as always meeting and usually reducing project costs.

Overwhelmingly, experts indicated that the construction-manager-at-risk method is the most effective. (For a graphic presentation of the results, see Figure 5.)

Seventy-three percent of the experts responded that costs are always met and usually reduced because the construction manager assumes the financial risk associated with any profit or loss.¹⁵ If the budget is exceeded, the construction manager must work without charge to arrive at the guaranteed maximum price.

Experts also ranked this method high because the construction manager is involved in all project phases. There

are more opportunities for **value engineering** and **cost estimating**.

Even though this method ranked highest, experts said that public owners may have difficulty enforcing the contract. The guaranteed maximum price is based on incomplete design documents and is a defined price for an undefined product.

The design-build method also is effective in controlling project costs, although not as effective as the construction-manager-at-risk method. Forty-seven percent of experts responded that costs are always met and usually reduced. Additionally, 53 percent responded that costs typically are met. Experts ranked this method high because there are not as many **change orders** or as many claims stemming from errors and omissions in the design documents. The

designers and the “constructors” (the general contractors or the prime contractors) are under one contract. Further, as with the construction-manager-at-risk method, a project using this approach benefits from increased value engineering and cost estimating during design.

Nevertheless, public owners should be aware of the increased financial risks of using this method. Because the fixed price is based on the design documents developed during the bid phase, changes in the project program are likely to occur. Any such changes can be costly once construction is under way.

Although not as effective as the others, the two design-bid-build methods also were effective in controlling project costs. Thirteen percent of experts re-

owner can make changes in the project program at a moderate cost during the design phase because construction has not begun.

could have four change orders from a design error when they are using separate-prime bidding, as opposed to one when they are using single-prime bidding.

We have used construction manager at risk with great success. We built our new Justice Center under this method, and we just awarded bids for several large water department projects under a construction-manager-at-risk contract. In both instances the bids came in under projection. The Justice Center project came in on time and on budget—unheard of in government construction projects—and we saved over half a million dollars on the water department bids. So the finance officer, David Clawson, and I are big fans of this contracting method.

—Norma Mills, attorney, Dare County, North Carolina



HARRY LYNCH / NEWS & OBSERVER

ported that costs are always met and usually reduced using either design-bid-build method. Also, 67 percent responded that costs typically are met when using the single-prime bidding method, and 27 percent responded that they typically are met when using the separate-prime bidding method.

With these methods the public owner benefits from the designers' expertise and advice. It also benefits from separating the designers from the contractor(s). The separation creates a system of checks and balances. Unlike the case with the other two methods, the public

Overall, however, the design-bid-build methods together ranked low and the separate-prime bidding method ranked last, with 60 percent of experts responding that costs are rarely met. One expert attributed the low rankings to the contract-selection process. Because the contract is awarded to the lowest, most responsible bidder, contractors tend to underbid when they know that the project has problems. The problems will create change orders later. Also, because the chance for change orders increases in proportion to the number of contracts made on a project, public owners potentially

Meeting the Project Schedule

The questionnaire asked, for each method, whether the project schedule is always met and usually accelerated, typically met but rarely accelerated, or rarely met and never accelerated. According to the experts, the design-build method is the most effective in meeting or accelerating the project schedule. Sixty-four percent of experts responded that schedules are always met and usually accelerated, and 36 percent reported that schedules are typically met. (For a graphic presentation of the results, see Figure 6.)

Experts responded favorably to this method because **phased construction** can occur. Using this approach, the design-builder can avoid scheduling delays by identifying **long lead times** early.

Even though this method ranked highest in the study, one expert remarked that public owners with committees may encounter problems. In some cases, committees with multiple stakeholders may prolong the decision making. Phased construction relies on speedy decisions from the public owner.

The construction-manager-at-risk method also is effective in meeting or accelerating the schedule. Fifty-three percent of experts responded that the schedule is always met and usually accelerated, and 47 percent responded that the schedule is typically met.

As with the design-build method, phased construction explains the high ranking. However, design-build reaps the benefits of phased construction earlier in the process than construction manager at risk. Also as with design-build, public owners must gain input from the stakeholders more quickly and earlier in the design process to reap the time savings of the phased construction.

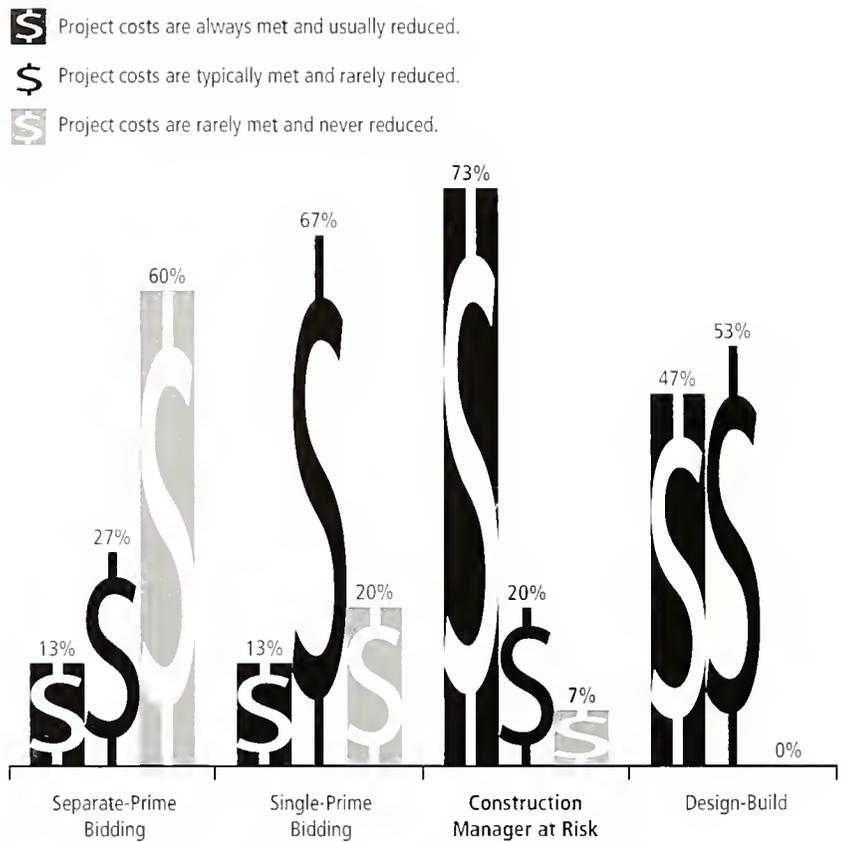
The two design-bid-build methods also were effective in meeting and accelerating the schedule, although less so than the other methods. Sixty percent of experts responded that the schedule typically is met using the single-prime bidding method, and 33 percent of experts responded the same for the separate-prime bidding method.

The main benefit to the public owner is the systematic checks and balances created by separating the designer and the contractor(s). The designers scrutinize construction operations, while the contractors carefully review construction administration by the designers.

Even though several experts favored these methods, they ranked low overall. Twenty-seven percent of experts responded that the schedule is rarely met using single-prime bidding, and 60 percent responded the same for separate-prime bidding.

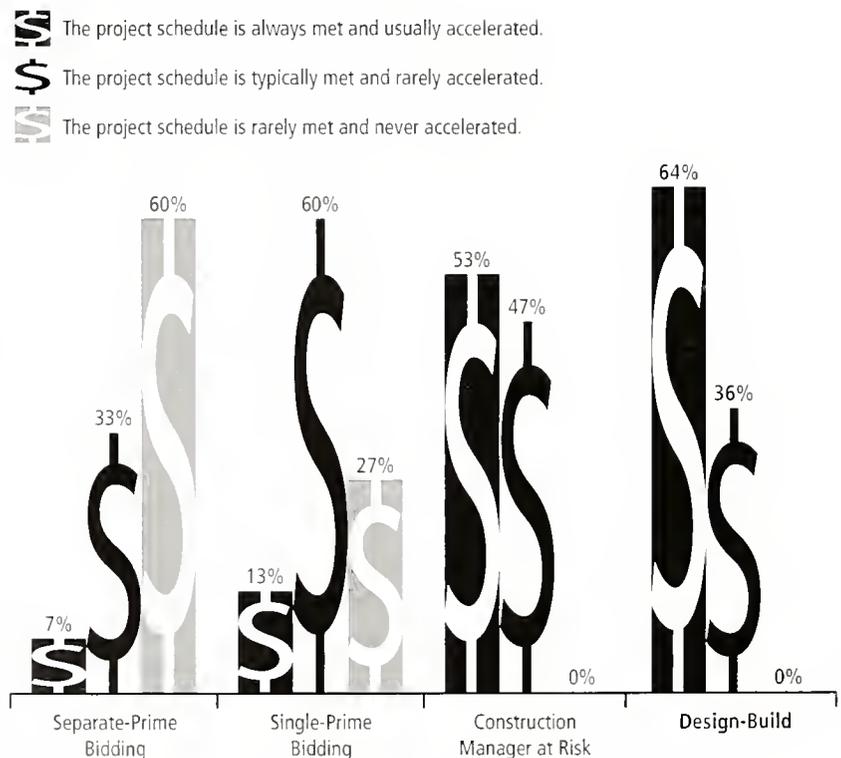
Experts suggested that public owners be aware that stakeholders take the initial decision deadlines less seriously because changes can be made later. Another challenge with these methods is that checks and balances can create a

Figure 5. **Controlling Project Costs**



Note: The method in bold type is the most effective in controlling project costs.

Figure 6. **Meeting the Project Schedule**



Note: The method in bold type is the most effective in meeting the project schedule.

strained relationship and hinder coordination. This is especially important in separate-prime bidding because the designer may work with four prime contractors.

to the prime or general contractors.) Because of this and the expanded design phase, several experts indicated that a quality product is more common when using these methods. The designers are

involved, or highly involved in the design, bidding, and construction phases. Responses indicated that design-build called for the least involvement, thus providing the greatest reduction of administrative burden. It was followed by construction manager at risk. Design-bid-build using single-prime bidding ranked a close third, and separate-prime bidding ranked last.

In general, the results indicate that the administrative burden increases with the number of contracts. The design-build method benefits the public owner by involving only one contract. There is only one line of communication for the owner. With construction manager at risk and single-prime bidding, the public owner holds two contracts, and with separate-prime bidding, five. Each contract involves developing a bidding package, issuing it, receiving proposals, evaluating them, negotiating the contract, and overseeing its implementation.

Even though the design-bid-build methods ranked low, experts stated that they are easy to understand and public owners have worked with them for some time. Many experts said that there is confusion in the industry because the

By all accounts the multiple-prime delivery system for this campus was a total disaster, and we have absolutely no intention of using this system for future construction projects. The majority of our future projects costing more than \$15,000,000 will be candidates for construction manager at risk. The balance will in all likelihood be bid and awarded on the single-prime basis.

—Clyde D. Robbins, director of design and construction, Appalachian State University

Ensuring a Quality Project

The definition of what makes a quality project varies in the construction industry. Because of this, the questionnaire asked whether the functional and aesthetic goals of a project are met, rather than asking if the methods ensure a quality project.

There was little distinction among the methods. Forty percent of experts responded that functional and aesthetic goals are always met using single-prime bidding, construction manager at risk, or design-build. Twenty-seven percent thought that using separate-prime bidding is best. (For a graphic presentation of the results, see Figure 7.) Overall, experts indicated that public owners have the greatest chance for a quality project using construction manager at risk.

Under construction manager at risk, public owners benefit from having input from construction personnel during design. This also is a characteristic of design-build. However, a conflict of interest can occur under design-build. Unlike the case with construction manager at risk, with design-build, the designer is no longer an independent adviser. When using this method, public owners should be aware that the design-builder is likely to cut corners because it both interprets design needs and may seek the lowest cost alternative.

Like the case with construction manager at risk, under the design-bid-build methods, the designer is an independent adviser. (That is, under these methods the owner holds separate contracts with the designer and the construction manager, so they are not contractually responsible

not under a deadline to produce high-quality design documents. All experts agree that having good design documents ensures a quality product.

When asked about the risks of these methods, experts again cited the contract-selection process. One explained that even well-qualified firms may be forced to shortchange the public owner on quality of supervisory staff in order to submit a bid low enough to win. Public owners should be aware of this risk and the probability that short-

Dare County found through experience that the single-prime process provided only a guaranteed minimum price for our new Justice Center and that the only incentive for maintaining a schedule was a punitive one in the form of liquidated damages. After much research and discussion and since it was before the passage of Senate Bill 914, the county obtained local legislation to allow alternative methods for the project. The county ultimately decided upon a design plus construction-manager-at-risk approach. [The county had the design done before it solicited for a construction manager.] We were able to obtain a guaranteed maximum price for the project, to include incentives for schedule improvements and for savings of the budgeted contingency, and to obtain a quality product knowing that both the architect and the contractor were on the same team and had the same boss.

—David Clawson, CPA, finance director, Dare County

changing will multiply as more contractors become involved.

Reducing the Administrative Burden

Experts were asked whether the public owner is less involved, moderately in-

construction-manager-at-risk and design-build methods are relatively new and are used differently. For example, with construction manager at risk, opinions differ about when proposals should be requested for the construction manager.

Some public owners request proposals for the designers and the construction manager at the same time, while others request proposals for the construction manager after schematic design. Because these methods are relatively new, experts suggested that public owners consider using the design-bid-build methods until more experience is shared in the public contracting industry.

Regardless of method used, owners' involvement depends on how much time they dedicate to a project. Experts think that public owners should carefully judge their involvement and capacity level so that they do not lose control of the project.

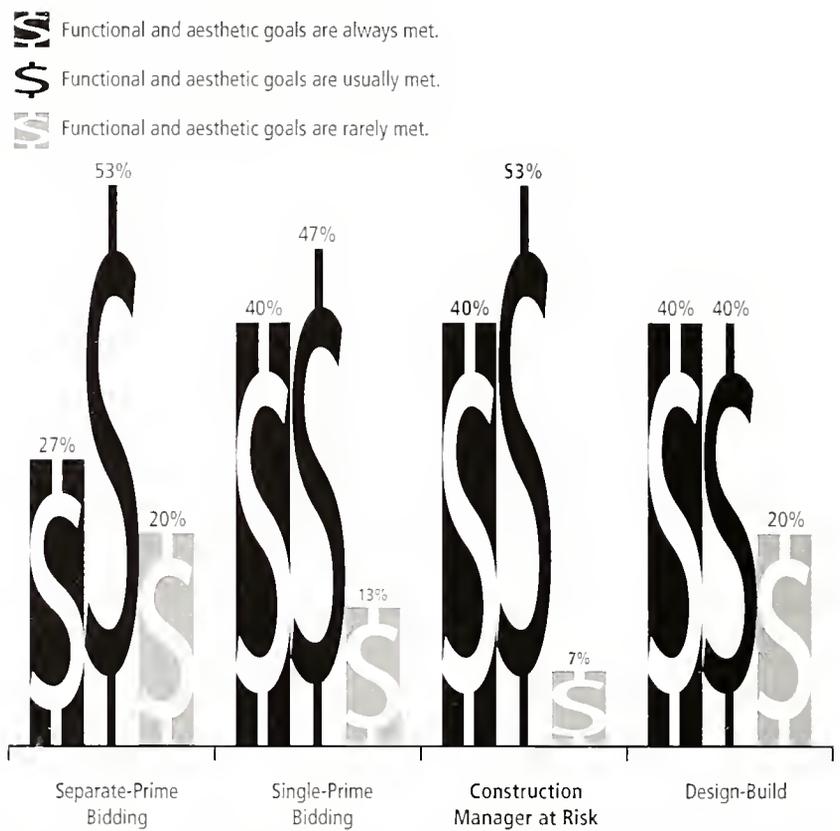
Further Considerations

Overall, the study reveals that experts think the construction-manager-at-risk and design-build methods control project costs, reduce time, improve quality, and decrease administrative burden more than the design-bid-build methods. However, public owners should recognize that additional factors will influence their decision in choosing the best method: whether or not they are developing a project program; whether or not they are working with multiple stakeholders; and whether or not they are using in-house design and construction staff.

First, experts agree that the key to a successful project is a comprehensive project program. Some project delivery methods offer greater assistance than others during this process. Public owners should consider the design-bid-build methods if they do not develop a project program because the design period allows for more time. Because the construction-manager-at-risk and design-build methods have shorter design phases, public owners must ensure that a program is developed early using construction manager at risk and is well developed for design-build. For example, with design-build, development includes classifying detailed building components early on.¹⁶

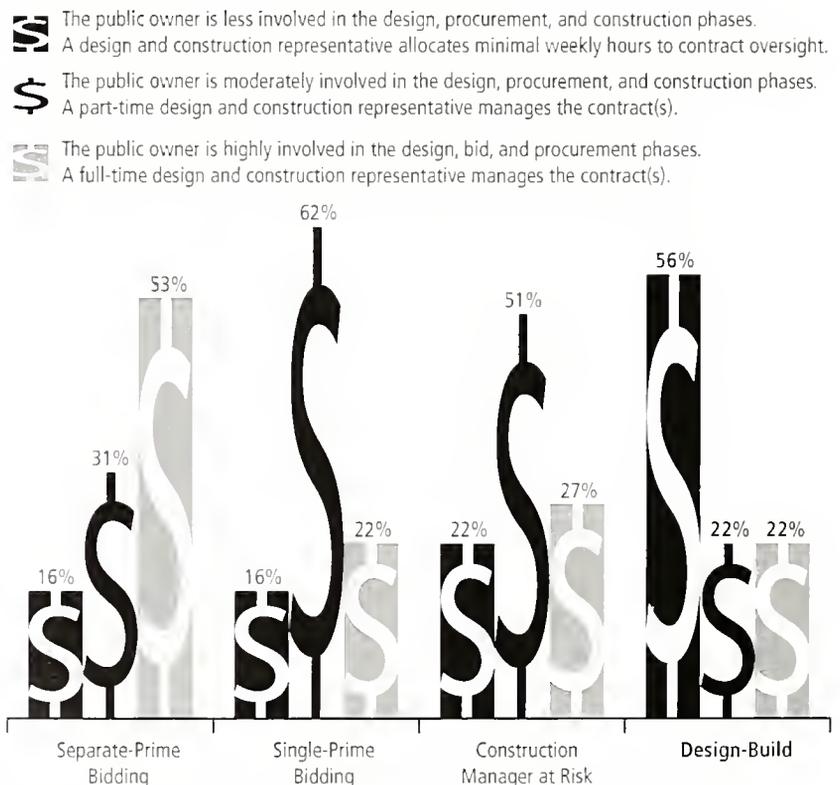
Next, stakeholder involvement may force public owners to choose one of the two design-bid-build methods. The longer design period of these approaches allows interest groups representing

Figure 7. Ensuring a Quality Project



Note: The method in bold type is the most effective in meeting the functional and aesthetic goals of a project.

Figure 8. Reducing the Administrative Burden



Note: The method in bold type is the most effective in reducing the administrative burden.

several public agencies and the general public more time to discuss options. The phased construction approach used in the design-build and construction-manager-at-risk methods relies on speedy decisions by the public owner.

Finally, public owners that have no in-house design and construction staff and whose staffs have heavy workloads or no training with the construction-manager-at-risk or design-build methods should consider the design-bid-build methods until the public construction industry has more experience with these approaches.

Appalachian State University has to date initiated three projects using the construction-manager-at-risk delivery system: the Library and Information Commons (\$47,586,800), the Rankin Science Addition and Renovation (\$11,157,000), and the Athletic Facilities Addition and Renovation (\$16,000,000). The library project is proceeding in excellent fashion—on budget and ahead of schedule. The construction-manager-at-risk method for the Rankin project did not meet our expectations and was not continued beyond the preconstruction phase. The project was subsequently bid and awarded using the single-prime delivery system, which to date is proceeding satisfactorily.

—Clyde D. Robbins

Conclusion

Changes always are taking place in the construction industry. New tools are available to manage projects, and new building techniques are being used. Each new approach spawns claims that it will save money, reduce time, improve quality, and decrease administrative burden. To protect themselves from misleading claims, public owners should stay abreast of new laws and information.

This study has shown that experts consider the construction-manager-at-risk and design-build methods to be the best for controlling costs, reducing construction time, improving quality, and decreasing the administrative burden. However, public owners may not realize the benefits of these methods if their project program is not well developed, many stakeholders are involved in decision making, and their

staff is less experienced. Because of this, public owners may find that the design-bid-build methods, especially the single-prime bidding method, will continue to be useful in many situations.

Notes

1. The federal government has separate procedures for project delivery. The laws of North Carolina do not apply to Army Corps of Engineers projects, federal buildings, or federal military bases in North Carolina.
2. N.C. GEN. STAT. art. 8, Public Contracts, § 143-128 [hereinafter G.S.].
3. G.S. 143-135.26(9).

9. The term “at risk” refers to the construction manager’s assuming high risk, for example, for the performance and the financial stability of subcontractors and vendors, fluctuations in prices of materials, adherence to schedule, and weather changes. The high risk also is linked to a guaranteed maximum price, which is explained later in the article.

10. In some cases the public owner attempts to attract a company that has the ability to perform both design and construction management. If that happens, then instead of requesting proposals for a second time, it renegotiates a guaranteed maximum price with the company later in the design process.

11. Several experts noted that the selection process takes place when the schematic-design phase of design is complete.

12. The public owner determines the point in the design phase when the guaranteed maximum price is to be negotiated. Several experts indicated that the guaranteed maximum price is negotiated toward or at the end of the construction-documents phase.

13. As with design-bid-build with separate-prime bidding, bid packages may be prepared for heating, ventilating, and air conditioning; plumbing; electrical work; and general construction.

14. After the design-builders develop the proposals, the public owner critiques each one. Then each design-builder responds with design changes that make all the proposals technically equivalent, adjusting the price accordingly. The public owner evaluates the revised proposals and makes the award on the basis of the lowest price. A lowest-price award is made because the public owner’s critique created equivalent designs.

15. Experts revealed that savings produced during the execution of the contract revert to the public owner. In some cases the public owner and the construction manager share the savings. This is known as a “shared savings program.” When the direct project costs, including profit and overhead, are less than the guaranteed maximum price, the construction manager and the public owner share the difference on the basis of some stipulated percentage. Experts said that the shared savings program provides an additional incentive to the construction manager to control project costs.

16. An example of such a component is a building’s air handling units. The term “air handling unit” refers to equipment that is designed to move conditioned air. It contains fans, filters, and heating or cooling coils. Units can be classified as either a central system or a unitary system. Unitary equipment can be classified as a rooftop unit, a unitary package unit, a unitary split system, or a compound room unit.

Responsibility for Human Resource Management in North Carolina Municipalities: Findings and Recommendations

Kirsten Olson

Human resource (HR) management is a vital and influential function for organizations because it directly influences the attitudes, the performance, and the behaviors of employees. “[It] deals with the design and implementation of systems in an organization to ensure the efficient and effective use of human talent to accomplish organizational goals.”¹ Human resource management consists of numerous functions related to the management of employees, ranging from recruitment and hiring to strategic planning for workforce development. Responsibility for the myriad HR management functions can be distributed in several arrangements: it may rest with a central HR staff, be decentralized to municipal department managers, or be shared, depending on an organization’s needs, challenges, and goals.

This article presents the findings of a study of the ways in which North Carolina municipalities distribute responsibility for the numerous essential HR functions. The allocation of HR functions is fundamental to management because it clarifies the roles and the responsibilities of managers. Also, different arrangements of HR responsibility have different benefits and challenges. Understanding the distribution of HR functions answers the question, Who is responsible?²

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Different arrangements of HR responsibility have different benefits and challenges. Understanding the distribution of HR functions answers the question, Who is responsible?



JOHN L. WHITE / NEWS & OBSERVER

Models of Human Resource Authority

Centralization versus decentralization is a seminal debate in public administration and public management.³ It is particularly relevant to management and distribution of HR functions.

Historically, centralization of authority in an HR office has been the preferred model.⁴ Centralization has been thought to ensure consistency in the delivery of HR services, to promote efficiency gains through economies of scale, to preclude undue partisan influence on employees, and to delineate the roles of a central

HR office and multiple municipal departments.⁵

At the other end of the continuum is a decentralization of functions. This arrangement gives department managers increased authority over and flexibility in management functions and thus allows them to tailor HR practices to department needs.⁶

Recently the concept of shared responsibility between an HR office and a municipal department has gained attention as an innovative way to distribute HR responsibility.⁷ Sharing enjoys the benefits of centralization, including economies of scale and consideration of broad governmental concerns, while reaping the advantages of customization for different municipal departments.

Table 1. Current Distribution of HR Management Functions

Function	Centralized		Shared		Decentralized		Other	
	Responses	Percent	Responses	Percent	Responses	Percent	Responses	Percent
RECRUITMENT & TESTING								
Advertising open positions	16	89	0	0	0	0	2	11
Developing recruitment plan	5	28	5	28	8	44	0	0
Screening applications	4	22	3	17	11	61	0	0
Interviewing candidates	0	0	2	11	16	89	0	0
Developing tests	2	11	4	22	11	61	1	6
Administering tests	3	17	2	11	12	67	1	6
Scoring tests	2	11	3	17	13	72	0	0
HIRING								
Establishing list of qualified candidates	4	22	2	11	12	67	0	0
Conducting reference checks	0	0	4	22	14	78	0	0
Making appointment decisions	3	17	0	0	12	67	3	17
Making job offers	1	6	1	6	15	83	1	6
Putting new employees on payroll	17	94	0	0	0	0	1	6
ORIENTATION								
Coordinating benefits info/sign-up	17	94	0	0	1	6	0	0
Developing orientation	15	83	3	17	0	0	0	0
Conducting orientation	15	83	2	11	1	6	0	0
TRAINING								
Developing department training	1	6	3	17	13	72	1	6
Conducting department training	1	6	4	22	13	72	0	0
Evaluating training & courses	0	0	4	22	11	61	3	17
Tracking training & courses	3	17	5	28	9	50	1	6
PERFORMANCE EVALUATION								
Developing PA instruments	11	61	4	22	3	17	0	0
Administering PA instruments	0	0	2	11	16	89	0	0
Establishing performance expectations	0	0	3	17	14	78	1	6
Determining compensation	7	39	1	6	7	39	3	17
Determining promotions	0	0	2	11	13	72	3	17
PLANNING & ANALYSIS								
Conducting pay studies	14	78	0	0	0	0	4	22
Doing workforce planning	5	28	6	33	3	17	4	22
Conducting job analyses	12	67	1	6	1	6	4	22

Note: The sample size is 18. Also, percentages may not add up to 100 because of rounding.

Research Questions and Methodology

Although there is no one best way to distribute HR functions, municipal officials can learn lessons and gain insights from an understanding of how other municipalities distribute responsibility. By asking the questions, What is the current distribution of HR functions? and What is the ideal distribution of HR functions? the survey reported in this article examined practices and preferences in North Carolina municipalities. Also, to provide additional insight into the relationship, the survey sought information on respondents' satisfaction with HR functions and the current distribution.⁸

The survey asked respondents to indicate who in their municipality has primary responsibility for twenty-six HR functions, which can be grouped into six broad categories:

- Recruitment and testing
- Hiring
- Orientation
- Training
- Performance evaluation
- Planning and analysis

I gathered data from HR directors, fire chiefs, planning directors, and public works directors.⁹ Because organizational dimensions and the complexity of HR functions vary according to the

size of the municipality, I included only the twenty cities with populations between 25,000 and 125,000.¹⁰ Of these I excluded two that did not have the four surveyed departments, because I wanted comparability. The resulting size of the sample was eighteen.

In all eighteen municipalities, one or more officials from the four surveyed departments responded to the survey. Three municipalities had a 100 percent response rate (that is, all four officials responded), eight a 75 percent response rate, six a 50 percent response rate, and one a 25 percent response rate. In total, there were forty-nine respondents, for an overall response rate of 68 percent.

For each HR function, I asked respondents to indicate whether respon-

sibility was with the HR department, a municipal department, a vendor, or another source. Responses were not mutually exclusive, so respondents could mark any combination of responsibility and thus reflect the extent to which responsibility is distributed and the variety of different ways in which it can be constructed.¹¹ I also asked fire, planning, and public works departments to indicate their satisfaction levels with the HR department and the current distribution of HR functions, in general. I analyzed the data at the individual, municipal, and department levels to determine how distribution of responsibility was perceived from various perspectives.

Findings

Finding 1: Currently, most HR functions are decentralized to municipal departments.

In mid-sized North Carolina municipalities, the majority of HR functions (65 percent) are decentralized to departments. A smaller set of HR functions is centralized, and responsibility for one function is shared.¹² (For a breakdown of these findings, see Table 1, page 33.)

Municipalities reported that six of seven recruitment-and-testing functions are typically decentralized to municipal departments. Only one function is commonly centralized: advertising open positions. An explanation for this is that municipalities probably are taking advantage of economies of scale. Centralizing advertising in the HR office is less expensive than having each department manage the function. Developing a recruitment plan, screening applications, interviewing job candidates, developing tests, administering tests, and scoring tests all are typically department responsibilities. The decentralization of these functions is consistent with literature suggesting that decentralization allows managers to adapt to changing recruitment challenges and gives managers discretion to match recruitment and testing to their departments' specific needs.¹³

Eighty percent of hiring functions are typically decentralized, including establishing a list of qualified candidates, conducting reference checks, making appointment decisions, and making job



Training for new firefighters includes suiting up in two minutes' time.

offers. The decentralization of these functions provides more accountability to departments and gives managers more discretion in whom they hire.¹⁴ The only hiring function that is usually centralized is putting new employees on the payroll. An explanation for the centralization of this function is that it is a purely administrative one, specific to the HR office's area of knowledge and expertise.

The one category that was typically centralized was orientation functions, including coordinating benefits information and sign-up, developing new employee orientation, and conducting new employee orientation. These are administrative and technical functions related to orientation. It can be inferred that orientation is centralized because of the need to present basic information consistently to new hires, including organization-wide policies and information. Centralization promotes standardization, stability, and predictability.¹⁵

By contrast, all training functions—developing, conducting, evaluating, and tracking—are primarily decentralized. The decentralization of training gives municipal departments the discretion to develop, conduct, and evaluate training in specific department functions, as needed.¹⁶

Performance evaluation functions tend to be decentralized, although the development of performance appraisal instruments often is centralized, probably because of the specificity and the expertise required. Also, the need for consistency and equity in evaluation makes centralized development of performance appraisal instruments more likely. Decentralized functions typically include administering performance appraisal instruments, establishing performance expectations, and determining promotions. Decentralizing performance evaluation functions is consistent with literature suggesting that giving this authority to department managers is most effective because managers are on the front lines and best able to evaluate employee performance.¹⁷

For one function in this category, determining compensation, distribution of authority is divergent. Thirty-nine percent reported that it is centralized, 39 percent that it is decentralized, and 17 percent that it is the responsibility of "other," probably the municipal manager. Only 6 percent reported shared re-

sponsibility. Most likely, the responses vary so much because many people in an organization take a keen interest in this topic.¹⁸

Planning-and-analysis functions are typically centralized or shared. Centralized functions usually include conducting pay studies and job analyses. The

only function that a majority of municipalities reported as shared is doing workforce planning. One explanation for centralized or shared responsibility is that planning-and-analysis functions are focused on long-term municipal goals and strategies. HR personnel may be best suited to think strategically about human capital management in

The decentralization of training gives municipal departments the discretion to develop, conduct, and evaluate training in specific department functions, as needed.

Table 2. **Ideal Distribution of HR Management Functions**

Function	Centralized		Shared		Decentralized		Other	
	Responses	Percent	Responses	Percent	Responses	Percent	Responses	Percent
RECRUITMENT & TESTING								
Advertising open positions	47	96	0	0	2	4	0	0
Developing recruitment plan	21	43	13	27	15	31	0	0
Screening applications	15	31	12	24	20	41	2	4
Interviewing candidates	3	6	9	18	37	76	0	0
Developing tests	6	12	9	18	25	51	9	18
Administering tests	13	27	9	18	23	47	4	8
Scoring tests	14	29	5	10	22	45	8	16
HIRING								
Establishing list of qualified candidates	12	24	11	22	25	51	1	2
Conducting reference checks	13	27	7	14	26	53	3	6
Making appointment decisions	2	4	7	14	39	80	1	2
Making job offers	9	18	2	4	38	78	0	0
Putting new employees on payroll	36	73	4	8	7	14	2	4
ORIENTATION								
Coordinating benefits info/sign-up	45	92	3	6	1	2	0	0
Developing orientation	34	69	12	24	2	4	1	2
Conducting orientation	31	63	13	27	2	4	3	6
TRAINING								
		11						
Developing department training	6	12	10	20	30	61	6	12
Conducting department training	2	4	7	14	31	63	9	18
Evaluating training & courses	4	8	14	29	27	55	4	8
Tracking training & courses	9	18	11	22	25	51	4	8
PERFORMANCE EVALUATION								
Developing PA instruments	18	37	14	29	10	20	7	14
Administering PA instruments	3	6	7	14	39	80	0	0
Establishing performance expectations	1	2	9	18	37	76	2	4
Determining compensation	15	31	9	18	20	41	5	10
Determining promotions	1	2	7	14	40	82	1	2
PLANNING & ANALYSIS								
Conducting pay studies	34	69	4	8	1	2	10	20
Doing workforce planning	14	29	16	33	17	35	2	4
Conducting job analyses	20	41	13	27	8	16	8	16

Note: The sample size is 49. Also, percentages may not add up to 100 because of rounding.

relation to an organization's goals. However, they need department information and involvement to complete planning, so they work with municipal departments to obtain these benefits.¹⁹

Finding 2: There is some disagreement within municipalities on the current distribution.

Under the previous finding, I discuss how responsibility for HR functions is distributed within a municipality on the basis of an aggregate analysis. Survey findings also can be analyzed for the level of agreement among respondents from the same municipality. The municipality still is used as the unit of analysis, but the variation in responses is captured. This type of analysis allows for greater understanding of whether there

is consensus or confusion within a municipality on who is responsible, regardless of what the identified current distribution is.

There is disagreement on the current distribution of responsibility for some HR functions. Twelve of the twenty-six functions lacked complete agreement on how responsibility is currently distributed.²⁰ The eight functions on which a third or more of the municipalities surveyed had no agreement on the current distribution (zero percent of respondents within a municipality identifying the same distribution) included (in order of the percentage of municipalities reporting) doing workforce planning, determining compensation, conducting reference checks, screening applications, conducting job analyses, developing a

recruitment plan, developing tests, and establishing a list of qualified candidates. This finding is important because many of the functions involved are strategic or long-term planning components of workforce composition and development.

The seven functions on which a majority of municipalities had perfect agreement on current distribution (100 percent of respondents within a municipality recognized the same distribution) included (again, in order of the percentage of municipalities reporting) advertising open positions, coordinating benefits information and sign-up, interviewing candidates, making job offers, making appointment decisions, developing orientation, and conducting pay studies. This finding is noteworthy because most

of these functions are administrative or procedural.

Finding 3: Despite similarities between perceptions of the current and ideal distributions, respondents want more shared responsibility.

In general, respondents' views of the current distribution of HR responsibilities were similar to their views of the ideal distribution.²¹ (For a breakdown of the findings on ideal distribution, see Table 2, page 35.) The biggest difference in perceptions was in shared responsibility, many respondents favoring more in the following six functions: administering tests, establishing a list of qualified candidates, interviewing candidates, making appointment decisions, doing workforce planning, and conducting job analyses.

Finding 4: There is some disagreement within municipalities on the ideal distribution.

As in finding 2, variation in responses on ideal distribution was captured by looking across individual responses within each municipality. For seven functions, a majority of municipalities had no agreement on the ideal distribution: determining compensation, doing workforce planning, conducting job analyses, developing a recruitment plan, establishing a list of qualified candidates, tracking training and courses, and developing performance appraisal instruments (in order of the percentage of municipalities reporting).

The functions that had a majority of municipalities in perfect agreement on the ideal distribution included advertising open positions; coordinating benefits information and sign-up; interviewing candidates; making job offers; and making appointment decisions (in order of the percentage of municipalities reporting).

Finding 5: The ideal distribution varies by department.

The ideal distribution of HR functions varies across the four departments surveyed (HR, fire, planning, and public works). For some functions there is greater consensus among the same departments in different municipalities than among different departments in the same municipality. HR respondents

would ideally centralize one-half, share one-fourth, and decentralize one-fourth of all functions. Fire, planning, and public works departments would ideally centralize one-third of functions and decentralize two-thirds. Although the specific functions vary, this similarity indicates that municipal departments want to have more responsibility for HR functions, whereas HR directors see a need for greater HR department involvement.

Finding 6: Respondents are satisfied with the current distribution of HR services.

Respondents were asked about their satisfaction with the current distribution of responsibility and with HR functions in general. A majority agreed that the current distribution of HR functions is effective. This finding is noteworthy, considering that there are differences between the identified current distribution and the perceived ideal distribution, as indicated earlier. Also noteworthy is that an overwhelming majority of respondents are satisfied with their HR department and HR services in general.

Recommendations

On the basis of these survey findings, three recommendations can be made to municipal managers who wish to clarify and improve roles and responsibilities for HR services.

Recommendation 1: Clarify responsibility for HR functions.

Currently there is some confusion or disagreement on who is responsible for various HR functions within municipal-



The biggest difference in perceptions was in shared responsibility, many respondents favoring more in the following six functions: administering tests, establishing a list of qualified candidates, interviewing candidates, making appointment decisions, doing workforce planning, and conducting job analyses.

ities, as shown in finding 2. This is problematic. In a worst-case scenario, no one is responsible, or there is extensive duplication. Municipalities should determine and communicate clearly who has responsibility for the various HR functions.

Responsibility for strategic planning functions is the most misunderstood. One explanation could be that these functions are rarely done.

Recommendation 2: Fine-tune distribution of responsibility.

Despite the identified need for additional clarification on responsibility for HR functions, finding 6 showed that for many North Carolina municipalities, department heads perceive the current distribution to be effective. Given this, managers should fine-tune distribution as needed but not completely overhaul the arrangement of

responsibility for HR functions.

As shown in finding 1, currently all three models of distribution—decentralization, centralization, and shared responsibility—are employed. The majority of functions are currently decentralized, and many respondents perceived that to be ideal. Decentralization provides for management discretion and responsibility within departments and allows managers to make personnel decisions within the department.

Centralization and shared responsibility also are found in North Carolina municipalities. As noted earlier, centralization allows for economies of scale, technical knowledge and expertise of specific HR practices, and consistent and reliable HR service. Additionally, some HR functions, such as developing performance appraisal instruments, must

be centralized for legal or compliance reasons. Sharing combines the benefits of decentralization and centralization and allows the HR office to work directly with the municipal department on a particular function.

So, although decentralization of responsibility for some functions may be preferred, centralized or shared responsibility also is appropriate or even preferred. Municipalities should consider the type of function, the staffing capabilities, and the strategic goals of the organization when deciding whether or not a function should be decentralized, centralized, or shared.

Recommendation 3: Consider more shared responsibility for some HR functions.

Although respondents are generally happy with the current distribution, finding 3 shows increased interest in sharing responsibility for some HR functions, most notably planning-and-analysis functions. Given this finding, HR offices and municipal departments should evaluate the possibility of working together to identify the functions that would benefit from shared responsibility. These may be functions that are of particular importance to a department, or functions that are identified weaknesses for a department. Sharing responsibility allows an HR department to share its technical knowledge and expertise with departments and can lessen an HR department's responsibility for administrative functions that could be managed better by individual departments. However, procedural or legal HR functions most likely need to remain centralized.

Generally, municipalities should evaluate the best way to distribute responsibility. This should include an evaluation of when shared responsibility might be preferable. It should be done on a function-by-function basis, depending on the identified needs, challenges, and goals of the departments and the municipality.

Notes

1. JAMES A. BUFORD JR. & JAMIS R. LINDNER, *HUMAN RESOURCE MANAGEMENT IN*

LOCAL GOVERNMENT 5 (Cincinnati, Ohio: South-Western Inc., 2002).

2. Sally Selden et al., *Human Resource Practices: Findings from a National Survey*, 61 *PUBLIC ADMINISTRATION REVIEW* 598 (2001). HR has been studied from at least four perspectives: the management functions that comprise the field; the processes by which public jobs are allocated; the interaction among fundamental societal values that conflict over who gets public jobs; and the human resource systems in public organizations. HR refers to the policies, systems, and practices that influence employees' behaviors, attitudes, and performance. For example, an organizational structure that contributes to slow hiring processes, poor employee-training programs, or inadequate performance-appraisal systems can have an adverse effect on a municipality.

3. Carolyn Ban, *Toward Strategic Human Resource Management: The Changing Role of the Personnel Office*, in *HANDBOOK OF HUMAN RESOURCE MANAGEMENT IN GOVERNMENT* 6, 19 (Stephen E. Condrey ed., San Francisco: Jossey-Bass, 1998).

4. Centralization of HR services also was thought to be a way of making government more businesslike. BUFORD & LINDNER, *HUMAN RESOURCE MANAGEMENT* chap. 5, *Paths to Performance in State and Local Government*.

5. An indicator of centralized control is central authority for recruiting, testing, and hiring functions. See *id.*

6. *Id.*

7. *Id.*

8. The survey was adapted from a 2001 Government Performance Project survey. The Government Performance Project is a six-year research initiative of the Maxwell School of Citizenship and Public Affairs, Syracuse University, evaluating the management capacity of federal, state, and local government entities.

9. I surveyed HR directors because of their titled responsibility for HR functions (94 percent response rate), fire chiefs to provide the perspective of a public safety department (78 percent response rate), and planning directors and public works directors to provide the perspectives of line departments (50 percent and 44 percent response rates, respectively). Each municipal department offers a unique perspective based on its varied responsibilities within a municipality. The selection of these departments also provides the perspective of HR department "customers" within municipalities.

10. Interview with Becky Veazey, President of Management and Personnel Services, in Chapel Hill, N.C. (Oct. 2003). The study includes all North Carolina municipalities within this range, for a total of eighteen. Some smaller municipalities do not have a dedicated HR department. Some larger municipalities rely on satellite HR staff in municipal

departments and therefore have distribution issues that are common only to the largest municipalities. Cities within the range that did not have the four surveyed departments were excluded.

11. When I had collected all the responses, I condensed and recoded the data according to the standard terms "centralized," "shared," "decentralized," and "other." This allowed for comparisons among municipalities on how HR functions are distributed. To determine the current distribution of HR functions, I assumed that the function can be distributed in only one way ($n = 18$). To determine the ideal distribution of HR functions, I considered all responses ($n = 49$) because all respondents had an opinion.

12. The current distribution was identified by looking at total responses from each municipality and identifying the distribution most frequently cited, or the one cited by the HR department. For this finding, results are reported on the municipal level ($n = 18$).

13. BUFORD & LINDNER, *HUMAN RESOURCE MANAGEMENT* chap. 5.

14. Steven W. Hayes, *Staffing the Bureaucracy*, in *HANDBOOK OF HUMAN RESOURCE MANAGEMENT IN GOVERNMENT*, at 298.

15. BUFORD & LINDNER, *HUMAN RESOURCE MANAGEMENT* chap. 5.

16. Donald E. Klingner & John Nalbandian, *Doing Public HR in the United States*, in *PUBLIC PERSONNEL MANAGEMENT: CONTEXTS AND STRATEGIES* 35 (5th ed., Upper Saddle River, N.J.: Prentice Hall, 2003).

17. Donald E. Klingner & John Nalbandian, *Strategic Thinking about Human Resources Management*, in *PUBLIC PERSONNEL MANAGEMENT*, at 62.

18. BUFORD & LINDNER, *HUMAN RESOURCE MANAGEMENT* chap. 2.

19. Klingner & Nalbandian, *Strategic Thinking*.

20. Data analyses showed how many municipalities had 100 percent, 75 percent, 67 percent, 50 percent, or 0 percent agreement on the current distribution. To determine the level of agreement, all respondents' answers were compared within each municipality to see how many respondents from the total within a city (e.g., three of four, or two of three) agreed. The total numbers of municipalities with 100 percent agreement, 75 percent, etc., were compared and tallied. Tables detailing this finding and findings 3-6 are available from me at kirst_o@hotmail.com.

21. For this finding, I tallied all responses from all respondents to determine how many respondents preferred which distribution for each HR function. I then compared the responses favoring the current distribution with those favoring the ideal distribution to show any similarities or differences.



ALL PHOTOGRAPHS OF THE DEDICATION CELEBRATION ARE BY STEVE EULIM



School Dedicates Knapp-Sanders Building

The historic mandate of the School of Government at UNC at Chapel Hill is to support and train the state's government officials. On September 10, 2004, hundreds of these officials and other public leaders from across the state came to Chapel Hill to celebrate the dedication of the Knapp-Sanders Building, the newly renovated and expanded facility that houses the School.

Speakers at the dedication included Chancellor James Moeser; Richard "Stick" Williams, chair of the University's Board of Trustees; N.C. Senator Marc Basnight; N.C. Representatives Joe Hackney and David Miner; Franklin Freeman, senior assistant for governmental affairs for Governor Mike Easley; and Michael Smith, dean of the School of Government.

"The School of Government remains at the forefront of this University's strong record of service to the people of North Carolina and beyond," said Moeser.

"I commend the leadership, both past and present, for the vision and dedication that have established the Institute and School as national models. The School of Government is a shining example of how our faculty makes a difference in the lives of citizens."

Construction on what was formerly the Knapp Building (named for the late Joseph Palmer Knapp, an early and instrumental supporter of the Institute of Government) began in 1998. The new building nearly doubles the previous space, from 65,000 square feet to 126,000.

The expanded facilities include twenty-one classrooms, an improved and enlarged library, a bookstore for the School's many publications, and a new dining area that allows catered meals for up to 124 people. The central features of the building are a three-story atrium adjacent to the largest classrooms and a landscaped courtyard garden that can be used for informal meetings, networking, and receptions.

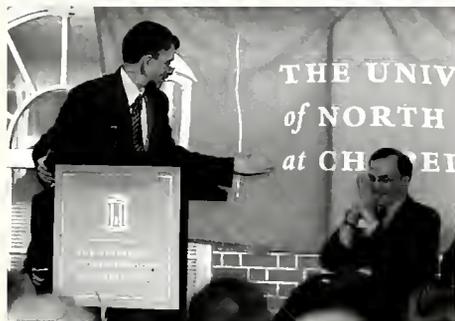
Funding was provided by General Assembly appropriations totaling

\$15.8 million, UNC at Chapel Hill construction funds for repairs and renovations totaling about \$3.8 million, and \$4 million in private funds.

The School of Government is the largest university-based local government training, advising, and research organization in the nation, annually offering more than 200 classes, seminars, schools, and specialized conferences for up to 14,000 public officials. The School's highly ranked two-year Master of Public Administration Program serves up to 60 students annually.

The number of people served increased each year, said Smith, eventually forcing the School to use other area meeting facilities, some off campus, to serve its constituency fully. The expanded and renovated Knapp-Sanders Building now provides adequate space and new technology to support the educational programs—and proximity to faculty members on site.

"The new and renovated teaching spaces allow us to use adult education approaches that we couldn't use before," said Smith, "and they allow us to accommodate more people. We have better



(Top left) Ann and John Sanders dedicating the Knapp-Sanders Building; (top right) Senator Marc Basnight; (middle left) Chancellor James Moeser; (middle right, left to right) Dean Michael Smith, Representative David Miner, Governor Mike Easley's adviser Franklin Freeman, Representative Joe Hackney, Moeser, Stick Williams, and Basnight; (bottom left, left to right) Hackney, Smith; (bottom center) Freeman; (bottom right) Susan and Tom Ross of Winston-Salem dedicating the Ross Patio in honor of the officials and the employees of North Carolina's court system.

environments, quiet spaces for study and small discussions, and our new Mengel Garden—a variety of creative space to stimulate learning and conversation.”

The School of Government, formerly known as the Institute of Government, was founded by UNC at Chapel Hill law professor Albert Coates in 1931 as a private institution. It became a part of the University in 1942. Coates directed the Institute until 1962, when John Sanders succeeded him. Henry Lewis directed

the Institute from 1973 to 1978, and Sanders served again from 1979 to 1992. Smith became director in 1992.

The expanded building was dedicated formally as the Knapp-Sanders Building in honor of Sanders's twenty-four years of leadership. Sanders and his wife, Ann, participated in the building's ribbon cutting.

Elected officials, city and county managers, finance directors, purchasing agents, judges and other court officials, attorneys, information services directors,



(Top left) Jane Preyer and Mary Norris Preyer Oglesby dedicating the new L. Richardson and Emily H. Preyer North Carolina Legislative Archives room in the School's library; (top right) Kay Blanchard, president of the N.C. County Clerks Association, cutting the ribbon dedicating the new seminar room hall; (middle) the School's new bookstore; (bottom) Joe Ketchie of Iredell County talking with Alex Hess, the School's librarian, near the library's new display shelves.

budget directors, school officials, and a wide array of other public managers and employees regularly consult with School faculty and staff on issues of law and administration of government.

"Officials have been so supportive," Smith said. "They are our partners, and we have an amazing relationship with them. For many, it's their home that's being dedicated, and that's just great."

For more information on the School of Government, go to www.sog.unc.edu.

Weidemaier and Upshaw Join School Faculty

Mark C. Weidemaier joined the School faculty in July 2004. He is an assistant professor of public law and government, specializing in civil procedure. Earlier, Weidemaier clerked for Judge Dolores K. Sloviter of the U.S. Court of Appeals for the Third Circuit.

He then practiced law with Dechert LLP in Philadelphia, where he represented both plaintiffs and defendants before state and federal courts, as well as in various forms of alternative dispute resolution. His practice focused on complex commercial disputes, including breach-of-contract cases, consumer fraud and securities class actions, and bankruptcy litigation.

Weidemaier earned his B.A. cum laude from Carleton College in Northfield, Minnesota, and his J.D. summa cum laude and Order of the Coif from the University of Minnesota Law School, where he served as note and comment editor of the law review. He can be reached at (919) 843-3914 or weidemaier@iogmail.iog.unc.edu.



VERONICA BELLAMY



VERONICA BELLAMY

Vaughn M. Upshaw joined the School faculty in August 2004 as a lecturer, specializing in public leadership and governance. Most recently,

Upshaw was the director of the Public Health Leadership Doctoral Program in the School of Public Health at UNC at Chapel Hill. Before taking that position, she spent seven years as a clinical assistant professor in the Department of Health Policy Analysis and Administration in the School of Public Health, developing, teaching, and managing residential, executive, and distance-learning courses for doctoral, master's, and undergraduate students. She has served as a member of the Chatham County Board of Health and as the executive director of the Association of North Carolina Boards of Health.

Upshaw holds a B.A. from Ohio Wesleyan University, an Ed.D. from North Carolina State University, and a D.P.H. from UNC at Chapel Hill. She can be reached at (919) 966-9982 or upshaw@iogmail.iog.unc.edu.

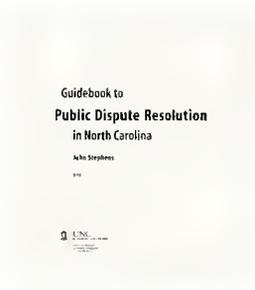
—Erin Higgins

Off the Press

Guidebook to Public Dispute Resolution in North Carolina

John B. Stephens

2004 • Contact the Publications Sales Office for price information.



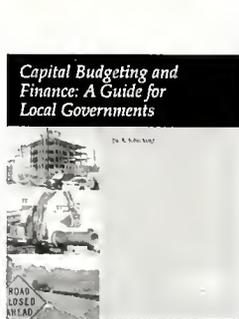
Presents relevant, timely, and reliable information for anyone interested in public dispute resolution in North Carolina. Discusses the benefits and the limitations of using mediators in public disputes and how to determine when an impartial third party can be helpful. Includes case summaries of North Carolina public disputes, guidelines for selecting an impartial third party, a directory of potential public dispute mediators and facilitators, and additional reading and resources for people interested in strengthening their mediation and facilitation skills.

Capital Budgeting and Finance: A Guide for Local Governments

A. John "Jack" Vogt

2004 • \$65.00*

Published by the School of Government and the International City/County Management Association.

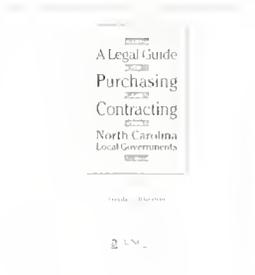


An up-to-date, comprehensive how-to manual for planning and financing capital projects. Clearly explains capital budgeting approaches and methods, especially for local jurisdictions under 200,000 in population. Is a valuable resource for city and county managers, finance and budget officials, planning directors, public works administrators, and other officials involved in decisions to meet public infrastructure and facility needs. Presents accepted and successful policies and practices from across the country, including many North Carolina illustrations. Describes key steps, including identifying projects, planning and setting projects in priority order, developing a capital finance strategy, paying for projects, and structuring and selling debt.

Legal Guide to Purchasing and Contracting for North Carolina Local Governments

Frayda S. Bluestein

Second edition, 2004 • \$38.00*



Describes legal requirements for North Carolina local government contracts in a question-and-answer format. The appendix includes the text of the major statutes governing purchasing and contracting, as well as reprints of articles on the "piggybacking" exception and the "responsiveness" requirement in evaluating bids. The second edition has been revised to include legal requirements for local school units, which now are subject to the procedures explained in the book. A convenient, removable "Dollar Thresholds" chart also is included.

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