NORTH CAROLINA'S RESOURCE FOR PUBLIC OFFICIALS

Popular Government

In This Issue

Transforming Trailers into Assets

Also

Rewarding Accountability with Flexibility

Best Practices in Using the Internet

Building Nonprofits' Viability

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."

UNC SCHOOL OF GOVERNMENT

School of Government, UNC at Chapel Hill

Established in 1931, the Institute of Government provides training, advisory, and research services to public officials and others interested in the operation of state and local government in North Carolina. The Institute and the University's Master of Public Administration Program are the core activities of the School of Government at The University of North Carolina at Chapel Hill.

Each year approximately 14,000 public officials and others attend one or more of the more than 200 classes, seminars, and conferences offered by the Institute. Faculty members annually publish up to fifty books, bulletins, and other reference works related to state and local government. Each day that the General Assembly is in session, the Institute's *Daily Bulletin*, available in print and electronic format, reports on the day's activities for members of the legislature and others who need to follow the course of legislation. An extensive website (www.sog.unc.edu) provides access to publications and faculty research, course listings, program and service information, and links to other useful sites related to government.

Operating support for the School of Government's programs and activities comes from many sources, including state appropriations, local government membership dues, private contributions, publication sales, course fees, and service contracts. For more information about the School, the Institute, and the MPA Program, visit the website or call (919) 966-5381.

Popular Government

ADAM RUST/COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA

ON THE COVER: *Santiago Avila sits on the concrete berm of a highway overpass, from which he can see his community, Dreamland, a mobile home park on the outskirts of Sanford, North Carolina. Dreamland represents both the good and the bad of such parks in North Carolina. Inset: Some mobile homes in Dreamland. Credit: Adam Rust/Community Reinvestment Association of North Carolina.*

Cover Article

Feature Articles

Departments

In Memoriam: Henry Wilkins Lewis (1916–2004)

After Albert Coates, few people have been as important to the success of the Institute of Government as Henry Wilkins Lewis. He served as a faculty member from 1946 to 1979 and as director from 1973 to 1979.

Day by day, year by year, Lewis established the traditions and the standards that came to define the Institute: a telephone call should be returned by the end of the day; an inquiry from the smallest town merits the same attention and timely response as one from the governor; Institute publications should be absolutely reliable—90 percent is not

close enough; and an Institute faculty member acts not solely as an individual but as a representative of the Institute and UNC at Chapel Hill—everyone here is engaged in a collegial enterprise.

Lewis graduated from UNC at Chapel Hill in 1937; earned his law degree from Harvard in 1940; practiced law in his hometown of Jackson, North Carolina, for one year; and then served four and one-half years in the U.S. Army.

He joined the small faculty of the rejuvenated Institute in 1946 and worked for most of his career in election law and the property tax. He became the preeminent authority on both subjects, teaching hundreds of public officials and writing many significant legal publications. He served as staff lawyer and draftsman to numerous legislative study commissions that examined and rewrote

North Carolina's election and tax statutes. In 1949, 1951, and 1953, he directed the Institute's Legislative Reporting Service, in Raleigh.

In 1968–69, on leave from the Institute, he served as a vice-president of UNC.

Lewis finished his Institute career as director, serving until his retirement from the faculty in 1979.

To all these professional activities, he brought the same qualities: a strong and well-informed intelligence; a careful, precise, yet fluent writing style; a perfectionist's eye for slipshod work; uncommon social graces; and an encyclopedic knowledge of North Carolina history and politics.

Lewis in various years of his life; opposite page, middle, (second from right) with a group of Institute faculty in the 1940s; bottom, (left) with Albert Coates (center) and John Sanders (right) in the 1980s.

His contributions to the University extended beyond the Institute. He served for twenty-one years as a member of the Advisory Board of the Ackland Art Museum and for twelve years as a member of its Visiting Committee. He was a life member of Friends of the UNC Library and a Wilson Library Fellow.

For his distinguished work at the University, he received numerous honors:

- Appointment as Kenan Professor of Public Law and Government, in 1975

- Recipient of the Distinguished Service Award from the North Carolina League of Municipalities, in 1979

- Establishment of the Henry W. Lewis Award in his honor by the North Carolina Association of Assessing Officers, in 1980

- Recipient of the Distinguished Service Medal from the University General Alumni Association, in 1993

- Dedication of the Henry W. Lewis classroom in the renovated Knapp-Sanders Building, in 2004

I joined the Institute of Government faculty in 1965 and was assigned to work with Henry in the property tax field. During my second week on the job, he asked me to come to his office to consult with him. I imagined that he wanted to discuss some especially complex tax statute. He handed me a manuscript and asked me to help him proofread it—I was to read aloud. Among other things, the manuscript listed all of North Carolina's 100 counties. About halfway through the exercise,

though deflated, I saw the point: Henry was going to be sure that I, a Missourian transplanted to North Carolina by way of Tennessee, could correctly pronounce each county's name so as not to embarrass either myself or the Institute. First things first.

We worked together in the tax field until 1973, when he became director. He was, simply put, a great friend and a superb mentor. He was demanding but patient; when we disagreed, he would allow that I was right, if indeed I was. He was a master teacher. Like many effective and memorable teachers, he was a good storyteller, and he had interesting stories to tell—about the Army, Harvard Law School and Lincoln's Inn (a law society at Harvard), his grandfather Lewis, and other Lewis and Wilkins ancestors.

After he retired from the Institute in 1979, we met once a week for lunch at one of the three or four restaurants in Chapel Hill and Carrboro that he found acceptable. His interest in the University and North Carolina history and politics never flagged. At lunch a week before he died at the age of eighty-eight, he wanted to talk about whether state election statutes supported a partial new election for commissioner of agriculture in Carteret County and what a remarkable institution the old Carolina Inn cafeteria was.

He was a major builder of the Institute. He was a discriminating and generous patron of the arts and the University's libraries. He was loyal and generous to his schools. He was a leading churchman in the Chapel of the Cross and the Episcopal Diocese of North Carolina.

His work as a University faculty member and administrator exemplified the words that Justice Oliver Wendell Holmes addressed to the Harvard College class of 1861, at its fiftieth reunion, on the highest meaning of service: "To see so far as one may and to feel the great forces that are behind every detail, to hammer out as compact and solid a piece of work as one can, to make it first rate, and to leave it unadvertised."

—William A. Campbell, Gladys Hall Coates Professor of Public Law and Government Emeritus

Transforming Trailers into Assets

Peter Skillern and Tanya Wolfram

The name Dreamland expressed residents' hopes of what the park could be and perhaps was at one time—a community of well-kept manufactured homes (colloquially known as mobile homes) bought by working people trying to live the American dream. Instead it became the epitome of everything a community dreads—rusting single-section trailers nearly touching each other, vacant and boarded-up homes, problems with crime.

But through redevelopment, improvements in infrastructure, and nonprofit ownership, Dreamland still could become the neighborhood its name evokes.

Although some critics of manufactured housing wish it would just disappear, it is an important source of affordable housing throughout the country and even more so in the rural South, where the majority of manufactured homes are located. In North Carolina, manufactured homes make up 16.4 percent of living units and house more than 1.3 million people.[1] During the 1990s, manufactured housing accounted for 40 percent of the new housing starts in North Carolina.[2]

At the time this article was written, the authors were executive director and director of research, respectively, of the Community Reinvestment Association of North Carolina. Wolfram now is senior analyst, Cherokee Northeast, LLC (East Rutherford, N.J.). Contact them at peter@cra-nc.org and tanya.wolfram@cherokeene.com.

The nation needs to recognize manufactured housing as a legitimate option for homeownership and an avenue for building vibrant neighborhoods and communities.

In America, property ownership, particularly homeownership, always has conveyed status. Owning a home is a critical part of attaining the American dream. Today, government policies and popular culture continue to view owning a home as a measure of personal success.

However, not all homes or forms of homeownership are treated equally by lenders, governments, and society. Although ownership of manufactured homes is becoming increasingly common in the United States, purchasers of such homes often do not enjoy the same rights and benefits as other homeowners. A family that buys a manufactured house has substantively different privileges, protections, and opportunities than one owning a site-built house.

Recently there has been a movement to acknowledge the role of manufactured housing in providing affordable housing and to concentrate on the opportunities that manufactured housing offers as part of a wealth-building strategy. The nation needs to recognize manufactured housing as a legitimate option for homeownership and an avenue for building vibrant neighborhoods and communities. The nation also needs to realize that redevelopment and nonprofit management of "land-lease communities"—communities where the homeowner owns the home but rents the lot—can play a role in promoting community development; creating safe, clean neighborhoods; and building homeowner wealth.

This article discusses the growth of manufactured housing and its importance in providing affordable housing. The

Children play on the highway berm above Dreamland, the mobile home park where they live, in Sanford, North Carolina.

ADAM RUST/COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA

article also identifies issues affecting consumers and the community. Finally, it recommends the rehabilitation of land-lease communities as a community development strategy to provide safe, affordable neighborhoods.

Manufactured Housing and Homeownership

Although manufactured housing began in the 1930s as part of the recreational vehicle industry, it soon became a form of permanent housing. Manufactured homes are built entirely in a factory, on a chassis with axles and wheels that allow it to be transported to a home site. Whereas site-built homes conform to state and local building codes, manufactured homes since 1976 have been built according to the code developed by the U.S. Department of Housing and Urban Development. That code preempts state and

local building regulations. (For some interesting facts about another type of housing, the modular home, see the sidebar on page 7.)

Manufactured homes are an important source of low-cost housing for many owners. In the United States today, nearly 7.2 million households, or 6.8 percent, live in manufactured homes. In the South, manufactured homes make up an even greater share of occupied housing stock. In 2003, 55 percent of all new manufactured homes were placed in the South, and 54 percent of all existing manufactured homes were found there.[3] In the same year, North Carolina was third behind Florida and Texas in the number of new manufactured home placements.

For many residents in rural parts of North Carolina, manufactured housing is the housing of choice. In 20 of North Carolina's 100 counties, it constitutes

more than 30 percent of the occupied housing stock (see Figure 1). Most of the counties with high concentrations of manufactured homes are outside the state's major metropolitan areas. Manufactured housing is found disproportionately in rural areas because of the difficulties and the costs of site-built construction at relatively scattered sites, the lack of alternative forms of affordable housing, and generally lower incomes. In addition, land-use policies and zoning restrictions limit the placement of manufactured homes at urban and suburban sites.

However, it is a mistake to think that manufactured housing is limited to rural communities. Manufactured housing may not constitute a large percentage of the total housing stock, but it is present in metropolitan areas. For example, in Wake County, one of North Carolina's most urban areas, there are more than 14,000 manufactured homes—the fifth-highest number in the state. In and near Asheville, in Buncombe County, there are more than 18,000. (See Table 1.)

Although the image of a beat-up, single-section trailer endures in the American imagination when the term "mobile home" is used, three-fourths of today's new manufactured homes are multisection structures with design features intended to resemble a conventional, site-built home. Many have pitched roofs, porches, and garages. They are placed on individual lots, in subdivisions, on urban and suburban "infill" lots (lots surrounded by existing development), and in land-lease communities. Nearly 70 percent of them are

on property outside a manufactured home community, nearly 20 percent in a manufactured home park or court, and 11 percent in a manufactured housing subdivision.[4]

The American Dream for Less

The most popular reason for purchasing a manufactured home is the price. In the 2001 American Housing Survey, more than 40 percent of owners who had recently moved into their manufactured homes ranked financial considerations as the main reason for their choice.[5]

To me, it was a cost thing.
—*Jennifer Thomas, Reidsville, N.C.*[6]

It is easy to see why manufactured housing is an attractive option to many buyers. In 2003 in the South, the average sales price of a manufactured home was $50,300. Single-section homes averaged $30,300, and double-section homes averaged $56,700. In contrast, the average sales price of a site-built home was $209,800.[7] The manufactured housing industry estimates the cost per square foot at $27.50 for a single-section home and $32.77 for a multi-section home. Comparable costs for a site-built home are $75.68 per square foot (not including land).[8]

The "Realness" of Real Estate

There are many differences between site-built homes and manufactured homes, including construction processes, building codes, and buying processes. A fundamental difference is rooted in their property classifications. Site-built homes always are treated as real estate, but manufactured homes often are treated as personal property. This difference affects how manufactured housing is sold, appraised, financed, sited, and regulated. It also has implications for tax revenue for local communities.

Property Classification
Real property stays in one place; personal property is mobile. How "real" is a manufactured home? All manufactured housing units begin as personal property. To be transported, they must

Figure 1. **Manufactured Homes as a Percentage of Total Housing Units, by County, North Carolina, 2000**
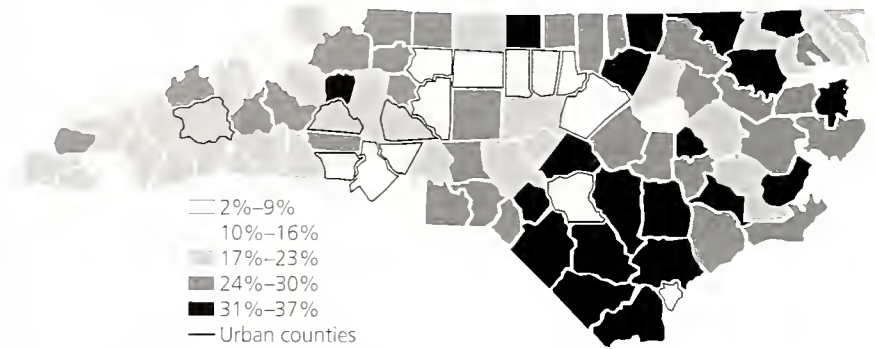
Legend:
- 2%–9%
- 10%–16%
- 17%–23%
- 24%–30%
- 31%–37%
- Urban counties

Source: Created by Tanya Wolfram using data from U.S. Census Bureau, Census 2000, Summary File 3, *H.30, Units in Structure,* available at http://factfinder.census.gov/.

be registered with a state's department of motor vehicles.

Yet, depending on how the unit is ultimately secured to real property (land), manufactured housing falls along a continuum of "realness." At one end are units that are placed on rental lots in parks and not secured to a permanent foundation. These are usually considered personal property. At the other end are multisection units placed on a permanent foundation, sited on land owned by the unit owners, and improved with the addition of a porch or a garage. These are more likely to be considered real property.

Do you think of yourself as a homeowner?   —*Interviewer*

Yes. We're borrowing the land, but the home is ours.
—*Al Williams, Reidsville, N.C.*[9]

Financing and Regulation
The difference between real property and personal property is the basis for the development of parallel financing systems for manufactured and site-built homes. Owners of manufactured homes typically pay more for credit and have fewer regulatory protections. (For a summary of the differences between real and personal property, and for remedies to put them on equal footing, see Table 2.)

Most manufactured homes, like cars, are bought from a dealer, and most are purchased with personal-property, or asset-backed, loans instead of real estate loans.

A mobile home loan is . . . sort of in between a car loan and a home mortgage.
—*Randy Hanks, Reidsville, N.C.*[10]

Units that are financed as asset-backed, chattel, or consumer loans have significantly higher interest rates than real estate mortgages do and generally have shorter terms: ten or fifteen years. In 2001, mortgage rates for site-built homes ranged from 6.45 percent to 7.25 percent. By comparison, the effective interest rates (annual percentage rates) for manufactured homes in North Carolina were estimated at 10.75 percent for single-wide homes and 8.00 percent for multisection units.[11] On a thirty-year loan for $80,000, the difference between 7 percent and 10 percent would be $170 per month or $129,600 over the life of the loan (see Figure 2).

Chattel loans for homes can have interest rates as high as 18 percent. The monthly payment is lowered by extending the term to thirty years. High rates and long terms increase the costs of interest and defer the repayment of principal.

State laws defining manufactured housing as personal property provide effective barriers to manufactured units being financed as real property.[12] In 2001 the North Carolina General Assembly passed a law amending the definition of "real estate" to allow owners of manufactured homes on permanent foundations on land they own, to register for a real estate deed rather than a personal

Table 1. North Carolina Counties with the Highest Number of Manufactured Homes, 2000

County	No. MHs	Percent MHs
Brunswick	18,458	35.9
Buncombe	18,054	19.2
Robeson	17,748	37.1
Cumberland	16,264	13.7
Wake	14,210	5.5
Randolph	13,694	25.2
Onslow	13,585	24.4
Harnett	12,300	31.9
Wayne	12,039	25.4
Johnston	11,852	23.6

Source: Calculated by Tanya Wolfram using data from U.S. Census Bureau, Census 2000, Summary File 3, *H.30, Units in Structure,* available at http://factfinder.census.gov/.

Note: MH = manufactured home.

property title. In 2003 the General Assembly passed a law allowing units in land-lease communities to be recognized as real property if the foundations and the leases meet minimum standards.

Yet titling as real property remains the exception: in 2003, 62 percent of new manufactured homes were titled as personal property, while just 33 percent were titled as real estate.[13]

Appraisal

The conventional wisdom is that manufactured homes automatically depreciate in value. Public officials and advocates of low-income housing often criticize manufactured housing because depreciation defeats the wealth-building goal

Figure 2. Effect of the Interest Rate on Monthly Payments for a 30-Year Loan of $80,000

Monthly Payment

Source: Created by Tanya Wolfram.

of homeownership. If manufactured homes depreciate, then the owners are not building assets.

Historically, manufactured homes have been appraised according to a depreciation schedule based on the Manufactured Housing Appraisal Guide of the National Automobile Dealers Association (NADA Guide). NADA determines the value of older manufactured homes in the same way that it determines the value of used cars.

Appreciation of any home depends on the physical condition of the home and changes in supply and demand.[14] Manufactured homes can appreciate, but whether they do depends on a wider number of factors: where the home is located (manufactured homes in urban areas tend to appreciate more than those in rural areas), how well built and well maintained the home is, whether the owner of the home also owns the land on which the home sits, and whether the home is financed as personal or real property. Also, homes located in the South and the Midwest do not perform as well as homes in the Northeast and the West. In New Hampshire, even manufactured homes in land-lease communities have appreciated, partly because of tenant-controlled park management and also because of their proximity to the extremely expensive Boston housing market.

Manufactured homes tend to have a higher variation in appreciation (or depreciation) than site-built homes. The

Modular Homes

North Carolina is the number one producer of modular homes, with 4,903 built in 2003.[1]

With the decline in credit for mobile homes, production of units dropped 65 percent nationwide, from a high of 372,843 a year in 1998 to 130,937 in 2003.[2] Meanwhile, the availability of mortgages for modular homes has encouraged growth in their production by double-digit percentages in the past five years. This growth is expected to accelerate. Still, production was only 37,800 nationally in 2003.[3]

Modular homes are factory built to the local building code where the unit will be placed. Compliance with the local code is enforced by a third-party inspector and is paid for by the manufacturer. Regardless of where the manufacturer is located, the inspector is accountable to the North Carolina Department of Insurance for code compliance of units placed in North Carolina. Local building inspectors are responsible only for compliance with local zoning, foundation, and connection requirements.

Those who sell modular homes here are currently not licensed by either the North Carolina Real Estate Commission, for real estate agents, or the Department of Insurance, for mobile home dealers. The complexity of the regulatory scheme provides disincentives for industry to expand modular production and leaves gaps in consumer protection.

Notes

1. Telephone Conversation with Thayer Long, Director of State and Local Affairs, National Manufactured Housing Inst. (Dec. 13, 2004).
2. *Id.*
3. *Id.*

variation makes a manufactured home a riskier purchase for the consumer in terms of building wealth. The question remains how to reduce that risk and introduce systematic reforms to help manufactured homes appreciate rather than depreciate.
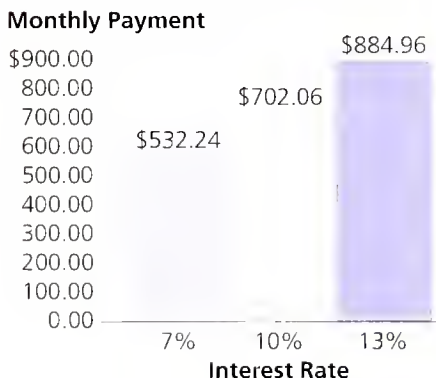
Table 2. **Remedying the Differences between Real Property and Personal Property**

Real Property	Personal Property
Registered with deed at courthouse.	Registered with title at Department of Motor Vehicles. **Remedy:** N.C. passes law to recognize units as real property, including land-lease units with long-term leases. Units are titled with deeds.
Appraisal based on market value.	Currently no appraisal. Financing based on sales price only. **Remedy:** Market-value appraisals become a requirement of loan underwriting. Deed information makes sales comparisons possible.
Clean title insured with title insurance.	No title insurance. **Remedy:** Title insurance companies issue Alta Seven Endorsement, which guarantees that property has been legally converted from personal to real property by changing titling from Department of Motor Vehicles to Registry of Deeds. Conversion allows property to qualify for title insurance as real property on basis of filing with deed.
Private mortgage insurance available to reduce risk, cost, and down payment.	Private mortgage insurance not available. **Remedy:** With changes in property definition, appraisals, and long-term leases, private mortgage companies should provide mortgage insurance at reasonable rates. Such insurance is needed to involve banks and secondary market on larger scale.
Competition among banks for loans. Highest level of regulatory oversight.	Subprime lenders only. Lowest level of regulatory oversight. **Remedy:** Banks enter market because units are recognized as real property with appraisals, title insurance, and private mortgage insurance.
Loans originated as mortgages at prime market rates.	Loans originated as chattel loans at higher rates. **Remedy:** Banks originate loans as mortgages at lower costs than subprime lenders charge, thus creating competition.
Loans sold on secondary market as mortgage-backed securities. Participation of government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac, which are largest purchasers of loans then sold to investors as securities.	Loans sold to investors as asset-backed securities with higher costs and no government guarantees. Because of risk levels, investors do not purchase these securities. Result is lack of credit for homeowners to buy and sell their houses, or credit at very high interest rates. **Remedy:** GSEs purchase loans, reducing cost, providing more capital to lenders to make additional loans, and thus increasing liquidity of manufactured housing market. Liquidity helps individual homeowners buy and sell their houses at reasonable interest rates.

Implications for Tax Revenue

The explosion in manufactured housing affects property tax capacity and property tax revenues for North Carolina municipalities and counties. Because of the tax implications, local governments and school systems have been wary of manufactured housing.

The impact on property tax revenues depends on which type of housing the owner would otherwise have occupied:

- When manufactured homes substitute for similar-sized but more expensive site-built homes, residential tax values for local governments are lower.
- When manufactured homes are an alternative to rental or similarly priced site-built homes, the local government property tax is unaffected.[15]

For tax assessments on a local level, manufactured housing can be valued as real property or personal property, depending on a local government's classification criteria. If manufactured homes are taxed as personal property or are automatically depreciated according to the NADA Guide, counties that have a high concentration of manufactured homes face declining tax revenues. Each year these counties must work with a smaller tax base to fund vital programs and services, such as schools, infrastructure, and law enforcement.

In an informal survey of twenty-six counties, the Community Reinvest-ment Association of North Carolina found that they tax manufactured homes in a variety of ways. Most tax such homes as real property if they are on a permanent foundation on land owned by the homeowner. Eight tax single-section homes as personal property but multi-section homes as real property. Two tax single-section units as personal property unless the owners make an improvement, such as adding a porch.

Recognizing the "real" character of manufactured housing helps the asset base of an entire community. For example, in Henderson County in the early 1990s, the tax assessor began to assess market values of manufactured homes rather than automatically depreciating them. Once he established the market values, he determined that depreciation schedules had undervalued this housing stock. The reevaluations resulted in a $53 million increase in the assessed value of the tax rolls over two years.[16]

The Unique Situation of Land-Lease Communities

In land-lease communities, owners of manufactured homes pay monthly rent to a landlord for the lots on which their homes sit. Their lack of ownership of the land makes them more vulnerable than other homeowners. They do not control rents or the community. Park owners can raise rents. That decreases equity and increases the likelihood of depreciation. In addition, parks can

An abandoned mobile home near Chapel Hill

close, forcing the homeowners to move their homes.

> You can't afford a house, so you go for a trailer . . . You work hard for five, six years to get it, and you think you're doing OK. And then you find out [the park owner] can just pull it out from under you.
> —*Ruth Dafader, Cary, N.C.*[17]

If a land-lease community closes or the owner of a manufactured home is evicted, there are few options, and all are expensive. Displaced owners must move their units to another park or onto private land. Although manufactured homes still are widely known as "mobile" homes, this term is a misnomer. In land-lease communities, the homes often are attached to the land with piers or blocks and tie-down straps, and the wheels, the axles, and the hitches underneath the homes have been removed. Most owners of manufactured homes intend their homes to stay attached permanently. Moving a manufactured home is expensive —it costs at least $2,000—and often difficult because private parks commonly refuse entry to older units.

Park owners control not only rents but also park rules and infrastructure.

Owners can arbitrarily change park rules affecting residents and ignore infrastructure problems. Although not universal, problems with septic tanks, drainage, unsafe drinking water, and old electrical units are not uncommon and can decrease the quality of life in a land-lease community. Residents often feel unable to complain for fear of being evicted.

In short, the rights of homeowners and the potential conflicts between homeowners and park owners in land-lease arrangements resemble those in traditional landlord-tenant relationships. The balance of power rests with the park owner or manager. "The imbalance of power between landlord and tenant is greatest in land-lease communities," says Stella Adams, executive director of the North Carolina Fair Housing Center. "The threat of eviction is powerful in limiting tenant complaints."[18]

> Manufactured homes can appreciate, but whether they do depends on where the home is located, how well built and well maintained the home is, whether the owner of the home also owns the land on which the home sits, and whether the home is financed as personal or real property.

Land-Lease Communities as Vibrant Neighborhoods

In the minds of many, the image of the run-down trailer park represents all that is wrong with manufactured housing. This picture does not reflect the entire story. Within land-lease communities, there is a spectrum of need, ranging from distressed parks

Disposing of Abandoned Mobile Homes

Driving through rural North Carolina, one cannot help but notice old manufactured homes abandoned and overgrown with weeds. The North Carolina Association of County Commissioners estimates that there are 40,000 such homes in the state.[1] They are a source of blight. But they are expensive to move, so what is a community to do?

Some parts of an abandoned manufactured home can be recycled. Scotland County, for example, accepts old manufactured homes at landfills and separates the recyclable steel and aluminum. Owners have to pay to move them, though.

How can local governments help pay for the disposal of old units blighting the community? The North Carolina Manufactured Housing Institute organized a test clean-up program for Burke, Harnett, and Onslow counties. The industry trade group provided $15,000, which was supplemented by $10,000 from each of the three counties.

The ad hoc methods just mentioned are admirable, but the state needs a systematic way of dealing with disposal. The Community Reinvestment Association of North Carolina suggests that the General Assembly pass a "white tax" (also called an "advance disposal tax") on the sale of any new or used home by manufactured housing dealers. Similar to taxes on large appliances, this tax would provide funds to help counties dispose of older homes.

Note
1. Richard Stradling, *Counties Target Trailer Blight*, NEWS & OBSERVER (Raleigh), Jan. 4, 2004, at A1.

that should be closed because of health and economic reasons, to parks that simply would benefit from better management and financing to provide a higher quality of life and more economic benefit to residents. Further, there are parks, such as Parrish Manor near Garner, North Carolina, that are well managed and well maintained.

Land-lease communities offer a unique opportunity to provide affordable housing in quality neighborhoods through redevelopment. "Redevelopment of land-lease communities" often means rezoning the land and building condominiums, retail enterprises, or single-family homes. In this article, though, it means revitalization through improvements in the infrastructure while maintaining the land-lease structure under community ownership (either management by a nonprofit organization or cooperative ownership). Nonprofits can provide new financing, infrastructure, investment, and better management to create decent, affordable housing in safe, healthy communities. Cooperative ownership allows residents to own and manage their community. The New Hampshire Community Loan Fund has assisted sixty-nine parks in becoming tenant owned. Together the parks are home to about 3,300 families.[19]

Redevelopment of a land-lease community allows for revitalization of an entire neighborhood. In one transaction the nonprofit can acquire 200 or more lots. In traditional urban redevelopment, the developer must acquire each lot in individual transactions, making it more difficult to reach the scale necessary for transformation of the entire community.

Without improvements in public infrastructure, park depreciation can lead to a spiral of decline that creates slum neighborhoods. Local and state governments invest public resources to mitigate a public health nuisance, provide affordable housing, or improve neighborhood conditions. So nonprofits can attract public money, such as Community Development Block Grants, to renovate parks while maintaining the affordability of lot leases. Community ownership removes parks from the speculative market, providing greater long-term affordability.

Community ownership also can improve individual homeowners' financial position, creating an opportunity for them to have greater financial returns than they would under the traditional land-lease model. In the community

Community ownership removes parks from the speculative market, providing greater long-term affordability.

ownership model, the organization provides long-term leases, granting greater property rights and the opportunity to finance the unit as real property, thus lowering the interest rate by about 4 percent. The lower interest rate reduces monthly payments, accelerates amortization and equity build-up, and provides liquidity for selling the unit. Long-term leases provide caps on increases in lot rents.

To be successful, community ownership must set high community standards and exercise good fiscal discipline. Lot leases and park rules give the organization significant control. Nonprofit management also must fulfill its broader mission of providing greater social services to meet human needs and develop opportunity. Partnerships with local providers of social services will increase services to residents.

Community ownership of manufactured housing communities has been demonstrated to be a successful strategy. For example, the Vermont State Housing Authority owns seventeen manufactured

housing communities and manages 1,000 units. A variety of agencies play the necessary roles to address the needs of the communities. Prominent among those agencies is the Vermont Housing Finance Agency, which provides four financing products: bridge loans for acquisition and redevelopment of manufactured housing communities; financing of new units with mortgage revenue bonds; refinancing for creditworthy borrowers in older homes that do not meet current standards; and permanent financing through issuance of bonds for parks.

These four products provide affordable credit for low-income households and communities. Not available in the private sector, they serve the unique needs of land-lease communities. Vermont has thirty-eight nonprofit-controlled parks, reflecting a strong community-based approach to managing these assets locally. With financing and grant dollars, Vermont has made a significant inroad in addressing the needs of its citizens living in manufactured housing.

Unfortunately the North Carolina Housing Finance Agency does not offer financing products for land-lease communities. The lack of alternative financing is

Some owner-residents of Meredith Center, New Hampshire's first manufactured housing cooperative.

GEOFF FORESTER/NEW HAMPSHIRE COMMUNITY LOAN FUND

one of the most significant barriers to re-development of parks in North Carolina.

Recommendations

Although some problems with manufactured housing persist, it is important to recognize the possibilities for manufactured housing in providing affordable housing and homeownership opportunities. For owners and communities, the key to improving manufactured homes is to classify them as real property instead of personal property. Recognizing them as real property will bring the systems that govern the manufactured housing sector into better alignment with the systems governing real property and providing benefits to owners and communities.

But defining manufactured housing as real property is not sufficient to transform it into a widely accepted form of housing that can be used to build household wealth and healthy communities. For each step in ownership —purchase, installation, and financing —reforms are needed that provide greater accountability and consumer protection. By becoming more similar to traditional real estate, manufactured housing will gain greater acceptance and value. Achieving this transformation requires action by advocates, government, and industry.

No policy changes will correct problems in the manufactured housing industry without enforcement of existing laws and regulations that protect consumers from predatory lending practices, poor-quality work, poor installation, and false appraisals. Vigorous enforcement of these laws is necessary.

Specifically, state enforcement agencies need to staff initiatives adequately and pursue them aggressively to clean up abuses. Also, consumer advocacy agencies need to expand their expertise to address manufactured housing issues. Inattention to the abuses of the industry has hurt consumers and damaged the industry's long-term profitability.

State and local government agencies and nonprofits need to develop the financing tools and expertise to intervene in distressed manufactured housing communities. Ignoring the problem fails to recognize the housing needs of thousands of North Carolinians.

Conclusion

Manufactured housing plays an important role in providing affordable housing for North Carolinians. For manufactured housing to become a tool for wealth creation, the manufactured housing market must conform with the traditional real estate market in property definitions, sales and financing, and regulatory oversight. Achieving such reforms in the market will take leadership from non-profits, government, and the private sector. Both market reforms and project intervention can help change the stigma of mobile home parks and offer opportunities for safe, decent, and affordable housing.

Notes

1. U.S. Census Bureau, Census 2000, Summary File 3, *H.1.3, Housing Units,* and *H.3.3, 100 Percent Count of Housing Units,* available at www.census.gov/Press-Release/www/2002/sumfile3.html.

2. Federal Reserve Bank of Richmond, *A Few Facts about Manufactured Housing,* available at www.rich.frb.org/cao/reports/housing.html (last visited Aug. 31, 2004).

3. U.S. Census Bureau, *Selected Characteristics of New Manufactured Homes Placed by Region—2003* (produced by the Census Bureau from a survey sponsored by the U.S. Department of Housing and Urban Development), available at www.census.gov/const/mhs/char03.pdf (last visited Nov. 4, 2004); U.S. Census Bureau, Census 2000, Summary File 3, available at www.census.gov/Press-Release/www/2002/sumfile3.html.

4. U.S. Census Bureau, *Selected Characteristics.*

5. U.S. Census Bureau, Census 2000, Summary File 3, *H.30, Units in Structure,* and *H.33, Total Population in Occupied Housing Units by Tenure by Units in Structure,* available at http://factfinder.census.gov/.

6. Interview with Jennifer Thomas, owner of manufactured home, Reidsville, N.C. (Mar. 21, 2002).

7. U.S. Census Bureau, Manufactured Housing Survey, *Average Sales Price of New Manufactured Homes by Region and Size of Home,* available at www.census.gov/const/www/mhsindex.html (last visited Nov. 22, 2004). The median sales price for new, detached, single-family homes in the South in 2003 was $168,400. U.S. Census Bureau, *Construction Statistics: Median and Average Sales Prices of New Detached One-Family Houses Sold,* available at www.census.gov/const/C25Ann/soldmedavgpricedetach.pdf (last visited Oct. 19, 2004).

8. Manufactured Housing Institute, *Quick Facts 2004,* available at www.manufacturedhousing.org/media_center/quick_facts2004/cost_size.html (last visited Oct. 19, 2004).

9. Interview with Al Williams, owner of manufactured home, Reidsville, N.C. (Mar. 21, 2002).

10. Interview with Randy Hanks, owner of manufactured home, Reidsville, N.C. (Mar. 21, 2002).

11. North Carolina Manufactured Housing Institute, Profile of Manufactured Housing Homeowners in North Carolina (2000) (unpublished report).

12. All manufactured housing units are initially registered with the department of motor vehicles. Only those that are converted to real property through securing them to foundations on property owned by the borrower become registered with the county register of deeds. Because the department of motor vehicles does not list liens against manufactured housing units, it becomes difficult to determine all the liens placed against a manufactured housing unit. It also is more difficult to determine the chain of title from dealer to buyer to subsequent owners, creating uncertainty of ownership. With uncertainty in title and liens, companies that insure that the title to the property is clear are unwilling to do so. Without title insurance, secondary-mortgage-market players will not purchase the loans, and primary-mortgage lenders will not make them.

13. U.S. Census Bureau, *Selected Characteristics.* The other 5 percent were simply untitled—no classification.

14. KEVIN JEWEL, MANUFACTURED HOUSING APPRECIATION: STEREOTYPES AND DATA (Austin, Tex.: Consumers Union, Apr. 2003).

15. L. KENNETH HUBBELL & DAVID SJOQUIST, MANUFACTURED HOUSING IN GEORGIA: TRENDS AND FISCAL IMPLICATIONS, FRP Report no. 35 (Atlanta: Georgia State Univ., 1999).

16. Richard Genz, *Why Advocates Need to Rethink Manufactured Housing,* 12 HOUSING POLICY DEBATE (Fannie Mae Foundation) no. 2 (2001).

17. Kristin Collins, *End of Home for Mobile Home Park,* NEWS & OBSERVER (Raleigh), Mar. 13, 2002, at A1.

18. Stella Adams (Executive Director, North Carolina Fair Housing Center), Speech at the Southern Anti-Racism Conference (June 26, 2004).

19. For more information, visit the New Hampshire Community Loan Fund's website, at www.nhclf.org/MHPP01.html.

Rewarding Greater Accountability with Increased Managerial Flexibility in Davidson County

William C. Rivenbark and David N. Ammons

Full accountability in government is more than financial accountability alone. Although a clean financial audit reassures a government that it has handled revenues appropriately, accounted properly, and spent or invested lawfully, the audit does not address other aspects of full accountability. To be fully accountable, a government must reassure its citizens that it has handled, appropriated, and used public resources wisely in the efficient delivery of effective services.[1] Full accountability is both financial and operational in scope. Financial statements tell part of the story. Good performance measures for major services tell the rest.

Local governments in North Carolina increasingly have supplemented financial reporting and independent financial audits with systematic performance reporting. Several North Carolina municipalities have tracked and reported departmental performance for decades and have been among the pioneers in the performance measurement movement nationally. Some—notably Chapel Hill, Raleigh, and Winston-Salem— have produced annual or quarterly performance reports for management, the city council, and the public, tabulating the quantity, the quality, and the efficiency of departmental services. Since 1995, forty municipalities and counties have participated in various phases of the North Carolina Benchmarking Project, designed to provide accurate, comparative measures to

The authors are School of Government faculty members specializing in local government administration. Contact them at rivenbark@iogmail.iog.unc.edu and ammons@iogmail.iog.unc.edu.

help participating governments assess and improve services.[2] Charlotte has been cited as a public-sector model of the "balanced scorecard" approach to accountability and performance improvement.[3]

Some North Carolina local governments are receiving attention for innovative strategies that link good management and sound methods of accountability to rewards of one type or another. This article focuses on the system in Davidson County, which rewards documented success at service delivery with enhanced managerial flexibility.

Payoff for Positive Results

Local governments often measure and report performance. Some have worked hard to develop meaningful measures that might influence managerial and policy decisions in helpful ways. Typically these municipalities and counties track not only the quantity of services provided by a given department or program but also the quality and the efficiency of services.[4]

Other local governments take a minimalist approach. They choose the simplest measures to collect and rarely venture beyond raw counts of workload—reporting, for example, the number of fire alarms, arrests, and permit applications.

Municipalities and counties in the first group are much more likely than those in the second group to seek ways to tie meaningful performance measurement to the important decision-making systems of their organizations. They are more likely, for example, to use their measures in strategic planning, budget deliberations, and performance reviews.

Proponents of the recent movement to "reinvent" government by making it more responsive, efficient, results oriented, and entrepreneurial extol the importance of attaching rewards or penalties to the positive or negative results achieved by a government program or department. Dubbed the "consequences strategy," this approach rewards successes and penalizes shortcomings—or at least does not reward them—as a method of encouraging innovation and the enthusiastic pursuit of the organization's objectives.[5] Consequences raise the stakes and make performance

---

Performance Information for Social Services' Adoptions Program, Davidson County

Mission
Provide safe, permanent homes for children in the custody of the Davidson County Department of Social Services

Service-Delivery Goals
Provide timely and high-quality services to adoptive children and families

Manage the number of permanent plans for children who have been in custody for 12 months in an efficient and effective manner.

Increase the number of adoptions

Quantifiable Objectives
Complete 95 percent of home studies for applicants expressing desire to adopt available children within 90 days of request

Complete 95 percent of adoption profiles for children available for adoption within 30 days of origination

Increase the number of adoptions by 40 percent

Performance Measures
Number of home studies (output)

Number of adoption profiles (output)

Number of adoptions (output)

Cost per adoption (efficiency)

Percentage of home studies completed within 90 days (outcome)

Percentage of profiles completed within 30 days (outcome)

Percentage increase in number of adoptions (outcome)

Suggested Readings

Popular Government Articles
David N. Ammons, *Raising the Performance Bar . . . Locally*, Spring 1998, at 29.

Paula K. Few & A. John Vogt, *Measuring the Performance of Local Governments*, Winter 1997, at 41.

Ingrid K. Flory, *Measuring the Performance of Emergency Homeless Shelters*, Fall 2001, at 2.

Lee M. Mandell, *The Use of Management Tools in North Carolina Local Government*, Fall 1991, at 13.

William C. Rivenbark, *Defining Performance Budgeting for Local Government*, Winter 2004, at 27.

William C. Rivenbark & Carla M. Pizzarella, *Ensuring the Integrity of Crucial Data*, Winter 2002, at 28.

Books
David N. Ammons, Municipal Benchmarks (2d ed., Thousand Oaks, Cal.: Sage Publications, 2001).

Michael Barzelay, Breaking through Bureaucracy: A New Vision for Managing in Government (Berkeley: University of Cal. Press, 1992).

Harry P. Hatry, Performance Measurement (Washington, D.C.: Urban Inst. Press, 1999).

Harry P. Hatry et al., How Effective Are Your Community Services? Procedures for Measuring Their Quality (2d ed., Washington, D.C.: Urban Inst., 1992).

Janet M. Kelly & William C. Rivenbark, Performance Budgeting for State and Local Government (Armonk, N.Y.: M. E. Sharpe, 2003).

measurement and performance itself more important to operating officials and employees, say the reinventers.

Many North Carolina local governments have adopted a consequences strategy from time to time. Perhaps the most common form is when a municipality or a county decides to privatize a program that is not performing to expectations, or to expand the scope of operations of one that is performing well. Such applications of the consequences strategy, however, tend to be ad hoc rather than systematic. Examples of more systematic application of the consequences strategy may be found in Charlotte, High Point, Catawba County, and, most recently, Davidson County.

Charlotte and High Point
Charlotte has engaged in "managed competition" in many areas of municipal operation, pitting public employees against outside vendors in bidding competition designed to assure local taxpayers that they are getting competitive services at competitive prices, whether produced by public or private employees. In a variation of managed competition, High Point enlisted the services of a consultant to identify the market price for selected services, and then it challenged municipal producers to match that price and thereby head off privatization.

In both Charlotte and High Point, the consequences have been made clear. On the positive side, departments demonstrating that they can produce quality services at better prices than their competitors, can continue to produce those services. Furthermore, through a system of "gainsharing," these department can retain a portion of any savings that they generate and perhaps provide employee bonuses. On the negative side, the consequence of failure to produce a plan for competitive services and costs is the privatization of those services. The competition and gainsharing plans in Charlotte and High Point will be described in detail in a future issue of *Popular Government*.

Catawba County
A different version of the consequences strategy has been at work in Catawba County since 1993. This version rewards effective, accountable departments and managers with increased managerial flexibility.

The rationale is simple. Most rules and regulations for government operations —commonly known as red tape—are designed not only to thwart abuse but also to ensure compliance with standard procedures that are assumed to lead to acceptable services and reasonable program results. But if an innovative manager with a productive department can document superior results when freed from some of these regulations, is it necessary to insist that the department toe

Excerpts from Davidson County's Performance Scorecard
Job Training and Employment Center

PERFORMANCE MEASURES	GOALS
Workload	
391 adults and dislocated workers sponsored by WIA services/training	
172 youth served	
16,129 customers assisted by JTEC staff in JobLink Centers (job search, resume development, career guidance, labor market information, etc.)	
22% increase in the number of customers served	15%
Efficiency	
$50.80 cost per individual served through WIA sponsorship and center services	
Effectiveness	
64% of adults employed at time of exit	79%
91% of dislocated workers employed at time of exit	81%
73% of adults and dislocated workers successfully completed their course of training	75%

WIA = Workforce Investment Act.

Comments from Pat Everhart, Director, Job Training and Employment Center
The [performance-based budgeting] process has caused our department to experiment with service strategies and processes to help increase program effectiveness and service quality. In addition, we experienced the following advantages in being involved in the performance-based budgeting process:

- [Goals]—Created a higher focus on departmental goals that are both challenging and realistic, and assessed whether we are establishing the correct goals.
- Personnel flexibility—Throughout the performance-based budgeting project, the county manager and budget officer have been extremely supportive and open-minded on a number of issues. This positive support has enhanced our department's interest. This past year we were able to be more responsive to personnel hiring needs than in the past . . .
- Staff incentives—We are very excited about having the opportunity to provide performance incentives to staff to reward good performance. These incentives and the above flexibilities provide tangible reasons for staff to become more engaged in a process that may be viewed as an extra layer of work.

the line of standard procedures for mundane matters? Would it not be wiser to encourage innovativeness and a results orientation by rewarding high achievers with expanded managerial flexibility?

In 1993, as Catawba County began preparing the upcoming budget, it embarked cautiously but surely on a path to operational accountability. No department was forced to participate, but six departments volunteered, on learning that more managerial flexibility would accompany greater accountability.

> Most rules and regulations for government operations—commonly known as red tape—are designed not only to thwart abuse but also to ensure compliance with standard procedures that are assumed to lead to acceptable services and reasonable program results.

The volunteering departments submitted outcome statements during budget preparation, describing what they intended to accomplish and what performance levels they expected to achieve during the upcoming fiscal year. In return, these departments were given operating flexibility, allowing them to move funds as needed to meet service demands; to create, eliminate, split, or reassign positions within their allocated budgets; and, within specified limits, to carry over unspent funds to the following fiscal year for capital investment.[6]

Over the years the participating Catawba County departments have used their operating flexibility in a variety of beneficial ways. For example, the personnel department used carryover funds to develop workshops on customer service and supervision and to establish the Catawba County Employee Health Clinic.

The library used such funds for a new elevator and a renovated entrance and circulation desk in the main library. It also increased its technological capabilities and expanded services throughout the county.

Cooperative extension used carryover funds to purchase a fifteen-passenger van to support its 4-H Summer Fun Program. Further, it obtained a matching state grant to establish its Life Skills Substance Abuse Prevention Program in collaboration with the Catawba County Schools.

The department of social services used $1 million in carryover funds to renovate its existing facility and to help construct a new building. This additional space allowed the department to expand its level

Emergency Communications

PERFORMANCE MEASURES	GOALS
Workload	
15,440 EMD calls in 2002–2003	
241,535 total number of calls entered in the CAD System	
510 EMD calls selected at random for audit	
3.28% of EMD calls audited	
15,440 radio transmissions	
471 radio transmissions audited	
Effectiveness	
22 out of 24 EMD telecommunicators scored 96% or above on their EMD audit	24
97% overall score for all audited EMD calls	98%
96.30% average accuracy rate for relaying location and patient information to responding units	96%
3 minutes, 12 seconds, average dispatch time	3 minutes
4 substantiated complaints for 2002–2003—1 per 60,384 calls	1 per 23,000

EMD = emergency medical dispatch. CAD = computer-aided dispatch.

Comments from Lisa Martin, Director, Emergency Communications
Being a part of the Performance Management Project has allowed the Communications Department to look at doing things differently and [to] manage staff and funds in a more effective manner. We reallocated two telecommunicator positions to create the communications training officer position . . . We are fully staffed for the first time in three years.

We were able to move money toward the end of fiscal year 02–03 into capital outlay to fund new chairs and a security system. We have been trying to get a security system in the budget for several years.

I think the greatest benefit of this form of management is the ability to get staff involved and allow them "ownership" of the department and what happens within the department. They have been able to set goals and work toward those [goals] and see the benefits of meeting those goals . . .

I have established a Project Management Committee that will help set the goals and convey those goals to all fellow telecommunicators to assure that they understand the importance of meeting those goals and motivate those that may need help. They will also help to determine what our department wishes to do with our savings and banked funds.

of services in child welfare, adult services, and income maintenance. Through carryover funds and position reassignment, it created additional positions for each service area. For example, child welfare created four new positions for therapeutic foster care and four new positions for child abuse prevention.

Davidson County

A presentation by the budget director of nearby Catawba County prompted the manager of Davidson County and the county board of commissioners to begin moving their government in a direction similar to Catawba County's. The visitor described the importance of tying the outcomes of service delivery to the annual budget process and the advantages of starting with a few departments and expanding from there.

Gradually the commissioners became more and more interested in focusing on results and encouraging greater accountability, and they began to take steps to make that happen. In 2001, for instance, the board authorized the county manager to hire a budget director to assist in efforts to enhance the accountability of government operations and to manage the transition from budget control to budget flexibility.

Performance measurement was not altogether new to Davidson County. For years the county government had been collecting basic measures and reporting them in the budget. However, few of the measures offered insights on the efficiency or the quality of services, or the extent of progress toward important county objectives. Thus they had minimal impact on important management systems. They were what critics label "budget decorations."

Some performance measurement and accountability systems are undertaken largely at the initiative of management personnel, requiring little in the way of directives or explicit authorization from the governing body. Davidson County's case was different. Because the county was developing a system on the Catawba County model that would require board approval of key operating objectives for participating departments and board authorization of budgetary and managerial flexibility, board involvement was needed from the outset.

> Specifying at least one quantifiable objective for each service-delivery goal often is the most difficult and time-consuming step in the effort to articulate goals, objectives, and performance measures.

Tax Department

PERFORMANCE MEASURES	GOALS
Workload	
2,673 tax bills per 1,000 parcels	
937 registered motor vehicles per 1,000 tax bills	
14.46 releases written per 1,000 tax bills	15
Efficiency	
3.32%—cost of tax administration as a percentage of total revenue	
7,184 tax bills generated per full-time equivalent position	
6.7 delinquent calls per day per collection clerk	
Effectiveness	
96.4% annual collection percentage	97%
3.61% delinquent taxes collected as a percentage of total billed	2%
75.16% of motor vehicle taxes collected prior to delinquency	70%

Comments from Joe Silver, Tax Administrator
[O]ne of my objectives was to reduce the amount of releases written on tax bills. These releases are written to correct errors in assessment and billing . . . When a release is written, many times a discovery has to also be written. This is double work for my staff. I met with my supervisory staff and related to them that we must take control of our records and make sure our records are correct before billing . . . We are now at the beginning of our second year of performance-based budgeting, and I'm happy to report that we are already showing a 53% reduction in the number of releases written . . .

Another great asset of performance-based budgeting is the ability to move monies within specific line items. A case in point was my need for temporary help. I had one of my key people die suddenly from a heart attack. During the same period, I had two people out on FMLA for medical reasons. Finally, another key employee retired. This left me extremely short-handed in staff. Due to being under performance-based budgeting, I was able to transfer monies from regular salaries to part-time salaries, hire the temporary staff I needed, and get the job done.

FMLA = Family Medical Leave Act.

With authorization from the board, the county manager sought out department heads interested in involving their departments in the new management initiative. Seven departments volunteered: cooperative extension, emergency communication, finance (accounts payable and cash receipts), job training and employment, purchasing (purchasing, printing, and mail services), social services (administrative support, adoptions, and child support), and tax administration.

Many local governments embark on performance measurement initiatives without the benefit of systematic training.¯ Davidson County, however, contracted with the Institute of Government to provide training in establishing mission statements, service-delivery goals, quantifiable objectives, and performance measures (output, outcome, and efficiency). The Institute's involvement also included continuing evaluation of and feedback on the materials produced by

the departments. The training and the feedback pushed Davidson County officials to focus on results-oriented objectives rather than process-oriented ones and on measures of outcome and efficiency rather than measures of output or workload. (Helpful references on performance measurement appear in the Notes and in the sidebar on page 13.)

For abbreviated performance information produced by the department of social services' adoptions program, see the sidebar on page 13. It begins with a mission statement, which declares the fundamental purposes of the program.

Service-delivery goals flow from the mission statement. They identify more clearly the principal work of the unit.

Specifying at least one quantifiable objective for each service-delivery goal often is the most difficult and time-consuming step in the effort to articulate goals, objectives, and performance measures. This step forces program

managers to focus on the desired outcomes of service delivery, not simply its outputs. For example, the goal of providing timely and high-quality services to adoptive children and families is converted to the more precise and quantifiable objective of completing at least "95 percent of home studies for applicants expressing desire to adopt available children within 90 days of request." An objective of this type is called an "intermediate outcome." An ultimate outcome for the program overall would be the successful placement of a high percentage of adoptable children. Such objectives allow the program to track its quality and effectiveness.

When objectives are precise and measurable, the development of related performance measures can be rather simple. For instance, for the objective just quoted, an output measure is the number of home studies, and an outcome measure is the percentage of home

Purchasing Department

PERFORMANCE MEASURES	GOALS
Workload	
18,446 paper transactions under $150	
26,221 paper transactions under $500	
16 departments with procurement cards	
1,821 purchase orders processed	
12,672 miles driven by the courier	
84 hours to complete numbering jobs	
36 hours to complete binding machine jobs	
Efficiency	
36 hours saved due to new equipment	
9 hours saved due to new equipment	
954 courier trip miles reduced annually	
Effectiveness	
61.53% of departments with procurement cards	100%
14% reduction in number of transactions under $150	– 10%
31% increase in number of transactions under $500	– 10%
13% reduction in the number of purchase orders processed	– 10%
7.5% reduction in courier mileage annually	– 10%
43% labor savings in numbering jobs	30%
25% labor savings in binding machine jobs	10%

Comments from Dwayne Childress, Purchasing Director
[T]he best thing about performance-based budgeting is the increased flexibility with which funds are moved from account to account.

The second best thing would be the streamlining process, in which funds are moved, making a department head more responsive to acute needs within the department. In fact, some of these issues may be addressed or even resolved before they become major issues spilling over into other departments.

studies completed within ninety days. A relevant efficiency measure, not included in the sidebar, would be the cost per home study.

Accountability and Managerial Flexibility

The pilot departments in Davidson County's experiment with performance management completed the development of their goals, objectives, and measures in spring 2002, allowing the programs to track both financial and performance data for the 2002–03 fiscal year. The departments committed not only to tracking performance but to improving it. They established ambitious but realistic performance targets. In return, the county manager, with the county commissioners' authorization, agreed to allow the managers of the pilot units greater managerial flexibility and discretion. Key elements of flexibility included the following:

- Program managers could shift budget amounts within the line items of the personnel, operating, and capital categories of a given program.

- Managers could transfer as much as $20,000 from the personnel and operating categories to the capital category.

- At its discretion the department could use available funds in the personnel category to hire part-time and temporary employees.

- Also at its discretion, the department could fill vacant positions without filing for additional authorization.

- Managers could reclassify positions as long as the reclassifications did not increase the total number of approved positions and did not create a current or recurring liability.

- Programs could carry over the savings, within prescribed limits, from one fiscal year to the next.

Each of these elements of managerial discretion increased the operational flexibility of department heads and enhanced their ability to manage departmental resources during the fiscal year. This expanded discretion was granted in exchange for the department's commit-

ment to greater accountability and improved performance.

In Davidson County's version of the consequences strategy, the county offers managers who achieve performance objectives and remain within their overall budget the consequence of greater managerial flexibility. If managers need to shift funds within a category or use available funds to hire part-time employees, they may do so. If they can save money during the budget year and want to use the savings for capital items that will enhance their programs in the future, they are allowed, even encouraged, to do so.

Personnel expenses form a major category of most program budgets in local government. Service delivery in the public sector tends to be labor-intensive, requiring substantial resources for wages and benefits. Employee positions are authorized and resources are appropriated on an annual basis through the operating budget.

However, program managers often could benefit from personnel adjustments during the fiscal year based on changing internal and external conditions. Participating department managers in Davidson County are granted this flexibility in the form of departmental authority to hire people for part-time and temporary positions with available resources without additional approval; to fill vacant approved positions without the normally required justification letter; and to reclassify positions as long as reclassification does not increase the total number of approved positions or create an additional financial liability for the county. An example of position reclassification within this guideline would be the upgrading of one position and the simultaneous downgrading or elimination of another.

Davidson County officials have tied their performance measures to other major management systems to form an overall performance management system. The documentation of financial stew-

ardship and the documented achievement of desired operating results have been tied directly to the budget and personnel systems for participating departments. Accountability for results has yielded new ground rules for the budget system (e.g., line-item transfers and authorized expenditures from end-of-the-year savings) and the personnel system (e.g., hiring and reclassification authorization).

Carryover of Savings to the Next Fiscal Year

The public sector often is criticized for creating an environment that encourages programs to spend every authorized dollar, even if savings are possible. Frugal departments do not benefit from their savings and may actually be penalized by budget reductions in subsequent years. Davidson County has altered this environment, encouraging efficiency and frugality by allowing programs to carry over budget savings to the following fiscal year. The carryover funds may be used for capital investments and employee bonuses.

Under the Davidson County system, each participating department may "bank" as much as 8 percent of its total budget each fiscal year. All budget savings from the participating departments are pooled after the annual financial audit is completed. The ability of a given department to access these funds is linked directly to its achievement of outcome targets, which are weighted according to relative importance. Departments can access 60 percent of their savings with 70–79 percent outcome achievement, 80 percent with 80–89 percent outcome achievement, and 100 percent with outcome achievement of 90 percent or greater.[5]

Larger departments often are able to produce greater budget savings than smaller departments, given their larger budgets and the greater likelihood of at least some employee turnover, creating the opportunity for salary savings. In recognition of this difference, Davidson

> The public sector often is criticized for creating an environment that encourages programs to spend every authorized dollar, even if savings are possible. Frugal departments do not benefit from their savings and may actually be penalized by budget reductions in subsequent years.

County allows small, high-achieving departments to access unclaimed savings generated by larger departments that fall short of their outcome targets. This arrangement provides an additional incentive for smaller, support-service departments to assist larger line departments in achieving cost-effective service delivery. The savings of these larger units boost the resources potentially available to smaller units.

Performance Scorecard

The budget director is responsible for preparing an annual performance scorecard for the county commissioners and the citizens of Davidson County. (For an abbreviated version of the performance scorecard, see the sidebar beginning on page 14.) It contains the actual results for each participating program, showing outputs (workload), efficiency, and outcomes (effectiveness). Performance targets are displayed in the goals column. The performance measures are supplemented by explanatory

information written by department heads. This information allows managers to provide the necessary context for interpreting the measures by describing relevant environmental factors and explaining performance variances.

Performance Budgeting

Davidson County's approach to linking service-delivery results to the budgets of participating departments addresses a recurring problem in performance budgeting.[9] Wary program managers often regard performance budgeting suspiciously, as a way for senior management and elected officials to justify budget reductions. Davidson County countered this anxiety by encouraging program officials to identify key objectives themselves, rather than having legislators or senior executives impose the objectives, and by using performance measurement as an avenue to something that program officials viewed positively: managerial flexibility and discretionary resources.

Conclusion

Davidson County is expanding its performance management system to other departments as program officials become more interested in the expanded flexibility that comes with greater accountability and managerial success. This allows the initiative to grow on a voluntary rather than a mandatory basis, drawing new participants as they become convinced of its value.
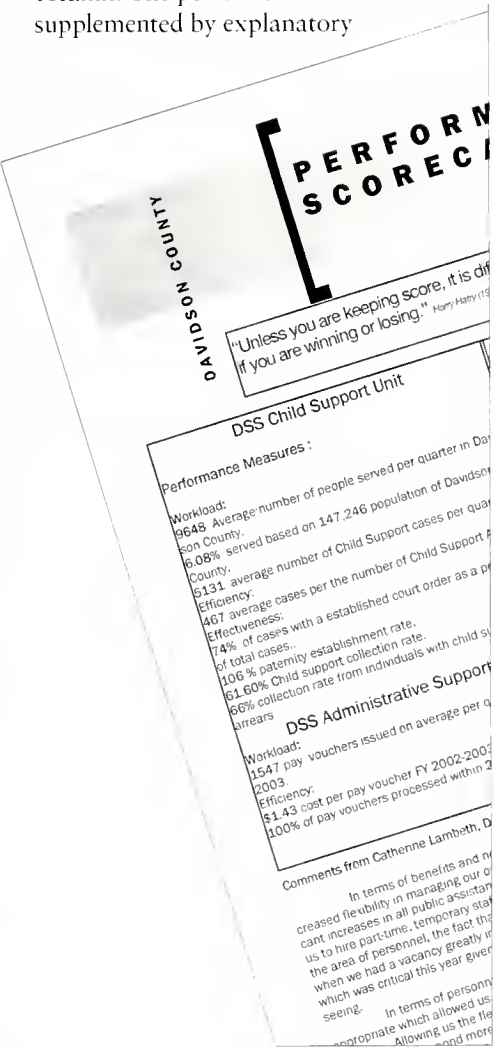
Davidson County's approach to the expansion of performance measurement differed from the norm. It is common for performance initiatives to begin with a directive from the budget office that programs now must collect and report performance measures. It also is common for performance measurement to have no truly meaningful link to the budget process. In Davidson County, serious performance measurement began with a few committed programs, adequate training, and a clear and meaningful link to the budget process and resource availability.

Catawba and Davidson counties offer their departments a reward for accountability and achievement. The results in Catawba County have demonstrated the program's viability over an extended period. The experience in Davidson County is more limited, but it appears to be promising.

Notes

1. GOVERNMENTAL ACCOUNTING STANDARDS BOARD, SERVICE EFFORTS AND ACCOMPLISHMENTS REPORTING (Norwalk, Conn.: GASB, 1994); Nancy S. Hayward, *The Productivity Challenge*, 36 PUBLIC ADMINISTRATION REVIEW 544 (1976).

2. For more information on the North Carolina Benchmarking Project, go to www.sog.unc.edu/programs/perfmeas.

3. The "balanced scorecard" is an approach to measurement that provides balance between "short- and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between external and internal performance perspectives." *See* ROBERT S. KAPLAN & DAVID P. NORTON, THE BALANCED SCORECARD, at viii (Boston, Mass.: Harvard Bus. Sch. Press, 1996).

4. David N. Ammons, *Performance Measurement in North Carolina Cities and Towns*, POPULAR GOVERNMENT, Fall 2001, at 11.

5. DAVID OSBORNE & PETER PLASTRIK, BANISHING BUREAUCRACY: THE FIVE STRATEGIES FOR REINVENTING GOVERNMENT (Reading, Mass.: Addison-Wesley, 1997); DAVID OSBORNE & TED GAEBLER, REINVENTING GOVERNMENT (Reading, Mass.: Addison-Wesley, 1992).

6. Judy Ikerd, *Case Study: Catawba County Redesigns Its Budget System*, PUBLIC MANAGEMENT, Sept. 1994, at 22.

7. William C. Rivenbark & Janet M. Kelly, *Management Innovation in Smaller Municipal Government*, STATE AND LOCAL GOVERNMENT REVIEW, Fall 2003, at 196.

8. Access to budget savings occurs in the following fiscal year. After the annual financial audit is completed, the budget director works directly with the department heads on determining the amount of budget savings that each participating department can access. A budget amendment is then presented to the county commissioners for approval, representing the total allocated amount from budget savings for all participating departments. Directors must obtain approval from the county manager for how the additional funds will be spent, representing either capital investments or employee bonuses.

9. "Performance budgeting" is a process of budget preparation and adoption that emphasizes performance management, allowing allocation decisions to be informed by service-delivery statistics. *See* JANET M. KELLY & WILLIAM C. RIVENBARK, PERFORMANCE BUDGETING FOR STATE AND LOCAL GOVERNMENT (Armonk, N.Y.: M. E. Sharpe, 2003).

PERFOR
SCOREC

DAVIDSON COUNTY

"Unless you are keeping score, it is diff
if you are winning or losing." Harry Hatry (1

DSS Child Support Unit

Performance Measures:

Workload:
9648 Average number of people served per quarter in Dav
son County.
6.08% served based on 147,246 population of Davidson
County.
5131 average number of Child Support cases per quar
Efficiency:
467 average cases per the number of Child Support
Effectiveness:
74% of cases with a established court order as a pe
of total cases.
106 % paternity establishment rate.
61.60% Child support collection rate.
66% collection rate from individuals with child s
arrears

DSS Administrative Support

Workload:
1547 pay vouchers issued on average per q
2003.
Efficiency:
$1.43 cost per pay voucher FY 2002-200
100% of pay vouchers processed within 2

Comments from Catherine Lambeth, D

In terms of benefits and n
creased flexibility in managing our o
cant increases in all public assistan
us to hire part-time, temporary sta
the area of personnel, the fact tha
when we had a vacancy greatly in
which was critical this year give
seeing.
In terms of person
appropriate which allowed us
Allowing us the fle
and more

Local Government and the Internet:
Key Issues and Best Practices for Nontechnical Officials

Philip Young

To think comprehensively about the Internet as a way of disseminating information or providing online service requires gaining knowledge across a wide range of topics, from connectivity to security to software and hardware. The Internet has become a de facto part of even the smallest local governments. Ninety-eight of North Carolina's 100 counties and more than 250 of its 700-plus municipalities have websites. At least that many have e-mail.

The author is the School of Government's instructional technology facilitator and director of NCINFO. Contact him at Young@iogmail.iog.unc.edu.

This article discusses key issues and best practices in local government use of the Internet. Local government leaders (elected officials, city or county managers, and department directors) take on a host of responsibilities in this arena. Leaders—and government personnel in general—need to have basic shared knowledge about Internet use and function with regard to communication and the delivery of information and services. In particular, jurisdictions without a dedicated information technology (IT) employee or department should find the ideas presented in this article most helpful. However, the key issues and best practices discussed here apply to all lo-

cal governments, and many of the ideas come from North Carolina jurisdictions with significant IT operations. Elected officials, city and county managers, and all other employees (even part-time ones) have a responsibility to know about the Internet, just as they have a responsibility to know about public utilities, public finances, public records law, and many other aspects of law and rules that affect their work as public employees. Although none of these groups are responsible for detailed, hands-on maintenance of their city or county's Internet work, they should be knowledgeable about key issues and best practices in ways pertinent to their roles in local government.

For example, a best practice for a local government is to have a policy on appropriate and inappropriate use of e-mail and the Web: types of e-mail allowed and types prohibited; types of websites permissible to visit and types proscribed; and so forth.[2] Elected officials should know whether or not their jurisdictions have a policy and what it says. City or county managers and department directors also should have that knowledge but as well should know how to locate the policy or how to write a policy if there is not one currently in use. Lower-echelon employees need to know what the policy is, how it will be enforced if there is an infraction, and what the proper rules of Web and e-mail use are. None of these audiences need to know the policy in the same way or to the same degree.

Each topic discussed in this article is complex enough to require specialized professional skill. Jurisdictions that are fortunate enough to have an IT department, an individual with IT expertise, or a contract with a company or an individual with such expertise can rely on those professionals to know and apply best practices for implementing and

Key Legislation

For local governments running or planning to run a website, the Americans with Disabilities Act (ADA) has kept up with the emerging technology of the Internet. Just as public buildings must have ramps or elevators for the physically disabled, so must websites have designs suitable for visually impaired or blind visitors.

If the government receives federal funding, the Rehabilitation Act of 1973 also applies. The Rehabilitation Act and the ADA generally require that state and local governments provide equal access to their programs, services, or activities to qualified people with disabilities unless doing so would fundamentally alter the nature of those programs, services, or activities or impose an undue burden.

Thus a government website, like a government building, must provide access to people with a disability equal to the access provided for citizens without a disability. Visually impaired citizens can use "screen readers" to "read" a Web page. Screen readers read lines of code that make up the Web page display (to find out how to view this code, see

taining the website knows about ADA compliance and has developed the local government's website to be compliant.

A 2004 Supreme Court decision in *Tennessee v. Lane* allowing people with disabilities to sue governments that do not provide equal access to government buildings may pave the way for a successful suit to demand and expect compliance anywhere that government does business requiring access. Lawsuits pressing for ADA compliance for business websites have been tested since 1996, but none have succeeded in establishing ADA compliance in the same way or to the same degree that the *Tennessee v. Lane* case did for access to public buildings.[5] The best practice for a local government is to meet the ADA design standards when building the site or when next doing a major update or renovation of the site. The U.S. Department of Justice website and the Web Access Board website give detailed instructions for design.[6] Also, a number of programs (such as Bobby, Wave, and LIFT) are available to check whether a current website is ADA compliant and, if not, how far from compliance it is (for the web addresses of these programs, see the balloon).

Besides adhering to federal law regarding ADA

Peek behind a Web Page

The next time you are online, take a peek behind a Web page. Open your Web browser (Internet Explorer, Mozilla, Netscape, or Opera), go to the View option on the top toolbar, and click on it to get the drop-down menu. Scan down until you find Source or Page Source, and select that option. A screen will pop up that shows the code that the browser is reading to display the Web page you are looking at. A screen reader selectively reads through the code to give the visually impaired user meaningful content about the page.

running technology related to the Internet.[3] IT specialists also can help with policies regarding Internet use, assuming that they know the most important points of federal and North Carolina state law as it applies to local governments. The most fortunate jurisdictions may even have a public information officer or a chief information officer who helps the jurisdiction connect the "hard" IT aspects of connectivity, security, and hardware or software purchases with the "soft" issues of policy and citizens' needs. But many jurisdictions, especially small ones, may be operating without a resident IT expert or the budget to contract for ongoing IT support and consulting.

the balloon). A Web browser actually translates a particular kind of code (hypertext markup language) to display a website. The screen reader speaks that code to inform a visually impaired user about the page. Poorly coded or intricately designed Web pages can make the task almost impossible for the screen reader.

Local government leaders do not need to know how to code Web pages, how screen-reader technology works, or even what the ADA's recommendations are to make a Web-page design comply with the law.[4] But they should make sure that the IT manager or the person responsible for producing and main-

Test Your Compliance with ADA

Test your website for ADA compliance by using Bobby (bobby.watchfire.com/bobby/html/en/index.jsp), Wave (www.wave.webaim.org/wave/index.jsp), or LIFT (www.usablenet.com/).

compliance, all local governments must adhere to state law regarding public records, especially rules regarding retention of records. The website of the North Carolina Office of Archives and History explains record retention for digital information, covering electronic records, website guidelines, and e-mail.[7] The best practice for any local government, besides following the laws and the guidelines on the Office of Archives and

History website, is to make sure that all its employees and elected officials know and understand how the public records law applies to the digital files stored on their computers (home or office, if a record deals with official public business) or exchanged via e-mail. A primary concern for an IT manager, a public information officer, or a chief information officer is proper storage of and ability to retrieve digital records that fall under the public records law.

Jurisdictions that do not have an IT director, an IT department, or even an informal IT individual are still subject to the public records law.

Two common scenarios can help local government leaders think about their ability to comply with the public records law:

- A local newspaper or a reporter from a news organization requests all the e-mail of the mayor and the manager regarding a current issue.

- An employee feels wrongfully dismissed. He decides to take action in court, and his lawyer subpoenas the local government for all digital records regarding the employee.

How would *your* local government go about meeting such a request? Are the e-mails archived and organized in some way that they can be searched? Do any e-mails contain information that might actually be restricted from general public access, such as personnel information?

A tremendous number of work hours can be diverted to dealing with scenarios like these. Each day, employees and elected officials generate significant numbers of e-mails, some casual, some that contain restricted information, and many that must be saved to meet the retention policies of the public records law. Lack of technical expertise does not absolve any

local government from complying with the law.

Fortunately, help can be found not only through the Office of Archives and History but also from the listserv of the North Carolina Local Government Information Systems Association (NCLGISA), which local government leaders without IT support can join or visit.⁸ (For a definition of "listserv," see the later section of this article titled "Shared Knowledge.") As members or visitors, they can search the message archives for discussions about e-mails and public records.

Connectivity: Access and Service

Most simply, "connectivity" refers to the type of connection that a machine or a network of machines makes to the Internet. Types of connections include telephone lines, cables, fiber optics (digital subscriber lines—DSLs), and wireless (satellites).

Connectivity also has to do with getting easy access and helpful service, which relate to quality of information, presentation of information, and successful interaction in a transaction. Each type of connection has limits based on how well it can transfer information from the computer serving the information up (the server) to the computer receiving it (the client). No matter how complex the network, the aim still is to get one piece of information from one location to another and sometimes back again. Telephone lines are slow compared with high-speed options like cables, fiber optics, and wireless.

In a study completed in December 2002, in twenty-five North Carolina counties, a majority of households with Internet access did not have high-speed access.⁹ The type of connection that a citizen has affects the citizen's ability to get easy and useful access to information and services. Like

roadways across the state, the Internet is constrained by laws of physics: digital records take up space on a hard drive, data transferred from one computer to another can clog a telephone or cable line if too much is sent at one time, and applications performing tasks on a computer can slow performance if the demands of the process are too large. A complex website loaded with multimedia, Geographic Information Systems (GIS) data, and dynamic services can prove unwieldy and downright impossible to use for a citizen who connects to the Internet via a telephone line. A telephone line, like a small rural road, cannot handle a lot of traffic, and a website trying to transmit large amounts of data through a telephone line to produce the proper display for a user can slow to a crawl. The issue is not whether a user (a citizen or a business) has access but what degree of access the user needs to make the visit to the website useful and worthwhile.

To think wisely and comprehensively about connectivity, local government leaders might seek answers to the following questions:

- How many citizens in our jurisdiction connect or could connect to the Internet by using a telephone line, and how many connect or could connect using cable, fiber optics, or wireless?

- How many citizens in our jurisdiction cannot connect because they do not have a computer, and how many have a computer but choose not to connect?

Unless a local government intends to discontinue taking payments at the town hall or stop mailing bill notices to mailboxes when it establishes a website, the Internet is an additional way to offer service. It may not be the choice that most or many citizens want to make. Instead of building or expanding a website, a jurisdiction might better spend $20,000 to hire a part-time person to answer telephones and a part-time person to meet and greet the public coming to the town hall or the city hall. It may even have a large group of citizens who do not know that this extension of service exists, if the service has not been

> The best practice for any local government, besides following the laws and the guidelines on the Office of Archives and History website, is to make sure that all its employees and elected officials know and understand how the public records law applies to the digital files stored on their computers (home or office, if a record deals with official public business) or exchanged via e-mail.

E-government could be extremely efficient for all parties for certain kinds of information and services.

But efficient performance requires the successful integration of several factors. First, a citizen must have access to the Web with the minimum type of connection—that is, dial-up through a telephone line.

Second, the citizen must know about the local government website.

Third, the local government website must be designed to work efficiently with the citizen's type of connection. An all-too-common problem that occurs when a government is using the Web to target the general population is that it creates Web pages and a website that require a high-speed connection to function efficiently. This frustrates users with dial-up connections, who still represent the largest type of connectivity group. A sad product of the "browser wars" between Internet Explorer and all the others has been the addition of specialized code for

The type of connection that a citizen has affects the citizen's ability to get easy and useful access to information and services.

promoted and marketed. Local government leaders should be sure that they think about how the Internet fits into their larger system for reaching and responding to citizens, including telephone calls, faxes, U.S. Postal Service mail, and visits to government offices.

Performance Measurement

Since the use of the Internet represents an extension of service and a new way of doing government business, local government leaders should think about measuring their government's performance on the Internet. The best practice for measurement involves a comprehensive look at all services in an attempt to see where and how the Internet helps improve efficiency.[10] "Efficiency" is the ability to increase output by reducing input. If a citizen wants to know the office hours of local government departments, he or she might call a local government number, get someone on the phone, and ask that person a question. If fifty citizens decide to make the same call in a day and a human being has to answer each call, that process is very inefficient. But if a citizen can call an automated recording or go to a website, then the process is more efficient.

Join a Listserv

The School of Government runs more than twenty listservs, in areas ranging from business licensing to property tax. A list follows. To request to join any of these listservs, go to www.sog.unc.edu/listservs.htm, and select the |subscribe| option in the listserv table on that Web page.

Group Served	Listserv Name
Business licensing	buslic
City and county managers	ccmanagers
City and county clerks	clerks
Department of social services attorneys	dssattorneylist
Human resources and personnel	humanresources
Facilitation and organizational development group	fodg
Recent N.C. criminal court decisions	iogcriminal
News of IOG recent publication releases	instofgovpubs
Local government lawyers	lglaw
HIPAA medical privacy training	medicalprivacy
Registers of deeds	ncard
Community development	nccomdev
Economic development	ncecondev
Finance officers and directors	ncfinance
Geographic Information Systems	ncgis
Local government information systems association	nclgisa
Local government budget association	nclgba
Planners and planning departments	ncplan
Property mappers association	ncpma
Risk management	ncprima
Public works and environmental services	ncpublicworks
Purchasing agents	ncpurchasing
Nonprofits and local governments	nonprofitliasons
Soil conservation and management	soilconservation
Property tax assessors and administrators	ptax

"cool effects" that alternative browsers cannot interpret properly. Any person designing a site for a local government should test the site in all browsers on the basis of a reasonable standard (such as certain versions of the browsers). Currently a good test standard would be Netscape 4.7 or better, Internet Explorer 5.0 or better, Mozilla 1.5, Firefox, Opera, and Safari (Macintosh's default browser).

Fourth, content or services that work ideally with Web delivery are important for efficient performance. One of North Carolina's breakout service successes has been the Department of Motor Vehicles' online vehicle registration service.[11] Handling registration and payment through a Web transaction is highly efficient. The only way that it could be more efficient would be for users to be able to print their new registration, complete with sticker, directly after their payment is processed. This online service has not closed the physical locations of the department, but it has relieved personnel of some duties and reduced processing hours.

The Web cannot make all services more efficient. Any online payment that can be automatically debited directly from a bank account, like a water bill, cannot be paid as efficiently via a Web transaction as with the automatic-debit processes used by banks and credit card companies.

Also, an online payment system that does not devote a portion of its Web page to explain to users why paying online is safe will not seem as reliable to people who would rather pay in person or by U.S. mail.

Local governments cannot do everything via the Web, but they should consider doing everything that could be done more efficiently that way. Talking to personnel in other jurisdictions that have ventured farther down the Internet road can help local government leaders determine where best to put their Internet energies. In the "forest" of the organization, the Internet represents only some of the "trees." The larger the forest, the more trees IT will represent, but IT is not a

forest unto itself. In gauging the performance of the entire organization, the two wisest questions to consider are these:

- Does the Internet perform efficiently for local government employees?
- Where and how much does the Internet help the local government improve efficiency for citizens?

One of the best practices for evaluating a website's performance is to use software like Webtrends or Urchin (for the web addresses of these programs, see the balloon). These programs provide all kinds of information about activity on a website, including the number of hits by unique visitors and the means by which visitors access the site (for example, whether they are using a search engine, typing the address directly, or linking from a School of Government website). These applications also will tell a local government how many visitors its website has by the day or the month or the year, what browsers the visitors are using, which pages are most frequently visited, and which files (applications forms, city council minutes, etc.) are most frequently downloaded. They can even tell a government how long a visitor spent on a page, and track the path that the visitor took through the website before exiting. Without some kind of analysis tool, the success of a website might be measured only by praiseworthy comments and anecdotal stories among a few citizens.

A government may discover that its website is not doing much more than acting as a billboard. The Web

provides far too much power for a local government website to function only as a billboard.

Policies

Far too many jurisdictions have Internet access without policies in place. Policies for use of both the World Wide Web and e-mail are imperative. So are policies for security and disaster recovery (see the balloon).[12]

Fortunately, no city or county needs to invent policies from thin air. Excellent use and security policies can be found online at either the NCLGISA website or many of the best North Carolina local government websites.[13] IT directors are happy to share policies because sharing makes Internet use by all local government employees better, especially where security is concerned.

The great power of the Internet

also is its great weakness: massive and immediate interconnection. Because local government employees now often communicate by e-mail with their counterparts in other jurisdictions, they can spread an e-mail virus to their entire peer group if lax security standards exist in their local government. The strongest chain is only as strong as its weakest link. Networks without firewalls or computers without virus protection are a danger to everyone. Equally problematic are employees operating on the Web or using e-mail without guidance about what is appropriate use and what is not. Common sense cannot substitute for a use-and-security policy.

Use policies cannot be uniform. They must reflect the culture of a local government. Thus local government leaders should look at several policies before determining the right one for their juris-

diction. Local governments that are too small to have a human resources department or an IT manager can visit the School of Government listserv site (see the sidebar on page 23) and join or visit the human resources and NCLGISA lists to get help. Some use policies are extremely strict, limiting Web use and e-mail to work only. Other policies are more open and flexible, allowing for Web surfing and personal e-mailing during lunch and breaks. A good policy and reasonable enforcement might just spare a government an embarrassing report in the local newspaper.

Strategic Planning

Strategic planning, like performance measurement and policies, should cover the overall relationship of a local government with the Internet and IT. A government should have processes in place to back up data regularly, to manage recovery of data in the event of a disaster, to locate software licensing, to provide employee training, and to manage IT budgeting. Even a small jurisdiction with only one computer should have a plan to back up data regularly to a CD or an alternative hard drive (on another computer away from the main computer in use). The jurisdiction should be able to recover those data and reinstall all software on the same or another computer if employees come in one day and find the computer burnt to a crisp in a fire or its hard drive erased by user error or malice.

Local governments are responsible for many records and all software licenses. Buying a single user copy of software and installing it on more than one machine is illegal. Owning a copy of software and being unable to produce the license for it is also illegal. Many local governments found this out in 2000 when Microsoft began demanding proof of licenses for software in use at local governments. Reporter Christopher Mcconnell described what happened to Virginia Beach, Virginia, when Microsoft came calling:

> Last August [2000], Virginia Beach received a letter from Microsoft requesting a routine inventory of licenses and installed software at city offices. Virginia Beach's city government employs 5,900 people and uses 3,900 Windows computers. The 60 days [Microsoft] gave the city presented both an organizational and technical challenge for the city's IT unit.

Microsoft's random audit "resulted in the municipality sending [Microsoft] a $129,000 check."[14]

Virginia Beach's experience has become the de facto cautionary tale for all local governments. The best practice is to keep all software licenses and Repair/Restore disks in a central location that is well guarded against disaster. A government may need only the licenses if the Restore software can be downloaded from the company website, should the disks fail or be lost.

Finally, employee training and IT budgeting should be part and parcel of a strategic plan for IT. Again, even a one-computer, one-stoplight, one-police-car

The Internet is accessible 24 hours a day, 7 days a week, 365 days a year. A website does not shut down for holidays, close its doors at 5:00 P.M., or present "parking" problems.

town should have an IT plan. Any public employee accessing the Internet should have proper training in basic computer knowledge, especially as it relates to connecting to the rest of the world (through e-mail and the Web). The School of Government offers a basic IT course online.[15] Local community colleges and universities offer other options.

All employees should be knowledgeable about IT policies, use of antivirus software, management of e-mail, and resources for help with computer problems. The IT budget should anticipate monthly expenses and yearly upgrades in software and hardware.

If a local government's IT needs are being met by a conglomerate of employees with specialties in areas other than IT, that jurisdiction should consider budgeting for a permanent IT position whenever possible. A single professional person devoted to IT management can help immensely, especially when issues of federal and state law arise and when technical expertise is required for data management, security, and disaster recovery.

Creation, Implementation, and Management of Websites

Just as every jurisdiction has a town hall or a county government office, so does every jurisdiction have a website or plan to have one in the future. In some jurisdictions the website has probably supplanted the hotline as some citizens' first avenue for information.

Most cities and counties, however, probably underuse the Internet. Further, quite a few websites may not comply with ADA recommendations.

Creating and posting a Web page is simple. For $9.95 a month, a person can purchase a domain name and post Web pages, images, and documents to a server directory that can be viewed by anyone with an Internet connection. But for a website to be something that a citizen, a business, or a visitor will use, local government leaders must see that creation, implementation, and management of it are handled professionally and thoughtfully.

Designing a website to be compliant with the ADA and consistent when viewed by different browsers is difficult. A designer who wants to use all the rich enhancements of Web browsers may find that many of them either fail to comply with ADA recommendations or make it extremely difficult to do so. Local governments cannot make their websites "cutting edge" or "cool" if doing so will deny access to a citizen who does not have the latest computer equipment and the most advanced browser. Governments must accommodate users viewing the website with various browsers, which have different versions (3.0, 4.0, 5.0, 6.0, and 7.0, and many upgrades in between).

In contrast, businesses can easily decide that viewers of their sites must use the latest version of a browser or even a particular browser only. They are not held to standards of equality and fairness.

Another concern that will be of importance to some North Carolina local governments is the vast Hispanic population that may be looking for information and services online. Many Hispanics cannot read English. Some local governments may need to create a viable Spanish version of their website.

Local governments should establish minimum design standards that meet reasonable expectations. A reasonable standard would allow a website to be delivered through a telephone line, with the user having a version of Internet Explorer or Netscape greater than 4.0. Most other browsers were created after these higher versions of Internet Explorer and Netscape were released and will work with a Web design that displays properly in Internet Explorer 5.0 or Netscape 4.8 or better. An unreasonable standard would require the latest version of Internet Explorer and a cable or DSL connection.

Shared Knowledge

The Web and applications like listservs create a virtually level playing field for exchange of and access to information. In other words, in the virtual reality of cyberspace, information becomes equally accessible to all. If, at a minimum, a local government has e-mail, which is inexpensive to acquire and not difficult to set up,

it can join any number of listservs that the School of Government runs (for a current list, see the sidebar on page 23).

A "listserv" is a collection of the e-mail addresses of a professional group—for example, finance officers or city and county managers. This collection creates a group "mind" that all members can access by sending and receiving e-mail messages through the listserv. At any given moment, a member is connected to hundreds of other members. Making telephone inquiries or attending conferences over an entire year cannot yield the kind of information sharing that a single e-mail can produce when a person is using a listserv. For example, the clerks listserv currently has 377 members. If those members average five years of service, they have a total of 1,885 years of experience.

As an information resource, the Web has the same potential as a listserv to provide users with needed information, if users know how to search and if the desired information has been posted on

the Web (for a tip on conducting searches, see the balloon). Local government employees who know how to use the Web effectively to locate information can help citizens and their local government immensely.

Actively working to get useful information online also helps. The Internet is accessible 24 hours a day, 7 days a week, 365 days a year. A website does not shut down for holidays, close its doors at 5:00 P.M., or present "parking" problems (except on rare occasions when too many users might try to access a particular page on the local government website).

As much as the Web can help local governments, local governments should keep in mind how much they can help the Web become an even better resource

for their employees and citizens. Basic websites with a clean design and a consistent look and feel are the first step toward dynamic, interactive sites that perform services for citizens and businesses (for examples of good basic and advanced sites, see the balloon). Better and better Web design, current and valuable information, and services that users can perform independently online —all help improve efficiency for local governments and their citizens.

Visit Exemplary Sites

Examples of good basic sites are Banner Elk (www.townofbannerelk.org/), Fair Bluff (www.fairbluff.com/), and Montreat (www.townofmontreat.org/). Examples of more advanced sites are Blowing Rock (www.townofblowing rock.com/), Cary (www.townofcary.org/), and Wake County (www.wakegov. com/default.htm).

Specify Search Parameters

You can direct searches by specifying search parameters to be sought only in certain types of sites. To do so, go to www.google.com, and type in

"public records law" site:.edu

Be sure to use the quotes as they are used in this phrase, and to place a colon and a period after "site." You will get all the ".edu" sites that have the exact combination "public records law." You can change the site search by changing ".edu" to ".gov":

"public records law" site:.gov

Conclusion: Think Globally, Act Locally

Through the Internet, local governments are now accessible to the entire world in a way that defies local boundaries. Although local governments will continue to serve their communities, the Internet bridges the isolation that a river, a forest, a mountain, or a dirt road might create. Even wires no longer determine connection, thanks to widespread distribution of satellite dishes.

Much of what is global about globalization may never touch some local governments, perhaps even most. However, the mindset of globalization is highly instructive when one is thinking

about the relationship between local governments and the Internet.

A naming scheme for e-mail addresses illustrates this point well. Using some version of a person's name to create an e-mail account for a position in the local government is quite common—for example, john.smith@serviceprovider.domain. In this example John Smith is the finance director. His e-mail address easily moves outside the confines of the local government when he joins a listserv, exchanges e-mails with others around the state or the country, and posts his e-mail address on the local government website. But what happens when Smith leaves the employment of the local government? Every place his e-mail address appears must be updated to reflect the new finance director, Jane Doe.

> Although local governments will continue to serve their communities, the Internet bridges the isolation that a river, a forest, a mountain, or a dirt road might create.

A simple, globally minded best practice for the creation of e-mail addresses for employees with clear titles that persist when they leave their positions is the use of the title instead of the name: financedirector@serviceprovider.domain. An even better address also would include the local government identification in the e-mail address: financedirector@ci.cityname.nc.us or financedirector@countynamenc.gov. When the person in the job changes, the e-mail address stays the same. No changes are required on the website, a listserv, or anywhere else that the previous user sent the e-mail address for public, professional use.

No matter how small the jurisdiction, an Internet connection is like a superhighway running through the middle of town. Failing to think globally and comprehensively only limits the richness that the Internet can deliver to the "mind" of a local government. A well-connected, properly managed, fruitful relationship between a local government of any size and the Internet opens up a world of possibilities, providing the most remote citizen with the opportunity to be connected and involved, both locally and globally, with his or her government (local, state, and federal).

Local government leaders must manage vast amounts of information in key ways. Ten years ago the knowledge base about the Internet and its relationship with local government did not exist, except in the most advanced or largest jurisdictions. Today counties as small as Hyde (estimated population 5,826 in 2000) and municipalities as small as Banner Elk (estimated population 828 in 2000) maintain websites and use e-mail.[16] Visitors and viruses from all around the world can visit and infiltrate their cyber locations. Local government leaders now must be diligent about knowledge in yet another area of government, IT.

Notes

1. For a list of the counties with websites, go to www.iog.unc.edu/library/counties.html. For a list of the municipalities, go to www.iog.unc.edu/library/cities.html.

2. Sample policies can be found at the North Carolina Local Government Information Systems Association (NCLGISA) website, www.sog.unc.edu/organizations/nclgisa/policies.html, or by searching the Web.

3. If your jurisdiction does not have these resources, it may want to work toward hiring an IT professional; providing training for an employee to gain some degree of specialization in IT and related issues; forming partnerships with Internet service providers or academic institutions (like community colleges); or hiring individual contractors who offer support and training.

4. The recommendations can be found at the U.S. Department of Justice website, www.usdoj.gov/crt/ada/websites2.htm, or the Web Access Board website, www.access-board.gov/sec508/guide/1194.22.htm.

5. Tennessee v. Lane, 315 F.3d 680 (6th Cir.), aff'd, No. 02-1667 (U.S. May 17, 2004). For an article on a case involving the ADA's applicability to websites, see www.law.com/jsp/printerfriendly.jsp?c=LawArticle&t=PrinterFriendlyArticle&cid=1032128683422.

6. For the addresses of the Department of Justice and Web Access Board websites, see note 4.

7. The website of the Office of Archives and History is at www.ah.dcr.state.nc.us/sections/archives/rec/default.htm.

8. To join the listserv, go to www.sog.unc.edu/listservs.htm. For the website of NCLGISA, see note 2.

9. The information is from North Carolina's e-NC Authority, Households with Access to High Speed Service (Dec. 31, 2002), available at www.e-nc.org/HiSpeedIntAccess.asp. Click on NC Households with Access to High Speed Internet Service. The resulting map provides a snapshot of connectivity in North Carolina in 2002.

10. For local governments, use of the Internet would involve a website, e-mail, and possibly an Intranet (Web-enabled or network applications accessible only to local government employees).

11. To view the online vehicle registration service, go to www.ncdot.org/dmv, and click on Click@DMV.

12. See Thomas Foss, Ensuring Services Availability: Seven Steps to Continuity of Government Operations, DIGITAL GOVERNMENT INNOVATION, no. 2004/01 (Feb. 2004), available at http://ncinfo.iog.unc.edu/pubs/electronicversions/pdfs/dgib0401.pdf.

13. For the website of NCLGISA, see note 2.

14. Christopher Mcconnell, Microsoft Licensing: A Cautionary Tale—Company Business and Marketing, ENT, Jan. 29, 2001, available at http://articles.findarticles.com/p/articles/mi_m0FOX/is_1_6/ai_75645069.

15. The online IT course is available at http://ncinfo.iog.unc.edu/onlinecourses/courseITissues.htm.

16. The data on Hyde County are from www.census.gov/popest/counties/CO-EST2003-01.html; the data on Banner Elk, from www.census.gov/popest/cities/SUB-EST2003-04.html. Click on North Carolina in your preferred format.

Recent Popular Government *Articles on Information Technology and Government*

Digitally Connecting Local Governments in North Carolina, by Philip Young, POPULAR GOVERNMENT, Fall 2002, at 28.

Privacy and Computer Security: Nine Questions, by Kevin FitzGerald, POPULAR GOVERNMENT, Spring 2002, at 53.

E-Government in Rural North Carolina, by Shannon Howle Schelin, POPULAR GOVERNMENT, Winter 2002, at 35.

All articles are available online at www.sog.unc.edu/popgov/.

Building Community Capacity to Meet Public Needs

Lydian Altman-Sauer, Margaret Henderson, and Gordon Whitaker
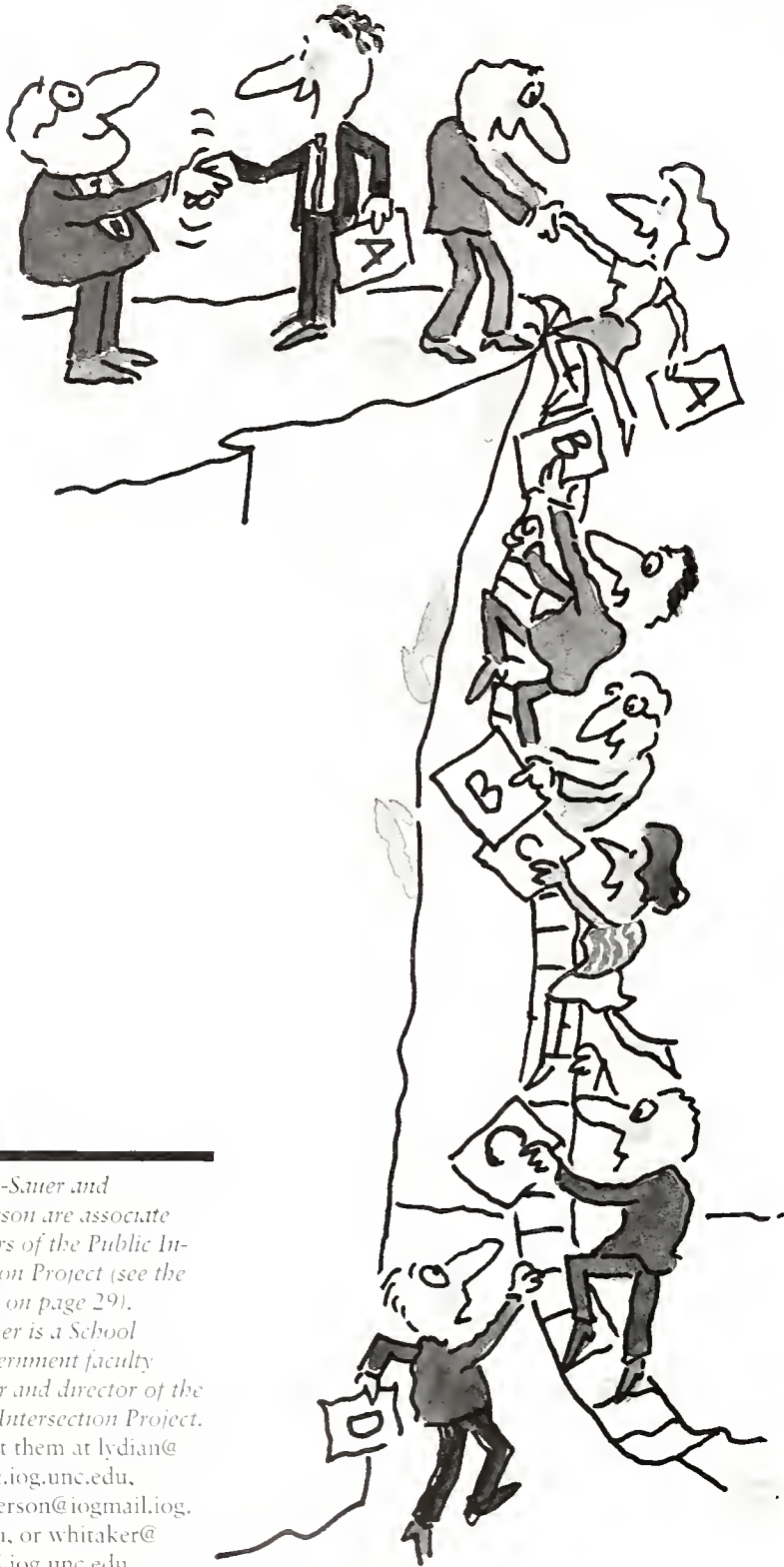
Altman-Sauer and
Henderson are associate
directors of the Public In-
tersection Project (see the
sidebar on page 29).
Whitaker is a School
of Government faculty
member and director of the
Public Intersection Project.
Contact them at lydian@
iogmail.iog.unc.edu,
mhenderson@iogmail.iog.
unc.edu, or whitaker@
iogmail.iog.unc.edu.

Local governments accomplish many public purposes by working through nonprofit organizations. North Carolina cities help fund non-profits' programs to revitalize neighbor-hoods, encourage the arts, provide after-school activities, feed and shelter the homeless, and support economic development. North Carolina counties support similar activities, and they also use nonprofits to deliver a wide variety of human services, to fight fires, and to provide emergency medical assistance.[1] Instead of setting up departments and hiring personnel to carry out such pro-grams, governments often support non-profits to do so.

Governments have good reasons for using nonprofits. Unfortunately, however, some of the very attributes that make nonprofits attractive partners for gov-ernment also may present challenges to their successful operation. Government officials can work with nonprofit leaders to address those challenges. Some al-ready provide such support. Having stronger nonprofit partners increases governments' ability to accomplish community goals.

This article identifies benefits that local governments receive from working with small community nonprofits, chal-lenges that these nonprofits often face in developing internal strength, reasons that governments help address these challenges, and strategies that govern-ments use to provide such assistance.

Why do governments work with nonprofits?

Governments work with nonprofits because they often can engage citizens more easily, cost the public treasury less money, act more flexibly, and explore new options more readily than govern-ments. They also can be creative part-ners for local government. Each of these can be an important advantage in ad-dressing public problems.

Engaging citizens more easily: Many public programs, from crime prevention to increased literacy to neighborhood revitalization, depend on actively engaging people in changing their own behavior. When program success demands public involvement, nonprofits can be more effective than government agencies. For example, sometimes community organizations have greater credibility than government in fostering healthier behaviors, creating support for neighborhood change, or reaching marginalized populations. Many nonprofits also mobilize volunteers to address public problems. In recruiting and training volunteers and organizing their work, nonprofit organizations increase people's awareness of public needs and heighten their concern about addressing those needs. In addition to engaging volunteers, many nonprofits publicize their concerns widely to inform broader communities, encourage changes in behavior, or raise funds. Lacking government authority to legislate change or regulate behavior, nonprofits rely heavily on persuasive public appeals and strong personal commitments to advance their causes.

Costing the public treasury less money: Using nonprofits to deliver services can save local governments money. Volunteers provide much of the labor in community nonprofit programs, for example. More often than not, the paid staff members of nonprofits provide their services at below-market rates because of their commitment to the organization's cause. Most nonprofits also actively solicit contributions of money or materials from private donors. To the extent that nonprofits supplement government funds with others' gifts of labor, money, and material, local governments leverage their own investments by partnering with nonprofit programs.

Acting more flexibly: Because nonprofits are private corporations, they have considerably more operational flexibility than local governments. Nonprofits face fewer procedural hurdles in creating,

> **Governments work with nonprofits because they often can engage citizens more easily, cost the public treasury less money, act more flexibly, and explore new options more readily than governments.**

revising, and eliminating positions; in hiring and firing staff; in buying and selling property; and in establishing, changing, and ending programs. Thus, nonprofits often can respond to new opportunities or react to emergencies more quickly than local governments can. For example, many local governments work with nonprofits to negotiate, buy, prepare, and sell land to encourage economic development. Nonprofits also often have greater policy flexibility than local governments.

Exploring new options more readily: Because local government boards represent the entire community, creating majority support for innovative programs sometimes can be difficult for a government. Nonprofits often need not build such widespread agreement before trying out a new approach to address a public problem. Because of their openness and ability to change, nonprofits originate many public programs or develop new ways to deliver them.

Being creative partners for local government: "Nonprofits are used to solving problems with limited funds, and that forces them to be resourceful and entrepreneurial," says Jane Kendall, president of the North Carolina Center *for* Nonprofits, which helps nonprofit organizations across the state use effective management and leadership practices to improve their communities. "Their creativity often forms the basis of public policy. Name a well-run government program, and you'll usually find that it was modeled after something started in the nonprofit sector.

"Investing in strengthening nonprofits is a smart move by government,"

continues Kendall, "because it leverages the impact of public dollars, taps the privately donated dollars that nonprofits attract, and provides services that government would otherwise have to provide itself. Nonprofits are not a frill. They are vital partners for government."[2]

What is the economic impact of nonprofits?

Local governments often act strategically to attract new business to the community. They sometimes take persuasive, supportive roles in keeping or expanding established businesses. Elected and appointed officials provide this support to business and industry because they see economic development as one of the functions of local government. They value the contributions that businesses make to a healthy local economy, recognize how local residents benefit from the jobs and services that businesses provide, and appreciate the purchases and the tax payments that businesses make. Government officials also want to avoid the debilitating economic and psychological impact that the loss of an employer can have on citizens. Their interest is in sustaining the long-term viability and health of the community. That same interest can motivate their support for building the sustainability of nonprofits.

Depending on local circumstances, local government officials might have other reasons to consider supporting nonprofits, along with the private businesses and industries in their communities:

- Both businesses and nonprofits provide jobs within their communities and generate a demand for support services, such as places to eat lunch, buy office supplies, or use day care.

- Both businesses and nonprofits can attract resources from outside the community. For businesses this comes in the form of capital from external

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.

investors. Nonprofits generate a different kind of investment: contributions, grants, contracts, and government funding, from both inside and outside the community.

- The profits generated by businesses ultimately revert to the owners, who may or may not live in the community. Nonprofits are required to reinvest all their profits to carry out their missions. The missions of community-based nonprofits are typically focused on the local community. Therefore, nonprofits' earnings usually stay in the area.

When a nonprofit is as large as Duke University in Durham or Wake Forest University in Winston-Salem, its overall health affects nearly every corner of the local community. More often, though, nonprofits are overlooked as an important part of the local economy. Many community nonprofits are like small businesses. Their collective impact is diverse and significant, especially to the employees, clients, and residents whom they touch. Yet because each is small, its individual contributions frequently are overlooked or undervalued.

The growth of the nonprofit sector warrants a closer look at the impact that it has on the economy. According to a recent study commissioned by the North Carolina Arts Council, the economic impact of the nonprofit creative sector in North Carolina is $723 million annually. This represents 6,669 direct full-time jobs.[3]

"Nonprofits improve the quality of life by creating programs for the arts, health, recreation, education, youth, and seniors—all essential for economic development," says Kendall, "and they put funds back into the local economy by spending $19.8 billion a year.[4]

"Nonprofits themselves are a major employer," Kendall adds. "In 2002, nonprofits provided 224,393 jobs across the state, and it looks like the 2004 figures will be even higher."[5]

Nationally the nonprofit sector is expanding faster than either business or government. *Employment in the Nonprofit Sector*, a study by a Washington-based organization of nonprofits and other philanthropies, reports,

> [T]he average annual growth rate in employment for nonprofits (2.5%) was significantly higher than for business (1.8%) or government (1.6%). The number of Americans employed in the nonprofit sector has doubled in the last 25 years. Nonprofit employment represents 9.5 percent of total employment in the United States, with total employees numbering 12.5 million.[6]

What special challenges do nonprofits face?
Nonprofits' reliance on volunteers, dependence on donors, flexibility of operation, and openness for policy development also can pose challenges to building and sustaining strong, effective organizations. State authority and regulations typically create considerable legal and financial stability for local governments. Nonprofits' sustainability depends on how well they meet the challenges of staffing, funding, organizing, and targeting their work in the particular cultural and legal context that nonprofit status entails.

Reliance on volunteers: Organizations are no stronger than the people who work in them. To develop, deliver, and maintain effective programs, any organization needs skilled workers who reliably carry out their responsibilities. Depending on volunteers to do much of the work presents special challenges for many nonprofits. For one, the financial incentives of employment do not apply. People volunteer to work for nonprofit organizations because they want to advance a particular cause or they like the social benefits associated with participation. Thus, successful recruitment, motivation, and retention of volunteers call for an understanding of and a response to the reasons that people volunteer to serve.

Volunteers do not necessarily come prepared with the skills that nonprofits need, and they may not be available to work when the nonprofit most requires their efforts. In many communities the volunteer labor pool may be limited and not offer nonprofit managers much choice in selecting workers. Thus, recruitment, training, and timing are critical for productive volunteer involvement.

Because paid staff members in many nonprofits are underpaid relative to what they might earn in business or government, they may resemble volunteers in terms of their incentives and the suitability of their training.

In many nonprofits the particular mission of the organization is the primary motivation of both volunteer and paid staff members. Their interest and attention are likely to be on the organization's programming rather than on its administration. Having too few people with the requisite administrative skills and interest can be a major challenge to sustaining a nonprofit. Providing effective programs and services over time depends largely on effective management of the organization's operations, finances, and legal responsibilities.

Dependence on donors: Uncertain revenues are another challenge that nonprofits confront. Depending on donors for much of their funding leaves many nonprofits guessing about revenue projections and scrambling for funds. Leaders of nonprofits must focus on maximizing current funding sources and looking for new ones. Managing these funding sources and the programs that they fund demands constant attention from nonprofit staff and volunteers. Getting past these daily tasks to focus on issues that might enhance the organization's sustainability over the long haul is challenging for them.

Nonprofit funding often is unstable because few individual or organizational funders commit to continuing financial support far into the future. For example, most local governments fund for a year at a time, even if the tradition of support goes back for decades. Federal funding sources might allow several years of funding but require reapplication after each calendar year. Philanthropies typically make funding commitments for one to three years.

> Organizations are no stronger than the people who work in them. To develop, deliver, and maintain effective programs, any organization needs skilled workers who reliably carry out their responsibilities.

Some nonprofits have developed fees for service or product sales to help stabilize their funding, but those options are not viable for many nonprofits that specialize in public goods.

Finally, many philanthropies favor funding new initiatives or specific program activities, as do most government grant programs and service purchases. These preferences can result in an unhealthy overemphasis on program expenditures to the neglect of administrative services and equipment. By inadequately supporting such activities as record keeping, reporting, and training, funders inadvertently threaten an organization's ability to continue operating its programs.

Flexibility of operation: The operating flexibility that makes nonprofits valuable partners for government also can challenge their sustainability. Instead of having the guidance of statutory provisions and state agencies like the Local Government Commission, nonprofits depend primarily on the judgment and the self-regulation of their own managers and board. Nonprofit executives, as well as the boards that hire and direct them, need the knowledge and the interest to develop and use effective, honest management practices. Otherwise, the organization and its programs cannot be sustained over time.

Openness for policy development: The ease with which nonprofits can adopt and implement new programs can present challenges for local governments. The stability of government-supported programs can be threatened if a nonprofit's emphasis shifts to new initiatives because of changes in other funders' priorities or the attention of the nonprofit board or staff.

Why might local governments help nonprofits develop their sustainability?

Local governments might help nonprofits develop their sustainability because they have a direct interest in the sustainability of the nonprofits that they choose as their service delivery partners. As one North Carolina local government executive described his relationship with a nonprofit partner, "Each organization's success is tied to the other's." A nonprofit's capacity to carry out its work

shapes the quality and the cost of its government-funded services. If a public service is important enough to fund, government officials are likely to want that service to be delivered effectively, fairly, and efficiently.

For example, government officials think an existing neighborhood teen center is ideally situated to work with at-risk youth. Local government has targeted this population as needing attention. The teen center is in the right location. Its staff members have the right motivations and skills. They also enjoy the trust of the target population. Yet government officials discover that this nonprofit organization lacks adequate infrastructure or leadership to track and report expenditures to government standards. The government's choices are to invest in the nonprofit in order to enhance its sustainability, to overlook the reporting problem and hope the nonprofit resolves it, to adjust reporting expectations, or to withdraw support and perhaps doom the nonprofit's services.

In deciding whether to invest in the nonprofit, government officials should consider several key questions:

- How likely is it that the nonprofit will initiate and maintain the work desired by the government?

- What are the chances that the nonprofit will misspend funds and create a scandal?

- Will the nonprofit be able to find other funding, or to engage staff and volunteers adequately, in order to carry on the desired work without government support?

Local governments also may have an interest in the sustainability of nonprofits that they do not fund. For example, a government might have to address additional community problems or assume responsibility for funding new programs if particular nonprofits perform inadequately or cease to operate. Or government officials might want to encourage civic engagement and broader participation in community affairs through volunteerism in nonprofits. Or government officials might want to encourage the positive economic and program impacts that the community receives from a nonprofit that acquires funding from nongovernment sources, such as foundations and the private sector.

What is "sustainability"?

Sustaining a nonprofit requires significant continuing effort. In a book titled *Effective Capacity Building in Nonprofit*

Supporting the Capacity-Building Efforts of Nonprofits

Following are some ways in which local governments can support the capacity-building efforts of nonprofit organizations.

Aspirations = Mission and Goals

- Respond to nonprofits' requests for feedback or guidance
- Provide relevant information that might shape nonprofits' decisions about goals and programs
- Engage nonprofits in dialogue and visioning regarding community problems
- Exchange perspectives on how the nonprofits fit into the big picture for the community

Strategies = Plans

- Allow staff to offer their facilitation or planning skills to nonprofits
- Invite nonprofits to participate in government or community planning
- Volunteer to participate in nonprofits' planning processes
- Share information about potential changes or trends that might affect nonprofits

Organizational Skills = In-House Skills

- Invite nonprofit staff to attend training offered to government staff.
- Allow government staff to offer training or one-on-one assistance to nonprofits
- Offer training to staff of all funded nonprofits, particularly training in new accountability expectations, such as performance measurement or outcome evaluation
- Invest in training opportunities for key nonprofit staff

Human Resources = Staff, Board Members, and Volunteers

- Encourage government staff to volunteer at nonprofits through supportive leave policies
- Recognize and celebrate volunteerism publicly
- Advertise nonprofit volunteer opportunities in government publications
- Encourage exchange of information and common skill-building events among staff of both nonprofits and government, especially if client populations or interests intersect
- Encourage local training facilities or educational organizations to offer classes relevant to nonprofit management

Systems and Infrastructure = Processes and Physical Resources

- Offer in-kind support, such as used furniture, office space, and staff assistance
- Share information and engage in joint problem solving to design efficient systems of collecting data, tracking clients, or responding to clients' needs, especially when nonprofits and governments work with the same clients at different stages of a common process
- Coordinate design of application and reporting forms and processes with other local funders and the nonprofit community

Organizational Structure = Legal, Managerial, and Hierarchical Configurations

- Through advice or training, share expertise of staff, particularly that of finance, accounting, and human resources departments
- Offer to provide administrative support services or expertise to nonprofits on a continuing basis, as a contract or a contribution

Culture = Practices, Attitudes, and Philosophies

- Respect the ways in which nonprofits' programs complement government's activities
- Use cultural differences to advantage when designing multipronged approaches to reach constituents or solve problems

Funding = Money

- Permit nonprofits to include reasonable administrative costs along with direct program costs in their funding requests to government
- Explore the possibility of long-term contracts with nonprofits that have a proven track record of meeting government expectations
- Encourage creation of a long-term nonprofit funding plan with other local governments, United Way, and community philanthropies

Value = Community Commitment

- Demonstrate and publicize ways that nonprofits' missions, values, and programs are consistent with local government's goals
- Acknowledge partnerships with nonprofits, and celebrate their programmatic contributions to local government's mission

---

Organizations, the authors developed a model to use in defining nonprofit capacity.[8] It includes seven elements:

- *Aspirations:* an organization's mission, vision, and overarching goals, all of which combine to convey its common sense of purpose and direction

- *Strategies:* the plans for actions aimed at fulfilling the organization's aspirations

- *Organizational skills:* the sum of an organization's capabilities for managing itself—skills like performance measurement, planning, resource management, and external-relationship building

- *Human resources:* the skills, experience, potential, and commitment of the people who make up the organization—board, staff, and volunteers

- *Systems and infrastructure:* the processes, physical assets, and technology that support the organization and its work

Wake County's Efforts to Sustain Nonprofits

In the 1990s the Wake County Department of Human Services shifted from considering local nonprofits that it funded as charities to regarding them as partners. Subsequently the staff began instituting changes in internal practices to reinforce that philosophy.[1] One change set up Community Partnership Funding, an annual process in which organizations would compete for grants.[2] Two other changes, which supported capacity building by nonprofits, offered training opportunities and more secure contractual relationships.

Training opportunities: Wake County's Community Initiatives Program offers training and technical assistance to some of the county's nonprofit partners. One model that the Community Initiatives staff use for providing this training is called PECOS (Partnering to Enhance Community Organizational Structures). This model was originally developed as a component of a federal grant to stop the spread of sexually transmitted diseases. The federal funding required that the county's health programs work with community-based organizations to better reach people in need of the services. Federal grant requirements directed the county to design and deliver ways to strengthen the community-based organizations. The rationale was that when community-based organizations are well managed, they are more likely to meet government's service objectives.

Wake County soon recognized the benefit of sharing the training opportunities with nonprofit partners that did not focus on health-related issues. The Community Initiatives Program began offering training and technical assistance to applicants in the Community Partnership Funding program in fiscal year 2003–04. Interested organizations complete an internal evaluation and risk assessment of their organization. Community Initiatives staff, using input from the participating nonprofits and topics commonly identified in the risk assessments, design and offer training on topics such as board development, resource development, fiscal infrastructure, and strategic planning. The community-based organizations typically send their directors, board chairs, and financial officers.

Concerned that nonprofits submitting competitive applications might be reluctant to admit their internal challenges to application evaluators, Wake County decided to create a wall of confidentiality between Community Initiatives staff and the team that reviews the annual Community Partnership Funding applications. The intention was to encourage more open communication between nonprofits and capacity builders. In the first year that the training was offered, seven community nonprofits participated in the sessions.

Renewable contracts: Originally, all nonprofits competing for grants through Wake County's Community Partnership Funding had to reapply every year. Wake County staff realized, however, that their interest in partnering with some of these nonprofits was not likely to change, both because the organizations were highly effective and because the services they provided met the government's work objectives. Also, staff realized that these same organizations had submitted the top proposals for a number of years. They already had proven that they were capable of providing services of consistently high quality. The staff recommended developing a separate process for funding these long-term partners to provide key public services.

In 2003–04, ten projects operated by seven community nonprofits were pulled out of the annual competitive grant process. Annual contracts were negotiated with the relevant nonprofit for each of the ten projects. The amount of the 2002–03 funding ($391,500 of $735,000) was shifted to program managers within the Wake County Department of Human Services. Responsibility for contract administration also was placed with those program managers.

These shifts have created efficiencies for both the county and the nonprofits. Renewing a contract requires less effort than working through the steps of the competitive application process. A greater prospect of recurring funding provides more financial stability for the nonprofits. As a result of the county's removing these projects from the competitive-grant process, each program manager and the nonprofit staff who oversee the project are more directly connected and have more opportunity to build mutual accountability.[3]

Notes

1. More information about the Wake County Department of Human Services' relationships with nonprofits is provided in Margaret Henderson et al., *Deciding to Fund Nonprofits: Key Questions*, POPULAR GOVERNMENT, Summer 2002, at 33, 35.

2. Community-based organizations that apply through Community Partnership Funding are evaluated on five key criteria: (1) community impact, (2) outcomes, (3) fiscal planning, (4) structure, and (5) organizational capacity. Criteria 3, 4, and 5 reinforce the importance of internal planning and infrastructure, as well as the organization's fit with the larger community.

3. Mutual accountability involves shared expectations about each party's responsibilities to the partnership, discretion in carrying them out, certain reporting requirements, and participation in reviewing and revising the relationship. *See* Margaret Henderson et al., *Establishing Mutual Accountability in Nonprofit-Government Relationships*, POPULAR GOVERNMENT, Fall 2003, at 18.

- *Organizational structure:* the combination of governance, organizational design, coordination, and individual job descriptions that shape the legal and management structure

- *Culture:* the connective tissue that binds the organization's values, practices, behavior norms, and philosophies to its performance

  This model takes into account the multidimensional and interconnected nature of capacity, but it ignores two other essential elements of organizational sustainability that characterize a nonprofit's unique context in American society:

- *Funding:* the financial resources that an organization needs to operate both programs and administration

- *Value:* the status that the organization holds in the minds of community members and leaders and the priority that is placed on its services, programs, and viability

A Funding Process for Nonprofits

As local governments begin their conversations about a funding process for nonprofits, answering the following questions may provide a framework for their discussions and decision-making.[1]

Two Preliminary Considerations
- Why do we want to fund nonprofits?
- Why do we want to have a formal process for making funding decisions?

Four Key Questions in Designing the Funding Process
- How will we identify community needs that we want to help nonprofits address?
- How will we obtain nonprofits' proposals for meeting community needs?
- How will we review proposals?
- How will we make funding decisions?

Note
1. Adapted from Margaret Henderson et al., *Deciding to Fund Nonprofits: Key Questions*, POPULAR GOVERNMENT, Summer 2002, at 33. See the complete article for a full discussion of how to develop an allocation process.

These two aspects warrant, and might even dominate, discussion among local stakeholders: Where does the money fit in? How does the nonprofit fit into its community?

Funding helps organizations secure human resources, develop skills, and set up the necessary infrastructure to support programs and administration. The amount and the security of funding are critical considerations in the long-term health of any organization.

Nonprofit sustainability also can be affected by its place in and relationship to its community, or "community value." External events such as a natural disaster or a soaring economy can affect a nonprofit's efforts to build capacity. A nonprofit that fulfills a broadly valued community function is likely to meet with greater success in building capacity than is an organization that enjoys only limited support. In fact, a nonprofit's niche in the community and its match with government's goals will likely motivate government to consider how it might get its needs met through the community-based organization.

A nonprofit must attend to all nine elements. The interplay of them is fluid and will change as circumstances do. Yet if any element falls below common standards of performance, red flags should go up. When an element is too poorly developed, the overall organization faces a significant threat to its long-term survival. The perceived distance

or subtlety of the threat might dilute the motivation of board and staff to pay attention to all elements. Unfortunately the pressures of limited time or resources can force attention to be paid to the symptoms of problems rather than the underlying causes.[9]

An element also can be overdeveloped. For example, most nonprofits would celebrate if given a state-of-the-art computer system, but they literally might not know what to do with it. If they did not also receive training for staff or continuing technological support, the ultimate value of the contribution would be compromised. If the organization did not use its enhanced data-collection capabilities for new levels of evaluation or accountability, then the net gain of having the computer system would be nil as far as the community is concerned. In developing sustainability, all the elements of capacity should be nudged along at a similar pace to ensure that steady organizational progress occurs.

Even though discussions about sustainability often revert to a focus on finances, it is critical to remember that sustainability is not just about the need for money. To maintain itself in the long run, an organization must be capable on many fronts.

How can local governments support nonprofits' sustainability?
Organizations require solid policy guidance and administrative infrastructure —board leadership, staff time, expertise,

and equipment—to sustain their programs. However, donors and grantors tend to be more interested in funding programs (feeding hungry children or providing hospice care). Nonprofits often struggle to build the leadership and administrative capacity necessary to support their programs.

There are many ways in which local governments can assist nonprofits in building capacity for long-term service (see the sidebar on page 32). Local governments in North Carolina already use many of the practices suggested. For example, across the state, through local Smart Start organizational planning for early childhood services, county agencies and community-based organizations engage in dialogue about aspirations and strategies for meeting children's needs.

Some local governments also help nonprofits build capacity. For example, Orange County has a standing practice of allowing nonprofit employees to attend training sponsored by its human resources department. Also, staff of that department have spent time advising and supporting start-up nonprofits on issues related to staffing, benefits, and personnel management.

In a more formalized arrangement, Wake County's Community Initiatives Program offers training and technical assistance to some of the county's nonprofit partners (see the sidebar on page 33).

Reflecting on their tenures as nonprofit directors, coauthors Altman-Sauer and Henderson recall benefiting from expertise and resources shared by local governments. Staff from the court system, law enforcement, and child protective services helped train nonprofit volunteers. The head of a county personnel department reviewed revisions to a nonprofit's personnel handbook. The school system loaned surplus office equipment to a nonprofit's new satellite office.

In terms of funding, local governments can contribute to the dependability of nonprofits in two basic ways: by funding administrative functions and by stabilizing funding sources to the extent possible.

For example, Concord allows nonprofits to apply for grants under four categories: one-time project grants, start-up grants for new programs, start-up grants for new nonprofit agencies, and sustain-

ing grants. According to Randy Harrington, budget and management analyst,

> *Sustaining grants fund core operational expenses such as overhead costs, including rent, utilities, director's salaries, phone, etc. Agencies must be providing an essential service that the City would have to provide at a potentially greater expense if the nonprofit agency were not available to do so. The nonprofits that received sustaining grants in FY 2003–04 serve diverse missions across the arts, health and human services, local history, and international partnerships.*[10]

Wake County has shifted certain highly accountable nonprofits from participation in its competitive-application process to support via renewable contracts within human service programs. The nonprofits still are subject to annual review, but the change has created efficiencies of time and effort while contributing to both the security of the funding and the direct connections between government and nonprofit program staff (see the sidebar on page 33).

In the Charlotte area, local governments have chosen a nonprofit to administer particular funds. For the last twenty-five years, the Crisis Assistance Ministry (CAM) has provided assistance to help people who face short-term financial problems remain in their homes. Since 1984, CAM has had responsibility for distributing the county's general assistance (more than $1 million per year). In addition, it distributes funds for energy or emergency assistance, for both Charlotte and the county. CAM has a close working relationship with the Mecklenburg County Department of Social Services. Funded originally by the faith community, it now has substantial government funding. Mecklenburg County provides office space and pays for about 55 percent of its operating expenses. United Way pays about 40 percent of its operating expenses, and the faith community makes up the remaining 5 percent.

How might local governments partner with nonprofits to build sustainability?
Often, competing interests surround the decisions of whether and how to fund the capacity-building efforts of nonprofits. When government officials want to increase the likelihood that their communities will benefit from sustained services over the long run, they can choose to take a role in supporting these capacity-building elements.

Helping build sustainability can be an ad hoc process in which a local government chooses to work with specific nonprofits, case by case. Alternatively a local government might decide to set a policy regarding its relationship with a larger class of nonprofits by taking the following steps:

1. Determine which nonprofits are doing work that merits government support and how the government can reconcile choosing those organizations over other nonprofits in a way that is fair and equitable (for sample questions to ask in considering funding requests from nonprofits, see the sidebar on page 34)

2. Decide which capacity-building elements the government is prepared to support

3. Reach consensus with the nonprofits about the elements that are most crucial to building their capacity

4. Decide how to work with the nonprofits to build capacity in a manner that is fair to both parties and consistent with the goals of local government

The first and second steps are decisions to be made by the local government, perhaps in consultation with other local funders. The third and fourth steps, however, should be conducted jointly with the nonprofits. A government can only *assist* a nonprofit in building capacity. It cannot act on behalf of the nonprofit without the nonprofit's full participation and commitment.

Governments do not face this challenge alone. Foundations and other philanthropies also are concerned about nonprofits' capacity. Many are considering the impact of their grant-making practices on the sustainability of nonprofits.

Businesses too are engaging in community philanthropy. For example, the Bank of America Foundation is increasing its annual giving overall, and targeting support in part to local nonprofits through the Neighborhood Excellence Initiative.[11] Over the next two years, the foundation will provide $200,000 in operating funds to two neighborhood nonprofits in each of thirty selected markets served by the bank. According to the foundation's president, Andrew Plepler, "Organizations are really starving for that operating support to build their capacity and sus-

---

Recent Popular Government *Articles on Nonprofits and Local Government*

Evolution of a Nonprofit, Part 1: Determining the Organization's Orientation, by Margaret Henderson, POPULAR GOVERNMENT, Fall 2004, at 16.

Evolution of a Nonprofit, Part 2: Shifting Orientation from One Person to the Community, by Margaret Henderson, POPULAR GOVERNMENT ONLINE, Fall 2004.

Establishing Mutual Accountability in Nonprofit-Government Relationships, by Margaret Henderson, Gordon P. Whitaker, & Lydian Altman-Sauer, POPULAR GOVERNMENT, Fall 2003, at 18.

Deciding to Fund Nonprofits: Key Questions, by Margaret Henderson, Lydian Altman–Sauer, & Gordon P. Whitaker, POPULAR GOVERNMENT, Summer 2002, at 33.

Local Government Contracts with Nonprofit Organizations: Questions and Answers, by Frayda S. Bluestein & Anita R. Brown-Graham, POPULAR GOVERNMENT, Fall 2001, at 32.

A Primer on Nonprofit Organizations, by Gita Gulati-Partee, POPULAR GOVERNMENT, Summer 2001, at 31.

How Local Governments Work with Nonprofit Organizations in North Carolina, by Gordon P. Whitaker & Rosalind Day, POPULAR GOVERNMENT, Winter 2001, at 25,

Strengthening Relationships between Local Governments and Nonprofits, by Lydian Altman-Sauer, Margaret Henderson, & Gordon P. Whitaker, POPULAR GOVERNMENT, Winter 2001, at 33.

Hiring a Director for a Nonprofit Agency: A Step-by-Step Guide, by Kurt J. Jenne & Margaret Henderson, POPULAR GOVERNMENT, Summer 2000, at 25.

All articles are available online at www.sog.unc.edu/popgov/.

tainability."[12] In addition to providing financial support, the foundation is investing in leadership development sessions for the nonprofits' top leaders.

The Independent Sector, a national alliance of nonprofits, foundations, and corporations, recently endorsed a statement that does the following:[13]

- *Calls on funders to opt for general operating support over project support when feasible and when the goals of the two organizations are "substantially aligned."*

- *Encourages funders, when providing project support, to pay "the fair proportion of administrative and fundraising costs necessary to manage and sustain whatever is required by the organization to run that particular project."*

- *Calls on nonprofit organizations to engage in "top-notch performance . . . in strategic planning, financial management, evaluation, development, and ultimate impact."*

Local governments also can partner with community philanthropies in helping nonprofits build sustainability. Municipal and county governments, United Way, and community foundations often work on the same problems and fund the same nonprofits. Unfortunately the local funders do not always consistently share information or engage in problem solving together.

Not relying on informal relationships, the Alliance for Human Services in Henderson County provides a connective structure among local funders. In the alliance, staff of the community foundation, the county, and United Way meet to share information with and about community-based organizations. The three entities still make funding decisions independently. The difference is that they each know what the others plan to do. In this way they can think strategically about the cumulative impact of their funding, as well as the effects of the individual projects that each supports. They also are well positioned to problem-solve in response to community events, such as the closing of a furniture manufacturing plant in Hendersonville or the flooding from Hurricanes Frances and Ivan.

What lessons can governments learn about building capacity?

As local governments, nonprofits, and philanthropies look together at these elements to assess which are most crucial to a nonprofit's capacity, governments might want to consider a few key points:

- The need for capacity building is not limited to the nuts and bolts of an organization (funding, human resources, systems and infrastructure, or organizational structure). Although these practical elements often draw immediate attention when things go wrong, aspirations, strategies, and organizational skills fundamentally guide an organization and deserve periodic review and readjustment.

- Effective capacity building rarely addresses only one element in isolation. Changes in one area almost always require corresponding adjustments in others.

- Prudent leaders do not wait for a crisis to begin dealing with capacity gaps, nor do they oppose efforts to build capacity.

- Capacity building can be hard to fund, hard to launch, and hard to carry out. Doing all of this takes a long time, and the need may not be apparent to key stakeholders inside or outside the organization. Success depends on having good leadership and management, patience, and periodic celebrations to acknowledge progress.

Notes

1. Gordon P. Whitaker & Rosalind Day, *How Local Governments Work with Nonprofit Organizations in North Carolina*, POPULAR GOVERNMENT, Winter 2001, at 25.

2. E-mail correspondence between Jane Kendall, President of the North Carolina Center *for* Nonprofits, and Margaret Henderson, Associate Director of the Public Intersection Project (Sept. 1–2, 2004) (on file with Henderson).

3. Dinesh K. Dave & Michael R. Evans, JUST THE TICKET: THE ARTS WORK IN NORTH CAROLINA (Boone, N.C.: John Walker College of Business, Appalachian State Univ., for the N.C. Arts Council, 2004), available at www.ncarts.org.

4. This figure was calculated by the North Carolina Center *for* Nonprofits working in collaboration with the National Center for Charitable Statistics. It is the latest available

and is based on 2004 data from Form 990s filed with the IRS after the completion of fiscal year 2002. E-mail correspondence between Kendall and Henderson.

5. These figures were calculated by the North Carolina Center *for* Nonprofits working in collaboration with the North Carolina Employment Security Commission. They are from the second quarter of 2002. The center is working with Johns Hopkins University on a more extensive study of nonprofit employment in the second quarter of 2004. E-mail correspondence between Kendall and Henderson.

6. *Employment in the Nonprofit Sector*, in NONPROFIT ALMANAC: FACTS AND FINDINGS (Washington, D.C.: Independent Sector, 2004), available at www.independentsector.org/PDFs/npemployment.pdf.

7. Interviews by Lydian Altman-Sauer with key executives of a local government and a nonprofit that collaborate, in Charlotte, N.C. (July 6, 2004).

8. McKINSEY & COMPANY, EFFECTIVE CAPACITY BUILDING IN NONPROFIT ORGANIZATIONS (Washington, D.C.: Venture Philanthropy Partners, 2001). This framework is applicable to any kind of association structure (businesses, families, civic groups, etc.). The language might have to be adjusted to reflect other situations. The publication is available at www.venturephilanthropypartners.org/learning/reports/capacity/capacity.html. Also available is a self-assessment grid that organizations might use in evaluating how they currently function and assessing how they might want to change.

9. Defining reasonable indicators of organizational capacity can be difficult, particularly for small or new nonprofits. *Standards for Excellence: A Self-Help Tool for Nonprofits' Organizational Effectiveness*, published in 2002 by the North Carolina Center *for* Nonprofits, offers useful guidelines. Copies are available by contacting the center at (919) 790-1555 or www.ncnonprofits.org/standards.html.

10. E-mail message from Randy Harrington, Budget and Management Analyst, City of Concord, N.C., to Margaret Henderson, Associate Director of the Public Intersection Project (Aug. 2004) (on file with Henderson). For more information, go to www.ci.concord.nc.us/finance_4_4.asp, or contact Randy Harrington at (704) 920-5261, harringr@ci.concord.nc.us.

11. For a fuller discussion of this initiative, *see* Todd Cohen, *Focus on Neighborhoods*, PHILANTHROPY JOURNAL, Sept. 20, 2004. To retrieve the article, go to www.philanthropyjournal.org/, and search for "Focus on neighborhoods."

12. *Id.*

13. INDEPENDENT SECTOR, GUIDELINES FOR THE FUNDING OF NONPROFIT ORGANIZATIONS [press release] (Washington, D.C.: 2004), available at www.independentsector.org/issues/buildingvalue/opsupport.html (last updated May 17, 2004). The complete statement also is available at this website.

In Memoriam:
William McWhorter Cochrane
(1917–2004)

William McWhorter Cochrane, an exceptional person in the history of the Institute of Government and North Carolina, died in Charlotte on December 28, 2004, at age eighty-seven.

A native of Newton, North Carolina, Cochrane attended UNC at Chapel Hill, where he earned degrees in journalism (1939) and law (1941). During law school he worked for the Institute's founder, Albert Coates.

After serving in the Navy in World War II, he returned to the Institute as an associate professor of law and government. He stayed until 1954, when he went to Washington, D.C.—supposedly for one year—as chief of staff for newly elected Senator Kerr Scott. That "year"
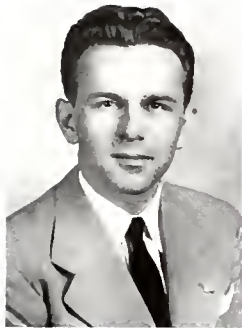
turned into more than forty years, as Cochrane continued to work for Scott; then for his successor, Senator B. Everette Jordan; and then for the Senate Rules Committee, as staff director. In the latter position, he helped plan presidential inaugurations for Lyndon B. Johnson, Richard M. Nixon, Jimmy Carter, and Ronald Reagan.

In 1993, Cochrane left the committee to become an honorary historical consultant at the Library of Congress, where he remained until 2002.

After Cochrane's death the *Charlotte Observer* noted,

> *For going on half a century, North Carolinians with business in Washington could go to see their representative or their senators, and a lot of them did. The wise ones also went to see William McWhorter Cochrane, a Capitol Hill marvel whose extensive*

contacts and institutional memory made him one of the most influential Tar Heels in Washington . . .

. . . [H]e left a legion of admirers who recalled his personal warmth and the genuine passion he felt for his home state and for anyone from back home who took the time to drop by his office and seek help. He gave it willingly, happily and generously— the mark of a dedicated public servant. He once considered running for the Senate himself but chose to remain the ultimate behind-the-scenes conductor in the often-arcane ways of getting places and doing things in Washington.

Cochrane is survived by his wife, Shirley Graves Cochrane, and two sons, Thomas McWhorter Cochrane and William Daniel Cochrane.

School's Lobby Named for
Former Governor Hodges

Thirty years after his death, former North Carolina Governor Luther Hartwell Hodges received an honor that many of his colleagues and family members said was long overdue.

In November 2004, friends and family gathered at the School of Government to dedicate a lobby to Hodges, who brought the Research Triangle Park to North Carolina and established the state's community college system.

Top, Cochrane in the 1940s; bottom, Cochrane (right) with N.C. Senator Terry Sanford (second from right), Mrs. Gladys Hall Coates (third from right), and an unidentified couple, on the steps of the U.S. Capitol. Above, the Luther H. Hodges Lobby.

Below, Luther H. Hodges Jr. and Betsy Hodges Bernard cut the ribbon dedicating the Hodges Lobby; right, Hodges stands in front of a portrait of his father, Governor Luther H. Hodges, during remarks at the lobby dedication.

Hodges, a 1919 graduate of UNC at Chapel Hill, served as North Carolina's governor from 1954 to 1960. Later he was secretary of the U.S. Department of Commerce under Presidents John F. Kennedy and Lyndon B. Johnson.

The lobby is the result of a $250,000 donation by Hodges's children and their spouses: Cheray and Luther Hartwell Hodges Jr. and Betsy and Donald M. Bernard Jr.

In a speech before the ribbon-cutting, Chancellor James Moeser said that it is hard to imagine North Carolina today without Hodges's developments in education and economics.

"To say that Hodges wanted to do a better job of serving the state and the people would be one of the greatest understatements," Moeser commented.

It is fitting to have a lobby in Hodges's name at the School of Government, Moeser added, where "public service to North Carolina reaches its highest level."

Michael R. Smith, dean of the School of Government, also underscored the alignment of Hodges's vision for education with the mission of the School of Government. Hodges would be pleased with the direction of the school, said Smith.

"This is a remarkable legacy, one that has not been adequately acknowledged or honored," Smith continued.

Hodges Jr. recognized the many associates and family members of his father who attended the ceremony, and he spoke with pride of his father's achievements.

"When I was [at UNC], North Carolina was forty-seventh in per capita income, and my father used to say, 'Thank God for Mississippi,'" Hodges Jr. said. "He set out to change that, and by God he did."

Meet the Foundation's Board of Directors, 2005

The School of Government Foundation, originally the Institute of Government Foundation, was created in 1996 to strengthen private and public support for the School, the Institute, the Master of Public Administration Program, faculty and staff projects and programs, and professorships, scholarships, and general operating needs. In December 2004, nine new members joined the Foundation's Board of Directors. We are pleased to introduce them to you.

Philip E. Berger Sr.

Philip E. Berger Sr. has been the town attorney for Mayodan for seventeen years and now is serving a second term in the N.C. Senate (from District 26).

He resides in Eden, where he practices law with his two sons in The Berger Law Firm. In the Senate he has served on numerous committees—Appropriations (Transportation Appropriations Subcommittee); Commerce (ranking minority member); Judiciary I (vice-chair); State and Local Government and Veterans' Affairs; Transportation; and Ways and Means, among others.

Phillip R. Dixon Sr.

Phillip R. Dixon Sr. is a partner in the law firm of Dixon Doub Conner & Foster, in Greenville. Dixon's public service career began as an Institute of Government summer intern in 1971. He has extensive experience as a school board attorney for Greenville, Pitt County, and Washington County schools; has worked for eighteen other school systems in the state; and represents both Pitt and Martin community colleges. A former chair of the East Carolina University Board of Trustees, he currently serves on the Board of N.C. Citizens for Business and Industry and chairs the N.C. Center for Public Policy and Research. Dixon also is chair of Friends of the Institute of Government's East Regional Council.

Catherine C. Eagles

The Honorable Catherine C. Eagles has been superior court judge for District 18(E) (Guilford County) since 1993 and works regularly with School of Government faculty as a peer instructor in annual schools for new judges. Before her appointment to the bench, she clerked with U.S. Court of Appeals Judge J. Smith Henley (Eighth Circuit) and practiced with the law firm of Smith Helms Mullis & Moore, in Greensboro.

DeWitt F. "Mac" McCarley

DeWitt F. "Mac" McCarley has been Charlotte's city attorney since 1994, serving previously in the same position for Greenville and as a lobbyist for the N.C. League of Municipalities from 1977 to 1981. He is a past president of the N.C. Municipal Attorneys Association and currently serves on the Board of Directors of the International Municipal Lawyers Association. Active in the Charlotte community, McCarley led the city's highly successful 2003 and 2004 United Way fund drives. He currently chairs Friends of the Institute of Government's Southwest Regional Council.

Norma L. Mills

Norma L. Mills recently began her second term as chief of staff to N.C. Senate President Pro Tempore Marc Basnight. From 2003 to 2005, she served as Dare County attorney, and from 1993 to 2003, she was general counsel and chief of staff to Basnight, where she oversaw the development of all major legislative policy initiatives for the Senate. Before her work with the Senate, she practiced law with Legal Services of North Carolina and as an associate attorney general in the N.C. Department of Justice. She currently cochairs Friends of the Institute of Government's Northeast Regional Council.

Elizabeth Leight "Betty" Quick

Elizabeth Leight "Betty" Quick is an attorney specializing in estate planning, estate administration, and charitable giving at Womble, Carlyle, Sandridge & Rice, in Winston-Salem. She is a director and counsel for the Cannon Foundation, in Concord, and a former president of the N.C. Bar Association (1997–98). She serves on the boards of Reynolda House, Inc. and Salem College and Academy and is a member of the Winston-Salem Foundation Committee. From 1988 to the present, she has been selected annually as one of the Best Lawyers in America for probate and estate planning.

A. Douglas Rothwell

A. Douglas Rothwell is executive director of Worldwide Real Estate for General Motors Corporation, where he oversees a real estate portfolio that includes facilities in more than fifty countries. Previously he served as president and chief executive officer of the Michigan Economic Development Corporation, chief of staff and state planning director to the governor of Delaware, and executive vice-president with MBNA America. Rothwell has received the Outstanding Economic Developer of the Year award from the American Economic Development Council and the Distinguished Service Award from the National Governors Association.

Priscilla P. Taylor

Dr. Priscilla P. Taylor is the executive director of the Cemala Foundation, in Greensboro. The foundation focuses on support for the arts, education, health, human services, environment, and public interest, primarily in Guilford County. Taylor is a member of the UNC Board of Governors and the Board of Directors of the Foundation of Greater Greensboro. She also has served on the Board of Trustees for NC A&T University and as treasurer/director for the United Way of Greater Greensboro.

Frederick E. Turnage

Frederick E. Turnage was elected to the Rocky Mount City Council in 1971, and in 1973 he became the city's youngest mayor. In 1975, 1979, and 1983, he was reelected, unopposed, as mayor. Subsequently he was elected to fifth, sixth, and seventh consecutive terms. A lawyer in private practice, he is currently chair of the N.C. Eastern Municipal Power Agency and a member of the Advisory Board of the State and Local Legal Center, a national organization that advises state and local governments on legal issues. Turnage also is a past president of the N.C. League of Municipalities and ElectriCities.

The names of the remaining members of the School of Government Foundation follow. We look forward to introducing each of them in a future issue of *Popular Government*.

Philip A. Baddour Jr., *chair*, Goldsboro

C. Ronald Aycock, Raleigh

Delilah B. Blanks, Riegelwood

James Carlton Cole , Hertford

Lyons Gray, *vice-chair*, Winston-Salem

S. Ellis Hankins, Raleigh

H. Parks Helms, Charlotte

Howard N. Lee, Chapel Hill

Alan V. Pugh, Asheboro

Michael R. Smith, *executive director*, Chapel Hill

Thomas H. Thornburg, *secretary*, Mebane

Harris Becomes Director of Legislative Reporting Service

In January, Martha H. Harris joined the School of Government as director of its Legislative Reporting Service (LRS) and as a research fellow.

Harris comes to the School after more than twenty years as a staff attorney in

VERONICA BELLAMY

the Bill Drafting Division of the North Carolina General Assembly. Her experience includes specializations in state and local tax, economic development, and capital financing. For the past fifteen years, she also has directed training for legal staff in the Bill Drafting Division.

Harris received a JD with high honors from the School of Law at UNC at Chapel Hill in 1982.

In addition to directing the LRS, Harris will edit and coordinate its various publications, including the *Daily Bulletin* and the annual *North Carolina Legislation* book. More information about LRS services is available at http://ncinfo.iog.unc.edu/programs/lrs/index.html.

"It's wonderful to be able to bring on someone of Martha's high caliber to care for the Legislative Reporting Service," said Michael R. Smith, dean of the School. "The service's work is valuable to the General Assembly and many who follow legislation, including state agencies and local governments. It is important to continue strong leadership as Bill Campbell steps down after a term of excellent service."

Harris said, "On the basis of my interactions with the faculty and staff over the years, I have great respect for the School of Government and its mission. I am honored that the School has chosen me to join the staff, and very excited to have the opportunity to contribute to its work."

As a research fellow, Harris will collaborate with the School's law faculty in conducting legal research, writing, and advising on local government finance, tax, and employment law.

Wicker Scholarship Available to Student with Ties to N.C. Local Government

A $1,000 Wicker Scholarship is available for a first-year student planning to enroll at UNC at Chapel Hill in 2005–06. The student must have at least one parent who has been continuously employed full-time by a North Carolina city or county government for the five years immediately preceding January 1, 2005.

The scholarship is awarded on the basis of relative financial need and academic promise. The application deadline is April 1, 2005.

The scholarship honors Warren Jake Wicker, a School of Government faculty member for forty-eight years, who died in 2003.

For more information, contact Virginia S. Malek at Gini_Malek@unc.edu or (919) 962-9490.

Mesibov Appointed University Ombuds

Laurie L. Mesibov and Wayne A. Blair have been appointed by University of North Carolina at Chapel Hill Chancellor James Moeser to establish an ombuds office that will serve all staff and faculty at the University. Mesibov's position is a half-time one, and she will continue her work in education law at the School of Government on a half-time basis. Blair, who has served as the ombuds at Columbia University since 2002, will hold a full-time position. Mesibov and Blair took their positions on February 1, 2005.

Creation of the ombuds office was the top recommendation of the chancellor's Task Force for a Better Workplace. Chancellor Moeser said, "I have every confidence in the skills of Wayne and Laurie to make this office a valuable resource for our faculty and staff by

providing a confidential, informal, and neutral dispute-resolution service. We look forward to the contributions they will make to the Carolina community."

Frayda Bluestein chaired the campus-wide search committee of faculty, staff, and administrators that assessed candidates for appointment by the chancellor.

In addition to providing a dispute-resolution service, the office will identify and recommend improvements or structural changes in the work environment for all employees. The ombuds office will supplement UNC's formal grievance procedures for staff and faculty.

"The new office is important for two reasons," Mesibov said. "First, it will provide a safe place for faculty and staff to bring disputes and broader problems. Second, the ombuds will be a source of ideas for improving the professional

lives of Carolina's faculty and staff and the functioning of the University."

Mesibov, who has been at the School of Government since 1984, specializes in all aspects of elementary and secondary school law except personnel law. She currently edits *School Law Bulletin*. From 1996 to 2000, she split her time between the Institute of Government and the Office of the Provost, where she served as assistant provost.

Dean Michael R. Smith commented, "Laurie is the perfect choice for this new position, and she will do a great job. This is another example of our campus colleagues recognizing the wonderful talent at the School. It is much easier to share her with the rest of the campus knowing that Laurie will continue working here."

Off the Press

Notary Public Guidebook for North Carolina
Ninth edition, 2004 • $16.00*
*Revised and edited by*
Thomas H. Thornburg

A convenient reference work containing laws, practices, and forms essential to notaries public in North Carolina. Also valuable for registers of deeds, clerks of superior court, and practicing attorneys. Includes updated text and forms since publication of the eighth edition, in 2000, and three new appendixes: "Requirements Pertaining to Change in the Status of a Notary Public," "Notary Public Glossary," and "Frequently Asked Questions."

North Carolina Juvenile Code and Related Statutes Annotated, with CD-ROM
2005 edition • $55.00*
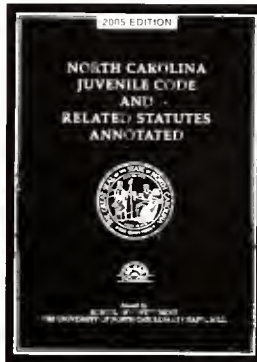
An annotated compilation of North Carolina's Juvenile Code and selected other statutes relating to children. This new edition and the accompanying CD-ROM encompass all changes enacted by the General Assembly through the end of the 2004 session. Includes laws and procedures that apply to young people who are delinquent or who engage in undisciplined conduct. Also includes the mandatory reporting law and other laws relating to child abuse, neglect, and dependency, and termination of parental rights. Contains an index.

Guidebook on the Law and Practice of Soil and Water Conservation in North Carolina
2004 • $20.00*
Edited by Milton S. Heath, Jr.
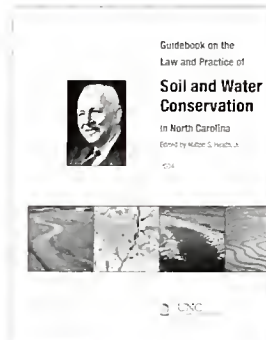
Contains various laws, rules, and regulations that guide and control the actions of North Carolina soil and water conservation district supervisors and staff in shaping conservation programs and operations of conservation districts. Also provides information on the governmental agencies and programs available to support the creation and maintenance of a comprehensive conservation program. Includes a case index, a subject index, and a proper name index.

Recent Publications

Guidebook to Public Dispute Resolution in North Carolina
John B. Stephens
2004 • $45.00*

Capital Budgeting and Finance: A Guide for Local Governments
A. John "Jack" Vogt
2004 • $65.00*

Legal Guide to Purchasing and Contracting for North Carolina Local Governments
Frayda S. Bluestein
Second edition, 2004 • $38.00*

ORDERING INFORMATION

Subscribe to Popular Government and receive the next three issues for $20.00*

Write to the Publications Sales Office, School of Government, CB# 3330, UNC at Chapel Hill, Chapel Hill, NC 27599-3330

Website shopping cart www.sog.unc.edu

E-mail sales@iogmail.iog.unc.edu

Telephone (919) 966-4119

Fax (919) 962-2707

Free catalogs are available on request. Selected articles are available online at the School's website.

To receive an automatic e-mail announcement when new titles are published, join the New Publications Bulletin Board Listserv by visiting www.sog.unc.edu/listservs.htm.

*** N.C. residents add 7% sales tax.**
Prices include shipping and handling.