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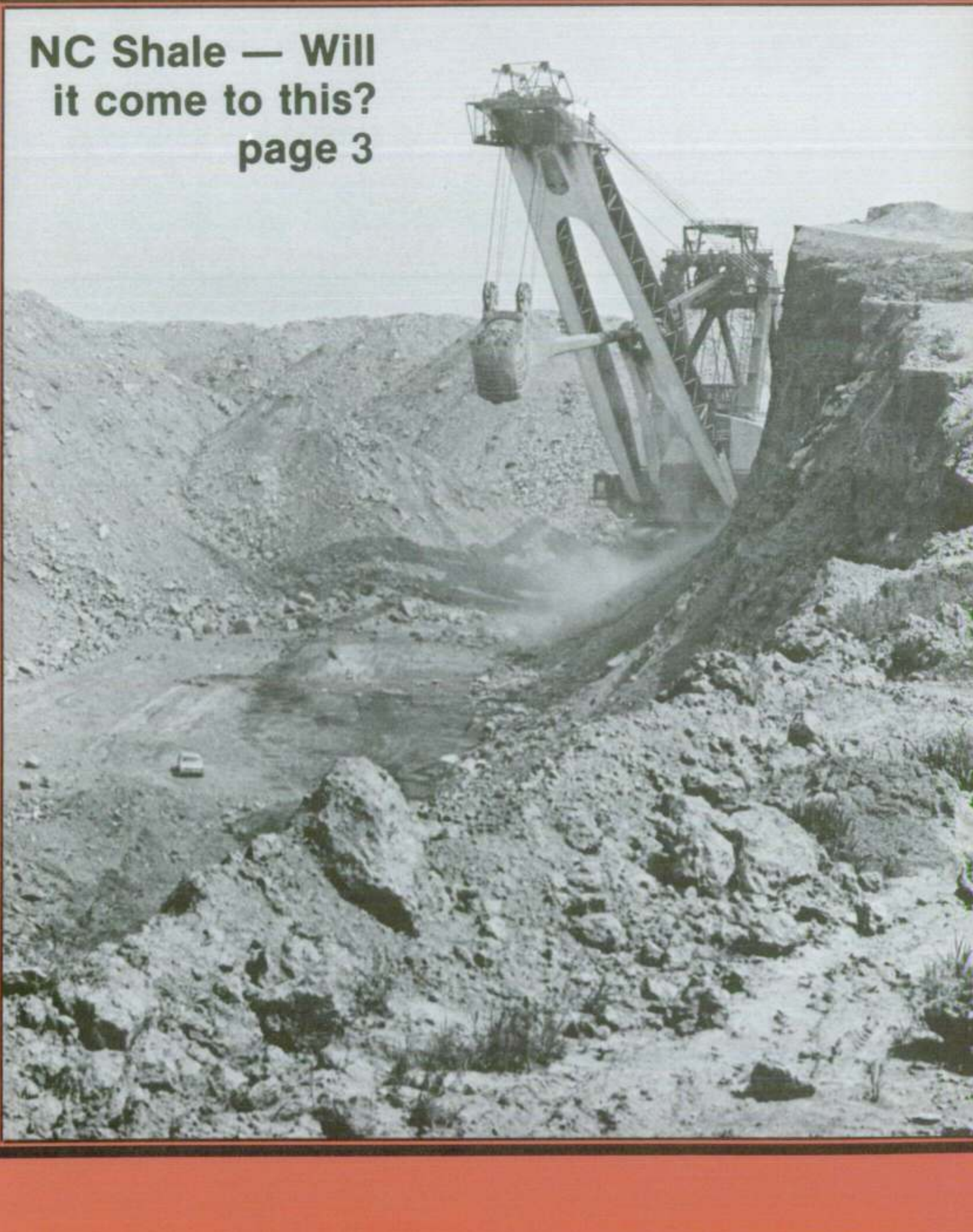
NCINSIGHT



The Missing LINC

Games Government Officials Play

Reforestation Policy

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NC INSIGHT

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Cover photograph of strip mining in Ohio by Peter Borrell.

Oil Shale in North Carolina —
A challenge for state development policy

By Brad Stuart

Does the state have the body of policy and law necessary to deal with the issues of synfuels and strip mining?

President Carter's recent push for synthetic fuels from oil shale and coal may have long-range repercussions for North Carolina. Under land now used for farming and timber, North Carolina holds deposits of oil shale. At issue is whether this land will be strip mined.

If shale oil is to be produced in North Carolina, it will take years before the shovels begin tearing away the topsoil. But there is a question that should be asked now. Does the state have the body of policy and law necessary to deal with the issues of synfuels and strip mining? The answer now appears to be no.

North Carolina's oil shale was first publicized over a year ago when the Chicago-based Institute for Gas Technology (IGT) applied to the N.C. Energy Institute for a state-funded research grant. The research was to study black shales in the Sanford and Reidsville areas and determine the feasibility of synfuels production. Small samples of the shale had shown good oil content, and an IGT researcher quoted the rough estimate that there may be enough oil shale to support two to three synfuels plants, each producing 50,000 barrels per day of liquid fuels or 750 million cubic feet of substitute natural gas.

IGT's grant request was turned down, researchers say, because the new state Energy Institute was funding projects most likely to bring quick results. Shale oil production will not be quick and sure. The extent of the North Carolina shale deposits is not known and reaching production, if feasible, will probably take a decade or longer.

Despite the lack of state research dollars, the prospects for the production of North Carolina shale oil have been boosted in recent months by federal initiatives. In his "crisis of confidence" speech, President Carter proposed to rally the nation's will, spirit, and $88 billion of its tax dollars in a massive effort to expand domestic energy sources. Synthetic fuels are at the heart of the plan.

Western shale, eastern water

There is plenty of oil shale in the western states of Colorado, Utah and Wyoming, which holds the world's largest reserves. But the crucial resource may turn out to be not the oil shale itself, but the water necessary to process it. Water is needed in virtually every stage of the production process — to suppress mining dust, to provide steam or hydrogen to synthesize the fuels, and to cool the fuel reactors. A single synfuels plant would consume around 13,000 acre-feet of water per year, enough to fill a 2,000 acre lake six and a half feet deep. In the arid West, water consumption on this scale is not looked upon as benign.

The water conflicts inherent in synfuels production are not lost on western governors, a group of whom met with the President soon after he made his synfuels proposals. The governors' concern was that the synfuels program could dry up water supplies essential for ranching and for the growth of western cities.

Western water shortages mean that the President's ambitious production goal — 2.5 million barrels per day by 1990 — may be impossible to reach without tapping eastern resources, according to IGT researcher John Janka. North Carolina is one of several eastern states whose shale — and water — is being eyed by the budding synfuels industry. Other states include Ohio, Kentucky, Tennessee and Indiana.

How soon might shale oil production begin in North Carolina? There are several uncertain factors.

- Geology.

The size, shape and quality of the shale deposits will help determine when — and if — they are strip mined. Dr. John Dennison, a UNC-Chapel Hill geologist who has done preliminary studies of North Carolina's Triassic shale beds, says the black shale appears in "long and skinny" deposits which may be miles long but only a quarter to a half mile wide. This means that the first eastern shale oil will probably come from some other state. Some of the Devonian shale beds in Kentucky, for instance, are very large and more compact in shape, guaranteeing plenty of shale near the processing plant. A compensating factor, however, is that shale in the Sanford, N.C. area appears to be high in oil content — "as good or better than the Devonian shales," in the words of Dr. Janka.

Brad Stuart is an associate director of the Center.

Despite the lack of state research dollars, the prospects for the production of North Carolina shale oil have been boosted in recent months by federal initiatives.

• Economics.

Rough IGT cost estimates in 1978 were around $3 per 1,000 cubic feet of gas from eastern shales. This is higher than the regulated price of natural gas, but lower than prices of imported liquified natural gas or synthetic gas from coal. A possible economic plus for the Sanford deposits is that they occur along with coal. In fact, this coal was mined from 1775 to 1953, when a history of groundwater flooding, fatal methane explosions and inadequate coal prices finally forced the mines to close.

• Technology.

Besides water, the chief factor in drawing commercial interest to eastern shales is a new technology that can squeeze out twice as much fuel from a ton of eastern shale as can be extracted by conventional methods. Called "hydroretorting" the process was developed by IGT — a research arm of the natural gas industry — and differs from the conventional "thermal retorting" used on western shales principally in the use of hydrogen. While the thermal retorting process cooks shale oil out of the rock, hydroretorting does so in an atmosphere of pure hydrogen. This helps in hydrogenating the heavy organic compounds in the shale, turning them into lighter compounds which make up liquid and gaseous fuels. Hydroretorting seems particularly well suited to eastern shales, making their improved fuel yields — 25 to 30 gallons per ton — more comparable to those of high-grade western shales, from which over 40 gallons of fuel may be obtained per ton of rock.

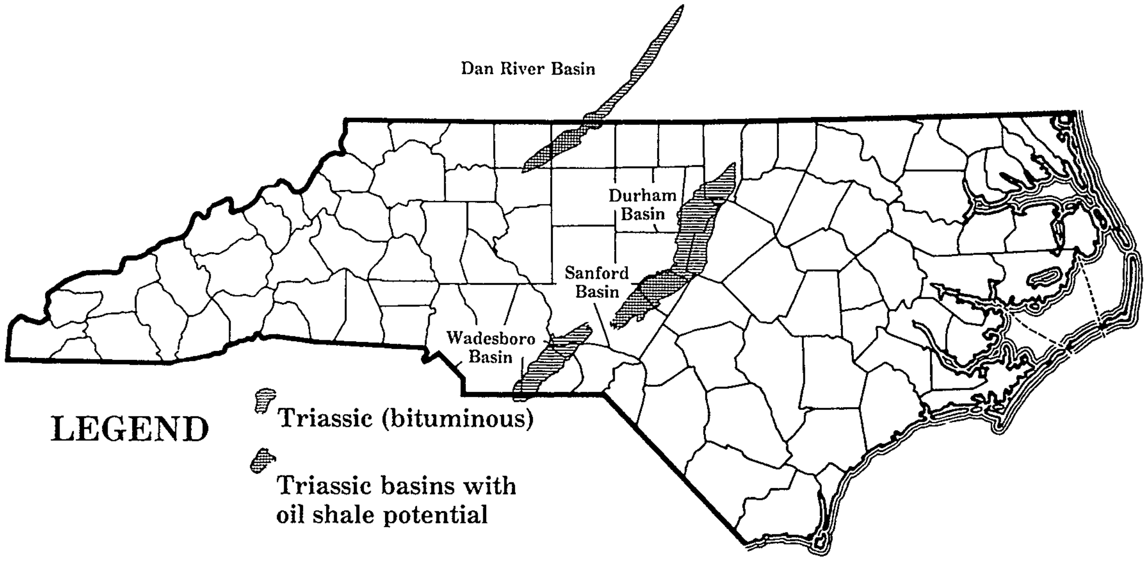
The hydroretort process has been operated so far only on a small scale, one ton per hour. The most optimistic estimate of the time necessary to design and build a commercial-size (90,000 tons per day) plant is five and a half years, according to Janka, who notes that previous attempts to commercialize synfuels technologies have often met with failure or delay.

A challenge for development policy

The potential for synfuels and strip mining in North Carolina raises a challenge to improve the state's development policy. Current laws and procedures are inadequate to properly deal with the issues of synfuels production.

Water consumption is only one of the major environmental and economic issues. Groundwater pollution from mining, carbon dioxide emissions, and cancer-causing air pollution from synfuels plants are among the concerns of environmentalists who have warned against Carter's synfuels push. In addition, land use is a particularly pressing issue in the East, where land is both more populated and agriculturally more productive than in the western shale areas.

Balanced against these considerations is the fact that major fuels production would, in itself, be a great boon to North Carolina. Our state has suffered along with the rest of the nation from



Source: "Research Proposal for Feasibility of Hydroretorting Triassic Shale of North Carolina," Institute of Gas Technology, Chicago, 1978.

fuels shortages, OPEC prices and the security dangers imported with every barrel of oil.

Is strip mining and synfuels production the best use of the affected land, water and air in North Carolina? The fact is that the state government does not have a formal process to deal with this issue. This despite the fact that the state constitution and the state Environmental Policy Act both charge the government with the responsibility to protect the state's resources and environment.

• Item: The state would not be required to do an environmental impact study for privately or federally financed strip mining operations. The Environmental Policy Act requires an impact study only if major state funding is involved.

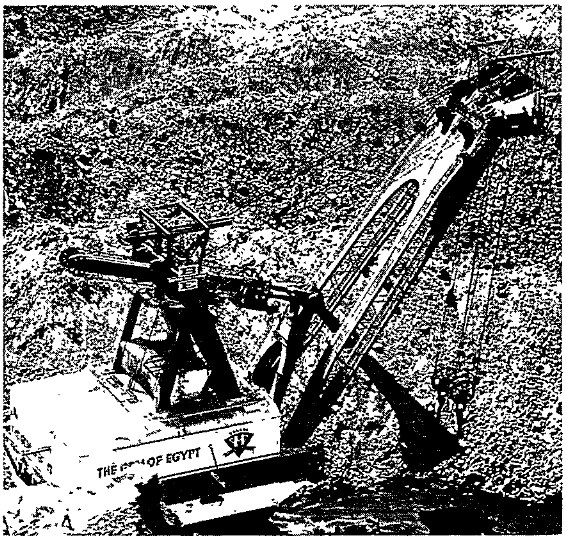
• Item: Consuming 90,000 tons of ore per day, a synfuels plant would be a prodigious consumer of land. Though Governor James B. Hunt, Jr. has often spoke of the need for land use planning as a means to preserve prime farm land, the Governor has not submitted legislation for statewide land use planning and no such legislation is on the horizon.

• Item: Although competition for water has become a rising issue in North Carolina — affecting the politics and future growth potential of cities including Greensboro, Southern Pines, Durham and Chapel Hill — the state does not have a practical way to fairly allocate water among competing users. According to John Wray, chief of water planning for the Environmental Management Division, "Anyone can withdraw any amount of water they want to without any permit." The exception is the water user in a "capacity use area," a legal creature born of the Water Use Act of 1967. The Act is so cumbersome to implement that Wray says it is "not practical to use." Only one capacity use area has ever been designated in North Carolina, and the reason is not a plentitude of water but a fear of red tape. Wray says he personally would like to see legislation that requires that all large users first obtain a state permit. This would give the state the power to impose conditions or to deny large water withdrawals if they would pose a hardship on other users. Such law, common in the West, does not yet exist in North Carolina.

State law would not leave us totally unprotected from environmental hazards. Although he feels strip mining highlights the need for land use planning, the Attorney General's environmental law expert, William Raney, believes the state does have a respectable strip mine reclamation law in the Mining Act of 1971. Some other environmental problems besides reclamation might be dealt with by the patchwork of state and federal pollution regulations.

But until the state has better development policy than is now on the books, the possibility of shale mining will be greeted by legitimate fears and perhaps strong opposition.

How soon might shale oil production begin in North Carolina?



. . . the first eastern shale oil will probably come from some other state.

Milton Heath, an environmental policy expert of UNC's Institute of Government, is among those who understand development issues and know the gaps in state development policy. Told that there may be a major reserve of oil shale in North Carolina, Heath replied, "Oh no!"

If North Carolina's shale oil doesn't pan out — which is quite possible — this does not mean that the development policy issues raised by shale strip mining are academic. Shale oil is only one of several new mining possibilities for the state, and others raise equally profound environmental problems. In a May, 1978 speech at an energy symposium in Raleigh, Dennison reported that around 20 companies were prospecting for uranium in North Carolina. "I expect commercial uranium production . . . within ten years," he said. Uranium production, as with oil shale, would be through strip mining. □

Fred Harwell Is New Center Director

Fred R. Harwell, Jr., an associate director of the Center since 1978, became Executive Director on October 15. Harwell is a native of Washington, N.C. and a graduate of the University of North Carolina at Chapel Hill with degrees in law and journalism. He succeeded Mercer Doty, who had been the director since July, 1978.

Games Government Officials Play —
And the rules they play by

by Deil S. Wright*

The special world which public officials inhabit is often poorly understood. In the past 10-15 years the impact of federal grants, revenue sharing, guidelines, reporting requirements, etc., have produced an even more complex and arcane world. This particular "world" has taken on its own special name — intergovernmental relations (or IGR).

Despite its complexity and low visibility, the arena of IGR can still be understood if it is approached properly. One useful approach for the average person seeking to understand IGR is to see it as a series of "games" which are played according to certain "rules." To illustrate this approach there is listed below several IGR games played by National and by State/Local officials. In addition, several rules for playing the "grantsmanship" game are identified in a subsequent section.

This presentation of IGR games and rules is exerpted from a larger article scheduled to appear in a forthcoming issue of *The Southern Review of Public Administration.*

IGR Games

More than two decades ago Norton Long (Long, 1958) argued that local and metropolitan communities could best be understood as "an ecology of games." Long made three points pertinent to this discussion of IGR games. First, he contended that any actor might be involved in two, three, or several games. Second, he noted that while particular games might show clarity of goals and conscious rational striving, there was a lack of aggregate or overriding purpose(s); any system-wide coordination and direction occurred partly by chance and partly by ecological forces beyond the control of one or a few actors. Third, Long asserted that actors with system-wide perspectives were few in number and were weak in managerial skills and political clout. The protagonists of things in general tended to lose to the proponents of particularistic programs.

Comments from observers of and participants in IGR indicate that these points about the ecology of games ring true, at least on an impressionistic basis. This article cannot cover wide-ranging applications of game-directed and rule-oriented behavior in IGR nor can it test the validity of such patterns. But it is possible to pursue a preliminary exploration of a game-based approach to IGR. If such an exploration seems to have a "reality fit" to both practitioners and observers alike, then there may be value in further pursuit of game-directed and rule-oriented inquiries in IGR.

At this stage our aims are modest, even minimal. We identify few notable IGR games and offer short explanations of each game. Space limits preclude the inclusion of illustrations of the games. The games are grouped in two broad categories of IGR participants: (1) state-local officials and (2) officials of the national government.

IGR Games Played by State and Local Officials

1. **Grantsmanship**

   This "hustle the buck" game involves locating and securing federal funds from many sources — usually as many as possible. (This may be the most widely-played IGR game; it is one for which we offer some commonly accepted rules for playing the "grantsmanship" game.)

2. **Liberty**

   Prevent or minimize the extent of federal-level control over spending federal funds. This is sometimes paraphrased succinctly as: "Don't *you* tell *us* how to spend *your* money."

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3. **Equality**

Press for equitable or "fair" distribution of federal funds. This is also known as the "formula game" in which state-local participants push for specific and advantageous factors in the formulas by which federal funds are distributed.

4. **Fraternity**

Form alliances among like-minded or similarly situated officials. There are two erstwhile alliances in IGR. One is the "vertical functional autocracies" tying programmatic specialists from all levels together under such mottos as: "Program professionals stick together," and "Remember the Picket Fence." The latter reference is to Picket Fence Federalism — the shared loyalties and/or alliances of program professionals across and beyond the boundaries of particular political jurisdictions.

The second longstanding but more fragile fraternal alliance in IGR is among political administrative generalists at all levels. This alliance has enjoyed various designations: the "executive coalition," the "Big Seven," and the "PIGs." The last two appellations refer to the seven so-called Public Interest Groups composed of the following:

1. Council of State Governments
2. National Governor's Association
3. National Conference of State Legislators
4. National Association of County Officials
5. National League of Cities
6. United States Conference of Mayors
7. International City Management Association

The weakness as well as the optimism about the coalition among the PIGs has given rise to an IGR beatitude: "The meek shall inherit federal money."

5. **Beggar Thy Neighbor**

This refers to state or local officials' attempts to outbid or undercut jurisdictional neighbors or competitors in an effort to attract business and industrial firms to their own jurisdiction. The attractions or inducements may vary from tax breaks to the provision of public services — sometimes at reduced rates. Other names for this game include, "Lure the big one," and, disparagingly, "Smokestack Chasing."

6. **End Run**

This game is played by local officials, especially big-city mayors. It consists of the simple strategy of bypassing the states and establishing (as well as expanding) the flow of federal funds directly from the national government to the cities.

7. **Covet Your Brother's Birthright**

This game describes the effort made, particularly by local government officials, to secure a fixed or earmarked portion of the proceeds of state or federal tax revenues.

8. **Build Potomac Pipelines**

This game is also known as "The Washington Connection." The lines established as a result of playing this game are conduits for carrying two types of contents: (1) information and (2) money. The information flow is invariably a two-way process.

Knowledge about funds, regulations, legislation, formula distributions, etc., are secured through information channels usually established and maintained through cooperation between national and state-local officials. In some cases state-local officials must assume the full responsibility for initiating and continuing the information-related contacts. This pattern or process has resulted in large numbers of states and localities having their own Man-in-Washington representative (twenty-five states and fifty cities at last count). New York appears to have carried the "pipelines" strategy to the *n*th degree with in-Washington representatives from: New York City, New York City Board of Education, Governor's Office, Board of Regents, State Senate, and State House. There is, of course, a Washington-directed flow of information such as grant proposals, reports, etc.

The two way information flow usually culminates in the flow of *money* through these Potomac Pipelines. Often the dollar-based character of this game can be described with the paraphrase of Vince Lombardi's well-known saying: "Money isn't everything; it's the *only* thing!"

IGR Games Played by National Officials

1. **Turf Protectionism**

This game consists of defending the agency's jurisdiction or program(s) against attacks by "outsiders," whether they be competing federal agencies and personnel or state and local generalist officials pursuing policy control or coordination aims. One expression of this orientation came from an exasperated mid-level federal program administrator who said: "Don't bother me with all these IGR *policy* matters, I've got a *program* to administer."

2. **Project Perfectionism**

This game is played by defining a project grant or IGR program requirements so strictly and precisely that only "angels" can qualify. The restrictive requirements give the federal administrators the advantage of making exceptions, i.e., deciding who qualifies as "angels."

3. **Bump-and-Run**

This is a relatively new game and one that is played in an arena and with rules far different than Turf Protectionism and Project Perfectionism. The Bump-and-Run game consists of the national government giving state-local jurisdictions a nudge (bump) with an amount of money but avoiding (running from) the responsibility of specifying how the funds should be used. Funds from General Revenue Sharing perhaps best illustrate this game although funding under the anti-recession fiscal assistance program and some block grants also approximate this game.

4. **Medicine Ball**

The General Accounting Office audits a grant project or program. To those knowledgeable about the GAO no further explanation is required. To the uninitiated, the GAO is capable of inflicting a damaging and even mortal blow to a program's solar plexus.

5. **Golden Rule**

He who controls the gold makes the rules. This is also often expressed as: "He who pays the piper calls the tune." It reflects the natural and often mandated expectations that when federal funds are granted to support a program, activity, or project, there should be requirements which guarantee that the funds are spent by recipients for the intended purpose.

6. **Einstein's Law of IGR Relativity**

This game is an extension of the Golden Rule whereby the regulations associated with a grant may be calculated according to the formula $E=MC^2$ where:

E= energy invested in writing the rules and regulations,

M= mass of dollars available for expenditure,

C= conservative attitude and cautious speed of the officials writing the regulations.

Pursuing the analogy one step further, it might be expected that grant administration might therefore proceed at the reciprocal of the speed of light.

Some participants and observers of IGR contend that Einstein's law is not universal and that there exists a special theory of rule-relativity. The special theory asserts that: The number and specificity of grant regulations are *inversely* proportional to the size of the grant.

7. **It Isn't Big Enough**

This refers to the "threshold level" phenomenon. Unless a grant request, policy change, or program problem is sufficiently large it will not command the attention of federal officials. Where an idea or proposal does seem innovative or promising, however, the federal official may suggest to the applicant/proposer to enlarge the scope of the project.

8. **We Can't Take It Back**

Once a grant is made the federal officials expect the recipients to spend *all* the money rather than turning back "surplus" or unspent funds. To avoid such awkwardness and embarrassment the federal officials may engage in a sub-game called "reprogramming." This merely extends the time (and sometimes the purpose) under which the original funds may be used.

These games are not to be confused with the Year-End Rush game. In this game an agency has unobligated funds remaining as the end of the fiscal year approaches. The agency hurries to commit the available unobligated balances. To play the Year-End Rush game, however, it is normally a prerequisite that the agency previously engaged in a Build-the-Backlog game.

This game assures a backlog or on-the-shelf set of grant proposals that the federal agency can draw upon to deplete its year-end unobligated funds. There is, of course, another highly advantageous pay-off from the Build-the-Backlog game. An agency with a large or even massive list of meritorious but unfunded requests can show superiors and appropriate congressional committees strong justifications for (a) program need and (b) larger appropriations.

9. **Share the Wealth — Strategically**

Grant funds, especially project grants, should be allocated to states or cities where the benefits will do the most good *politically* as well as programmatically. The chairpersons of key congressional committees are persons whose constituencies deserve special attention whenever and wherever administrative discretion will permit it.

10. **Include Us in the Ribbon Cutting**

This might be called a ceremonial game, one that is played chiefly by members of the Congress and top-level political appointees. It consists of knowing about and being present when a major and highly-visible grant project (or program) has been successfully completed. When a new federally-assisted water supply system is opened, for example, senators and the congressmen (from that district) may insist on being present at the dedication ceremonies. It is predictable that speeches at such events will extoll the virtues of IGR cooperation and the values of federal assistance for constructive community progress.

Modifications and variations on this game are the Grant Announcement game and the Bump-and-Run game. Under the Grant Announcement game a federal administrative agency is under a mandate to inform a congressman or senator within whose constituency a grant is about to be awarded.

A commonly asked question in IGR (intergovernmental relations) games is: 'Who's in charge?' A standard response is: 'Nobody!'

Based on this prior clearance the congressional member may then personally announce in a press release the fact that the grant award is being made to *X* jurisdiction for *Y* purpose. The purpose of this procedure of course, is to enhance the political visibility of the member of congress.

The Bump-and-Run game, as exemplified by General Revenue Sharing, has noticeably altered the Ribbon-Cutting game. Since mayors, councils, city managers, governors, and other state-local officials decide on and preside over the use of these funds they are unlikely to think about or include members of congress in "successful festivities." Indeed, one congressman critical of revenue sharing charged that, "When state and local officials build projects with these funds, they won't even invite us to the ribbon cutting!"

Rules of the Grantsmanship Game

Very few of the rules by which many IGR games are played have been identified or codified. Various reasons may explain this lack of specified rules. One may be that the players are so occupied in playing some (or several) games that they cannot afford the time to codify the rules they follow. It is also possible that IGR players' behavior is so highly patterned, ingrained, and standardized that they may be unaware of the identifiable and relatively fixed rules they follow.

A third condition may contribute to the lack of explicitly specified rules for IGR games — the absence of *referees*. The dispersal of power and influence among numerous jurisdictions and IGR actors leads to the well-noted phenomenon of mild chaos, the absence of system-wide purposes, and the lack of clear accountability. A commonly asked question in IGR games is: "Who's in charge?" A standard response is: "Nobody!" These oft-cited conditions support a hypothesis that no one is in charge of most IGR games; there are no referees!

Other reasons may explain the absence of rule-makers and rule-enforcers in IGR games. Those other reasons should neither detain nor deter us from attempting to fill part of the void which exists in one of the more extensively played IGR games — grantsmanship. The statements listed below represent an effort to provide a set of rules by which the grantsmanship game is played by state and local officials. The rules derive from the author's own experience, from frequent contact with state-local officials involved in grantsmanship, and from various published sources on IGR.

There is a rationale for classifying grantsmanship rules in two separate sets. The first set, *pervasive rules*, appears to be followed by a majority of officials most of the time. The second set, *particularistic rules*, guide grantsmanship behavior under special or exceptional circumstances. For purposes of simplified presentation the two sets of rules are specified as if they guided *local* officials only.

Pervasive Grantsmanship Rules for Local Officials

1. **Maximize federal and state dollars and minimize local taxes.**
   This action rule is similar to the Law of Fiscal Appropriateness: the level of government most appropriate to finance a governmental program is a level other than the one the official currently serves.
2. **Maximize local flexibility and discretion while minimizing federal/state controls, regulations, and guidelines.**
   This rule is closely approximated by the Law of Administrative Appropriateness: the level of government by which one is currently employed is the one most appropriate to administer a program.
3. **Accept the Intergovernmental Law of Gravity.**
   This rule states: "The Buck Drops *Down* to Local Officials." This is also known as the Law of Program Sedimentation: operational responsibility for a program is delegated downward to local officials, beyond whom no delegation can take place.
4. **Maximize public participation and satisfaction while implementing an efficient and effective grant program.**
   This rule is sometimes known as "Get everyone in on the action but get *Action*."
5. **Maximize the respect and confidence of other intergovernmental participants.**
   This is accomplished by using the following sub-rules:

a. demonstrate honorable and decent intentions,
b. develop evidence of capable personnel and quality program performance, and
c. package and sell agency (or unit) accomplishments.

6. **Mobilize marginal resources.**
Marginal resources are those which:
a. provide the highest returns for the energy and effort committed to securing them,
b. allow the greatest flexibility of usage, and
c. can be preserved as slack or money in the bank to meet emergencies and future uncertainties.

7. **Retain and enhance political/organizational clout.**
This is achieved by:
a. using favorable constituencies and contacts,
b. neutralizing hostile interests,
c. avoid appearing greedy, and
d. husbanding power as if it were expendable "green stamps," confident that modest clout used today will leave more for future use.

The *particularistic* rules of grantsmanship are ones that apply to specific and discrete operational circumstances. These rules can be subdivided into two groups: (A) rules involved in the search for grant funds — learning how to play the game or learning what bases must be touched, and (B) rules involving the acquisition of grant funds — knowing how to score.

Particularistic Grantsmanship Rules

A. Grant Search Rules — Learn How to Play the Game.
1. Know the regulations (rules of the specific grant program).
2. Know the application deadlines. (This is like knowing it's your turn at bat.)
3. Know what the grantors want to hear. (This is frequently referred to as "knowing the language and its various dialects.")
4. Know where the dollars are. (This is sometimes compared to hunting for buried treasure except that the map is the *Catalog of Federal Domestic Assistance.*)
5. Know who knows where the dollars are. (This is equivalent to hiring a guide with a good, detailed map or in more common parlance, "Hire a consultant, preferably an experienced one.")
6. Know the best matching ratios and formulas. (One local dollar, cash or in-kind, can produce from 1-9 federal dollars. This rule is also called the "Elastic Dollar Principle" and "Getting the Biggest Bang for the Local Buck.")

Once these six rules have been followed a formal grant application is likely to result. That application brings into "play" a set of grant acquisition rules. These might be subtitled "Boy Scout" rules since each one should be preceded by the motto: "Be prepared . . ."

B. Grant Acquisition Rules — Know How to Score. Be prepared to:
1. Have the grant rejected.
2. Learn that the grant regulations have been changed.
3. Learn that program priorities have been shifted.
4. Resubmit the grant in a revised form.
5. Lobby with the grantor agency using legislative, executive, and professional contacts. (This is frequently termed "Having friends call." A more effective but rare strategy is called "Having a Godfather.")
6. Call in your own experts. (If the grantor agency raises questions or has doubts about the grant proposal, produce character witnesses.)
7. Show past, present, or future results that look good. (This rule is probably preferable to #6 but is more demanding; local officials must do the nitty-gritty work rather than merely pay for an expert's opinion.)
8. Work on a short fuse! (Like fighting fires, rapid response times are critical to grantsmanship. Developing a 100-page proposal for a $100,000 grant in one month, including all local clearances and sign-offs, is a suitable dry-run test for assessing the adequacy of local response time.) □

The Demise of "LINC" —

A once-influential agency is now a paper skeleton

by Tom Dillon

The Learning Institute of North Carolina was known in this state and outside the state as a catalyst for educational innovation and experimentation.

For years, educators came to the Quail Roost Conference Center near Durham for conferences sponsored by the Learning Institute of North Carolina (LINC). In the bucolic setting of the center, they discussed such subjects as school desegregation, new methods of teaching reading, and open classrooms.

The Learning Institute was known in this state and outside the state as a catalyst for educational innovation and experimentation.

Earlier this year, responsibility for operating Quail Roost passed from LINC to the center's owner, the University of North Carolina. That event, little noted by persons inside or outside state government, symbolized the demise of what was once an influential North Carolina institution.

Over a period of 15 years, the institute, a non-profit corporation, attracted to this state millions of dollars in federal and foundation money for educational research and experimentation. Started during the term of Gov. Terry Sanford in 1964, it became a model for what Harold Howe, the first LINC director and later U.S. Commissioner of Education, has called "private initiative about public business."

The Learning Institute developed projects ranging from the North Carolina Advancement School, a school for underachieving children, to Carolina Boys' Camp, a camp for emotionally disturbed children, to an adult literacy effort that is — under other sponsorship — just now getting under way.

Seven years ago, at the height of its influence, it had a staff of 80 persons and a budget of well over $1 million. Today, the agency is little more than a shell. It has no staff, no money, a board of directors which has not met in two years, and a part-time executive director whose main job is treasurer for Gov. James B. Hunt's fledgling re-election effort. Its files have been placed in the offices of the new North Carolina School of Science and Mathematics in Durham and in the state archives.

Officials of the Hunt Administration envision a possible role for a revived Learning Institute — as an evaluator of the science and math school, which will admit its first class next year. "The science and math school board will probably take a good hard look at LINC and see if we can't revitalize it," says Dr. Quentin W. Lindsey, the governor's science advisor.

But Lindsey cautioned that any discussion of a role for the agency in the Hunt Administration is extremely tentative. LINC, he said, "is in a kind of a limbo state until we find a purpose it can serve."

The administration recommended that the 1979 General Assembly appropriate $120,000 for the Learning Institute. Significantly, the legislature declined, on the basis of a recommendation from its Fiscal Research Division, to make the appropriation. (The Fiscal Research Division noted that the inactive agency did not spend its 1978-79 appropriation.)

Started during the term of Governor Terry Sanford in 1964, it became a model for what Harold Howe, the first LINC director and later U.S. Commissioner of Education, has called "private initiative about public business."

Tom Dillon is a Winston-Salem free-lance writer.

Lindsey observed that Hunt, who is the chairman of the LINC board of directors, called together a LINC Task Force last year to evaluate the agency and chart new directions. That group recommended a "more broadly stated, multi-disciplinary mission," not based so much on research, as in the past, but more on policy and program development. But Lindsey said that task force produced "no feeling that here is a burning set of issues that should be addressed." One member said the group met only twice and failed to develop "any sort of consensus." John Talton, the Learning Institute caretaker and treasurer of the new Jim Hunt Committee, said: "The recommendations are still tentative. We never had a meeting to finalize them."

Seven years ago, at the height of its influence, it had a staff of 80 persons and a budget of well over $1 million.

The dissolution of the institute itself is a story of conflicting educational goals and differences about ways of reaching them, with a bit of politics thrown in on the side. When the institute was formed, North Carolina had experienced little innovativeness or experimentation in public education; indeed, there was no research arm at all in the Department of Public Instruction. The institute was conceived as a partly private, partly public effort to stimulate new ways. "It was neatly conceived," said John R. B. Hawes, the last full-time director, "close to but outside the structure of the educational establishment." Sanford himself looked on it as an example of "creative tension," an outside but semi-official agency studying public education.

Today, say Sanford and some others, the state is more open to new ideas in education. Research is being done in several universities and by the Department of Public Instruction, as well as by some newer private groups. "Everything it (LINC) did, somebody else can do," Talton said. But most of the persons interviewed for this article think there is still a place for private agencies such as the Learning Institute in public education. "We need a neutral territory where new ideas can be nurtured and spun off," said one state foundation official. Said Talton, "In my opinion, there are a lot of things that private groups can do better than the state."

Sanford had predicted from the beginning that the Learning Institute would engender controversy. "Almost certainly," he said in 1964, "it is going to put the spotlight on community faults outside the schools themselves." The statement was not long in being borne out. The Advancement School in Winston-Salem became the first fully integrated school in the state, and within a year of LINC's organization desegregation workshops were being held at the school. That was at a time when many schools were only just beginning to desegregate. Institute leaders, while maintaining generally good relationships with the public school teachers with whom LINC worked, could anger administrators. In 1971, the handbook of LINC's Project Change, an attempted revision of English and social studies teaching, said, "An optimistic approach to the problems in North Carolina is to say we're so far behind now that we don't have to worry about being on new ground if we try classroom innovation."

Despite the occasional controversies, the institute and its programs garnered for North Carolina a reputation as a leader in educational change. And that meant money for LINC projects. Between 1964 and 1972, according to agency records, the Learning Institute received $1,405,000 in basic support from the State Board of Education, the University of North Carolina, Duke University and the North Carolina Fund, a private antipoverty agency. With that money, it developed programs and ideas that attracted a total of $12,378,190 in education money to the state. Slightly less than three-fourths of that total was federal money. The rest came from foundations.

Today . . . it has no staff, no money, a board of directors which has not met in two years, and a part-time executive director whose main job is treasurer for Governor James B. Hunt's fledgling reelection effort.

Over the years, said Hawes, the Learning Institute directors attempted to downplay the "adversary" image that developed. In 1969, LINC's third director, Dr. Richard S. Ray, titled his annual report to the board of directors, "To Build a Bridge." Others say that the agency began to work more closely with the state educational establishment when Dr. A. Craig Phillips became superintendent of public instruction in 1968. Phillips was known to favor new directions in education, and worked closely with Ray on kindergarten programs. Hawes called the atmosphere one more of advocacy than opposition.

In 1973, however, Ray was indicted in a conflict of interest investigation involving an outside consulting company operated by Ray and Dr. Hugh Peck, another staffer. The charges, which were eventually thrown out of court, damaged the agency. "They were held over his (Ray's) head for a year or more," said one former state official sympathetic to the institute "and that finally took the nerve out of LINC." The incident also affected the institute's ability to get money from the legislature. In the midst of the controversy, the 1973 state allocation was dropped.

When Hawes became LINC director in 1973, he said, the agency was in debt, and he spent much of his four years in the post trying to get the agency solvent again. Among other things, LINC conducted the 1975 Governor's Conference on Reading and sponsored a child advocacy group called The Children's 100. It continued the operation of Carolina Boys' Camp and began to work on a study of early adolescence and an adult tutoring program. The approach to spending money was conservative, said one official, because of the tight finances. But the board of directors was looking for new directions in which to move.

It was after Hunt became governor, in 1977, that the LINC operation began to wind down. Hunt had his own ideas about education, and he apparently had little interest in either LINC or Hawes. "I began to get feedback that the governor's aides weren't sure what they wanted to do with me," commented Hawes. Finally, after a meeting of the LINC executive committee in August, 1977, Hawes said, Hunt told him that the direction of the agency would be changed and that he (Hunt) wanted a change in leadership. Hawes resigned from LINC the next month effective at the end of the year.

There are differing stories on why LINC lost favor. Lindsey says one of the problems with the Learning Institute was that it "had become pre-occupied with self-justification," and had no clear mission. Hawes says that the institute was put in the position of having to justify itself by frequent legislative attacks on its appropriation. But equally important, Hawes said, was an incident that took place in September, 1975, just before that year's Governor's Conference on Reading.

Hawes said Hunt, at that time mulling over a campaign for governor, had asked to speak at the conference but had been turned down. "We had said, 'Let's not have speakers who would be at an unfair advantage over others,'" Hawes said. "I had no choice but to write him and say he couldn't speak." Hawes says he is convinced that the incident colored Hunt's later attitude toward LINC and Hawes. Hunt spokesmen deny it. "There is no hostility or ill will toward LINC," said Betty Owen, the governor's education assistant. "There's no question but that LINC served as a valuable resource to state government."

At any rate, by late 1977, the Learning Institute staff was being encouraged not to seek new projects, and staff members who had chances at outside jobs were being urged to take them. Some projects, notably an attempt to work with the state's bankers on an adult literary tutoring program, were being transferred to other agencies. The LINC appropriation for 1978-79 was approved by the General Assembly, and in July the state Department of Administration and the task force (some called it only an *ad hoc* committee) designed to seek new directions for LINC issued a report. But nothing was to be done with the report.

What does the future hold for LINC? One former staff member, sympathetic to the Institute, told the Center she thought that the LINC staff, toward the end, was not effective in "articulating what the role of LINC should be." She added, "When someone articulates this, it will come back." Both Hawes and Ray, the former LINC directors, say they think such an agency is still needed. Ray, who essentially forged the Learning

It was after Hunt became governor, in 1977, that LINC began to wind down.

Said one former LINC official, "It's odd that this governor, above all, with his interest in children, hasn't yet got a handle on the one agency that had a handle on children's programs in this state."

Institute's advocacy role, said he thinks the agency was not as successful in changing the public temperament for changes in education as he would have liked. "But there's no question that there ought to be a LINC," he said. He said he would support Hunt Administration efforts to recreate the agency, though he said it should not deal just with the science and math school.

John Ehle, the novelist who was Sanford's idea man in 1964 when LINC was established, said the

(Continued on page 18)

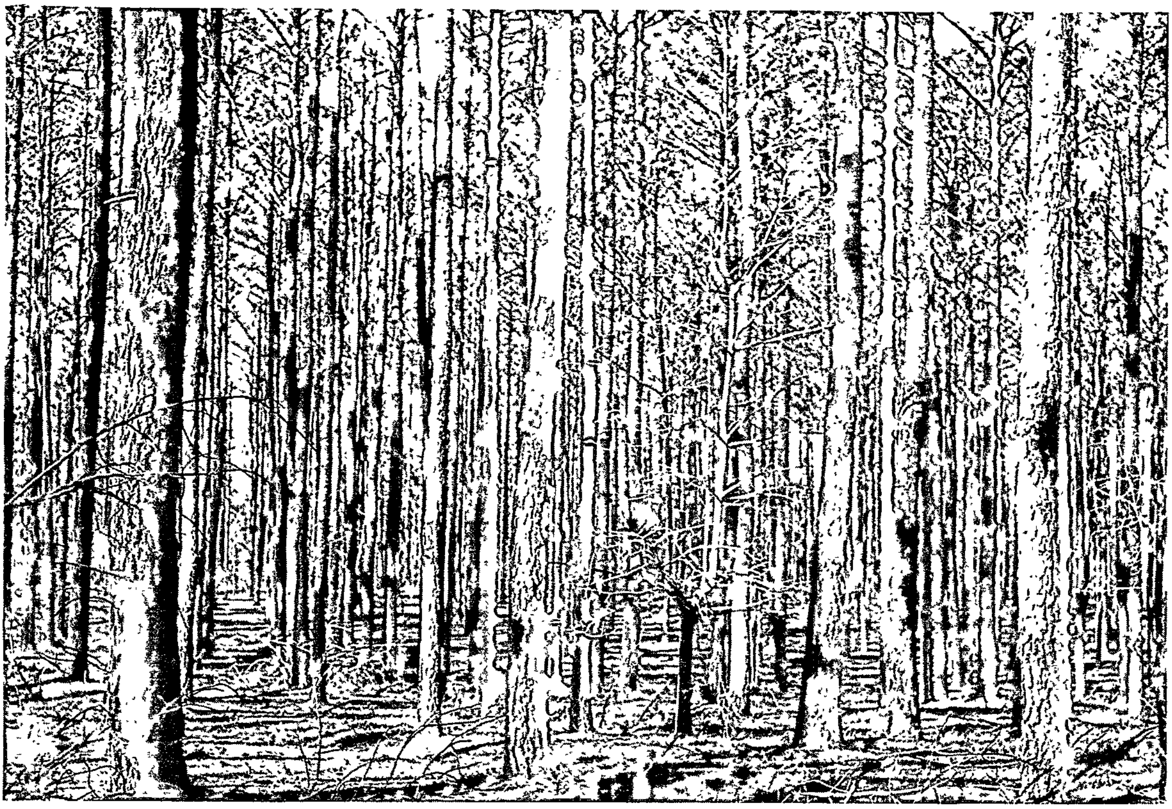

Photo courtesy of N.C. Division of Forest Resources.

Forestry Mismanagement — Private timberlands get "benign neglect" — or worse

by Howard S. Muse Jr.

More than 19 million acres of North Carolina — two-thirds of the state's land surface — is forested. The timberland owned by the forest products industry (2.5 million acres) and the national forests (1.1 million acres) are generally well-managed. But much of the 80 percent of the state's timberland that is privately owned (there are nearly 250,000 owners with the average holding 75 to 80 acres) is not.

Some of the timberland is simply the object of "benign neglect." Whatever forest is on the land is left to grow without management. Increasingly, however, privately owned timberland is being harvested without subsequent replanting of desirable species.

Between 1964 and 1974, according to U.S. Forest Service figures, almost 2.9 million acres of timberland in North Carolina were harvested. Only about 19 percent of that land was replanted. About 36 percent of the harvested land restocked itself naturally, producing manageable stands of trees. On the remaining 45 percent, there was no regeneration.

Each year, approximately 100,000 acres of timberland are harvested, mainly by clearcutting, and not regenerated, either naturally or artificially, with desirable species.

"It's just butchered," said a forester for the North Carolina Forest Service. "Most people look at their forest land as a bank. If they want a new car or a new tractor, they just cut it down."

Many of the private owners of timberland are middle-aged or older and unwilling to make an investment in reforestation that may not yield an income for 15 to 20 years.

Since reforestation efforts started on a large scale in North Carolina about 50 years ago, about two million acres have been planted, or only 10 percent of the state's timberland.

Altogether, more than 3 million acres of timberland are in need of regeneration.

Howard S. Muse Jr., a Moore County tree farmer, is chairman of the Moore County Forestry Association.

Environmentalists fear that the state is about to become a vast sea of pine plantations. Actually, pines, including North Carolina's most important timber species — the loblolly pine — are being replaced by hardwoods. From 1964 to 1974, hardwoods replaced pines on more than 370,000 acres, an area larger than Mecklenburg County.

Timber harvesting has become so intense in the 23-county northern coastal plain area — the center of the state's forest products industry — that cut has exceeded growth in the early 1970s, and the area contained less pine timber in 1973 than in 1963. Altogether, more than 800,000 acres of the 6.7 million acres of timberland in the 23-county area were harvested from 1963 to 1974. Only 260,000 acres were artificially regenerated. And 90 percent of the replanting was on forest industry land.

Across the state, 58 percent of the loblolly pine plots harvested between 1964 and 1974 are now occupied by hardwoods — often low-grade "green junk" with little present or prospective value.

Inadequate regeneration of harvested timberland is nothing new in North Carolina. "High-grading," removing better trees and leaving poorer ones, has been standard practice for decades.

More recently, the widespread use of clear-cutting, prompted by the introduction of large timber-harvesting machinery, has left North Carolina with a substantial acreage of under-stocked and unproductive timberland.

Altogether, more than 3 million acres of timberland are in need of regeneration. On another 1.2 million acres, stand conversion (from low-quality hardwood to pine) should be considered for better timber production.

Fortunately, North Carolina still grows more timber than it cuts: 3.97 billion board feet growth versus 2.73 billion board feet in 1973. The gap is much narrower, however, for the commercially valuable yellow pines: 1.85 billion board feet growth versus 1.59 billion board feet cut in 1973. A future upsurge in timber harvesting could easily result in a deficit.

Moreover, the forest products industry is converting its natural stands to plantation management at such a rapid rate that pine removals exceed growth by a wide margin in 1973: 348 million board feet versus 184 million board feet. Until their plantations reach maturity, the forestry companies must make up the difference between what they need and what they grow by buying more privately owned timber.

The North Carolina forestry establishment (composed of the forest products industry, the North Carolina Forest Service, the forestry extension, the North Carolina Forestry Association, and the Duke and North Carolina State schools of forestry) is not unaware of the problems.

Since 1969, the North Carolina Forest Service has been offering private landowners reforestation services at cost. Since 1975, most of the reforestation work has been aided by the federal Forestry Incentives Program, or FIP, a cost-sharing program.

In 1978, North Carolina enacted a state forestry incentives program. And the 1979 General Assembly gave private landowners several new tax incentives in an effort to spur more reforestation.

Those programs, however, are likely to make only a dent in the state's backlog of reforestation work. In light of the large-scale harvesting now going on, North Carolina will fall even farther behind in the task of regenerating timberland.

The incentives program should be combined with reasonable regulation. North Carolina needs to follow the lead of other states — that have adopted mandatory reforestation programs.

Virginia, for example, has had a mandatory reforestation act in effect since 1970. As a result, it leads the southern states in the reforestation of private timberland. From 1974 to 1978, Virginia planted an average of 55,965 acres a year, while North Carolina averaged 28,397 acres a year. Virginia has a smaller area of pine and oak-pine compared with North Carolina's 9.1 million acres — so its efforts are even more significant.

The North Carolina General Assembly should pass legislation requiring harvested land to be reforested by natural or artificial means within a reasonable period of time after harvesting.

The North Carolina Forest Service should be charged with administering the law in concert with its incentive programs. The forest service should be given funds to expand its seedling nursery to meet the increased demand for pine seedlings that will result from the reforestation legislation.

With cooperation from all segments of the forestry establishment, this state can have a reforestation program that will insure a continued supply of timber and preserve the recreational aesthetic, and environmental values of our forest lands. □

"Making North Carolina Prosper . . ."
Meets Mixed Reaction

by Brad Stuart

The Center report *Making North Carolina Prosper: A Critique of Balanced Growth and Regional Planning*, released in late August, stated three criticisms of the Balanced Growth Policy of Governor James B. Hunt Jr. First, state government is wrong in attempting to allocate growth among the state's multicounty planning regions. Second, the policy is generally vague and provides inadequate guidance in such basic areas as land use planning, water resource allocation and workers' skills training. Third, the Administration has not mandated the planning at either the local or regional level which is necessary to make the policy democratic and to make it work.

The Center proposed recommendations to remove the policy's three major failings.

On the planned effort to allocate growth among the state's multicounty planning regions, the Center's recommendation boils down to a simple "don't." Under the Administration's proposed definition of "jobs-people balance" a region should be in balance when it had the same proportion of jobs per capita as the average region in the state. Bringing regions into balance would mean emphasizing the creation of job-creating growth in regions which have surplus labor. In practical terms this means shifting growth away from the more metropolitan regions toward more rural areas through the use of subsidies.

If it is ineffective in bringing growth to lagging rural areas, the report argues, the policy will waste money — Soul City fashion. On the other hand, if it is effective in channeling growth, it will — by reducing growth in relatively high-wage metropolitan regions — reduce the overall income of the state's citizens and exacerbate the state's problem of lagging wages. The Center's critique, in essence, is that Balanced Growth Policy would encourage growth in low wage areas at the expense of growth in high wage areas.* The Center recommends that the state's public investments generally follow and support rather than lead private sector growth, except where carefully planned investments can release untapped economic resources — an example of this being Research Triangle Park. The state should avoid the broad-brush prejudgement of public investments implicit in the notion of "regional balance" and regional growth targets.

To remedy the policy's vagueness in dealing with the state's substantial development problems, the report recommends that the Administration take a formal and public stand on the recommendations of its own policy document, *An Urban Policy for North Carolina*. The document has been shelved, if not forgotten. To develop policy on particular subjects such as water resources, forestry management, etc., task forces should be appointed from the state's research community. The Governor should agree in advance to take formal stands, yea or nay, on their recommendations.

To remedy the policy's lack of mandated planning to implement its goals, the report proposes that every county in the state be required to perform joint multicounty development planning similar to that proposed, but never carried out, by the Scott and Holshouser Administrations.

Reaction

The reaction to the report has been varied, with the most favorable reviews coming from planners, economists and others professionally interested in economic development issues, and the worst assessment coming from officials in the Hunt Administration.

Among a third group, the press, the reaction has been mixed. The editorial page of the *News and Observer*, for instance, repeated the report's call for more emphasis on skills training and confirmed the report's warning that the Governor is attaining increased power through the vehicle of Balanced Growth Policy. (The power is coming through increased control over federal and state investments in North Carolina.) But N&O columnist Ferrel Guillory saw this power as having potential for good. He opposed the report's multicounty planning proposal because it would involve Councils of Governments, in whom Guillory places little faith. But, in another column, published a week later, Guillory echoed the report's theme that the state evidences an anti-

Brad Stuart is an associate director of the Center.

*In this connection see also the article, "Unpublished Figures Link Wage Gap, Balanced Growth," on page 20.

The most basic of the Administration's criticisms of *Making North Carolina Prosper* is the denial that Balanced Growth Policy's aim is to allocate growth and to shift growth away from the state's larger cities. The related claim is that, contrary to the Center's report, the policy would not reduce the state's income.

The Administration characterizes its policy as "growth dispersal" but Secretary of Administration Joseph Grimsley says that this means merely that towns in rural areas would be built up. He denies that this would mean a concommitant reduction in growth of metropolitan areas. He points to the recently initiated Metropolitan Area Development Strategy (MADS) and the big cities' special "statewide growth center" status (both only recently initiated at the insistence of metropolitan leaders) as evidence for the Administration's concern for promoting metropolitan growth.

Yet the intended impact of the size of North Carolina cities is stated succintly in the second paragraph of the summary of the Policy statement publically released in June 1978:

"We want . . . to preserve . . . the small, more livable scale of our cities and towns."

The cities' small size is to be preserved by dispersing growth more equitably across the countryside. Until they were criticized on this point, Administration officials took credit for the policy's potential to relieve growth pressures on the cities. The environmentally concerned Winston-Salem *Journal*, for instance, has quoted with favor Commerce Secretary D.M. Faircloth's statement that Balanced Growth would allow the cities to avoid sprawl and remain "manageable in size."

Grimsley's denial that the government intends to shift growth among the regions doesn't stand up against the fact that the Balanced Growth Policy documents propose, and the Balanced Growth Act authorizes, that the Administration set goals for economic growth in different areas of the state. According to written statements quoted in the Center report, Administration officials are seeking control of federal loans and grants to localities. The stated aim is to influence the geography of growth.

On what basis is growth to be allocated? On the basis of "need" and what officials call the "needs index" — the regional balance ratio. The ratio tells whether a given multicounty planning region has proportionately more or less jobs per capita than the state average. A region is said to be "in balance", according to the June 1978 statement of Balanced Growth Policy, if it has a ratio of one — indicating an average proportion of jobs. The Center report quotes written statements by the architect of the policy, Asst. Secretary of Administration Arnold Zogry, saying labor surplus regions (usually economically lagging rural regions) would be targeted for infusions of public funds, in order to bring them into "balance."

The reason the Administration now equivocates about the Policy's intent is that some will object to its necessary complement — that metropolitan areas will receive less money, less in-migration, and less growth. The Center report quotes state government studies which state that the "dispersal" policy will hurt incomes and wages by shifting growth to low-wage areas. For a state already on the bottom rung of the nation's wage ladder, the policy seems most inappropriate.

metropolitan bias. The Winston-Salem *Journal* indicated that the paper does not agree with all the report's conclusions but lauded the Center for being the only organization in the state which had systematically evaluated Balanced Growth Policy. The editorial, "A Periodic Exchange," referred to *Making North Carolina Prosper* and a previously released study entitled *Which Way Now? Economic Development and Industrialization in North Carolina.*

Some of the press reaction seemed determined by geography. The Hickory *Record* hailed the "strongly argued" report and repeated its warnings of biased public investments. The newspaper noted that Hickory is in a foothills region which has the greatest proportion of jobs per capita of any region in the state. A Greenville newspaper in a rural eastern region, which would be more favored by Balanced Growth Policy, warned its readers to "beware" of the "biased" report and of its possible political effects.

Administration Response

While local government officials have expressed mixed reactions toward *Making North Carolina Prosper* (the report has been used by local officials in recent regional hearings on the Balanced Growth Policy), state government officials have been quite negative. Secretary of Administration Joseph Grimsley denied, in an eight-page written response, that the intent of the Balanced Growth Policy is to shift growth among the regions. He said the goal was rather to "encourage economic progress and job opportunities throughout the state." As to the Center's warning that the governmental attempt to disperse growth in a more even or "balanced" way would harm the economy by reducing growth in high-wage regions, Grimsley replied, "The argument that dispersal lowers income is valid only if we assume that adding lower wage jobs in North Carolina somehow decreases the number of high-wage jobs we can get." Despite the denial that the state intends to shift growth, Grimsley declined to abandon the "regional balance targets" which would serve as goals for growth and as guideposts for public investments in each of the state's 18 regions.

Grimsley called the Center's assessment of local participation in the policy's formation "the greatest failure of the Center's report." While the report regarded the Administration's Local Government Advocacy Council as window-dressing serving to legitimize the policy, Grimsley said the local officials on the council "have a central role in designing the . . . policy." On the recommendation for mandatory multicounty development planning, Grimsley said local governments already do a variety of regional planning projects voluntarily. "To require multicounty economic development planning by counties seems unwarranted in light of these efforts," he added.

On recommendations for alleviating the policy's vagueness, Grimsley said *An Urban Policy for North Carolina* "has not been formally adopted for recommendations or implementation" by the Administration and that no action would be taken on it until it had been studied further by Secretary Howard Lee of the Department of Natural Resources and Community Development and by a subcommittee of the Local Government Advocacy Council. On the recommendation for research task forces on development problems, Grimsley said growth problems are already "being addressed in many ways by our public and private universities." Grimsley specifically mentioned a so-called "Center for Urban Affairs at UNC-CH" which was "working with Secretary Howard Lee on identifying urban problems." This is an apparent reference to the Center for Urban and Regional Studies, whose director, Jonathan Howes, headed an advisory group that helped write *An Urban Policy for North Carolina.* Ironically, this is the "shelved" document mentioned above. The advisory group Howes headed has been dismissed. □

(Continued from page 13)

dissolution of the agency may have made it more difficult for North Carolina to get national foundation money for education. The last time he approached a large foundation on behalf of a university, he said, he found foundation officials unreceptive and curious about what had happened to the Learning Institute. "One person at Carnegie told me, 'LINC was at one time the only organization that knew what was going on in the schools and had a way of getting into it.'" he said. He and some others noted the development in the last five years of LINC-type agencies in other states.

Ray said a re-established LINC should have some changes in its board structure to stimulate board involvement in the program. "Any time you've got people like the governor and Terry Sanford on your board, it's hard to get them together for a meeting," he said. But Sanford said LINC, as it has been organized, needs the governor for a "champion." "Its great value was to the governor, and to the extent he used it, it would be good," Sanford said. Of Hunt, he said, "I think he has just had a hard time trying to find a mission for it. We have more new ideas now than we've had in a long time."

Sanford suggested that a recreated LINC might be able to evaluate the state's new reading program. If the program has a flaw, he said, it is that the Department of Public Instruction will have a hard time evaluating its own program. But that suggestion, like others, remains to be dealt with at some future time. As it stands now, the agency is deactivated — one administration staff person described it as "phased out" — the state has gone on to new directions in education, and many of the people who worked with education in the LINC era say they are puzzled. Said one former LINC official, "It's odd that this governor, above all, with his interest in children, hasn't yet got a handle on the one agency that had a handle on children's programs in this state." □

Lobbyist Disagrees with Day Care Story

The following letter was received in response to an article in the Summer, 1979, issue of this magazine, "Day Care Bill Killed". In that article Mr. Harrell's first name was incorrectly given as Bennie. Mr. Harrell's first name is Bernard. During the 1979 Session of the Legislature Mr. Harrell was a lobbyist for private for-profit day care operators.

Re: Article Appearing in *N.C. INSIGHT*
Summer 1979, Vol. 2, No. 3
Entitled "Day Care Bill Killed"

Dear Mr. Editor:

Your article appearing in the Summer 1979, Vol. 2, No. 3, of *N.C. INSIGHT*, entitled "Day Care Bill Killed" is inaccurate, both as to what it actually says and what it does not say. It is also inaccurate as to what it implies.

In the first place, on the present Child Day Care Licensing Commission there are only five members appointed to the commission who are required to be private for-profit operators. Your article lumps all of the operators of day care centers together. As a matter of fact, two of the members are from centers operated with tax monies (state or federal). This is not to disparage the two non-profit operator members. They have done a good job and have faithfully attended the commission meetings, siding at times with the private operators and sometimes opposing them as their conscience dictated.

So, for the record, only 5 of 15 members of the commission are private for-profit operators. Seven members of the present commission are governmental officials or their designates. The remaining members are three citizens at-large. It goes without saying that 5 operators out of 15 members does not a majority make. On the other hand, Senator Sebo's proposed bill would have reduced the representation of the private for-profit operators from 5 of 15, to 5 of 19. This was looked at as being fundamentally unfair, both by persons in the day care business and by the committee members themselves.

As a practical matter, the history of "citizen members" on boards and commissions can be classified as a dismal failure because of the poor participation by citizen members. Appointments are too often looked upon as additional patronage for the appointing authority. The Senate Committee (independent of my thinking) saw it this way. They were very reluctant to reduce the voice of those on the commission who had their own capital "at risk".

While I appreciate the reference to "clever lobbying", you managed to misspell my name and, furthermore, it simply isn't true. The truth of the matter is that the Senate Committee members simply did not want to increase the size of another governmental commission. Chairman Lawing was very strong in wanting to reduce the size of the commission and expressed himself openly. Senator Dallas Alford took the position that the time of the legislature should be spent legislating on matters which needed correcting. To quote him: "If it ain't broke, don't fix it." Senator Ollie Harris was of like mind. In summary, the committee and the sub-committee made up their own minds independent of any clever lobbying on my part.

Your article is true in saying that Senator Barnes did not sponsor nor endorse the committee substitute which I prepared. Senator Barnes did agree to take the committee substitute I had prepared and discuss it with the sub-committee members. The committee substitute, which I prepared, did provide for citizen member participation, but those citizen members were limited to those people who were the parents of day care children. I felt, in this manner, that good participation by citizen members could be achieved. Unfortunately, the committee substitute was, likewise, killed.

Perhaps it is time for those in state government to stop pursuing the pipe dream that merely adding "citizen members" to boards and commissions will solve some problem. This is a bit of costly populism which has nothing to commend it except a bad record in instances where it has been tried. Maybe it's time for North Carolina, its General Assembly and its Executive Branch to try something different and go back to the old adage that the best government is the least government. I think we might be surprised at the excellent result we might get.

With best regards.

Very truly yours,

Bernard A. Harrell
Attorney at Law
Raleigh, North Carolina

BAH:jsm
cc: Senator Craig Lawing
Senator Dallas Alford
Senator Ollie Harris
Senator Henson Barnes
Mrs. Rachel Frazier
Mrs. Agnes Love

Unpublished Figures Link Wage Gap, Balanced Growth

by Brad Stuart

An unpublished state government study offers grim insights into the lack of progress in closing the "wage gap" that leaves North Carolina with the lowest wages in the nation.

"The proportion of high-wage jobs in North Carolina is growing," according to a draft copy of the study. "But among high-wage industries, much of the gain appears to be coming in those industries on the lower end of the high-wage scale."

Written for the state Department of Administration, the "Balanced Growth Technical Report" is designed to provide the economic analysis necessary to Governor James B. Hunt, Jr.'s Balanced Growth Policy. Although the report was due to be published in January, 1979, a series of delays, reviews and revisions have pushed the publication date back to November or December, according to officials. Part of a draft copy of the report, however, has been reviewed by the N.C. Center for Public Policy Research.

The technical report researchers ranked 369 categories of industries according to the wages they paid in 1976, and then set out to see how North Carolina employment has been shifting among the various industries. By assuming that each industry paid its 1976 wages throughout the years covered by the study — 1962 through 1976 — the researchers ignored inflation and other factors. They isolated the changes in North Carolina wages due to changes in the "industrial mix" — the type of industry that exists in the state.

Overall, the mix barely improved, boosting average weekly manufacturing wages by only four dollars, from $158.55 to $162.77. The increase reflects the fact that the proportion of high-wage jobs increased — from 18.9 percent of the total in 1962 to 22.9 percent in 1976. The proportions of medium- and low-wage jobs both slipped two percentage points, to 29.2 and 47.9 percent respectively.

This may actually overstate the proportion of high-wage jobs. The "high-wage" category is high only compared to other North Carolina manufacturing jobs. On a national scale, many of these jobs are not high-wage at all.

Of the 369 industries, the top third (123 industries) were called "high wage," the next third "medium wage" and the rest "low wage." Here's what happened, according to the draft report, in the three industrial groupings.

- **Low-wage jobs.** "The average wage for low-wage jobs added was lower than the average for the mix of low-wage jobs already in the state in 1962."
- **High-wage jobs.** "The average wages for the mix of high-wage jobs reached a peak in 1970 and then declined to a level slightly below the average for 1962."
- **Medium-wage jobs.** "Only medium-wage jobs as a group appear to be gaining in average wages and then only slightly. Ironically, it is this group which is declining as a share of total manufacturing."

The wage structure of industrial jobs in non-metro regions has deteriorated even as industrial growth has accelerated.

The report draft sums up by stating, "The net effect of all three of these trends (in high, medium and low-wage industries) is to dampen the impact of new jobs on the wage structure and, in some cases, to lower the average for the existing mix."

The figures most relevant to the Administration's Balanced Growth Policy are those that show what is happening in different areas of the state.

The Balanced Growth Policy emphasizes industrial growth in the more rural regions. The idea is that, with the help of federal and state investments, growth can be equitably "dispersed" or "balanced" across the state, instead of being concentrated in a few metropolitan areas. Yet figures in the policy's technical report show that the character of industrial growth in rural regions is a primary reason for the continuing wage gap.

The *quantity* of industry has become more geographically "balanced." The share of total manufacturing jobs in "metro regions"* has declined from 79 percent in 1962 to 72 percent in 1976. Meanwhile the share in "non-metro" regions increased from 21 to 28 percent.

The *quality* of jobs in the two areas, however, has become more unbalanced. The wage structure of industrial jobs in non-metro regions has deteriorated even as industrial growth has accelerated.

Brad Stuart is an associate director of the Center.

* A "metro" region is any of the state's 18 multicounty planning regions which contains an urban area large enough to be a Standard Metropolitan Statistical Area (SMSA).

The non-metros in 1962 already had a lower-wage industrial mix than the metro regions, with average weekly wages of $149.58 compared to $160.96 for metro regions. Over the next 14 years the average wage of new jobs added in the non-metro regions was "about $7.00 below the existing mix of jobs at the beginning of the period . . . whereas, the average wage of the jobs added in the metro regions was about $14.00 more than the existing mix." The new jobs decreased the average wage in non-metro regions by $3.00, while increasing the average metro wage by $8.00.

One reason for the deterioration of the industrial mix in rural areas is that "low-wage jobs in the non-metros grew over two and one-half times as fast as manufacturing as a whole, accounting for their substantial increase in share." High-wage jobs also increased. However, "in the non-metros, the mix of new high-wage jobs added paid on the average $29.00 less than the mix of existing high-wage jobs in 1962."

The figures represent the fundamental paradox built into the Balanced Growth Policy. The policy's twin aims are to close the wage gap and to disperse industrial growth across the countryside. The two goals appear to be incompatible. □

Another Feather in the State Auditor's Cap

An article in the Winter, 1978, issue of this magazine pointed out the valuable work of the operational audit program of the state auditor's office, citing the discovery by auditors of almost $14.7 million of clerks of court funds in non-interest bearing accounts. In their most recent report the operational auditors provided the results of their review of the Office of State Personnel, including a finding that OSP's method of calculating legislative salary increases unnecessarily cost the state $850,000.

This is the latest in a series of operational audits, first initiated in 1974, that are among the most revealing and potentially the most useful of state documents. The auditors also found the SPO Central Applicant Referral System (CARS), developed at a cost of $168,000, "had not proven successful" since only 52 of 4,000 hirings were accomplished under the system. This will come as no surprise to the many applicants for state jobs who thought CARS would accomplish its intended purpose of improving application procedures. CARS, like most other systems for the uninitiated and non-political, simply hasn't worked. Other findings in the auditor's report pointed out

- inequities in salary increment increases;
- variations in salary rates from the official salary schedule;
- exchanges of employees among state agencies that confused cost accounting;
- delays and red tape in the Competitive Services System required for some positions by the federal government;
- lack of proper inventory controls over Competitive Service tests;
- a backlog of work in many sections;
- errors, underutilization, and duplication in the personnel administration computer system; and
- several other OSP activities that "could benefit from . . . attention . . ."

In its description of OSP the auditor's report also recognizes some encouraging personnel activities such as the increased emphasis on executive training, affirmative action, and communication between supervisors and employees. The report includes a six-page response from OSP to the auditor's findings which in some cases cites contributing factors beyond the control of OSP.

Perhaps the most provocative aspect of this latest operational audit is that it is the first of a series of inquiries that will eventually extend to all major departments' personnel operations. The careful review of these reports promises to provide a good idea of what is right about the state's management of personnel, and what is wrong. Hopefully, someone will pull the findings and their implications from all of these audits for the benefit of those who establish the policies and make the laws.

ARTICLE IV

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North Carolina Legislation 1979 — *A summary of legislation in the 1979 General Assembly of interest to North Carolina public officials,* edited by Joan G. Brannon and Ann L. Sawyer. Citizens who are not public officials will also find this interesting, well organized, and readable. Sections are included on legislation affecting major functions and levels of North Carolina government, including cities, counties, health, education, taxes, energy, criminal law, and wildlife. Also lists studies authorized by the 1979 session. It is available for $8.00 plus tax from the Publications Clerk, The Institute of Government, P.O. Box 990, Chapel Hill, N.C. 27514.

Report of the Governor's Study Commission on Public School Finance in North Carolina — *Access to Equal Education Opportunity in North Carolina,* edited by Lucy T. Davis and Jean F. Thompson, 1979. Available in either the full report or a condensed version. Considers such difficult questions as how to measure opportunity in equal terms and how the state should provide financial assistance to local school units. Order from the Governor's Commission on Public School Finance, Education Building, Raleigh, N.C. 27611.

Implications of High Energy Prices for Low Income People. This is a report on hearings held in September, 1979, before the Subcommittee on Energy and Power, Committee on Interstate and Foreign Commerce, U.S. House of Representatives. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Redefining Government's Role in the Market System. Discusses the market system and government's role in the economy, the increased influence of government in the economy, incentives, government regulation, and weaknesses in the current policymaking process. Recommends that governments make wider use of economic incentives and market forces to achieve public purposes. Available for $5.25 from the Committee for Economic Development, Distribution Division, 477 Madison Avenue, New York, N.Y. 10022.

Services for Young Children in North Carolina. A directory of services offered statewide for children up to 8 years old. It can be ordered without charge from the Governor's Advocacy Council on Children and Youth, Department of Administration, 116 West Jones Street, Raleigh, N.C. 27611.

Child Abuse and Neglect Prevention and Treatment in Rural Communities. Describes two approaches to dealing with child abuse and neglect at the community level. Includes bibliography. Published by the National Center on Child Abuse and Neglect, and available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

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