

The Latest Trend: Trend Watching To Be Required by Law?

Sheron Morgan, director of the Office of State Planning, has long believed the state should incorporate more long-range thinking into the process of making decisions about important issues facing the state. Soon it may be illegal *not* to. Senators Beverly Perdue (D-Craven) and William Martin (D-Guilford) filed a bill in the 1993 General Assembly that would create a strategic planning process and use the results of that process in making the state budget.¹

As originally outlined in the bill, the plan would attempt to capture a vision for the state, set goals to help realize that vision, and develop program performance measures to help determine whether the goals are being met. The bill requiring strategic planning was one of a raft of legislation on streamlining state government emerging from the State Government Performance Audit Committee report to the 1993 General Assembly.

A separate bill sponsored by Perdue and Martin would require state agencies involved in economic development to create performance indicators upon which decisions on budget allocations could be based.² Yet another bill would incorporate strategic planning into the development of performance measures for *all* state agencies for use in budgeting,³ and a third bill would require the development of a schedule for systematic program evaluation of state agencies.⁴ A separate House bill would implement many of these same requirements.⁵

It's all part of a trend toward measuring *outcomes*—or what the state gets in *results* for a tax dollar spent on a particular program. That's opposed to a focus on *input* or process—how much money is being spent, how many people walk through an agency's door, or how much bureaucratic effort is expended to address a problem.

The concept is similar to that behind the Environmental Index, first proposed by the N.C. Center for Public Policy Research in October 1988. Instead of looking at how much money is being spent to protect the environment, the Center proposed a series of indicators to measure whether the air is getting cleaner, the water purer, and so forth. (For more on this proposal, see "Center Update: State Environmental Index Still on the Drawing Board," pp. 50-65.)

While North Carolina works to incorporate strategic planning and program evaluation into budget making, other states are taking similar steps. Oregon has implemented its "Oregon Benchmarks," a series of goals for the future in everything from infant mortality to joblessness.⁶ These were developed with the input of thousands of Oregon citizens. And the state has taken the further step of linking agency funding to the benchmarks.

In Texas, faced with a \$4.6 billion budget shortfall in 1991-92, the state set up a citizen hotline as part of a performance review to help streamline state government and ferret out waste.⁷ Callers could remain anonymous, and the state's comptroller says most of the thousands of calls that poured in came from mid- to lower-level government workers who provided valuable insights into bureaucratic inefficiencies. As a result of the performance review, the state was able to close more than half its budget gap.

North Carolina's interest in strategic planning and program-oriented budgeting also has its roots in a budget crisis. In 1991, the state faced a revenue shortfall of \$1.2 billion. The legislature wound up dividing the shortfall about equally between spending cuts and tax increases. The Government Performance Audit Commit-

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tee was created that same session, in part to help to avert a similar shortfall in the future.

Much of the responsibility for developing state government performance indicators and a strategic planning process is assigned to the Office of State Budget and Management and the Office of State Planning. Morgan, the planning office director, already has started the process by pulling together trends affecting state government and by surveying people about which ones are most important for state government.

Legislative leaders and staff also got some

pointed insights into the state's demographic destiny during workshops conducted in January 1993 by Harold Hodgkinson, director of the Center for Demographic Policy in Washington, D.C. Hodgkinson's reading of the state's demographic tea leaves indicates the state needs to balance its efforts in economic development with more effort in human development.

He points to an undereducated work force that may hurt the state as it continues to diversify away from manufacturing and toward more high-tech and service sector jobs. North Carolina blacks in particular lag behind the national

North Carolina officially went from predominantly rural to predominantly urban with the 1990 census.



Karen Tam

averages in graduation rates from high school and colleges. Hodgkinson says the state has had an unspoken policy in the past of developing an elite through its university system, to the neglect of the rest of its population. In the future, he says, the state must broaden its base through more focus on preschool through high school and better coordination with the community college system to prepare workers.

Hodgkinson sees a mystery in the amount of dollars the state invests in prison construction, and says this offers "little promise of return" in terms of a reduced crime rate.⁸ He argues the state should be devoting more resources to preschool programs and to improving educational performance at every level. This, he argues, is a better deterrent to crime than building more prison cells.

Also alarming to Hodgkinson is the state's rising divorce rate and its increasing number of single-parent households—most of them headed by females. Hodgkinson says living in a single-parent household with a female head of household is the greatest predictor of poverty for children.

But perhaps the greatest challenge facing the state, says Hodgkinson, is the stagnation of the rural economy. The state's urban areas are growing, while its rural areas fall further behind, he says. Those leaving the rural areas are the most educated, and the ones remaining behind require more services, which puts local governments in these areas in a bind. This, he says, argues for directing more resources to rural areas—in everything from education to health and social services.

This is the kind of analysis that helps state officials develop priorities. Morgan hopes to expose policymakers to more such analytical thinking. "In a halting manner, we are gearing up the strategic planning process in state government," says Morgan. "It's informal, and we're involving a lot of people at different levels. We're encouraging them to think strategically, exposing them to analysis, and encouraging them to develop common frames of reference."

Morgan says the process started three years ago when her office began conducting focus groups with leaders in and around state govern-

ment. She says no one seemed to be thinking ahead. "I was kind of surprised that we weren't able to get out very far," says Morgan. "None of us were very well prepared to make decisions that were sensitive to where we might be headed in the future."

Enter the planning office, which set about sifting through demographic facts, forecasts, and conflicting opinions about the future to compile its own set of 30 trends. Among the trends described in the survey: Slower population growth; an increasingly urban and more diverse population; more women in an older and more ethnically diverse work force; an economy more tied to global markets; faster diffusion of technologies; more responsibilities for state and local governments; and increased privatization within state government.

According to the trends survey, the state also can expect a larger *number* of citizens in poverty while the *proportion* of the population in poverty stabilizes; more citizens unable to afford housing; and a continuing increase in health care costs.

The survey asks respondents to indicate whether they agree with each trend and to rate its importance to state government. So far at least 600 surveys have been sent out to a target audience that includes executive branch leaders in state government, all 170 legislators, chief executive officers of the state's 200 largest corporations, and others with expertise both in and out of state government, including all registered lobbyists. The results ultimately will be incorporated into a report that shows where there seems to be a consensus about important issues, and the process will be repeated every four years.

The information is to be incorporated into the development of the biennial state budget, which would be restructured on a program basis, rather than the current line-item approach. The theory is that by comparing program performance to goals based on prioritized needs, the governor and the legislature can get a better handle on how efficiently state government is operating and more easily can shift resources to meet needs as they develop.

Already, pilot program budgets have been

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developed for two areas of state government—health and environment. Plans are to divide all of state government's activities into 10 program areas. The budget document would include goals for each activity and data to indicate whether the activities are meeting their goals.

"I think it will help the General Assembly get away from analyzing line items, which do not measure success or failure," says Marvin Dorman, former state budget director, of the new form of budget making. "I really believe they will be supportive, once they get into it and see how much more information they have than they have now."

The trends survey would help inform the process. Even if the state sticks with its line-item approach, the trends survey will help raise policymakers' awareness about issues that will have an impact on state government. Another group charged with trend watching would be the Joint Legislative Fiscal Trends and Reform Study Commission. A bill filed to make this study committee permanent recognizes the fact that demographic and societal trends often have an impact on the fiscal health of state and local government.⁹

Take the trend indicating slower population growth. Morgan says that from the 1960s through the mid-1980s, the state had a high rate of in-migration, a high birth rate, and a high level of urban migration. The growth helped fuel the North Carolina economy and fill the state's tax coffers. "The fact that all of these things are turning down at the same time means we won't have major gains in the economy in the future," says Morgan. "We won't have to worry about finding as many jobs, but we'll have to worry about the quality of the jobs."

Morgan also agrees with Hodgkinson on the importance of the widening gap between the rural and urban portions of the state. "We went over the 50 percent [urban] mark with the census," says Morgan. "That's a significant turning point. We'll continue to have low density, but suburbanizing settlement patterns, which means a lot of money on water and sewer and roads."

This trend alone raises a number of questions. Can the state encourage more compact

development? Does it want to? And how will it help rural economies cope with the transition?

A further challenge for the state is the swelling of the elderly population. "Clearly, it has implications for a lot of things," says Morgan. "We're already changing the size of the print on our highway signs because we're all getting older, and we're going to have to put up with more people driving 20 miles slower on our highways."

Morgan also believes the trend will be away from the proliferation of communities made up solely of elderly citizens. "We need to rethink the role of the elderly," Morgan says. These citizens, she says will increasingly be called upon to fill roles such as foster grandparenting, caring for and supporting bedridden people, and volunteering to provide community services.

The increasing Hispanic population also may require more attention from the state in the future, Morgan says. For now, this group is no more than a blip on the demographic radar screen at about 1 percent of the population. But the numbers are growing. The biggest source of Hispanic newcomers is migrant workers from Mexico. "Hispanics come for seasonal work and decide to stay," Morgan says. "Statistics show that very few make it, and we may need to do something about this. They stay two or three years and wind up going back to Mexico."

Morgan surmises that this is because so many Mexicans support family members back home and underestimate the resources they will need to make it in North Carolina. Then they hit a problem like poor health or a job loss and run out of money. When this happens, says Morgan, the state often loses a willing worker. "Generally, they have a strong work ethic and good family ties," Morgan says.

Those that stay will contribute to an increasingly diverse work force characterized by fewer entering young people, more minorities and immigrants, and "dynamic changes in skill requirements." Morgan says North Carolina is already playing catch-up in updating the job skills of its work force, and it's a game the state cannot afford to lose. "The low-wage manufacturing base is very vulnerable to moving offshore and there's nothing to replace those jobs

with except low-paying service jobs such as tourism," says Morgan.

While the state's poverty level declined during the 1980s, Morgan sees resiliency in the current rate of 13 percent. "The percent will stay about the same or decline a little, but the number of people is likely to grow. We aren't getting people out of poverty. We aren't breaking the cycle. These people in traditional industries are very vulnerable, especially when the company folds, and the pension goes with it, and they are left with nothing but Social Security.

"But probably the most sensitive area is unwed mothers—single parent households—because that's where the intergenerational cycle begins. If a teenage mother gets pregnant out of wedlock, the probability that her mother did the same thing is very high."

Morgan also foresees further problems with affordable housing. "You already see that happening with the boom in mobile homes," she says. "For poor people, it's a poor investment, and the way it's financed is just an invitation to bankruptcy because the payment period lasts longer than the value of the home." More generally, says Morgan, "The cost of housing is way out of balance with the wage structure." Unless the balance shifts, says Morgan, the state may see a proportional increase in people

who rent, rather than owning their homes.

Morgan believes the state would do well to take these kinds of trends into account in decision-making. Too often, she says, that doesn't happen. "Frequently, the issue passes without anything having been done about it," says Morgan. "But it's still nudging you in the back. . . . It's going to come back and kick you in the seat of the pants one day."

—Mike McLaughlin

FOOTNOTES

¹ S.B. 253 of the 1993 session. A separate bill, S.B. 150, would create a strategic planning authority to develop a vision for the state's economy for the next 20–30 years and develop goals for implementing that vision.

² S.B. 187 of the 1993 Session.

³ S.B. 252 of the 1993 Session.

⁴ S.B. 412 of the 1993 Session.

⁵ H.B. 330 of the 1993 Session.

⁶ Lanny Proffer, "Benchmarks to a Better Oregon," *State Legislatures*, July 1992, pp. 33–35.

⁷ Kathleen Sylvester, "The \$2.4 Billion Suggestion Box," *Governing*, May 1992, p. 24.

⁸ For more on this topic, see "North Carolina Prisons—Old Problems, Tough Choices," a special theme issue of *North Carolina Insight*, Vol. 9, No. 3 (March 1987). See also Mike McLaughlin, "North Carolina's Prison System: Is the Crisis Corrected?" *North Carolina Insight*, Vol. 11, No. 4 (August 1989), pp. 21–32.

⁹ H.B. 267 of the 1993 Session.

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Poverty Among the State's Elderly

Despite the influx of wealthy retirees, much of North Carolina's elderly population still remains poor. Nearly 20 percent of its senior citizens are below the federal poverty level, compared to about 13 percent nationally.⁴³

Indeed, North Carolina's elderly population is an anomaly compared to the nation as a whole. Poverty went up for the nation during the 1980s, but for older adults, poverty actually declined. Poverty levels for those over 65 were lower than those of any other age group. In North Carolina, poverty *decreased* for the general population *and* for the elderly, but older adults still were the *poorest* of any age group.

Bill Lamb, a planner in the N.C. Division of

Aging in the Department of Human Resources, says North Carolina has a high percentage of poor elderly because of the large number of retirees who worked in agriculture or low-wage manufacturing. "In only five counties is the 65-plus poverty rate below the national average," says Lamb.

The three greatest service needs for the state's elderly are improved in-home services, transportation, and housing.

N.C. DIVISION OF AGING, 1991 STUDY
