Policy Adoption in North Carolina and Tennessee: A Comparative Case Study of Lottery-Funded Education Programs

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Background and Context

Since the adoption of the Georgia HOPE Scholarship program in 1993, seven additional southeastern states have adopted similar merit-based financial aid programs, most of which are also funded by state lotteries. While the merit aid phenomenon has attracted considerable attention from researchers, most studies focus on the effects of merit aid (Cornwell, Mustard, & Sridhar, 2006; Dee & Jackson, 1999; Dynarski, 2004, 2000; Heller & Marin, 2004, 2002; Henry & Rubenstein, 2004, 2002; Ness & Tucker, in press; St. John et al., 2004) rather than the policy process through which such programs have been established. This is particularly surprising given recent attention by scholars to the policy process in other higher education contexts (Cook, 1998; deGee & Olswang, 1999; Hannah, 1996; Leslie & Novak, 2003; Martinez, 2002; McLendon, 2003a, 2003b; Trow, 1998). Indeed, McLendon (2003b) calls for a more systematic consideration of the higher education policymaking process.

Furthermore, political science and public policy scholars have long advocated the consideration of “non-events” when seeking to conceptually explore policy change. Bachrach and Baratz (1963, 1962) first introduced the importance of studying both decisions and non-decisions in the policymaking process. More recent studies have incorporated this perspective when considering gun control (Goss, 2006), socialism in the U.S. (Lipset & Marks, 2001), and health care policy (Skocpol, 1996). In fact, Goss (2006) suggests two possible sources of error if non-events are not considered: (1) the risk misidentifying correlates as having causal significance and (2) the risk of overlooking important variables. When applied to the topic of this paper, by only considering states that have adopted merit aid programs to be funded by state lotteries, policymakers and researchers may overstate the importance of certain characteristics (such as the
political popularity of merit-based scholarships) and ignore other important features (such as the role of political entrepreneurs, state contexts and structures, and the role of non-elected officials).

Purpose

The purpose of this paper is to deepen the descriptive and conceptual understanding of the process through which states determine lottery beneficiary programs. Within a decade of Georgia’s initial enactment of a state lottery for the express purpose of funding a broad-based merit aid program, two of its neighboring states also implemented lotteries. In 2003, Tennessee voters passed a ballot referendum by an overwhelming majority (58 percent in favor) to implement a state lottery with proceeds earmarked for college scholarships. Two years later, the North Carolina General Assembly passed a state lottery, but did not allocate proceeds for merit-based scholarships. This “non-adoption” bucked a regional trend in which five southeastern states use lottery proceeds to fund merit aid.

The two overarching research questions guiding this study aim to deepen the conceptual understanding of the process through which state merit aid programs emerge. First, how do states determine the beneficiaries of newly-adopted lotteries? Second, how will the “revised multiple streams model” (Ness, 2008) explain the process by which states determine lottery beneficiary programs?

Theoretical Framework

Higher education researchers have increasingly relied on conceptual understandings of the policymaking process borrowed from political science (Leslie & Novak, 2003; McLendon, 2003a, Mills, 2007; Ness, 2008). McLendon (2003b) lays forth an “expanded research agenda”
that rests heavily on testing and applying theories of public policy such as multiple streams (Kingdon, 1995; Zahariadas, 2003), advocacy coalition (Sabatier & Jenkins-Smith, 1993, 1999), punctuated equilibrium (Baumgartner & Jones, 1993), and diffusion of policy innovation (Berry & Berry, 1990, 1999; Walker, 1969). In a recent study, Ness (2008) applies the theoretical frameworks of advocacy coalition, multiple streams, and electoral connection to the policy process through which three states determined the scholarship eligibility requirements for broad-based merit aid programs. Similar to McLendon’s (2003a) study of statewide higher education governance restructuring, Ness finds that Kingdon’s (1995) multiple streams model offers the greatest explanatory power of the criteria determination process with elements of the advocacy coalition framework and electoral connection also relevant. Before considering this “revised multiple streams” model, following is a brief overview of the three theories that serve as its conceptual foundation.

Sabatier and Jenkins-Smith’s (1993, 1999) advocacy coalition framework (ACF) focuses on policy subsystems, and coalitions of stakeholders within, that affect policy throughout the policy process. ACF recognizes the influence of stable parameters, such as governmental structure and fundamental social values, and changing external events, such as electoral change and public opinion. Sabatier and Jenkins-Smith contend that policy change results from changes in external forces that cause policy stakeholders to reconsider policy strategies. The crux of ACF rests on the role of belief systems. While the authors maintain that the normative core and policy core remain stable, the secondary aspects, such as policy regulations and budget allocations, are relatively easy to change given sufficient evidence and information supporting these beliefs.

Kingdon’s (1995) multiple streams (MS) framework, a modified version of Cohen, March, and Olson’s (1972) Garbage Can model, consists of three fluid streams—problems,
policies, and politics—any two of which will “couple” given fortuitous timing and an interested policy advocate. Kingdon’s notion of policy entrepreneurs is prominent in studies of public policy (Baumgartner & Jones, 1993; Mintrom, 2000, 1997; Mintrom & Vergari, 1996) based on the significant input that one key stakeholder can have on the policy process by offering alternatives, advocating solutions, or expending political capital to garner support. Most often scholars apply Kingdon’s MS model to the agenda setting stage of the policy process, yet his theory is equally applicable to the policy formulation or enactment stage, which he classifies as alternative specification.

The final framework, electoral connection (EC), is derived from two preeminent political science theories based on the notion that legislators’ preferences are shaped by reelection concerns, and thereby their constituents’ preferences (Fenno, 1978; Mayhew, 1974). Indeed, Mayhew’s (1974) analysis is based on the premise of legislators as “single-minded reelection seekers” (p. 17). Therefore, this approach focuses almost exclusively on legislators’ primary political interest—reelection; external and internal phenomena are only relevant to the extent that they influence constituent preferences. This framework serves as a lens to account for the explicitly political influences on legislators. Distinct from the comprehensive ACF and MS models of the policy process, the EC framework serves as a means to more deeply explore policymakers’ district-level influences. To be sure, these influences are captured in ACF and MS. However, in the spirit of rational choice theorists (Downs, 1957; Simon, 1957), the EC framework’s primary contribution to public policy theory development rests on its concentrated focus on legislators’ principal interests.

Our study aims to test the explanatory power of these three theories by analyzing the lottery beneficiary determination processes in North Carolina and Tennessee through the
conceptual lens of the "revised multiple streams" model (Ness, 2008). Again, this model extends
Kingdon’s (1995) “revised garbage can” theory to include organizational structures and policy
trends both within and external to the state. The revised multiple streams model was also
influenced by McLendon’s (2003a) “Policy Streams Model of Decentralization Agenda Setting,”
specifically his model’s consideration of the “contextual conditions” arising at the national,
regional, and state levels. In Figure 1, the policy milieu encompasses structural elements of state
government and state higher education system, such as legislative professionalism, governor’s
formal powers, and the authority of statewide higher education governance entities.

Figure 1. Revised Multiple Streams Model of Lottery Beneficiary Decision

The next layer, the policy field, represents a substantive revision of Kingdon’s and
McLendon’s multiple streams frameworks. By broadening the policy (or solution) stream from
one of three streams to the field within which the politics and problem streams flow, Ness’s
(2008) revised multiple streams model contends that policy trends and information are present
throughout the policy process. This distinction is, at least in part, a result of the consideration of
the policy formulation, or “alternative specification,” stage of the policy process, rather than the
“agenda setting” stage (Kingdon, 1995). Additionally, the policy field incorporates elements of
the advocacy coalition framework, such as the use of policy information from intra- and inter-
state sources. In particular, the policy field captures the role of diffusion in policy innovation,
which researchers have recently studied empirically (Doyle, 2006; Hearn & Griswold, 1994;
McLendon, Hearn, & Deaton, 2006; McLendon, Heller, & Young, 2005).

In Figure 1, the influences and examples listed in the politics and problem streams boxes
do not represent an exhaustive list of potential influences. As in Kingdon’s (1995) model, these
two streams couple in support of a single solution. Then, policy entrepreneurs, using a
combination of political connections, negotiating skills, and persistence (Kingdon, 1995), serve
as the primary impetus to couple politics and problems in order to advance their preferred policy
solution.

Finally, the policy window considers the “black box” influences of political
gamesmanship, which may also include the consideration of issue-specific information. These
“serendipitous” windows of opportunity are unpredictable based on external trends and internal
structures, politics, and issues. However, non-elected issue experts may serve as a stabilizing
influence within the “black box.” Nevertheless, as suggested by the electoral connection
framework, within the policy window elected officials utilize “credit claiming” and “position
taking” tactics to build trust among their constituents and to gain the support of their fellow
elected officials.
Methods

Given the purpose of this study, to deepen the descriptive and conceptual understanding of the merit aid adoption policy process, this study utilizes a comparative case study method. Qualitative methodologists (Creswell, 1998; King, Keohane, & Verba, 1994; Miles & Huberman, 1994; Yin, 2003) suggest a case study design for studies that aim to understand or explain processes or phenomena in a ‘bounded system,’ rather than to predict or show causality. Additionally, as opposed to more naturalistic qualitative research (e.g., ethnography or “grounded theory”), the case study method is appropriate for testing theories that are identified a priori. Furthermore, scholars cite comparative case study models as more robust than single case studies and, therefore, note these designs’ reliability and trustworthiness based on the replication of analysis within and between cases.

Sample selection. As suggested by Yin (2003), a “two-tail” design is an appropriate multiple case strategy when the study considers two deliberately chosen extremes. North Carolina and Tennessee represent two such cases. On the one extreme, using a similar ballot initiative strategy that Georgia used in 1993, Tennessee adopted a state lottery with proceeds explicitly earmarked for college scholarships. In fact, the base scholarship award in Tennessee’s program is called the HOPE scholarship. At the other extreme, North Carolina became the only south-eastern state since Georgia to enact a state lottery and NOT use its proceeds to fund merit-based scholarships.

Data collection. This comparative case study relies primarily on field research methods to collect interview data and archival analysis. The 30 interview participants from North Carolina and Tennessee include policy actors of various backgrounds, such as legislators and their aides (9), governors and senior staff members (3), state-level higher education leaders (8), campus-
level higher education leaders (6), and researchers or observers (4). We conducted interviews in each state two years after adoption of the state lottery: Tennessee in 2005 and North Carolina in 2007. Of the 30 interviews, we conducted 8 telephone interviews. We followed a semi-structured interview protocol of seven open-ended questions, with relevant probes, to explore consistent themes between participants and also to allow for follow-up on topics important to each interviewee (Rubin & Rubin, 1995). Interviews averaged approximately 50 minutes with a range from 20 to 120 minutes. All participants agreed to have the interview audio-recorded and most chose to protect their confidentiality through the use of pseudonym. In addition to having the interviews fully transcribed, we collected extensive field notes during the interviews.

Analytical techniques. We analyze interview and archival data by utilizing both inductive and deductive strategies. We employ these analytical techniques on interview data and, in an effort to triangulate these data, also on a wide array of archival documents, including: legislative bills, legislative committee meeting minutes, transcribed legislative hearings and testimony, governmental policy reports, correspondence from policy actors, scholarly publications, and local and national newspaper articles. We employed the pattern matching technique to deduce themes from these data collected in both states (Miles & Huberman, 1994). Through the use of an analytical framework, which consists of operationalized elements of the three theoretical frameworks discussed earlier, we follow an inductive approach that considers how the theoretical frameworks explain the policy process in both states. Using this framework, we coded interview transcripts and archival documents along the following themes: (1) influence of state-level governmental and governance structures, (2) influence of higher education community, (3) presence and behaviors of policy entrepreneurs, (4) availability and use of technical information, and (5) effect of external influences. Ultimately, by following these
systematic coding and analytical procedures, this study aims to maximize its “descriptive inference” (King, Keohane, and Verba, 1994).

Case Summaries

Following are brief overviews of the policy episodes in North Carolina and Tennessee. These serve as “just the facts” chronological accounts of the lottery beneficiary determination process. In the subsequent section, we conceptually analyze both cases and report more detailed information about the policy processes. Before doing so, however, we intend for this section to provide essential background information on how North Carolina and Tennessee came to determine the beneficiary programs of their newly adopted state lotteries.

North Carolina Education Lottery. With state lotteries enacted in each of its four bordering states between 1988 and 2003, North Carolina had a long history of debating the merits of a state-run lottery. Proponents of the lottery noted the opportunity to secure a new income stream for the state, as well as to recapture lost revenue that is spent by North Carolina citizens on surrounding state lotteries. Opponents of a state lottery either took a moral stand against the lottery as a gambling activity or objected to the lottery as a regressive tax against those with lower incomes. Since the time that lottery legislation had a plausible chance of enactment, roughly in 2000 when South Carolina adopted a lottery, opposition groups began to organize at the grassroots level and among civic and state leaders including two previous presidents of the University of North Carolina (UNC) system Bill Friday and C.D. Spangler.

However, North Carolinians increasingly noticed the education benefits accrued in states with newly-adopted lotteries. In particular, college scholarship programs were reported to gain populist support (Drake, 2005; Isreal, 1997). As a result, lawmakers began to propose
replications of the Georgia HOPE program. On March 7, 2001, Rep. Toby Fitch (D-Wilson) filed such a bill proposing a referendum on a state lottery ("Fitch Bill," 2001). As a merit aid program, the bill would direct half of the net revenues from a lottery to college scholarships for students with at least a B average. While the bill received considerable legislative attention, the measure did not pass.

The lottery gained further statewide attention when Democratic gubernatorial candidate Michael Easley advocated a lottery in the 2000 primary. Then-candidate Easley announced his support for a state lottery with its proceeds earmarked for reducing class size in kindergarten through third grade. Much of the need for reduced class size was based on the Leandro v. State of North Carolina school finance case. Parents, school boards, and students from five low-wealth counties filed a lawsuit claiming that the state did not allocate enough money to provide their children with a quality education. In 1997, the North Carolina Supreme Court ruled that the state constitution guarantees that “every child of this state an opportunity for receive a sound basic education in our public schools” (North Carolina Justice Center, 2007). Five years later this case had not yet spurned state action.

During Governor Easley’s first term, the Court assigned Superior Court Judge Howard Manning responsibility for implementing its decision. On July 19, 2002, Judge Manning sent the North Carolina Attorney General a letter saying that the state had not shown any effort to comply with the ruling on this case. Judge Manning gave the state of North Carolina ten days to respond. On Monday, July 22, 2002, Governor Mike Easley then issued an urgent press release and letter to legislators by asking them to comply with the court order by passing the lottery bill to fund his pre-kindergarten program and his proposal to reduce class size.
Amidst the various debates about a potential North Carolina lottery, the state university system and its officials consistently made no public remarks in support of or in opposition to a state lottery. In March 1999, Ben Ruffin, chairman of the UNC board of governors, noted that while the board had no position on the passage of a lottery, “should it come, we have a position on how they might spend the money” (Hall, 1999). The UNC system president Molly Broad reiterated this position three years later despite Governor Easley’s intention to provide the UNC system with $66 million dollars from lottery revenues that would offset costs associated with enrollment growth (Gardner, 2002).

In April 2005, UNC officials were surprised by a legislative proposal to cut nearly $100 million from the system budget. With the state facing a $1 billion shortfall, legislators were faced with either raising taxes or creating new revenue streams. Governor Easley continued to push for the education lottery as a solution to the state’s budget problems. While UNC officials again declined to take a stand on the lottery, they did advocate for the state to find additional sources of revenue (Ferreri, 2005).

In March 2005, NC House Speaker Jim Black (D- Mecklenburg) formed the House Select Committee on the Lottery. The committee’s purpose was to introduce a lottery bill that would gain support in the full chamber of the House. Of the 16 members of the committee, all but four were Democrats, whose party held a 63-57 majority in the North Carolina House. Upon consideration of multiple lottery bills each identifying education programs as beneficiaries, the House Select Committee eventually decided to divide the lottery proceeds as follows: 50% for school construction efforts, 25% for a college scholarship program, and 25% for pre-kindergarten programs and reducing class size. School construction took top priority because it was an area of intense interest of most legislators.
On April 6, the House Bill 1023 passed by a vote of 61-59. It was the first lottery bill to pass the House in modern times. Since the Senate had already passed three lottery bills in the last 20 years, it was expected that passage of the lottery bill in the NC Senate would be easier.

Despite the establishment of a similar Senate Select Committee on the Lottery, consensus in the upper-chamber was more elusive than in the past. By August 6, 2005, House Bill 1023 had navigated through the legislative budgetary committees resulting in a tentative agreement as to how the lottery funds should be divided. First, 5 percent of the revenue would go to a reserve fund, which would be used if lottery earnings were not on pace with projections, until it reached 50 million. Of the remaining funds, 50% was allocated to hiring teachers to reduce class size in early elementary grades and to expand Governor Easley’s More at Four pre-kindergarten program, 40% to fund school construction, 10% to provide college scholarships.

On August 30, 2005, the Democratic-controlled Senate leadership called for a vote, with two Republican Senators absent, and passed the lottery bill by one vote. Lieutenant Governor Beverly Perdue cast the tie-breaking vote, with 24 Senators voting yes, and 24 senators voting no (Durhams & Johnson, 2005). The bill was ratified and then signed by Governor Michael Easley on August 31, 2005.

Tennessee Lottery. As early as 1984, Senator Steven Cohen first introduced lottery legislation in his first term. It took nearly twenty years for a state lottery to finally gain political support within the General Assembly and among the Tennessee citizenry. In November of 2003, Tennesseans approved a referendum that altered the state constitution to allow for a state lottery with proceeds earmarked for college scholarships as the primary beneficiary with excess funds for school construction and early childhood programs.
On the same ballot as the lottery referendum, Phil Bredesen was elected governor in 2002. With a business background, Governor Bredesen campaigned for office on the grounds that he was just the candidate to manage the state’s fiscal problems. While in favor of a state lottery, Governor Bredesen did not campaign actively for its passage, focusing instead on the needs of the state’s Medicare system.

Before the passage of the Tennessee lottery, ten other states initiated state lotteries that funded higher education scholarships. Lawmakers recognized that a state lottery would have more traction among voters if the proceeds were dedicated to a popular program that benefited a large number its citizens. As in Representative Fitch’s bill in North Carolina, the success of the HOPE scholarship program in the neighboring state of Georgia gave proponents of a lottery in Tennessee a model from which to work.

Upon the passage of a public referendum, the lottery beneficiary selection process began immediately with appointment of the Education Lottery Task Force (ELTF). With membership including legislators, state-level higher education and K-12 officials, and college presidents, legislative leaders asked the ELTF to make recommendation on education beneficiary programs. Meetings in late-November and mid-December of 2002 served to familiarize task force members of lottery beneficiary programs in other states with an overwhelming emphasis on merit-based college scholarship programs. In late-January of 2003, representatives from the Tennessee Commission on Children and Youth made a presentation to the Education Lottery Task Force advocating for lottery funds for early childhood education. The constitutional amendment clearly spelled out that lottery proceeds would be earmarked for college scholarships, with “excess” funds targeted to early childhood education and K-12 school construction. Determining how to define excess was a hot topic of conversation throughout the first few task force meetings. The
panel ultimately decided, based on a ruling from the Tennessee Attorney General, that “excess” was wholly dependent upon how the criteria for these scholarships are crafted (Opinion No. 03-015).

Once the 2003 legislative session began, debate focused almost entirely on the college scholarship program, especially as it related to various academic and income-level criteria. However, alternative education beneficiary programs occasionally reached the policy agenda. For example, Governor Bredesen expressed his preference that the legislature adopt one bill to implement the lottery, then wait until next year’s session to determine the eligibility criteria for the scholarship. This recommendation was based on the governor’s preference for a sound fiscal solution by first understanding how much revenue the lottery would generate since estimates varied by as much as $80 million annually (Locker, 2003). Indeed, many legislators expressed their preference that college scholarship criteria be crafted to ensure that “excess” funds remained for early childhood programs and for school construction funding.

As the legislative session approached the 90-day statutory limit, consensus had not been reached on a set of eligibility criteria for the scholarship program it became evident that a compromise must be reached in order to preserve the scholarship program. Much of the debate had been about the required GPA and ACT scores and the award amounts. Ultimately, the House reached a bi-partisan compromise with House Democratic leadership, Republican moderates led by House sponsor Representative Chris Newton, and the Black Caucus. The agreement shifted the eligibility criteria from both a 3.0 high school grade point average “and” a 19 ACT score to either the GPA “or” the ACT score. This had the effect of increasing the projected cost of the full-scale scholarship program by $80 million per year, which left no projected revenue for other education beneficiary programs. While this was not Senator Cohen’s preferred criteria and
beneficiary portfolio, based on his political calculations, on May 22, the Senate concurred with House Bill 787 by a vote of 29-3-1 with 6 senators listed as co-sponsors (Commins, 2003, May 23). Within one month, Governor Phil Bredesen signed the bill into law in the old Tennessee Supreme Court chambers of the State Capitol.

**Conceptual Findings**

Given our paper’s aim to test the “revised multiple streams” model (Ness, 2008), this section outlines themes of convergence and divergence between the lottery beneficiary policy episodes in North Carolina and Tennessee. We report these findings in five sub-sections aligned with the core conceptual components of the revised multiple streams model.

**Structure.** The most fundamental difference in state governmental structure between North Carolina and Tennessee lies in their Constitutions. North Carolina is one of only a few states with statutory language addressing the cost of higher education. This clause of the North Carolina statute is distinct compared to the flexible language of Tennessee’s constitution which states, “The General Assembly may establish and support such postsecondary educational institutions, including public institutions of higher learning, as it determines” (Article XI, Section 12). As opposed to phrases such as “may establish” and “as it determines,” the language of the North Carolina Constitution is more direct, “The General Assembly shall provide that the benefits of The University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.” (Article IX, Section 9). Indeed, multiple respondents in North Carolina mentioned the statutory language as evidence of the state’s commitment to affordable higher education.
The state constitutions also include differing clauses related to gambling. In Tennessee, the constitution clearly called for a statewide referendum to overturn the ban on state-supported gambling. The Constitution of North Carolina, however, does not require a referendum to enact a lottery. In fact, consensus eluded legal experts as to the constitutionality of an "advisory" referendum. As a result of these statutory differences, Tennessee passed a referendum that would alter the Constitution to allow the enactment of a lottery and identified broadly-defined beneficiary programs. This constitutional difference also had the important effect of separating the lottery decision from the policy decisions on which programs would benefit from lottery revenue and to what extent. In North Carolina, legislators generally agreed that if a lottery was to be enacted, then it must pass in the North Carolina General Assembly. The constitutional language that necessitated lottery enactment in the legislature virtually ensured that beneficiary programs be identified in the same bill that would create a state lottery.

Statewide higher education governance represented yet another structural difference. North Carolina has two separate governing boards: one for community colleges and the other for four-year institutions. Tennessee has a statewide coordinating board and two governing boards: one for three University of Tennessee campuses and the other for the remaining 24 four-year and two-year institutions. These differing structures appear to have affected the policy process by shaping the extent to which systems and campuses engaged in the policy debate. For example, North Carolina’s higher education sector followed closely the position taken by the University of North Carolina system, which a system leader described:

We chose as a university... not take a position on the lottery, and the view that I expressed was that to the extent that there is an effort to support education in the state, we applaud it...even if we don’t support the source.

A campus president in North Carolina indicated a similar position despite historical precedent:
I was strictly neutral. I stayed out of it. It was so politically charged. Umm, we had people on, we had Bill Friday, for example [former] president of [the UNC system] strongly opposed to the lottery on moral grounds. Uh...you had people on the other end like former Chancellor Paul Hardin, pointed out that this building was built with lottery funds, in the eighteenth century.

In Tennessee, with the lottery issue having won public support at the ballot box, higher education leaders took public positions on the issue of lottery beneficiaries as one governing board official explains:

We normally wouldn’t be invited to the table to ask our views, and so the fact that we were involved even in the task force I think is significant. The fact that we were often asked to take political stances publicly – you know, people would say, “Are you for it or against it?” [merit-based college scholarship program] and I would say, “I’m for it because it will help keep the brightest and best and help more Tennesseans graduate from college.” That was my standard reply at the time. But seldom are college presidents or faculty members or others asked to take a political stance on something that is out there. Because that affected us, obviously we were.

Another structural difference is that the Tennessee coordinating board (THEC) was in essence “co-opted” by the legislature and served more like a legislative staff, than a state education agency. Since coordinating boards serve as buffers between state government and the public higher education sector, this is far more likely than a consolidated governing board, like the UNC system, being tightly aligned with the legislature. The result was that other possible lottery beneficiary programs, such as early childhood programs and school construction, did not have the access and influence that higher education had. In fact, the executive director of THEC was also named the chairman of the ELTF. Following is his explanation of the lottery beneficiary determination process:

So right out of the chute you had everybody elbowing and trying to work that task force, and I think it’s kind of a normal evolution to the extent anybody was trying to influence the data right out of the chute. And Doug Wood was the Executive Director of the Board of Education at the time trying to state the need of those other areas, preschool, after school, whatever, and trying to force, basically to minimize – minimize isn’t the right word – but for us not to think on the grand
scale just about the scholarship program but to keep these other things in mind and how they’re even more important than the scholarship. That pre-K group, they’re pretty dedicated. That was just part one of the dynamics. So you had that competing interest right out of the chute, and that’s when [the ELTF] decided at a certain point we couldn’t deal with that, that the task force was not going to deal with the distribution of the dollars. We were just going to build or focus on the scholarship program. And I think, in retrospect, that helped because those first few meetings of the task force and those early discussions it was hard to get focused. And once we did that, once we said that that task force was not going to worry about the other things, we kind of moved ahead.

Policy Trends and Information. As with the governmental and higher education structures, North Carolina and Tennessee experienced seemingly similar national and regional trends with regard to lottery beneficiaries. All neighboring southeastern states adopting lotteries dedicated education programs as beneficiaries of lottery revenue. Additionally, Kentucky and Florida re-directed lottery revenue to fund merit-based college scholarships shortly after Georgia adopted the HOPE Scholarship program. Respondents from both states cited trends in which state lottery revenue supplanted state appropriations to education and recalled taking caution that their lotteries would “supplement, not supplant” education funding. In fact, this language was included on the referendum initiative in Tennessee. Georgia HOPE represented the model for creating new education beneficiary programs that would guard against supplanting extant education funding. Senator Cohen recalled:

But I guess the guiding light was Georgia since we had pretty much seen successes in Georgia with its program and had modeled or campaigned for the referendum on Georgia’s successes. We tried to model it after Georgia but didn’t restrict ourselves to Georgia... So that was the foundation for the committee to look at it and make recommendations to the legislature which we knew were not necessarily going to be adopted as a whole, but hopefully some of them would.

However, one significant difference between the North Carolina and Tennessee beneficiaries is that North Carolina bucked the regional trend of using lottery revenue to fund merit-based college scholarships. Part of this could be attributed to the information available
about merit aid. Non-elected issue experts had a stabilizing effect on the policy process by infusing information or recommendations based on expertise with the policy issue. For example, in both cases, internal experts affiliated with the higher education community provided information related to estimated program costs and eligibility rates. During the Tennessee policy episode, respondents indicated that the coordinating board staff generated hundreds of eligibility criteria scenarios and their projected eligibility rates disaggregated by race and income-level. By contrast, interview data from North Carolina respondents suggests that higher education officials used data on existing state financial aid programs to show how new revenue could address unmet financial need. Furthermore, respondents also cited the regressive nature of the lottery and specifically mentioned the research on lottery adoption of two researchers in the state at Duke University (Clotfelter & Cook, 1989).

While issue experts affiliated with the higher education sectors in both North Carolina and Tennessee provided useful information, the states differed in their reliance on external experts. In Tennessee, outside experts testified on merit aid’s “negative social consequences” and urged the state to consider need-based criteria such as income caps or supplemental awards for low-income students. One member of the Education Lottery Task Force commented on the importance of outside experts:

I think particularly for the legislators I think it was very helpful to them to have outside consultants. And there’s sort of a tension between THEC and the legislature or THEC and the legislature and any agency. It helps to have outside experts telling you things that you may not believe if your own experts tell you. It helps to have outside experts. People perk up. They think well, hell, it’s just Rich Rhoda [THEC executive director] again. We’re tired of hearing from Rich Rhoda. Now we’re hearing from somebody we don’t know.

In North Carolina, on the other hand, campus and state higher education leaders agreed that internal experts were more effective. One state higher education leader when asked whether
it was common practice to invite external experts to testify in support of a policy preferred by the UNC system replied:

Never. Being a North Carolinian is so important in this state. The whole ethos, I mean, North Carolina is so proud of its heritage, of its history, and I, I think some days that North Carolina would be very happy if no planes or trains even went to Washington. You know, it has a self-image, looking after itself, of being progressive, of being independent, and so [pause] we rarely see any outside experts coming in to try to persuade a legislative body.

Coupling and Policy Entrepreneurs. Within the conceptual policy field of potential lottery beneficiary programs, evidence in both cases exists in support of policy entrepreneurs advancing their pet solutions to couple the politics and problem streams. In both cases, these chief policy architects were elected officials—Governor Michael Easley in North Carolina and Senator Steve Cohen in Tennessee. These individuals interpreted phenomena within the political and educational areas of their state to craft a rationale for and to encourage support of their preferred lottery beneficiary programs.

In Tennessee, Senator Cohen linked the declining affordability of higher education and “brain drain” of the state’s “best and brightest” students to a lottery-funded college scholarship program modeled after Georgia’s HOPE Scholarship program. Since the sponsoring Senator first introduced legislation to create a state lottery in the mid-1980s, four neighboring states adopted lotteries and over time as Tennesseans drove across state-lines (especially to Kentucky and Georgia) to play the lottery, public support for a Tennessee lottery increased on the basis of economic benefits. When the state budget began to face critical challenges, such as a government shutdown in 2002, these economic benefits of a state lottery became even more enticing. Furthermore, as a result of the state fiscal crisis, higher education as a sector received stagnant and decreasing state appropriations, which led to double-digit percentage tuition increases in 2001, 2002, and 2003. During this same period, the appropriations to Tennessee primary and
secondary schools remained stable, including slight increases due to federal matching funds.

With wide agreement in the public and among elected officials on these politics and problems,

Senator Cohen advanced his support for Georgia HOPE-style scholarships.

In fact, I used Georgia language to draft it, and when I drafted it, I did envision the possibility of politicians doing what the public had suggested and trying to use the money for merit-based scholarships. And so when I drafted it, I put in there, different from Georgia, that the monies would go for aid for post-secondary education pertaining to high school graduates and citizens...

But Georgia said for [student financial] aid, and pre-kindergarten, and after school, and technical assistance. We didn’t do commas and ands. We did for college scholarships with the excess to after-school, pre-school or capital construction costs. And the reason we did that was the difference with Georgia was to guarantee that the scholarships came first and only excess went to pre-kindergarten.

Cohen’s initial support for merit-based scholarships came as a result of Georgia’s success in using this beneficiary program as a means to win support for a state lottery. To do so, he relied on aims that other states identified, such as retaining best and brightest students, increasing college access, building the state’s workforce, and encouraging academic achievement of high school students. These goals became official through Senator Cohen’s influence on the ELTF. At these meetings, which were initially established to identify potential education programs to receive lottery revenue, Senator Cohen was a loud and consistent voice in support for maximizing the amount of funding going to college scholarships. With THEC staffing this Task Force, Cohen also took advantage of the agency’s information on projected lottery scholarship costs and on the experiences of merit-based financial aid in other states. Senator Cohen gave THEC staff a pass for not publicly supporting the lottery based on their contributions after the referendum:

The THEC folks, I’m sure they were for it, but, again, they had politics too. They didn’t get involved in the referendum... They were very careful. Once they were all on the committee and involved, THEC was very important. Rich Rhoda was
my co-chair and a person I have great respect for, and he did a good job in chairing the committee and bringing forth his leadership and his talents to help shape the program and was a resource that we counted on the most. And Brian Noland I got to know was a star of stars and he did a great deal of work and he brought people to the fore and tried to shape it and make it a better program.

In addition to the role that THEC staff played in this process, Senator Cohen continued to push for full-funding of the scholarship program. A member of the ELTF recalled Senator Cohen’s actions during the ELTF deliberations:

The Attorney General further said that, of course, it’s up to the legislature to determine what full-funding is... After I asked the Attorney General that question, Cohen himself made a motion that, in fact, be assured that the scholarship is fully funded before we recommend any funding of any other childhood education or the K-12 capital.

In the past, unanimously as I remember, with the Attorney General standing there, at a later meeting Cohen moved to repeal that, to change that, so we were no longer on record as saying that early childhood education and K-12 capital could not be funded until all the scholarship needs had been met.

Despite his acquiescence on this formal position, Senator Cohen continued to push for scholarship funding. According to a state higher education leader:

Cohen seized on this concept of a mandate. It’s the mandate of the people that we create college scholarships. And this theme of the people approved this—the people expect scholarships—that political expediency was referred to on numerous occasions as you began to draw toward the close of the legislative session.

In North Carolina, Governor Easley took a calculated political risk by supporting a state lottery in his initial campaign in 2000 and again in his 2004 reelection bid. As in Tennessee, respondents from North Carolina cited broad public support for a state lottery for economic reasons. One legislator commented that North Carolina already had a lottery, “you just need to drive up the road to Virginia.” By 2004, North Carolina faced a similar economic crisis that Tennessee faced a couple years earlier. Indeed, one state higher education leader identified the economic concerns as paramount:
In North Carolina with the loss of textile jobs, furniture jobs, so many other types of manufacturing jobs all, so many, closing out or going offshore there is I think a concern that we have to help those counties and towns that were hit hard in those school districts. And that we have to help them still be able to have a very solid, strong education system at the K-12 level for their students.

However, unlike Tennessee which experienced stagnant higher education appropriations and rising tuition, North Carolina higher education remained affordable. In fact, multiple respondents cited North Carolina’s performance on education indicators as ranking high on college-level items. A state higher education leader noted that North Carolina had not experienced a “brain drain” as had Georgia and Tennessee and continued:

We’ve had an enormously well subsidized public higher education system in North Carolina, where the cost of tuition fees is so incredibly low for state residents that right now at Chapel Hill, which is the most expensive, I think you still are under five thousand a year for tuition and fees... and we’ve had between ninety and ninety-five percent of North Carolina students who go to college stay in-state, so unlike Georgia, we didn’t have a problem with the kind of people, flight to quality out of state.

I think we’ve got an awfully good perception of quality and I think, in fact, the reality of quality in the UNC system and in a number of your privates as well. So, we had some problems that Georgia tried to solve that we didn’t need to solve. And I think that we had though, on the other hand, the kind of old-time higher education zeitgeist was the best financial aid is low tuition.

This widely held belief that new resources should be directed at the P-12 level of education was the largest impediment to another potential policy entrepreneur, Representative Hugh Holliman. Representative Holliman proposed lottery legislation that earmarked all lottery proceeds for merit-based college scholarships similar to the state’s three southeastern neighbors—Georgia, South Carolina, and Tennessee—all of which have merit aid programs named HOPE. Yet, in addition to the different educational trends, there was political opposition from both the Governor and fellow legislators. A senior official in the Governor’s office recalled that Governor Easley supported need-based college scholarships since a merit-based scholarship
program would not allow middle-and upper-income students to take advantage of the federal HOPE tax credit. A House leader identified one further challenge to the merit-based scholarship program:

The need-based scholarship program was popular with several of the caucus members and was a key to getting one or two votes from members who would not otherwise have voted for the bill. It gave them a reason to vote for it, something to hang their hat on, so to speak.

On the other hand, Easley’s preferred education beneficiary programs were tightly linked to existing problems, as one state legislator opined:

I think it’s a political decision. Primarily by the governor, and reflected on some of the education priorities that the governor had, coupled with, I think, what would be perceived as a little broader-based beneficiaries of the lottery. So I think what you see is funding for the governor’s signature education program that provides education opportunities for people in the lower class, uh, you also see some money going to scholarships, although not a substantial, or certainly not a majority of the funds.

In addition to the economic condition of the state, according to a state higher education leader, the Leandro court case highlighted the need for the state to address issues of adequacy and equity in school funding.

Well, I think, you know about the Leandro decision, the court case, and I don’t know details about that, but my guess is that that drove so much of this. They had to fund public education, and this was a way to do it. I think it had much more to do with that than it did with any kind of interaction of higher ed and K-12.

Policy Windows: The black box. While multiple streams is largely defined by the coupling of policy streams, perhaps it is characterized best by its ambiguity and the serendipity of a policy window opening. In both North Carolina and Tennessee, phenomena in the policy process aligned to provide windows of opportunity for policy entrepreneurs to advance their pet solutions. Within this “black box,” policy actors manipulated, cajoled, and softened the political system to gain support for their preferred lottery beneficiary programs. In both states, albeit to
varying extents, the proposed education beneficiaries were linked to lottery initiatives that had been considered multiple times before their ultimate enactment. The uncertainty surrounding the adoption of either the revenue source or scholarship program provided an ideal opportunity for an enterprising policy actor to advance a solution.

In North Carolina, the ultimate policy decision on lottery beneficiary programs occurred in the 2005 General Assembly. Since the NC Senate had previously passed legislation to create a state lottery with the House unable to concur, legislators agreed that the lottery measure must first pass in the House this term. The House gained support for a lottery relatively early in the 2005 session, which respondents attribute to Speaker Jim Black’s influence, especially with the majority party leadership and with Governor Michael Easley. In the Senate, however, support did not come as easily and, in fact, looked like there would not be enough votes to pass. Representative Bill Owens recalled, “we kept saying that we didn’t have the votes, so the Republicans didn’t work as hard against it.” In fact, Representative Owens acknowledged that this was an intentional strategy to increase the likelihood of the lottery bill’s passage.

The circumstance of the vote in the Senate also influenced the lottery beneficiary programs. Ultimately, the lottery bill passed in the Senate by the Lieutenant Governor breaking a 24-24 tie. One respected former higher education leader, Bill Friday, felt this served as a stain on the state:

It was not enacted in North Carolina in a fair and square procedure. It was done when they found two guys who were in the legislature wanted to go and get married and do away and said they weren’t going to have section in it and when they found these vacancies they went ahead and did it.

I won’t use the word devious cause I don’t attribute criminal intent, but uh…it was it was not done up and above board in the traditional way North Carolina legislates things. It was done with power politics from top to bottom, and it was Governor Easley’s plan…I don’t know why he got so attached to it. It hasn’t materialized the way he thought it would, and I just don’t believe that it will.
However, other political insiders, including legislators in minority leadership roles, recognize that the two Republican legislators made conscious choices not to “pair” their votes, which would not have given enough votes to pass.

Legislators identified a number of characteristics consistent with a serendipitous policy process. One Republican legislator recalled that the Senate bill was unique:

Oh, it got more attention, but, uh, and it got more attention because of it being the lottery, but it also got more attention because that, the way that whole thing came down was unusual. First of all, with the political makeup of North Carolina Senate, you don’t normally have bills that come up for a vote where it would take [pause] where there’s a coalition between Republicans and Democrats that could either make a bill happen or stop a bill from happening. Most of the time if it appears that there aren’t enough votes… It won’t come up.

Representative Bill Owens commented on the importance of timing and stated that it was a “mini-miracle that the lottery came to be.” Representative Owens also revealed that, similar to the last-minute decisions of two Senators, 30 minutes prior to the House vote on HB 1023 two Representatives who were going to vote for the lottery switched to vote against it and two who were going to vote against the lottery switched to vote for it. Owens continued that “stars were aligned that one day in the House and that one day in the Senate.”

In Tennessee, timing mattered as well. While there was widespread agreement that merit-based college scholarships would be the primary beneficiary, indeed these negotiations dominated the policy process, there was uncertainty until the end. Ultimately, it was a compromise, suggested by House Speaker Jimmy Naifeh, which changed the scholarship eligibility criteria from GPA “and” ACT to “or” that led to its passage in the House. Senator Cohen suspected that House leaders advanced the criteria compromise precisely because they thought that the “or” criteria would never pass in the Senate.
That was their game plan. They wanted to pass the bill... and have the Senate nonconcur because the Senate didn’t go along with the bill, and they wanted to get into a conference committee.

This compromise was labeled the “do nothing” proposal and was based on the speculation that Governor Bredesen and House leadership preferred to delay the beneficiary decision in hopes of gaining more support for his preferred early childhood education program. According to a governing board official:

They took the position the first year that they were going to let the legislature sort of take the lead on what I’d call the tweaking, the nits and grits, on the lottery. And so the administration really did not weigh in on the changes. They were, I think, first and foremost concerned about pre-K and having the opportunity to say, “We have a funded lottery scholarship program and we need to get this early childhood initiative off the ground.” I don’t know if this was a conscious decision by the Bredesen administration or not, but they seemed to sort of save their power for what they thought was most important, which was pre-K.

In response to the “do nothing” proposal, Senator Cohen decided to call the House’s bluff and concur with the “or” compromise bill. To do so, Senator Cohen, with the help of House sponsor Chris Newton, sought the support of Republicans by convincing them that House leaders would place the blame squarely on Senate Republicans if no lottery scholarship bill passed. Ultimately, a series of political compromises appears to have influenced the Senate to concur with the House bill and thereby adopt a merit-based scholarship program of a scope that was projected to leave little (if any) “excess” lottery revenue for early childhood programs and school construction.

**Discussion and Implications**

The initial impetus for this comparative study is how two neighboring states chose such different beneficiary education programs of newly-adopted state lotteries. Tennessee more closely followed the regional (and increasingly national) trend of adopting merit-based college
scholarship programs. North Carolina did not. Why? The revised multiple streams model suggests that state governmental structure, related intra-state policy trends, and policy entrepreneurs mattered most. In each case, these conceptual elements did not align with merit aid programs. Among the four goals policymakers in Tennessee identified for their merit aid program, three of them simply do not apply in North Carolina: (1) no evidence of a brain drain, unlike most neighboring states, (2) despite modest increases, tuition in North Carolina remained affordable, and (3) college access was being addressed through the state’s increasing investment in need-based financial aid programs. The Tennessee merit aid program’s final goal of enhancing workforce development does appear relevant to North Carolina. Respondents identified the shifting economy from manufacturing to the knowledge economy; however, respondents also suggest that this challenge is being addressed primarily at the community college-level for job re-training. So, it seems that the state contexts, political characteristics, and timing of the lottery decision enhance the descriptive and conceptual understanding of how North Carolina and Tennessee came to determine lottery beneficiary programs.

Researchers interested in the social consequences of merit aid programs may gain from this study’s description of the policy process of lottery beneficiary determination. Prior to the North Carolina lottery beneficiary determination process, every southeastern state to adopt a lottery allocated at least a portion of the proceeds to merit-based scholarships. This has largely been attributed to anecdotal evidence of the overwhelming political popularity of merit aid programs. This comparative study of lottery beneficiary determination suggests that the political inevitability of merit aid adoption may not be as widespread as their recent proliferation suggests. In fact, these results corroborate findings of a recent study on merit aid “hold-outs” (Ingle, Cohen-Vogel, & Hughes, 2007). It seems that greater attention to non-events or non-
adopters in other policy areas would complement the empirical evidence that these studies
capture regarding the influence and importance of political variables such as party control and of
structural variables such as the statewide higher education governance structure.

This study may also have implications for the conceptual understanding of the higher
education policymaking process. Specifically, further examination of phenomena occurring
within the policy milieu and policy window may enhance the explanatory power of the revised
multiple streams model (Ness, 2008). As a series of recent studies on the diffusion of merit aid
programs illustrates (Cohen-Vogel et al., in press; Cohen-Vogel & Ingle, 2007; Ingle, Cohen-
Vogel, & Hughes, 2007), the role of intra-state characteristics and regional diffusion effects
merit further exploration. Indeed, the recent qualitative studies complement the emerging
empirical work on policy innovation and diffusion (Doyle, 2006; McLendon, Heller, & Young,
2005; McLendon, Hearn, & Deaton, 2006). Our study suggests that another relevant extension of
these quantitative studies may be deeper consideration of how policy ideas diffuse. How, for
example, do policy makers utilize information in the decision-making process? What sources of
information are most influential? Are both internal and external sources of information utilized?
Political scientists have long considered these questions in studies of “technical information”
(Guston, Jones, & Branscomb, 1997; Hird, 2005; Weiss, 1983). Asking similar questions of the
higher education policymaking process would enhance our conceptual understanding of how
states come to adopt (and not adopt) certain policies and, of interest to policy-practitioners who
advocate policy positions or direct policy analysis, may identify the most effective sources of
information.
REFERENCES


