GOVERNING

THE STATES AND LOCALITIES

February 2014

SMART MONEY

Do state and local leaders know enough about finance?

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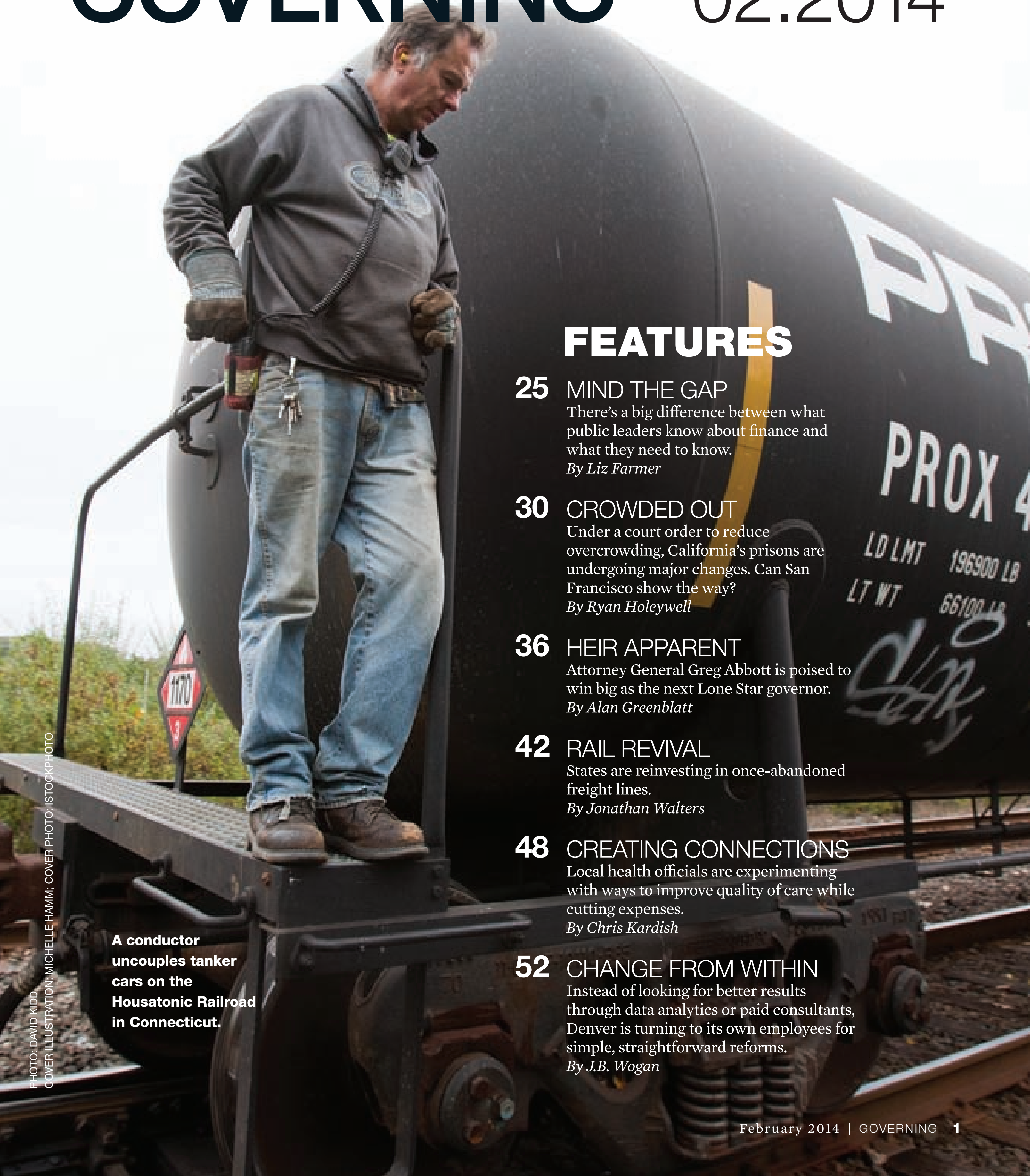

A conductor uncouples tanker cars on the Housatonic Railroad in Connecticut.

PHOTO: DAVID KIDD;
COVER ILLUSTRATION: MICHELLE HAMM; COVER PHOTO: ISTOCKPHOTO

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A Question of Literacy

What exactly makes for a "*Governing* story?" That's a question that's never far from our minds, although it's a tough one to answer. The past five years have been trying times for states and localities, and that's only strengthened our resolve to focus on the topics that will help improve government's performance. Our February issue kicks off a special series aimed at meeting one particular and vital concern of our audience: financial literacy.

This month's cover story has an interesting history (see "The Money Thing," page 25). Last year, at the annual conference of the Government Finance Officers Association (GFOA), I asked Mark Campbell, the executive director of the California Debt and Investment Advisory Commission, what was of greatest concern to him. Somewhat to my surprise, he said it was financial literacy—the declining economic sophistication of elected and appointed leaders. Large numbers of public officials with financial responsibility, he said, simply don't have the training to make the complex decisions they are formally required to make. In recent years, the complexity of questions that such officials are forced to deal with has only deepened. And the problem of recruiting top executive talent to state and local finance positions has only grown more challenging.

Erin Waters, Publisher

After the GFOA meeting I headed to Sacramento for an advisory board meeting to prepare for *Governing*'s fall California Leadership Forum. The advisory board comprises 30 California public officials from city, county and state government, across every discipline. I didn't expect financial literacy to ignite a high level of engagement with all members, but it did. Many of them said it was the culprit for some of the toughest challenges in their departments and agencies.

Financial literacy is top of mind in California, thanks to the well publicized fiscal problems of cities like San Bernardino, Stockton and Vallejo. But it's a burgeoning national problem as well. That's why we've devoted this month's cover story to a detailed examination of the problem, its causes, its consequences and the still-fledgling effort to do something about it. This story kicks off a yearlong effort, to be pursued in print, on the Web and in face-to-face meetings, to bring the fiscal competence of American government agencies closer to the needs that current financial problems demand.

I would like to hear from you, in response both to this month's story and to the explorations that will follow. I can always be reached at ewaters@governing.com.

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Tall Questions

"Does inequality promote skyscrapers?"

Ridiculous assertion ["Tall and Out of Reach" in Economic Engines, December 2013]. What does the author want—everyone to live in tents? I can claim the same correlation with the amount of luxury brand stores in a given area. Most of New York's skyscrapers were built before 1960, and it is only within the last few years that tall buildings have been going up in New York City because of the loosening of the overly regulated approval process. Income disparity always existed, tall buildings notwithstanding.

—*KirkMac on Governing.com*

[Whether that assertion is] true or not, the real question is what does it mean. There is no point in building skyscrapers except in areas where land values are very high. So perhaps it is primarily a measure of where land values are high?

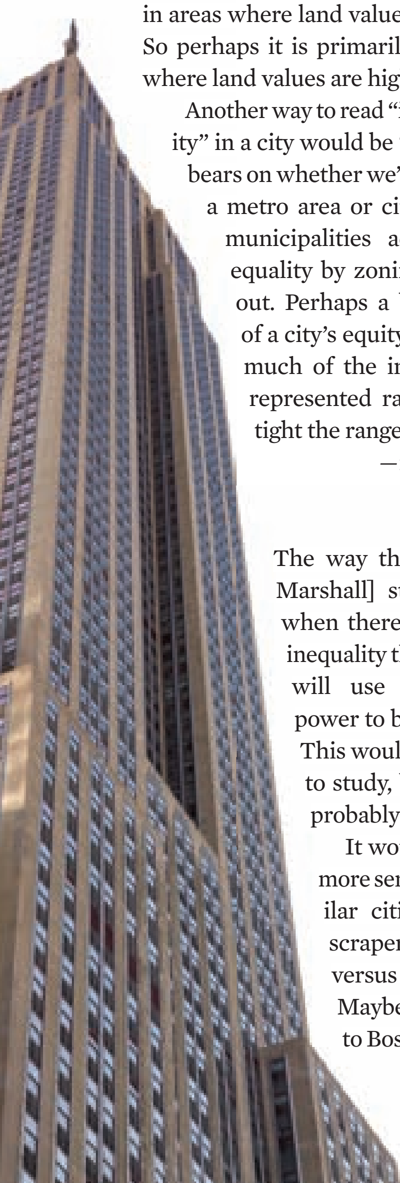
Another way to read "income inequality" in a city would be "integration." It bears on whether we're talking about a metro area or city limits. Some municipalities achieve income equality by zoning poor people out. Perhaps a better measure of a city's equity would be how much of the income range is represented rather than how tight the range is.

—*myurbangen on Governing.com*

The way the author [Alex Marshall] states it is that when there is less income inequality the lower classes will use their political power to ban skyscrapers. This would be interesting to study, but I think it is probably wrong.

It would make much more sense to study similar cities where skyscrapers are allowed versus not allowed. Maybe D.C. compared to Boston or Philadelphia. Or San Francisco compared to Portland or Seattle. Comparing inequality in the U.S. and China to Europe and Brazil and trying to make a connection to skyscrapers seems extremely spurious.

—*Chris on Governing.com*



One or Two Bins?

This article ["One Bin" in Green Government, December 2013] mentions that the [recycling] concept that Houston wants to do has never been done. Placer County, Calif., has been using the "One Bin" concept for quite some time. They claim to have one of the highest rates of recycling in California because of it.

I was puzzled how the rate could be higher than if there was a separate stream for recyclables as in other counties. I was told this was because with one stream, 100 percent of the materials are sorted and separated for recycling. In two stream systems, the garbage stream is not sorted and separated. Many recyclables are placed in the garbage stream by customers and are, hence, sent to the landfill along with the garbage.

In short, the theory is that with two stream systems, customers put too many recyclables in the garbage and too much garbage in the recycle bins. This makes the two stream system less efficient than the one stream system. I suspect this is exactly why Houston wants to go with the One Bin concept. Multiple truck routes are very expensive, environmentally harmful and require massive capital investment with parallel facilities.

—*Kaspar M. Kurmis*
Granite Bay, Calif.

Is single stream recycling not an option anymore? In some cities where single stream recycling has been implemented, recycling rates increased significantly. While there is some contamination of the recyclables in the single stream process (approximately 10 percent), this loss should be significantly less than the resulting loss from commingling all trash in a single bin. In addition, the single stream programs in some of the cities included incentives to encourage recycling.

—*ML Waldrop on Governing.com*

The Cost of Transparency

What never seems to be discussed in advocating for greater and greater transparency is the undue costs of creating technological systems, staffs to maintain them, and staffs to respond to abundant "just curious" and/or ill-informed questions ["False Transparency" in Smart Management, December 2013]. It's not that some important and perhaps valid questions might be revealed, but at what costs? And, does the cost with limited public resources really outweigh the added benefit? One of the consequences of better and better technology and information availability is the greater and greater expectation levels for perhaps unrealistic ease of access by the public. Unfortunately, technology is nearly always more expensive and more complex than initially thought. Case in point: the federal health-care exchange system.

—*Merrill King on Governing.com*

@Merrill King makes some good points. However, I sincerely believe adding searchable databases to a website and uploading information detailing how the people's money is being spent is not an undoable or incredibly expensive task compared to its importance as a necessary check against the waste of taxpayer money. There is no requirement for government entities to have the most high-tech website or outreach infrastructure. It does not require a huge staff to maintain a website, especially for government agencies that already have websites and tech departments. Politicians don't want this information easily accessed because it will leave them open to extensive criticism. Plain and simple. Projects like the federal health-care exchange are the exact reason why transparency needs to be strengthened, not downplayed due to costs.

—*Joshua on Governing.com*

Correction: In the January issue, Elizabeth Daigneau's Green Government article, "Let It Snow," mistakenly identified the Natural Resources Defense Council as the National Resources Defense Council.

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A rendering of Cincinnati's future streetcar

CITY OF CINCINNATI

A Streetcar Undesired

AS JOHN CRANLEY campaigned for mayor of Cincinnati last year, the former city councilman focused largely on his opposition to the city's $133 million streetcar project. Streetcar proponents said the planned 3.6-mile, 18-station system could help reverse the city's population decline and spawn new development. But Cranley maintained that it risked saddling the city with serious debt. His opponent was a streetcar supporter, which gave voters the chance to pick from two clear and distinct visions. After winning with 58 percent of the vote, Cranley definitively told the local newspaper, "The conversation about the streetcar is over."

Cranley could not have been more wrong.

The city council put the streetcar on hiatus in early December, saying it needed time to evaluate the numbers before making a final decision on whether to kill or save the project, which had been under construction since February 2012. But the move set off a firestorm of controversy in Washington, since the Federal Transit Administration had already committed $45 million toward the new system. So the feds gave Cincinnati an ultimatum: Start the project back up, or lose those federal grants and repay the money it had already spent.

Meanwhile, streetcar activists had begun collecting signatures, saying if the city opted to wind down the project, they'd force a referendum to give voters the chance to resurrect it. "I don't think the new mayor realized what kind of reaction [he'd] get when he said 'the conversation about the streetcar is over,'" says Margy Waller, an activist with the pro-streetcar group We Believe in Cincinnati.

With pressure from the feds and streetcar supporters alike, the city council voted to proceed with the project after all. A study of the project's costs by auditors KPMG revealed that if the city canceled the project prematurely, it would still have to spend an extra $16 million to $46 million finishing up work and closing out contracts. Completing the project outright would cost $69 million.

KPMG also pegged the cost of annual operations at $1.88 million to $2.44 million, which was lower than what some on the city council had anticipated. That fact—coupled with a pledge from the nonprofit Haile U.S. Bank Foundation to contribute $900,000 annually for operations—was enough to sway the council.

Officials with the streetcar say they're now evaluating their options for how to pay for the operating costs. Potential options used for other transit projects include improvement districts, special assessments, parking taxes and other mechanisms.

Cranley, for his part, hasn't changed his mind about the project. But he says he won't stand in its way. It seems the conversation really is over—just not the way Cranley would have preferred. "We're going to have a streetcar," Cranley told the media following the city council's vote.

—Ryan Holeywell

California has eased restrictions on how long legislators can serve.

DAVID KIDD

Rethinking Term Limits, Again

SINCE BECOMING widespread in the 1990s, term limits remain popular among voters who see them as a check against political power. But many observers blame term limits for myopic budget decisions and increased partisanship.

Now California is revisiting the idea of term limits. Voters approved a ballot measure in 2012 to relax limits, and state lawmakers and other elected officials say they're already seeing hopeful signs of change in an office that had become shortsighted. California's Proposition 28 actually reduces the overall number of years legislators can serve from 14 to 12, but it allows them to use that time entirely in one chamber or to divide it between chambers however they'd like. A state law passed in 1990, which limited lawmakers to six years in the Assembly and eight years in the Senate, kicked off a decade-long wave of term-limit laws that ultimately passed in nearly half the states.

Since that initial push, research on term limits' ill effects has poured in. Numerous studies have linked the laws to poor fiscal health, arguing they actually lead to less sound policies because legislators won't have to face voter wrath later on. Others studies have found that term limits give interest groups and career lobbyists the upper hand because they've spent far more time in state capitols than the lawmakers themselves.

Some in California say the change is already having an effect. Assemblyman Ken Cooley of Sacramento County says he's seen a heightened interest among new lawmakers to seek out information for their committee assignments and try to build expertise in a subject area. Developing a serious depth of knowledge wasn't as realistic as before, he says. State Controller John Chiang agrees that he's also seen a shift in attitudes: "A lot of freshmen, in their public comments, are taking a long view—that six, seven or eight years from now the actions they take will have an impact."

While California might have helped start the national term-limit movement, the newest change will likely have less impact in other states. An effort to abolish or relax existing limits arose between 1999 and 2003, when more than 100 bills were introduced in 17 states, but it was met with limited success. Over the past three years, more than 20 bills have been introduced in statehouses to increase or extend terms, but none have passed. One of those measures is still pending in Michigan, and another in Arkansas is on the ballot this year.

Arkansas voters soundly rejected term-limit changes in 2004, but this time proponents craftily inserted their language into a broad package that, among other things, prohibits corporate contributions to candidates and lobbyist gifts to elected officials, says Janine Parry, a professor of political science at the University of Arkansas. "I think term limits here remain as popular as ever, which is to say that politicians remain as unpopular as ever," Parry says. "But what they've done here is package it as something else, with something that they hope will be popular enough to succeed."

—Chris Kardish

Georgia on My Case

GEORGIA REVENUE COMMISSIONER Douglas MacGinnitie knows firsthand what it's like to be a victim of income tax fraud. Three years ago his joint tax filing was rejected because someone had already filed a return using his wife's Social Security number. For the MacGinnities, getting their taxes properly filed that year was more of a hassle than anything else—it took several months to get their state return processed and a year and a half for their federal return. But for Georgia and other states—and the IRS—false filings are more than a mere nuisance. They're scams that result in the loss of billions of dollars each year.

A federal report estimated that 1.5 million potentially fraudulent tax returns were filed in 2012, totaling more than $5.2 billion in bogus refunds at the federal level alone. With more returns being filed electronically each year, the problem is getting worse—that same federal report estimates that the IRS could issue $21 billion in potentially fraudulent tax refunds between 2012 and 2017.

So when MacGinnitie took over as revenue commissioner a year after his own experience with tax fraud, he acted quickly to combat the scammers. The results in his state have been particularly impressive. Last year, Georgia saved $100 million by stopping the money before it went out the door. Three-quarters of that money was flagged through the state's internal blocking system; the remaining $25 million was saved through a service offered by LexisNexis that checks all tax-filing information against its database of personal information. The returns identified as potentially fraudulent totaled 160,000, or 4 percent of all returns filed in 2013.

Georgia initially flagged far more returns. When a return is flagged—say, because a new mailing address is used and doesn't show up as a prior address on LexisNexis—the filer is sent a notice to answer a few basic personal questions to verify his or her identity. If filers check their email or mail regularly, the return will only be delayed by a few days, says MacGinnitie. "We're trying to balance the need for this against grinding the process to a halt," he says. "To have a program like this, it's going to add a little bit of time for some people, but I think everybody thinks it's a fair trade-off."

—Liz Farmer

"I don't think that anybody should become president if they haven't been governor first."

—Republican House Majority Whip Kevin McCarthy on what qualifications a presidential candidate should have before running. His comments came as he criticized President Obama for the flawed rollout of HealthCare.gov, saying, "This is why the system is not working."

SOURCE: MSNBC'S "THE DAILY RUNDOWN WITH CHUCK TODD."

THE BREAKDOWN

0

Number of planned parking spaces at a recently approved 175-unit condo development in downtown Boston. Other cities, including Seattle, Miami and Portland, Ore., have also embraced parking-free residential buildings, which officials say encourage more pedestrian-friendly growth.

25%

Proportion of black male students nationwide suspended from middle school or high school, compared to 11 percent of white males.

23k

Number of applications Walmart received for about 800 positions at its two new stores in Washington, D.C.

50%

Rate by which violent crime fell in Los Angeles from 2002 to 2009, when William Bratton, NYPD's new police commissioner, led the city's police force.

SOURCES: *STREETSBLOG*, UCLA'S CIVIL RIGHTS PROJECT, LOS ANGELES POLICE DEPARTMENT, *THE WASHINGTON TIMES*; IMAGE: FLICKR/HOUSE GOP

Copper and Robbers

METAL THEFT HAS been a frustrating challenge for businesses and law enforcement alike, due to the costly damage thieves may cause even when stealing relatively small amounts of it. In an oft-repeated statistic by the Department of Energy, stealing $100 worth of copper can often cause $5,000 worth of damage. It's no surprise then that the problem costs businesses an estimated $1 billion annually, according to the agency.

With that much at stake, lawmakers have been busy enacting a slew of legislation designed to crack down on metal theft. Indeed, 49 states already have laws on the books that address the crime. But such regulations are still on the rise, says Jocelyn Durkay, a researcher with the National Conference of State Legislatures. In 2013 alone, at least 28 states enacted 39 laws specifically targeted toward combating metal theft. Those laws seek to codify new types of crimes related to the theft, require special licenses for scrap dealers, mandate that dealers more thoroughly document their transactions, and establish databases to help law enforcement track stolen metal.

It's unclear, however, whether the big push for metal theft laws is actually putting a dent in the crime. A 2013 report from the National Insurance Crime Bureau reveals the rapid pace at which metal theft is growing. From 2010 through the end of 2012, nearly 34,000 insurance claims had been submitted for stolen copper. That was up 36 percent from the three-year period that ended in 2011.

Danielle Waterfield, assistant counsel and director of government relations at the Institute of Scrap Recycling Industries, says it's time for states to reconsider their approach. "There's not a lack of bills out there," she says. "The solution that's going to show results is when the stakeholders come together and figure out how each stakeholder can contribute."

Waterfield also says that with so many metal theft laws on the books, a more rigorous analysis of what works and what doesn't should be conducted. There appears to have been no statistical analysis of how different legislative strategies impact metal theft rates. Her organization is working with the Council of State Governments to determine exactly that.

Another approach that would likely do more to stem the problem would be increasing resources for law enforcement. Police "don't have the resources and manpower to deal with what's traditionally been considered a low-level property crime," Waterfield says. And a growing number of state voices are echoing her concern as well. Last year California Gov. Jerry Brown vetoed a bill that would have required scrap dealers to stop paying in cash and only use checks in order to create a paper trail. In his veto, Brown said there were enough laws already, and what's needed is greater enforcement.

Roger Goodman, a state representative from Washington, sponsored legislation enacted in 2013 that's designed to beat metal theft through licensing requirements and other reforms. He says the law was in response to a metal theft situation so severe in his state that church bells and even pieces of an airport runway were stolen. What will make the biggest difference, Goodman says, is more resources for prosecutors working to put metal thieves away. He's hoping to establish a special fund to pay for multicounty prosecutors dedicated solely to metal theft cases. "Law enforcement," he says, "won't take the time to arrest if [prosecutors] won't do anything."

—Ryan Holeywell

The high price of scrap metals has led to an increase in thefts.

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STRONG TALENT:
THE KEY TO DEVELOPING STRONG ECONOMIES

Working Together, Economic Development and Workforce Development Can Drive Regional Change

The right tools and resources can help economic development and workforce development professionals work together toward a common goal – a robust regional economy

TOP 5 TOOLS AND RESOURCES FROM MONSTER GOVERNMENT SOLUTIONS

1. Aligning talent with needs is possible given the right data. **Real-Time Labor Intelligence** provides unparalleled workforce supply and demand insights
2. Engage youth and dislocated workers through **Career Community Sites** - designed to increase their job readiness and placement
3. **Online Job Centers** can facilitate speed to employment / re-employment and focus people where the opportunities are with ease
4. **Power Seeker Workshops** and **Making Your Future Count** empower job seekers with the best techniques to win jobs they want
5. Bringing Veterans into the workforce is good for business. Assist your region's veterans with proven resources such as **Military Skills Translator**, **Virtual Career Fairs** and other **Workshops**

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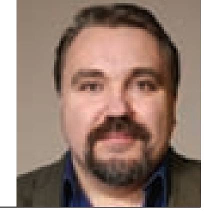
By Paul W. Taylor



When Social Media Hits Home

A look at how one agency handled a tragedy as it unfolded live on Twitter.

‘Mother unwittingly live-tweets husband’s fatal crash.” With characteristic tabloid economy, the headline in the *New York Post* captured the tragedy and irony of a story at the confluence of a heartbreaking highway collision and the immediacy of social media.

Last year, a record 72 percent of adults who are online used social networking sites, according to the Pew Research Center. But of all the sites, from Facebook and LinkedIn to Instagram and Pinterest, it is Twitter that has done more to change how we get news and information in real time. The use of Twitter has doubled since 2010, according to Pew. In that time, the microblogging service has grown from a simple tool for posting updates—personal and professional—to a critical device for informing the public about major events. Sometimes, though, live-tweeting a news update touches someone very personally.

That was clearly the case for Caran Johnson from Vancouver, Wash. She made a hobby of tweeting 911 calls, traffic alerts and other incidents picked up from the county police scanner under the Twitter handle @ScanCouver.

When she heard a fatal head-on crash was blocking Interstate 205 one afternoon, she quickly tweeted it out and retweeted messages about the incident from local media, the state Department of Transportation and a Twitter account administered by District 5 of the Washington State Patrol.

Trooper Will Finn, a public information officer (PIO), managed the district’s account (@wspd5pio). He got the first call about the I-205 crash at 1:57 p.m. and immediately began tweeting about the collision, advising motorists to avoid the area. Finn continued regular updates and was about to send out photos from the scene when he received a message from @ScanCouver asking whether he had a description of the vehicles. Interest piqued, he checked her feed. She was tweeting that her husband drives home on I-205, was not answering his phone and was missing.

He tweeted back, “@ScanCouver sorry. Not yet.”

“It was the one moment in my career that I lied,” says Finn, “but it was to protect someone from finding out on social media that a loved one was involved in an accident.”

Finn, the incident commander and other troopers working the case soon realized the Twitter inquiry, calls to 911 from the wife of the deceased and a passing motorist who took pictures of the scene had put them in a really tight spot. “All we needed is for [that] person to tweet out a picture of the husband’s car and our job [would have] been compromised,” Finn says.

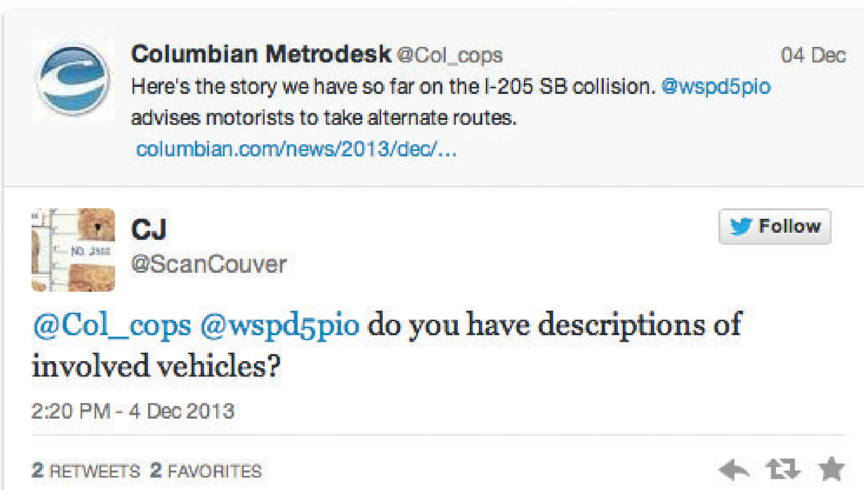
They worked quickly to expedite the identification process and sent two investigators to Johnson’s home to notify her in person that her husband Craig had been killed. Soon after the notification, she tweeted, “it’s him. He died.”

Finn says he’s still working through the incident. “I don’t see anything changing for me,” he says. “If this situation were to happen again right now, I would still do the same thing.”

This may seem like an extreme case for public agencies that use social media to link to press releases and build awareness. But there are lessons here that apply equally to civilian agencies.

Washington State Patrol had only authorized the use of Twitter for the first time last May, following its growing public popularity, but had crafted a clear purpose for using it. The patrol also had a culture and discipline that informed the use of social media even in unforeseen or extreme situations. From the beginning, Finn knew the distinction between official and personal and kept the two separate. Moreover, the agency trusted its PIOs to exercise judgment. If your agency does not and cannot, it probably has the wrong people working social media. G

Email ptaylor@governing.com



TWITTER/@SCANCOUVER

By Alan Ehrenhalt

Down With the Middlemen

More problems will likely be solved by localities, not nation-states, in the future.

More than 40 years ago, the sociologist Daniel Bell made a startling prediction: The coming decades would see nations decline in power and importance. The most important problems of the coming era, Bell said, would be either global or local. Countries would simultaneously find themselves too big to deal with some of them and too small to handle others.

Bell's prophecy didn't become conventional wisdom, but it never quite died away either. At moments when the American federal government has found it difficult to take action, critics have not hesitated to portray it as ill-suited to cope with the most urgent decisions in the modern world.

This is one of those moments. As Washington struggles to conduct even the most routine functions of public policy and administration, the op-ed pages are full of proclamations that we need to look to another level of government to set the example for effective performance.

Some of this rhetoric comes from governors and national newsmakers, some of it from journalists and academics. Former Vice President Al Gore recently told an urbanist conference that "the nation-state is becoming disintermediated"—in other words, it is coming to be an irrelevant middleman. *The New York Times* published an article in October titled "The End of the Nation-State?" and another in November called "As Washington Keeps Sinking, Governors Rise." All of this echoes the view of scholars such as Heather Gerken of Yale Law School, who wrote last year that "when national politics are the problem, state politics can be the solution."

Meanwhile, another cadre of analysts is contending that the real alternative to atrophied federal power won't come from the states, but from the localities. One example is the widely discussed recent book *The Metropolitan Revolution* by Bruce Katz and Jennifer Bradley. According to Katz and Bradley, it is metropolitan areas—city and suburb together—that are solving problems the feds find themselves unable to solve.

A bipartisan group of big-city mayors meets with President Obama.

FLICKR/THEWHITEHOUSE

They dismiss the notion that states are the logical place to look for governmental initiative. Metros, they point out, contain two-thirds of the U.S. population and generate three-quarters of the nation's gross national product. "We do not believe in fairy tales," the authors write. "The federal government will not heal itself anytime soon. The states are political artifices, not natural markets. We ... believe in metropolitan pragmatism, metropolitan power, and metropolitan potential."

Katz and Bradley go far enough to be controversial. But they don't go nearly as far as Benjamin Barber, a political scientist and longtime advocate of grassroots democracy. Barber's new book, *If Mayors Ruled the World*, is both an argument for local authority and an angry screed against national governments all over the world. "Cities should rule the world for a good reason," he declares. "Nation states haven't and can't. ... As nations grow more dysfunctional, cities are rising."

Barber has little interest in states or provinces; he barely mentions metropolitan areas. Cities are everything for him, the natural heirs to what he sees as the inevitable decline in nation-state fortunes. "As it was our origin," he writes in one of his typically florid passages, "the city now appears to be our destiny. It is where creativity is unleashed, community solidified, and citizenship realized. If we are to be rescued, the city rather than the nation-state must be the agent of change."

A lot of this depends on the provocative contention that cities are, one might say, better behaved than nation-states. They are pragmatic, working toward piecemeal goals rather than serving up the rhetoric of false pride and chauvinistic glory. They don't waste time worrying about their sovereignty, mostly because, in the end, they have no sovereignty. By and large, they don't share borders with one another, so they don't become enmeshed in fruitless territorial squabbles. In sum, cities have avoided the excess baggage of nationalism that prevents countries from solving the problems that they should be solving. Or so Barber believes.

It is not just cities that are growing in influence, in Barber's view, it is the mayors who lead them. He may be the most passionate supporter of mayoral power ever to take up a pen. His primary American exhibit is Michael Bloomberg, the just-retired mayor of New York City. But his book is laced with examples from urban affairs all over the world, encompassing the mayors of London; Moscow; Seoul; Delhi; Stuttgart, Germany; and Bogotá, Colombia, among others. "Mayors in ordinary times," he believes, "are often extraordinary, bigger than the cities they govern and able to dramatize the city's character and amplify its influence."

If you find all this a bit much, you surely will not be convinced by what comes next: a parliament of mayors, representing cities all over the world, meeting three times a year, passing resolutions and adopting programs that will challenge weakened national governments through sheer moral suasion.

The idea of a parliament of mayors presents so many logistical obstacles that mentioning just a few should be sufficient. Barber wants to include mayors from each city with a population of more than 50,000. On a global scale, this means tens of thousands of jurisdictions. In the United States alone, there are 726 cities with populations of 50,000 or more. With just a few hundred mayors at each meeting, it would be decades before all the cities of sufficient size could participate in even one session.

When the mayors return home with the decisions made by the conclave, they would face the task of selling them to their constituencies, since the parliament would have no formal powers of enforcement. More than that, they would be forced to confront those citizens who had been unrepresented—namely residents of rural areas and smaller suburbs unable to reach the 50,000 population threshold.

You get the idea. A parliament of mayors would be impossible to create as anything more than a talking assembly. And if it's no more than that, most mayors with real problems to solve at home would be unlikely to attend.

So if you see all this as a wacky fantasy with little relation to the real world, and want to stop reading now, you are entitled to do that. There isn't going to be a world forum of the sort Barber envisions. But his larger point about cities and nations is worth taking seriously.

To a great extent, the world that Bell predicted and that Barber envisions is already coming into existence. While the American and Chinese governments squabble over issues large and small, American and Chinese cities are sharing information and best-practice knowledge on a regular basis. The largest European cities are managing their economic affairs with relative success, helping to stave off the lurking irrelevance of the European Union.

These are examples of what Barber calls "glocalism"—the power of a network of world cities to work toward goals unachievable at higher levels of government. "Glocal" is already a word in economics: It refers to products sold everywhere but adapted to particular places. It's a medium-sized step from that definition to a new meaning as a network of world cities strung together by thickening cords of practical cooperation.

It's possible to look at some of the most rancorous debates in American politics and see the outlines of what glocalism might mean. Or it's possible to use those same debates as a means of challenging it.

One can describe the Affordable Care Act as an example of the federal government accepting its responsibilities and dealing with the urgent national problem of a huge uninsured or underinsured population. Or one can view the resistance of more than half the states and the rollout failures as evidence that the nation is too divided and the problem too complex to admit to an efficient national answer.

But either way, it's hard to see what cities have to contribute to a health-care solution. We can't have municipal health insurance. We could theoretically have comprehensive health care in this country on a state-by-state basis, but it's not clear what that would say about glocalism. In any case, it isn't going to happen. The nation-state, imperfect as its efforts may be, is now the vehicle for managing health care in America, as it is in virtually all of the developed world.

The failure of countries to agree on a policy toward climate change would seem to be the most striking possible evidence of failure at the nation-state level. Barber makes much of this, noting the number of city-based organizations that have sprung up to combat climate change in recent years, and citing the independent actions of numerous California cities to restrict carbon emissions as an example of how glocalism might work. But it's hard to resist the suspicion that these small-scale initiatives are drops in the bucket, and that in the absence of a concerted effort among nations, climate change will continue to get worse.

Then there is gun violence. Mayors Against Illegal Guns, started in 2006 by Bloomberg, now has 600 mayor-members from more than 40 U.S. states. A new organization called the Global Network on Safer Cities was founded in 2012. But in the United States, at least, serious local efforts to contain gun violence ultimately run up against the Supreme Court's interpretation of the Second Amendment to the Constitution. Cities simply don't have the power to do what most of their residents would seem to want them to do.

Can cities exercise new influence through global cooperation? I think so, and I think we will be seeing more of it in the coming years. I also agree with Barber that we might all be better off if mayors really ruled the world. But nations will always have the authority to trump them. Personally, I'm all for glocalism. I just don't think it will upend national sovereignty anytime soon. **G**

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By Donald F. Kettl

Fighting Crime on the Rez

Working to reduce violence on tribal reservations

For residents of the Standing Rock Indian Reservation, which stretches across a large swath of the central Dakotas, crime was an enormous problem a few years back. By mid-2008, violence on the 3,500-square-mile reservation was six times the national average. Residents had so little confidence in the federal Bureau of Indian Affairs (BIA) to do anything about it that they often didn't even bother to report crimes.

Arnold Schott, both a mayor and coroner on the reservation, said at the time, "I can look out my door [and see] our little kids, 8, 9, 10 or younger" being lured into the drug trade. The director of the tribal health administration, Randy Bear Ribs, agreed that the crime problem was linked to drug and alcohol abuse. The reservation's chairman, Ron His Horse Is Thunder, added that soaring crime was fueling "a sense of hopelessness."

But the BIA didn't have any money to help, and they knew just throwing money at the problem wouldn't solve it anyway. So along with the Department of Interior, the BIA hatched a plan to take advantage of the Obama administration's management agenda, which challenged federal leaders to set high priority performance goals and seek big impacts. The Office of Management and Budget (OMB), which is leading the management program, required agencies not only to define goals but to develop metrics to gauge success—and hopefully produce real breakthroughs.

To get started, the Department of Interior focused on reducing violent crime on four reservations: the Sioux Standing Rock Reservation, the Chippewa-Cree Tribe's Rocky Boy's Reservation in Montana, the Mescalero Apache Tribe's Reservation in New Mexico, and the Shoshone and Arapahoe Tribes' Wind River Reservation in Wyoming. Given the big run-up in crime, any reduction looked like a very heavy lift, so the Interior initially set a very low crime-reduction target. OMB countered that if this goal really was a high priority, then the agency ought to aim for a significant cut. As a result, the Interior agreed to shoot for a 5 percent reduction in violent crime in 2010 and 2011.

Bending the crime curve was a hard enough problem. Making the job even tougher was the notorious short-staffing of the BIA's teams. Despite those huge hurdles, the BIA busted past its 5 percent target. In fact, the four reservations achieved an astounding 35 percent cut in crime. The Mescalero Reservation saw a whopping 68 percent reduction. Crime in Standing Rock dropped 27 percent; in Rocky Boy, the drop was 40 percent. Originally, the story wasn't as good in Wind River. Trust in the system was so bad that many citizens just didn't bother to report many crimes. The reservation was also the most under-policed of the four and it took longer to gear up. But in the second year, after the program began to hit its stride, crime dropped 30 percent.

So how did they do it? This would be a huge story for any government program. But given the fed's long-troubled relations with Native American tribes, it's off the charts. Part of the improvement came from strategic investment—not to saturate the streets with cops but simply to bring staffing levels up to the national averages. (It's a sign of the nation's long-term neglect of the tribes

SOURCES: BIA, DEPARTMENT OF JUSTICE; IMAGE: FLICKR/KEN LUND that simply hitting the staffing norms can bring such a huge return.)

The central part of the story, however, was the careful work of Charles Addington, the BIA's associate director for field operations, whose crime-fighting strategy made him a finalist for a Partnership for Public Service Sammie award—what one writer called "the Oscars for federal employees." When Addington first took up the project, he knew he needed a crime statistics baseline. But the data were so bad that he had to begin by putting experts to work hand counting three years' worth of crime reports. He then used these data collections to compare where crime fighters were deployed and where crimes were happening. He adopted predictive-policing methods—which rely on using advanced technological tools and data analysis to take proactive measures to "preempt" crime—to position cops in advance where crime was likely to occur.

As BIA Assistant Director Jason Thompson told the Partnership for Public Service, "Charlie analyzed data to determine, based on time of day, location and other intelligence information, where the crime was going to be and how he could be on the preventive side, stopping it before it happened, rather than the reactive side where officers would be responding to calls." He worked closely with local communities to bring in a wide range of local support services to root out the causes of crime. And perhaps most important, he worked hard with tribal leaders to break down the longstanding barriers of distrust—and to make the tribal police an integrated team with BIA's crime fighters.

A bit more money unquestionably helped. But the real innovation here was tying the money to performance data, using the data to drive real-time policing decisions and driving the system to rebuild frayed relationships. Better numbers built stronger partnerships and helped put a dent in one of the nation's nastiest problems, in ways neither the tribes nor the BIA imagined possible. **G**

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By J.B. Wogan

A Homelessness Breakthrough

Cities reach a milestone for veterans.

Elizabeth Buehler has been working hard to say these words: Salt Lake City has ended chronic veteran homelessness. And more than a decade after cities and counties across the U.S. launched 10-year efforts to address homelessness, large cities like Salt Lake and Phoenix can now say they've reached that critical milestone.

"We're a part of a nationwide trend," says Buehler, Salt Lake City's homeless services coordinator. Indeed, one-night counts conducted in communities across the country in 2013 found that almost 58,000 American veterans were homeless—a number that has consistently declined in recent years. Overall homelessness among veterans in the U.S. was down about 24 percent between 2010 and 2013, according to a November report by the U.S. Department of Housing and Urban Development (HUD).

FLICKR/JANNEM

Federal policy is, in large part, to thank for the recent progress. "There is an absolute paradigm shift in how we approach homelessness among veterans nationally," says Laura Zeilinger, deputy director of the U.S. Interagency Council on Homelessness, an independent agency within the executive branch. She points to 2009, when President Obama and Eric Shinseki, the Veterans Affairs (VA) secretary, pledged to end veteran homelessness by 2015. That resulted in a major expansion of a joint program between HUD and VA that provides rental-assistance vouchers for permanent housing along with counseling, case management and medical services. Since 2008, the program has awarded more than 58,000 vouchers.

Other programs, like the Supportive Services for Veteran Families, target veterans who risk becoming homeless or who recently became homeless, providing short-term financial assistance for temporary needs.

Salt Lake City specifically focused on chronically homeless veterans—those who are most in need of shelter. HUD defines people as chronically homeless if they have a disabling condition, and have been continuously homeless for at least a year or experienced four episodes of homelessness in the past three years.

To raise awareness about veteran homelessness and to solicit help from landlords, Salt Lake City Mayor Ralph Becker proclaimed November "Housing Veterans Month." In response, roughly 40 landlords contacted the city to say they had units available for veterans. Becker also engaged Phoenix Mayor Greg Stanton in a friendly competition to see whose city could end chronic veteran homelessness first. "That's where your mayors make a big difference," says Tamara Kohler, director of Utah's community services office. As city leaders, Becker and Stanton can highlight veteran homelessness and convene important stakeholders.

In both cities, public officials were careful to zero in on a subpopulation of the homeless, which they say made the job seem more manageable. Using the same approach, they now intend to tackle non-veterans who are chronically homeless. "This is not pie in the sky," Stanton says. "This is doable."

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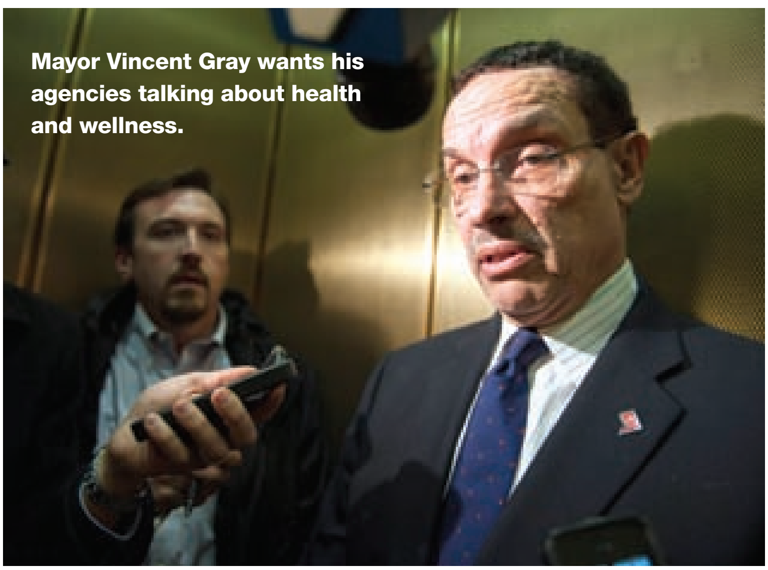
By David Levine

All Policies Are Health Policies

The District of Columbia plans to weigh health factors in all future projects.

Washington, D.C., Mayor Vincent Gray in 2011 set forth an audacious goal for the nation's capital: "In just one generation—20 years—the District of Columbia will be the healthiest, greenest and most livable city in the United States."

The plan, known as Sustainable DC, calls for the city to improve health and wellness, grow jobs and the economy, ensure equity and diversity, and protect the environment. In all, there are nearly one dozen initiatives. But what makes the plan, well, audacious, is that health takes center stage in *every* one of the initiatives.



Mayor Vincent Gray wants his agencies talking about health and wellness.

APIMAGES.COM

Driving this goal is a concept known as Health in All Policies (HiAP), which has been gaining momentum throughout the nation. The idea is that all policy is health policy; HiAP advocates recommend scrutinizing any proposed program, project or policy before it is ever implemented for its potential effect on the health and well-being of citizens. Washington, D.C., has created a HiAP task force that will set recommendations to ensure health equity is integral to the sustainability plan.

But setting a health-based threshold for such a broad array of community initiatives isn't easy. To that end, the district's health department is working with the National Association of County and City Health Officials (NACCHO), which comprises 2,700 local health departments across the United States, to promote health and equity, including awareness about HiAP. The association's HiAP outreach efforts started last May with a series of two-day leadership academies, which were funded by the Centers for Disease Control and Prevention and included the local health departments from the district, Fairfax County, Va.; Montgomery County, Md.; and the city of Baltimore. Other jurisdictions involved with HiAP strategies include California and King County, Wash.

Ken Smith, NACCHO's lead program analyst for chronic disease and environmental health, says the academies are an extension of general training they do with other city and county health departments, but are expanded for HiAP training to include cross-sector teams. "We had people from planning, housing; one brought someone from their board of supervisors," he says. "We wanted people from different perspectives, not just within the health sector."

The first component of the curriculum was getting everyone to understand that many of the problems within health are determined by the environment, and the decisions that shape the environment are outside the health sector, according to Smith. The goal is to have "everyone on the same page about the role of other departments in shaping health," he says. "We then cover strategies for integrating the different agencies to address these complex problems."

The D.C. trainees talked about their specific barriers, including competing priorities, systems that don't talk to each other and categorical funding. The district also has some unique benefits, including a number of "in-house experts" that other jurisdictions may lack.

It's now up to the district's HiAP task force to develop a plan, and NACCHO will be there to help. Smith and his team check in regularly to troubleshoot and share stories of what's working in other areas, and "they have access to all our resources and can request any kind of assistance."

A long-term goal of the leadership academies is to cultivate regional leaders. "A lot of issues of environmental health are regional in nature," Smith says. For example, "with D.C. taking a leadership role in air quality, they can help facilitate a more regional way of addressing this problem."

Smith calls Sustainable DC a perfect example of the HiAP approach because it establishes the planning that ensures different agencies talk to each other. "Our position is that local health departments, working in collaboration with other agencies, should take the leadership role in implementing health and wellness policies," he says. "Let city and county governments take the lead. They are at the right level to move health forward as a major policy consideration where people live, work and play." G

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A STRATEGY PAPER FROM

CENTER FOR DIGITAL GOVERNMENT

Enterprise Mobility: Transforming Public Service and Citizen Engagement

Research reveals the cost benefits and service enhancements enabled by mobile solutions.

Enterprise Mobility: Transforming Public Service and Citizen Engagement

Research reveals the cost benefits and service enhancements enabled by mobile solutions.

The Essential Ingredient for More Efficient Government

With global mobile penetration at approximately 74 percent and over half of the world's population owning a cell phone[1] (over 90 percent in the United States[2]), the message for state and local governments is loud and clear: Enterprise mobility is an essential ingredient to bridge the connection between governments and their constituents.

From Canada and the United Kingdom to India and Australia, citizens are embracing mobile technology — and government agencies must do the same. In certain cases — where citizens may not have a TV or computer — the only way for governments to communicate with citizens is via a mobile device. The potential for this communication is almost limitless. With the right mobile solutions and strategies, agencies and municipalities can increase the efficiencies of internal operations, improve services and reduce costs.

The question is, where does the public sector stand on meeting these expectations? Do expected benefits justify required investments in mobile solutions in times of tight budgets?

Survey responses discussed in this paper offer important considerations to help governments effectively leverage mobile solutions. These include:

- Improving the lives of constituents by delivering better services, enabling safer communities, and enhancing educational and public health outcomes

Executive Summary

In late 2013, the Center for Digital Government (CDG) launched a comprehensive research study to document the state of enterprise mobility in government in the U.S. and throughout the world.[3]

Specifically, the survey sought to identify the top drivers pushing agencies and municipalities to increase their commitment to mobile solutions. Respondents were also asked to provide details about the impact enterprise mobility is having in key departments, including public safety, health care, social services and transportation. Additionally, the survey looked at stakeholder perceptions of how mobile technologies affect citizen engagement and government-to-citizen communication, and vice versa.

This white paper presents these findings and discusses the top benefits of mobile technologies to government agencies as identified by survey respondents. It also discusses the top four areas in which mobile technologies have the promise of delivering the greatest impact and provides specific examples of municipalities that are achieving success in these areas.

Throughout the paper are graphics with data pulled from the survey, which are meant to provide readers with an awareness of their peers' opinions when it comes to mobile solutions and the ways in which they see them as most beneficial to their organizations.

- Achieving greater operational efficiency through technology that delivers a clear return on investment for taxpayers
- Planning a successful mobile roadmap for the future

An overwhelming majority of global respondents to the CDG survey agreed on two overarching conclusions: Improving services and public education while reducing costs are the greatest measurable benefits expected. Secondly, mobile solutions can positively change the relationship between governments and their citizens.

The Value of Mobile Solutions

Reducing costs and improving efficiencies. It's no surprise that in today's era of tight budgets, the financial impact of any new technology, including mobile solutions, receives close scrutiny.

The good news, however, is that an impressive 85 percent of global respondents agreed that mobile solutions can directly reduce expenses in agency operations. The ways mobile solutions impact public sector expenses are as varied as the missions of each agency and the constituents it serves, but a handful of practical use cases highlight cost-saving opportunities.

In Olmsted County, Minn., mobile technology enables a quarter of the Community Services Department's staff to telecommute and to be free from their desks, regularly working from the field. This is significant because the county has experienced a sharp spike in need for food support and health care services since the recent recession.

"It became difficult to keep up with demand, so one solution was allowing some staff members to telecommute in return for taking on additional caseloads," says Paul Fleissner, director of Olmsted County Community Services.[4] "Our caseloads grew, in some cases 15 to 20 percent or more, depending on the program. I was able to show that we avoided additional costs because I was not growing my staff commensurately. It also helped us retain people, and we've actually attracted people from other counties because we have such a strong telecommuting policy."

In a parallel move that boosted efficiency, Olmsted County created a mobile app that citizens use to navigate social services resources. After completing a survey that identifies their needs, citizens see a list of suggested services via the app. They can click on items for short descriptions and links to the associated website. Not only do constituents locate information more quickly, the social services staff is fielding fewer questions about services from citizens. "The people who may be the most excited about the app at this point are on my staff," Fleissner says.

Another cost saver for agencies is a reduction in paper-based processes thanks to the electronic data capture and delivery capabilities of mobile applications. Some municipalities are moving to paperless ticketing for rail service, which enables travelers to purchase and download an electronic ticket using their smartphones or tablets. For example, in London the government recently decided to invest 2.5 million pounds in a trial of smart ticketing to rail passengers. Smart ticketing will trigger automatic ticket gates for riders and make it easier for them to purchase tickets online and collect them at stations.[5]

Global Government Leaders Overwhelmingly Agree: Mobility Brings Big Benefits

Source: CDG/Governing Institute Enterprise Mobility Survey, 2013

Boosting workforce satisfaction and productivity. Over 90 percent of all respondents agreed that the flexibility afforded by mobile solutions can increase workforce satisfaction. Mobile technologies enable employees to work where they are most effective — whether that be from home or in the field for road warriors, case workers or public safety individuals. During weather emergencies or other situations where it is difficult for employees to make it into the office, mobile technologies can ensure the wheels of government keep turning. Employees remain notified of what is happening in the workplace, can still provide needed approvals and communicate mission-critical decisions. Transactions and activities keep moving.

Agencies throughout the world are also using mobile solutions to streamline their internal operations. For example, over 90 percent of global respondents said mobile technology can increase the productivity of their workforces. Ready access to information is one of the reasons for this. For example, when municipal workers receive alerts regarding newly reported potholes or broken water mains while in the field, the information they need is automatically included. Workers can view relevant documents, including GIS maps identifying gas mains, power lines and telecommunications fiber, accelerating repairs. Not only does this reduce costs associated with repairs and damage to personal property, it reduces traffic congestion and health issues.

Increasing public and employee safety. Enterprise mobility creates a safer work environment for employees by providing critical real-time information. For example, agents with the Social Services Department of Hanover County, Va., use mobile devices to access central state records for child and protective services, law enforcement agencies and other departments. The information is essential when a staff member is called out in the middle of the night to check on the welfare of a child. "For us, mobile technology has helped enormously when it comes to safety," says Sheila Crossen-Powell, director of the Social Services Department.[6]

"We can look up a family and discover if it is known to us or other agencies. If we identify that there are guns in the house or perhaps a family member with a drug record, we would definitely ask the police to accompany us," Crossen-Powell says. She adds that the information downloaded from the state systems is secured with a virtual private network (VPN).

In the past, the information would only be available if the case worker first stopped at a department office, which delayed response times. "Our staff loves this resource — they feel safer, they have more information so they're better prepared when they respond to a call, and together that improves morale for our people," she says.

Mobile technologies also arm public safety officials with the data they need to make informed decisions on the fly. When asked to choose the safety benefits enhanced by mobile technology, the first choice for global respondents was the ability of response teams to access the right real-time information, make decisions quickly and respond appropriately.

Short-Term Revenue Boosts and Long-Term Gains

Mobile technologies can reduce costs in many ways, but the biggest or most immediate savings result from doing more with less and improving workforce productivity. For the cash-strapped government agency, seeing immediate results can be extremely gratifying. Jefferson City, Mo., provides a good example. The state's Department of Transportation decided to shut down two major interstates for an entire year, rather than keep a lane or two of those interstates open and drag out the timeline for rebuilding. Additionally, it would have put workers' lives at risk. Instead, the state provided mobile apps and maps to residents to help them maneuver around the highways and find alternate routes. The cost savings from using mobile apps to reroute drivers for a shorter period of time, rather than keeping lanes partially open, was $100 million.[7]

Wins like these are encouraging some public sector leaders to take a long-term view of mobile solution opportunities as hardware and software technology evolves and mobile usage increases. For example, a large majority of survey respondents expect mobility-fueled improvements in government transactions with citizens, such as tax payments and license purchases.

Tourism and access to detailed visitor information will also benefit from mobile innovations, according to 69 percent of global respondents. For example, the city of Ottawa, Canada, encourages tourism through a smartphone app that gives tourists an easy way to find information about attractions and events. Users can also get airline and public transportation information, as well as scan QR codes around the city. Tourists can create social media-integrated custom postcards as well for additional fun.[8] These uses of mobile technologies directly impact the economy and increase overall revenue.

In addition, an impressive 79.5 percent of respondents see mobile solutions helping improve road and traffic conditions, while 72.5 percent of respondents envision better public safety and emergency response performance. Similarly, 57 percent of respondents see mobile technologies enhancing citizen engagement with law enforcement.

4 Areas Where Mobile Has the Biggest Impact

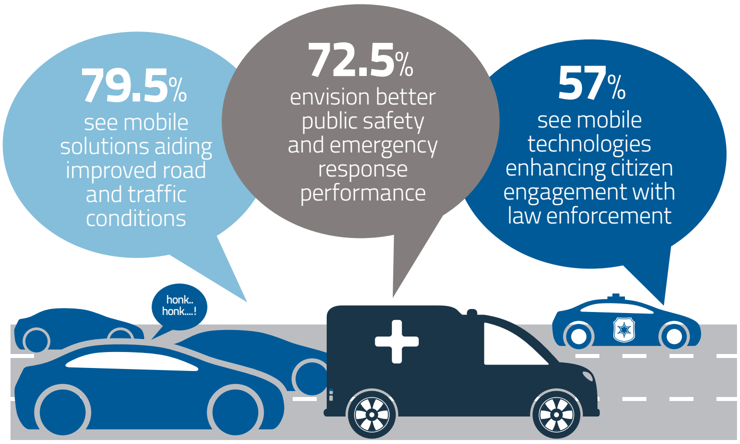
While expectations are high for future mobile innovations, there are four core areas of government that are being positively impacted by enterprise mobility now.

1. Community awareness and citizen engagement

A majority of survey respondents report that mobile solutions can fundamentally alter relationships between citizens and government. In fact, an impressive 95 percent of global public sector stakeholders see positive changes in these relationships thanks to mobile solutions. This happens through better communications that improve public awareness, something over 40 percent of global survey participants strongly agreed is a benefit of enterprise mobility.

Two-way real-time communication with context — including images, pictures, video, documents and more — help create an entirely different experience for constituents connecting with their government. This community awareness and citizen engagement with mobile technologies is a global phenomenon. For example, in Niger, Africa — a country that only recently returned to democratic rule — citizens are able to communicate with the justice department through text messaging. By sending the word JUSTICE to 311, constituents can enter into a conversation with the Niger Ministry of Justice's hotline and provide feedback about the Niger justice system.[9]

Other ways governments can provide better service to citizens and further engage them is to allow citizens to report problems like poor water quality, an obstruction in a roadway or a downed power line via messages and pictures through a text message or a post to a website — the GPS/GIS position can be automatically tagged so the citizen does not even have to give location details. Governments can also use social media as a tool to communicate with citizens. In countries where mobile adoption is pervasive, but constituents may not have a television or even a computer, public safety officials can provide updates through social media



Source: CDG/Governing Institute Enterprise Mobility Survey, 2013

sites to cell phones regarding dangerous weather or other emergency situations in addition to mass texts.

In the United States, cities like Boston are taking mobile technologies and citizen engagement to a whole new level. The Mayor's Office of New Urban Mechanics' more recent projects include an app that collects information from constituents as they drive, automatically, including the smoothness of the ride, which allows the city to see which streets need to be fixed. Adopt-a-Hydrant allows citizens to take responsibility for a city fire hydrant and shovel out snowed-in hydrants for the winter. Other cities — including Chicago and Honolulu — are developing similar initiatives. Projects like this not only save a city money, but also provide a sense of community involvement and give citizens pride in maintaining their city's infrastructure.

Close two-way communications may also help save lives. The state of Minnesota offers TXT4Life, a service where adolescents contemplating suicide can connect with community service personnel through texting chats. "Some areas in the state are having tremendous success helping kids with texting rather than a traditional hotline solution," Fleissner says. "This is an example of how we need to figure out ways to connect with our younger generation in modes they want to work with us."

2. Transportation

When asked how mobile devices and applications positively impact transportation, respondents ranked improved citizen satisfaction highest. For example, real-time vehicle tracking and reporting by transportation departments allows for less traffic congestion and smarter route planning.

In addition, agencies can tap mobile technologies to streamline revenue collections from parking meters and other sources. For example, the city of Houston allows citizens to start a parking transaction on their phone and receive an alert when time is about to run out. Time can be added from the mobile app, which is sent to the handheld devices used by parking enforcement officers.[10]

In Seoul, South Korea, a city frequently acknowledged for its innovative transportation system, commuters use smart payment systems in the Seoul Underground. The systems use radio-frequency identification (RFID) and near field communication (NFC) technology for automatic payment, allowing travelers to pay their tickets with their smartphones.[11]

The New York State Department of Transportation offers a mobile Web app that provides constituents with real-time information on traffic, transit and travel conditions. Commuters can get data about incidents, construction, special events and even access cameras, weather forecasts, alerts and travel times for bridges and tunnels.[12]

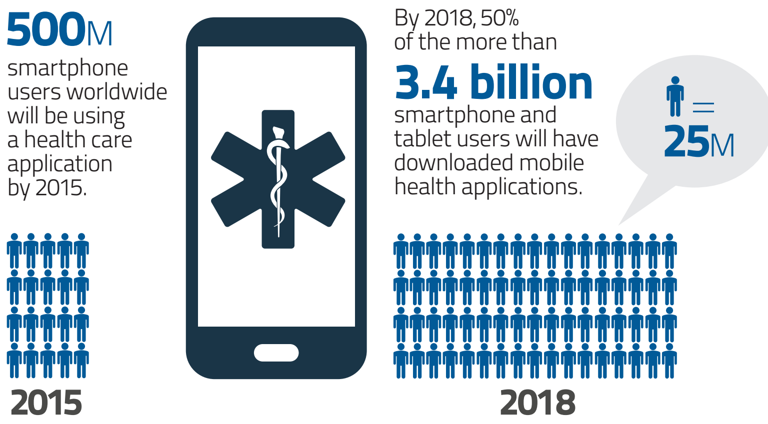
Other mobile technologies include:

- Real-time ridesharing, which matches carpool partners at the time a trip is needed through a smartphone application
- Mobile parking apps, which aid people in finding the cheapest parking spaces in cities like Chicago, San Francisco, Seattle and New York
- Multi-modal trip or journey planning, which helps commuters navigate different forms of transportation — including trains, buses, subways, ferries and even private taxis

3. Public safety

Police and law enforcement officials are turning to mobile solutions to enhance public safety and enlist citizens to be additional eyes and ears on the street to fight crime. For example, reporting new instances of graffiti benefits citizens beyond just cleaning up unsightly tags more quickly.

Timely alerts and photos sent via citizen smartphones can help police track gang-related activity, including when a group is pushing into a new territory. This early warning system enables police to quickly take action, such as



Source: U.S. Food and Drug Administration

beefing up manpower in targeted areas to suppress crime or turf battles before problems occur.

Examples like this help explain why nearly 90 percent of the survey's global respondents said mobile solutions can enhance public safety. In fact, when asked whether mobile technologies can enable an agency to better allocate resources to stop or reduce the loss of lives and property, 25 percent of global respondents ranked this as a top benefit.

4. Public health

Mobile health technologies have the potential to transform health care across the globe — and are becoming extremely popular with citizens, with more to come. According to the U.S. Food and Drug Administration (FDA) website, 500 million smartphone users worldwide will be using a health care application by 2015, and by 2018, 50 percent of the more than 3.4 billion smartphone and tablet users will have downloaded mobile health applications.[13] Eventually, mobile solutions that monitor citizen health over the long term will provide needed data on health trends and patterns.

Mobile apps for public health provide benefits that cross multiple dimensions. Top-cited enhancements by survey respondents include electronic medical records and mobile case management, such as in-field diagnosis and treatment where traveling health care workers access the latest doctor's orders on their mobile devices and update patient data on the spot, rather than in the office near the end of a shift.

Other mobile solutions for citizens selected for having the greatest impact on public health included general health and wellness support, dietary tracking logs, appointment reminders and dietary suggestions based on calorie counters or exercise guidelines. Remote patient monitoring devices — where the technology passes on data to the doctor or hospital — can help keep chronically ill patients with diseases like diabetes or heart issues out of the hospital, saving money and allowing them to be in the comfort of their own home. And patients with less serious conditions can use mobile solutions to lead more productive lifestyles.

On-the-move information access and communications mean health care services can be delivered anytime and anywhere instead of in a predefined place, such as a doctor's office. "In health care we are working towards better integration across the continuum of clinical care through public health and community programs," noted one survey respondent from the U.S. "Mobile solutions can help us help consumers and stakeholders make needed connections more effectively."

In developing countries, mobile technologies help provide health care to individuals who would otherwise have no access. People who face a medical emergency can connect with doctors and nurses in large cities for real-time instruction. Smartphones are also improving vaccine supply chains by allowing real-time data of stock levels in remote facilities. This helps ensure that vaccines are available when children come to be immunized. Additionally, health care workers in the field can access health records remotely and can send text reminders to patients about needed immunizations, vaccines and follow-up care.[14]

In other areas that impact public health — including food service and safety compliance — mobile technologies not only give inspectors the ability to input information directly from the field, but also allow citizens to use smartphones to voluntarily provide information to the city about unsanitary food environments or unsafe working conditions.

Strategic Steps

The latest data about enterprise mobility in the public sector shows a wide range of benefits for citizens and agencies alike, but organizations also face challenges as they move to greater adoption of mobile solutions for their operations. At the top of the list for many government leaders is security and the ability of existing networks to handle growing volumes of data flowing to mobile devices. Fortunately, new technologies — including hardened data encryption capabilities, an updated Wi-Fi standard slated for 2014 and the new generation of mobility platforms — address some of the biggest roadblocks. This means government agencies around the world can embrace mobile solutions for the long term, and reap the rewards of its widespread benefits.

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By Elizabeth Daigneau

A Subscription to the Sun

Community-owned solar gardens are bringing clean energy to anyone who wants it.

Coloradoans have seen the future and it's bright. In a state that famously gets 300-plus days of sunshine a year, it is the optimal place for rooftop solar. Yet about 75 percent of households cannot take advantage of their surroundings because either they don't own their house, can't afford the upfront costs of adding a solar array to their home, simply live in too shady a spot for solar panels or have too small a rooftop. That's where solar gardens come in.

The idea originated in the small town of Ellensburg, Wash. The municipal utility there partnered with community groups in 2006 to build a 36-kilowatt solar garden—an electric array that is owned by multiple subscribers and connected to the utility grid. The subscribers can purchase a portion of the power produced by the array and receive a credit on their electric bill. The idea is to allow all utility customers who want renewable energy to subscribe to the sun.

Solar gardens were first legalized in Colorado in 2010 in part because aside from signing up for green power with a utility, there wasn't much folks could do to get renewable energy into their homes. If you owned your house and wanted clean energy, you had to install solar systems on your property. The 2010 law changed that by allowing people to buy into a solar array not on their property and receive credits from a utility for the resulting electricity. Ever since then, solar gardens have been growing wildly in the Centennial State.

One of the first solar garden programs in Colorado, run by the state's largest utility, Xcel Energy, sold out in less than 30 minutes in the summer of 2012, receiving three times as many applications as it could fill. Late last year, Fort Collins' municipal utility announced that it planned to start its first community-owned solar garden. "The aim is to allow people who don't have the ability to install rooftop solar panels to get the same net metering benefit that they would have if they were able to put the solar on their roof," Steve Catanach, light and power operations manager at the utility, says of the decision.

In addition to letting everyone participate, solar gardens also offer customers economies of scale they wouldn't be able to achieve with individual rooftop projects. Minnesota, which passed a solar garden law last year and will soon launch its first project, caps the size of solar gardens at 1,000 kilowatts—much larger than an average 5-kilowatt residential system.

The size of solar gardens depends on state and local regulations. But an average single-family home would offset 100 percent of its electricity usage with just about 6 kilowatts of solar power, according to the Department of Energy.

So far, solar garden laws have been established in eight states—including California, Delaware, Maine, Massachusetts, Vermont and Washington—and the District of Columbia. But they aren't without opponents. In Colorado Springs, the city council last year pulled the plug on a previously approved expansion of a municipal utility solar garden, citing costs to ratepayers.

Indeed, solar panels are expensive. A Coloradoan, for instance, can buy or lease a membership in an array project for between $600 and $3,500. The payback time on the investment ranges from 12 to 15 years. But that's a bargain considering that the average cost of a residential rooftop array in Colorado runs between $15,000 and $30,000.

Only one-quarter of residential and commercial rooftops in America are suitable for solar panels, according to the National Renewable Energy Laboratory. That creates a big opportunity for community-owned solar. Clean Energy Collective (CEC), a Colorado-based community solar developer, says that shared solar could more than triple customer access to solar power in the U.S. To unlock its market potential, CEC says, a lot of regulatory and policy change is needed.

That's where legislation is important. While gardens aren't necessarily prohibited in states without laws, they can be legally and logistically more challenging without the legislation, according to the Solar Gardens Institute in Colorado. Laws help streamline the process of connecting solar gardens to the grid because they mandate that utilities accommodate them. So if solar gardens are to grow, the institute says, they need a little watering. **G**

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The Boulder Cowdery Meadows community solar array in Boulder, Colo.

CLEAN ENERGY COLLECTIVE

By Alex Marshall

Aspiring to Build

America once dreamed of doing great things. Not anymore.

Asian nations like China are building national networks for trains and broadband.

FLICKR/DREW BATES

Across the country, transportation and utility department directors are repairing roads, extending sewers and building water lines. Other officials are managing airports, libraries, parks, police and fire departments. This is the daily, weekly and monthly life of city and state government, managing these essential but ordinary assets.

What's interesting is that once upon a time all these services weren't just accepted, but were seen as mere dreams. They were *aspirations*, which some people shared and others thought foolish and unwise. Public water systems were a wild idea in the mid-19th century. The construction of the secondary road system in the early 20th century was an immense task, with dozens of bureaucratic battles and choices. The idea of every city having a library was a pipedream until Andrew Carnegie spent a chunk of his immense fortune to build about a thousand of them more than 100 years ago. Even the idea that every child was entitled to an education at public expense was once controversial and a much debated notion (and one that wasn't fully settled until well into the 20th century).

But here's what's troubling me now. I don't see many aspirational infrastructure movements today. True, the livable streets movement, which envisions transforming our city streets into places where people can walk, bike, stroll and drive, is clearly aspirational. Its proponents are selling a vision, which some share and others oppose. Even high-speed rail is an aspirational movement. Its proponents see families one day zipping between cities at unbelievable speeds and stepping off trains into vital and active city streets. And the cities and states that are building fiber-optic and broadband networks themselves, such as Minnesota or Burlington, Vt., are aspiring to something.

But those movements don't translate into any kind of national vision. Foreign countries, meanwhile, are engaged in just the kind of infrastructure dreaming we need here at home. China, Korea and other Asian nations are building national networks for high-speed trains and ultra-fast broadband services. The European Union (EU), although quiescent a bit during the ongoing economic crisis, is building soaring bridges that with their architecture express a combined dream of beauty and utility. The EU is also planning state-of-the-art train networks into new member countries such as Bulgaria and Romania.

Here in the United States, private companies like Google and Amazon are very active. Technological marvels are unveiled almost daily. But the public sector has to be involved and ideally in charge for a vision to be a comprehensive one. That's hard to see right now.

It is true that, after a long battle, we have the rudiments of a national health-care plan. This is a type of infrastructure, and the questions of how and whether to extend health care are the sort of aspiring battle we should engage in as a society.

If we are to move toward a big new public works program, we need to be doing a few things. One is to avoid thinking of or describing public works as simply a weighing of costs and benefits. Among infrastructure professionals, there has long been a chant that the politicians and, implicitly, the people should stand back and let the experts decide. Let rationality reign, they say; keep politics out of infrastructure choices.

But of course, infrastructure is all about politics, and should be. When you build infrastructure, you're not just solving a problem, you're creating a new reality. Numbers, even if accurate, often can't answer the big questions, like what kind of world do we want to live in, who benefits and who's in control? These debates are ones of values, and they can't and shouldn't be neutralized by technocrats.

When Congress in the 1950s approved the Interstate Highway System, a massively flawed project in my opinion (but a bold one), it wasn't just solving a traffic congestion problem; it was approving a vision of a country where families in cars could pleasantly go from place to place from their new suburban homes.

If the United States ever builds true high-speed rail lines, and catches up to the rest of the world, it will happen because someone paints a bold vision, and citizens start to see it. Planners and politicians should not shy away from such rhetoric. President Obama had the right idea when he pledged in his 2011 inaugural address to put high-speed rail within reach of 80 percent of Americans within a generation. This is the kind of aspirational language that is needed to build new and ambitious public works.

I'm not against numbers. Sure, do plans and cost-benefit evaluations. We need to weed out dumb projects that have fuzzy missions and poor design. But be aware that formulas can't show everything. For one thing, they can't capture passion. That's what wins at the end of the day: A vision of how things could be, and citizens who see it. **G**

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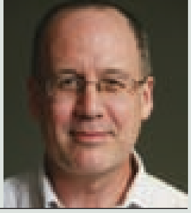

By Tod Newcombe

After Midnight

Could late-night transit service make a city more popular with young professionals?

Do you want your city to become the next mecca for the young, talented and tech savvy? Then do as they're doing in Boston and expand your late-night transit service. This spring Boston plans to extend service until 3 a.m. on the weekends, in the hopes of gaining an edge with young professionals.

Judging by the enthusiastic reaction (especially on Twitter), you would think the Metropolitan Boston Transit Authority, often the target of commuters' laments, was now as popular as the Red Sox. That's obviously a stretch, but it's true that the extra hours the city's subways, light rail, streetcars and buses will run—while modest—will add a certain cachet to the city. "It gets us closer to the 21st-century transportation system we've been fighting for," Lizzi Weyant, an advocacy director for Transportation for Massachusetts, recently told *The Boston Globe*.

Boston's blue line

FLICKR/5¢

That's the same language used to describe the impact of London's plans to run some of its subway lines 24 hours on weekends, starting in 2015. The announcement portrayed the move as a way to create a "21st-century tube service." As young professionals, many of whom are car-free, seek out vibrant cities in which to live and work, this is seen as a way to attract them, especially those who work in the burgeoning tech industry, which is known for its unconventional working hours.

Already, Chicago, New York City and parts of Philadelphia run transit systems 24 hours a day. Washington, D.C., also has weekend service until 3 a.m. But for most of America's cities with extensive rail and bus systems, service barely extends past midnight. Urbanists say hot spots such as Denver; Los Angeles; Portland, Ore.; San Francisco; and Seattle, may want to rethink their hours of service if they want to attract and retain young workers. Taking a bus or a train is less expensive than a cab and more convenient than walking, says Yonah Freemark, a transportation expert who writes the *Transport Politic* blog. "Transit at all times ensures that mobility is available to everyone."

But running trains around the clock has its drawbacks. The main one is that it's costly. Boston will spend $20 million (though the city will rely on some private funding to cover costs) on its one-year extended-hour pilot program. London is already battling transit unions to add automation and cut 750 ticket booth jobs to help defray the expense of 24-hour service on the weekends. Extra hours could also make it harder to schedule maintenance, which is usually done in the wee hours of the morning during the week and on weekends.

Both London and Boston hope to make the new service attractive by running trains every 10 to 15 minutes. It will undoubtedly be great for bar hoppers, but it will only help a small segment of those who happen to work the graveyard shift. Freemark says city transit officials have to ask themselves whether providing improved service after midnight is more valuable than just increasing service during the day when the vast majority of people ride the trains. "If it is, then 24-hour operations might be a good idea," he says. "If not, then transit systems should be focusing on the times when most people use them." **G**

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THE MONEY THING

THE WORLD of public finance is not a simple place. State and local governments spend more than $3 trillion a year. The municipal bond market is worth another $3.7 trillion. State and local pension liabilities top $3.8 trillion, according to a recent Boston College study, of which $1 trillion is unfunded. But it's not just the sheer numbers that make government finance so thorny. The problems facing government leaders have become more complex, and the potential solutions are ever more intricate. It's an alphabet soup of GASB and OPEB, of DBs and P3s.

That's why *Governing* is devoting special attention this year to helping improve financial understanding among public officials. Over the next several months, we'll explore the issue in the magazine and online. On our site you'll find a host of articles, resources and primers on finance fundamentals that we'll be expanding throughout the year. We'll continue the conversation at our live events and through webinars.

Public finance can be daunting and arcane—and it's never been more important for officials to understand it. It's time to go back to basics.

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MIND THE GA

There's a big difference between what public leaders know about finance and what they need to know.

BY LIZ FARMER

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IN THE FALL OF 2012, the Minneapolis suburb of Vadnais Heights found itself with a credit rating downgraded to junk status. Local leaders in the town of 12,000 were not only insulted, but shocked. Vadnais Heights owed its disgrace to one action it didn't think was that crucial: It had stopped making bond payments on a $25 million sports complex. The town had expected the complex to meet its borrowing costs through added revenue, but it had fallen short of estimates. So town officials had ceased paying bondholders rather than choosing to bill taxpayers for the unexpected costs.

Mayor Marc Johannsen called the credit downgrade "not fair" and "not reflective of the overall financial condition" of the community. "We've never missed a bond payment in the history of the city," Johannsen said, "and we'll never miss a bond payment that we're obligated to do."

The city was right in claiming that it had done nothing illegal. Lease revenue bonds like the ones issued for the sports facility don't carry a contractual obligation. But Wall Street rating agencies don't make that distinction. To them, a default is a default, and the town had evaded its responsibility.

Vadnais Heights wasn't really guilty of mismanagement; it was guilty of ignorance. It didn't realize the consequences of what it had done. Other communities have found themselves in similar situations. Earlier in 2012, Wenatchee, Wash., got its credit rating reduced below investment grade because it failed to support a regional sports arena that defaulted on nearly $42 million in debt. For nearly half a year, the city had covered interest payments to bondholders. When it stopped, ratings agencies dinged Wenatchee's overall credit score, even though revenue-based bonds had been issued to pay for the project.

The idea that a city can be penalized only when it breaks the law is a common misperception. "I don't get a sense many local governments understand bond math or securities," says Matt Fabian, managing director at the bond analytics firm Municipal Market Advisors. "They get into leases connected to a project and don't realize that a default on that lease is tantamount to a default on a general obligation bond."

Failure to understand financial outcomes, even when combined with good faith, is more dangerous to states and localities than it has ever been. Tougher ratings standards are part of the picture, but the problem goes far beyond those. Municipal and state leaders face an entirely new regulatory climate with the passage of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act. That law, which is still being implemented, is bringing increased scrutiny of government financial performance on all levels.

The Securities and Exchange Commission (SEC) now has a Municipal Securities and Public Pensions Unit, with a mission to root out misdeeds in public finance. The new rules became painfully evident to Harrisburg, Pa., in May of last year, when the SEC sued the city for securities fraud. One of the documents the SEC cited in its case was then-Mayor Stephen Reed's 2009 State of the City address, which called the debts of the city's waste treatment facility an "issue that can be resolved."

Reed failed to mention that because the troubled facility wasn't meeting its projected revenue, Harrisburg was already being forced to cover its debt payments. At the time of his speech, the city had paid out $1.8 million; by the time of the SEC action, it held about $260 million in debt related to the facility. Reed may not have intended to mislead anyone. But these days, fiscal innocence isn't enough to forestall legal trouble.

"It's not that you have to know every single debit and credit," says Kinney Poynter, executive director of the National Association of State Auditors, Comptrollers and Treasurers. "But you have to have an understanding of when something just doesn't sound right."

These are not isolated cases. Elected officials practically everywhere are forced to make difficult financial decisions without the benefit of knowing exactly how the mechanics work. This has always been true to some extent, but the learning curve is much steeper now, due not only to the new regulatory climate but to the use of complex Wall Street trading products and gimmicks.

Most smaller jurisdictions are led by people whose understanding of intricate financial dealings is limited. And yet they have no choice but to engage in those dealings. They don't always know the right questions to ask, and if a decision comes back to haunt them, as it did in Wenatchee and Vadnais Heights, they tend to be genuinely surprised. The biggest cities and states have the manpower and resources to pick their way through the new economy, but they are not immune to bad advice or poorly understood decisions.

Sometimes it is a fine line between fiscal ignorance and willful inattention to the risks of a decision. In 2005, Detroit's then-Mayor Kwame Kilpatrick worked out a deal with Wall Street that sounded terrific. An elaborate $1.4 billion borrowing transaction that involved a series of credit swaps, it was projected to save Detroit $277 million over 14 years, while helping with the city's $1.2 billion unfunded pension liability. Kilpatrick believed it would save a significant number of city jobs.

But when the recession hit a couple of years later, Detroit's gamble didn't pay off. The swaps forced the city to settle its debt at a locked-in 6 percent interest rate even as the market crash made it impossible to earn that large a rate of return. A condition of the swap agreement also caused Detroit to fall even further into the hole when its bond rating was sharply downgraded. "They were basically either not aware of this possibility or ignored it because they were so desperate to get the $1.4 billion," says Sujit Canaga-Retna, senior fiscal analyst at the Council of State Governments.

Former Detroit Mayor Kwame Kilpatrick signed a deal with Wall Street that may end up costing the city $2.8 billion over 22 years.

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It's now estimated that the deal could cost Detroit $2.8 billion over the next 22 years. This represents about one-sixth of the $18 billion in debt the city cited in its bankruptcy filing in 2013.

No one is suggesting that the swap-deal-gone-wrong is the sole reason Detroit filed for bankruptcy. But it was a contributor. Localities all over the country made similar missteps, albeit mostly smaller ones, in the boom years that preceded the Great Recession. The idea that the good times would simply continue created its own set of headaches that officials today are faced with fixing. If this was not outright ignorance, it clearly qualifies as a form of fiscal naiveté.

So does the assumption California lawmakers made in the 1990s that high market returns would continue in perpetuity and pay for generous pension increases for state retirees. During the dot-com boom at the end of that decade, then-Gov. Gray Davis granted significant increases at the urging of the California Public Employees' Retirement System—while letting the state take a break from actually contributing to the pension fund. After the crash, the promises became a painful legacy the state is still dealing with.

Most elected officials don't like to talk much about these issues. But they know that even at the most basic levels, government finance and accounting are anything but intuitive. Successful candidates often win their jobs on the basis of personal appeal, not on their mastery of policy or management details, and certainly not on their knowledge of Wall Street trading. Once in office, they are forced to learn an entirely new language—if they choose to. "You have people coming in who have absolutely no idea how the appropriations process works," says Connecticut Rep. Diana Urban, who is also a former economics professor. "Oftentimes they don't know what constitutes a fiscal year, and they certainly don't know that you can push something into the next fiscal year to make it work."

Budget documents and balance sheets are obscure papers with arcane difficulties lurking beneath the numbers. For example, the bonds that a locality issues to pay for a project will show up as revenue on a general fund statement. That statement is simply a tally of all operations and activities paid for out of general treasury accounts. But those same bonds will count as a liability on the overall government statement, which accounts for debt service and other special funds. Then there are legacy costs such as pension liabilities, which have their own unique accounting. It can make grasping a government's actual financial status an impossible task for the untrained.

"When you think about it, I'm a retired cop and now I'm chairman of a finance committee of a $3 billion organization and the 10th largest city in the nation," says San Jose, Calif., Councilman Pete Constant. "Can you imagine a corporation taking someone like that and putting them in charge of it with so little experience?" The same could be said for elected finance officer positions—Nevada Controller Kim Wallin, for example, is the first accountant elected to the job in that state in 50 years.

In many jurisdictions, term limits contribute to the financial literacy problem. "Even assuming a person hits the ground running, they're on such a steep learning curve, by the time they learn anything they are term-limited out," says Houston Controller Ron Green, who ran for his position after hitting his six-year limit on the city council.

LaVonne Griffin-Valade, the city auditor in Portland, Ore., was shocked when she started her job in 2009 and found out that no one had told council members about the burden of retiree health-care costs, otherwise known as Other Post-Employment Benefits. As in most jurisdictions, retiree health care in Portland is not prefunded the way pensions are. It simply shows up without much context as a line item cost in the government budget. After four years, Griffin-Valade isn't sure how much progress her education campaign has made. "I think if I quizzed them individually today," she says, "they still wouldn't necessarily understand the underlying issues. It's just not been on anyone's radar."

Dodd-Frank may help in some regards, but it will complicate the lives of elected officials in other ways. The new law includes rules written to define more precisely who constitutes a financial adviser qualified to work with governments. But, as is characteristic of the new web of regulatory reforms, the rules alone total nearly 800 pages of explanation. Deciphering the full impact has been a daunting task that even financial analysts are still piecing together. This year as well, new accounting guidelines for pension liability reporting will make some governments' liabilities appear to increase dramatically—a change that will cause alarm among those who don't know where it's coming from and one that will surely be used by those with a desire to embarrass those holding office.

Most elected officials know that even at the most basic levels, government finance is anything but intuitive.

The solution to the problem of insufficient expertise is, of course, education. But where will it come from? At the most direct level, those decision-makers who do have a financial background can help their colleagues who don't. But politics often gets in the way. "I have to be really careful when I am advising other board members who come to me," says Jay Fountain, chair of the Fiscal Committee for Stamford, Conn.'s Board of Representatives and a former long-time researcher for the Governmental Accounting Standards Board. "I know that what I'm saying doesn't count for just my vote."

Still, there are some well-trained officeholders who have made it their business to inform the financially challenged within their governments. In Portland, Griffin-Valade issues regular reports designed to educate the city council about the city's actual financial health. Her 2011 report challenged the council's decisions regarding, among other things, the city's rainy day fund, health-care and pension costs. With her second report in 2013, Portland began looking at a budget surplus and the council voted to use some of it to pay down the city's debt. Portland's new mayor pushed for the move, but the decision was also a clear result of the education effort from the auditor's office.

State financial stewards can provide help to localities, and some are starting to do so. New York Comptroller Thomas DiNapoli has established a Fiscal Stress Monitoring System for the state's cities, designed to stave off drastic measures such as control boards or bankruptcy. In Tennessee, a number of local governments were drowning in debt after the recession because they invested in risky variable rate instruments to finance infrastructure projects. The Tennessee State Funding Board now mandates that local governments taking on debt draft their own debt management policies. These have to follow state-directed principles, including the disclosure of costs and risks.

Professional organizations are also recognizing the need for more education. The Municipal Securities Rulemaking Board (MSRB) has launched an initiative designed to help local governments with everything from the basics of issuing bonds to the ins and outs of the new regulatory climate. "Post-financial crisis and Dodd-Frank, it absolutely is a more complicated world," says MSRB Chair Daniel Heimowitz. "From the regulatory landscape and understanding what your relationship with a dealer is, to what your own obligations are, there's a much more heightened sense and understanding that everybody needs to pay attention."

The National Association of State Budget Officers (NASBO) is launching an online video series designed to help the public and government officials with the basics. The first video explains the state budget process, drilling down to items as rudimentary as explaining what a fiscal year is. "People don't mind the very basics," says NASBO Executive Director Scott Pattison. "So [there's no such thing as] dumbing it down too much."

But the onus is on individuals in government to take up the cause either for themselves or for their colleagues and jurisdiction. The plain truth is, in this era of austerity and increased accountability, decision-makers must own their choices more than ever. Whether government officials like it or not, the public tolerance for unawareness has been whittled down to an unforgiving nub. "If you don't have at least a comfortable understanding of the process, then you're really out of the discussion loop," says Connecticut's Urban. "If we had a better understanding of how all this works, I think we could have more truth in budgeting."

Some elected officials are always going to avoid the hard studying, but a few revel in it. One of the latter is San Jose's Constant. After joining the city council in 2007, he was given a spot on the pension board. He decided to take a few classes to educate himself on his new job. Now he's a Ph.D. candidate writing his dissertation on public pension governance.

"It became apparent to me," he says, "that I was in a decision-making role and not feeling comfortable I had all the tools to make the right decision. You can sit in a room with all these experts but you have no idea if they are guiding you in the right direction or wrong direction. I at least wanted to know the right questions to ask." G

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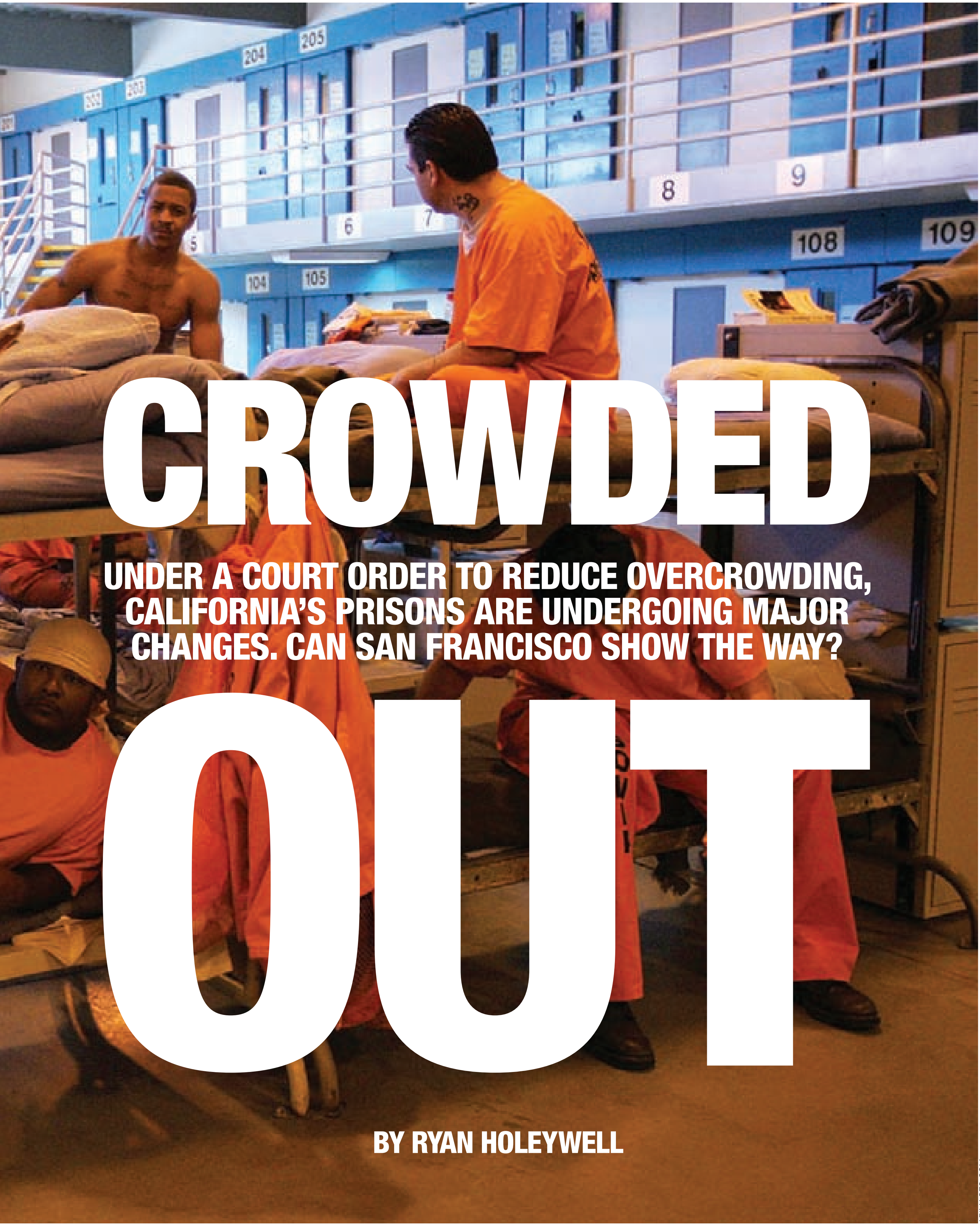

CROWDED OUT

UNDER A COURT ORDER TO REDUCE OVERCROWDING, CALIFORNIA'S PRISONS ARE UNDERGOING MAJOR CHANGES. CAN SAN FRANCISCO SHOW THE WAY?

BY RYAN HOLEYWELL

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WHEN PAUL HENDERSON graduated from law school, he says, "Nobody clapped." That's because his family was wary of his goal of becoming a prosecutor. Henderson grew up in the San Francisco housing projects, where law enforcement was often seen as an adversary, and his career decision didn't sit well with his mother, a public defender, or his grandmother, a community activist. But Henderson rejected the notion that as a black man from a poor neighborhood, he was destined to represent criminal defendants. In the world where he was raised, racial minorities were disproportionately charged with crime—but also disproportionately victims of it. He chose a career in the San Francisco District Attorney's Office because he wanted victims and witnesses to be able to speak with someone who shared their background. But he also believed he could change the criminal justice system from within.

Henderson, who is 46, spent nearly 20 years as a prosecutor. Now he is deputy chief of staff and public safety director for San Francisco Mayor Ed Lee. But he remains an activist on criminal justice reform. And he is well versed in the challenges facing a state whose tough-on-crime approach hasn't done much to improve public safety, best illustrated by the much-criticized "three strikes" laws. "People do bad things, and they absolutely should be arrested, and there absolutely should be justice," says Henderson. "But what that justice can look like has to be a broader discussion than 'more jail—end of discussion.'"


PAUL HENDERSON

Early in his career, Henderson began urging prosecutors and law enforcement to start rethinking what, exactly, constitutes a victory for the forces of justice. Victory, he believed, should be more than just obtaining convictions. Victory should be helping to turn an offender into a productive member of society. So Henderson started working with a diverse cadre of officials from both sides of the criminal justice system: judges, prosecutors, probation officers and law enforcement on the one hand, and social workers, nonprofit advocates and public defenders on the other. They created an approach in San Francisco that focuses aggressively on reintegration of ex-offenders into society. The city now has a wide array of programs and policies that often see jail or prison as a last resort and instead push criminals toward housing, education, social services and drug rehabilitation.

It's a strategy that is viewed by many with skepticism and even outright hostility. "I get a lot of flak—from my community, from prosecutors and from law enforcement," Henderson says. "They think it's liberal bullshit." But Henderson believes that in the long run, rehabilitation costs less than imprisonment, and that his critics' approach has done little other than create a state prison system so overcrowded that federal courts have determined it's unconstitutionally cruel and unusual punishment. Henderson insists rehabilitation is the only approach that works if the city wants to both save money and actually reform criminal behavior.

"Where do you think these people go when they're released?" Henderson says, recalling the diatribe he likes to deliver to critics who challenge him—often crime victims and their families. "Do you think they end up in Australia? Do they enroll in MIT and become professors on the East Coast? No. The average prison term is two to three years. They've been separated from all their friends and family, they don't have a job, they were presumably uneducated and are still undereducated. And they're coming back to the exact same community—your community—without a foundation and without the support because they've been gone. What do you think they're going to do? It's a disservice to act like we don't know this process is going on and not intervene."

If long prison sentences were a criminal deterrent, Henderson says, crime would have been nearly eliminated in California long ago, and repeat offenders would be almost nonexistent. That, of course, isn't the case at all, and it's why federal judges have ordered California to drastically reduce the number of inmates in state custody. The result has been a dramatic shift in corrections policy called "realignment."

Former prosecutor Paul Henderson helped San Francisco focus on reintegrating ex-offenders back into society.

The change came via legislation in 2011 that requires many criminals who previously would have served their sentences in state prison to instead serve them in county jails. Realignment has been painful for

To reduce its prison population, California is shifting the responsibility for housing offenders to the counties.

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local leaders who are charged with huge new responsibilities as they work to prevent their own facilities from eventually confronting the same overcrowding as the state's prisons.

But it's also caused many to turn to San Francisco to see if it's found an approach to criminal justice that should be emulated across the state. That's largely because in the wake of realignment, the population of San Francisco's jail is actually declining. It's the result of a longstanding approach to corrections that predates the state's crisis. "San Francisco was ahead of the game before realignment ever began," says Linda Penner, chair of the state's Board of State and Community Corrections, which oversees county jails. "They had a community that embraced treatment. They had the capacity. And they had the political will. With realignment, they've just accelerated and stepped on the gas."

California was ordered to reduce its prison population in 2009 as a result of poor health care that, according to one judge, caused an average of one inmate death a week due to medical neglect or malpractice. The U.S. Supreme Court has subsequently upheld that decision, requiring the state to cut its inmate population to around 110,000. That's a monumental task: At its peak in 2006, the prison system had a population of more than 170,000.

A big part of the reduction, state lawmakers decided, could be achieved by shifting responsibility for housing some offenders known as "triple nons"—nonviolent, nonserious and non-sex offenders—from the state to the counties. Today, these prisoners can't be sentenced to state prison or parole anymore; instead, they serve time in county jails and under the supervision of county probation officers. Since realignment became law, more than 100,000 offenders who would have been sent to state prison have come under county control, according to estimates last year by Joan Petersilia, one of California's most respected criminologists.

While other states have shifted portions of their incarcerated population to the counties, two things made California's approach unique. First, the speed at which the change happened is unheard of. "It's historically the biggest shift in criminal justice done anywhere in the country in a very short period of time," Penner says. Matt Cate, the former head of the state prison system who now leads the California State Association of Counties, says the whole plan was designed and implemented in about nine months.

Second, the state has provided funding to help the counties figure out how to handle the added responsibility—and has given them enormous flexibility in how to use it. Collectively, counties are getting around $1 billion annually to deal with their new responsibilities under realignment. If they wish, they can build new jails. Or they can focus more on services to prevent recidivism. Either way, in the coming years, there could be a slew of data to help policymakers figure out which strategies work best.

So far, statewide realignment has gotten mixed reviews. A December report from the Public Policy Institute of California found no evidence of change in violent crime rates in the state. But it found that under the first year of realignment, property crime—including motor vehicle theft, larceny and burglary—rose 7.6 percent. The increase was higher than in other states that had similar crime trends as California before realignment. And the spike came at a time when property crimes were decreasing nationally.

One point of agreement, however, is that the previous system was seriously broken. Kathy Jett, a former undersecretary of the state prison system, says bringing more prisoners to county supervision will ultimately be better for both prisoners and public safety. A big reason is that many of the state's 33 adult prisons are in remote areas, isolating prisoners from family and community even though access to those things makes for a more stable transition to post-prison life. "We put them in Chuckawalla and nobody can get there," says Jett, referring to a state prison in the remote southeast corner of the state that's closer to Phoenix than to any major city in California. "That has an impact on the individual. They lose contact with their families, so their closest friends and buddies become their colleagues in prison."

Moreover, she says, prisons generally have had very little funding or appetite for rehabilitation. Even when prisoners tried to be proactive and get an education, Jett says, they were often denied the opportunity. "It would be two days before they were going to test and graduate, and they'd be transferred to another prison with no program," she recalls. "Because of the crowded nature everything was based on movement, need and capacity. There was no stability within an institution."

The system was plagued by "churners"—people who served prison time, then violated their parole and made repeat visits. "They were completely segregated from the community," Jett says. "There was no way to put them into a mom-and-pop drug treatment program and get them a job. By and large, they were much more comfortable being in prison than being in the community."

Yet historically, some counties have been reluctant to push for a different approach. That's no coincidence. In parts of the state, tough-on-crime political rhetoric plays well with voters. More important, counties had a financial incentive to embrace the old system. "It used to be state prison was a free lunch for the counties," says James Austin, a prison consultant. If a county's district attorney could get an offender sent to prison, then the state was on the hook for the cost of incarceration. But if the offender got sentenced only to jail or some sort of county-sponsored diversionary program, then the cost was local.

Jett became convinced that reforming the prison system itself wouldn't happen because of its ingrained culture; she believes reforms will happen now that the counties are being forced to play a greater role. Other experts agree. "Everything we know from the most rigorous research suggests if you want to reduce recidivism rates, you have to address housing security, availability of jobs and social connections," says Barry Krisberg, senior fellow at the University of California, Berkeley, School of Law. "The state was never able to do that."

San Francisco had a head start in dealing with realignment, largely as a result of litigation in the 1980s that challenged overcrowding of its own jails. That prompted an increased focus on evidence-based practices in criminal justice, aimed at using statistics to determine which methods actually succeeded in reducing crime. The thinking was that the city could beat overcrowding, save money and actually increase public safety if it took an approach that was more nuanced than simply throwing the book at offenders. The result: Even in the wake of realignment, the city's average daily jail population has declined from 1,954 in 2009 to 1,281 today, says Wendy Still, San Francisco's chief adult probation officer.

Still represents, in many ways, San Francisco's approach. When she discusses the population of offenders her office supervises, she refers to them as "clients." It's jarring, at first, to hear a probation officer describe convicted felons that way, but she says it makes sense. "We know they have needs," Still says. "Yes, they're

San Francisco Public Defender Jeff Adachi: "Once a person is convicted of a crime, the goal is to find the support and services necessary."

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offenders, but our job is to try to assist them." In San Francisco, the prosecutors, public defenders and judges have all been trained on evidence-based approaches to justice that can help put them on the same page when it comes to sentencing. "We have a lot of cases that go to trial, and we fight over our cases in court," says Jeff Adachi, San Francisco's elected public defender. "But where we agree is once a person is convicted of a crime—particularly a person convicted of a low-level felony—the goal is to find the support and services necessary."

When it's time for an inmate to leave prison or jail, San Francisco's counselors find out what's needed in housing, employment, health care and drug rehabilitation. The probation department has gone as far as picking people up from prisons to help them return to San Francisco. And little steps—like trying not to release people from county jail in the middle of the night when they're more prone to slip up—have become part of the culture. "Other counties have taken realignment money and invested it in more jails," Adachi says. "We haven't done that." Instead, San Francisco has focused on alternative sentencing and re-entry programs that hook offenders up with drug treatment, education and employment services.

COUNTIES ADMIT THAT WHILE REALIGNMENT HASN'T GONE PERFECTLY, CALIFORNIA HAD NO OTHER OPTIONS.

Krisberg, the Berkeley fellow, says the Bay Area warrants attention from other parts of the state. "San Francisco is, in some ways, a road map for how to get organized and do it well," he says. But he and others also acknowledge that the city has advantages that have aided its approach. San Francisco has benefited from its healthy financial position and tax base, which make experimental programs financially feasible. Its small geographic size makes it easy to get all the players together at the table to figure out solutions. The fact that it has a consolidated city and county government makes reforms happen more quickly, since multiple jurisdictions don't have to work together. And its political leaders are almost universally in agreement on their support of the approach.

But not all counties are following San Francisco's lead. "[P]eople are doing what they were doing before realignment," Krisberg says. "The progressive counties are doing progressive things, and the crackdown places are continuing to get tough and crack down." Indeed, county leaders elsewhere in the state say rehabilitation programs don't reduce the short-term need for more space in their jails. But reform advocates say that's a risky approach. "Some counties are making the same mistakes the state made, which was to try to build their way out of the problem," says Don Specter, an attorney for inmates who sued the state over prison conditions. "It's not going to get them anywhere. It's just going to cost them a lot of money, and they'll have several hundred more prisoners, and they'll still have to release or not incarcerate people."

Alameda County Sheriff Gregory Ahern, president of the state sheriffs' association, says he's a supporter of realignment. But, he notes, many of his members aren't. They say that the state isn't paying them enough to shoulder the extra responsibilities, and that many jails also lack the capacity to house the population assigned to them. Indeed, jails in about 37 of the state's 58 counties have reached population caps imposed locally or by courts or other oversight bodies. The result is that, in some places, sheriffs release inmates early. Stephen Manley, a Superior Court judge in Santa Clara County, is supportive of realignment too. But he agrees that counties don't all have the resources to adopt the re-entry programs, even with state aid, that have been proven to reduce recidivism. "We have over 150 people sitting in jail, right now, who've been released by judges to treatment, and they can't get out of jail because there's not treatment for them," Manley says. "We don't have enough alternatives."

Meanwhile, some sheriffs argue that their jails lack the security features to handle more dangerous criminals who may spend years there as a result of realignment, nor do they have things like wood shops and machine shops that would be useful for helping longer-term prisoners learn vocations. Indeed, due to realignment, some offenders can wind up spending many years in county jail, even if their crime is a triple non. Those include drug offenders with "volume enhancements"—extra years for extra pounds of drugs—as well as people who have committed multiple crimes strung together, like a car thief who got a few years for each stolen vehicle. Ahern and county leaders are pushing the state for a three-year cap on the amount of time a prisoner can stay in county jails. "The state has given us their capacity problem," Ahern says. "We're working with them to deal with that."

Still, counties acknowledge that even if the transition hasn't gone perfectly, California had no other options, short of massive early releases, which counties didn't want to see either. "We said we'll take it and deal with it here at the local level," says Cate of the state county association. "We're trying to make the best of it."

Krisberg believes the question of whether realignment is working is, in some ways, academic, especially when it comes to recidivism. He says that historically about 70 percent of state prisoners have ended up in state custody again within a few years of their release. "It couldn't have gotten worse than that." **G**

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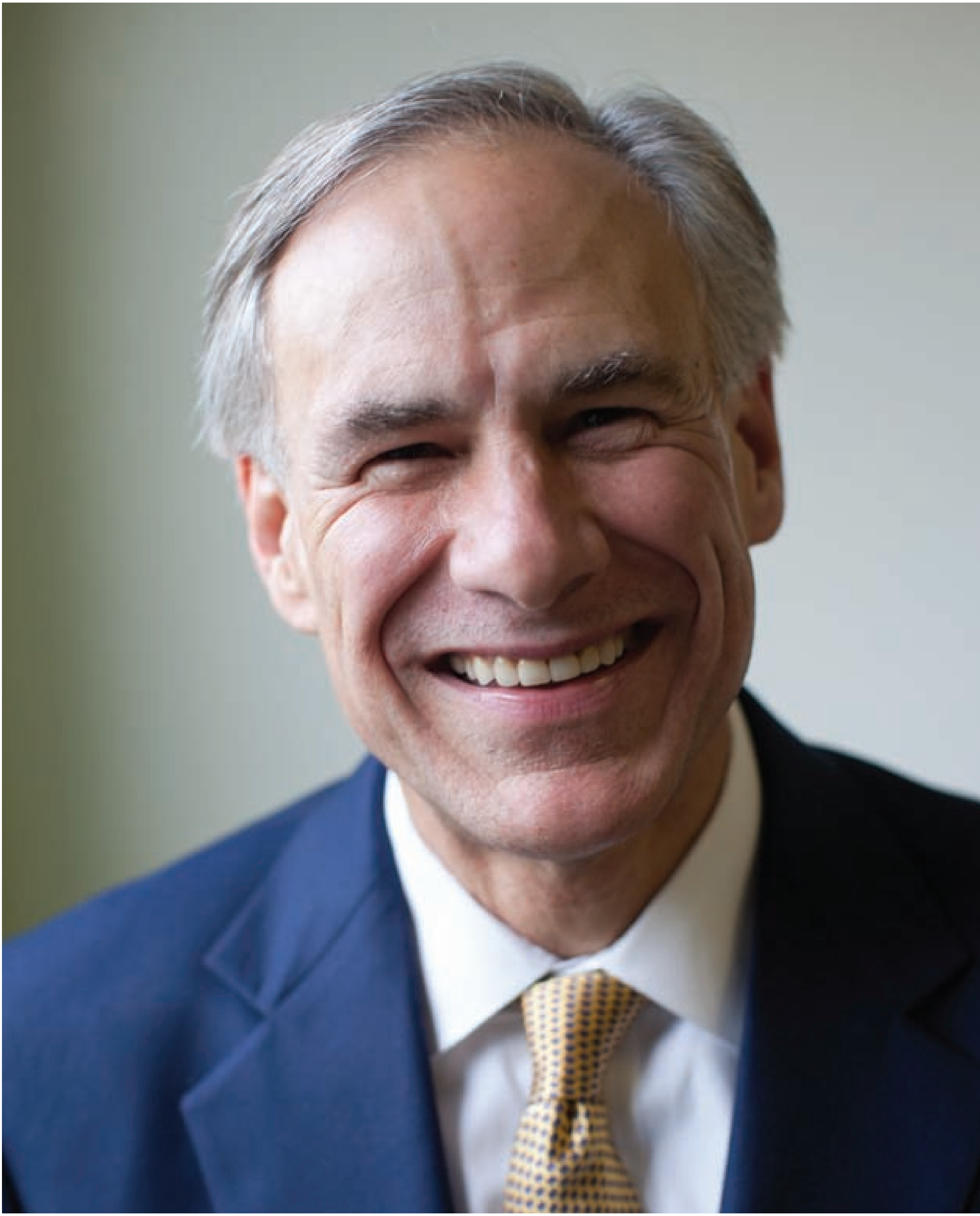

HEIR APPARENT

Texas Attorney General Greg Abbott is poised to win big as the next Lone Star governor.

There's been a lot of talk in national political circles about how Texas will inevitably turn blue. The state is already majority-minority and the Hispanic population continues to grow rapidly. Democrats have pinned their main hopes on Wendy Davis, a state senator who became a party and media darling last year with a filibuster that temporarily derailed an abortion bill.

Davis is running for governor. If she can help put Texas into play, that would be disastrous for the national GOP. Texas is the only large state left that reliably votes Republican for president.

The problem with this scenario is that it's highly unlikely to happen. Even Democrats in Texas will concede privately that Davis stands little chance against her all-but-certain Republican opponent, state Attorney General Greg Abbott. White voters may be a minority within the state, but they still cast two-thirds of the statewide vote—and they give an overwhelming share of their votes to the GOP. Davis will raise enough money and attract enough attention to cause some heartburn for down-ballot GOP candidates, but Democrats haven't won a statewide race in Texas in 20 years and Davis is unlikely to break that streak. "Texas didn't become an all-Republican state overnight and this change to being a Democratic state is not going to happen overnight," says Democratic state Rep. Trey Martinez Fischer.

DAVID KIDD

By Alan Greenblatt

If the GOP feels solidly in control, the proof is in the candidates who are running this year. With Gov. Rick Perry stepping down and Abbott seeking to move up, there's a game of musical chairs going on, with just about every statewide office up for grabs. The main action continues to take place in GOP primaries where this year's crop of candidates is, for the most part, more conservative than the incumbents they seek to replace. In this regard, Abbott has already received a backhanded endorsement of sorts, with the liberal magazine *Mother Jones* worrying that he'll be "worse" than Perry.

Abbott, 56, is little known outside Texas but is about to become a player on the national stage as governor of the second largest state. Name an issue—gun rights, abortion, same-sex marriage, taxes—and Abbott will assume a reliably conservative position. "Among the Republican grassroots, the deciders who determine GOP primary victors and victims, Greg Abbott enjoys near-Mount Rushmore adulation," says Texas Supreme Court Justice Don Willett, who—like U.S. Sen. Ted Cruz—once worked for Abbott in the AG's office.

Abbott's ability to speak both to mainstream and Tea Party Republicans, along with his formidable fundraising skills, make him the overwhelming favorite to win the March 4 primary. He'll also be easily favored over Davis in the fall. "Abbott would have to make a colossal blunder to lose this race," says Matthew Eshbaugh-Soha, a political scientist at the University of North Texas.

But none of that gives people in Texas a clear idea about policies Abbott intends to emphasize as governor.

Despite a dozen years as attorney general and a prior stint on the Texas Supreme Court, Abbott is not an especially familiar figure in Texas. One poll last year found that a slight majority of Texans either had never heard of him, or didn't know enough about him to have any opinion.

There are a couple of things that most Texas Republicans do know about Abbott, however. The first is that he's paralyzed from the waist down. While out running nearly 30 years ago, he was felled by a tree. He's worked hard to put people at ease about his disability, dressing up on various Halloweens as a tank or a grocery cart. Speaking to crowds, he'll joke that they must wonder how slow he was running to get hit by a tree. He's gained tremendous upper-body strength, though, pushing himself around in a wheelchair; he still has the politician's knack for managing to dart out of a room quickly when he has to. "He's overcome obstacles that would've dispirited most people and sent them spiraling into self-pity and bitterness," says Justice Willett. "But one of Greg Abbott's chief virtues is that he's a fierce competitor who also boasts a sunny, Reagan-like optimism." Indeed, Abbott has a wide grin that—with his white hair and narrow eyes—makes him resemble the comic actor Steve Martin.

Speaking with educators at a charter school in San Antonio, Abbott didn't talk down the importance of academic achievement, but suggested that resolve might count more. "It's harder to measure, but it's essential to a successful life. If they can teach [resilience] alone, if students can walk away from this school with nothing else other than that, they will succeed in life," Abbott says. "There's one thing we know for a fact when these students leave this school, they're going to meet with challenges. Algebra, history or English is not going to help them overcome those challenges. It's the grit they apply in their lives."

The other thing that Abbott is famous for among Texas Republicans is suing the federal government—a lot. He has sued the feds more than two dozen times. He was an early legal opponent of Obamacare and has fought in court to preserve state laws regarding abortion restrictions and voter ID requirements. This month, the U.S. Supreme Court will hear arguments in a case brought by Abbott's office and others contending that the federal Environmental Protection Agency overstepped its bounds in regulating greenhouse gas emissions.

The EPA in particular has been Abbott's prime legal target. He's sued the agency more than 15 times. His most frequent applause line is to boast that his working day consists of going to the office, suing the federal government (sometimes he says Barack Obama) and going home. "Greg is really appreciated by the grassroots because he's taken on Washington through his office of attorney general and challenged some of the absurd policies," says Texas Agriculture Commissioner Todd Staples, who is running for lieutenant governor.

Abbott's most frequent applause line is to boast that his working day consists of going to the office, suing the federal government (sometimes he says Barack Obama) and going home.

Abbott brags about having been the "general" leading the charge against federal intrusion and overreach, but says as governor he'll be the "commander-in-chief, where I will be overseeing the agencies that have been the clients in these cases. We will fight to ensure the federal government remains in check."

That's a message that plays well for Abbott. Obama is unpopular in many states, but in Texas, resistance to the federal government is a founding principle. Not long after giving up its status as an independent republic, Texas joined with other Southern states in seceding from the union.

Despite all the prognostication about Texas eventually favoring Democrats—as Dallas and Houston already do—it's easy to make a case that Texas is becoming more Republican, not less.

DAVID KIDD

Abbott has worked hard to put people at ease about his disability.

Despite all the prognostication about Texas eventually favoring Democrats—as Dallas and Houston already do—it's easy to make a case that Texas is becoming more Republican, not less.

After the 2010 elections, the Texas GOP held the state House by just two votes; now, they're almost a supermajority. As recently as 2008, Democrats controlled a solid majority of the more than 5,000 elective offices throughout the state; today, the GOP has 61 percent of them. Even GOP presidential candidate Mitt Romney's share of the vote went up in 2012, compared to what John McCain had taken four years earlier.

White voters give Texas Republicans some 70 percent of their vote. That puts statewide candidates close to a majority. What puts the GOP over the top is support from Hispanics, who mostly vote for Democrats but give just over a third of their vote to Republicans—better than Republicans can count on elsewhere. Romney received just 27 percent of the Hispanic vote nationwide, according to the Pew Hispanic Center.

That puts Abbott in a tricky spot. He finds himself having to navigate the fine line sometimes trampled on by Republicans nationwide—appealing to a base concerned about illegal immigration while also not alienating Hispanics. "Really, it's not welcome news for Abbott that the candidates in the lieutenant governor's race, because it's so competitive and they're all running to the right, are making such an issue of immigration," says James Henson, who directs the Texas Politics Project at the University of Texas.

In recent years, prominent Texas Republicans have adopted a milder tone on the issue than Republicans elsewhere. Abbott himself never hesitates to mention that his wife, who has Mexican ancestry, would be the state's first Latina first lady. "Texas politicians have been smart about how you have to include the Hispanic community as part of your base of support," says Steve Munisteri, the state GOP chair.

But Abbott and others remember that Perry got himself in trouble with conservatives during his presidential run in 2012 by defending the Texas version of the Dream Act, which gives in-state tuition rates to some children brought into the country illegally. "If you say that we should not educate children who come into our state for no other reason than that they've been brought there through no fault of their own, I don't think you have a heart," Perry said during a debate. By contrast, a number of Republican hopefuls are spending the primary season trying to top their opponents in expressing their desire to repeal the Dream Act. Abbott joins this year's class in stressing border security and insisting that "the rule of law" must prevail. As for the Dream Act itself, Abbott says it has "noble goals" but must be reformed.

Martinez Fischer, the Democratic state representative who has sometimes clashed with Abbott over policy, warns that Texas Republicans are in danger of writing off the limited support they have among Hispanics, not so much through tough talk on immigration as taking unyielding stances on voter ID restrictions, Medicaid expansion and education. "Greg Abbott's biggest problem, or concern, is the fact that he has been consistently insistent on bad policy choices in a state that is changing demographically by the day," Martinez Fischer says.

Texas Republican legislators cut education spending by $5.4 billion in 2011, a fact that Wendy Davis brings up at every opportunity. (It was the subject of her first widely noted filibuster.)

Democrats haven't won a statewide race in Texas in 20 years. State Sen. Wendy Davis is unlikely to break that streak in her run for the governorship.

Abbott talks about wanting to make Texas the nation's leader in education, but does he believe restoring funding is necessary to achieve that ambition? It's a question Abbott refuses to answer. "I cannot give you an answer about, quote, adequacy of funding, when part of my job as attorney general is defending in court the adequacy of school funding," Abbott told reporters at the San Antonio charter school.

Although Abbott has been cagey, no one expects his tenure to mark a radical shift. Perry is the longest-serving governor in Texas history—he'll have served 14 years when all is said and done. Usually, when candidates run to replace a longtime incumbent, they'll stress the need for change and new brooms and their eagerness to address Crisis X. Abbott doesn't have any of that sort of rhetoric in his stump speech. He's close with Perry and although they are stylistically different—no one in Texas anticipates a Greg Abbott blooper reel—politically, there's little daylight between the two. Texans won't feel any tectonic shifts with the change in administrations. GOP chair Munisteri likens the moment to turnover on a high school football team: The players will change, but the playbook will not. "Greg Abbott represents the conservative, pro-growth leadership that Texans have made clear they want time and again at the ballot box," Perry himself says.

That indeed seems to be what Texans want—and seem always to have wanted. The state may innovate in health, information technology and energy extraction, but its government remains conservative and cautious. Certainty has been a more important gift to business executives than direct handouts, *Texas Monthly* editor Erica Grieder argues in *Big, Hot, Cheap and Right*, a book that Abbott sometimes cites when talking about the state's independent streak. "You don't have to wonder what's going to happen in Texas next year or 10 years from now or, probably, a hundred years from now: what's good for business is what's going to happen," she writes.

Not just Grieder's but an entire shelf of books has been written debating whether the so-called Texas model—low taxes and limited government regulation and services—has been a blessing or a curse. The state ranks poorly in areas such as incarceration, poverty and access to health care. Texas must be doing something right, however. It leads the nation by a mile in job creation and in population growth. Over the past couple of decades, economic growth in Texas has outpaced the rest of the country by 2-to-1, according to the Federal Reserve Bank of Dallas. Its performance since the recession has been equally impressive. Sales tax receipts have increased in Texas every month for nearly four years straight. "State leadership has accomplished a lot in good times and in tougher times, and the public seems to approve of what we've done, even though the faces may change," says Texas House Speaker Joe Straus.

Whether the Lone Star State has been blessed more by its governance or its oil and gas deposits, more than 1,000 people per day are making it clear they favor the state by the simple act of moving there. During the 19th century, transplants from Appalachia would sometimes scrawl a simple message on their doors—"GTT," meaning "gone to Texas." Millions more have made the same choice during Perry's tenure.

All of this—the state's robust economy and the GOP's dominance—means that Abbott's biggest challenge in becoming governor is simply not to blow it. Rather than rolling out concrete policy proposals, his campaign is run like a reality show, offering endless promises of big "reveals" in the coming weeks and months. "He's raising a lot of money, he's playing it safe, it's steady as you go," says Bill Miller, a longtime Austin consultant and lobbyist.

DAVID KIDD

Democratic state Rep. Trey Martinez Fischer: "Greg Abbott's biggest problem, or concern, is the fact that he has been consistently insistent on bad policy choices in a state that is changing demographically by the day."

But Abbott knows that if things change once he assumes the top office—the economic vitality of the state or his party's dominance—he'll bear the blame. Abbott understands, therefore, that he can't take good news for granted forever. Growth creates its own problems, so he'll certainly be called upon to address the perennial Texas issues of water and transportation. "There's always challenges," he says. "If you go back decades, the shining city in the United States of America was Detroit, and now it's in bankruptcy. If you don't pursue policies that allow a state to flourish and grow, you could head down the pathway of Detroit." **G**

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RAIL REVIVAL

States are reinvesting in once-abandoned freight lines.

By Jonathan Walters

Photographs by David Kidd

Riding on track that had been dormant for decades, the Housatonic Railroad is back in business.

It is 6 o'clock on a recent morning and the thrum of Housatonic Railroad freight train NX-13's twin diesels is deepening. Engineer P.J. Bailly releases the air brakes and eases the early morning train south down the railroad's main line. It is hauling a variety of materials, from ethanol and lumber, to paper goods, construction and demolition debris. In all, the Housatonic Railroad hauls some 6,000 cars' worth of freight a year between its southern end in Danbury, Conn., and its northern terminus in Pittsfield, Mass. There, it exchanges cars with the major East Coast railroad, CSX.

Ready to roll at 6 a.m. in Canaan, Conn.

While there's no definitive data on the railroad's economic impact on the two states in which it operates, the businesses served by the Housatonic employ 3,000 people. The companies served by the railroad, in turn, do millions of dollars' worth of business in products and services annually, adding to secondary employment numbers.

That the train is on the tracks at all this morning, though, is something of a miracle—a miracle for which the state of Connecticut is directly responsible. Connecticut was one of a group of states with the foresight in the 1970s and 1980s to step in and snap up abandoned rail lines at a time when railroads nationally were jettisoning thousands of miles of right of way in the face of an epidemic of railroad bankruptcies. "Back then," says John Hanlon, president of the Housatonic Railroad, "railroads were almost viewed as irrelevant."

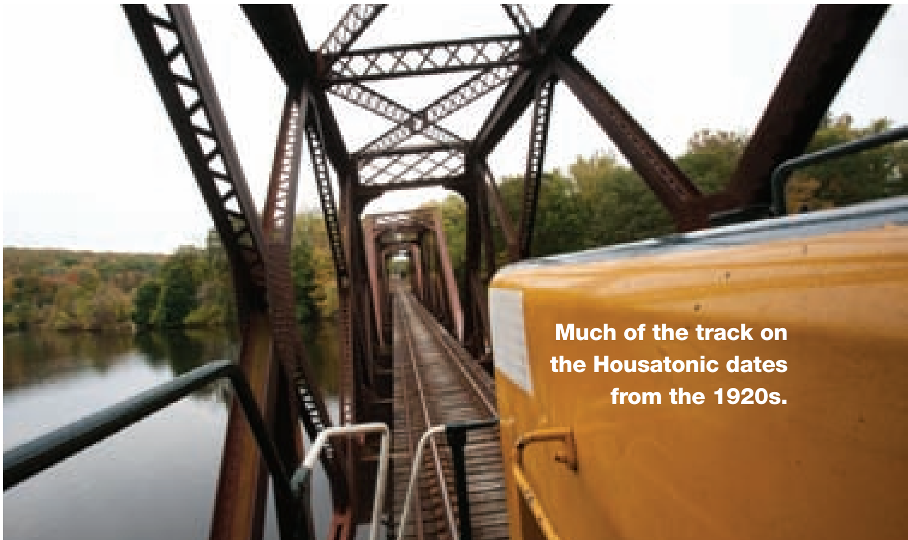
Other states seemed to accept that as fact—that the flourishing Interstate Highway System was destined to push a once-powerful and economically dominant freight and passenger transportation mode into oblivion. But Connecticut and other states, such as Michigan, North Carolina, Pennsylvania and Wisconsin, had the foresight to buy up and bank rail lines.

History has proved these outliers right. Which is why action on rail at the state and local government level has heated up: 2014 appears to be a landmark year for state involvement in improving freight rail. States including Connecticut, Massachusetts, Michigan and New York have either created or rekindled grant programs in the past year dedicated to improving freight service. Pennsylvania is spending nearly $39 million on 24 rail improvement projects this year, and Wisconsin will spend $52 million in the current budget cycle. States like Florida and Wisconsin also offer low-interest revolving loan funds for rail-related projects.

Why some states had the foresight to bet on freight rail all the way back in the 1970s, however, is no mystery, although it does have a strong whiff of serendipity. By luck or happenstance, there were officials in their departments of transportation who had a gut feeling that rail's heydays weren't over. "To be honest, I'm not sure anyone had any specific vision for what was going to happen to these lines," says Colin Pease, who does communications and government relations for the Housatonic. In the 1970s, he was the deputy commissioner overseeing a newly created rail bank program for the Connecticut Department of Transportation. "We did know that these corridors could never be recreated, and you could buy them for very little money."

States, of course, have been involved in railroading since the first rails were laid—and often in nefarious and unsavory ways. Some state legislatures in the late 1800s were considered wholly owned subsidiaries of railroads and railroad robber barons; insider land and finance deals were commonplace. The dominance of rail through the 1940s culminated in rail's central role in moving men and material during World War II, and in presidential whistlestop campaigns—Harry S Truman's 1948 campaign in particular.

Rail began a slow decline starting in the late 1940s, and along with it, the industry's political clout. The decline can be directly traced to the beginning of the massive federal interstate highway building program, the rise of airlines and stifling federal regulations. Those regulations tightly constrained how railroads operated, controlling everything from routing to what could be charged to haul freight. Thousands of miles of lines were abandoned by major railroads, including Penn Central in the East to the Rock Island Railroad in the Midwest during the 1970s and



Much of the track on the Housatonic dates from the 1920s.

Brakeman Dillon Worth operates the switches as the train moves up and down the line.

1980s, with rights of way either rotting away or reverting piecemeal to abutting landowners.

Railroading's slow, steady comeback actually started in 1980, with passage of the Staggers Rail Act, named for its sponsor Harley Staggers, a West Virginia Democrat, who chaired the House Interstate and Foreign Commerce Committee. In effect, the Staggers Act cut freight railroads loose to finally compete on a level playing field, not only with each other, but more important, with other forms of transportation.

Before passage of the Staggers Act, "there were numerous cases where freight railroads actually wanted to lower rates but couldn't," says Jerry Vest, vice president for government and industry affairs at Genesee & Wyoming Inc., an internationally active short-line and regional carrier. After passage of the Staggers Act, the industry began sifting through the widespread bankruptcy and abandonment wreckage. Large railroads focused on securing key north-south and east-west transportation corridors, while hundreds of smaller regional and short-line railroads emerged to pick up ancillary track around the country.

While the industry took the same hit as every other during the Great Recession, rail's recovery appears to be accelerating now. This is due in no small part to a growing understanding of the importance of rail to an integrated, smoothly operating national transportation system—one that relies on government at all levels.

Understanding rail's role in America's transportation network was the impetus behind the passage of the federal Passenger Rail Investment and Improvement Act of 2008 (PRIIA), which directs the Federal Railroad Administration to develop a national rail plan, and also requires every state to develop rail plans of its own—which, at least in theory, would each be aligned with the national plan. State performance in the wake of the PRIIA, however, has been uneven.

There are clearly states that see the potential for boosting mobility and economic development through rail, and there are ones that still don't. "The insanity started when [transportation agencies] in states were all 'highway departments,'" says railroad consultant Forrest Van Schwartz, a former railroad executive, member of the Wisconsin Railroad Commission and writer for *Trains* magazine. "Their staff was totally involved in building interstates and freeways and highway bridges, and they had no understanding of railroading."

But some states are starting to get it. "GM just opened a new stamping plant in Arlington, Texas," says Van Schwartz, "because of a good rail connection. And if you don't have rail service, you're not going to attract Toyota Tundra plants like the one Texas now has in San Antonio."

Indeed, a growing number of states are beginning to look to rail. Projects being supported in part by government now range from the modest—a $207,000 grant from the New York state Passenger and

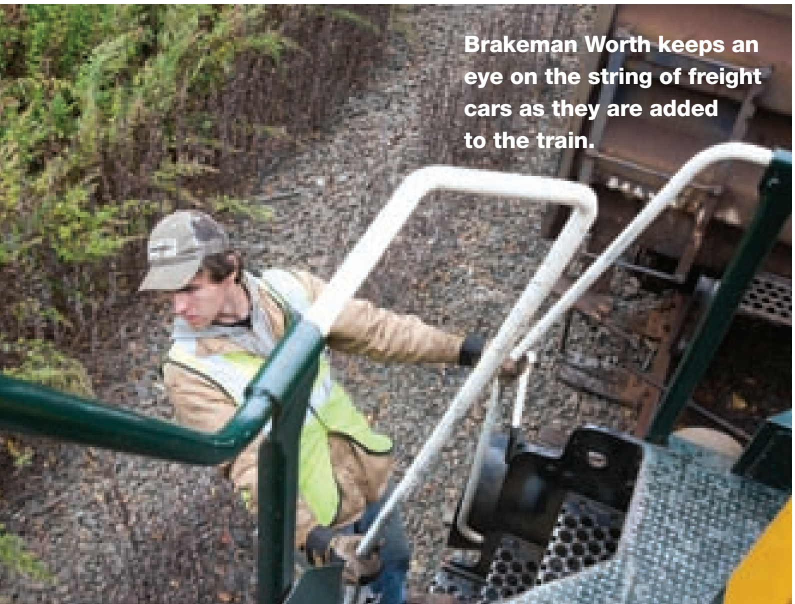
Freight Rail Assistance Program to rehabilitate a paper company at the Port of Albany in New York—to the hugely ambitious, such as one in the Chicago area. This particular project is a partnership between the U.S. Department of Transportation (DOT), the state of Illinois, the city of Chicago, Metra (Chicago's regional commuter rail line), Amtrak and numerous private freight railroads. Known as CREATE (Chicago Region Environmental and Transportation Efficiency), billions of dollars are being invested in rail and road infrastructure improvements in and around Chicago aimed at opening up what railroaders and transportation officials alike regard as the country's worst rail bottleneck.

Engineer P.J. Bailly has worked on the Housatonic Railroad for 11 years.

But in some ways money seems secondary in the scheme of things. Initially, just like state officials, railroad operators didn't see the benefit in public-private cooperation, notes Sara Walfoort, transportation planning manager with the Southwestern Pennsylvania Commission, a 10-county metropolitan planning organization that encompasses 22 railroads and 1,400 miles of track. "There was a lack of exposure to each other and a lack of trust on the part of railroads. [They thought], 'What kind of proprietary information would governments want? And government assistance always comes with strings attached.'"

When railroads in her region decided to come to the table, says Walfoort, "what they discovered was that we could establish very beneficial partnerships, and that we could help them on projects."

The advantages for southwestern Pennsylvania were clear too. The region is four hours from the Port of Baltimore, six from New York and eight from Chicago. Given that, says Walfoort, "Why do we need 9,000 trucks driving through the states of Indiana and Ohio to get here?" And while the ongoing battle between railroads and trucking is pretty much alive and well nationally, Walfoort says truckers in her neighborhood "are finding it more cost-effective to load their stuff on trains" to, among other things, "get around that mess that is Chicago."



Brakeman Worth keeps an eye on the string of freight cars as they are added to the train.

Now, states, localities and the railroads appear to be working well together. "We've had what I would categorize as a very aggressive, proactive and robust relationship with private freight rail," says Fred Wise, who manages the rail arm of the Florida Department of Transportation. While the state has for the past two decades worked with railroads, Wise says the partnership really began rolling in 2003 when Florida developed its first strategic intermodal system improvement plan, covering airports, seaports, highways and rail.

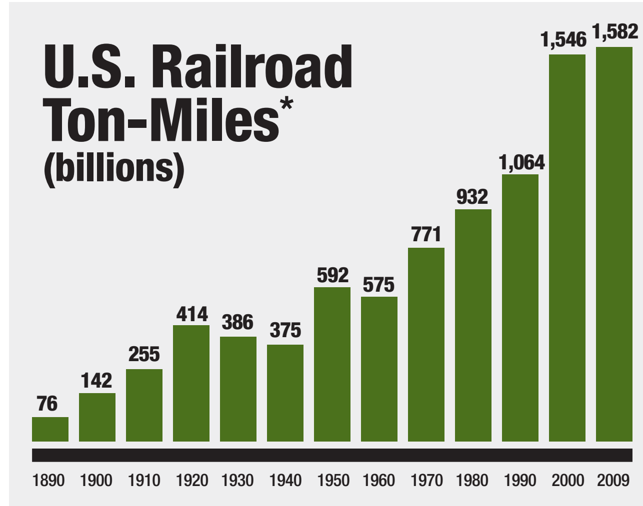
The emphasis is on strategy because Wise has his eye on the newly widened Panama Canal, which has set off a national and international arms race to upgrade the capacity of ports. Florida has invested millions along with private railroads to improve rail access to its ports, including tracks to the Port of Miami. It's a $500 million investment in rail freight capacity statewide by CSX Transportation, using $432 million from the proceeds of a Central Florida rail corridor purchase by the state for commuter rail service in the Orlando area. Additionally, the Florida DOT partnered with the Florida East Coast Railway, Port of Miami and U.S. DOT in a $49 million project to restore on-dock rail service to the port.

"There's just no way that project would have happened" without the high level of intergovernmental cooperation, capital and other assistance provided by the state, says Bob Ledoux, head of governmental affairs for the Florida East Coast Railway.

Close state and freight relations pay other benefits, says Bob O'Malley, CSX's Florida government liaison. Both the

Florida DOT and CSX—along with all the other rail players in Florida—work closely to ensure that projects either reinforce what each sector is planning by way of capital improvements, or at least don't conflict. "We talk to the state constantly about complementary investments that we can make that have both a public benefit and that would benefit economic development," says O'Malley.

Another benefit to having a solid working relationship with railroad companies is that it makes it easier to score federal transportation dollars, from Transportation Investment Generating Economic Recovery (TIGER) grants to Congestion Mitigation and Air Quality Improvement grants. Florida DOT, for example, helped pull together construction of a $47 million rail line connecting an East Coast container transfer facility to a key southern rail line. The state put in $29 million, the South Florida Regional Transportation Authority contributed $2.5 million, CSX and Florida East Coast put in $1 million each, and the feds ponied up $13.75 million through a TIGER grant. "We're convinced that our partnership with the railroads was key to getting the TIGER grant," says Wise.



*A unit of freight transportation measurement equivalent to a ton of freight transported one mile
SOURCES: 1890-1970, INTERSTATE COMMERCE COMMISSION; 1980-2009, BUREAU OF TRANSPORTATION STATISTICS

So what's the downside to partnering with railroads? On the public side, there can be a significant NIMBY factor where states or localities are looking to help reestablish rail. Van Schwartz recalls with something short of fondness the public hearings he attended as a rail executive in central Massachusetts working with a short-line railroad that wanted to increase traffic on an established but lightly used line. "I'd break out my Roman shield and go down to town hall and ask, 'When you bought your house did you happen to notice that rail line running behind it—the one that's been there since the 1840s.'"

At the same time, giving public money to private, for-profit companies to invest in things that some believe these companies should be investing in themselves can be a tough sell. Florida's Wise says that the state's formula for providing grants includes a clear public benefits test. "We do the metrics. You take 260 trucks off the road for every train. Highway maintenance cost avoidance is huge." The environmental and economic development advantages can be calculated as well. "You can move a ton of freight 100 miles on one gallon of fuel, which means shippers can look to savings with rail versus trucks. All those factors come into play when we calculate the benefits of a specific project." The key, says Wise, is to understand the industry and to be hard-nosed about the deals states cut.

And railroaders like Genesee & Wyoming's Vest are clear about the railroad's responsibilities when it comes to angling for state or local help. "Some states have done a tremendous job in public-private partnerships and making rail investments," says Vest. "But we as an industry shouldn't be subsidized. We should be out there earning the returns we need in order to operate a very capital intensive industry at some level of normalcy."

For veterans like Van Schwartz, it boils down to a more basic question than money. "The country needs rail transportation perhaps more now than ever. The question is will government support what is a major solution to overcrowded highways and aging infrastructure?" **G**

Conductor Bob Kielbowicz checks the coupling between freight cars.

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A Hennepin Health coordinator, right, works with a client.

CREATING CONNECTIONS

Local health officials are experimenting with ways to improve quality of care while cutting expenses.

HENNEPIN COUNTY

By Chris Kardish

Richard was a textbook case for Hennepin Health. The county-run Medicaid plan in Minneapolis had targeted a specific, expensive-to-treat population with the aim of reducing health-care costs and Richard—45 years old, uninsured and homeless—fit the bill. Instead of having his health problems, which included chronic back pain compounded by drug and alcohol abuse, managed through medication and therapy, Richard checked into an emergency room whenever he needed help. He had become what's known in the emergency medicine world as a frequent flyer. Not only were his visits adding to the state's already substantial tab for uncompensated care, the emergency room could not provide a long-term plan for his care. That's why Richard was identified by Hennepin Health as the perfect candidate for a new, coordinated approach to handling chronic, costly users of emergency medical services.

Richard was assigned a coordinator to help him get ongoing medical attention through a regular primary care physician, as well as help in other areas of his life; it turns out that he had been homeless since he was 15. Under Hennepin Health, he's now living in stable housing and is receiving regular preventive care for the first time in his life. Richard also is now living sober.

Multiply Richard's experience times thousands or millions of patients, and a program like Medicaid can begin to see a substantial increase in quality of care for its beneficiaries and a decrease in the costs of providing that care.

The Hennepin approach is one of many cost-control experiments taking place nationwide. Such customized pilot programs have the backing of the Affordable Care Act (ACA), which specifically bankrolls ideas that shake up the way health care is delivered and providers are paid. There are three big ideas gaining interest and acceptance to attack persistent problems: the lack of coordinated care to treat the whole person, not just medical issues; the misuse of health care among people who have trouble navigating the complexities of the system; and the poor level of collaboration between health-care providers and the public and private sectors. Cost-containment efforts by states, including pilot programs in Arkansas and Oregon, have been widely reported. But some of the most promising experiments are taking place at the local level.

The driving goal behind Hennepin Health, which began as a pilot two years ago, is to provide holistic care for the urban poor and do it in a way that motivates everyone involved—from medical providers to county health-care officials—to save money. The incentives certainly seem right: Under Hennepin Health, the state gives the county a set amount of money per Medicaid client each month. Whatever the county manages to save goes back to the doctors in its network and also to future investments in the model.

The key to the approach is straightforward. It involves identifying frequent users of emergency rooms, such as Richard, and then steering them into primary care and other services. Hennepin officials use data from partner hospitals to identify individuals who regularly visit emergency rooms and who, in the past, weren't connected to a primary care physician when they left. These individuals are now assigned a service coordinator, essentially a health-care and social services "quarterback" who oversees all of a patient's health and social services needs. The coordinator then matches clients to clinics or health-care networks that offer a wide variety of services, from dental to mental health care. In fact, dental services alone have proved so attractive to clients that it has been a useful tool for keeping sometimes unreliable, unpredictable patients in the system, says Jennifer DeCubellis, area director of the Hennepin County Human Services and Public Health Department.

But the goal of creating a truly comprehensive, integrated system that meets more than just the clinical needs of patients requires a high level of coordination and cooperation among medical providers, government officials and other service providers. That's never been easy to accomplish. Hennepin County had to persuade providers to allow it to embed county human services staff in hospitals, where they are now responsible for connecting patients with housing, employment and transportation, in addition to coordinating their care. "The biggest thing was getting people to see that each system didn't have to build its own resources, and actually that [doing so] was detrimental," DeCubellis says.

The experiment appears to be paying off. In its first year, Hennepin reduced projected costs by more than 5 percent per patient, and the county will put $1 million into new programming that's expected to return another 30 percent in savings next year. For the costliest patients—the top 5 percent, who used 64 percent of program funding—the county has already saved between 40 and 95 percent per client. Those are the kinds of numbers that have drawn the interest of not only other localities in Minnesota, but health-care officials and providers nationally.

This more holistic, coordinated and preventive approach to health care isn't new. North Carolina won an Innovations in American Government award in 2007 for Community Care of North Carolina, which consists of 14 regional health-care networks organized by community physicians, hospitals, and health and social services departments as a way to focus more coordinated and preventive care on high-cost users. Now the approach pioneered by North Carolina is catching on in places as varied as rural Minnesota and the urban northeast.

Southern Prairie Community Care, a 12-county consortium of health-care providers and county agencies in southwest Minnesota, is launching its own North Carolina- and Hennepin-style integrated, collaborative Medicaid program. In calculating whether it was feasible to introduce such a program in an area characterized by its far-flung geography, Mary Fischer, the group's executive director, says that whatever challenges the group faced logistically were more than offset by long-established relationships among agencies and providers, which made the whole notion of coordination and cooperation feasible. "We will never be a place that can co-locate everything, but we see lots of opportunities in just aligning the various services and decreasing fragmentation through closer communication," says Fischer.

The next step for Minnesota is using a statewide ACA innovation grant to move beyond Medicaid and Medicare patients and on to the rest of the state's population by involving private health insurance companies. That will take negotiating with the insurers that have to structure the payments, but it will also require threading the needle with private doctors, says Scott Leitz, assistant commissioner of health care for the state Department of Human Services. "We're not there yet."

A key challenge in establishing a coordinated, cooperative and preventive program is tracking down the people who ought to be in it. Camden, N.J., tried an unusual approach: bringing aspects of police "citystat" programs to health care. Dr. Jeffrey Brenner, who had become familiar with mapping crime hot spots as a citizen member of a police improvement commission in the city, decided to see if the stat method might be applied to honing in on the city's costliest patients. What he and Camden officials found was startling: 20 percent of patients accounted for 90 percent of hospital costs, and nearly half of the 77,000 city residents visited an emergency department at least once a year.

Using that data, Brenner in 2007 teamed up with a nurse and social worker, and they started making individual house visits in areas of high hospital utilization. The team then helped connect people to the services they needed to keep them out of emergency rooms. With the help of support from funders like the Robert Wood Johnson Foundation, Brenner ultimately created the Camden Coalition of Healthcare Providers. Today the organization's staff numbers about 65 and is expanding with the aid of a grant from the Centers for Medicare & Medicaid Services. It's also bringing the idea of medical "hot spotting" to new communities both urban and rural.

The approach that has evolved out of Brenner's first hot-spotting visits remains simple: Teams made up of nurses, community health workers, dieticians, social workers—whoever is needed—are dispatched to patients who frequently visit the hospital. While the work can start in the hospital, home visits are typically an integral part of the hot-spotting approach. The work runs the gamut: helping patients understand their medicine regime, arranging for transportation to follow-up appointments, and connecting clients to primary care. Coordinators might even help a client obtain a gym membership or set him up with volunteer opportunities as a way to move him back into the mainstream and, potentially, a paying job.

Offering a range of services is critical to the success of such an approach, says Andrea Miller, the Camden Coalition's senior program manager for new hot-spotting initiatives. "There's such a stigma around high utilization [with the sense that those patients] are just not compliant," says Miller. "But the truth is there are many barriers preventing them from getting what they need."

With its first 36 patients—who as a group averaged 62 hospital and emergency room visits per month—Camden reduced average monthly health-care costs for the group from $1.2 million to about $500,000. Other communities have seen the same kind of hot-spotting success. A group based in eastern Maine, for example, started hot spotting in January 2012. Among the 44 patients who have 12-month post-intervention data, there's been a 76 percent reduction in emergency department use and an 86 percent reduction in hospital admissions.

Last month, Maryland's Howard County Health Department became the first government entity to launch its own hot-spotting team, with guidance from Camden. Using a $250,000 state grant, Howard is now hiring a nine-member team of registered nurses, community health workers and data managers to intervene with people who make frequent trips to the county's general hospital. If Howard County realizes the same savings as other jurisdictions, the hope is to make the pilot a permanent fixture by getting both public and private insurers—as well as providers—to help fund the program, says Dr. Maura Rossman, Howard County health officer. "We think this might be something where anyone from insurers to hospitals may be interested in partnering," she says.

One of the most obvious avenues for applying a more comprehensive and prevention-focused approach to the high cost of health care is to focus on such chronic conditions as asthma, diabetes, congestive heart failure, depression and chronic obstructive pulmonary disease.

Take Akron, Ohio, where about 11 percent of adults have Type 2 diabetes, several points above the most recent national median as calculated by the Centers for Disease Control and Prevention (CDC). That number alone may not seem jaw-dropping, but the trend is: If Akron and surrounding Summit County do nothing and the growth rate in Type 2 diabetes continues, fully one-third of the population will be diabetic by 2050. Compounding the problem is the fact that many of those with Type 2 diabetes don't seek medical care until the situation is dire, and 31 percent of the diabetic population has no insurance. With hospitals losing more than $50 million a year in unreimbursed care costs, and with a widespread concern in the community that disease prevalence is a drag on the workforce, the city and county launched an initiative to tap the resources of as many groups as possible.

A research group, called the Austen BioInnovation Institute, took the lead as coordinator between more than 70 groups that cut across government, the health-care sector, religious organizations and nonprofits—each with a role in prevention as well as managing the care of people who are already diabetic. The institute, funded by Akron's three major hospital systems, was the logical choice to lead the effort since it was created to do research and advance community health. With the help of a $500,000 CDC grant, what Akron calls its Accountable Care Community launched in 2011.

The core of the concept is to bring public health and clinical medicine together on a community level. "If you looked at a community," says Dr. Frank Douglas, Austen BioInnovation's president, "and mapped out whatever opportunities there were for care and prevention and could bring together resources on a local basis, then anyone living in a particular set of ZIP codes could reach out to an identified source who could triage them into an appropriate place so they don't wait until an emergency [to seek care]."

Three competing hospitals offered the data to help make that possible. They've also lent their staff to teach nutrition and wellness classes, to host screenings at churches and to offer free care at libraries and elsewhere. Nonprofit community health groups have redeployed staff to monitor the cases of diabetics and ensure they're managing their disease in cooperation with their primary care provider. The Summit County Public Health Department is also boosting its efforts, embedding staff in low-income housing to meet with people flagged by the hospital system. "You spend an hour at the doctor's office and the other 23 hours at home," says Donna Skoda, deputy commissioner of the Summit County Public Health Department. "That's where those supports have to be."

Government efforts aimed at encouraging healthier habits among citizens haven't been limited to only public health or social services departments. Planning and transportation officials have also helped by making areas more walkable and providing greater access to public parks. Austen BioInnovation took a page out of Camden's playbook, finding high-concentration areas of diabetes and then getting city planners to implement "road diets"—reducing the number of car lanes while adding bike lanes.

As in other jurisdictions that are trying to reduce health-care costs among their citizens, the early results in Akron are encouraging. Among a sample of 2,000 diabetics after the first 18 months, average monthly costs for health care have gone down more than 10 percent, saving $3,185 per person a year. More than half of participants lost significant amounts of weight, and emergency room visits were lowered by a range of one-third to one-half.

The program picks up on the lessons of others that have come before it: linking patients to their next step, and thinking beyond what they need from their doctors to stay healthy.

"It's teaching people to lift up your head, look at what services are available around them, and finding ways to partner when we can," Hennepin's DeCubellis says. "If you're not connecting people to their next location, their next program, they're going to fall apart after they leave." **G**

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Change from Within

Instead of looking for better results through data analytics, new technology or paid consultants, Denver is turning to its own employees for simple, straightforward reforms.

By J.B. Wogan

Photographs by Benjamin Rasmussen

In Denver city government, this is what an innovator looks like: White-haired, dressed in light blue scrubs and wearing a pair of sneakers, Tara Morse works as an animal care supervisor. Each day, she conducts about a dozen examinations of new dogs and cats that arrive at the Denver Animal Shelter. Not long ago, Morse came up with a simple idea to save her agency about $75,000 a year.

When pets get reclaimed by their owners, they're usually collected in fewer than 15 days. After that, the owners rarely turn up. Yet city and county policy dictated that the agency hold animals for 30 days before trying to place them in another home. The

The Denver Peak Academy teaches city employees to visualize problems and simple solutions.

longer they stayed, the more their health deteriorated. And as their health worsened, their chances of being adopted dropped as well. Morse recommended a new policy of 15 days. The result was just what Morse had predicted: cheaper, more effective care.

Morse was putting to use skills she learned at the Denver Peak Academy, a city-run training program, housed within the mayor's budget office, that teaches municipal employees analytical methods to improve their daily work. Graduates apply those lessons toward improvements within their home agencies. The academy functions as a school for government innovation, though head instructor Brian Elms quibbles with the term, especially when applied to solutions as low tech and commonsense as the one Morse proposed. "It's just a good idea," Elms says. "Is it an innovation? I don't know what else you call it."

Cities throughout the country are creating offices tasked with spurring innovation. But the Peak Academy represents a different strain. Instead of looking for better results through data analytics, new technology or paid consultants, Denver is turning to its ground-level employees for simple, straightforward reforms. More than a suggestion box, the academy provides a structured ongoing process for soliciting new ideas and making sure they happen.

So far about 2,000 employees from 25 city agencies have undergone at least the basic two-day training from the academy. Nearly 300 have taken the weeklong course, which requires graduates to generate at least three ideas that would make their departments run more smoothly.

While the program costs about $750,000 a year, including the salaries of the eight-person staff running the academy, the budget office claims the city has already saved about $3 million by implementing the ideas of academy alumni. If every alumni proposal were in place today, the academy says that the annual cost savings would be closer to $12 million.

Animal Care Supervisor Tara Morse graduated from Denver's Peak Academy with several innovation ideas that immediately saved money for her agency.

Among the 50 or so finished projects, most are small-bore in nature. Take, for example, a suggestion by Amber Vancil, a Peak Academy graduate and accountant in the Department of Public Works. Vancil noticed that the wastewater division used certified mail to warn residents that the city intended to place a lien on their property for unpaid utility bills. By shifting to first-class mail, she saved the city an estimated $46,000 per year. "It's baby steps," says Jerraud Coleman, another academy graduate and a permit technician in the public works department. Coleman's latest project involves a shift to paperless residential parking permits. "If we do a million of these small innovations," he says, "we can make a great impact."

The idea for the Peak Academy originated with a campaign promise by Mayor Michael Hancock in 2011. What he had in mind was a performance division modeled after Baltimore's CitiStat, a management improvement program that uses data to hold agencies accountable for their work. But CitiStat is centralized and top-down, and Dave Edinger, the man Hancock tapped to be his chief performance officer, argued that a top-down program was unlikely to yield results in Denver.

City workers, Edinger believed, weren't ready for further scrutiny and demands from management. In the past few years, the city had cut 680 positions

Instructor Brian Elms meets with economic development staff about expanding training sessions to more employees.

from its workforce, added furlough days and asked employees to contribute more to their pensions and health insurance. "Morale was very low," says Hancock, thinking back to the beginning of his term. "They needed something to feel like they could take control."

Edinger teamed up with Scotty Martin, the city's process improvement manager, to create the Peak Academy. To encourage participation among city employees, the team promised that no one would lose their jobs as a result of efficiencies they proposed through the academy. Employees' jobs might change, but not their employment status. That decision has been critical for getting government workers to embrace the program. "You go down the road of employee-led innovation," Edinger says, "you better make that guarantee."

For the curriculum, they borrowed heavily from the Lean business management model pioneered by Toyota. In car manufacturing, the Lean method involves a meticulous review of production lines in order to eliminate steps that a customer wouldn't consider important and wouldn't be willing to pay for. The goal is to save money and time without sacrificing quality.

The main local hospital, Denver Health, already used Lean management, so the city had a nearby example to follow. Because the city had a $94 million budget shortfall in Hancock's first year as mayor, whatever training materials the academy used had to be free. Although Edinger and Martin modified the Lean approach to suit the city's needs, the basic lesson plans and exercises were derived from free websites.

Any municipal employee can volunteer for training, either the shorter "green-belt" course or the more intensive "black-belt" course. The city pays employees their regular salary during the training and issues a certificate once they're finished. Afterward, graduates often host one-off improvement events within their home agencies, helping coworkers and supervisors find ways to fix backlogs and improve workflow.

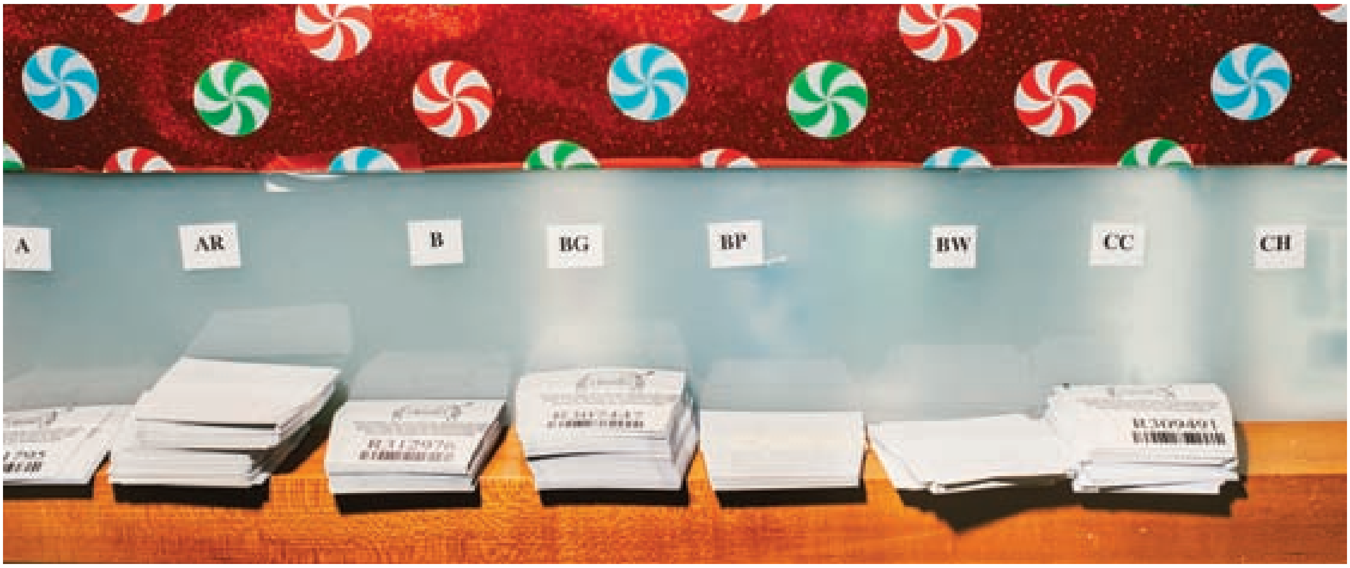
In the academy, trainees learn several ways to identify problems and propose solutions. One is a "value stream analysis," in which an employee strings together sticky notes for every step of a process, such as reviewing and approving parking permit applications. The final version of the analysis not only shows how much time it takes to complete the process, but which steps could be eliminated. Like many of the tools taught in the academy, a value stream analysis relies on graphics to help agency staff see and understand the problem.

When Animal Care Supervisor Morse proposed reducing the number of days the shelter holds animals, she used another Lean tool called an A3, which explains how things currently work, why something needs to change and what the ideal target state would be. The A3 is an example of how workers are learning to make logical, evidence-based arguments for reform. “There’s no secret to the sauce,” Elms says. “We wanted to teach a foundation where everyone could use the same language to attack a problem.”

Municipal governments have long had performance improvement systems in place, but rarely with front-line workers conducting evaluations of their own agencies and then suggesting changes. With citystat programs, an analyst from the mayor’s office applies pressure from outside the agency. Likewise, with a city audit, a team of independent analysts studies an agency and publishes a report with recommendations for improvement. “Even if they came up with the same solutions,” says Barry Hendges, a Peak Academy graduate from the human services department, “you wouldn’t have the same buy-in.”

As the Peak Academy scales up, it’s likely to face a few serious challenges, some of which have begun to emerge in its first two years. One is selection bias. The government workers who undergo the academy training are volunteers. While the academy has recorded impressive results, it’s not yet clear whether the early recruits were influenced by the program, or were people already brimming with reform ideas who merely needed a channel for communicating them.

Jerraud Coleman of the public works department, is using his academy training to streamline the application process for residential parking permits. His idea is meant to save time and avoid paper and printing costs for the city.



Alphabetized stacks of parking permits will be a thing of the past when Coleman's ideas are implemented.

The Peak Academy relies on low-tech innovations that start with front-line workers penning ideas on sticky notes and discussing workflow as a group.

If it's the latter, then there may be limitations to the academy's reach. What happens when somebody reluctantly enters training at a supervisor's direction, but has no real interest in taking on extra work once they've graduated? One recent graduate said she felt coerced by her manager to take the training and did not want to proceed with the innovations she presented at the end of the week. In such cases, the academy may have to formulate a plan to win over workers uninterested in change, or accept that it can only empower those who already want help.

Perhaps the biggest question for the future viability of the program involves its leadership. The academy owes its origins to a trio of dedicated managers who enjoy the mayor's full backing. With Edinger and Martin—who founded the academy but now monitor its progress from a distance—Elms trades book recommendations on leadership and management, looking for new sources of inspiration to guide their work, a habit that's rubbed off on the rest of the Peak Academy staff. "We're nerds," Elms says with pride. Graduates paste giant process maps on their office walls, admitting they now scrutinize their ordinary routines with efficiency-tinted goggles. "Almost everything you do is a process—getting dressed, making coffee," Elms says. "It really changes your entire life, not just your work life." Would the enthusiasm still be there without Elms' presence? That's an open question.

Mayor Hancock asserts that the academy isn't really an initiative that can die with his administration because it has already created a cultural shift in the workplace. "I don't see it as a program," Hancock says. "I see it as a value." Yet those who champion the training say the academy's success is linked with the mayor's support. Mid-level managers are willing to accept their employees' reform ideas in part because they're products of the mayor's initiative. When another mayor takes office, it's not clear that the program will survive.

Regardless of whether the Peak Academy achieves the scale and longevity that its founders seek, it has already extended beyond Denver city government. Within its first two years, the academy received about 30 requests for training slots from city and state agencies in Kansas, New York, Texas and 11 municipalities within Colorado. Ashley Hand, the chief innovation officer for Kansas City, Mo., underwent Denver's training and now wants to establish her own version of the Peak Academy. What appeals to Hand about the Denver model of innovation is its focus on people rather than tools. Cities such as Boston, New York and San Francisco have become national leaders in innovation, but their brand is more technologically focused. Denver is spending its money on giving its front-line workers new ways to solve problems. "Putting these skills in the hands of staff at all levels," Hand says, "that's extremely powerful." G

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THE CHATTER EFFECT

Even just talking about pension reforms can lead to earlier retirements.

FORMER LINN County, Ore., Sheriff Tim Mueller had eyed this summer as the end of his long career in public safety. Each annual budget crisis and round of layoffs had begun to wear him out, he says. Then, talks of pension reform in the state legislature escalated last year, and some of his colleagues decided it was time to leave. Not knowing how the eventual reforms would play out was enough to help convince Mueller, 52, to move up his retirement date to this past December. “There was some uncertainty about what’s coming next,” he says. “It was just the last little nudge that I needed.”

More than 9,500 other Oregon state employees also called it quits last year—a 44 percent increase from 2012—and opted to begin drawing checks from the Oregon Public Employee Retirement System (OPERS). Similar scenarios played out elsewhere in recent years as debates over pension reforms in state legislatures sparked a corresponding spike in public employee retirements.

A *Governing* review of data provided by a sample of retirement systems found that pension reforms contributed to significantly more workers filing retirement paperwork in at least six states: Georgia, Illinois, New Jersey, Ohio, Oregon and Wisconsin.

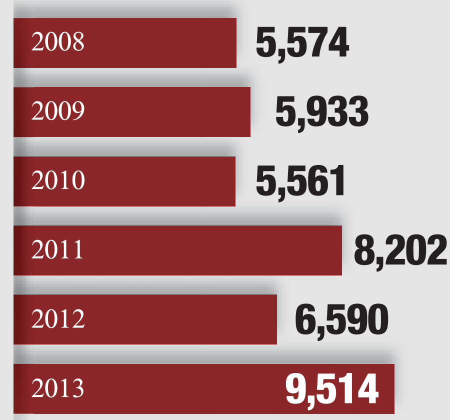
Part of the extent to which pension reforms caused public employees to head for the exits hinges on the nature of changes to plans. But in some states, retirements are more driven by the tone of the political rhetoric and cuts put on the table. When Wisconsin Gov. Scott Walker pushed through controversial changes to collective bargaining and pensions in 2011, retirements nearly doubled. The State Retirement Systems of Illinois similarly registered a 47 percent year-over-year surge in 2012 when legislators began talking pension cuts. In some other states, reforms had no noticeable effect.

In Oregon, the OPERS board made a change effectively trimming retirement benefits by roughly 2 percent for a portion of longtime state and local workers retiring after Dec. 1, providing them a clear incentive to leave before the cutoff date. To compound matters, the state legislature also passed its own changes, including reducing cost-of-living-adjustments for OPERS retirees. Although the bill does not yet affect active employees, many still opted to leave. “It’s more of an emotional response to what some people see as a continuing disrespect of public employees,” says Greg Hartman, an attorney representing Oregon’s public employee unions. OPERS reports that every year the legislature takes up the issue, it prompts an uptick in retirements.

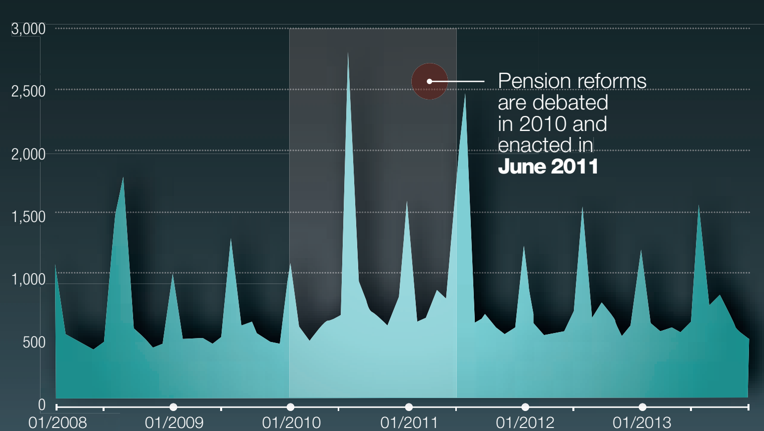
Legislation in recent years brought drastic reforms in some states, but only minor adjust-

OREGON RETIREES

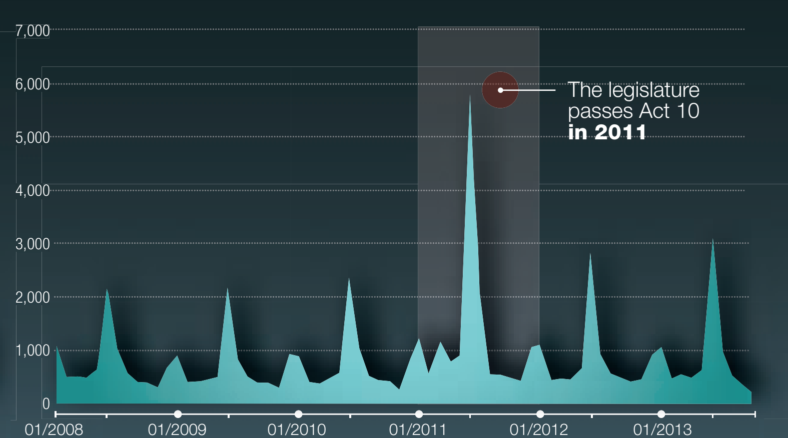
Annual retirements among OPERS members spiked with pension reforms.



NEW JERSEY PUBLIC EMPLOYEES’ RETIREMENT SYSTEM



WISCONSIN RETIREMENT SYSTEM



NOTE: Only a sample of retirement systems were examined for this analysis. Most systems record spikes in retirements around the end of fiscal or calendar years.

By Mike Maciag

ments in others. In 2012, 10 states overhauled systems with structural changes, such as replacing defined-benefit plans with hybrid or defined-contribution plans. Some states further raised employee contribution rates and cut benefits or cost-of-living-adjustments.

Several states examined that pursued pension reform did not record notable upticks in retirements, including Montana and New Mexico, which both passed legislation in 2013.

Governing surveyed readers in November and December to gauge the effects of pension reforms. Of the limited number of senior state and local officials who reported changes were implemented, 46 percent said they caused employees to consider retirement or look for new employment.

By and large, reforms either alter benefits or contribution rates for current employees regardless of when they retire, or make changes for newly hired workers. But it's clear that when lawmakers or pension boards set cutoff dates for current employees, retirements subsequently spike. The Employees' Retirement System of Georgia, for example, eliminated a tax offset, creating a benefits cut for members retiring after last June. According to state data, 2,060 members retired in the first half of the year before the change, up 52 percent from 2012.

Members of the State Teachers Retirements Systems of Ohio similarly avoided a five-year cost-of-living benefit adjustment freeze by retiring before August, instead incurring a one-year freeze. The system reported a small increase in retirements last fiscal year, which spokesman Nick Treneff attributed to the reforms passed in 2012 along with improving stock portfolios.

It's often not so much the reforms actually implemented that push employees to retire as it is the threat of benefit cuts that arise during political debate. Perhaps nowhere was this more evident than Wisconsin, which saw a sharp increase as workers occupied the state capitol to protest the 2011 Act 10 reform bill. "It was all driven by the politics and what employees were seeing and hearing," says Marty Beil, executive director of the Wisconsin State Employees Union. Matt Stohr, an administrator with the Wisconsin Department of Employee Trust Funds, says call volume nearly doubled after the legislation was introduced.

By the end of the year, about 15,600 workers—or 6 percent of active employees—had retired, compared to between 8,000 and 9,000 in a typical year. Some of those recent retirees, like Bob McLinn, who worked 27 years as a state corrections officer, say they accelerated their retirement because of Madison politics. "It pushed me over the edge," McLinn says. "I wanted to protect [my pension] from any takeaways that were being discussed at the time."

A similar story played out in Illinois, where debate in the legislature on how to tackle the state's dire pension woes began heating up in 2012. "Discussions around the legislature on pension reform were a driver for a lot of employees to make this decision to retire," says Ben Winick, director of policy and administration with the Governor's Office of Management and Budget. Retirements among state employees did not increase last year, which Winick attributed to the fact that many had already left in 2012 and a better understanding of the reforms as talks progressed.

The New Jersey Public Employees Retirement System similarly saw retirements jump by about 3,000 in 2010 and 2011. Chris Santarelli, a state treasury department spokesman, reports public discussion surrounding pension and health benefit changes eventually enacted in June 2011 may have played a role.

In New Jersey and other states, pension reforms occurred on top of demographic shifts that are already exerting pressure on retirement rates. Many systems project higher levels of retirements for years to come as baby boomers get set to exit the workforce. In Oregon, for example, a third of the state employees who participate in OPERS are eligible to retire.

Many boomers delayed retirement during the recession. When they heard talk of tinkering with their pensions, it's likely that many decided to not put it off any longer. **G**

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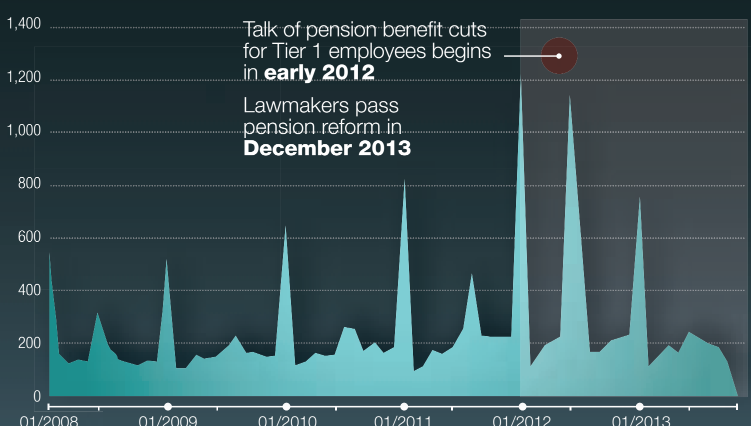
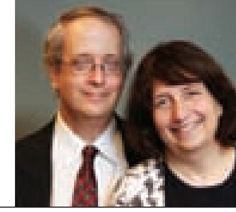
SOURCE: DATA OBTAINED FROM INDIVIDUAL STATE RETIREMENT SYSTEMS

STATE RETIREMENT SYSTEMS OF ILLINOIS



EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

By Katherine Barrett and Richard Greene



In and Out

The turnover rate among young state employees is rising, and that's a problem.

Marie Isaacson is the human resources director for Arizona. When she tells us it's very costly to bring a new employee on, she knows whereof she speaks. "There's the interview process, the training process, etc. So turnover is expensive. We've invested a lot in our employees."

That's just the beginning of the problems that states are increasingly facing as turnover rates among their employees seem to be creeping steadily upward. It's not just older workers heading for retirement. States are beginning to lose their younger workers as well.

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The overall upward movement in the turnover rate is one of the findings of the State Government Workforce Project (SGWP), an effort we're involved in with Professor Sally Selden of Lynchburg College, under the auspices of the National Association of State Personnel Executives. Some of the numbers from that study are indicative of what's happening all around the country. In Montana, the state employee turnover rate reached a low of just under 9 percent in 2009; it was up to 12.5 percent in 2012. In Georgia, turnover in fiscal 2013 was 17.9 percent; it had been 13.6 percent in fiscal 2009. And in Louisiana, voluntary turnover has been rising—from 12.8 percent in fiscal 2011 to 18.9 percent just two years later.

The turnover data may understate the problem. Poaching by departments isn't usually reflected in statewide turnover statistics, but has the same impact as when employees leave state employment altogether. "I've got a lot of good young people coming in the door," reports Sara Walker, director of the West Virginia Division of Personnel. "Just about the time they start to get really good, the other agencies steal them from me."

Of course, turnover affects some departments far more than others. Between November 2011 and November 2012, it was 30 percent in Montana's Office of the State Public Defender and only 8.5 percent in the Natural Resources and Conservation Department. Generally speaking, the areas of greatest turnover are in particularly tough, low-paid jobs in 24/7 facilities, such as behavioral health care and corrections.

Part of the turnover problem may be the improving economy. As the unemployment rate has been edging downward, the private sector has opportunities for people who might otherwise work for the states. The public sector is particularly vulnerable for a number of reasons, not least because many states can't keep up with the private sector in terms of pay. "One of the things that we're trying to grapple with now," says Sam Wilkins, director of the South Carolina Office of Human Resources, "is how we deal with a compensation system that has been thwarted by the Great Recession."

There's also a rather alarming morale issue in the states. Declines in benefits like pension plans and health care have hurt, and so have pay freezes or furloughs. Purposeful reductions in workforce frequently mean that one person is doing the job of two. That's not only wearing on employees, it also makes it harder for them to feel the heady rush of success. Four of five state HR representatives report that employee morale is worse than it was before the recession, according to preliminary SGWP data.

Of course, higher turnover has ramifications beyond the loss of the financial investment of hiring and training. Consider, for example, what happens when clients for social services wind up working with a succession of caseworkers over a five-year period. Each new state employee has to learn a household situation from scratch. What's more, according to a September report from the Nebraska Foster Care Review Office, "Worker instability decreases the likelihood of complete documentation of parental progress or lack thereof, which is important information that forms the evidence used by courts, [the Department of Health and

Human Services], and other stakeholders to determine case direction."

So, what's a state to do? Raising pay would be the obvious answer—but not a practical one in many cases. There are, however, other routes to cutting down on turnover, including:

- **Understanding why people are leaving their jobs.** Exit interviews can help, but they're often designed badly (if they exist at all). In Georgia, Deputy Commissioner of the Human Resources Administration Candy Sarvis says, "We don't know why our employees are leaving. About 50 percent of our terminations are simply designated as 'resigned.' Our goal is to do a deep dive into health care and corrections this year" to determine why employees are resigning.
- **Updating antiquated pay structures.** In New Mexico, for example, many people are hired at the mid-range of the salary scale for their position (a necessity with starting salaries 39 percent below market). But once someone is on board, there is much less room for salary advancement. The state's workforce report for the first quarter of fiscal 2014 says, "The outdated design and non-competitive pay and classification systems continue to impact the State's ability to attract and retain qualified [employees]." This is a problem the current administration is trying to fix.
- **Work on understanding individual jobs and the obstacles presented to the people who hold them.** The Texas Auditor's Office came up with some good recommendations for the state's Department of Family and Protective Services, including strengthening oversight of regional offices to help ensure that administrative processes don't unnecessarily increase caseworkers' workloads.

Turnover isn't an easy problem to address. But ignoring the trend can be perilous. It's like relaxing in a seaside house even as the weather reports show rising tides. G

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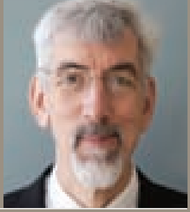

By Mark Funkhouser

Labor Relations and the Tool of Trust

For one town, dealing honestly with its unions paid off.

If there can be such a thing as a successful municipal bankruptcy, then the one that Central Falls, R.I., has gone through probably would qualify. The city filed for bankruptcy on Aug. 1, 2011. The bankruptcy ended a little over a year later, and this past April the city came out of receivership. Bankruptcy Judge Frank J. Bailey called the Central Falls process an example for the nation. And there are indeed lessons for public officials everywhere in the story of how three individuals designed and executed Central Falls' debt adjustment plan.

Gayle Corrigan, chief of staff for the city's receiver, Judge Robert Flanders, is a CPA with an MBA in accounting. Turnarounds are what Corrigan does, and she says she'd seen nothing as bad as Central Falls. No one knew how much money the city had or how much it owed. There were 54 different accounts, some of which had been forgotten. When Flanders sent her to ask the state for $2.6 million to pay immediate bills, a sweep of all the accounts revealed that the city actually had $3 million it had been unaware of.

Corrigan's strategy in dealing with the city's unions was to talk plainly, show them the numbers and get them involved in the solutions. And, she says, the biggest solutions came from Mike Andrews, the president of the firefighters' union local, and Joe Andriole, the business agent for the statewide fire union.

What was different with Corrigan, Andriole says, is that there was no ideology and she held no preconceptions about labor. The firefighters, who already had been through two rounds of concessionary bargaining, decided to come to the table yet again. "We gave back as much as we could on the economic side of the agreement," Andriole says.

Their suggestions, reductions in minimum staffing and consolidation of the dispatch function, produced substantial savings. And in listening to the unions, Corrigan learned that the city's three unions had nine different health plans. Standardizing the plans saved the city money and made the plans better for everybody.

Both Andriole and Andrews say that with Corrigan they felt that the numbers they were seeing and the answers they were getting were truthful—something Andrews says "we didn't see before." For example, the city's pension numbers had not been available to the union. Corrigan gave them the numbers promptly and in writing. And, Andriole says, if Corrigan found other money in the city's accounts, she put it on the table to take some of the sting out of the concessions the unions were making.

Andrews says his members lost a lot but that they accomplished their goals of protecting jobs and maintaining a contract framework. His union's vote to accept the agreement was unanimous.

So was the bankruptcy a success? The city could have been tied up in litigation for years, as has been the case with most other municipal bankruptcies, but because the union leaders trusted Corrigan, they chose to negotiate rather than litigate. The lessons for public managers are clear. Listen, don't be ideological, level with the unions, show them the numbers and enlist their support. In the end it's about the math, but it takes trust to make the math work. G

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By Steve Towns

Remaking Your Workforce

Agencies need to rethink how they attract IT talent.

The tech sector's recovery from the Great Recession is good news everywhere but within government IT departments. When the economy tanked, one of the few bright spots was a surge in the number of skilled technology workers applying for public-sector jobs. But with private companies hiring again, governments are struggling to compete for IT talent.

To make matters worse, a good chunk of the public-sector IT workforce is poised to leave. The sour economy delayed the long-predicted baby boomer retirement wave, but it's still coming. Many state and local IT departments will see a quarter to a third of their employees become eligible for retirement in the next few years—the ratio is as much as half in some places. Financial uncertainty that kept these workers on the job over the past few years is easing, and changes to pensions may help push them out the door (see "The Chatter Effect," page 58).

Once they're gone, they won't be easy to replace. Austin, Texas, CIO Stephen Elkins recently told *Government Technology* (*Governing's* sister publication) that it takes the city an average of 240 days to fill an open technology position. The story is similar in Boston, Nashville, Phoenix and San Antonio.

Luckily, agencies probably won't need to replace retirees one-to-one. Software and systems that used to be created and maintained by teams of government employees now can be purchased as a service from commercial vendors. State and local CIOs are certainly moving to these services where they can.

Still, IT departments need some level of in-house expertise, both to run systems they can't or won't outsource and to keep contractors honest. They'll also need to attract employees with new skill sets, such as data scientists to create insight from the mountains of information collected by public agencies and business analysts to figure out how technology can be used to make government programs work better.

Competing with private industry for these employees can be tough. Most agencies can't match private-sector pay, and governments can no longer depend on superior benefits packages as a recruiting tool. Generous pension and health-care packages are being retooled and vesting periods are being stretched to a decade or more—far longer than many young IT workers expect to spend at one job.

> "Public agencies can't match the cool factor of Silicon Valley tech giants. But you may be more interesting than you think."

In light of these realities, it is important to consider these questions as you remake your technology workforce:

Are you flexible? A growing number of jurisdictions have removed IT staff from the civil service system, giving agencies more leeway on pay and job classifications. Some CIOs contend that strict civil service employment rules simply are incompatible with modern IT staffing. The reality may not be quite so dramatic, but implementing merit-based employment certainly makes it easier to build the IT organization you need. Also, highly qualified IT professionals may not want to work full time. How friendly are your policies toward part-time or temporary workers? Do you allow telecommuting? Can your employees use their personal smartphones and other devices at work?

Are you interesting? Public agencies can't match the cool factor of Silicon Valley tech giants. But you may be more interesting than you think. Government IT departments tend to be involved in major state- or community-wide projects, offering employees on-the-job experience that may take years longer to acquire in the commercial sector. Don't be shy about publicizing major—and intriguing—initiatives. There may be a fair number of people who'll spend a few years at your agency to build their résumé—just don't expect them to spend a lifetime in government employment.

Are you connected? Some agencies are working closely with local colleges on internship programs that create a pipeline of new IT employees. Others are holding "hackathon" events that involve local software developers in solving government or community problems. These events can result in usable applications, but just as important, they can burnish your cool factor and introduce your agency to a creative and skilled group of potential employees. Another interesting tactic comes from the federal government. The Presidential Innovation Fellows program, launched in 2012, brings private-sector technologists to Washington, D.C., for six-month stints to work on government projects. Can you develop your own version?

How state and local IT agencies answer these questions could determine their success—especially as baby boomers leave the public workforce and new technology demands continue to pile up. G

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By Justin Marlowe

What's In Your CAFR?

It's time to use plain English to tell analysts about your finances.

DAVID KIDD

It's hard to see the bright side to the financial upheaval in Detroit and other distressed governments. But if there is one, it's that taxpayers, journalists and others are starting to pay attention to government financial statements. In a prescient comment, a group of accounting professors once said our model for government financial reporting is—with apologies to Kevin Costner—"if you build it, they will come." In this case the "it" is not a baseball stadium in a cornfield. It's a set of financial statements chock full of details about a government's financial inner workings. And the "they" is not baseball fans. It's people who actually read those statements. Thanks to Detroit and other distressed cities, the "they" are starting to arrive.

As new users come into the fold we're reminded that the defining feature of government financial reporting is complexity. A typical state or municipality's comprehensive annual financial report, or CAFR, is hundreds of pages long and different parts of it follow different accounting assumptions. Critics say this is because those that set accounting standards are too ambitious. Others say it's because government financial operations are enormously sophisticated, so reporting on those operations is inescapably complex.

When the Governmental Accounting Standards Board revamped the financial reporting model about 15 years ago, it gave governments a powerful tool to deal with that complexity: the Management's Discussion and Analysis, or the MD&A, which gives the government a chance to tell its financial story. It can use plain language to explain to readers the causes for trends in its revenues and spending, why its budgeted spending was more than its actual spending, why it chose to dip into its reserve funds, and other dimensions of its financial picture that might not be clear from the financial statements alone.

There are key disclosures that have added to the complexity of government financial statements, such as the value of infrastructure assets or the size of liabilities for pensions and retiree health care. We know that these have affected how financial statement users perceive a government's financial condition. However, we know little about how and when the MD&A affects those same perceptions. Fortunately, some recent research by Rebecca Bloch from Rutgers University sheds some light on these questions.

Bloch points out two key facts about the MD&A. First, many local governments don't invest much in it. Most MD&As follow the same basic format and report the same information each year. They rarely convey any context or explanations for the financial dynamics unique to a given fiscal year. Many governments apparently see the MD&A as a compliance exercise to be carried out with minimal time and effort. This is understandable, I suppose, given the time and effort it takes to compile the rest of the CAFR.

Second, and more important, a boilerplate MD&A can actually hurt a government's credibility. Bloch surveyed municipal credit analysts and found that not only do they read the MD&A, but they consider a boilerplate MD&A a potential sign of careless management. In their view, if a government doesn't take the time to explain itself, it must not care what the market thinks of it. In addition, jurisdictions with MD&As that explained financial trends tended to receive higher bond ratings. One analyst characterized this as, "If we think we know your full story, we tend to see you as less risky."

Our financial reporting model is more than capable of fully informing financial statement users. The key task for many local governments going forward is how to use that model to maximum effect. Better use of the MD&A is a big step in that direction. **G**

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Last Look

BENJAMIN RASMUSSEN

Day or night, it's hard to miss "Sun Spot." The 20-foot sculpture, made from 90,000 stainless steel pet tags, watches over the LEED-certified municipal animal shelter northwest of downtown Denver. During the day, the tags move in the breeze and catch the sun, and at night colored LED lighting causes the surface of the sculpture to twinkle. Commissioned by the Denver Public Art Program, local artists Laura Haddad and Tom Drugan formed the giant pooch's frame out of wire mesh. Sun Spot is an amalgam of many different breeds, in effect becoming "every dog." Installed in May 2011, the friendly silver giant is now a familiar sight, visible from the South Platte River biking trail and Interstate 25. **—Elizabeth Daigneau**

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