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The Effective Partisans

L

ast fall, in his first speech on the floor of the U.S. Senate—a
countered rant that was equal parts astonishing and in- 
spiring—Republican Ben Sasse of Nebraska blasted 
the political culture of the party with which he identi-
fi ed and its failure to engage in the pointlessness that has 
paralyzed Congress. “The people despise us all,” Sasse told his 
colleagues. With Congress’s approval rating running at about 9 
percent, that wasn’t much of an exaggeration.

Unfortunately, the disease in Washington is getting worse, and 
in recent years it has begun to infect state and local government. 
In this issue of Governing, as we do every January, we have out-
lined what we think are the most important issues states will face 
in the coming year. Given that these “issues to watch” are largely 
contested along partisan lines, it’s hard to be optimistic that we’ll 
see a lot of progress on them.

But in the areas where we do see progress, it will be through the 
practice of what I think of as “effective partisanship” by legis-
lative leaders. Partisanship itself isn’t the problem. Real leaders 
have to have strong principles and a clear, coherent political philo-

sophy. But they recognize that those on the other side of the aisle have 
those traits as well. They build cohesion among the folks on their 
side and bargain in good faith with the opposition.

I started thinking about this when we chose Kentucky Republican Senate President Robert Stivers as a 2015 Governing Public Official of the Year. 
Lawmakers in Kentucky—with a Republican Senate, a Democratic 
House and a Democratic governor—accomplished a lot in the past 
couple years, producing legislation dealing with issues such as job 
training, the heroin epidemic and gasoline taxes. That was due in 
large part to Stivers, who was instrumental in forging legislative 
compromises.

Another effective partisan is Democrat Mike Gronstal, Iowa’s 
Senate majority leader, who is profi led by Alan Greenblatt in 
this issue. Over his long career as a legislative leader, Gronstal has kept 
his caucus together while dealing with Republicans in ways that, 
in the words of a former Republican House speaker, enabled the 
legislature to fi nd “a way to get things done.”

In short, what we need is partisanship without polarization. 
As Sasse of Nebraska put it in his speech, “We do not need more 
compromising of principles. We need clearer articulation and 
understanding of competing principles so that we can actually 
make things work better.” A Congress—or a state legislature—that 
actually works will not be despised by its citizens.
The things you care about are the things we care about too.

One billion dollars for education by the end of 2015 achieved. Four million dollars to communities every week. Over one million volunteer hours annually. 100% sustainable and traceable seafood by the end of 2015. And that’s just the beginning of the good you help us do every day. Learn more at target.com/corporateresponsibility

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Making Room in the City

In the November feature “No Room in the City,” Mike Maciag compiled data that showed how in many cities families are being priced out of homes large enough to accommodate them. In these cities, discussions have begun about how to address the issue. One reader wrote in to suggest a solution.

Most of the areas with high housing costs are places where people want to live, where the economy is relatively good and where there are good services. What seems to be happening is the housing market, as usual, does not provide housing for lower-income people and families. There needs to be a range of incentives and mandates to build workforce housing. Otherwise, many of the more desirable cities will lose much of their lower-income workforce and diversity. It would be interesting to see what programs are most successful in fostering workforce housing.

—Ben Sahn on Governing.com

Paying to Teach Drivers

In his November Observer article “States Are Putting the Brakes on Driver’s Ed,” Alan Greenblatt wrote about decisions in several states to defund driver’s education programs. Lawmakers in these states have grown skeptical that such programs are effectively converting “adolescents into safer, more capable drivers.” Several readers wondered if it was more an issue of money than effectiveness.

How can not learning about the laws that govern traffic flow on the road make you a safer driver? Just because teens kill themselves and others with cars doesn’t mean they didn’t use their turn signal before they did it. This is just unseemly deconstructionism, channeling more money into golf courses rather than schools.

—Mark Rondanrant on Governing.com

I applaud you for bringing something so tragic to the public’s attention. I have been the executive director of a road safety foundation located in Florida for almost 12 years and we have seen so many states discontinue this life-saving program. We are now expanding outside of Florida and would like to share some solutions to the funding crisis, particularly how the Dori Slosberg Driver Education Safety Act in Florida has kept driver education free for students across the state.

—Jara Applebaum, Executive Director, The Dori Slosberg Foundation

I’d be interested to see how many teen accidents and/or deaths are related to texting and driving. I suspect it’s a much greater correlation than the demise of driver’s ed.

—ChappyPants on Governing.com

Identifying Winners and Losers

Senior Editor Alan Ehrenhalt wrote in his November Assessments column “Winners and Loser Economics” that “most public policy decisions are best described as transfers of wealth or other forms of value from one party to another. Somebody wins and somebody loses. Most of the time, it’s misleading to talk in terms of ‘costs’ or ‘savings.” His column prompted a lot of discussion.

While there is some merit in Ehrenhalt’s central argument, no one should let it discredit the hard work done by many in government over decades to improve performance in ways that really do improve results at less cost, or raise public revenue without increasing taxes or fees. I guess one can go case-by-case to find “winners” and “losers” in each situation. But very often, there really have not been losers, particularly if the transition to new ways of doing business is well managed and is done cooperatively among stakeholders.

—Paul Epstein on Governing.com

I agree that “win-win” and, to a lesser extent, “lose-lose” are rhetorical tools that largely serve to couch policy choices in a more comfortable framework. But my reading of the opinion piece suggested an implied repetition of the “it’s not the government’s job to pick winners and losers” meme. That, however, is precisely why the government is there—to pick winners and losers. It’s the basic reason why we want government. Government is the method of determining how social, economic and natural resources are distributed. It determines not only who the winners and losers are, but also the kinds of wins and the kinds of losses they enjoy and suffer. Even the naïve vision of government as only a defender of private property, and nothing more, is a way of picking winners and losers.

—OldTime50 on Governing.com

Back in the 1970s, my mentor Kenneth Boulding was trying to get a law created that economic and budget matters would have to include an economic distribution report to identify relative winners and losers. We modeled it after the then-new idea of environmental impact statements, only focused on showing the economic impacts. We could not get politicians of any brand to want this kind of transparency. They wanted to keep doing their deals in the dark, and still do.

—Ed Puell on Governing.com
Over the last year, governing bodies around the U.S., regardless of size or scope, felt the same pressures: how to improve communities while facing declining revenues. Lisa Brown and Charles McGinnis, Johnson Controls local and state government experts respectively, share the progress cities and states have made to become more energy efficient and operationally effective in 2015.

**ENERGY EFFICIENCY ENCOURAGES GROWTH**

Whether making upgrades to airports, state correctional facilities or schools, the decision to address energy efficiency is no longer an optional, feel-good choice to bolster sustainability goals. Instead, energy efficiency is critical to conserving energy, saving money, preserving jobs and reinvesting in growth opportunities.

Energy savings pay for facility improvements at local level

*Local governments manage diverse assets — from city halls and fire/police stations to parks, water treatment plants and schools,* says Brown. *Meanwhile, they oversee transportation, energy efficiency, security, water conservation and infrastructure upgrades while competing to attract and retain business and residents. Investments in energy efficiency typically pay off quickly by driving growth and contributing to thriving communities.* Brown points to Louisville, Kentucky, as an example. A plan that includes nearly $36 million in energy-efficient upgrades in municipal buildings is expected to produce $2.7 million in annual energy savings, reduced water use, annual reductions of CO2 emissions totaling 19,900 metric tons while creating approximately 400 new jobs. Under an energy savings performance contract, facility improvements are paid for up front by Johnson Controls and guaranteed to generate enough savings to pay for themselves over time. *In the meantime, Louisville is improving the quality of life for residents and making good on its promise to decrease the city’s per capita energy use by 25 percent and energy use in city-owned buildings by 30 percent.*

State governments benefit from performance contracts

*Local governments manage diverse assets — from city halls and fire/police stations to parks, water treatment plants and schools,* says Brown. *Meanwhile, they oversee transportation, energy efficiency, security, water conservation and infrastructure upgrades while competing to attract and retain business and residents. Investments in energy efficiency typically pay off quickly by driving growth and contributing to thriving communities.* Brown points to Louisville, Kentucky, as an example. A plan that includes nearly $36 million in energy-efficient upgrades in municipal buildings is expected to produce $2.7 million in annual energy savings, reduced water use, annual reductions of CO2 emissions totaling 19,900 metric tons while creating approximately 400 new jobs. Under an energy savings performance contract, facility improvements are paid for up front by Johnson Controls and guaranteed to generate enough savings to pay for themselves over time. *In the meantime, Louisville is improving the quality of life for residents and making good on its promise to decrease the city’s per capita energy use by 25 percent and energy use in city-owned buildings by 30 percent.*
Introducing the second class of Governing Institute’s Women in Government Leadership Program.

Meet the 2016 Honorees in the February issue of Governing

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Thank you to our founding members:
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Unisys

Thank you to our newest member:
Comcast

Not pictured: Amy Murray (Cincinnati, OH)
Did Jail Reforms Cause an Uptick in Crime?

IT’S BEEN MORE than a year since California voters overwhelmingly decided to scale back penalties for several common crimes through Proposition 47. But debate over the new law has only grown more heated.

The biggest controversy is whether Proposition 47 caused a crime wave in California. Opponents say the law’s sweeping changes—including making misdemeanors out of crimes that were once felonies, including drug possession, theft and kiting checks—have made it much harder for police and prosecutors to go after repeat offenders.

“Reformers say everyone needs a second chance, but the tragedy is that public safety has suffered as crime rates have soared,” Marc Debbaudt, the president of the Association of Deputy District Attorneys, wrote in an op-ed for the Los Angeles Times. “Residents have become victims under the guise of reforming punishment for so-called victimless drug offenses.”

Proposition 47 proponents question whether the surge in crime is really as widespread as their adversaries say, and they dispute the notion that Proposition 47 is responsible for the upticks that communities are seeing. Preliminary data show, for example, increases in both violent crime and property crime in the last year in the area served by the Los Angeles County Sheriff’s Department.

But the San Diego County Sheriff’s Department reported lower crime rates at the same time. Reports of higher crime rates are hardly unique to California. Baltimore, Milwaukee, New Orleans, St. Louis and Washington, D.C., for example, all grappled with more murders in the last year but none of those places had seen any criminal law changes akin to Proposition 47.

In fact, Proposition 47 is the latest of many steps California has taken to reduce its jail and prison populations—the state is, after all, under a federal court order to end overcrowding in its prisons. The American Civil Liberties Union of California notes that the decrease in California inmates was bigger in 2000 and in 2010 than it was in 2015. “Proposition 47 is the latest focus of the sky-is-falling rhetoric of an impending crime wave,” the group wrote in a November report. “The fact is that it’s way too early to assess 2015 crime rates in California at all, let alone potential causes.”

What is clear, though, is that Proposition 47 made big changes—and fast—to the criminal justice system. Everyone from ex-cons to sheriffs to mental health providers is still getting adjusted to the new reality. The law does seem to make it more difficult to crack down on repeat offenders, because they’re released more frequently and will never serve more than a year in jail as long as they keep committing the same crime. The new measure reduces the number of prisoners who must submit DNA samples to the state: California only collects genetic information from felony suspects, not offenders accused of committing misdemeanors. The downgrades also make it easier for unauthorized immigrants who commit crimes to escape deportation.

Another huge worry is that inmates are starting to shun drug courts. In Los Angeles County, for example, enrollment is down by 60 percent. Why would inmates undergo a treatment program that can last two years, when their maximum jail sentence for drug possession is six months?

But part of the promise of Proposition 47 is that California will better spend the money it’s saving from housing fewer inmates—the state’s prison population declined by 7,700 inmates in its first nine months. State officials will calculate their savings next year, and direct any money toward mental health, anti-truancy efforts, victim services and drug abuse treatment.

In other words, it will take a long time before Proposition 47’s full impact can be felt. But don’t expect advocates on either side to give up the fight in the meantime.

—Daniel C. Vock

January 2016 | GOVERNING
MOST CALLS to a fire department these days aren’t for fires; they’re for medical emergencies. Nationwide, about 80 percent of calls are health-related. That gave officials in Alameda County, Calif., an idea: Why not bring health care to the firehouse?

In November, the nation’s first combination health clinic and fire station opened up. But the Firehouse Clinic isn’t an urgent care unit and Alameda County firefighters aren’t working it. Rather, it offers a range of basic primary care services, from blood pressure checks and immunizations to wound care. The ultimate goal of the Firehouse Clinic instead is data-sharing, according to David Vilet, chief executive officer of the Tiburcio Vasquez Health Center, which oversees the clinic.

Fire departments often have valuable information about a city’s sickest residents, says Vilet, but rarely have the opportunity to share that information with medical providers. “We want firefighters to go up to our health workers and say, ‘Ms. Rodriguez called 911 for the fourth time this month because of her diabetes issues. Can we assign her to a case-worker?’” Vilet says, noting that placing the frequent 911 users in better care could make for a healthier population.

When states first began to implement the Affordable Care Act two years ago, much of the conversation was about coverage. Today, it has shifted toward quality of care. More people are insured than ever before, but they aren’t necessarily healthier.

There are a variety of reasons for this. People with low incomes are less likely to have jobs that offer sick leave, making it hard to get to a doctor’s office. In addition, primary care doctors can have weeks-long wait times, forcing people to turn to 911 when they need a doctor immediately. “Once we can identify the most frequent 911 users,” Vilet says, “then we can put that person in a managed care situation to make sure they are getting health care that fits their needs.”

The Firehouse Clinic’s dual fire station and health center is certainly new, but the idea of combining community health clinics with other city services isn’t. Last month, St. Louis County, Mo., announced that it was looking into the possibility of building health clinics at transit stops. Chapel Hill, N.C., co-located a community health clinic and homeless shelter earlier this year. And Laurens County, S.C., merged its community health clinic with the county emergency department in August.

Combining health centers with other services will likely become more common in underserved areas, says Amy Simmons, communications director for the National Association of Community Health Centers. “In order to have a truly healthy population you need to have health insurance, but you also need timely access to care,” she says. “Now that more people have health insurance than ever before, we’re seeing real innovation in terms of illness prevention.”

Vilet is already looking at expanding the Firehouse Clinic’s hours to accommodate weekend visits. There is also the potential to open up more combination fire station and health clinics in the area in the coming years. “For people who have no real access to care,” he says, “these sorts of community partnerships are the answer to that.”

—Mattie Quinn

GET YOUR HEAD OUT OF YOUR APPS.

—Phrase displayed on electronic highway signs in Utah. The state Department of Transportation changes the safety messages, which often use humor and puns, every week.

SOURCE: UTAH DEPARTMENT OF TRANSPORTATION
When Grants Go Bust

SIX YEARS AGO, school officials in Hillsborough County, Fla., celebrated the news that they had won a seven-year, $100 million grant from the Bill & Melinda Gates Foundation. The money was designed to improve teacher quality through evaluations and performance bonuses. “We are in a position to create a model for the nation,” Mary-Ellen Elia, the county’s superintendent of public schools, said at the time.

This past October, however, the district announced it would do away with its expensive teacher evaluation system, which had led to high cost overruns and produced decidedly mixed results. An investigation by the Tampa Bay Times found that $23 million went to consultants, and much of the money that did go to teachers went to suburban classrooms, not high-need city schools. Student performance wasn’t a resounding success either: The county’s high school graduation rates were still lower than in other large school districts in the state. Meanwhile, the district’s budget problems—it had to raise its own $100 million to match the Gates grant—have created a rift in the historically cordial relationship between the school district and its teacher union. (Elia was fired as superintendent early last year.)

Hillsborough County is not alone in experiencing the roller coaster that is philanthropic giving to public schools. A recent book by longtime Washington Post reporter Dale Russakoff, “The Prize,” details a similar breakdown in Newark, N.J., where Gov. Chris Christie and then-Mayor Cory Booker appeared on “The Oprah Winfrey Show” to accept $100 million from Facebook founder Mark Zuckerberg, again to overhaul public education. As in Tampa, the Newark grant has not achieved anything like the turnaround that school officials had hoped for.

Gates and Zuckerberg are among a fleet of philanthropists who have partnered with state and local government to achieve specific policy goals—everything from reducing prisoner recidivism to improving literacy among young children to revitalizing blighted neighborhoods. But education initiatives tend to draw the most scrutiny. “It’s a more contentious policy,” says James Ferris, director of the Center on Philanthropy and Public Policy at the University of Southern California.

Public education has a long tradition of being one of the purest forms of local government. “When you have private actors looking to shape it, there’s a big reaction against that.”

Local jurisdictions usually cheer the arrival of this outside funding. But places like Hillsborough County and Newark serve as reminders that philanthropic cash isn’t free money. These projects can be both financially and politically expensive for government. And some say they fail to address the most entrenched problems surrounding education. That kind of criticism goes back more than a century. After the Civil War, George Peabody’s philanthropic cash was to boost the Southern economy through better schooling. The fund offered matching donations that pressured local school districts to open public schools for black students, improve teacher training and establish standard student-teacher ratios.

The Peabody Fund and other similar foundations in the late 19th and early 20th centuries eventually concluded that many of their reforms hadn’t addressed an important barrier to student achievement: segregation. Today, critics say education reform efforts to improve teacher quality miss a similar root cause: the student gap in wealth and economic opportunity. “The premise that teachers are the problem,” wrote John Romano, a columnist for the Tampa Bay Times, “ignores the reality that poverty is the most reliable indicator of a student’s performance.”

—J.B. Wogan

THE BREAKDOWN

17

Number of days that Alan Baker served as mayor of Nenana, Alaska. Baker took office Oct. 12 and submitted his resignation letter Oct. 29, saying the city’s government is a mess.

10%

Increase in marijuana arrests in New Jersey in 2012 and 2013, according to newly released crime data from state police. Bucking a nationwide trend toward fewer arrests for possessing small amounts of pot, New Jersey’s marijuana arrests in 2013 were the highest they’d been in 20 years.

27

Number of South Dakota voters who used a new electronic voting system that was created to help military personnel vote. The program cost $668,000 to develop.

87%

Portion of state legislative bodies that have become more Republican since Obama became president.
WHAT COULD BE MORE FUN than urban planning? Maybe a game that teaches planning concepts.

It’s called Cards Against Urbanity, and it allows a group of people to compete to supply the best answer—sometimes funny, often a little dirty—to planning questions posed by a player who acts as “mayor.” Created by a group of planners in the Washington, D.C., area, it’s a sanctioned variation of the extremely popular Cards Against Humanity, the politically incorrect fill-in-the-blank game with questions and answers that can skew naughty (to put it mildly). “There’s certainly something about an off-color card game that gets people going,” says Lisa Nisenson, founder of a startup called GreaterPlaces and one of the game’s originators. “It’s so much different than a planner standing at the head of the room with a PowerPoint.”

For that reason, the game was on every planner’s wish list this past Christmas. Firms are finding it’s a quick way to get interns up to speed on central ideas and terminology. More important, it’s proven useful as a way to get the various players involved in potential projects—not just planners and architects but also engineers, city council members and the like—to start speaking the same language. “It may open up some lines of communication that need to happen,” says Kristen Jeffers, who works on transit and other urbanism issues in Kansas City, Mo. “You can get some community engagement with it.”

Most of the cards cover general building and placemaking concepts, but each deck comes with some blanks that can be tailored to address issues in a particular area. This past November, a planning and design nonprofit in Richmond, Va., held an event built around cards featuring questions about local streets and sites. Addressing specific topics through humor helped foster understanding of places and projects, as well as the conflicts that can ensnare them. The game is all about breaking down barriers, Nisenson says, offering an informal way to bust the jargony silos that separate, say, the transportation folks from those concerned about schools. Having discovered that game playing can help demystify problems in areas such as zoning, Nisenson and her partners this month are launching a second Kickstarter campaign to fund a new project that intends to focus more on design solutions, which will also be adapted for an iPad app to make discussions portable. She hopes to encourage more localities to customize their own materials. “Planners and architects can go in front of clients and start to get a better handle on what people want from a project,” Nisenson says.

—Alan Greenblatt
Q&A: New Solutions Help Retirement Agencies Adapt to Industry Change

For decades, the retirement process has been relatively smooth and predictable. But now, a surge in Baby Boomer retirements and constant legislative change make “business as usual” difficult for retirement agencies and public sector employees. Amy Timmons, retirement practice lead at Hewlett Packard Enterprise (HPE), explains how HPE’s integrated solutions help public retirement agencies remain nimble to successfully navigate the increase in Baby Boomer retirements, avoid expensive legacy system replacement and increase efficiency by enabling constituents to serve themselves online.

1. How do HPE’s retirement solutions echo the trend toward digital government?

Amy Timmons: It’s a digital age, and the current trends are self-service and mobile applications — moving more processes online. As everyone has become more comfortable with digital signatures and information, retirement agencies are following suit. For example, people can now submit a scanned birth certificate instead of mailing in a certified copy. The financial industry, Social Security, insurance companies, unions and corporations let people securely make investments and submit information electronically. These practices have influenced the public sector.

HPE is aware of these trends, and our solutions for public retirement, such as our Clarety Solution™, leverage technologies such as business rules engines, e-signature and workflow automation to streamline the retirement process. Additionally, mobile applications empower retirees to access the status of their retirement application and reduces time-consuming calls to agencies.

2. How do these solutions streamline the retirement application process?

Amy Timmons: The traditional retirement process is paper intensive with significant back and forth between members and retirement agencies. HPE’s retirement solutions allow members to self-serve online. They can click on a button to say, “I want to retire,” and the system will walk them through the steps and pull information, such as work history and salary data, from which benefits are calculated. They can then select a beneficiary, choose tax deductions, enroll in health insurance and set up the bank account where checks will be deposited. These solutions help automate the application process and reduce the time it takes from weeks to minutes.

3. How do HPE’s retirement solutions help agencies leverage their investments in legacy infrastructure?

Amy Timmons: Agencies are looking to spend every dollar as efficiently as possible. One thing that differentiates the HPE Clarety Solution™ from others is that we take a hybrid or “best of breed” approach. We look to leverage the money agencies have already spent on upgrades so they can maximize their investments. With all of our solutions, agencies can modernize a piece of their legacy system — say the workflow or contact management application — and then simply reconnect it to existing modules. This approach positions an agency to change different pieces without spending millions of dollars dismantling and replacing everything. Saving taxpayer dollars allows agencies to spend funds on enhancing programs and delivering optimum service to constituents instead.

4. How are HPE solutions helping public retirement agencies cope with the increase in Baby Boomer retirements?

Amy Timmons: Retirement agencies must process benefits for those extra retirees, and manage and enroll the new hires — their replacements. With limited staff it can be overwhelming, but our customers haven’t had to increase personnel because HPE public retirement solutions allow them to handle more cases without a lot of manual intervention. These solutions modernize and automate applications — providing scalable integration to boost operational efficiency and employee productivity. They also save time and effort because they’re intuitive, and don’t require a complex training process. They’re making it easier to transition people in and out of the workforce.

Our solutions also help agencies swiftly implement new business rules and benefit calculations, processing changes immediately so they can comply with constantly changing legislation and regulations. This allows retirement agencies to stay true to their core mission — delivering timely benefits to their members.

To learn more, visit: www.hpe.com
Urbanophobia
Some conservatives continue to fight transit initiatives.

Agenda 21 isn’t getting the attention it once did. Five years ago, the much-criticized United Nations environmental manifest was all over TV news and conservative talk shows, denounced by Glenn Beck and others as a sinister globalist threat to American sovereignty and liberty.

That debate has more or less quieted down. But the opponents of Agenda 21 haven’t gone away; they have merely spread out, into the politics of cities and counties planning for the future. They aren’t winning everywhere, but they have acquired access to funding and a collection of allies that makes it wise to pay attention to them.

In many cases, they are avoiding some of their most incendiary rhetoric of a few years ago—they are “shape-shifting,” in the words of Karen Tra penberg Frick, a scholar at the University of California, Berkeley, who has studied the movement. The campaign has become subtler in its approach. But it is making its presence felt almost everywhere public arguments are taking place over urban design and public transportation.

If you are at all familiar with the Agenda 21 controversy, you probably will find this a little strange. The document, approved at a U.N. conference in Brazil in 1992, is devoted almost entirely to global poverty, pollution and the need to conserve natural resources. It scarcely says anything about transportation or urban design.

Reading through Agenda 21’s turgid pages, it’s hard to find much that would frighten most people. I came across only two passages that looked like possible candidates for serious urban controversy. One was a recommendation that governments develop “efficient, cost-effective, less polluting and safer rural and urban mass transit.” The other talks about “reducing the need for motor vehicles by favoring high-occupancy public transport.” This is the sort of innocent language that mayors in American cities use every day. And in any case, Agenda 21 is purely voluntary. Governments are free to ignore it, and for the most part, they have been doing so for more than two decades.

But to a sizable number of conservative activists, this seemingly innocuous text is merely coding for a scheme to change the very form of urban existence by imposing “smart growth” master plans, “visioning” and a whole range of freedom-destroying collectivist experiments. Beck’s 2012 novel, itself titled Agenda 21, paints a picture of future dystopian cities whose residents are stripped of their individuality by being confined to “ubiquitous concrete living spaces.” Last year, a writer for the Washington, D.C.-based Selous Foundation warned that the “stated goal” of Agenda 21 is “to change people’s behavior through restrictions in land use, herding people into dense inner-city housing, and restricting mobility to force Americans out of their cars and into government-controlled mass transit systems.”

A couple of years ago, an online newsletter called Ecologie told its readers flatly that “smart growth is Agenda 21.” Conspiracy theories have existed in the United States since the country was founded, and most of them have faded away without doing a great deal of damage. The “AgEnders,” as the Agenda 21 opponents often call themselves, are likely to meet the same fate eventually. But there are a couple of reasons why they have managed to stick around as long as they have.

The most important reason has to do with the relationships formed between AgEnders and other well-financed anti-transit opponents at the national level. The most important anti-21 activist is Tom DeWeese of Warrenton, Va., whose organization, the American Policy Center, has been fighting Agenda 21 almost since its passage in 1992. DeWeese wrote recently that the international policies of the document “go directly into local communities, disguised as innocent-sounding development projects or historic preservation—drastically changing our way of life.”

Disciples of DeWeese have been involved in several anti-transit campaigns in the past few years, thanks in large part to their alliance with Americans for Prosperity, the conservative group founded by the oil-billionaire Koch brothers. Americans for Prosperity has formed branches in many of the cities that have voted on major transit projects, and it can bring in a virtual repertory company of speakers to inveigh against these projects.

This coalition was active in Georgia in 2012, when voters in metropolitan Atlanta turned down a sales tax increase for transportation that had the support of virtually all local elected officials and business leaders. It was at center stage the same year in Alabama, where the legislature passed a resolution prohibiting any government involvement with or participation in Agenda 21. It achieved mixed results in 2014 in Indiana, failing to block a bill in the legislature that allowed a transit referendum in Indianapolis but amending the bill in a way that prevented the city from spending money on a light rail system.

But the biggest victory for the anti-transit forces was the one that took place early last year in Nashville. Mayor Karl Dean and his administration were promoting a new streetcar that would run between gentrifying East Nashville and wealthy West End. The city’s business community was firmly behind the project, as was the influential leadership of Vanderbilt University. The
federal government was poised to kick in $75 million. Final approval seemed to be just a formality.

Then Americans for Prosperity, recognizing that it couldn’t stop the streetcar at the city level, began working the state capi-
tal. Tennessee’s Republican-controlled legislature had already passed a resolution denouncing Agenda 21 as “a comprehen-
sive plan of extreme environmentalism, social engineering and global political control.” Persuading the same lawmak-
ers that the Nashville streetcar was part of the global urbanist cabal didn’t prove very difficult. Both the Senate and House passed bills giving the legislature control over adoption of the system. That effec-
tively made the Nashville project impos-
sible to execute. The city had to tell the Obama administration that it wouldn’t be taking the money.

It would be a stretch to claim that the AgEnders and Americans for Prosperity were the only problem the streetcar proj-
et had. There was considerable local sen-
timent against it on the grounds that, for all the expense, it wouldn’t do anything to relieve downtown traffic congestion. Even the project’s backers acknowledged that the Dean administration hadn’t done a very effective job of mobilizing sup-
port for it. Nevertheless, the killing of the Nashville streetcar—using a strategy of persuading the state to nullify a local decision—was a crucial moment in the continuing ideological war over mass transit in American cities. Since then, anti-transit forces have thrown their support behind a variety of local efforts. They are fighting against a bus rapid transit system in downtown Albuquerque, a project for which backers have sought $40 million in federal funds. They also have generated sufficient oppo-
sition to a proposed streetcar system in Milwaukee to make it a decisive issue in that city’s upcoming mayoral campaign.

Not all of these ventures have focused on Agenda 21; some of them have stuck to local arguments and opposed transit funding strictly on fiscal and libertar-
ian grounds. But it seems fair to say that wherever a significant transit or urban planning challenge is launched, the theo-
ries of the AgEnders are never entirely absent from the discussion.

That was the case this November in Utah, where the anti-transit movement won another notable victory: Proposition 1, a sales tax increase aimed at paying for transportation improvements in 17 coun-
ties surrounding metropolitan Salt Lake City, narrowly failed in the most impor-
tant jurisdiction, Salt Lake County, where the city is located. This was a case where proponents of the tax, including virtually the entire metro-area business leadership, vastly outspent the opponents, who were directed in a low-budget campaign by the Utah branch of Americans for Prosperity. The opposition hammered away at the argument that 40 percent of the revenue generated by the tax increase would go to transit rather than roads, and this ulti-
mately proved decisive.

Agenda 21 didn’t figure in the pub-
lisc discussion in Utah, but the Tea Party saw Agenda 21 as relevant to the entire debate over the area’s future. A visit to the website No Agenda 21 yielded denuncia-
tions of the U.N. initiative and criticism of Proposition 1 in almost equal measure. One of the Tea Party targets was Envision Utah, the long-range planning body that has won national recognition for its con-
sensus-based approach to difficult issues. Some of the Tea Partiers appear to have zeroed in on Envision Utah as a target for their resentments.

But the vote on Utah’s Proposition 1 wasn’t the only major transportation decision on Election Day. While Salt Lake City voters were showing their transit skepticism, those in Seattle were making an opposite choice: endorsing their own Proposition 1, a $930 million spending package designed to improve the city’s transit system and devote more resources to street maintenance and pedestrian and cyclist safety. Neither Americans for Pros-
perity nor the AgEnders were very visible in Seattle; they may have considered it a lost cause. The transportation package, backed by Mayor Ed Murray and a diverse array of major corporations, passed with more than 59 percent of the vote.

The lesson from all these recent skirmishes seems to be that the anti-transit coalition can be a potent force in a com-

munity where a significant cadre of opposition already exists, based on spec-
cific local grievances. Then Americans for Prosperity can come in and stir up the critics, Tea Party activists can work the grassroots and the AgEnders can rally their troops with frightening visions of urbanist apocalypse. Where those pre-
conditions don’t exist, there aren’t going to be many startling defeats for mass tran-
sit and urban planning.

But there are going to be some sur-
prises: The next one will most likely be in a place where you didn’t see it coming.
In the wake of bankruptcy, there is a renewed sense of possibility in Detroit.

It came as a surprise to me, but Detroit and New Orleans are similar in some interesting ways. Both were founded by French settlers in the early 18th century. On the site of modern-day Detroit, explorer Antoine de la Mothe Cadillac in 1701 established Fort Ponchartrain, named for the secretary of the French navy; a decade later, Cadillac decamped south to become governor of Louisiana, where the large lake on New Orleans’ north side was also named for Ponchartrain.

Both are port cities, though the combined ports of New Orleans and South Louisiana form one of the largest port systems in the world, dwarfing Detroit’s. They both identify strongly with their musical history—jazz and blues in one case, and Motown in the other. And both have experienced catastrophic disasters—one natural, the other economic. Now they have something else in common: Their prospects for survival can teach us about the resiliency of cities elsewhere.

Detroit’s decline, of course, played out over decades, as the auto industry faded and white middle-class residents fled to the suburbs. In the end, the Great Recession was too much to bear, resulting in the largest municipal bankruptcy in America’s history. The post-Katrina flood in New Orleans a decade ago made its own history as the nation’s worst-ever natural disaster.

The role of the federal government in these two calamities strikes a powerful note of contrast. The feds played a significant role in New Orleans. It was federally built levees that failed in Hurricane Katrina, leaving 80 percent of the city underwater. It was the federal government that proved hopelessly inept in the days following the storm, which killed 1,800 people and left tens of thousands homeless. President George W. Bush will be forever remembered for one of the signature remarks of his presidency: “Brownie,” he said to Michael Brown, his Federal Emergency Management Director, “you’re doing a heckuva job.” Shortly afterward, “Brownie” was fired.

In the end, the feds chipped in $126 billion to clean up Katrina’s mess throughout the Gulf of Mexico, with $76 billion going to Louisiana. That’s the single greatest contrast: No one expected a massive federal bailout for Detroit, and there was none. Recent federal aid to the city has been comparatively modest—around $350 million.

Instead, the foundation for an eventual recovery in Detroit is coming from a combination of sources—the state of Michigan, the private sector, foundations and bottom-up neighborhood efforts. Along with the well-known Quicken Loans’ Dan Gilbert, business leaders have purchased scores of buildings in the heart of the city and, in many cases, moved their employees into them. JPMorgan Chase has committed an investment of $100 million. The Ford, Kresge, Knight and Kellogg foundations have made major commitments.

But when it comes to elected leadership, the two cities begin to look alike again. Both Detroit and New Orleans were in decline well before bankruptcy and Katrina—and not just for economic reasons. The New Orleans mayor in office during Katrina was Ray Nagin, who eight years after the storm was indicted on 21 corruption charges. He was convicted and sent to jail in February 2014. Kwame Kilpatrick, who in 2001 had become Detroit’s youngest mayor at age 31, was convicted on 24 counts of corruption and sentenced to 28 years in prison.

In the aftermath of these embarrassments, both cities have found the leadership they needed. Mitch Landrieu, who
began mayor of New Orleans in 2010, has done such an effective job of controlling spending, modernizing the city’s bureaucracy and fighting corruption that this magazine recently honored him with its Public Official of the Year award.

In Detroit, Mayor Mike Duggan is earning similar plaudits for his handling of the bankruptcy and for establishing a healthy working relationship with Michigan Gov. Rick Snyder, even though Duggan is a Democrat and Snyder is a Republican. “They are trying new ideas and modifying plans as they go along,” JP-Morgan CEO Jamie Dimon told The Wall Street Journal, “never pointing fingers or worrying about taking credit.”

In both cities, there is a renewed sense of possibility that reaches far beyond politics. Besides corruption, Detroit and New Orleans have suffered for decades from high rates of crime, poverty and poor schools. Both lost a majority of their populations. Now, in both places, some of the most discouraging numbers are starting to turn around. In Detroit and New Orleans, young urbanists, artists and techies are flowing in, infrastructure is being repaired and rebuilt, and the atmosphere of hope is starting to penetrate the neighborhoods where ordinary citizens live.

The remaining concern in both cities is inequity, particularly regarding race. Will the entire community share in the turnaround? Will rapid revival result in massive displacement, as cheap properties are gobbled up by the newcomers, forcing longtime residents to look for housing elsewhere?

In a recent speech at the National Press Club, Landrieu recounted the progress New Orleans had made in recent years, concluding that “this comeback is one of the world’s most remarkable stories of tragedy and triumph, resurrection and redemption. In one word, resilience. We are America’s comeback city.”

It is beginning to look as if Landrieu’s city may have to share that honor with its seemingly much different neighbor far to the north.

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POLITICS WATCH

By Alan Greenblatt

Redder and Redder

The Republicans could pick up more governorships in 2016.

Republicans are near their postwar high in the number of governorships they control. At 31, they still have plenty of opportunities to add to their total in this fall’s elections.

Democrats hold eight of the 12 governorships up for grabs in 2016, including five that will be left vacant by retirements. Like Kentucky—where Republican Matt Bevin was elected in November—both Missouri and West Virginia are home to Democratic incumbents who are term-limited, and those states have not supported a Democrat for president since Bill Clinton was on the ballot.

West Virginia is one of several states where Democrats failed to recruit their top choice to run: in this case, U.S. senator and former Gov. Joe Manchin. Republicans took over both chambers of the legislature in 2014, giving early momentum to GOP Lt. Gov. Bill Cole.

Missouri is less certain for Republicans. The suicide of gubernatorial candidate and state Auditor Tom Schweich last February has cast a long shadow over the race. A large group of Republicans will be battling until the primary in August, giving well-funded Democratic Attorney General Chris Koster time to position himself for the general election. “The Schweich incident truly divided the Republican party here in Missouri,” says Ken Warren, a pollster at Saint Louis University. The GOP may also find fertile ground in an unlikely region: New England. In Vermont, Democratic Gov. Peter Shumlin—who barely won re-election in 2014—is stepping down. Power has switched between the parties every time the office has come open since 1982. What’s more, GOP Lt. Gov. Phil Scott is popular and the type of moderate Republican who does well in the state.

In Michigan, Mayor Mike Duggan is a Democrat and Snyder is a Republican. “They are trying new ideas and modifying plans as they go along,” JP-Morgan CEO Jamie Dimon told The Wall Street Journal, “never pointing fingers or worrying about taking credit.”

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Addicted and Pregnant
Heroin’s impact on newborns is producing starkly different state responses.

There has been plenty of discussion of America’s latest heroin epidemic, which started in New England and has spread across the country, particularly ravaging rural areas. But far less public attention has been paid to the children born into that epidemic.

About 1 in 20 women use illicit drugs during pregnancy. An existing federal law requires doctors to administer so-called “safe care” when they identify a pregnant woman as struggling with substance abuse. However, the law leaves it up to the state or hospital to establish what that care will look like. In general, states have struggled to do this. Bills pending at the federal level would change that by requiring the Department of Health and Human Services to provide a clearer action plan for improving treatment programs for pregnant women struggling with addiction.

In the meantime, some states have taken it upon themselves to act, and much of that action has come not in efforts to improve treatment but rather to punish pregnant women who abuse drugs. In Tennessee, where heroin has strongly affected the rural eastern part of the state, a 2014 law allows officials to prosecute women who give birth to infants with neonatal abstinence syndrome (NAS)—newborns who display symptoms of withdrawal such as excessive crying, vomiting, sweating and fever.

Jessica Young, a Nashville ob-gyn who specializes in addiction, estimates that the state has prosecuted about 100 women since the so-called “fetal assault” law was passed. While some leniency is offered to women in treatment programs, the law mistakenly “presumes there is a plethora of addiction resources for women,” says Young. In fact, there are very few such resources, she says, “and even fewer that are truly comprehensive.”

Alabama and Wisconsin have fetal assault laws that, like Tennessee’s, largely rely on symptoms displayed by a newborn to identify mothers subject to prosecution. The problem with these laws, according to Pam Baston, co-founder of a consulting firm specializing in alcohol and drug abuse treatment, is that only 10 percent of babies born to addicted mothers are actually ever identified because not all infants display signs of NAS. To Baston, these kinds of state laws force a woman to be dishonest with her doctor.

Several states are working to establish clearer “safe care” plans in the absence of federal direction. In 2014, the National Center on Substance Abuse and Child Welfare awarded technical assistance grants to Connecticut, Kentucky, Minnesota, New Jersey, Virginia and West Virginia to research and implement pilot programs aimed at identifying and treating pregnant women dealing with substance abuse. The objective of the grants is to target specific communities. Many of the hardest-hit communities are in rural areas with distinct cultures and ways of life, so it’s seen as imperative to employ local health workers who understand those intricacies. Kentucky, for example, is using its grant money to expand medication-assisted treatment programs in one hard-hit county.

Minnesota’s heroin issue has particularly impacted its tribal communities, which “are typically very isolated with strong cultural values that don’t always align with state health departments’ recommendations,” says Linda Carpenter, a program director with the National Center on Substance Abuse and Child Welfare. “So our question is: Who can we use in these communities to make sure they are receiving even the most basic prenatal care?”

As legislation continues to slog along at the federal level, more states are feeling a sense of urgency. “On a weekly basis, I’m receiving requests from states for help,” says Carpenter. “And often, there are so many other issues at hand besides addiction. These truly are the most vulnerable populations we have.”

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It Takes a Hive
A project in Michigan coordinates efforts to save bees and other pollinators.

Beekeeping is much harder than it’s ever been. The number of beehives in the U.S. has dropped from more than 5.5 million in 1950 to just over 2.6 million today. It’s a serious problem given that one-third of food consumed comes from crops that are pollinated most frequently by bees. But while it’s clear bees are vanishing, it’s less clear what to do about it. That’s where programs like the Michigan Pollinator Initiative come in.

More than a billion dollars of Michigan agricultural products, from apples and cherries to blueberries and cucumbers, are dependent on bees for pollination. To figure out what’s plaguing them, the initiative, out of Michigan State University’s (MSU) entomology department, is working with beekeepers, researchers, farmers and other policy stakeholders to find solutions to the problem.

The program is in line with a national effort launched in 2014 by the Obama administration to solve many of the issues facing the nation’s pollinator populations. Research has so far found that there are multiple issues contributing to the plight of bees, including viruses and loss of habitat, along with an increase in the use of pesticides, particularly neonicotinoids, that are thought to be harmful to pollinators.

In Michigan, bee populations have dropped 30 to 50 percent each year over the past decade. The initiative, which launched last year in March, is looking at land management and crop production, among other things, to stanch the loss. It is also partnering with other organizations to create a database of all the research and resources available, with the goal of sharing best practices as they are developed. The database would provide information, for instance, on where landowners or researchers could find funding, whom farmers could contact for seeds and so forth. “We want to provide everything you need so you can actually put a project into implementation,” says Meghan Milbrath, project coordinator for the Michigan Pollinator Initiative. “That is where our role is, coordinating these existing resources.”

To that end, the Michigan Pollinator Initiative is hoping to gather various players—from beekeepers and farmers to the Department of Natural Resources and the Department of Transportation to nonprofits—for a two-day conference in the spring to discuss issues and solutions. While Michigan State has a strong research and continuing education program, says Milbrath, it is the state and localities that mostly have responsibility for policy and implementation. “The idea is to get pollinators and pollinator protection in the back of stakeholders’ minds,” she says. In other words, if the Department of Transportation is, say, making a policy decision with regard to mowing roadways, officials might ask themselves how it affects pollinators and how they can mow the median in a way that helps them. “There are all of these groups doing all these things independently,” says Milbrath. The goal is to “get those groups to connect with each other.”

The initiative also hopes to set up an education component. It has applied for a grant to create a program where master gardeners or people in state beekeeping clubs can become certified MSU pollinator educators. Milbrath says that under the program, interested participants would go through a training course and be provided with PowerPoint slides and handouts to then take to high schools or farmers markets. The idea is that they would have good, science-based information about the bee problem and could also offer information on what individuals can do to help, such as expanding bees’ habitat, which can be as simple as putting in a pollinator garden or allowing things to flower.

There’s an education component for policymakers too. “A lot of people assume that the issues with bees are getting better over time,” Milbrath says, “but we still haven’t made the major changes needed to make the situation better for beekeepers, honeybees and other native pollinators. We need to translate all the media attention into successfully funded and well-operated programs that are actually helpful.”

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Let’s Move
We should see moving as beneficial for everybody, not just the better-off.

There are two reigning views of internal migration in America. For the educated middle class, it’s seen as a good thing. Moving out means moving up. Indeed, most of us see our own moves as representing an opportunity to get ahead in life. It’s the same for immigrants from other countries, who move here searching for a better life.

But when it comes to lower-income Americans, particularly blacks and Hispanics, migration is almost always seen as a bad thing. The overwhelming narrative is one of displacement instead of opportunity.

This negative perception of low-income minority migration is important because migration in general is strongly associated with upward economic mobility. As my Manhattan Institute colleague Scott Winship puts it in his new report When Moving Matters: “The evidence suggests that being willing and able to move—particularly to a new state and between childhood and adulthood—is associated with a range of better economic outcomes.”

Using Census Bureau and Bureau of Labor Statistics data, Winship goes back as far as 1880 to look at how migration and economic mobility have changed over time. As he documents, the effect of an interstate move on a person’s future economic status is big. In 1970, for those who had been born into a household with an income in the bottom 25th percentile, there was a 13-point gap in adult income between men who had moved across state lines in the previous five years and those who had not. That is, a man staying in the same state had only moved up to the 28th percentile of income on average, while a man moving to a different state had moved up to the 41st percentile. This gap has gotten bigger over time. By 2010, it was up to 21 points. And the change for women was even starker: The gap for female interstate movers versus those who stayed where they were went up from 9 points to 24 points during that time. In short, long-distance migration is strongly correlated with improved upward mobility for people who start in lower-income circumstances, and it has become a bigger deal in recent decades.

The good news is that the kinds of migration associated with economic improvement haven’t been in decline. Rather, much of the widely reported fall in migration rates comes from a decline in people moving within states, often within their same local community. These moves do not seem associated with economic status in the way that longer-distance ones are.

The bad news is that lower-income blacks and Hispanics have lower levels of the beneficial kind of migration than do lower-income whites. Winship stresses that his research doesn’t prove that migration causes upward mobility. It may be that those who move are people who would have succeeded regardless of where they lived. But the fact that fewer blacks and Hispanics than whites are moving suggests that some of them who could benefit from migration aren’t able to take advantage of it.

The psychology problem arises immediately upon considering policy prescriptions. Because thinking about black and Hispanic migration is so overwhelmingly based on the narrative of displacement, such as through gentrification, policies designed to provide more opportunity for them to move may be viewed skeptically.
Given American history in this regard, that’s understandable.

Fortunately, however, the kinds of moves likely to happen as a result of displacement are those that do not seem to affect economic mobility. If someone is priced out of a gentrifying city neighborhood and must move to a struggling inner suburb, this does not tend to have either a positive or negative effect on economic mobility.

The longer-distance migration that does produce economic benefits is much less likely to result from displacement, other than in the case of rare natural disasters such as Hurricane Katrina. So undertaking policies to provide more opportunity for longer-distance migration has less chance of being a de facto form of displacement. Those policies will require us to see lower-income black and Hispanic migration in the same way that we view it for higher-income whites or for international immigrants.

It is likely that many of those reading this have themselves moved, as I have several times. Think about what those moves meant to us. Most often, they were several times. Think about what those have themselves moved, as I have seen this have themselves moved, as I have witnessed. When I graduated from high school, I wasn’t afraid to leave my hometown in Indiana for a job. I wasn’t forced to leave my hometown in Indiana when I graduated from high school. Nor did anyone make me move to New York City. I am enormously grateful for the opportunities America has given me to move away to college and build a career in multiple cities. We need to make sure that low-income minority children, not just working-class white or Hispanic children, are given those same opportunities. But until we see their mobility in the same way we see everyone else’s, we will never undertake the policies that would give them that opportunity.

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Does It Pay To Be Nice?

In some cities, personality may very well dictate economic success.

Houston’s “personality” became evident to me the first hour I spent there in November. It was around midnight, and I had just checked into my downtown hotel. I was looking for a bodega to pick up some beer. I couldn’t find one, and stopped a man to ask. Nothing was open, he said. But sensing my dilemma, he reached into his grocery bag and produced a can. Before I could pay, he had handed it over, waved me off and said, “Welcome to Houston.”

This encounter has played out again and again in different ways throughout my monthlong stay. Rather than fast-paced and impersonal, Houston has a friendly, small-town feel that is surprising for America’s fourth largest city. People hold doors, provide in-depth directions and smile at you on the street. Even in denser interior neighborhoods, it is common to greet passersby. This contrasts with other U.S. cities, where strangers avoid eye contact. In some cities, such as New York, this coldness can seem like rudeness, marked by aggressive drivers, open profanity and subway riders who hog bench space.

This may seem overly generalized, and to an extent it is—of course there are plenty of nice folks in other big cities. But consider recent reader surveys published by Travel + Leisure and Conde Nast. They found America’s friendliest cities were largely in the South, with Houston ranking No. 11, while major Northern and coastal cities dominated their “unfriendly” lists.

This can affect how cities operate. Patrick Jankowski, a researcher for the Greater Houston Partnership, the city’s chamber of commerce, believes Houston’s welcoming mentality helps its bottom line. For decades, the city has experienced explosive growth, and Houston encourages these newcomers through open business and land-use policies. Its center-left political establishment has focused on perpetuating these fortunes. Similar approaches can be found in Austin, Nashville and Oklahoma City. In “unfriendly” cities—Baltimore, Chicago, Detroit, Los Angeles, New York, Philadelphia and San Francisco—street-level curtness has permeated the sociopolitical climate. Construction projects are viewed as neighborhood takeovers instead of much-needed new housing. It’s easier to find examples of corruption, and narrow self-interests seemingly hold more power, suggesting a lack of social cohesion. As a result, residents face high taxes, expensive housing and barriers to entrepreneurship.

This doesn’t mean that friendliness solely propels growth. But Jankowski says it can contribute to—and result from—prosperity. Houston, with its low taxes and regulation, has become more affordable. It has a fast startup rate, a relatively high average wage and a low cost of living. It also has an optimistic spirit, with 89 percent of residents according to Rice University’s Kinder Institute for Urban Research, agreeing that “if you work hard, eventually you will succeed.” This perception, along with warm weather and Southern culture, may explain the positive vibe.

Houston’s lessons are twofold, says Jankowski. Leaders should promote policies that open their cities’ economies. Culturally, he says, leaders should encourage, through political rhetoric at least, a more welcoming atmosphere.

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ISSUES to WATCH

12 of the biggest policies and problems legislatures will confront in 2016.
Budget Battles

The 2015 legislative year was marked in most states by fiscal partisanship, unpredictable revenues and continued pressure to lower taxes. The new year is unlikely to be any different. More than a dozen states were too deeply split to meet their formal budget deadlines in 2015, and many of those will miss them again. More than a third of the states are now splitting power between the parties. By early December, two of those split states, Illinois and Pennsylvania, had gone deep into the 2016 fiscal year without a budget being enacted.

In some states, the drop in oil and natural gas prices will continue to put pressure on budgets, as in Alaska and Oklahoma, which are dependent on energy revenues. Both are likely to face spending cuts, higher taxes or both. But a more enduring problem for many states is systemic financial imbalance. In these states, legislatures have tended to paper over prior budget shortfalls; now, as revenue shortfalls persist, lawmakers are left with a lot of increasingly unappealing choices. If 2015 was any indication, legislatures will wait until the last minute before settling on the best of their bad options.

Kansas has had trouble balancing its budget ever since lawmakers enacted massive income tax cuts in 2012 and 2013 without any plan to make up for the lost dollars. Louisiana also is taking a hit from slowing income tax revenues, largely a result of tax cuts and tax credits approved during a business and development boom in the middle of the last decade. The state closed 2015 with a $137 million shortfall, adding to a projected $700 million hole in the budget for the current fiscal year. In Kentucky and New Jersey, which have a long history of underfunding their public employee retirement systems, the debate over raising taxes to fund pension liabilities will continue.

In many other states, demands to reduce income taxes will compete against pressure to keep revenues stable. Expanding state sales taxes to additional areas of economic activity would help solve the political and fiscal logjam in many places, but so far states have succeeded only in modestly increasing sales taxes that already exist. That is unlikely to change anytime soon in most states. —Liz Farmer

Worker Pay

The national debate over income inequality is turning worker pay and benefits into potent political issues in the states. While presidential candidates talk about proposals to close the gap between the wealthiest Americans and everyone else, some states have already taken action. In the past two years, 13 states and the District of Columbia have enacted minimum-wage increases. Last year, New York approved the first $15 state minimum wage for fast-food workers in what may be a precursor to broader wage boosts across much of the country. In at least half a dozen states, lawmakers have already drafted legislation calling for a $15 minimum wage for all workers. California and Oregon voters will consider ballot measures later this year providing for a $15 minimum, and advocates in Maine, Missouri and Ohio are trying to get a minimum-wage hike on the 2016 ballot.

States are also taking up equal pay legislation, which seeks to eliminate the gender gap in compensation. Many of the bills strengthen laws that already require equal pay for equivalent work. California and New York have adopted some of the strongest equal pay provisions, while Connecticut, New Hampshire and Oregon have addressed laws against salary secrecy.

Paid family leave laws are getting more attention in legislatures as studies have shown such laws to be financially beneficial for lower-income families, particularly minority women. Only 12 percent of U.S. private-sector workers have access to paid family leave through their employers, but recent grants from the U.S. Department of Labor have been spurring more governments to research ways to create and fund a family leave program. One of those governments, Rhode Island, became the third state to establish a paid leave program in 2014.

Most of the family leave proposals under current discussion expand state disability leave, and are funded by raising a small tax on worker paychecks. Some add an employer tax. The District of Columbia is expected to take action on a paid leave bill early this year. Significantly, it would be the first to establish a separate family leave fund and would likely be a model for several other states currently studying the issue. —Liz Farmer

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Paid family leave laws are getting more attention in legislatures as studies have shown such laws to be financially beneficial for lower-income families, particularly minority women. Only 12 percent of U.S. private-sector workers have access to paid family leave through their employers, but recent grants from the U.S. Department of Labor have been spurring more governments to research ways to create and fund a family leave program. One of those governments, Rhode Island, became the third state to establish a paid leave program in 2014.

Most of the family leave proposals under current discussion expand state disability leave, and are funded by raising a small tax on worker paychecks. Some add an employer tax. The District of Columbia is expected to take action on a paid leave bill early this year. Significantly, it would be the first to establish a separate family leave fund and would likely be a model for several other states currently studying the issue. —Liz Farmer

Worker Pay

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Preemption Battles

Two years ago, when Denton became the first city in Texas to ban hydraulic fracturing, state lawmakers took notice. They responded by passing legislation that preempts localities from regulating drilling-related activities. The legislature has also taken up dozens of other preemption bills, covering everything from plastic bag ordinances to gun restrictions.

Modern preemption laws date back to the 1980s, when states started prohibiting jurisdictions from enacting anti-smoking laws. In general, states enjoy broad authority over localities. Some preemption laws, such as those relating to zoning ordinances, may require changes to a state’s constitution. But instances of preemption have proliferated in recent years, escalating tensions between state legislatures and localities on a number of key issues. Many stem from lobbying efforts by industry groups and trade associations. Threatened by public broadband ownership at the municipal level, Internet service providers have backed bills preempting the publicly owned networks from expanding.

The oil and gas industry has similarly pushed state laws aimed at countering local fracking bans.

“By any metric, preemption has intensified and broadened radically,” says Mark Pertschuk, director of the public health advocacy group Grassroots Change. A wide range of industries will be joining the preemption club in upcoming legislative sessions. “They’re very concerned and frightened of what subdivisions of the state can do if their authority is not abdicated,” Pertschuk says.

Many of the more prominent preemption fights in recent years have reflected the increasingly sharp partisan divide between cities and states. Big-city Democratic mayors and labor groups have backed mandatory paid sick leave and minimum-wage increases, directly challenging the views of Republican lawmakers who control both legislative chambers in 30 states. That ideological conflict came to a head last year when Michigan GOP Gov. Rick Snyder signed a bill that stops localities from raising their minimum wage or requiring mandatory paid sick days. Similarly, Republican Gov. Asa Hutchinson of Arkansas signed a law overruling five local ordinances that established discrimination protections for lesbian, gay, bisexual and transgender workers.

Preemption battles don’t always follow clear blue-red fault lines, though. State and local lawmakers are further divided among themselves on how to handle issues created by emerging technologies, such as where to prohibit e-cigarettes and how to regulate ride-hailing companies. In Wisconsin, the legislature replaced cities’ relatively strict regulation of Uber and Lyft with looser statewide rules. The issue could play out elsewhere as those companies expand their reach.

Gun laws are certain to cause friction in a number of states as well. Last year, Nevada and North Carolina expanded existing bans on local gun control ordinances. Pennsylvania lawmakers may revisit the same issue now that a judge has overturned a law that had made it easier for gun-rights advocates to sue cities over their local gun control regulations. —Mike Maciag

School Choice

Proponents of school choice are enjoying tremendous momentum at the state level. In 2015, at least one chamber in half the states passed bills offering support to private schools or other competitors to traditional public education. Given shorter legislative sessions in most states, 2016 won’t be quite as busy, but numerous proposals will receive consideration, particularly in the South.

A majority of states now offer vouchers, which allow parents to use public funds to pay tuition at private schools. Most of those programs are slowly expanding over time, as has been the case in Arizona. Voucher supporters in Tennessee are hoping to

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break a logjam there that has kept a school choice bill tied up in committee.

Last year, Nevada passed first-of-its-kind legislation creating an alternative to vouchers: education savings accounts, or ESAs. Nevada’s ESA law applies throughout the state, regardless of family income, and the savings accounts differ from vouchers in that money can be used not only for tuition but for other expenses, such as tutoring, books and laptops. Some 3,500 families have signed up, making Nevada a potential new model for other states. About 15 states considered ESA legislation last year, and some of them, notably Alabama, Georgia and Oklahoma, might take another swing.

Other financing proposals that promote school choice but stop short of taking money away from public school districts are also gaining traction. The bluer states of Colorado, Illinois and New York are likely to consider scholarship tax credit programs. These allow individuals and businesses to direct a portion of their state taxes toward scholarships for qualified students to use at private schools or schools outside their home districts. Such programs already exist in more than a dozen states. Advocates of increased school choice did well in the relatively few elections held last fall. Several state legislators in Mississippi who were opposed to charter schools went down to defeat. Republican Matt Bevin, the new governor of Kentucky, ran on support for school choice, raising hopes that the state will join the ranks of those allowing charters.

On education, as on every other issue, elections matter. “As long as the states continue to be governed by Republicans, which is the case in two-thirds of the states, you’re going to see legislation to expand choice in public education,” says Michael Petrilli, president of the Fordham Institute, a conservative education think tank. —Alan Greenblatt
Pay for Success

Last year was an eventful one for social impact bonds. The financing tool, which many have begun referring to instead as “pay for success” programs, allows governments to tap into outside funds to pay for promising social interventions with a high upfront price tag. The first social impact bond created in the United States was at Rikers Island in New York. It was aimed at reducing recidivism among juvenile detainees, but it ended prematurely last year when the private investor, Goldman Sachs, didn’t see enough progress.

Part of the appeal of these deals is that taxpayers aren’t on the hook for trying something new and risky, and public officials still get to experiment with different ways to address social ills. But it’s preferable if the risky investment pays off. Salt Lake County announced in October that its social impact bond on early learning programs had resulted in fewer elementary school students needing special education. A month later, The New York Times threw cold water on the results, pointing to several methodological problems that inflated the effect of Utah’s preschool programs.

The results from the initial U.S. projects will likely influence who invests in future initiatives, and what programs they’re willing to fund. At least seven projects in six states are underway. Last year’s mixed results won’t kill social impact bonds, but they may make future projects less ambitious.

For example, Santa Clara County, Calif., launched a pay for success pilot in September that combines several strategies for housing the homeless, each of which has been found to be effective in prior studies. Such evidence-based policies are excellent candidates for outside financing because they appear to pose less risk. The question is whether another category of projects—less rooted in prior research—could also emerge. If so, there would be greater risk for investors focused on seeing financial returns.

—J.B. Wogan

State Prison Reform

Between 2004 and 2013, Utah’s state prison population grew by 18 percent—six times faster than the national average. Without changes, the state projected that an additional 2,700 people would end up in state prison over the next 20 years, increasing incarceration costs by $500 million. So Utah enacted a long list of reforms aimed at curbing the number of people in state prison without harming public safety. The state downgraded first- and second-time drug possessions from felonies to misdemeanors, and also reduced 241 misdemeanors to citations that wouldn’t be subject to arrests or jail time.

In all, 30 states have passed laws similar to the one in Utah in an attempt to save money and reduce recidivism. Many of the others are expected to consider the issue in 2016. While the most common provisions across states focus on bringing punishments closer to fitting the crime, other proposals address performance incentive funding. In this approach, states offer to
The recent string of black civilian deaths at the hands of police officers has sparked a national debate about excessive use of force and racial bias in law enforcement. While big cities and their police departments are at the center of the controversy, state legislatures have responded to constituent concern that officers are killing young black men without just cause. Legislation has taken many forms, including new requirements on racial bias training for officers and the collection of statistics about police-involved deaths. Lawmakers are also looking to place limits on the use of chokeholds during arrests and support the expanded use of body-worn cameras by officers.

Even though 35 states already have laws requiring some kind of bias training, legislatures in at least 14 states considered bills last year that would add to or expand upon those requirements. After the death of Eric Garner from a chokehold in New York, lawmakers in at least five states sought to limit the use of chokeholds during arrests. (Nevada, Tennessee and the District of Columbia already have regulations in place clarifying when a chokehold is appropriate.) Both Colorado and Maryland have enacted laws requiring police departments and sheriff’s offices to report every officer-involved death to a state agency.

Bills governing the use of body cameras to record police activity came up in at least 34 states last year, with six enacting new laws. The trend in 2015 was for lawmakers to provide guidance on when to share footage, when to stop filming and how to store the data. Some states provided funding to local departments for this purpose. —J.B. Wogan
Opioid Addiction

Around 2010, opioid use began spreading through middle-class, mostly white communities in the Northeast, causing a surge in overdose-related deaths. The epidemic is still ravaging parts of the East Coast, but now it is decimating communities in the Rust Belt, too. More than 8,200 people died from opioid use in 2013, quadruple the number from 2000.

Rampant drug use is usually associated with large cities and certain low-income neighborhoods. But the current crisis cuts across economic classes and is forcing lawmakers to rethink their approach to regulating drugs. Conservatives who traditionally have maintained a hardline stance on drug offenders are adopting a more forgiving attitude. This past year, 11 states enacted Good Samaritan laws that exclude people from negative consequences if they call 911 to report an overdose. The scope of this new approach varies among the states, but essentially it means fewer people will be charged for low-level drug possession. In Lee County, Ill., a heroin hub southwest of Chicago, more than two dozen people have taken up the offer since the program was implemented in August. Ohio, another state particularly ravaged by the outbreak, is still considering a Samaritan law that advocates are hoping will pass in the coming months.

The White House has also gotten involved, committing $5 million to reduce trafficking, distributing and use of heroin. Most notably, the effort will hire 15 drug intelligence officers and 15 health policy analysts to collect data and find patterns that will help local law enforcement on the ground.

The epidemic is beginning to have an effect on other public health issues. In Scott County, Ind., more than 150 cases of HIV were reported last May because of needle-sharing. At the height of the AIDS epidemic in the ‘80s, conservatives vehemently opposed needle exchange programs, reasoning that they condoned drug use. Now Republicans in the Indiana and Kentucky legislatures are supporting bills that allow for exchanges in high-risk areas. Just last month, Miami-Dade County in Florida kicked off a needle exchange pilot program to curb an HIV outbreak; the program needed approval from the state’s Republican-controlled House Judiciary Committee before it could move forward. As more people overdose on opioids, more states are likely to respond by adopting needle exchange programs and Good Samaritan laws. —Mattie Quinn

Medicaid Expansion

When the Supreme Court ruled in 2012 that states could decide on their own whether to expand Medicaid, the assumption was that red states would overwhelmingly decide not to. This is still largely the case, but attitudes toward the health-care law are starting to soften at the state level.

The best example is the Medicaid expansion waiver. The U.S. Centers for Medicare and Medicaid Services (CMS) can waive certain provisions in the Affordable Care Act in order to allow state pilot programs that promote the “overall objectives of Medicaid.” Arkansas and Iowa led the way in 2013 by getting approval from the state’s Republican-controlled House Judiciary Committee before it could move forward. As more people overdose on opioids, more states are likely to respond by adopting needle exchange programs and Good Samaritan laws.
Utah, both of which went heavily Republican in 2012. “It’s become a debate within the Republican Party—the establishment versus the Tea Party—on how to move forward, or not,” says Matt Salo, executive director of the National Association of Medicaid Directors. Many lawmakers in Republican states are willing to expand Medicaid on the condition that the new beneficiaries meet work requirements. The Obama administration has remained steadfast against tying health coverage to work mandates—Utah had a work requirement provision shut down by CMS last year—but some legislatures may find a middle ground in the coming year. Both Utah and New Hampshire, for example, have proposed offering job assistance to unemployed beneficiaries, but not as a condition of remaining eligible for Medicaid. “We will likely see work requirements in a different form,” Salo says, “used more as a carrot rather than a stick.” —Mattie Quinn
Arcane environmental regulations aren’t often front-page news. But two new initiatives by the Obama administration are so potentially sweeping that they stirred up huge controversies before they even took effect. One tries to settle long-running disputes about how far-reaching the federal Clean Water Act should be. Another pushes states toward adopting cap-and-trade systems for carbon dioxide emissions from power plants. States are fighting over both.

Forty-five of the 50 states have taken sides in a court battle over the power plant rule. They are split along political lines, with Democratic states largely backing the U.S. Environmental Protection Agency’s Clean Power Plan and Republican states trying to block it.

While the legal case plays out, states are still required under the rule to submit a plan by September detailing how they will reduce air pollution from their power plants. Nationally, the rule is designed to lower carbon dioxide emissions from power plants by 32 percent by 2030 (compared to 2005 levels).

The deadline of September will come less than a year after the Environmental Protection Agency (EPA) finalized its regulations. In preparation for it, several states are already holding hearings and gathering public input on how they will meet the federally imposed CO2 caps. But most states will likely ask the EPA for a two-year extension, as developing the plans could take a long time and there’s no downside to seeking an extension.

There is a cost for inaction, though: States that simply refuse to meet the deadline could end up with a pollution-reduction plan drawn up by the federal government.

Meanwhile, more than half of the states are also fighting the new regulation clarifying what qualifies as “waters of the U.S.” The designation is important because such waterways are regulated by the federal Clean Water Act. Farmers, homebuilders and counties oppose the Obama administration’s new definition, out of fear that it could impose onerous regulations on drainage ditches and other small bodies of water. Environmentalists and some cities back the rule, hoping it will improve water quality in rivers, lakes and other bodies of water downstream.

A federal court blocked the new water rules from taking effect while litigation over them continues. The case could eventually reach the U.S. Supreme Court, but it was the high court’s inability to define federal waters in a previous case that left the question to the EPA. —Daniel C. Vock
Road Money

The demand for new money to build and repair transportation infrastructure is so widespread that 18 states are already working on transportation funding proposals. Chances are only a few will get serious consideration, especially in this election year, but the broad interest underscores how widespread the needs are.

Despite major strides made in 2015, funding for roads and other transportation projects remains a top concern. Late last year, Congress passed a long-term transportation law to replace the one that expired more than six years earlier. States, like the federal government, have struggled to find enough funding to keep up with the need for repairs and new projects. Per-gallon fuel taxes, the main source of transportation funding, do not increase to match inflation. Meanwhile, increased fuel efficiency and changed driving habits are cutting into the buying power of gas taxes.

But lawmakers are starting to pay attention to growing infrastructure needs. Eight states decided to raise their fuel taxes last year, and a handful of others shared up their transportation spending by other methods, such as raising hotel taxes (Georgia), hiking sales taxes (Michigan) or dedicating future revenues toward transportation (Michigan and Texas).

The fact that so many states increased gas taxes last year is striking, because for many years governors and lawmakers have tried to avoid touching the politically unpopular issue. But with gas prices low, lawmakers in several states concluded it was the most practical approach. Other options, such as a vehicle-miles-traveled tax being tested in Oregon, are still a long way from common use.

In many states, lawmakers are working to ensure that money raised for transportation—usually through the gas tax—is no longer siphoned off for other expenses, such as schools or state police. Indeed, while once-flush state transportation funds used to be tempting targets for lawmakers who needed money for other priorities, today transportation funds are increasingly being shored up with general funds. —Daniel C. Vock

Shared Economy

In Uber’s early years as a shared economy pioneer, its competitors and regulators scrambled to figure out which—if any—transportation rules applied to the ride-hailing service. But now that Uber has emerged as a major political and business player, courts and government officials increasingly are scrutinizing whether the company’s business model depends on skirting labor laws. Their decisions could determine whether Uber, and other businesses that deliver on-demand services, can continue to rely on legions of nonemployees to deliver their services.

The central question is whether Uber drivers are independent contractors, as the company claims, or employees, as many of its critics argue. Treating its drivers as independent contractors, Uber does not give them health benefits, retirement plans or services—such as unemployment insurance—funded through payroll taxes.

Uber claims it is only a technology company that links its drivers with potential customers. But labor commissioners in California and Oregon determined last year that Uber’s drivers are actually employees, not independent contractors. They found that Uber determines how its drivers perform their jobs and depends on them to deliver the company’s core services. A class-action lawsuit brought by Uber drivers in San Francisco raises many of the same arguments.

As the poster child for the shared economy, Uber attracts widespread attention for its controversial business practices. But many businesses—from personal shoppers to call centers to FedEx—also rely on outsourcing their core functions to contractors. As scrutiny on those businesses increases, state lawmakers and regulators may get caught up in the disputes. Many companies argue that the employment rules are outdated, and it could be up to states to rewrite employment laws if they want to encourage companies such as Uber to continue using their approach. —Daniel C. Vock
Trending

5 more issues to keep an eye on in 2016

Mental Health Funding
Two years ago, when a package of gun control bills failed in Congress after the Sandy Hook shooting, it became clear that new regulation was off the table in most states for the foreseeable future. So lawmakers who want to arm gun enthusiasts, especially in states controlled by Republicans, have turned to mental health legislation as a way to address mass shootings without touching guns.

In the last few years, state mental health spending has been on the upswing, according to a 2014 report from the National Alliance on Mental Illness. But states still have a long way to go to return to the relative generosity of a decade ago. Between 2009 and 2012, states cut $4.35 billion in mental health spending, and even with recent increases, few have restored their funding to what it was at the end of the recession. And they may never: In 2014, 29 states and the District of Columbia increased funding for mental health services, but that was down from 36 the year before. In fact, some states instituted further cuts. —Mattie Quinn

Centralizing Cybersecurity
For years, cybersecurity experts worried that state government agencies didn’t have enough safeguards to prevent a hack of citizens’ private data. Then it happened. In 2012, someone accessed more than 6 million taxpayer records from Pennsylvania and regulate pot, as do the top leaders in Massachusetts and Michigan. But perhaps the movement toward legalizing marijuana or allowing its use for medicinal purposes has focused almost exclusively on the ballot initiative process. This might be the year that starts to change. In Vermont, Democratic Gov. Peter Shumlin favors a legislative proposal to tax and regulate pot, as do the top leaders in both chambers. “If Vermont does this, it’s likely to be a clam break for other states,” says Allen St. Pierre, executive director of NORML, a marijuana legalization advocacy group. —Alan Greenblatt

Religious Freedom
In light of the Supreme Court ruling that created a universal right to same-sex marriage, more states are going to look at laws that seek a balance between that right and religious freedom. A total of 23 states have laws that protect people from having their religious beliefs burdened by the government. Two such laws enacted last year, in Arkansas and Indiana, generated considerable pushback from progressives and corporate employers who saw them as opening the door to discrimination against gay people. A religious freedom bill passed the Georgia Senate last spring but died in the face of such opposition. Legislators there are expected to try again in 2016. Other states may take an approach that isn’t as broad, offering specific protections to people who refuse on religious grounds to issue a marriage certificate or perform a wedding. —J.B. Wogan
THEY SAY healthcare reform is uncharted territory

WE PIONEER new pathways to progress

Finding your way through healthcare reform can be a difficult journey. At KPMG, we’re working with state Medicaid agencies to forge ahead and explore new possibilities to lower costs by redesigning healthcare delivery and payment systems while improving health outcomes. To learn more about how KPMG is helping to make the ability to provide quality care at lower costs become a reality, visit kpmg.com/us/hhs.
Republicans have the governorship and the state House in Iowa, but Democrats have Mike Gronstal. Often that’s enough.

By Alan Greenblatt

Photographs by David Kidd.
As Republican presidential candidates make their way around Iowa ahead of next month’s key caucuses, one of the ways they’ve sought to distinguish themselves is by showing disdain for Planned Parenthood.

After a brief period of respectful silence following the shooting at a Planned Parenthood clinic in November, several GOP candidates vowed to defund the women’s health and abortion provider, to strip it of its nonprofit status or, in the case of Texas Sen. Ted Cruz, to prosecute it. They are echoing Republicans in much of the country. Planned Parenthood has already been defunded in a half-dozen states.

But there’s one place where the group’s funding remains secure: Iowa itself.

GOP Gov. Terry Branstad might like to challenge Planned Parenthood, but he lacks the authority to cancel the group’s Medicaid contracts unilaterally. And that won’t change in 2016, because of the narrow Democratic majority in the Iowa Senate, and most of all because of Mike Gronstal, the Senate majority leader. Gronstal has already warned Republicans they’re setting themselves up for a “very long” session if they go after Planned Parenthood. “He’s definitely been an impediment—it’s an understatement—on the life issue,” says Jenifer Bowen, executive director of Iowa Right to Life. “It’s incredibly frustrating to have the House and the governorship and be rendered helpless because of one person.”

Medicaid contracts unilaterally. And that won’t change in 2016, because of the narrow Democratic majority in the Iowa Senate, and most of all because of Mike Gronstal, the Senate majority leader. Gronstal has already warned Republicans they’re setting themselves up for a “very long” session if they go after Planned Parenthood. “He’s definitely been an impediment—it’s an understatement—on the life issue,” says Jenifer Bowen, executive director of Iowa Right to Life. “It’s incredibly frustrating to have the House and the governorship and be rendered helpless because of one person.”

It’s not just abortion. Over his long career as Senate leader, Gronstal has stopped the Republicans countless times when they wanted to win on a hot-button issue. In 2009, after the state Supreme Court made Iowa the third state to allow same-sex couples to get married, Gronstal blocked all GOP efforts to overturn the decision and ban the practice. When it comes to curtailing collective bargaining rights for public employees, Iowa Republicans know it’s hardly worth taking the time to draft a bill, due to Gronstal’s certain opposition. “He’s become like another de facto governor of Iowa, where he’s got complete control of the agenda,” says Steve Scheffler, president of the conservative Iowa Faith and Freedom Coalition.

That may be an overstatement, but no one doubts Gronstal’s ability to leverage power. He manages to keep his two-seat majority in the Senate together on nearly all major issues, giving Democrats a unified voice in a state otherwise dominated by Republicans.

Gronstal has served as leader of the Senate Democrats for nearly 20 years, about half that time in the majority. It’s fair to say that he rules the Senate with an iron fist. His complete control of the calendar, more than anything else, is what allows him to thwart Republican proposals when he chooses to do so. “Without Mike, we are Wisconsin,” says Andy McGuire, the state Democratic chair, alluding to the raft of conservative initiatives enacted in that neighboring state by a GOP legislature and governor.

But while Gronstal can be intransigent on certain social and labor issues, he’s a dealmaker by nature. He respects the fact that Iowans have a longstanding habit of voting for divided governments, and much of the time he’s willing to give Republicans what they need to claim at least partial victory. “While we clearly have profound differences on some of the substantive issues,” says Kraig Paulsen, who stepped down as GOP House speaker last year, “we both conducted our business in a straightforward fashion and found a way to get things done.”

For all his success keeping his majority together as a strategist, recruiter and fundraiser, the 65-year-old Gronstal adheres to the old-fashioned sense that voters don’t elect politicians to continue electioneering once in office. For the most part, he and the Republicans have stuck to the tradition of trying to work on policy first, before retreating to their respective partisan corners when compromise can’t be reached. In large part that’s been a necessity, since political control has been divided between the parties in all but four years out of the last 30. But it’s also a reflection of the way Gronstal likes to do business. “I’ve got to give him

Danny Homan, president of AFSCME’s Iowa council, says Gronstal “has an extreme grasp of what has transpired in this state in previous years.”
detail work has since paid for itself many times over. “There is no library at the capitol, learning history, codes and procedure. That icy nerd, someone ready to nose all around the tall stacks of the book, was just no good. But he moved over to the Senate.

Gronstal was known as a moderate as a young legislator, but he often got stuck in the middle with the Iowa Republicans, the governor and Gronstal’s own caucus. The numbers appeared to work for all sides, or so it seemed when Gronstal worked on the Medicaid package with the new speaker, Linda Upmeyer, to calm the storm over the budget. But handshake dealmaking may not fly in Des Moines in 2016. For one thing, revenues are already coming in about $125 million below expectations, making budget negotiations more difficult. For another, Gronstal will be working with a new Republican speaker. He had developed a real rapport with Paulsen. Although Gronstal worked on the Medicaid package with the new speaker, Linda Upmeyer, it remains to be seen how well they’ll connect, given her new role. "A new speaker will make the session slightly more difficult," says Brent Siegrist, a former GOP House Speaker who hails from Gronstal’s hometown of Council Bluffs.

Gronstal is a throwback when it comes to legislative empathy. He’s known as being a good listener. He’s always aware of the power of people into a corner and they’ve got no place to go, and they’ll fight. Show them a way out and they might be helpful to you." In other words, for all the fits he can give the GOP on certain issues, Gronstal is a throwback when it comes to legislative empathy. But handshake dealmaking may not fly in Des Moines in 2016. For one thing, revenues are already coming in about $125 million below expectations, making budget negotiations more difficult. For another, Gronstal will be working with a new Republican speaker. He had developed a real rapport with Paulsen. Although Gronstal worked on the Medicaid package with the new speaker, Linda Upmeyer, it remains to be seen how well they’ll connect, given her new role. "A new speaker will make the session slightly more difficult," says Brent Siegrist, a former GOP House Speaker who hails from Gronstal’s hometown of Council Bluffs.

It’s takes a while—the GOP backed away from knocking on thousands of doors. “The guy’s a slick, talented political operative,” says Scheffler, the conservative activist. But handshake dealmaking may not fly in Des Moines in 2016. For one thing, revenues are already coming in about $125 million below expectations, making budget negotiations more difficult. For another, Gronstal will be working with a new Republican speaker. He had developed a real rapport with Paulsen. Although Gronstal worked on the Medicaid package with the new speaker, Linda Upmeyer, it remains to be seen how well they’ll connect, given her new role. "A new speaker will make the session slightly more difficult," says Brent Siegrist, a former GOP House Speaker who hails from Gronstal’s hometown of Council Bluffs.

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During last year’s budget negotiations, Gronstal painstakingly put together a deal that had something in it for everyone—House Republicans, the governor and Gronstal’s own caucus. The numbers appeared to work for all sides, or it seemed when Gronstal talked with the governor’s people. In the end, however, after
“I’ve never threatened anybody,” Gronstal says. “If you can’t really persuade them, maybe you ought to rethink what you’re doing.”
legislators went home, Branstad vetoed millions for K-12 schools, universities and mental health facilities. Democrats were livid. Even some Republican legislators complained, although not enough to make up the two-thirds majority needed to call a new session and attempt an override. “He kind of canceled some of the goodwill I try and create,” Gronstal says. “I don’t know where that leads. It will certainly make the Senate Democrats less interested in helping the governor get some of his priorities, if none of ours get considered.”

In the wake of Branstad’s veto, House Republicans will struggle this year to convince Gronstal that if he comes to terms with them, they can get the governor to go along. “He felt he was sitting down with people of good faith,” says Matt McCoy, the Senate’s assistant Democratic leader. “I suspect he’ll be looking into the whites of Terry Branstad’s eyes, and he’ll be pushing harder to make sure the governor’s on board before he pronounces a deal done.”

As much as they express admiration for Gronstal’s work ethic and intelligence, Republicans can’t help resenting his stature as the single biggest obstacle blocking them from enacting the agenda they’d prefer. After two decades having to cope with him, they want the additional seats to get him out of there. “I have a lot of respect for Mike—I really like him,” says Zain, the GOP state senator. But then, in the next breath, he adds, “God, he really makes me mad sometimes.”

Iowa’s Republican governor knows his life would be a lot easier if his party just had two more votes in the Senate. Branstad is hopeful that it will happen this fall. Half a dozen Senate Democrats who are up for re-election in November represent districts with a Republican edge in voter registration. In Iowa as elsewhere, Democrats are running out of favorable territory. A couple of decades ago, half the party’s senators were from rural areas. Now there are only two Senate Democrats left from the mostly sparsely populated counties west of Interstate 35. Gronstal is one of them.

Republicans have had high early season hopes more than once in recent years. But Gronstal and his majority have remained standing. It hasn’t seemed to matter if one of his members bowed out due to serious health problems or to a gubernatorial appointment to a state job. Somehow Gronstal has kept his majority intact. Few neutral observers are willing to predict at this early stage that he will lose it in 2016.

Gronstal, who can only dream of winning a big majority in his own district, is up for re-election himself this year. Republicans will target him once again, but they may not have much luck. The local business community has discovered the virtues of having a top leader representing the area. One prime example is the way Gronstal helped tweak the state’s rules on economic incentives to help lure Google to Council Bluffs. The giant tech company has invested $2.5 billion in a data center facility and sponsors free Wi-Fi downtown. “They’ll come after him again and he’ll be tough to beat,” says Siegrist, who lives about a mile from Gronstal. “There’s a lot of respect for him around town.”

Between elections, Gronstal is able to keep his narrow majority together because other Democrats trust he’ll lead them where they need to go. He doesn’t twist arms. He tries to appeal to senators’ sense that they’re part of something larger than themselves. They might want to vote with the Republicans on a given issue, but he routinely manages to convince them that it would be a bad move for the party as a whole, and for their own political values.

Gronstal likes to invoke Joshua Chamberlain, the Civil War general who held the line at Little Round Top during the Battle of Gettysburg. Chamberlain convinced more than 100 deserters to take up arms again because they had the rare chance to fight a war rooted not in power or land, but the principle that all men are created equal. During the long stretch of more mundane days that make up the legislative calendar, Gronstal tries to remind his colleagues that they each entered politics for values they believed in. Whatever the task is at hand, he presents it as one step in the long process of promoting those values.

“I’ve never threatened anybody,” Gronstal says. “If you can’t really persuade them, maybe you ought to rethink what you’re doing.”

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The Pain in Pennsylvania

The past year’s events in Harrisburg make it clear that states know how to create gridlock just as well as Washington does.

By Daniel C. Vock
School districts across Pennsylvania have been complaining for years about the way the state funds its K-12 education system. The poorest local systems have the most reason to complain; they have extra-large burdens, but they don’t receive any extra help from Harrisburg. Joe Gorham runs one of those poor districts, the Carbondale Area School District in northeastern Pennsylvania. He thinks the state needs a complete overhaul in the way it funds public schools. A year ago, Gorham thought meaningful change might be on the way: A new governor had just taken office promising to make school funding a top priority.

But, as of mid-December, no lifeline had come from Harrisburg. Instead, a protracted budget fight between Democrats and Republicans at the state capitol choked off state funds for schools starting in July and nearly forced the Carbondale schools to shut down. As 2015 trudged to a close, Gorham couldn’t help wondering whether the same event that gave him hope—the arrival of a new governor—had instead added to his district’s troubles. As of press time, the prospects of a major school funding overhaul were still very much in doubt. But what is certain is that just having the conversation exacted a heavy toll on schools.

Pennsylvania offers proof that states are not immune from the partisanship that has crippled Congress and the federal government. Just as in Washington, lawmakers in Harrisburg last year strained to keep the government’s lights on and the bills paid. And just as in Washington, the forces that led to gridlock are deeply ingrained and unlikely to disappear soon. It’s not a comforting prospect for those dependent on the state for crucial assistance, particularly schools, which are at the heart of the recent impasse.

Tom Wolf, the state’s new Democratic governor, campaigned in 2014 on the idea of taxing companies drilling for natural gas and using the money to reimburse school systems, which experienced big cuts under the previous administration. But Republican lawmakers, emboldened by new leadership and the biggest legislative majorities for either party in Pennsylvania since Dwight D. Eisenhower was president, balked at the energy production tax. The result was an inability to produce a state budget and a partial shutdown of state government after the July deadline.

With no budget in place, Pennsylvania stopped sending money to support school districts. That put Carbondale in a tight spot. The district didn’t have a lot of money to begin with, and it had already depleted its reserves to cope with state budget cuts after the Great Recession. So Carbondale borrowed $1 million to make payroll while the fight in Harrisburg continued. In the second half of the year, the district skipped all payments to its teacher pension fund and withheld contributions to a local charter school. Still, the district’s cash balance dipped at one point to just $11,000.

Gorham weighed the idea of shutting down Carbondale schools one day a week to save on utility costs. He considered a one-day systemwide protest closure to bring attention to the dire financial straits the district found itself in. But ultimately he decided that those moves would be too disruptive. “These funding stalemates not only affect our students and our teachers here on the campus,” Gorham says, but they also “have a greater impact on the community at large, because this is the main employer.”
By October, 27 school districts had borrowed a total of $431 million from banks and other sources to keep their schools open during the standoff. Hard-hit districts like Carbondale became the poster children of the budget crisis early on. But dozens of other districts reported that they, too, would have to resort to borrowing if state money didn’t start flowing by November. Even with the added pressure on lawmakers and the governor to reach a deal, Thanksgiving came and went with no agreement.

The budget deadlock between Pennsylvania Gov. Tom Wolf and the legislature is by no means the first in the state’s history. The preceeding 1969 stalemate dragged on that the struggle to reach a budget deal would suck the oxygen out of Harrisburg for solving longstanding problems, including one that forced the standoff. “My fear is that we’ll pass a budget, and everybody will forget about the main issue,” he says. “The main issue is that schools are not fully and fairly funded across the commonwealth. That should not continue.”

The prolonged standoff stems, in part, from the fact that Pennsylvania voters are themselves deeply divided. Wolf, a wealthy businessman and former state revenue secretary, won the governorship handily in 2014 over the unpopular incumbent Republican, Tom Corbett. It was a stinging rebuke for the GOP: marking the first time a sitting governor of either party had lost a re-election bid since the state constitution was changed to allow two-term administrations in 1968. At the same time, however, voters increased Republican majorities in the legislature. The GOP lawmakers elected in 2014 and in the same time, however, voters increased Republican majorities over the unpopular incumbent Republican, Tom Corbett. It was a mandate to do what they think is right.”

It matters partly because of what’s specifically in the budget, but it also matters to the nature of the political process in Pennsylvania for the next three-plus years.”

The deadlock of 2015 was by no means the first long-delayed budget for Pennsylvania. In the 1960s, budgets were chronically late: An epic showdown in 1969 lasted 247 days (although the state operated on stopgap budgets in the meantime). Pennsylvania’s last Democratic governor, Ed Rendell, went into overtime negotiations three times in his eight-year tenure. In fact, Madonna says, many Pennsylvania governors have begun their terms with a mandate to do what they think is right.”

The budget stalemate has squeezed more than just schools. Counties, which rely on the state for as much as 40 percent of their budgets, have scrambled to deal with the revenue loss. Several stopped paying vendors. Others cut programs, laid off staff, depleted reserves and borrowed money. “As wards of the state, Pennsylvania’s counties have been malnourished and mistreated this year,” wrote Charlie Bar of the National Association of Counties. What’s more, both the state and county have depended on nonprofit safety net providers to continue offering social services. The effect of the impasse hit close to home for legislators, too. The state Senate had to take out a $9 million loan from PNC Bank so it could pay legislative staff during the shutdown.

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In short, the 2014 election gave both sides little incentive to compromise on the most important issues. Besides education and energy taxes, the two parties clashed over myriad things, such as how to offer property tax relief, whether to privatize some or all of Pennsylvania’s state-owned liquor business and whether to shift state employees from traditional pensions to 401(k)-style retirement plans. But most, if not all, of those questions divided Harrisburg well before Wolf took office. The difference in 2015 was that both sides knew the deal they struck in the governor’s first year would set the tenure for the rest of his term. That emboldened Wolf to refuse to sign a stopgap measure in the summer that would have kept the state running as normal while its leaders negotiated. It would have come as a relief to some of the state’s strapped agencies and programs, but it would have taken pressure off Republicans to strike a permanent deal. Both sides also dismissed overtures from each other that they saw as insignificant. “This budget really matters,” says Stephen Herzenberg, executive director of the left-leaning Keystone Research Center.

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Teri A. Lebow, the Carbondale superintendent, worried as the stalemate dragged on that the struggle to reach a budget deal would suck the oxygen out of Harrisburg for solving longstanding problems, including one that forced the standoff. “My fear is that we’ll pass a budget, and everybody will forget about the main issue,” he says. “The main issue is that schools are not fully and fairly funded across the commonwealth. That should not continue.”
To help navigate these new waters, the Center for Digital Government and the Governing Institute, with underwriting support from Optum, created a handbook for MMIS reform. The handbook walks states through some of the important considerations when moving to a services-based approach to MMIS, including:

- The changes CMS is making to support a more modular and services-based model, including whether services qualify for the enhanced federal match
- The steps they need to take in the initial planning stage
- How to implement effective organizational change management
- The differences in deploying a services-based MMIS versus the conventional MMIS design, development and implementation
- How to tackle the procurement process

CONSIDER THIS before you proceed with a procurement:

✓ Traditional MMIS deployments typically take years to complete and requirements frequently change.
✓ The price tag can range from $50 million to more than $150 million.
✓ A 2012 analysis found “21 of the last 21 MMIS implementation projects over the last 10 years have been late, over budget, failed or some combination thereof.”

If this data makes traditional MMIS deployments sound complex and overwhelming, it’s because they are. What’s the solution? Breaking traditional MMIS deployment into logical pieces and moving some or all of those pieces to a service instead of a traditional system is gaining steam as an attractive option in the market — one that is now being backed by the U.S. Centers for Medicare & Medicaid Services (CMS).

DOWNLOAD A COMPLIMENTARY PDF AT:
www.governing.com/MMISHandbook

In the Market for a New MMIS?

Change can be scary, but this is a transition worth making. As a compilation of input from nearly a dozen states and organizations, this handbook is a great starting point for those states ready to reap the advantages of MMIS-as-a-service.
When Rick Snyder became governor of Michigan in 2011, his state had been on a 10-year economic slide—businesses were leaving and so were people. Where the rest of the country saw growth in the first two-thirds of the 2000s, Michigan’s fiscal health was slip-sliding away.

Reversing a slide is difficult, and Michigan’s governor and legislators focused a good chunk of their turnaround efforts on taxes. They wanted to reform the tax code so that it would lure businesses and generate the revenue needed to underwrite the kind of quality services that make people want to live there. Snyder’s first step was to ask the legislature to slash business taxes. Within months, lawmakers repealed the unpopular and complicated Michigan Business Tax—though businesses could opt to stay with parts of the old system and its arcane web of credits and rebates.

That isn’t all the legislation did. The new tax law created a flat 6 percent tax that only certain types of corporations paid on their income. Talk about simplification: Nearly 100,000 businesses no longer had to file corporate returns.

Michigan has made economic progress since the 2011 tax reforms were passed. The population has stabilized, and the state
ranks fifth in the country in job creation. Earlier this year, Michi-
gan’s bond rating was upgraded, an affirmation of a more stable
fiscal environment.

But tax policy changes don’t happen in a vacuum. It’s diffi-
cult to tell whether the state’s upturn is a result of the national
economy recovering from the 2008 recession or from changes to
Michigan’s business taxes. What is certain, however, is that the
tax reform is bringing in less money. Before the 2008 recession,
Michigan was collecting more than $2 billion annually in business
taxes; in 2013, collections were less than $1 billion. That fall-off is
in keeping with an in-state trend that had been building for two
decades. Michigan corporate tax collections, adjusted for infla-
tion, have fallen by 72 percent. Meanwhile, perhaps counterin-
tuitively, total state revenues over that period grew by 56 percent.
Michigan is just one of a handful of states that has seen cor-
porate tax revenue drop sharply, but it is one of many that has
watched that tax base shrink while overall tax revenue grows.
Nationally, real net corporate income revenues have grown on
average at about half the pace of total revenues in states collect-
ing the taxes over the past two decades, according to a Governing
analysis of financial data reported to the U.S. Census Bureau. This
weak growth of corporate taxes took place despite rising corporate
THE DECLINE OF CORPORATE INCOME TAX REVENUES

In 36 of the 48 states collecting corporate income taxes, net corporate revenues grew at a slower rate than total revenues over the past 20 years. To account for the volatility of revenues, three-year averages were used to compare inflation-adjusted 1990-1992 and 2011-2013 totals.

**CHANGE SINCE EARLY 1990s**

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<tr>
<th>State</th>
<th>REAL NET CORPORATE INCOME REVENUE</th>
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Nevada, Texas, Wyoming and Washington state do not collect corporate income taxes. Figures do not include gross receipt taxes collected in Ohio, Michigan and other select states.

Source: Governing calculations of U.S. Census Bureau Annual Survey of State Government Finances data.
M
ichigan’s corporate tax reforms required sacrifice, especially in the form of a revenue hit. The reforms called for the state to continue to pay out any remaining tax credits under the old system. In fact, the state gave nearly as much in rebates as it received in corporate tax revenue in 2015, according to Michigan Treasury spokesman Terry Stanton. Over the next few years, however, those credits are expected to decline to $600 million annually. Stanton also notes that for a number of years, corporations are shifting their business earnings as personal income. About $900 million in income tax revenue this year is due to that shift.

The positive news for Michigan is that the downturn in corporate revenue is about to end. The 2013 reforms eliminated a number of loopholes and ended preferential treatment for some industries, such as tax credits to woo the filmmaking industry and to keep automobile manufacturers in the state. The state’s treasury office expects corporate tax revenue will total more than $1 billion this year and the next.

But critics of the 2013 tax program point out that Michigan now ranks near the bottom in corporate income tax revenue per capita among the states that levy such a tax, according to the Michigan League for Public Policy. The state paid for part of the corporate cuts by eliminating most individual income tax deductions and credits, and by partially taxing retirees incomes, which had been exempt. “We cut taxes on businesses by a lot, but in reality we just cut taxes on businesses by a lot, but in reality we just

In short, there’s no cookie-cutter solution that can be applied from one state to the next to attract businesses, people and jobs. Business tax breaks are no panacea. Policymakers need to study economic trends in their region to understand what is actually helpful to companies, says Zach Schiller, executive director of Policy Matters Ohio. He points to one of Ohio’s recent gross receipts tax adjustments that allows sole proprietors to exempt some of their business income. Set up as an incentive for small businesses, the change nets small businesses just several hundred dollars, yet will cost the state hundreds of millions of dollars. “The idea that we’re doing small businesses a favor with this is ill-conceived,” he says. “It’s like flying an airplane over Ohio and throwing money out the window.”

When it comes to tax incentives, LeRoy would like to see states ask more of corporations in return for the tax favor. So-called community benefits agreements, for instance, often include local hiring requirements, job quality standards and affordable housing set-asides. A broad coalition of labor and community-based organizations negotiated such an agreement with the developers of Los Angeles’ downtown sports and entertainment complex in 2001.

Businesses that refuse to make trade-offs should make lawmakers wary, LeRoy adds, pointing to a recent experience in Illinois. In 2013, the head of Decatur-based Archer Daniels Midland announced he wanted to relocate to Chicago but needed a tax credit to help pay for the cost—otherwise he might have to move out of state. Legislators balked at the threat, called it blackmail and did nothing. In December of that year, Archer Daniels Midland announced where it had decided to open new offices: Chicago—no incentives required.

The slashed business taxes, the incentives and assorted rebates that woo corporations aren’t the only reason corporate tax revenue is down. There is a growing sophistication in the ability of big corporations to shelter profits in offshore tax havens. The Institute on Taxation and Economic Policy (ITEP) estimates that Fortune 500 companies reporting profits pay an average of 3.5 percent in state corporate taxes. The average state corporate income tax rate, however, is about 6 percent nationwide.

The sheltering of profits got a boost from computerization, which made it easier for companies to move profits around on paper, notes ITEP’s Executive Director Matthew Gardner. He says states can close a key loophole in their corporate tax laws by requiring companies to report their income from overseas. This move—known as combined reporting—effectively treats a parent and its subsidiaries as one corporation for state tax purposes. About half the states have implemented combined reporting, which discourages companies from using noncorporate income tax states as tax havens. But few states expand that requirement to international holdings. “Thirty years ago,” Gardner says, “the cutting edge in income shifting was moving profits to Delaware or Nevada [states that have significant tax advantages for corporations]. Now they’re shifting them out of the country entirely.”

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Businesses that refuse to make trade-offs should make lawmakers wary, LeRoy adds, pointing to a recent experience in Illinois. In 2013, the head of Decatur-based Archer Daniels Midland announced he wanted to relocate to Chicago but needed a tax credit to help pay for the cost—otherwise he might have to move out of state. Legislators balked at the threat, called it blackmail and did nothing. In December of that year, Archer Daniels Midland announced where it had decided to open new offices: Chicago—no incentives required.

The slashed business taxes, the incentives and assorted rebates that woo corporations aren’t the only reason corporate tax revenue is down. There is a growing sophistication in the ability of big corporations to shelter profits in offshore tax havens. The Institute on Taxation and Economic Policy (ITEP) estimates that Fortune 500 companies reporting profits pay an average of 3.5 percent in state corporate taxes. The average state corporate income tax rate, however, is about 6 percent nationwide.

The sheltering of profits got a boost from computerization, which made it easier for companies to move profits around on paper, notes ITEP’s Executive Director Matthew Gardner. He says states can close a key loophole in their corporate tax laws by requiring companies to report their income from overseas. This move—known as combined reporting—effectively treats a parent and its subsidiaries as one corporation for state tax purposes. About half the states have implemented combined reporting, which discourages companies from using noncorporate income tax states as tax havens. But few states expand that requirement to international holdings. “Thirty years ago,” Gardner says, “the cutting edge in income shifting was moving profits to Delaware or Nevada [states that have significant tax advantages for corporations]. Now they’re shifting them out of the country entirely.”
In tiny towns like Gifford, S.C., the municipal government consists of very few people. A dozen employees, most of whom are unpaid and work part time, see to the needs of the town’s 289 citizens. Here, the entire city council—Alvin Murdaugh, Lindsay Strong, Leon Blake and Horney Mitchell—stands in front of the town hall, a former family home that was donated to the city.
Municipal Judge Sheryl McKinney holds court once a month and typically hears a dozen cases, mostly traffic related.
Laquan Keith Mitchell, elected in 2013, is the fourth mayor of Gifford. His father is a council member.
George Woods is always on call to take care of general maintenance. In fact, he makes up the town's entire public works department.
Chief of Police James Mitchell, no relation to the mayor, brings in a sizable portion of Gifford's revenue by writing tickets.
Problem Solver

Counting the Phone Calls

A 311 call system can give a city a bonanza of information. But the data must be used carefully.

When Somerville, Mass., started waging war on an escalating rat population a few years ago, the city turned to data from its 311 nonemergency call center to devise a plan. Reports of rat sightings logged by callers to 311 showed where in the city the problem was most severe. Crews baited traps in those places, while every city property owner received new heavy-duty trash barrels.

Calls reporting rats in Somerville have since dropped by more than 60 percent. And the data has been useful in confronting a number of other issues. Every day, Mayor Joseph Curtatone checks a 311 dashboard highlighting trends and any anomalies across a range of city services. “It’s kind of like our pulse on the city,” says Daniel Hadley, the mayor’s chief of staff.

Like Somerville, many localities are finding novel ways to utilize 311 call data. At the same time, though, a growing body of research has highlighted drawbacks to the practice, most notably that not all residents use the system equally.

Hadley says problems can arise if the city relies too heavily on the data without taking into account the way various demographic groups use 311. Neighborhoods with more immigrants tend to call into the system at lower rates, for instance, so that’s taken into account when rat complaints are received from those areas.

Within any given city, some residents are uncomfortable knocking on their neighbors’ doors to resolve issues. In other neighborhoods, people are more likely to rely on public agencies to step in. In one recent study, New York University’s Joscha Legewie and Merlin Schaeffer of the University of Cologne sought to assess neighborhood tensions across New York by analyzing 311 complaints for loud noise, drinking or blocked driveways. The system was used most often, they found, where “fuzzy boundaries” separated ethnically homogeneous neighborhoods.

The volume of 311 calls doesn’t always reflect actual levels of need for a service, either. This point is illustrated in recent research by Columbia University’s Jona-than Auerbach and economist Christopher Eschelman. They reviewed calls to 311 for tree damage following six major storms in New York City and compared them to completed work orders and tree counts. Neighborhoods with more renter-occupied homes, buildings with 10 or more units and unmaroed heads of household were less likely to report damaged trees.

What’s more, a city may receive multiple calls reporting the same issue. In smaller cities, frequent callers may skew the data in the same way that a few outspoken community members dominate local council meetings. Media coverage around an issue also prompts more calls.

All these factors must be considered when localities incorporate 311 calls into wide-scale policy decisions. “We want to make the distinction between data-based policy and evidence-based policy,” Auerbach says. Andrew Nicklin, open data director at the Johns Hopkins University Center for Government Excellence, expressed concerns that relying solely on 311 data could exacerbate inequalities if affluent households are overrepresented. “It’s important to understand what the gaps are,” he says, “and where you can use other data to shore up biases.”

As an illustration, the New York City buildings department receives tens of thousands of complaints each year citing illegal conversion of rental units to unauthorized uses. By incorporating data from other city agencies, such as which landlords are delinquent in paying property taxes, the city better prioritizes the calls that need investigation. Chicago’s health department forecasts which restaurants are likely to have health violations by comparing 311 complaints with variables that include prior critical violations, how long the establishment has operated and nearby sanitation complaints.

One way for cities to reach a broad cross section of residents is to offer multiple lines of communication. Audrey Mathis, Chicago’s 311 director, says neighbors with more seniors may prefer calling an operator. Others can contact Chicago 311 via email, Web forms or text messaging. “We want to make sure that, across the board, people have a variety of ways to reach out to us that aren’t limited to a particular neighborhood or demographic,” Mathis says.

Many cities have just begun to explore the ways 311 data can enhance public services. Pittsburgh launched its 311 system nearly a decade ago, but it wasn’t until lately that the city began collecting and analyzing call data. The effort has already proven useful in identifying bottlenecks and ways to improve efficiencies, such as how to best deploy crews for its pre-winter pothole-filling blitz. Some departments cite 311 calls when they put together budget proposals for capital improvements, and it may soon be used to help measure performance.

Just like any data, 311 calls aren’t a perfect indicator of what’s happening on the ground. When the limitations are accounted for, though, the data can serve as an invaluable tool in policymaking. “It’s almost like there’s not really an end game,” says Laura Meissell, a manager in Pittsburgh’s Department of Innovation & Performance. “The possibilities are endless as we expand and refine the process.”

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The number of calls to a city’s 311 system can vary significantly by neighborhood. Consider New York’s 311 system, which has received about 700,000 noise complaints since 2010. On a per household basis, calls reported from Manhattan are three times more common than those from Queens and nearly four times more frequent than Staten Island.

New York’s Noisiest Neighborhoods

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The 2010-2015 Census Tract Noise Complaints per 100 Households

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<th>Borough</th>
<th>2010-2015 Noise Complaints Per 100 Households</th>
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<tr>
<td>Bronx</td>
<td>15.0</td>
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<tr>
<td>Brooklyn</td>
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<tr>
<td>Manhattan</td>
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<td>Queens</td>
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<td>Staten Island</td>
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The map shows the noise complaints per 100 households in different boroughs of New York City.
Performance Anxiety
When government purchasers get hung up on a low price, they buy into a bad deal.

Digging a bit deeper into the fine print, most cities and states use the word “responsible” to describe the type of bidder with whom they’ll consider doing business. But whether or not past performance is taken into account is often contingent on how one interprets what “responsible” means: Does it include information about prior experiences or not?

A 2015 report by the Hawaii State Procurement Office, which noted that bidders must be “responsible,” found that the state’s 21 chief procurement officers had different definitions for what the word meant. Some believed the question of whether a bidder is responsible could be determined by its success or failure in past projects. Others rejected the idea that they should look at the past in evaluating eligible bidders. The state procurement office recommended to the legislature that it clarify the issue by mandating statewide past performance evaluations.

In fields outside of construction, it is much more common to make bid selections based on “best value,” as opposed to lowest price. This generally provides more freedom to look at the performance of contractors that are being considered.

This has been the case in the state of Washington, which has long utilized past performance as important criteria in the bidding process. In 2013, procurement reforms led to an even greater emphasis on this factor.

The reforms included the development of an electronic vendor report card for master contracts. It is filled out when a contract is rebid or an extension of a contract is requested. The idea, notes Cheral

E veryone loves a bargain, even governments. When government purchasers put out a construction bid, the winning company is often the one that quotes the lowest price for the project. Previous performance is not necessarily taken into account. That’s like buying the cheapest used car on an auto dealer’s lot, without checking out the condition of the motor.

But such an approach regularly takes place in state and local purchasing. The San Francisco administrative code, for example, doesn’t require its six departments that contract out for construction to evaluate past performance when considering bids. Some departments do so, but inconsistently. This still goes on despite a 2014 survey conducted by the city services auditor in which 90 percent of construction employees agreed that departments should be required to conduct evaluations and use them in the bid-award process. “Continuing to award contracts to poor performers,” the audit warned, “negatively impacts the city and its resources in the form of project delays, abandoned projects, substandard work, and, at times, claims and litigation.”

Last June, a report from the San Francisco Civil Grand Jury made the same point. A task force is now at work to figure out how to change San Francisco’s practices, as well as revamp its policies.

San Francisco is no outlier. The failure to weigh past performance for construction contracts is common in many states and localities, though some, such as Los Angeles, New York City and Seattle, have adopted a performance-based approach. Since 1999, Los Angeles has required its departments to do performance evaluations when a construction contract is completed. Those results are then considered when future contract awards are made.
Manke, the state procurement manager, is to support the continuous open commu-
nication between agencies, the procure-
ment office and contractors. That way, when problems with a contractor do show up, they are not a surprise.

Washington may also add perfor-
manoe information to its current contract
database and is considering the develop-
ment of a centralized database focused on past performance. “This needs care-
ful consideration to ensure fairness and
accuracy,” Manke says. “But if this can be established then it could be a useful and
time-saving tool.”

Taking past performance into account makes sense, but it’s hard to put into prac-
tice. One of the tricky issues is figuring out
whether the contractor was responsible for
a past problem or if the government itself might have been the culprit.

If the vendor has made personnel
changes, past performance, particularly
in service contracts, may be a poor guide
to current or future performance. “When
it comes to services, one of the issues is
whether the individuals are the same
ones that delivered services in the past,”
says Jim Butler, California’s chief proc-
curement officer. As a result, one con-
tact clause that can help ensure success allows the entity to review the choice of
a key member of the contract staff if that
person needs to be replaced before the
job is finished.

Butler emphasizes the importance of
making sure that the team that is
interviewed as part of the procurement
selection process is the team that will be
doing the work. He advises having
clauses that guarantee that those indi-
viduals will deliver the service “so you
don’t have a bait and switch when the A
team presents and the B team shows up
to do the work.”

Even with diligent examination of past
performance, there’s no guarantee that
public-sector contractors will all deliver
at the level anticipated. A good record
doesn’t necessarily predict a successful
future. But it’s a start.

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A Better Way to Attack Inequality

By Mark Funkhouser

Many government leaders are justifiably concerned about our country’s huge and wid-
ening gaps in wealth and income and are looking for ways to reduce economic inequality
and improve social equity. What surprises me, however, is how often, on both the
left and the right sides of the political spectrum, the discussion turns to the idea of
redistribution—taxing the rich to give to the poor by increasing social welfare payments.

In this scenario, as The Washington Post’s Robert J. Samuelson wrote a few weeks
ago, redistribution becomes an engine of social justice.” He cites a recent Brookings
Institution study showing that increasing the top federal individual income tax rate
from the current 39.6 percent to 50 percent would raise about $100 billion in tax
revenue annually and that distributing that money to the poorest fifth of Americans
would amount to an average of $2,650 per household.

In my view, there are real prob-
lems with thinking about redistribu-
tion in this way. First, many Ameri-
cans don’t think that taking money from
one person to essentially give it to
another is a legitimate function of
government. Second, redistribution is
divisive, separating out the poor
as a special class of people when
we should be pursuing policies that
increase unity and a sense of com-
monality among all Americans.

Instead of pursuing redistribution,
state and local government ofﬁ- cials
should focus on the powerful impact
on social equity of simply improving
the operations of their governments. The welfare checks that might be generated by rais-
ing taxes on the rich would be small, while the aggregate impact of better policing; better
schools and better public transit would be large. Everyone beneﬁts when governments
deliver services with fairness and competence, but the poor and the vulnerable beneﬁt
disproportionately because they are the most dependent on public services.

Ferguson, Mo., and Baltimore, for example, have given us some insight into the
huge societal costs of unfair and incompetent administration of criminal justice. As
for education, consider this: A person who doesn’t ﬁnish high school can expect about
half the lifetime earnings of someone who does get a diploma. And then there’s the
one that bothers me the most because it seems so much more straightforward to
improve than reforming our criminal justice system or public schools: transit.

Here again, numbers tell the story: The ofﬁcial federal poverty level for a family
two is $15,730. The average annual cost of owning and operating a car is $8,698.

Obviously, owning a car is ﬁnancially difﬁcult for a poor family and yet, in most of
America, there is no other way to get to work and to carry out the basic tasks of life.

Owning a car means being mobile, and being mobile is essential to being able to go to
class, to get to work, to take care of everyday tasks. And it’s important to note that the
wealthy don’t really need transit or many of the other basic services of local
government. They can take care of themselves, with private cars, private police and
private schools. Tax them if you want to, but use the money to run a good government.

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“Instead of pursuing redistribution, state and local
government ofﬁcials should focus on the powerful impact
on social equity of simply improving the operations of
their governments.”

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Methodology:

In August and September 2015, the Governing Institute conducted an online survey or telephone interviews with 41 state officials who have direct involvement in the implementation of WIOA. These respondents were screened to ensure knowledge of, and participation in, the implementation of WIOA within their state. States not interviewed or surveyed: Arizona, Connecticut, Illinois, Kansas, Maine, Nebraska, New Hampshire, North Dakota, Washington.

In July 2014, Congress authorized WIOA for 2015 to 2020 to better align the workforce system with education and economic development. WIOA is a reauthorization of the Workforce Investment Act (WIA) of 1998 and features key improvements, including increased accountability and performance reporting from government agencies.

How States Are Investing in INNOVATION & TECHNOLOGY to Meet WIOA Requirements

The Governing Institute surveyed and interviewed key decision-makers in 41 states about the benefits and challenges of the Workforce Innovation and Opportunity Act (WIOA), and where they are in investing in technology and innovation for WIOA.

CHALLENGES REMAIN:

WIOA benefits are promising, but states still have technology gaps.

1. CONNECTING DISPARATE SYSTEMS

“Basic sharing of information between agencies and partners is the biggest gap.”

2. UPGRADING CURRENT SYSTEMS

“We are having difficulty with a very old mainframe technology application that needs to be upgraded to become more flexible and mobile.”

3. ESTABLISHING A COMMON INTAKE PROCESS

“We have no common intake, referral or reporting system.”

4. IMPROVING COMMUNICATION AND MOBILITY

“We want to create mobile apps for citizens who don’t have technology in the home.”

5. ENSURING CONNECTIVITY

“Internet access is often missing or broadband is low.”

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1. All quotes are from respondents to open-ended questions of the Governing Institute’s survey.
States are implementing technologies to help meet WIOA requirements.

- LABOR EXCHANGES/ONLINE CAREER PORTALS
- INTERNAL LABOR MARKET INFORMATION TOOLS
- CASE MANAGEMENT SYSTEMS
- MOBILE APPS AND SMARTPHONE RESOURCES
- ONLINE TRAINING AND CERTIFICATION SOFTWARE
- CAREER-READINESS DATABASES
- CUSTOMER RELATIONSHIP MANAGEMENT SOFTWARE

Some states are pushing the status quo and implementing innovative strategies.

- Increasing use of non-governmental resources to support agency missions
- Using social media to benchmark performance
- Developing distance learning training
- Leveraging real-time labor demand and supply data
- Using specialized programming for incarcerated citizens, Native American tribes and dislocated coal mine workers

States believe WIOA can offer the following benefits.

- IMPROVED COLLABORATION AMONG AGENCIES: 76%
- INCREASED FOCUS ON NEEDED AREAS: 63%
- BETTER CAREER PATHWAYS/ALIGNMENT WITH EDUCATION: 46%
- IMPROVED COLLABORATION AMONG REGIONAL AREAS: 22%

An overwhelming majority of states think WIOA is positive. 81% positive perception.
The Analytics of Addiction
Can technology help fight drug abuse?

On a recent morning in November, my local newspaper reported that an unusually pure form of heroin was circulating throughout our small Massachusetts community, triggering numerous overdoses. Ultimately, three young people died within a 24-hour period. Just a week earlier, the U.S. Drug Enforcement Administration had revealed that deaths from drug overdoses had surpassed deaths from car crashes and from firearms each year since 2008.

The rapid increase in overdose deaths has been relentless, and public health officials have scrambled for some kind of response to the problem (see page 18). Among the best-known solutions are the prescription drug monitoring systems that virtually every state has set up to reduce drug abuse. These systems collect, monitor, and analyze electronic prescriptions submitted by pharmacies and doctors, and can flag individuals who might be misusing or abusing painkiller medications.

Overall, these systems have been very effective. Missouri’s Medicaid program, MO HealthNet, for example, saw Vicodin use drop more than 30 percent between January 2012 and January 2015. Other states have reported dramatic drops in the number of patients who “doctor-shop” for more prescription painkillers as well.

But prescription monitoring systems have their limits. For one, they can’t track illicit drug use. For another, to be effective, the systems depend on electronic prescriptions for monitoring, but more than 40 percent of prescriptions are still written on paper. Furthermore, the information the systems provide about overutilization can be late in reaching the doctors who prescribe painkillers.

That’s where analytics come in. The Massachusetts Department of Public Health (DPH) has begun using analytics—basically software algorithms—to sift through sets of data to spot patterns and to devise an early warning system about hotspots in the state where possible overdoses and deaths might occur.

Using data in this fashion might enable health officials to contain an outbreak of opioid overdoses before the problem gets worse, says Tom Land, DPH’s director of the Office of Data Management and Outcome Assessment. By interrelating different types of information, such as painkiller prescriptions, data on deaths and other types of information, the state could make more informed decisions on where to use resources quickly and more effectively.

The tools to analyze data have been around for a while, but more than 40 percent of prescriptions are still written by hand. Electronic prescriptions are essential in tracking individual’s abusing painkillers, but more than 40 percent of prescriptions are still written by hand.

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Unfortunately, she says, “it’s going to take a lot of money to get the right technology in place to do that.”

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Storm Clouds

The growing intensity of natural disasters is a threat to fiscal stability.

Patricia, the strongest hurricane ever recorded in the Western Hemisphere, slammed into the town of Emiliano Zapata in southern Mexico in October. Peak winds were 165 miles per hour. The National Oceanic and Atmospheric Administration predicts that the 2015/2016 El Niño—a causal factor in the ferocity of Patricia—could foreshadow an indeterminate frequency, number and intensity of such storms in the Northern Hemisphere.

Wildfires in the U.S. West—California, Colorado, Montana, New Mexico, Oregon and Washington—were more severe and widespread this summer than in the past, burning or threatening millions of acres of land and thousands of homes. As wildfires increasingly imperil urban areas, they are putting more homes, lives and infrastructure at risk.

Whatever the debate about climate change may be in Congress or on the presidential campaign trail, it is clear that natural disasters—from hurricanes and wildfires to snowstorms and tornados—are becoming more commonplace and severe throughout the country. For state and local leaders, this intensification is not only a threat to lives and personal property but also to the fiscal stability of their communities.

It should not come as a surprise that the credit rating agencies have taken notice, adding “resiliency” to their rating criteria. In a recent statement, Standard & Poor’s noted that it regularly publishes extensive research on the implications of environmental and climate-related risks and that its evaluation of environmental, social and governance risks is a key part of its ratings methodology. “We continue to review,” S&P stated in a note, “the relevance of climate risk for creditworthiness and how we assess and present it as a risk factor in our analysis.”

When it comes to natural disasters, the task of protecting lives, property and the fiscal stability of a community falls disproportionately on states and localities—especially the latter because of the responsibilities they have, including zoning, emergency planning and the need to find the funding to undertake protective measures. In that regard, there are lessons to be learned from past events. Some regions or states that have suffered losses have taken relatively simple steps to protect against future destruction, such as changing building codes or rebuilding on higher ground.

A case in point is the Biloxi-Gulfport area in Mississippi. Ten years ago, the destructive winds of Hurricane Katrina hit the coastal region with full force, destroying everything from residential homes to the offshore gambling industry. Concerned that Biloxi’s economic lifeblood—tourists—would not return, the Mississippi legislature mandated that casinos had to build up to 800 feet inland instead of along the coast. Local communities banded together to rebuild, and today the casinos and golf courses that relocated or built inland have paved the way for a surprising and vibrant growth in the area, as well as an overall improved resilience for the economic livelihood of the local communities.

Some unharmed communities are forward-looking, too. In Virginia’s Hampton Roads region, coastal cities are investing in research and planning ways to diminish the negative effects of rising seas. Norfolk, which is home to the world’s largest naval base, has been developing initiatives to learn about the impact of recurrent flooding in coastal cities around the globe.

On a recent visit to Norfolk, Secretary of State John Kerry noted that these initiatives were not just critical to the city’s economic and physical future but also to what he deemed “the importance of addressing resilience and national security.” Kerry announced the formation of a task force to incorporate climate change into decision-making at every level of government. That is, city leaders’ experiences in Norfolk could not only help keep its fiscal house in order but have applications for cities across America on the Gulf, Pacific and Atlantic coasts, as well as for others worldwide.

By Frank Shafroth
Stockpiling salt is a yearly ritual for many cities. It’s estimated that more than 22 million tons of salt are scattered on U.S. roads annually, which Smithsonian Magazine equates to about 137 pounds of salt for every American. The stockpiling usually begins in September, well before the first frost. That’s about when Cleveland got its first shipment, as well as news that its snow budget was a little richer than expected. This summer, Ohio announced an $11.5 million settlement with Morton Salt Inc. and Cargill Inc. to resolve allegations that the companies conspired with each other, causing the state and local governments to pay higher prices for road salt. Cleveland’s share of the settlement is $250,000. High salt prices there have been the subject of numerous news reports over the past two brutal winters. This time last year, Cleveland was being inundated with snow and freezing temperatures: Clevelanders saw 10 days with temperatures below zero in February, the coldest February in the city’s recorded history. That’s one reason Cleveland officials are hoping forecasters at the National Oceanic and Atmospheric Administration are right in their predictions that Ohio’s winter will be warmer and drier than normal. But if the Farmers’ Almanac is to be believed, the 2016 winter season is looking a lot like last year’s: very frigid and very snowy. —Elizabeth Daigneau
YOU CAN’T BUILD THE GOVERNMENT OF TOMORROW ON THE NETWORK OF YESTERDAY.

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Elected officials have a unique role in government cybersecurity efforts and are held accountable for protecting critical government resources and data. How prepared is your organization to defend itself against cyber-attacks?

A new guide from the Governing Institute and CGI, a leading IT and business process services provider, offers best practices and strategies to help elected officials boost their cybersecurity efforts. Read the “Guide to Cybersecurity as Risk Management: The Role of Elected Officials” for:

- Checklists of the top cybersecurity action items for elected and agency executives and lawmakers
- An overview of public sector threats, assets and adversaries
- In-depth recommendations for integrating cybersecurity into an organization’s risk management framework

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