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PHOTO: DAVID KIDD; COVER PHOTO: SHUTTERSTOCK.COM/MYPOKCIK/TOM McKEITH
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Government purchasers have to act faster—or risk crushing innovation.

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Out in the Country

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eryone is talking about cities right now. All sorts of national and international magazines have recently featured cover stories on American cities and their mayors. Even our own June cover highlighted Ryan Holleywell’s story on the future of Detroit.

Governing has always been a fan of any coverage that shines a light on local government and the American city. And there’s certainly plenty to study, analyze and report, especially as our population continues to migrate toward urban centers. But all this media attention on big cities leaves me wondering what’s happening outside the city limits?

Offentimes, the needs of rural America are just as daunting as urban issues: delivering health-care services, reforming education and providing help to low-income families, to name a few.

But rural areas have their own added challenges: a rapidly aging resident base, declining populations and revenues, and the need to provide access to services over vast spaces where mass transit usually isn’t an option.

The rural-urban divide isn’t something that gets talked about enough. I was therefore pleasantly surprised, on a recent trip to Sacramento, Calif., to discover a group focusing on exactly that. The majority of Sacramento’s 2.5 million area residents live and work in urban areas. But across the six counties in the metro region, 70 percent of the lands are rural or agricultural.

That’s why, more than a decade ago, the Sacramento Area Council of Governments launched the Blueprint project, which provided a new framework for “addressing transportation, land use and air quality uses” for urban areas. The plan was adopted by officials from 22 cities and six counties with the additional intent to support agricultural viability and rural communities, linking them to the success of the region as a whole. The effort was so successful that it led to the creation of the Rural-Urban Connection Strategy in 2007. That program applies the economic growth and environmental sustainability objectives from the Blueprint to smaller communities across the region.

Not only are rural communities an instrumental element in keeping our overall American economy healthy; but some of the most innovative ideas can take shape more quickly in smaller towns. We’re interested in hearing more about rural areas and the most innovative ideas can take shape more quickly in smaller communities. If you have examples to share, please send them to me at ewaters@governing.com.
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The Ignored Generation
This is the best article I’ve ever read about Gen X in the workplace or society ["The X Factor," May 2013]. Most articles don’t even mention that a generation between the baby boomers and their children exists, and that obliviousness is reflected in the way we are treated in the workplace and society.
—Emily E. Danner
Los Angeles

I’ve been blogging about Generation X since 2008, and in that time I’ve seldom read an article with this comprehensive of a presentation that also used an economy of words. Thank you very much. I especially appreciate the characterization of Gen Xers as lone rangers. I’ve read far less attractive descriptions. I think the driver in the change of citizen engagement and advocacy is technology. Interesting how Generation X walks the divide between the past and the future—the last generation to remember what the world was like before social media.
—Jennifer James McCollum
Oklahoma City, Okla.

As a Gen Xer that’s also a newly elected leader within my county government, I found this article so incredibly refreshing that I’ve admittedly smirked and chuckled several times while reading it. It’s as though the author got inside my head and is aware of what’s motivated me to post on Facebook and Twitter certain elements of our local situation. It’s critical to get good participation from our citizens if we’re not to make decisions in a vacuum. However, the generalization is correct: Most folks aren’t interested in using traditional public meetings for accessing their government. I’ve likened it to interviewing for a job, only to be ignored by your boss (the public) after they’ve hired you. It’s not enough to get hired with a short list of priorities in one’s hand on Day 1 and then be left alone to accomplish the tasks. To be a good leader, we must have citizen engagement. Thanks for putting into words my thoughts.
—Shawn Milne
Tooele County, Utah

Love It or Hate It
I think everyone is overlooking the fact that we are really, really broke ["Derailed?" May 2013]. We cannot maintain the interstate today, let alone pay to build a new nationwide system. Anti-tax fervor is so great that even Obama will not back an inflation adjustment to the gas tax, even though it is 20 years overdue. If we can’t maintain a lifeline system for delivery of goods upon which all of our lives depend, what makes anyone think we can build a huge, vastly expensive [high-speed rail] network for passengers only? We can’t even get reliable funding for passenger rail on existing freight infrastructure that the private sector pays to maintain. Build an entirely new rail system, with nonexistent public money, just for passengers? It makes me wonder just how many people had to check their brains at the door for that to be on the table?
—Dave Imrett on Governing.com

I’m sick of folks complaining about trains losing money, as if the public doesn’t lose money on other modes from borrowing from the general fund to make up the difference in [shortfalls] for highway projects, let alone paying for policing and emergency road services, to subsidizing commuter airlines and using public money for air traffic control and airports. Luckily, railroads provide higher capacity corridors where highways have used up all the space available for capacity and are still congested; and major airports are congested with flights from more cities than there is capacity for.
—Harvey Kahler
Chicago

CORRECTION: In the May issue, Elizabeth Daigneau’s Green Government article, “Water Works,” mistakenly said that Milwaukee’s new water hub was being built in southwest Milwaukee. Rather, the new hub is located in southeast Milwaukee, south of downtown.
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A state’s lieutenant governor is “almost like your appendix,” says Ed Feigenbaum, a national expert on lieutenant governors and publisher of a newsletter on Indiana politics. “You don’t notice it until there’s a problem or you need it for something.”

But lately, lieutenant governors are getting noticed a lot. And they’re not getting the type of attention they’d like. Since February, three lieutenant governors have resigned from office amid scandal.

It started with Nebraska Lt. Gov. Rick Sheehy, who resigned after the press revealed he had made thousands of late-night phone calls to four women—none of whom were his wife—on his state-issued mobile phone. Then came Florida Lt. Gov. Jennifer Carroll, who quit her job after police questioned her about ties to a veterans charity that was allegedly part of a $300 million racketeering operation. And last month came the resignation of Massachusetts Lt. Gov. Timothy Murray, who left under scrutiny over alleged improper campaign fundraising on his behalf by a public housing official. (Murray’s star had fallen after a 2011 car crash, when investigators found he’d been traveling 100 mph in his state-issued vehicle.)

So what does it mean that in a span of just a few months, three lieutenant governors—each of whom had once been considered a rising political player—have resigned? Maybe nothing. “The office of lieutenant governor is arguably the most diverse office in the nation,” says Julia Hurst, executive director of the National Lieutenant Governors Association. “The three resignations are different situations occurring in different offices in different states in different regions of the country at different points of terms in office. My conclusion would be: Coincidence.”

But Ray Scheppach, the former longtime leader of the National Governors Association, says there may be something to the trend. “I think what happens is, anytime there’s a little problem, the governor [can] jettison the person quickly,” says Scheppach, now a professor with the University of Virginia’s public policy program. “A lot of times the governor is forced to accept the person just because of the politics of the state. Any little blip, and they’re out of there.”

Governors often don’t have the sort of close ties to their lieutenants that could help spare a public official who’s in the midst of controversy. “It can be a tenuous relationship to begin with,” Feigenbaum says.

Scheppach agrees: A governor risks being shown up if the lieutenant governor does well, and risks being dragged down if the lieutenant governor is in a scandal. In other words, for a governor, there’s not much political upside to a great lieutenant, but there’s a huge downside to a bad one, he says. “That’s why [governors] cut their losses real quickly.”

—Ryan Holeywell

Last month, Massachusetts Lt. Gov. Timothy Murray (right, with Gov. Deval Patrick) became the latest lieutenant governor to resign so far this year.

Caption

Bad Lieutenants

Last month, Massachusetts Lt. Gov. Timothy Murray (right, with Gov. Deval Patrick) became the latest lieutenant governor to resign so far this year.
Don’t Call It Medicinal, Unless You Do

THIS MAY, when the Colorado legislature finalized regulations for its now-legal recreational marijuana industry, it took a lot of cues from the medical marijuana system that’s been in place there since 2010. So many cues, in fact, that it can be a little hard to tell what, exactly, distinguishes a medical dispensary from the new recreational pot store next door.

For starters, Colorado’s new recreational marijuana centers are expressly forbidden from making any kind of health or medical claims. Medical dispensaries, meanwhile, aren’t allowed to talk about marijuana in recreational terms. On top of that, the new regulations give licensing preference to existing medical marijuana businesses that want to transition to the recreational market. It’s a little like having a liquor store across the street from a pharmacy that dispenses whiskey.

Taken together, Colorado’s new regulations could amount to a tacit acknowledgement that medical marijuana isn’t much different than the recreational kind. That raises some interesting questions for the 15 other states that have legalized marijuana only for medicinal use. (Most people would argue that California’s loosely regulated medical marijuana industry essentially amounts to full legalization in that state.)

Unsurprisingly, medical marijuana advocates bristle at such a characterization. They point to a growing body of research showing some medical benefits of marijuana use, as well as administrative realities like Federal Drug Administration rules preventing businesses from advertising health benefits of certain products. Full-on legalization just means you don’t need a special medical branch anymore, they say.

Still, if you want marijuana in Colorado, there’s an easy way to get it and a harder way. “I don’t know who would want to bother getting a medical marijuana ID card and go to the doctor [when] they just can go to the store if they’re 21 or over,” says Karen O’Keefe, state policy analyst at the Marijuana Policy Project. “It just makes more sense for everybody to go to the same location.”

— Dylan Scott
AFTER MONTHS OF DELAYS, New York City has finally debuted its new bike-share program, a massive undertaking that will eventually include 10,000 bicycles at docking stations throughout the city, which residents can unlock with the swipe of a credit card. It’s the same basic bike-share model that’s been adopted by other major cities from Washington, D.C., to Paris to Barcelona. And like those other programs, New York’s bike share is a major project: a planned 600-plus docking stations in Manhattan and Brooklyn, at an initial cost of $41 million (which, in New York’s case, is being funded privately by Citigroup).

But just across the Hudson River is another new bike-share initiative that eliminates the need for setting up a pricey docking infrastructure—or any infrastructure at all. In a new pilot program launched last month by Hoboken, N.J., bikes scattered across the city have built-in “smart locks.” Customers find the bikes with a GPS smartphone app, unlock them with a numeric PIN and can leave them wherever they want when they’re finished with their ride.

Because there’s no docking infrastructure to set up, the system is cheaper and faster to implement than big-city share programs. And no sidewalk real estate is gobbled up by the docks, which has caused much debate in New York. The Hoboken pilot launched with just 25 smart lock bikes. (Customers are encouraged to return the bikes to one of five hub locations throughout the city.)

The company behind the technology is Social Bicycles, or SoBi. CEO Ryan Rzepecki says similar smart lock programs have been used by a nonprofit in Buffalo, N.Y., employees at the San Francisco International Airport and a transit agency in Idaho. SoBi has won the contract to provide the technology for Tampa’s new bike-share program, and it has another deal pending before the city council in Phoenix.

To be sure, there are some advantages to the dock-station approach. For one thing, customers know exactly where they can pick up a bike. And because the bikes are housed at docks with electronic kiosks, even tourists and visitors can grab one with a simple swipe of a credit card. Rzepecki’s company has designed custom bike racks with electronic kiosks, so a hybrid system—featuring some free-standing bikes for regulars, and kiosks for bike-share newcomers—would be possible.

Still, he says, the nimble smartphone approach is where bike-share technology is headed, especially for smaller cities. “We feel this is the evolution of the technology.” —Ryan Holeywell

A Bike Share for the Rest of Us

Hoboken’s new bike-share program could be a model for smaller cities.

“We’ve become a very snobby society.”

—Mayor Nancy Denson of Athens, Ga., on the persistent notion that every child should go to college. Source: Governing Georgia Leadership Forum; Image: Shutterstock.com

July 2013 | GOVERNING 11

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THE BREAKDOWN

6 in 10

Americans who believe the feds should provide funds to states hit by natural disasters without worrying about offsetting expenditures with extra cuts, a recent Washington Post-Pew Research Center poll found.

0

Number of arrests New York cops are allowed to make of women who go topless in public aren’t of government who faced recall elections in 2012. The year before, 151 public officials’ jobs were threatened.

169

Number of officials at all levels of government who faced recall elections in 2012. The year before, 151 public officials’ jobs were threatened.

24.4%

Proportion of bridges in Pennsylvania that are deemed structurally deficient, which is the highest percentage in the nation.

Starting the College Path (Very) Early

DOUGLAS VASQUEZ, dressed in a sweater vest and glasses, takes his 6-year-old daughter Mia by the hand and guides her inside their neighborhood bank. Mia is small enough to fit on the ledge of the cashier’s window and young enough not to know about the rising cost of college tuition, much less the crippling debt of student loans. Yet Mia is already setting aside money for her post-secondary education, thanks to a new San Francisco program for all kindergartners in public schools.

Vasquez and Mia appear in “A Foot in the Door,” a 16-minute documentary released last September about San Francisco’s Kindergarten to College program (K2C), the nation’s first universal college savings account program.

After a two-year test phase, San Francisco offered college savings accounts to every kindergartner in the city school district last fall. Each kindergartner automatically receives $50 from the city, deposited into a trust fund under the city’s name. For low-income children who qualify for free or reduced lunch, the initial deposit is $100. Although families can add money into the account—and earn modest bonuses for good saving behavior—they can only withdraw funds for educational purposes, such as textbooks or tuition, once the child is enrolled in college or an equivalent post-secondary program.

So far, about 7,500 children have city-sponsored college savings accounts. If a student chooses not to pursue education after high school, the account dissolves when the student turns 25, with any personal savings returning to the account holder and matching funds going back into the K2C program. “This is mind-blowing to a lot of people,” says San Francisco Treasurer José Cisneros, who spearheaded the program with assistance from the Corporation for Enterprise Development (CFED), a national nonprofit that specializes in asset building for low- and moderate-income families.

Research shows that children in families without assets—such as a car, home or bank account—tend to have lower academic test scores, lower high school graduation rates, lower college enrollment rates and lower college graduation rates. Meanwhile, children with a savings account are up to seven times likelier to attend college than children without an account, according to a 2010 study from the Center for Social Development at Washington University in St. Louis. “It’s really about the kid seeing, ‘Oh my God, I have a college savings account. I guess this is what I’m supposed to do,’” Cisneros says.

San Francisco is the first jurisdiction to launch such a program, but the basic idea dates back to the late 1980s when social scientists and anti-poverty nonprofits became intrigued with the importance of personal bank accounts as a key to self-sufficiency. Congress even considered legislation that would have opened a savings account for every child in the United States: High-ranking senators from both parties sponsored one such bill in 2004, but it never became law.

Several local governments are eager to build on that research and imitate the San Francisco K2C model. The Cuyahoga County Council in Ohio passed a measure in April that would provide $100 to every kindergartner in the county. Public officials in Colorado, Nevada and the Puget Sound region of Washington state are contemplating similar programs.

“We wanted a universal approach that treats everybody the same,” says Ken Suratt, who oversees the Cuyahoga program. “The cost of college is going up for everybody.”

—J.B. Wogan

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Observer

12 GOVERNING | July 2013

Other OK to go
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The last day of Tennessee's 2013 legislative session wasn't a day that the state's political leadership will remember fondly. It was a day of revolt and revenge in the legislature. Republican factions fought with one another. The house fought the senate. Very little was accomplished, leading to widespread complaints that scarcely anything of importance had been achieved in the entire three-month session.

Lt. Gov. and Speaker of the Senate Ron Ramsey spent the whole session working on a bill to redraw state judicial districts, something that hadn't been done since 1984. But when the bill moved across the hall to the house, Ramsey's own Republicans repudiated it. They said it had been rammed down their throats. Some 40 of them voted no, consigning it to a 66-28 defeat. Then, in retaliation, Ramsey and the senate killed a house bill that was supposed to pass easily, a bill making it less difficult for the state to approve charter schools. By the end of the day, members on opposite sides were scarcely speaking to one another. About the only group happy with the debacle was the legislature's relatively small cadre of Democrats. "The result could not have been better for the people of Tennessee," one said.

Asking what he thought of all this, Republican Gov. Bill Haslam gave the legislative session about the faintest praise imaginable: "I certainly wouldn't call it a waste of time." Haslam had his own reasons for being miffed at how the legislature had handled itself. One of his top priorities for the session had been a bill creating school tuition vouchers for impoverished students. The senate and house passed it, but added a bunch of riders. Haslam said the resulting bill wasn't what he had in mind, and pulled it from consideration. No voucher program became law this year in Tennessee.

In Missouri, the Republicans who dominate the legislature had to contend with Democratic Gov. Jay Nixon. But GOP lawmakers spent as much time squabbling with one another as they did challenging Nixon. House Speaker Tim Jones started the year with a single-minded priority: changing the state's education rules to make teacher evaluations contingent on student performance. The GOP house majority wouldn't give it to him. So Jones dumped two members of his caucus who refused to vote with him on education and scaled down his bill so that it would apply only to school principals. He still didn't get what he wanted. Meanwhile, house and senate Republicans continued to argue over tax credits for economic development. It isn't just Republicans who have suffered from supermajority misfires this year. Illinois Democrats, who have an overwhelming legislative advantage and control of the governorship as well, struggled for months to find a solution to the problem of the state's horrendous pension debt, which has climbed to nearly $100 billion. They left the Capitol in June having accomplished nothing, and with the leaders and the governor blaming each other. The state house favored a pension fix, generally supported by the state's business community, that would have reduced the debt largely by cutting back benefits for state workers and some retirees. Gov. Pat Quinn, who once said he was "put on Earth" to deal with the pension crisis, signed on to this approach. But the state senate, friendlier to public employee unions, backed a more modest plan that would have allowed workers and retirees to maintain their benefit levels while curtailing health coverage.

The two sides never came together. As the legislature adjourned in June with-

Supermajorities Aren’t Always So Super

Quite often, fighting breaks out within the parties—not just between them.
The widespread consensus in both parties was that, all things considered, Democrats were in for a very rough year. Republican supermajorities would pass whatever they felt like passing, whether it was major tax reduction, curtailment of union bargaining rights or legislation imposing a strict conservative approach to social issues such as abortion and gay rights. The minority would have little or no say in the process. GOP governors would gladly put their name on the bills that reached them, and they would become law with less than a full-fl edged open debate. That’s been true in some states, but not in others. Arkansas, sporting a new Republican majority that needed only 50 percent plus one in each chamber to override the Democratic governor, did override him and passed a law criminalizing abortions performed after the 12th week of pregnancy. Republican states in much of the South and Great Plains have enacted laws broadening the rights of gun owners, moving swiftly despite impassioned but impotent Democratic protests. All in all, though, it is not accurate to claim that Republicans have spent the year riding roughshod over Democrats everywhere they are in control. In some places, such as Tennessee, they have been too busy riding roughshod over one another. None of this is to say that intraparty differences have left most states grid-locked or unproductive in passing laws during the 2013 legislative sessions. On balance, this has been a fruitful year for state action, as Dylan Scott reported in last month’s issue of Governing. It is merely to say that use of the supermajority bull-dozer as a legislative weapon has been less predictable than many experts foresaw.

In some cases, supermajorities have challenged governors by insisting on a policy of caution. Indiana endured an especially painful legislative session in 2012, as Democrats staged a well publi- cized walkout to prevent a quorum from forming to pass an anti-union right-to- work bill. The legislation eventually became law, after weeks of stalemate. In November, Indiana voters gave Republicans supermajority status, so that the GOP no longer had to worry about Democratic obstructionism. But the first thing Republicans did after claiming their newfound power was to promise they would not abuse it. There would be no repeat of 2012. When incoming GOP Gov. Mike Pence began promoting a 10 percent income tax cut as the central item on his legislative agenda, Republican lawmakers made it clear they weren’t going along. For one thing, they said they weren’t sure the state’s budget could handle the revenue loss. But for another, they weren’t willing to ram it through on a partisan basis.

When you think about it, the whole notion of a superma- jority deserves close scrutiny. It presumes that all or nearly all members of the majority party will vote the same way and follow the lead of the governor, if he or she is from their political party. In an era of intense par- 

tisanship at both the state and national levels, this does happen. But it is not the historical norm. Before about 1960, most states actu- ally had supermajority legislatures a good portion of the time. Very few people used that word, however, because there was no assumption that members of the majority would act in lockstep. In the severely Democratic South, nearly every legislature was riven by factionalism that had little to do with party and every- thing to do with regional differences. In the Northeast and Midwest, most leg- islatures were strongly Republican, but the majority party was generally split between political moderates and laissez- faire conservatives. When the majority did act in unison, it was normally the result of strong leadership. Tennessee is a good example. In the 1970s and 1980s, it was led by the forceful Ned McWherter, who served 14 years as speaker of the state house and then eight years as governor. McWherter had the ability and authority to bring dif- fering factions together in a room and hammer out a deal. That’s how Tennes- see managed to pass the nation’s first comprehensive health-care legislation at the state level. But there are few Ned McWherters around in state politics now, or if there are, they don’t get a chance to exercise their deal-making talents. That’s why Tennessee descended into chaos this year. When legislatures take decisive action these days, it’s normally because most of their members see legislative issues the same way, not because they are prod- ded into it by powerful leaders. But that sort of unity doesn’t last forever. It’s fair to speculate that as the next two years unfold, more of the big supermajorities will fall into factional dispute not unlike Tennessee’s. “It’s easier to hold your party together when your majority is small,” Vanderbilt political scientist Bruce Oppenheimer told a reporter at the end of the Tennessee session. “As it gets larger, it gets harder to control.”

Email aehrenhalt@governing.com
The Perils of Protecting the Press

Are state shield laws a double-edged sword?

Editor’s note: Starting with this month’s column, Dispatch will now focus on the evolving relationship between the media, government and the public.

Hawaii had the country’s youngest and most progressive state reporter shield law. Passed in 2008, it was function-based, protecting traditional, online and nontraditional journalists in the state from subpoenas ordering them to reveal confidential sources or turn over unused notes, audio recordings, video footage and the like.

The keyword here is “had.” On the first of this month, the law expired. An attempt to repeal the sunset clause in the shield law this year failed—the very act of cracking it open to make that one friendly amendment inadvertently left the shield law open to opponents who proposed changes that would have gutted and, in some cases, reversed its provisions.

“If we were going to end up with a bad law, we realized we would be better off with no law and just going to court and fighting on the belief that there is a qualified privilege,” says Gerald Kato, an associate professor in the School of Communications at the University of Hawaii at Manoa.

The death of the state shield law is a disappointment for Kato, a former political reporter who was subpoenaed and threatened with jail time for refusing to reveal a source, in what he calls a “silly case” in 1984. He is widely regarded as the father of Hawaii’s shield law.

“Shield laws provide predictability, which we don’t have now,” says Kato. “But we want predictability that is in favor of the press, not predictability that works against the press.”

Uncertainty is what reigns in the other 32 states with shield laws. Each one addresses the dominant media at the time the law was written. Kato laments that “Hawaii loses a very good shield law in the sense that it dealt directly with 21st-century issues” in a media environment where you cannot tell a journalist by who their employer is or the means by which they reach their audience.

Today, the boogeyman is the bloggers, says Kato. “Five years ago, there were some unarticulated fears among legislators that bloggers would abuse [the Hawaiian law]. That’s why they threw in the sunset provision.”

Kato doesn’t think that just owning “a laptop makes you a journalist,” but he acknowledges that bloggers and other nontraditional journalists have helped fill the void left by the decline of statehouse reporting by conventional media outlets.

Even as champion of shield laws, Kato long questioned the wisdom of getting into the arena with those you cover. “It points to the problems if not the danger of going to a legislative body and seeking some help for the press.”

So what about the First Amendment in all of this? For Kato, the U.S. Supreme Court’s 1972 ruling in Branzburg v. Hayes that denied testimonial privilege to reporters subpoenaed before a grand jury “puts a monkey wrench in the position that ultimately the First Amendment is your best protection.”


For his part, Timm says, “there’s never been a more important time to pass robust shield laws to protect journalists’ sources [because] virtually every corrupt, abusive or illegal act by government officials is first exposed by a leak.”

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Devolving Climate Change

This isn’t a problem states and localities alone can solve.

On May 4, instruments that track carbon dioxide concentrations at the Mauna Loa Observatory atop a volcano on the big island of Hawaii recorded a landmark level of 400 parts per million (ppm). That’s a 25 percent increase from the levels recorded when the observatory opened 55 years ago, and it’s the highest concentration of CO2 the earth has experienced in the past 4 million years.

The National Oceanic and Atmospheric Administration recently reported that 2012 set a record for high temperatures in the contiguous United States. That trend is rapidly accelerating. While U.S. emissions have fallen slightly in recent years—due mostly to the recession and an increase in the natural gas supply—the U.S., at this rate, likely cannot meet international commitments to reduce emissions 17 percent from 2005 levels by 2020.

In the end, the solution to this challenge, locally, nationally and internationally, is political. What has been worrisome in recent years is how detached the scientific community has been from the debate, but that is changing. Climatologists increasingly are beginning to assert themselves. In early April, for example, James Hansen, a 46-year veteran of NASA’s Goddard Institute of Space Studies, quit his job to become an advocate for quick and bold action on climate change. He warned Congress 25 years ago that man-made greenhouse gases were causing temperatures to increase.

In the spring of 2007, it appeared we were about to take on the challenge. A group of motivated states sued the feds over how greenhouse gases were causing temperatures to increase. They were looking up. States and localities had proven in the past that national policy could flow uphill, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up, that when enough jurisdictions were looking up.

In his second inaugural, he repeated his commitment to his first term progressed, hopes for any meaningful legislation faded. In his second inaugural, he repeated his commitment to address the problem, through executive action even if Congress refused to budge.

If there is a solution to be had, that’s probably what we’re looking at: sweeping federal executive orders mixed with state and local initiatives of all sorts—laws, regulations and a lot of creative programs and alliances. Fortunately, the worst of the problem is in the hands of people who would most like to fix it. So
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it may not be the most efficient solution, but it does allow for a something we will need to meet this challenge: collaboration and ingenuity.

An example of just that is a foundation-funded nonprofit called Clean Economy Solutions that for the past five years has approached climate action as an economic development opportunity, engaging target communities like Silicon Valley, Denver, St. Louis and Portland, Ore., to provide the tools to build the civic infrastructure necessary to shrink the carbon footprint. It’s being run by Andre Pettigrew, the former director of economic development for the city and county of Denver. (Disclosure: I sit on the nonprofit’s board of directors.)

These “learning laboratories” must show results that define both demand and supply opportunities in the clean economy. The way they’re transitioning local climate action plans into regional economic development strategies is gaining traction in a number of communities.

Silicon Valley has developed a best practice solar purchasing model that allows governments, businesses and universities in the same region to collectively negotiate purchase agreements, saving money by joining together to buy solar power. The St. Louis Regional Chamber has developed a Green Business Challenge by engaging more than 125 companies and institutions, including 105,000 employees, in providing a competitive education program to adopt sustainable business practices that reduce environmental impact and improve business profits. Metro Portland is the national leader pioneering EcoDistricts, an integrated sustainability approach at the neighborhood level that engages residents, businesses, city planners and researchers on land use, transit, smart building and clean energy to improve environmental quality.

These community programs are examples of how ingenuity and collaboration at the local level can get us started.

Email pharkness@governing.com

Who Should Regulate Guns?

By J.B. Wogan

After gun control measures failed in Washington, states are taking matters into their own hands.

When the U.S. Senate voted down every major gun proposal in April, gun control advocates were understandably deflated. After all, even an expansion of background checks for all firearm sales—a measure supported by about 88 percent of Americans—couldn’t garner a filibuster-proof majority.

But not everyone shares that outlook. Laura Cutilletta, a senior staff attorney with the Law Center to Prevent Gun Violence in San Francisco, says 2013 has been a great year for strengthening gun laws. “There really has been a major sea change [in five months],” she says.

Since the Newton, Conn., school shooting, four states have passed new laws requiring universal background checks, three have expanded bars against military-style assault weapons and four have expanded bans on ammunition clips carrying more than 10 rounds. By the middle of June, new gun control legislation had passed in Colorado, Connecticut, Delaware, Maryland and New York, with similar proposals still alive in Pennsylvania and New Jersey. “We’re basically accomplishing what they couldn’t in D.C.,” says Stephen Sweeney, the New Jersey senator who helped shepherd a group of gun control bills—including universal background checks—through the New Jersey Senate in May.

Still, gun rights activists are having a good year too. States in the South, Great Plains and parts of the West actually eased restrictions on hunting, concealed-carry permits and armed school personnel. Kansas legalized the enforcement of federal gun control laws in April. And a handful of Democratic state lawmakers in Colorado are facing recall petition efforts for their votes to limit gun rights.

As it stands, a patchwork of state laws is left. It is this divergence that has some still demanding action from Congress. “There is a role for the federal government that the states simply cannot fill,” says Garen Wintemute, a public health researcher who studies gun violence at the University of California, Davis. On a 2009 trip to Reno, Nev., to visit several gun shows, Wintemute was surprised to find that a third of the cars in the parking lots were from California. The regulatory framework in the Golden State didn’t stop its residents from driving across the state line to take advantage of less rigorous screening.

Mayors Against Illegal Guns, a national coalition of more than 950 mayors who favor tighter gun laws, argues that uneven regulation across states makes guns available to criminals in all states. Since the Newtown, Conn., school shooting, four states have passed new laws requiring universal background checks, three have expanded bans against military-style assault weapons and four have expanded bans on ammunition clips carrying more than 10 rounds. By the middle of June, new gun control legislation had passed in Colorado, Connecticut, Delaware, Maryland and New York, with similar proposals still alive in Pennsylvania and New Jersey. “We’re basically accomplishing what they couldn’t in D.C.,” says Stephen Sweeney, the New Jersey senator who helped shepherd a group of gun control bills—including universal background checks—through the New Jersey Senate in May.

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It’s Better to Die with Dignity
Hospice care has many pluses, including lower health costs.

What would you call a health-care service that scores high in patient and family satisfaction, reduces the need for hospital services, promotes the dignity of every person cared for and saves states and the federal government millions of dollars each year? You’d call it hospice care. And while most people who have taken advantage of hospice care for a friend or loved one know about the first three benefits, that last one should grab everyone’s attention.

According to a study in the March issue of Health Affairs, Medicare patients who enrolled in hospice care received better treatment at a significantly lower cost to the government than those who did not use the Medicare hospice benefit.

How much lower? Annual savings to Medicare—from significantly lower rates of hospital and intensive care use, hospital readmissions, and in-hospital death—were as much as $6.4 million per every 1,000 additional Medicare beneficiary who chose to enroll in hospice care 15 to 30 days before death.

This research corroborates findings from a 2007 Duke University study that found hospice care reduced Medicare costs by an average $2,309 per hospice patient, says Dr. Amy S. Kelley of Mount Sinai Hospital in New York. Kelley, who led the recent Health Affairs study, says that although there is plenty of data confirming hospice services’ quality of care, “there has been continued debate about the financial side,” which is critical in these cost-cutting times. “With concerns about the overall cost of Medicare, people are considering limiting hospice enrollment because it is thought to be expensive,” she says. “This study tells us we can provide high-quality care and by default we help avoid the ER and calling 911, the costliest components of health care.

Regulators and legislators “need to consider this data when considering health-care policy,” says Kelley. Louisiana, for example, nearly cut hospice services from Medicaid, and Oklahoma has no Medicaid hospice benefit. These and other cost-cutting efforts may be misguided. “Rather than working to reduce Medicare hospice expenditures and creating a regulatory environment that discourages continued growth in hospice enrollment,” Kelley and her research team write in the report, “[the Center for Medicare & Medicaid Services] should focus on ensuring that patients’ preferences are elicited earlier in the course of their disease and those who want hospice care receive timely referral.”

Hospice advocates applaud these findings. J. Donald Schumacher, president and CEO of the National Hospice and Palliative Care Organization (NHPCO), said in a recent statement that he hopes the study helps “the broader health-care community, regulators and legislators understand more fully the many benefits of hospice care.”

The NHPCO reports that only about 44 percent of dying Americans, about 1.65 million people, received hospice care in 2011. Among these patients, 84 percent had their hospice care paid for through Medicare. So the math suggests that the more people who enroll, and the sooner they enroll, the better it might be for all patients, their families and the country’s finances. Kelley estimates that if another 500,000 Medicare beneficiaries enrolled in hospice care for eight to 30 days prior to their death, savings could reach upward of $3 billion.

“The bottom line is that hospice can deliver high-quality care where it is needed and avoid high-cost acute care,” Kelley says. “That’s better for everyone.”

Email levkern@nycap.rr.com

Calendar: National Hospice and Palliative Care Organization; Dr. Amy S. Kelley; Duke University

The Many Benefits of Hospice Care

- 84% Portion of hospice patients covered by the Medicare hospice benefit.
- $2,309 Average reduction in Medicare costs, per patient, when they receive hospice care.
- 44% Portion of dying Americans who received hospice care.
- $3 billion Amount of savings if another 500,000 Medicare beneficiaries enrolled in hospice care.

Portion of dying Americans who received hospice care.

Portion of hospice patients covered by the Medicare hospice benefit.
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What’s in a Name?

Green bonds finally came to America—and boy, did they make a splash. This June, Massachusetts became the first state to offer them to investors. The sale was an outright success: The commonwealth sold $100 million of them, and could have sold more—the sale was oversubscribed by about 30 percent. Massachusetts also sold the bonds to between eight and 10 institutional investors who had never bought the state’s bonds before.

The idea of green muni bonds is to use the money raised to fund environmentally friendly projects. The proceeds from this sale will go to finance Massachusetts’ new Accelerated Energy Program, which aims to reduce energy consumption by 20 to 25 percent at over 700 sites across the state. The goal is to save about $43 million annually in energy costs through these efforts.

There is nothing radically new about green bonds. The World Bank has been issuing them since 2008, selling more than $3 billion to finance projects to combat climate change. Indeed, it isn’t even new for states and localities to use municipal bonds to finance environmental projects. More than $1.7 billion in muni bonds have been sold in 2013 with the promise the money would be spent on green projects, according to Thomson Reuters.

What’s new here is the use of the word “green.” With green bonds, Massachusetts is trying to do two things: Use the popularity of environmental stewardship to sell them and tap into investors’ growing desire to know how their money is being spent. Investors are increasingly looking to develop “part of their portfolios for projects that are sustainable or have a green or environmentally sound mandate,” Steve Grossman, Massachusetts’ state treasurer, said on Bloomberg TV’s “Bottom Line.” “Why not offer them bonds that are going to be used for the purpose of investing in and allowing these projects to move forward?”

But can green bonds help tackle climate change and be a sustainable funding source? Other than the green component, these bonds are no different from any other bond. They carry the state’s general obligation pledge, meaning they are backed by the commonwealth’s full faith and credit, and they are tax deductible.

For his part, Grossman isn’t convinced green bonds will remain a reliable funding source. “I think green bonds will go the way of other bonds,” he told Mark Crumpton on “Bottom Line.” “Green bonds have a scarcity value. So in that sense if you are looking for new product to legitimately fund environmentally sound projects, it is a win for the state, it is a win for investors, it is a win across the board.” Or at least it is for now.

But there is a lot to suggest that, currently, the green label alone is enough to attract investors for the long haul. Massachusetts’ green bonds were part of a larger offering. The state put up $1.1 billion in bonds, and as of early June, had only sold $671 million—the $100 million of green bonds had more buyers than bonds available for them. Last year, Warren Buffett’s Berkshire Hathaway issued $850 million in green bonds to help finance its $2.4 billion Topaz Solar Farm in California. The offering was so popular that it was oversubscribed, forcing Berkshire Hathaway to increase its initial issuance an additional $700 million. This also highlights a growing interest by institutional investors in renewable energy projects, in part, because of their reliable income from long-term power projects.

Other recent trends further bolster the sustainability of green investments: One is the rise of benefit corporations. Unlike traditional commercial firms, benefit corporations must create a material positive impact on society. In other words, they must consider how their decisions affect employees, the community and the environment—not just the firm’s profit margin. Since 2010, benefit-corporation legislation has been enacted in 14 states and the District of Columbia, and is under consideration in 20 more.

It’s not clear that 30 to 20 years from now green bonds will still serve a purpose. But for now there does seem to be a growing appetite among investors for environmental options. And “green” appears to be the magic word.

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The Rolls-Royce of Private Partnerships
A new building in Virginia symbolizes a radical shift in economic development.

Situated 25 miles south of Richmond, along Virginia’s old “Tobacco Road,” is the Commonwealth Center for Advanced Manufacturing (CCAM). The building it is housed in was meant to be “iconic but cheap,” an industrial-style structure designed to house the guts of a major manufacturing research center.

The building didn’t turn out to be so cheap—$13 million for 62,000 square feet—but it certainly is iconic. Designed by the architectural firm Perkins+Will, it has a sleek, silver look that stands in stark contrast to the Virginia woods surrounding it.

In the long run, however, it may be more of a landmark to a new and sophisticated approach to economic development.

CCAM is a partnership between three Virginia schools (Virginia State University, Virginia Tech and the University of Virginia) and a dozen or so companies involved in manufacturing, most importantly Rolls-Royce, the jet engine company that has a plant nearby. The reason CCAM exists is because Virginia created it in order to lure Rolls-Royce. But if all goes well, CCAM will be there long after the jet engine giant is gone.

When it began in 2006, the competition for Rolls-Royce, which was mostly among Southern states, had all the earmarks of a classic economic development hunt. When it was over, Virginia’s victory seemed, on the surface, to be typical: In exchange for locating at least one and perhaps as many as three manufacturing plants outside of Richmond, Rolls-Royce received $58 million in incentives from the state and 1,000 acres of land, which was donated by Prince George County.

But the similarity with the typical economic development deal ends there. Most of the incentive money didn’t go to Rolls-Royce. Rather, it went to the founding universities to increase the capacity of their engineering schools to conduct manufacturing research and produce engineers. And Rolls-Royce, along with other companies, is kicking in $400,000 a year to fund CCAM’s research. “We’re lucky to have Rolls-Royce as a partner,” says Barry Johnson, senior associate dean at the University of Virginia’s School of Engineering and Applied Science and the university’s point person on the project. “Another company would not have done it this way.”

Why Rolls-Royce would buy into this approach—and how Virginia worked collaboratively to make it happen—is a great story about the direction economic development is headed. It illustrates that it’s better to build assets than give money to companies.

The story goes like this: Rolls-Royce needed access to Eastern ports, airplane manufacturing plants in the South and a ready supply of mechanical engineers—all of which Virginia had. The company also wanted help with certain types of research. In an unprecedented collaboration, the universities sat down with Rolls-Royce to identify areas where the company needed research and where the universities could provide it. They came up with two: improved coatings (known as surface engineering) and manufacturing systems.

But Rolls-Royce knew that it alone could not fund the necessary research. And Virginia’s economic development
Is Big Data Just for Big Cities?
Small and midsize cities are behind in harnessing data to make a city run smarter.

Dubuque, Iowa, has a population of just under 60,000, but it’s doing something few other cities its size have ever tried. It’s embedding technology in utility meters to collect and analyze water, gas and electricity use; it’s even using radio-frequency identification tags to track how some people move about to gain a better understanding of the city’s traffic and transportation issues.

Dubuque’s experiment is part of a growing trend in government toward the collection of more data and better uses for it. State and local governments will spend $58 billion on information technology in 2013, according to the market analyst firm Gartner. And while the ongoing fiscal problems have slowed IT investments, the use of technology and automation in states and localities will continue to grow.

Unfortunately, the Dubuques of this country are the exception, not the rule, when it comes to harnessing data to make a city run smarter. The cities where smart data is gospel tend to be the nation’s largest, says Bill Schrier, former Seattle chief technology officer and now a senior policy adviser for Washington state’s Office of the Chief Information Officer (and the deputy director of the Center for Digital Government at e.Republic, Governing’s parent company). “It hasn’t [generally] gotten down to the mid- and small-sized cities,” he says.

Part of the reason for that is money—as in, smaller cities just don’t have it. But like so many other transformative technology stories, the growth of smart data in government isn’t so much a hardware and software problem as it is an organizational issue. Some of the coolest projects depend on open data that the public and other agencies can share and use. But local governments struggle with the data governance issues. Who owns the data? Who controls the data?

One of the more intriguing possibilities for getting data to the Dubuques of the nation is the potential for sharing data and applications between cities. Last year, seven major cities launched a program to create a database of standardized open data applications that could be shared among members. The hope is that as open data sets proliferate and more applications come online, they can be used by different (and smaller) cities. “That’s a real boon to any city because [they] don’t have to spend taxpayer dollars to create them,” former San Francisco CIO Jon Walton told Governing last year.

But in order for apps to share data between cities, the data has to be in the same format, and that is a whole other issue. Most cities have their own designs for data sets that are rooted in the early days of computing. Incompatible data prevails, and getting all cities to use the same schema for common data is a slow, grinding process.

One day there may be an app that does just that, but not yet. Until then, an experiment like Dubuque will remain unique for most cities of its size.

Email tnnewcombe@governing.com
The Once and Future Library

Can libraries survive the e-book revolution?

By Dylan Scott

PHOTOGRAPHS BY BARRY STAVER
More than 20 years ago, when Jamie LaRue took over the library system in Douglas County, Colo., few people outside that patch of Rocky Mountain wilderness south of Denver knew who he was. A lot of things were different back then. Public libraries were still considered pillars of the community and the most important stop for any local resident looking for the latest from the printed word. Commercial e-books were still a fantasy in the mind of some anonymous Silicon Valley geek. The rules of the game between libraries and publishers had been established long ago: Discount prices and generous access were the norm, and there was every reason to believe that the status quo would continue, ad infinitum.

But it didn’t.

Instead, the e-book revolution has overturned the whole infrastructure upon which libraries depended. From 2011 to 2012, the percentage of Americans who owned an e-book reader leapt from 18 to 33 percent, a rapid climb from 6 percent in 2010. Attempting to accommodate this shift, more than three-quarters of U.S. libraries allow their customers to check out digital books, but they’ve encountered fierce resistance in access and pricing from the major publishers. Some won’t even sell e-books to libraries. If libraries are able to obtain mainstream e-books at all, those sales almost always come with onerous conditions and high prices, especially compared to the traditional discounted rates libraries pay for hardcover copies.

The situation has left libraries looking desperately for a way to make e-borrowing sustainable for customers in the future. But they have little negotiating power other than an
altruistic appeal to the established relationship between library and publisher, both working toward the goal of a more literate nation. The bottom line is that libraries need to have e-books for their readers to check out, because that’s how people are going to read in the future. If they don’t have the goods, then what will a library be useful for a decade from now?

Enter LaRue, who oversees seven libraries in what is now a suburban county of 285,000 people, but is building a nationwide movement based on his principles. He talks about bypassing the “Big Six” New York publishers, or at least leaving them behind and setting his sights on the next publishing wave: smaller, digitally based presses and self-publishing authors. He wants to transform the library from a place where you go to find a New York Times bestseller to a local incubator fostering homegrown writing talent. If the big publishers want to cut libraries out, that’s fine, he says. He’s going straight to the people.

“This is the most exciting time to be a librarian in the history of mankind,” he says. “There has never before been this profusion of writing. There’s this incredible opportunity that we have if we step up to the table, if we’re willing to reinvent ourselves, if we are bold. But if we are not willing to do those things, we will be marginalized. As time goes on, we’ll become less and less relevant. At some point, we’ll perish. It’s adapt or die.”

LaRue’s ideas have inspired an upheaval in the library and publishing worlds. Libraries from California to Massachusetts are fitting his design to their own systems. Mere mention of his name attracts audible sighs and knowing nods from top executives at some of the biggest publishers in the world. Whether he
and his philosophy succeed or not could determine the public library's future. That's how many librarians view the stakes, anyway. If he's wrong, the library could fade into obscurity, a relic of the pre-digital age. But if he's right, and a growing number of acolytes believe he is, it could still thrive in an era when hardback books have gone the way of illuminated manuscripts.

Before the arrival of e-books, the library business model for purchasing and distributing print books was set in stone. There were intermediaries between the publishers and libraries, companies like the giant distributor Baker & Taylor, but there was little tension. Libraries purchased books at a comfortable discount, sometimes as much as 40 percent off the retail price, and publishers earned an acceptable profit by selling them new releases and replacements for worn-out books. A library bought a copy of a book, and it could lend the copy as many times as the binding would hold; if the book was in high demand, the library could buy more copies. Affordable prices meant a library could build a huge reservoir of material for its readers.

The digital market, however, has been built from scratch in the last few years, and all those old norms have disappeared. There are still intermediaries that transmit digital files from the publisher's online collection to the libraries—one company, OverDrive, owns an 85 percent market share—but little else is the same. First of all, not every major publisher is selling its products to any library that wants them. Several, including Simon & Schuster, Macmillan and Penguin, either don't sell e-books to libraries at all or have only begun to do so through pilot projects that work with select libraries, usually concentrated in New York. This leaves out the nearly 9,000 other libraries spread throughout the rest of the country.

Even if publishers do sell to libraries, they've restructured the rules. HarperCollins, for example, sets a limit of 26 loans on each e-copy; after that limit is reached, the library has to purchase a new copy license. Random House hasn't established such restrictive conditions and makes its full e-catalog of 40,000 titles available to libraries, but the price for each copy is often four or five times ($85 is the upper limit) what the company charges for physical copies.

While their business model is being upended, libraries, along with the rest of the public sector, are enduring the aftershocks of the Great Recession. Library spending in the U.S. dropped 8 percent in 2013, largely a result of government funding cuts, continuing a decline that started with the economic downturn. So at the same time that libraries are navigating unprecedented financial challenges, they must contend with a new marketplace that they feel is rigged against them.

“The situation has basically become: It’s going to cost you so much that you can’t afford to buy it,” says LaRue. “That means we can’t buy as many things. Our citizens are now being denied things that they used to be able to have.”

Publishers say they are just trying to make sure their industry is sustainable for the long haul. A whole host of new variables in the digital market, they argue, makes it different from the traditional one—and more expensive. E-books have to be protected against pirating and other copyright infringement. Digital books are constantly being corrected or revised in a way that physical books never could be, plus they must be adapted to various formats from iPad to Kindle to Nook to smartphones, and all that coding costs money. Virtual copies never wear out the way physical books do, and a significant portion of publishers’ income used to come from reselling old titles to libraries to replace deteriorating inventory.

But most fundamentally, it seems, the rise of e-publishing has given the industry an opportunity to reevaluate its traditional way of thinking about libraries, which was that they encouraged reading and thus benefited publishers. Now the big conglomerates are concentrating on direct sales to the customer. Alison Lazarus, president of the sales division at Macmillan, acknowledges her

Jamie LaRue, whose ideas for e-books have spread to libraries nationwide: “I realized we needed to do something. The vendors were screwing us.”
company has focused on the retail market as e-books have taken off. It has treaded lightly in selling e-books to libraries. Only this March did it launch a pilot program for library sales of 1,200 titles from one of its crime fiction imprints.

“Libraries always talk about how they’re a venue for discovery, for people to learn about authors. I believe that in theory, but I don’t know that there’s any hard evidence,” Lazarus says. She also argues that going digital has erased old barriers for people borrowing from a library, such as the necessity of getting a library card and physically going to the library building to check out a book, and that might mean library lending will cut into publishers’ profits more than it did in the past.

“Our concern is that the more e-lending becomes available … what would have in the past been a sale becomes a borrow,” Lazarus says. “Over time, that would be extremely detrimental to the health of the publishing industry.”

For the moment, the industry, thanks in large part to the digital market, is showing few signs of sickness. In 2008, e-book sales represented on average about 1 percent of a publisher’s revenue, according to a recent report by the Association of American Publishers. That share ballooned to 23 percent in 2012, accounting for $1.5 billion in sales. The overall industry grew 6.2 percent in 2012, up to $7.1 billion in revenue.

In a way, that remarkable growth might validate the industry’s apparent marginalization, intentional or not, of libraries. E-books seem to be doing just fine without them. So while publishing executives are quick to emphasize, as Lazarus does, that they still appreciate the value of libraries, the libraries themselves are more skeptical.

“I frankly think in some cases they just see the opportunity to make more money,” says Maureen Sullivan, president of the American Library Association (ALA), who has personally participated in negotiations with publishers. That’s the American way, of course, as Alan Inouye, director of the ALA’s Office for Information Technology Policy, puts it: “People are not required to sell you things at all or at terms that the consumer likes.”

These contentions have led to robust, sometimes tense, negotiations between libraries and publishers in recent years. Representatives from the ALA have met with top executives of the Big Six publishers at least five times in the last year. Some compromises have been made—Macmillan’s new pilot program, for example—but the underlying issues remain unresolved.

If LaRue has his way, though, it might not matter if they are. He surveyed this new world as director of the Douglas County Libraries and saw an opportunity to move in a new direction. He recalls looking at The New York Times bestseller list and seeing that a growing number of the books on it were being sold digitally. He noticed that self-published authors had begun creeping toward the top of bestseller lists (this March, a self-published book topped the Digital Book World E-book Best-Seller List for the first time). Some of the most successful independent publishers, those outside the Big Six, were increas-
The Harris County Public Library, which serves the Houston area, has launched its own pilot project based on the DCL principle: the DCL model. A consortium of more than 250 libraries purchased Adobe software that for $10,000 would serve as the backbone of the new system, safely transferring files from the provider to the library to the reader. LaRue wrote "Dear Publishing Partner" letters, setting simple yet firm expectations for how the content would be handled and eliminating the restrictions that accompanied the major publishers' products. The whole enterprise cost $200,000, but LaRue says the libraries have already saved that much in a year because the prices they're paying for the independent and self-published materials are much lower, up to 45 percent below retail. The system went live in February 2012, and LaRue went to work finding partners. They soon flooded Douglas County's digital shelves. The libraries have so far purchased e-books from more than 900 smaller publishers and hundreds of individual authors. They make up 21,000 of the 35,000 titles in his virtual catalog. The rest come from the major publishers, sold through intermediaries at much higher prices. Those mainstream titles are still more popular with readers, making up 65 percent of the county's loans, but it's clear that the appetite for the independent and self-published content is growing. Outside Douglas County, LaRue's ideas have even earned their own acronym: the DCL model. A consortium of more than 250 California libraries is on the verge of rolling out a similar system. The Harris County Public Library, which serves the Houston area, has launched its own pilot project based on the DCL principles. LaRue gave the keynote address at a May 2012 conference hosted by the Massachusetts Library System, which represents the state's 1,700 libraries, and exactly one year later, the group established a limited DCL-style prototype with 50 participating libraries. The plan is to expand it statewide in 18 months, which would make it the largest victory yet for LaRue's vision. "Jamie is such a leader. The passion is very clear. You hear how important this is to him. He inspired us to move forward," says Greg Pronovitz, executive director of the Massachusetts Library System. "The library's future is becoming more and more electronic, so it is essential that we work this out. We've got the whole library community working toward it." The Big Six publishers are watching the DCL movement closely. Skip Dye, vice president of library and academic sales at Random House, says he has talked privately with LaRue. While he has some concerns about every library's ability to adopt a similar model, Dye says he's "very interested" in how it performs as it becomes more widespread. "We know what they're doing. We're very excited about what they're doing," he says. "We'd really love to see them come up and be able to handle this ... but the question is whether this is sustainable for them in the long term." Having lit this fuse, LaRue is turning his attention toward what he sees as the next frontier: libraries themselves as publishers. Now that Douglas County has the content management system for its direct-purchasing project, he thinks it would be easy to turn that into a self-publishing portal. The library would be the center of a local authors' society, connecting self-starters to copy editors, cover art designers and e-book distributors, and transforming thousands of Word documents sitting idly on neighborhood desktops into polished, professional products. LaRue hasn't actually done this yet, but the idea is already attracting adherents. Officials at the Harris County Public Library say they're interested in eventually starting a similar project. There's something circular about it, LaRue says. Adversity that threatened to undermine the existence of libraries entirely could ultimately lead to their reinvention as incubators for writing talent, creating new content for their own collections and reconnecting with their original purpose as stewards of the written word. And like it or not—though he must not mind because he describes his own activism as "proselytizing"—LaRue himself has become the face of the movement, the chief priest of a new faith. "We're in the midst of a fundamental shift in the role of the public library," he says. "You're moving people from consumers of content to producers of content. If you want your library to become part of this renaissance, that's how you do it." Email dscott@governing.com

Today, LaRue is focusing on what he sees as the next frontier: libraries as publishers.

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DOES PUERTO RICO REALLY WANT TO BE THE NEXT STATE?

By Zach Patton
Photographs by David Kidd
It’s easy to feel like everything’s swell in San Juan. Driving through the neighborhoods of the Puerto Rican capital—touristy Old San Juan, with its cobblestone streets and pastel colonial-era buildings; hip Condado, where designer boutiques and trendy restaurants mix with beachfront hotels; even Río Piedras, a district of modern high-rises, bank headquarters and the local University of Puerto Rico campus—you can forget that the island is in the throes of perhaps the worst economic catastrophe it’s ever seen. But you can’t forget it for long. Too many storefronts are permanently shuttered. Multistory buildings stand empty, with massive “for sale” banners faded by the sun and flapping in the breeze. Half-finished developments sit abandoned.

Puerto Rico’s economy is in crisis. The territory of 3.7 million residents is now in the seventh year of a persistent downturn, a recession that’s much deeper—and broader—than the one on the mainland. By a number of different indicators, Puerto Rico is off the charts compared to the rest of the U.S., faring far worse than any state. Per-capita income is one-third that of the nation as a whole and just half the income of the poorest state, Mississippi. Roughly 45 percent of Puerto Ricans live in poverty; three times the national rate. More than a third of the territory’s residents are on food stamps. Unemployment last year topped 15 percent.

Public finances are similarly abysmal. Fifteen straight years of budget deficits have ravaged the government; its outstanding public debt now hovers near $70 billion. (Relative to personal income, the debt level is nearly 10 times that of Hawaii, which has the highest debt-to-income ratio of the 50 states.) Puerto Rico’s public pension system has essentially run out of money, with an unfunded liability that is almost four times the island’s annual budget. By this past spring, all of the major credit agencies had downgraded Puerto Rico’s bond rating to one notch above junk status. Countless observers have dubbed the territory “America’s Greece.”

Against that crumbling fiscal background, Puerto Rico has lost residents. Some 170,000 people (nearly 5 percent of the island’s population) have left in the past decade, in search of better opportunities in places like Texas, North Carolina and central Florida. Many are high-skilled workers; the number of doctors on the island has dropped 13 percent in just the past five years. Today more Puerto Ricans actually live in the 50 states than in Puerto Rico itself. An estimated 200,000 homes on the island stand empty. Crime, meanwhile, has surged. Thanks largely to a growing illegal drug trade, the island’s homicide rate is six times that of the U.S., putting Puerto Rico in league with places like the Congo and Sudan.

Puerto Rico is at an economic crossroads. But it may also be at a political one. “For 40 years, Puerto Rico has been lagging and not performing as we should expect to,” says Pedro Pierluisi, the territory’s resident commissioner.
Congress. “We haven’t progressed. We’re stagnating. We need a game-changer.”

That game-changer? For Pierluisi and many others, it is statehood. The benefits and drawbacks of U.S. statehood have been debated since the island came under American sovereignty more than a century ago. But in many ways, Puerto Rico has now moved closer to statehood than ever before. Last November, the island held its fourth-ever plebiscite, a nonbinding referendum on the island’s political status. For the first time, a majority of Puerto Rican voters opted in favor of becoming a state.

Statehood advocates, of course, hailed it as a historic victory. Puerto Rico-born U.S. Rep. José Enrique Serrano of New York called the vote “an earthquake in Puerto Rican politics” and “a history-making moment.”

Others say the vote was far from decisive, in part because of how it was structured. The November plebiscite consisted of two parts. On the first question, 54 percent of voters said they wanted to change the island’s status. On the follow-up question, statehood won with 61 percent over other alternatives like independence or “sovereign free association,” which would grant more autonomy. But hundreds of thousands of voters left the second question blank, meaning actual support for statehood could be less than 50 percent. (In the days following the vote, one congressional aide told a newspaper that the 61 percent vote for statehood was seen by some congressional members as “statistical fiction.”) Adding to the confusion is the fact that, in the same election, voters ousted Gov. Luis Fortuño, an outspoken and highly visible statehood advocate. The White House has called for another plebiscite.

Still, the statehood faction is energized. In May, Pierluisi introduced a bill in Congress to admit Puerto Rico as a state. On the floor of the House, he said “the time has come” to add a Puerto Rican star “alongside the others, on the flag of the United States of America.”

Nothing divides Puerto Rico like the status question. Statehood advocates say the island’s stepchild commonwealth status is what’s holding it back and keeping the economy from flourishing. Technically speaking, the island is still an unincorporated organized territory, but it was also established as a commonwealth of the U.S. in 1952, when Puerto Rico ratified its own constitution. Its residents are U.S. citizens, but they cannot vote for the president and they don’t have voting representation in Congress. They’re exempt from many federal taxes, but they are protected by the U.S. armed forces and are part of the mainland judicial system.

Others say the commonwealth status is the very thing that will save Puerto Rico, and that statehood would thwart any hopes of economic growth. Statehood supporters describe Puerto Rico under its current status as an unstable dependency stuck in political and economic limbo, filled with residents being denied their...
constitutional rights to full citizenship. Commonwealth proponents portray it as a proud nation that could compete on its own in the global marketplace, if given the chance. Sometimes it’s hard to remember that they’re talking about the same place.

You can stand in one spot on the battlements of Castillo de San Cristóbal, the 350-year-old coastal fort that overlooks San Juan, and trace the entire economic history of Puerto Rico. Looking inland toward the mountains, you can see the verdant plots of land where plantations grew coffee and sugar in the 1800s, an abundant trade that would dominate the island’s economy well into the 20th century. Closer in are the factories and smokestacks of the heavy manufacturing industries that drove growth in the 1950s and ’60s. Sprinkled among them are the multinational petrochemical and pharmaceutical firms that arrived in the ’80s and ’90s. That progression from sugar to factories to medicines was actually a concerted economic strategy. But many people now say it’s the very reason for Puerto Rico’s current crisis.

The political and economic paths of Puerto Rico and the U.S. have been intertwined ever since the island was ceded to the States following the Spanish-American War of 1898. Puerto Ricans were granted citizenship in 1917. In 1948, the island elected its first governor; four years later, it ratified its own constitution. At that time, in an effort to shift the island’s economy from sugar to manufacturing, the federal government implemented Operation Bootstrap, a series of tax exemptions and tariff abatements—along with the promise of cheap labor—aimed at attracting factories to Puerto Rico.

For a while, it worked. Buoyed by the new investments—and by the postwar boom years in general—Puerto Rico’s economy grew steadily throughout the 1950s and ’60s. But as wages rose, companies on the island faced growing competition internationally, and the energy crisis in the 1970s threatened the local economy even further. So the federal government stepped in again, this time with a new tax provision. Section 936 of the tax code of the Internal Revenue Service, which allowed companies in Puerto Rico to earn profits on the island without paying federal taxes. For a while, that worked too. Chemical firms and pharmaceutical production factories flocked to San Juan. At one point, 14 of the 21 most popular medications in the world were made in Puerto Rico.

In the mid-’90s, things changed. President Bill Clinton and a balanced budget-minded Congress, looking to close tax loopholes, determined that Section 936 cost U.S. taxpayers $3 billion to $4 billion a year. They decided in 1996 to end Section 936, with a phaseout over 10 years. “We lost the most important piece of our economic platform,” says Gustavo Velez, an economist who served as an adviser to two previous governors. By the time the phaseout was complete in 2006,
Puerto Rico had lost more than 150,000 jobs. And the island, says Velez, still hadn’t figured out how to move its economy forward without the help of that “tax gimmick.” Today, he says, “we’re not in a recession, because a recession is cyclical. We are in a depression—a structural economic problem. Our economy doesn’t have the capacity to build more activity or build new wealth.”

From the outside, Puerto Ricans may seem to have a pretty sweet deal. They don’t pay federal income taxes on anything they earn on the island, yet they still receive federal benefits such as Social Security and Medicare. Companies doing business there are still exempt from many corporate taxes, even after the end of Section 936.

But the reality, according to statehood advocates, is that Puerto Rico’s position as a commonwealth is no longer working. Uncertainty over the island’s permanent status keeps companies from wanting to locate there. “The current status has prevented us from maximizing the potential of the island,” says Carlos Colón de Armas, a finance professor at the University of Puerto Rico and a statehood supporter.

Even during the boom years, business growth did little to actually help the local economy, says Colón. Data he has analyzed show that while Puerto Rico’s gross domestic product (GDP) has risen over time, the gross national product (GNP)—which measures local factors of the economy—has lagged further and further behind. In 1970, for instance, the GNP was 93.1 percent of the GDP. By 2012, that number had fallen to 68.8 percent. In other words, less of the money being generated on the island was actually staying there. “What we have now has not been good for the economy of Puerto Rico,” Colón says. “So for me, any alternative would be better than what we have.”

Figuring out whether Puerto Ricans would be better off under statehood is very difficult. True, their federal burden is very low compared to residents of any American state, but their state taxes are astronomically high compared to the rest of the U.S., since Puerto Rico is left to pay for more on its own. The lowest state income tax rate there is 7 percent, higher than in any of the 50 states. And the highest earners in Puerto Rico pay 33 percent—three times Hawaii’s rate, which is the nation’s next highest. For federal programs like Social Security and Medicare, Puerto Ricans pay a full share but don’t receive nearly the level of federal benefits they would as citizens of a state.

Becoming a state, advocates say, would give Puerto Rico access to an extra $20 billion in federal funds every year. And even though residents would have to begin paying federal income taxes, the hope is that their wages and other assets would rise as companies began to view Puerto Rico as a politically stable place to invest. Meanwhile, the federal government would collect billions in new personal and corporate income taxes.

It’s simple, says Colón. If Puerto Rico’s current status were advantageous, the island would be thriving now. “If taxation were that big a problem, in terms of development, then Puerto Rico would be better off than the 50 states,” he says, because its federal taxes are lower. “And we are not. We’re not even catching up. Every one of the 50 states is better off economically than Puerto Rico. That’s probably the best argument in favor of statehood as an economic strategy.”
On a sunny Friday in May, Alberto Bacó Baqué isn’t thinking too much about statehood. Bacó is Puerto Rico’s new commerce and economic development secretary, appointed by Gov. Alejandro Javier García Padilla after he won election last November. The new administration doesn’t favor statehood and instead advocates addressing Puerto Rico’s economic challenges within its current status. That’s why Bacó and other economic leaders of García Padilla’s administration have gathered at a sprawling Sheraton hotel attached to San Juan’s modern convention center, its white swooping roof glinting in the sun. They’ve convened for the Puerto Rico Credit Conference, which offers a chance to show investors, creditors and bond-rating agencies that Puerto Rico is tackling its economic problems.

During a break from the conference, Bacó ticks through the measures enacted by the new administration so far: a pension overhaul that raises the retirement age and increases employee contributions while curbing benefits; a Jobs Now law offering energy credits, lease deals and other benefits for companies that create new employment opportunities; and a budget proposal that seeks new revenue by raising certain sales taxes. It’s an effort to take Puerto Rico back from the brink of insolvency, Bacó says. “But really what we need to do is ignite the employment creation and the wealth creation on the economic development side.”

How to accomplish that? By emphasizing the tax breaks and other incentives that Puerto Rico can offer precisely because it’s not a state. The government has recently expanded its corporate tax breaks to lure service firms and even wealthy individuals: New residents who move to Puerto Rico now will pay no local or federal taxes on capital gains. (The new law has sparked interest from a number of wealthy Americans including, reportedly, hedge fund billionaire John Paulson. In March, fevered speculation about a possible move to the island prompted Paulson, a lifelong New Yorker, to issue a statement saying he’s not planning to relocate.) Some say that trying to position Puerto Rico as a new Caribbean tax haven is a step in the wrong direction. But Bacó shrugs. “We got creative. We said, ‘Well, we’ve been giving tax incentives to corporations since the 1950s. Why not do it for new service companies? And why not also give that to individuals?’”

The only reason Puerto Rico can offer those kinds of breaks is because of its unique commonwealth status. And that’s vital to maintain, says Bacó. “We have good economic tools in place, and the only way those will be taken away is if we become a state.”

The island is becoming more active in seeking out new opportunities and working to attract new businesses, says Ingrid Vila Biaggi, Gov. García Padilla’s chief of staff. “In the past decade, Puerto Rico has really relied on waiting for things to happen. [The government] was not aware of the impact that globalization would have on Puerto Rico if we did not go out there and start looking for businesses. We’re going out there again. Now we’re not just waiting for companies to come here and knock on our door. We’re knocking on their doors.”

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**DOES PUERTO RICO REALLY WANT TO BE THE NEXT STATE?**

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For the new administration and many others, the notion that statehood would fix Puerto Rico’s problems is an oversimplification. Statehood advocates tend to think that changing status will solve the island’s problems overnight, says Velez, the economist. “They see statehood as a magic solution.”

Ask Argeo Quiñones Pérez about the statehood argument and he starts singing a Traffic song. “It’s like ‘Dear Mr. Fantasy,’ like statehood means a shower of money from the federal government that is going to leave everybody happy,” says Quiñones, an economics professor at the University of Puerto Rico. “They think they’ll just sit in their house and the postman will bring money.”

The all-encompassing debate over status, say Quiñones and others, has itself become a major distraction from fixing the economic problems at hand. “The statehood thing really has become an obsession. Many people think that if we don’t solve the statehood issue, the other issues cannot be solved.” Meanwhile he says, time marches on, and the economy gets worse. “Are you going to just wait to fix the economy?”

Statehood advocates say the fiscal argument is on their side. But, they add, that’s not really the most important issue. What really matters to them is political rights. Puerto Rico is an island of 3.7 million American citizens who aren’t allowed to vote for the president and who don’t have voting representation in Congress. “We can talk about the economic questions,” says Colón, the finance professor. “But my argument is not economic. My argument is political. Puerto Ricans are subject to laws approved by a government in which we do not participate. And that’s a human rights issue.”

Every president since Harry Truman has said he would support Puerto Rico’s right of self-determination. (Ronald Reagan was an outright advocate for statehood.) Both the Democratic and Republican national platforms agree. In other words, if a majority of Puerto Ricans vote to become a state, they should become a state. Now, for the first time—maybe—they have cast that vote. Still, the political prospects for statehood in the near future are slim. Puerto Rican voters are overwhelmingly Democratic, and even despite the statehood side’s claims that Puerto Rico has the makings of a swing state—the voters are socially conservative! They’re strongly religious!—it’s extremely unlikely that the current Republican majority in the U.S. House would admit such a blue-leaning state. And the pro-commonwealth position of the current gubernatorial administration will make the current statehood push even more of a long shot. For now, says Vila, the chief of staff, the focus is on fixing Puerto Rico’s economy without waiting for help from the feds. “For us, the status issue is an important issue, but it’s not the main issue. We need to improve the quality of life for the people of Puerto Rico, and that’s our first, second, third, sixth—our top 20 priorities.”

But statehood supporters are undaunted. Puerto Rico needs “a stable, permanent status,” says Resident Commissioner Pierluisi. “The question is not whether Puerto Rico will become a state,” he says, “but when.”
By the time Denver finishes its redevelopment of South Lincoln, a neighborhood near downtown, it will be “safe, holistic, livable,” says Kimball Crangle, senior developer at the Denver Housing Authority. “A place we all want to live.” That’s not typical language for public housing.

Indeed, the city’s plan to redevelop the 15-acre site, which is currently home to more than 200 distressed public housing units from the 1950s, comes with a lot of new features. Once it is completed in 2018, Mariposa, as the South Lincoln community has been rechristened, will include up to 900 new public housing and market-rate units. The rejuvenated, mixed-income neighborhood will be walkable, transit-oriented, healthy and green.

“We let the community talk to us and tell us and guide us about what type of development makes sense for them,” says Crangle, referring to the comprehensive predevelopment outreach which drew from community feedback as well as a health impact assessment. “Instead of this ‘get me out of here’ attitude, there was a sense of pride in the neighborhood. Residents wanted to leverage its attributes while mitigating the spillover effects from South Lincoln’s obsolete housing and deep poverty.” To that end, a few standout features of the project are highlighted on this bird’s-eye view of South Lincoln.

The Tapiz apartments’ 100 units, which were completed last year, are designed for seniors and the disabled. The building, located on the site of an old brownfield, will also be home to community job training programs, including youth activities and art classes. A community “health navigator” will be on site as well. This health liaison will work one-on-one with residents to help them get healthy. Tapiz residents, for example, have already taken a trip to Mt. Evans, a 14,000-plus foot mountain in the nearby Front Range of the Rocky Mountains. The trip was a reward to residents who walked the stairs a certain number of times and days, or the equivalent of climbing Mt. Evans.

Key to the redevelopment of South Lincoln is its proximity to a light-rail stop at West 10th Avenue and Osage Street. About 65 percent of residents here don’t have access to a car, so transit is essential for getting to jobs, services and even the grocery store. Additionally, there is a bike-share station here. Scholarships are being offered to residents who cannot afford a bike-share membership. To further encourage cycling, substantial biking infrastructure is being built, including paths, racks and even housing units that include bike storage.
BUILT-IN EFFICIENCY

The buildings have all been designed to be 50 percent more efficient than current building codes mandate and be a minimum of LEED Gold. In addition to efficient light fixtures and insulation, each building is part of the very first operational graywater recycling system in Colorado. That is, graywater—the effluent from showers and bathroom sinks—will be reused in the community’s toilets. Units and houses will have what Crangle calls a “kill switch” that can easily power off appliances plugged into gray-colored sockets throughout the home. These energy efficiency and water usage systems will reduce consumption in the community by up to 40 percent.

RENEWABLE AND REUSABLE

“Sustainability is also core to our mission,” says Erin Christensen, a principal at Mithun, the architectural firm that created the project’s master plan. When finished, the Mariposa neighborhood hopes to get 85 percent of its power from renewable energy. All the buildings will have solar panels and geothermal heating and cooling to drive down utility costs. Plantings and rain gardens—a first for Denver because of its strict water rights laws—will be placed along the roadways to catch runoff before it goes into the sewer. The idea is to reduce runoff by 80 percent.

DIET AND EXERCISE

During the planning, a health impact assessment revealed that 55 percent of South Lincoln’s residents were overweight. As a result, roadways will be narrowed to calm traffic and sidewalks widened to encourage walking and other activity. In the buildings, staircases will be located front and center to entice people to climb the steps instead of riding the elevator. “We call it ‘being healthy by accident,’” says Crangle. Community gardens will also be added to each block of the neighborhood. Personnel will be available to help residents learn how to garden, and a youth culinary academy will teach nutrition and offer job training.

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Attorney General Jim Hood is about as Mississippi as you can get. Except for the "D" after his name.
The Last Democrat in Dixie

Jim Hood speaks with a folksy twang. He says grace before dinner and styles his hair like the late country singer Conway Twitty. An American flag nearly as long as Hood juts from the brick portico of his suburban Jackson, Miss., home, and just inside the front door, he keeps a Good News Bible in plain view for guests to peruse. Out back he stores his tractor and guns in a woodshed and on days when he needs to get his mind off work as Mississippi’s attorney general, he retreats to the shed, where he takes used ammunition casings from his weekend hunting excursions and reloads them manually, shell by shell.

You might say Jim Hood is about as Mississippi as you can get. In one respect, though, he’s unusual for a politician in his home state: He’s a Democrat—and, on certain occasions, a liberal one. He prosecuted a Ku Klux Klan member for a 40-year-old murder and sued pharmaceutical companies over high drug prices. He declined to join a challenge to the national health-care law, and believes his state should participate in the expansion of Medicaid. None of that has seemed to hurt him politically.

Every other statewide officeholder in Mississippi is a Republican. In fact, across the seven states of the Deep South, every other governor, attorney general and secretary of state belongs to the GOP. Yet Hood has held onto his job easily for nearly a decade. In the 2011 election, his third successful bid for attorney general, he won a higher percentage of votes than the successful Republican nominee for governor, Phil Bryant. His electoral victories raise a simple question with a complicated answer: How does he manage to do that?
THE LAST DEMOCRAT IN DIXIE

Hood meets with Buck Clarke, the senate appropriations chair.

One reason is that he has a knack for picking up independent votes—even though Mississippi is one of the reddest of the red states, with just under half the voters identifying as Republicans, according to Harrison Hickman, Hood’s pollster. A little more than a third are Democrats. The rest call themselves independents. “Any Democrat who is successful in statewide politics in the South,” Hickman says, “is somebody who can talk to independents, because you cannot be elected on the strength of Democrats.”

And Hood can talk to independents. Bobby Moak, the Democratic minority leader in the state house, says Hood reaches independents because “he takes the right stance on God and guns.”

To be sure, there are other explanations. In 2003, when he first ran for attorney general, winning wasn’t quite as difficult as it is now for Democrats running statewide. Hood had been a district attorney for eight years in northern Mississippi and had the endorsement of the retiring four-term attorney general, Mike Moore. In all of his campaigns, he has been able to count on generous funding from trial lawyers across the country. Those things have mattered. Nonetheless, Hood’s ability to cultivate a reputation as an average Mississippian begins with religion and firearms.

Hood’s parents named him after the Book of James, which he points out, “talks about taking care of the least among us.” He says “it’s the job of the government to take care of the people who need it.” Hood insists he isn’t “one of those Bible thumpers,” but religion plays a prominent role in the way he thinks about his career. Here’s how he explains perhaps the biggest turn in his professional trajectory, when a scarcity of jobs in the oil and gas industry haps the biggest turn in his professional trajectory, when a scarcity of jobs in the oil and gas industry convinced him to go to law school: “I think the good Lord opens the doors and closes them.”

As for guns, Hood earned a “B” on gun rights from the National Rifle Association in 2012. He comes to work every day armed with a 9mm handgun, and at home he keeps a stock of shotguns and rifles in a vault, including an antique bolt-action rifle that is the exact model his grandfather once owned. He hunts deer or birds almost every weekend in December and January.

So on one level, Hood’s appeal is cultural—voters look at him and sense he is one of them. But he has also chosen issues that almost every weekend in December and January.

But Hood has also taken up a few causes that have touched a sensitive Mississippi nerve. Early in his first term, he reopened the infamous 1964 case in which local Ku Klux Klan members brutally murdered three civil rights workers in Neshoba County for pushing black voter registration. In the original trial, federal prosecutors tried to prove former Klan preacher Edgar Ray Killen was a central figure in orchestrating the killings, but the jury determined that the evidence was too circumstantial. Four decades later, Hood secured three 20-year manslaughter convictions against Killen.

Because Hood’s recipe for success hinges on his reputation as a political moderate, his adversaries often try to paint him as partisan. The opportunities for doing this usually involve a national issue with clear red and blue positions. In the summer of 2012, for example, Ceara Sturgis and her partner Emily Key applied to rent the taxpayer-funded Mississippi Agriculture and Forestry Museum for a same-sex wedding. The agriculture commissioner, Cindy Hyde-Smith, refused, citing state law that prohibits gay marriage. Hood supported the couple’s right to hold the wedding.
Republican leaders implied that Hood’s legal opinion against the agriculture commissioner was an attempt to keep pace with trends inside his own party at the national level. “Attorney General Hood’s legal advice goes against the wishes of an overwhelming majority of Mississippians,” Lt. Gov. Tate Reeves said at the time. “Based on my personal and religious beliefs, I strongly object to this,” Hyde-Smith said in a press release.

Hood skirted the issue by making a distinction between a marriage and a wedding. His office ruled that there was a technical difference between a marriage, which involves a government license and confers legal rights on a couple, and a wedding, which amounts to a personal commitment ceremony. Current state law in Mississippi doesn’t prohibit same-sex weddings, he said, only marriages.

Hood does disagree with his state’s prohibition of same-sex marriage. “What people do in their private lives is their own business,” he says. But he insists that, whatever his personal opinion might be, he would defend Mississippi state law in court. “The state constitution defines marriage as between a man and a woman,” he says, “and it’s my job to defend that to the bitter end. I have my personal beliefs and I don’t let them interfere.”

On a day-to-day basis, Hood’s job consists largely of negotiating with Republicans. One recent afternoon, he walked across the street to the state house in Jackson to ask for money from the senate appropriations chair, Buck Clarke. The informal get-together involved several potential lawsuits filed by the federal government, including one alleging that the state wasn’t providing adequate care to the mentally ill. Hood had negotiated a deal with the U.S. Department of Justice specifying that if the state spent an initial $10 million on an independent monitor to jump-start an overhaul of the state’s mental health system, the federal government wouldn’t sue. If Mississippi didn’t comply, the lawsuit could wind up costing the state millions in litigation fees, as had happened in other states already. “The threat of Hood’s appeal wasn’t moral, it was financial,” he argued. He argued that the price of challenging the feds was too high.

That’s something Hood likes to do: present his policy choices in fiscal rather than programmatic terms. On the same day he approached Clarke about mental health care, he talked about other potential lawsuits by the federal government over prison conditions and environmental cleanup. Some initial spending by the legislature, he said, might avoid much larger litigation costs. In every case, he persuaded Republicans to appropriate funds on the front end by making a case for financial prudence in the long run. In another state with less conservative politics, a Democrat might talk up the social benefits involved. In Mississippi, Hood avoids that strategy. Instead, he is quick to tout the more than $500 million he has recouped for the state since taking office in 2003.

“I look out for the coffers. That’s the way I look at it,” he says, describing his philosophy in giving the state advice on legal matters. “Are you going to cost the state money by dragging out this litigation and defending a losing case?”

When Hood declined to sign onto the lawsuit in protest against the Affordable Care Act—much to the chagrin of state Republicans—his explanation was once again financial, not moral. “I just didn’t think that the state of Mississippi needed to spend any money on lawyers to file a ‘me-too’ brief,” he says.

It’s a fine line, though. Hood readily admits he thinks the health law’s Medicaid expansion would be helpful in Mississippi, a state with some of the worst health statistics in the country and a large population that can’t afford health insurance. But, he says, it’s just not his call.

At the time Hood was negotiating with Republicans in the legislature to avoid lawsuits from the federal government, Democratic lawmakers were threatening to defund Medicaid as a way to win health policy concessions from Republicans. Despite Hood’s efforts to appear apolitical, the “D” by his name seems to automatically make him a player in such partisan dramas. When Hood wrote an opinion holding that Mississippi law empowered the insurance commissioner, a Republican, to set up a state-based health insurance exchange under the federal law, GOP Gov. Bryant dismissed Hood’s interpretation as political, not legal. “This ruling by Attorney General Jim Hood is not surprising,” said Mick Boll- ock, a Bryant spokesman, in a prepared statement. “Gov. Bryant understands that as a Democrat, General Hood was placed in an extremely difficult position.”

“It’s become more partisan now than when I was AG,” says Mike Moore, Hood’s predecessor and a Democrat who was attorney general for 16 years under Democratic and Republican governors. “It’s been tough for Jim. At least I had other Democratic allies [in state government]. It makes it harder for him to promote legislation and get things passed.”

Last year, for example, the Republican legislative majority enacted a “sunshine” law allowing state officials to hire outside counsel if they disagree with legal strategy prescribed by the attorney general. In the past, they could use outside counsel only if the attorney general declined to get involved in the case. Hood says the law is unconstitutional because it undermines his role as an independent legal counsel to the state government. It might mean the state will choose to settle in cases when it’s in the public interest to go to trial, he says.

The new law also calls for scrutiny of payments to trial lawyers working for the state on contingency fees in lawsuits, typically against national companies. Corporations have long criticized this system, arguing that it is a form of patronage used to reward Hood’s biggest campaign contributors. They see trial lawyers as the main reason why he wins re-election, and say he benefits from their financial backing and then rewards them with profitable cases afterward. The sunshine law undermines that patron- age by discouraging the use of private-sector attorneys. It was a slap in the face by Republicans, says Danny Cupit, a trial lawyer who represented Hood’s office in a lawsuit against the insurance company State Farm.

Despite the theatrics on both sides after the law passed, Demo- crats haven’t challenged it in court and Republicans haven’t dis- owned Hood as their legal representative. At least not yet.

Email jwogan@governing.com

July 2013 | GOVERNING 47
The Charismatic
Inexperienced
Savvy
Awkward
Inscrutable
Rick Scott

The Florida governor came into office with no political experience. The way he’s handled the Medicaid expansion suggests he’s learned on the job. By Dylan Scott
Rick Scott doesn't play the political game well. At the Florida statehouse for National Day of Prayer this May, for instance, the businessman who won Florida's governorship in 2010 doesn't work the room so much as he goes through the motions. He does the same slight smile as each photo is taken. He exchanges a few friendly words with every person who approaches him in the large room on the 21st floor of the Capitol. Standing by the windows, he's framed by an expansive view of Tallahassee and beyond, but he doesn't own the scene. There isn't the charisma you might associate with the governor of the fourth-largest state in the country.

It may be that he's tired. It's the last week of the legislative session, and almost everybody is focusing on the one issue that Scott doesn't seem to want to talk too much about: health care. The house is refusing to budge on a privatized form of the Affordable Care Act's (ACA) Medicaid expansion, which would extend health coverage to more than a million Floridians. Scott has endorsed the plan, passed by the senate a few weeks earlier, but house Republicans won't go along.

It must be an awkward spot for Scott, a former hospital executive, to be in. He first stepped into the political ring in 2009 when he created a political action group to oppose Obamacare, as the ACA has come to be known. He ran for governor deriding the president and his health reform law, riding a wave of resentment against the administration that led to historic gains for the GOP in state capitols nationwide. His state was one of the lead plaintiffs in the legal challenge that sought to overturn the law, a challenge the Supreme Court rejected.

But after the failed lawsuits, the unsuccessful attempts to repeal the law in the U.S. House and the 2012 election that kept Obama in office, Scott had a conversion. It wasn't a religious experience. He seemed to change his mind while holding his nose when, in February, he announced his support for the Medicaid expansion. The expansion, which each state can vote yea or nay to accept, is one of the law's primary means of extending health coverage to the uninsured. It was a stunning reversal.

Exactly why he came around is a matter of debate, and it feeds into a larger one: Just who exactly is this lanky, bald guy in charge of Florida state government? He might be the most inscrutable politician in the United States. Ask around the state legislature, and you'll get a dozen different answers about what's driving him. He's not likely to tell you himself, either. In a hastily arranged phone interview, Scott stuck to his talking points on jobs and education. He repeated, “I did what I did in business” a half-dozen times during a 10-minute conversation. When Scott has made himself available to other mainstream press, such as the National Review, reporters have noted his almost eerie commitment to staying on that message. Jobs and education are what it all comes down to for Scott, or so he habitually says.

That's the mantra, but it's not the whole story. Scott's tenure as Florida's governor is more complicated, and the Medicaid expansion is just one example. He's running the risk of angering his conservative base. But he doesn't seem eager to spend more. Legislators note that he hasn't been working the statehouse halls or making grand gestures to get his way—not like fellow Republican Gov. Jan Brewer of Arizona, who also reversed her course on the Medicaid expansion, but then went so far as to threaten to veto every bill that came to her desk until GOP legislators agreed to her demands.

So what's the deal? Is Scott's limited action the sign of a politically weak governor, an inexperienced executive who lost the respect of his legislature and can't bring them around on an important issue? Or, in an alternate reading whispered around the Capitol, is this the new politically shrewd Scott? A governor smart enough to endorse something as popular as the Medicaid expansion, but savvy enough not to go far in advocating for a law he clearly doubts?

He'll never tell. And maybe that's what his new approach to governing is all about.

Ask Scott himself, and he'll tell you that he's accomplished everything he wanted to as governor. No uncertainty here. “Everything I ran on, I got done,” he says. So far in 2013, Florida has added the third-most jobs of any state; its unemployment rate dropped from 8.9 percent in March 2012 to 7.5 percent in March 2013, one of the largest declines in the country. Scott boasts that he has cut taxes five times since coming into office, and his state's K-12 schools were recently ranked sixth-best in the United States by Education Week. He entered the 2013 legislative session with two specific goals—secure a $2,500 raise for the state's teachers and repeal a sales tax on manufacturing equipment. He accomplished both before the session closed on May 3.

So how does a chief executive rack up successes like those and still end up with an average approval rating in the 30s? That could be where his political inexperience comes into play. He doesn't sell his successes very well. For his part, Scott doesn't seem concerned with the perception that he's a political novice. “When I came in, I was not the establishment candidate. I didn't know a lot of other candidates,” he says. “So I did what I did in business: Go and talk to people and try to find win-win relationships. That's basically what I do all the time.”

Others inside and around the Capitol are less generous. From the start, there have been problems of substance—he caught a lot of flak nationally when he opposed taking federal stimulus money for high-speed rail, a decision that earned an official rebuke from the state senate. Then there are issues of style. State Sen. Aaron Bean recalls that during Scott's first few months in office, the governor held several events in Bean's district without asking the local legislator to attend and stand alongside him.

“He's getting better,” says Bean, a Republican. “He's not a politician. He was a CEO. He's used to walking into a meeting and dictating what's going to happen, then leaving and expecting everything to be done.”

Carol Weissert, a political scientist at Florida State University, also ascribes Scott's apparent inability to win over Floridians to his lack of political panache. “The bottom line,” she says, “is that business is just so different from politics. The skill set is so different. Just because somebody's a good businessman doesn't mean they'd be a good governor. I think we've seen that with Scott.”

But that conventional wisdom could be changing as eyes turn toward 2014 and Scott's potential showdown against former gov-
error and Republican-turned-Democrat Charlie Crist, the con-
summate politician. The awkward and green Rick Scott might be
morphing into a more formidable and practical head of state—in
time for the election campaign next year. The Tea Party figure-
head could be replaced by a politically viable pragmatist who
might have pulled off one of his most impressive political maneu-
vers on the issue most associated with his name: health care.

Scott amassed his considerable fortune (more than
$300 million when he ran for office) as CEO of Hospi-
tal Corporation of America, which eventually became
the largest private health-care company in the United
States. His tenure wasn’t without blemishes. Scott left
the company in 1997 amid a federal investigation that resulted in a
$600 million payment to the federal government over fraudulent
Medicare billing practices, though he was never charged with any
wrongdoing. In 2009, he founded and contributed $5 million to
Conservatives for Patients’ Rights, a group whose sole purpose
was opposing the Affordable Care Act as it was being drafted and
debated. After spending $75 million of his own money on his elec-
campaign, he came into office decriing the law and led the
legal challenge against it.

That’s what made his decision to support expanding Medicaid
such a surprise. Conservative commentators criticized the deci-
sion as capitulation. But they might not be giving Scott due credit
for his political foresight. For starters, a February 2013 poll found
that 62 percent of Floridians supported Medicaid expansion. Additionally, before Scott agreed to one
of the central provisions of a law he spent millions trying to defeat, he received a bounty in return. He
met privately with U.S. Health and Human Services (HHS) Secretary Kathleen Sebelius earlier this year
and got her agency to agree to approve a longstanding Florida waiver to expand the state’s Medicaid man-
eged-care program. It would effectively privatize the public insurance program for low-income people in
the next few years, a significant win for a business-minded politician like Scott. He acknowledges that securing the waiver for Medicaid managed care factored into his decision to reverse his position on the expansion. It certainly wasn’t a re-
evaluation of Obamacare.

“I don’t support the president’s law,” Scott says. “But it’s the law
of the land. While our citizens are going to pay all those taxes, I
can’t in good conscience deny health coverage to Florida families.”

It’s what Scott did next, though, that suggests he’s come a long
way from the bumbling governor who forgot to invite a local state
nenator to a ribbon cutting and drew the ire of his legislature for
vetoing federal funds. He did very little at all. His staff mem-
ers appeared at legislative hearings to vouch for the benefi ts of
expanding Medicaid, but legislators and observers consistently
suggest that he consciously avoided spending too much political
energy on the issue most associated with his name: health care.

“I think that Gov. Scott truly does not support Medicaid expansion,” says state Rep. Mike Fasano, the only house Repub-
llican to vote for expansion. “How can you go from creating your
platform around bashing Obamacare to overnight saying, ‘I sup-
port it?’ If he’s going to do the political game, then do it right. If
you’re going to support something, my goodness, then get behind
it. But I believe his heart’s not in it.”

By the end of the session, with the house remaining adamantly
opposed to the Medicaid expansion plan approved by the senate
and endorsed by Scott, the expansion hadn’t happened. Scott says
he has no plans to call a special session to get it passed either,
despite pressure from advocates and figures like U.S. Sen. Bill
Nelson, a Democrat who might mount a 2014 gubernatorial run.

Scott is decidedly ambivalent when asked if he could have
done more to get the expansion passed. “I came into the ses-
sion with two priorities: get the teacher pay raise and repeal the
machinery tax, which we got done,” he says. “Those were my two
priorities, and that’s what I got accomplished.”

If Scott endorsed the expansion with no real intention of see-
ing it through, you could argue that it was a politically astute
move. He backed something popular with his state’s residents and
won a waiver from HHS to pursue an important goal of his. But
he stopped short of completely flipping on health reform, taking
care not to push too hard for something that he staked his politi-
cal career on opposing. In an independently minded state like
Florida, that balancing act could be a winner in 2014.

“It’s the best example of this sort of pragmatism,” says Florida
State’s Weisert. “He was a Tea Party darling when he ran, but I
think he’s more pragmatic than many people thought he would
be when he first came in.”

Everything I ran
on, I got done.

—Gov. Rick Scott

He doesn’t float the maneuver either; that would be uncom-
ing. Instead his motives remain as impenetrable as they have been from his first day in office. Scott is never going to be the hand-
shaking, baby-kissing politician that most Americans imagine in a
governor’s house. But he does seem to have picked up some new
tricks in the last two and a half years.

So, with what might be a quiet triumph on health reform in
hand, Scott stays focused on education and the economy, likely
hoping a continued recovery can carry him to a second term.

There is a board in Scott’s office inscribed with the words “What’s Working Today,” a phrase that is invoked almost daily in releases
from his press office. Stay on message: That’s how the evolution
governmatic move to politically seasoned executive con-
tinues. If the first half of 2013 is any indication, it’s a new skill that
Scott is quickly growing comfortable in.

At least that’s what it looks like. With Rick Scott, it’s hard to
know for sure. G

Email dscott@governing.com

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In 1895, bicycle manufacturer Arnold, Schwinn & Company was founded in Chicago just as a craze for the two-wheeled conveyances was sweeping the country. But it didn’t last long. Within a few years automobiles and motorcycles outnumbered bikes on American streets.

Schwinn survived to enjoy another sales boom in the 1960s and ’70s. The company’s bikes of the period were built by a unique method, which made them strong but heavy. Those sturdy frames mean that 50-year-old Schwins are still a common sight in the Windy City.

These vintage Schwinn bicycles were spotted on a recent stroll around the Loop.

— Photos by David Kidd
THE ECONOMY MAY be rebounding, but the long-term outlook for governments is bleak. A recent report by the Government Accountability Office (GAO) finds a widening gap between projected revenues and expenses for years to come.

States and localities will record operating balances with an aggregate deficit of 1.6 percent of gross domestic product (GDP) this year. Absent any reforms, this deficit will balloon to 2.7 percent within 30 years. To close the fiscal gap, governments would need to trim current expenditures by 14.2 percent and maintain that spending level as a share of GDP in future budgets.

While states and localities face several short-term fiscal hurdles—namely pension shortfalls and declining property tax revenues—narrowing the gap will prove even more difficult in the decades to follow. “The longer we wait, the bigger the problem becomes and the harder it will be to solve,” says Stanley Czerwinski, director of the GAO group that authored the report.

The GAO based its projections on a model simulating more than 100 equations comparing projected expenses and revenues, factoring in the Congressional Budget Office’s economic growth estimates. It accounts only for current policies, so future adjustments to tax codes, pensions and other changes will sway the model’s trend line.

Here is a summary of a few key drivers of fiscal pressures for the coming years.

Health Expenses
Not surprisingly, the report cites rising health costs as the top fiscal challenge over the long haul. Medicaid expenditures, along with health insurance costs for public employees and retirees, are expected to rise sharply. Accordingly, the GAO projects state and local governments’ total health-related costs to climb from the current 3.8 percent of GDP to 7.2 percent of GDP by 2060, while non-health costs will decline from 10.5 percent to 7.7 percent of GDP over the same time period. “Long term, it’s not a revenue or expenditure issue,” says Czerwinski. “It’s a health-care issue.”

So far, about half the states have opted to expand Medicaid coverage under the Affordable Care Act (ACA), for which the federal government will initially cover all costs. States’ funding share will gradually rise to 10 percent by 2020. But with some ambiguity surrounding implementation of the legislation and not knowing how health costs will fluctuate, the report concluded that the net effects of ACA were not yet known.

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Executive director of the nonpartisan Federal Funds Information for States, said the uncertainty of sequestration has made it hard for states to know where they stand. Additionally, federal funding, which accounts for about a third of total state revenues, has remained mostly stagnant outside of Medicaid and some education programs. Still, Howard is optimistic that states will overcome potential hurdles. "States have proven incredibly adept at responding to the recession through budget cuts or tax increases," she says.

**Federal Funding**

Federal spending cuts could worsen matters for states and localities. Across-the-board federal cuts stemming from sequestration left Medicaid and most other programs states administer largely unscathed. However, Marcia Howard,

**Pension Reforms**

Many states enacted sweeping reforms to shore up their pension systems. A recent survey of human resources representatives from the Center for State and Local Government Excellence found that 44 percent implemented changes to retirement benefits over the past year, of which 29 percent had increased current employee contributions. Pension costs will further climb in the coming years as baby boomers get set to retire. The stock market, of course, will also affect retirement systems’ rate of return.

**Property Taxes**

Many of the nation’s largest cities lean heavily on property taxes for much of their revenue. In Boston, for example, it is two-thirds of total revenue; in Baltimore, it’s nearly half. The bursting of the housing bubble meant that localities either took a hit or were forced to raise their tax rates. What’s more, the effect of reduced home values varies, and some localities have longer reassessment cycles.

**Tax Bases**

On the revenue side, eroding tax bases “buried” states, says Don Boyd, a senior fellow at the Rockefeller Institute of Government. The economy has slowly shifted from goods to services, which governments traditionally are reluctant to collect taxes on. Furthermore, Internet sales are growing, but states and localities are missing out on that revenue. If the proposed Marketplace Fairness Act navigates its way through Congress, however, most online retailers will finally begin collecting sales tax on transactions, boosting revenues. Although tax receipts are nearing pre-recession levels in terms of nominal dollars, they still haven’t returned to where they were as a percentage of GDP. It goes without saying that tax bases and other long-term fiscal pressures all hinge, to a certain extent, on the national economy. Regardless, states and localities must act.

“They need to tackle these programs bit by bit, year after year,” Boyd says. “Governments don’t have the luxury of waiting 10 years.”

*Email mmaciag@governing.com*
All Hail General Oversight

Officials are starting to realize the importance of an inspector general’s office.

Among our personal goals in articles we write for Governing and elsewhere is to help readers see the enormous amount of work being done by cities and states to hold themselves accountable to their citizens. Sadly, the default belief among many taxpayers is that their governments are oblivious to the ways services can be delivered more effectively and efficiently. Instead, they are seen as focusing exclusively on how much they should spend and then spending it.

But, as Philip Zisman, executive director of the Association of Inspectors General, assures us, “There is a keen interest at all levels of government to ensure accountability to taxpayers.” Zisman, formerly the inspector general (IG) of Yonkers, says that to do this “more and more governments are turning to the concept of an inspector general.”

Although not every city and state is eager to form IG offices—New York City leaders, for example, are currently engaged in a pitched debate about the benefits of an IG’s office for the city’s police department—the trend toward more of them has been steady. The newest statewide IG office was created in Virginia in 2011. Other relatively new IG offices are in South Carolina and Detroit.

The men and women who populate IG offices have always been great at running investigations and ferreting out simple frauds—employees who were using municipal credit cards to pay for their daughter’s birthday party and other such flimflammy. But many IG offices go far beyond straightforward fraud and do keenly incisive research and investigation about government accountability in all corners.

For instance, the Chicago IG office recently released reports about animal shelter and animal control operations and grant monitoring and emergency contracting processes. In Massachusetts, recent IG work has included contracting violations at a public school district facilities department and a joint investigation with other law enforcement officials of the director of a housing authority. New York’s Medicaid inspector general has looked into falsified employee credentials, as well as questionable dental payments (fillings for someone without teeth, for example). Under its new IG, who was appointed in mid-2011, the office has also shifted gears to focus more on working with health providers on compliance and system change—as in a new effort to get nursing home administrators to reduce the use of antipsychotic medications.

Chicago Inspector General Joe Ferguson believes that IGs should have the power to enforce their own subpoenas, something that his office lacks. He also sees it as important that an IG office have authority over its own expenditures. Chicago’s IG office needs major approval for hiring. In the recent past, ordinary turnover reduced staffing to 60 percent simply because city hall did not allow the filling of vacancies.

When we spoke with Ferguson, he said that he and others fear that elected officials create IG offices, often talking up the idea of independent oversight, while still maintaining controls that compromise independence. “Terms like transparency, accountability and oversight,” he says, “are at real risk of becoming hackneyed political terms, bandied about without definition.”

“The term IG is bastardized right now,” he adds. “It needs to be grounded...
Taxes?
What’s working?
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in basic standards.” The point of an IG office is to supply independent, neutral, objective fact gathering and analysis. But if politicians compromise the independence of the office, they are able to cloak themselves in the political mantle of accountability without there being real accountability, Ferguson points out.

In general, a strong and independent IG office should include the following elements:

• **An independent reporting structure:** The IG should not report directly to the city council, legislature, mayor, governor or other political figure that may be the subject of a potential investigation.

• **Protected terms of office:** These may vary according to the scope of responsibility and the nature of the office, but many observers believe the minimum should be at least four years. Massachusetts recently revised its statutes and provided for five-year terms with the individual being able to hold office for two terms. One benefit of this for Massachusetts is that IG terms don’t necessarily coincide with those of other officials. A governor doesn’t come in and appoint his or her own IG, for instance.

• **Protection of the budget:** Some offices provide an IG’s office with a floor for funding—a minimum percentage of the budget of the jurisdiction. “This would protect an IG from possible reprisals for pursuing an investigation the political powers that be don’t like,” Ferguson says.

• **Protection of the IG:** The IG can only be removed for cause (not for causing displeasure to officials who may find that an investigation is not in their best interests).

• **Cooperation agreement:** A stipulation that agencies or officials comply with requests, submit documents when asked and don’t interfere with investigations. The ability to issue and enforce subpoenas is also important.

Email greenebarrett@gmail.com

**Better Government**

By Mark Funkhouser

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**Overdoing Hands-On Government**

City council members should leave administration to the administrators.

In March, Oakland, Calif., City Auditor Courtney Ruby issued a performance audit on the subject of interference by city council members in the city’s administrative work. More than 400 city employees were interviewed, and thousands of council members’ and council aides’ emails, as well as some phone records, were reviewed.

The audit found that “a culture of interference appears to be felt” across many city departments and that it had led to some city staffers reorienting their work in response to requests from multiple council members or their aides. In all, the auditors substantiated 14 instances of council members or aides violating the city’s charter by bypassing the city administrator—the mayor and other officials.

On the other side of the country, in Raleigh, N.C., a public records request found a flurry of emails from city council members expressing dissatisfaction with the city’s long-serving city manager, Russell Allen, whom they subsequently fired. The council members, reported the Raleigh News & Observer, “wanted to take a more hands-on role in governing the city—from protecting their reserved parking spots to meeting directly with department heads.” An email from one council member who has been particularly “hands-on” in his dealings with city employees directed that one city staff member work on a project that hadn’t yet gone before the entire council.

Raleigh’s city charter reads much like Oakland’s in prohibiting such interference.

In these cities, as in many more across the country, elected council members have confused governing with administering. There’s a reason why these charters are written the way they are: Cronyism and corruption had made many municipal governments ineffective and inefficient. When individual council members are allowed to direct staff, it might seem to empower the legislative body, but in fact it diminishes its ability to work at a scale that can have real impact on community-level outcomes.

Members of a city council can act in two ways: as members of a body legislating and overseeing city operations and as individuals engaging their constituents and representing them in the legislative and oversight process. When they try to directly manage city employees, they undercut the work of the full council in legislating and oversight. The executive—either in the form of a city manager or a mayor—carries out the council’s legislation. The council conducts oversight to determine how well the executive is acting on its direction, what the results are, how those results compare to what was intended and what changes need to be made. This work is enormously important. It’s the work that should be done by council members who run on a platform of “shaking things up” and “getting things done at city hall.”

Predictably, Courtney Ruby’s audit has gotten her into hot water with the Oakland City Council. The full council has yet to directly confront the findings in her report, but individual council members who identified in the audit have attacked her and urged their colleagues to “audit the audit.” For a member of the council to refuse to go along, to get ahead, and to speak out against colleagues who appear to violate the charter, will require real courage. Upon being sworn into office, city council members take an oath to uphold their city’s charter. They should keep their word.

Email mfunkhouser@governing.com
Since 1978, the National Association of State Technology Directors (NASTD) has provided state government information technology professionals with information, educational programs and networking opportunities with a focus on helping members improve productivity and efficiency in state government operations.

The 2013 Annual Conference and Technology Showcase will bring more than 200 state government and private sector IT professionals together. The conference theme is “Climbing into the Clouds: Transforming Technology Services for Tomorrow”. Featured speakers include: Mike Liebhold, distinguished fellow with the Institute for the Future; Paul Marciano, leading authority on employee engagement and retention and author of “Carrots and Sticks Don’t Work”; and Ed Viesturs, author and adventurer who is widely regarded as this country’s foremost high-altitude mountaineer.

Attendees will include state government technology professionals along with representatives from the private sector technology organizations that serve them. The annual conference is NASTD’s premiere event for networking, sharing information and learning about new ideas and solutions.

For more information about the 2013 Annual Conference and Technology Showcase, visit www.nastd.org or contact Pam Johnson at 859-244-8184.

Climbing into the Clouds
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36th Annual Conference & Technology Showcase
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Attention, Shoppers!

Government purchasers have to act faster—or risk crushing innovation.

There’s a huge amount of innovation occurring right now in the technology industry. Social media-driven collaboration, lightweight applications, cloud computing and other trends are radically changing the way organizations acquire and use technology. But while this new stuff is making private businesses more nimble and effective, a lot of it isn’t reaching government agencies—and that’s a shame.

Governments typically aren’t the first to adopt brand-new technologies, and given their role as stewards of taxpayer dollars, that’s appropriate. But at some point, new technologies and concepts proving themselves in the private sector deserve a look in government. Unfortunately, one of the surest ways to crush innovation is to run it through the typical government procurement process.

Burned by bad technology deployments, agencies have tried to shift more and more project risk to vendors. They’ve added layers of review and upped liability requirements for companies doing government work. And that’s not a bad thing—technology vendors need to be held accountable for their products and services. But taken too far, these provisions may do more harm than good. In the fast-moving technology world, they can delay projects for so long that they’re obsolete when finished. They also boost prices, as contractors factor in the length of time government jobs take to complete and the risk associated with them.

The tension between oversight and innovation is reflected in a poll of state and local government IT officials conducted last year by our sister publication Government Technology. Almost 60 percent of respondents called procurement a significant barrier to adopting cutting-edge technologies and reacting to changing requirements. Ultimately, the cost and complexity of winning public-sector business limits the pool of companies willing to bid. And it often scares off young, innovative firms that may have new ideas for solving government problems or meeting government needs.

The issue is starting to draw attention, and it’s spawning some interesting experiments.

The RFP EZ program, an experiment launched last year by the federal Office of Science and Technology Policy (OSTP), is designed to help small, high-growth technology companies do business with Uncle Sam. The RFP EZ online portal offers a simpler bidding process, which appears to be paying off. Over a five-month trial period, a handful of projects—all relatively simple website development and database contracts—were released on both RFP EZ and FedBizOps, the federal government’s standard contracting portal. On average, OSTP found that project bids received through RFP EZ were 30 percent cheaper. In addition, RFP EZ attracted almost 300 companies that hadn’t previously attempted to sell to government. The pilot wrapped up in May, but the federal government intends to expand the program.

States and localities are looking for ways to pull new blood into IT procurement. Notably, New York City launched an initiative a few years ago aimed at giving nimble new companies a crack at government contracts, particularly on small to medium-sized jobs. In addition, the city recently split its solicitation for systems integration work into two service classes—one for big projects and one for smaller jobs—to appeal to a broader range of vendors. The approach helped draw 300 firms to a recent conference to discuss the new contracts, according to the New York City Department of Information Technology & Telecommunications.

If you haven’t done so already, maybe it’s time to take another look at how you’re balancing procurement risk with the need for speed and innovation.
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Could Medicaid Be A Moneymaker?

Health reform may bend the cost curve for services well beyond health care.

Last July, the State Budget Crisis Task Force headed by Richard Ravitch and Paul Volcker listed its top concerns vis-à-vis the fiscal sustainability of states. Topping that list was the growth in Medicaid.

The task force had cause for concern. Between 2000 and 2012, Medicaid enrollment grew by a staggering 70 percent and expenditures by 122 percent. Future projections suggest that Medicaid will grow by 6.6 percent annually—even without the rollout of the Affordable Care Act (ACA) in 2014. That growth would be well beyond expected increases in state revenues.

States hesitating to expand Medicaid under the ACA have their eyes on these numbers, but fiscal pressure from Medicaid may not be the entire story. States that already have a generous Medicaid program are poised to win outright from health-care reform. Under the ACA, states can now shift segments of their current Medicaid population into the expansion program, and the federal government will cover health expenses at a higher matching rate. This story is somewhat complicated by a phase-in period for the higher matching rate for some populations and the potential to transition selected groups to health insurance exchanges. But the logic of savings from intergovernmental cost shifting is the same. The Urban Institute estimates that eight states are in this category.

States also stand to win in more unexpected ways. State and local governments currently spend billions on a patchwork quilt of services that provide health care to the uninsured. These services include an assortment of selective insurance programs, cash assistance to hospitals, direct funding for clinical public health services, and funding for more than 11,000 mental health and substance abuse treatment providers. This tally doesn’t even count the billions of dollars spent on state and local services that are on the receiving end of the health system’s failures, such as the impact of the mentally ill in state prisons and jails.

Savings from programs outside of Medicaid proper may be substantial. A study by the Wyoming Department of Health found that the savings in its mental health and substance abuse system alone would offset 80 percent of the increased costs from Medicaid over a seven-year period. A Virginia study found $70 million to $80 million in savings from annual state payments to university hospitals for indigent care. Idaho has a catastrophic health coverage program for the uninsured that can be almost entirely eliminated under health-care reform. These estimated savings will cover more than half of the costs of the Medicaid expansion.

The criminal justice system also is an area of potential savings both direct and indirect. An Ohio report estimated that almost all of the state’s inpatient medical services for inmates could be covered under the Medicaid expansion, saving $30 million annually. States might also see some savings in substance abuse treatment administered through probation, parole and drug court programs, as well as substantial indirect savings as state prisons and jails are no longer the mental health provider of last resort.

Many studies are popping up across the country that show that the ACA will end up saving states more than it will cost. While it is wise to be cautious about such claims, when assessing the impact of health-care reform, states and local governments should look beyond the health-care sector. The possibility that health-care reform will transform services across state budgets is quite real.

By Carolyn Bourdeaux

Carolyn Bourdeaux is an associate professor at Georgia State University in Atlanta, and is associate director for research at the Georgia State Fiscal Research Center.
"We saved enough energy to bring a new middle school off the drawing board."

Loudoun County Public Schools Superintendent Dr. Edgar B. Hatrick

When Loudoun County Public Schools partnered with ENERGY STAR, the idea was to cut energy costs so the savings could go to a better use. In nineteen years, their savings equaled the cost of building a new middle school. Today, that school is a reality. And the energy they’re saving reduces greenhouse gas emissions that cause climate change. Put ENERGY STAR to work for you at energystar.gov.
Billed as the oldest, longest and fastest gravity-powered race in the world, the kid's coaster race is a Fourth of July staple in the old mining town of Bisbee, Ariz. Every Independence Day, the town’s population swells from about 6,000 to 10,000 as fans line up along Main Street to watch the racers navigate the course’s twists and turns at up to 40 mph. The Bisbee Coaster Race has been a tradition since 1914, and, except for a couple of years following World War II, has been exclusively for kids 16 and under. The course is 1.5 miles long, and the coasters—made from lightweight steel, synthetic materials and sometimes wood—can’t weigh more than 350 pounds.

Every year, the holiday’s festivities in Bisbee start when the first coaster begins rolling down Tombstone Canyon Road at 8:30 a.m.

—Elizabeth Daigneau
Call it what you will — price adjustments, indexing, or escalators. We call it an outdated bidding policy that subsidizes oil-based asphalt. Asphalt’s slick deals cost DOTs and taxpayers millions when oil prices rise, even when more durable materials like concrete promise affordability and stable pricing. Learn more about asphalt’s raw deals at www.think-harder.org/CRUDE
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