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The Lifeblood of a City

This issue’s feature by Liz Farmer on Chicago’s city treasurer asks an important question: Is Kurt Summers Chicago’s future? He may be more than that; he may be emblematic of what the future holds for many of our struggling cities.

Summers is a young African-American from a poor neighborhood on the city’s South Side who, before being tapped by Mayor Rahm Emanuel for the treasurer’s job, had built for himself a strong background in finance, earning an MBA from Harvard and working as an investment banker and management consultant. Chicago certainly needs all the financial expertise it can muster, but while that city is the most prominent current example of municipal fiscal distress, it is hardly alone.

I think that in finance terms there are only two types of cities in this country: the distressed and the vulnerable. The headwinds against cities are strong for at least three reasons.

First, cities are creatures of their states, subject to unfunded mandates, cuts in state aid, restrictions on locally supported taxes and preemption of local authority. Second is the issue of structurally balanced budgets. For a budget to be structurally balanced, current revenues should equal current expenditures; annual pension and retiree health-care contributions should be paid in full; projected revenue growth in outyears should be equal to or greater than projected expenditure growth; an adequate reserve fund should be maintained; and capital maintenance expenditures must not be deferred. Very few cities meet all of these criteria, or even most of them.

And finally, all too often the response to a fiscal crisis is a perverted sort of austerity in which public officials simply refuse to pay the bills and ignore costs that have already been incurred. Failing to maintain a road once it has been built or to fund pension obligations ultimately increases costs. Imposing additional cuts to finance very well. If the future is going to be good for cities, Kurt Summers is a remarkable young man who seems to understand every mayor needs to have someone like him as part of the inner circle.

Finance underlies everything. It is the lifeblood of a city, and if the future is going to be good for cities, then every mayor needs to have someone like him as part of the inner circle.

Publisher Mark Funkhouser
Executive Editor Zach Patton
Managing Editor Elizabeth Dujmovic
Senior Editors Alan Ehrenhalt, John Martin
Chief Copy Editor Miriam Jones
Copy Editor Lauren Harrison
Staff Writers Liz Farmer, Alan Greenblatt, Mattie Quinn, Daniel C. Vock, J.B. Wogan
Correspondent John Burnin
Contributing Editor Penelope Lernoy
Columnists Katherine Barrett & Richard Grosme, Scott Boyer, William Fulton, Mark Funkhouser, Peter A. Harkness, Donald F. Kerfl, Justin Marlowes, Alex Marshall, Tod Newcombe, Aaron M. Rein, Frank Shafroth
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Founder & Publisher Emeritus Peter A. Harkness
Advising 202-862-8902
Associate Publishers Jennifer DeSlova, Jon Voffie
Account Executive Jocelle Tull
Director of Business Development Neal Hollis
Sales Administrator Birthev Thompson
Office Manager Alina Grant
Marketing/Classified advertising@governing.com

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A Bad Choice
These days there are fewer issues as controversial as school choice, which was evident by the letters we received in response to Alan Greenblatt’s May feature “Making the Grade.” The article sought to answer the question: Has school choice been all it set out to be? Among the criticisms of public charter schools are that they cherry-pick statistics that overstate the benefits or drawbacks of the approach and that they select the best students, leaving struggling students to traditional public schools.

I was very disappointed by your article on school choice. You didn’t even pretend to be balanced. Every “expert” you cite is paid to be pro-charter, pro-voucher.

Forget the claim of cherry-picking. There is not a single district where charters or vouchers have succeeded. Choice proponents make that claim but you should direct your gaze to Milwaukee, one of the lowest-performing urban districts in the nation. Its students score slightly above Detroit on the National Assessment of Educational Progress tests. A quarter-century of charters and vouchers have failed.

For that matter, than apartment blocks are not always transparent. parking requirements are outdated and disconnected from the street. Sometimes the best climate change strategies carry the name “urbanism.”

—Darrell Marcy, Syracuse, N.Y.

As for school vouchers, participants, who see a lucrative business opportunity. Charter operators have been indicted for fraud and misappropriation of funds; others have taken hundreds of thousands of taxpayer dollars and never opened a school. As for school vouchers, recent studies show that students with vouchers in Indiana and Louisiana are worse off than their peers in public schools.

I hope you will be better informed when you write about school choice in the future. We will not improve American education or our nation’s public education system by privatizing it.

—Diane Ravitch, education scholar and former U.S. Assistant Secretary of Education

You wrote a line that brings up a question I’ve always had. The sentence was something like, public schools worry that charter schools skin off the best students. If public schools have to accept all students in their district, why wouldn’t taxpayer-funded charter schools be under the same obligation to accept all students that want to go there? Your sentence seems to imply that’s not the case.

How can people miss that point? For charter schools to be on an even playing field with public schools, they would have to operate under the same obligations—that’s a very simple thing to understand.

—Darrell Marcy, Syracuse, N.Y.

Work in Progress
In his May feature “Resized,” Zach Patton wrote about Miami 21, the city’s new zoning code. When it was adopted in 2010, Miami became the first big U.S. city to implement a form-based code, which defines development based on the physical shape it will take, not how it will be used. Patton wrote that “most of the impact of Miami 21 isn’t as tangible or as concentrated as in Wynwood,” a neglected industrial enclave that today is defined by “buzz-worthy eateries, high-end tattoo studios, vegan juice bars and edgy art spaces.”

Your article misses one important point. It takes issue with Miami’s new form-based zoning code, Miami 21, for neglecting climate change and sea-level rise. While the code is mute on the subject, planning for a mixed-use, pedestrian-friendly city at urban densities is the most effective regional strategy for advancing both sustainability and resilience. A city that offers the best of urban life is the No. 1 defense against energy-hogging suburban sprawl.

Miami 21 has already shaped a building boom that attracts young people to live in downtown areas, walk or take transit to work, and enjoy city amenities. In addition, walkable neighborhoods make it easy for people to know one another and create real communities that are more resilient and resourceful than dispersed, anonymous, car-centered suburbs—or for that matter, than apartment blocks disconnected from the street. Sometimes the best climate change strategies carry the name “urbanism.”

—Gray Read, associate professor, Florida International University

There are a couple of items in this article that require further examination: One of the major flaws of Miami 21 is that the parking requirements are outdated and better suited for less urban environments. And two, a potential issue moving forward with Miami 21 is that changes to the code are not always transparent.

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IF YOU LIKE POLITICAL PATRONAGE, you’ll be pleased with what’s happening in Wisconsin. A new law that took effect July 1 brings much of the state’s century-old civil service system to an end. The return of old-fashioned political hiring may be the result. Rather than requiring job applicants to take a qualifying exam, initial assessments will follow a résumé-based system. Hiring decisions will be centralized in the Department of Administration. The law defines just cause for termination, making it easier to fire employees, while also curtailing their ability to appeal such decisions. Seniority will no longer offer protection against layoffs.

The law’s sponsors say their intent was to modernize the hiring process, making it faster and more efficient at a time of high turnover thanks to the aging of baby boom employees. Nationwide, roughly a third of state workers are already eligible for retirement. Under the new system, Wisconsin aims to fill vacant positions within 60 days, rather than the old deadline of 105 days.

There’s no question that civil service practices can calcify in ways that leave prospective employees frustrated by lengthy applications and long waits to get hired. “It’s imperative we’re able to attract and hire good workers more quickly,” says state Sen. Roger Roth, a lead sponsor of the new law. But not everyone is so happy. Critics of the law say it’s just the latest step in dismantling workers’ rights, something they claim has been an ongoing project since the GOP takeover of state government back in 2010. Wisconsin has become a right-to-work state, and Gov. Scott Walker drew protests and national attention with the 2011 law that eviscerated public-sector unions by ending collective bargaining rights for most employees. “The irony is, when Walker was pushing through Act 10, which took away most union rights for public-sector workers, he said that those workers didn’t need union protection because of Wisconsin’s great civil service law,” says Matt Rothschild, executive director of the Wisconsin Democracy Campaign, a watchdog group. “Now, five years later, he takes the ax to that, too.”

The Walker administration insists such complaints are overblown. Statutes are still in place that protect against cronyism, says Stacey Rolston, deputy administrator of the division of personnel management. “You still have to have hires that are defensible, because they are subject to appeal at several different levels,” she says. “Really, all that’s changed is our mechanism of bringing people in.”

There’s a case to be made for patronage. It creates more accountability for the governor if an agency isn’t functioning well. But hiring and promoting workers on a basis other than traditional merit runs the risk that an administration will better serve its political donors and allies than the public at large.

Whether Wisconsin’s new approach ends up making personnel management more efficient, or simply politicizes it, will go a long way toward determining whether standard civil service procedures are revisited elsewhere. “We’ve been talking with other states about what we’re doing,” Rolston says. “We’re hoping that we can build a model that others can find useful.”
Most states are low on cash, but they’re still willing to spend to attract top-shelf companies such as Tesla.

Catching the Big Fish

SOME AREAS of economic activity still haven’t recovered from the recession—tax incentives to employers among them. The number of such deals is still well off its peak. But big packages—those involving tax breaks worth $50 million or more—continue to climb.

It’s simple supply and demand: Scarcity creates value. So governors and other political actors are eager to land companies and create jobs. They don’t want to be told that there are potential employers out there that they can’t pull in. “Oftentimes these deals are driven more by politicians than they are by economic developers,” says Jeff Finkle, president of the International Economic Development Council. “A number of our members are not as enthusiastic about some of these incentive packages as the politicians who get to do the announcement.”

The total number of companies expanding or relocating is only about half of what it was 15 years ago, according to Conway, a corporate expansion consulting firm. Rather than moving within the U.S., many are seeking lower-cost workers in foreign markets, although there are signs that this trend is starting to reverse. But even when companies stay within the U.S., mechanization often means employers will be hiring fewer workers.

For governors who have been reduced to celebrating new jobs a few dozen at a time, this has made the prospect of landing a big fish that much more mouth-watering. “There are fewer big location decisions going on,” says Timothy Bartik, an economist with the Upjohn Institute for Employment Research. “It wouldn’t surprise me if that would lead to more of a premium on attracting them.”

It seems to be happening. When Elon Musk of Tesla decided to open an enormous battery plant, four states entered the final round of negotiations. Musk started out by demanding a subsidy of $500 million in cash, up front. That didn’t happen, but he ended up with an incentive package from Nevada totaling $1.3 billion over 20 years. Dollars down the road aren’t worth as much as money in hand, but still it was a huge commitment.

“Tesla, et al., are in the catbird seat and they know it,” says Greg LeRoy, executive director of Good Jobs First, a policy center that is critical of tax incentives. “Supply has been depressed while demand, in the form of public officials anxious to appear aggressive on jobs, has been elevated.”

Some states are becoming ever more creative about how they can offer enticing amounts of money to businesses. Some are willing to give companies not only a break on the taxes they would otherwise owe, but also credits against the personal income taxes they withhold from workers’ paychecks. “In theory, you could have negative tax rates, with the state actually writing a check to the company,” Bartik says. “In some cases, you do.”

When there are fewer deals to be done, it’s all about outbidding the community next door. “The trophy deals have more power than ever,” says LeRoy.
5 TRENDS CREATING NEW DEMANDS ON GOVERNMENT REPORTING
From the Government Accounting Standards Board (GASB) and the Securities and Exchange Commission (SEC) to state legislatures and local councils, government agencies face new reporting requirements every year.
The potential impact of the federal DATA Act on standards for state and local government reporting is also something to watch.

SO MANY NUMBERS TO CROSS-CHECK, SO MANY DETAILS TO TRACK — financial reporting in the public sector has never been a simple task. Today, the reporting environment has become even more complex due to five broad trends.

1

MORE AND CHANGING STANDARDS

From the Government Accounting Standards Board (GASB) and the Securities and Exchange Commission (SEC) to state legislatures and local councils, government agencies face new reporting requirements every year. The potential impact of the federal DATA Act on standards for state and local government reporting is also something to watch.

2

ONGOING REVENUE VOLATILITY

Across the country, state and local economies are struggling with reduced income and sales tax revenues caused by an uncertain economy and slow job growth. States that depend on revenues from oil and coal production are doubly impacted as the prices of these commodities have fallen. Given the expectation of continued volatility in tax receipts and other revenues, governments will need to closely and regularly track income, spending and cash flow.

SO MANY NUMBERS TO CROSS-CHECK, SO MANY DETAILS TO TRACK — financial reporting in the public sector has never been a simple task. Today, the reporting environment has become even more complex due to five broad trends.
Increased pressure for fiscal transparency from citizens, investors, regulators, the media and watchdog groups requires more frequent reporting of key numbers. Instead of a big, once-a-year push, finance departments need the tools and processes that enable quarterly, monthly and even on-demand reporting intervals.

Today’s public chief financial officer (CFO) has an expanded role in helping other executives, elected officials and the public understand the meaning behind financial numbers. For example, the right reports can help decision-makers understand the financial impact of choices for capital projects, tax incentives for economic development and changes in employee benefits.

Regulatory agencies such as the SEC are engaging in stronger monitoring and enforcement activity to assure the accuracy of financial data reported by governments, especially related to the sale of investment bonds.

ONE THING IS CLEAR:

Traditional financial reporting systems and processes are no longer adequate. Indeed, their limitations present a growing risk to a government’s decision-making, compliance and reputation. In one survey of state government financial professionals, 78 percent said they are worried about the future accuracy of data used in the critical Comprehensive Annual Financial Report (CAFR).

This paper looks at how these trends are creating a new role for the CFO and financial teams, as well as a new environment for financial reporting systems and processes.
CURRENT REPORTING SYSTEMS ARE AT THEIR LIMITS

Getting a “big picture” perspective is especially hard given the challenges facing many government finance departments. Staffing constraints mean a growing workload must be handled by the same or fewer employees. Looming retirements will mean the loss of deep understanding of the data, requirements and processes for reports. Some state finance officials expect at least one employee in their core CAFR team to leave every year until 2023.4

A major challenge in any reporting system is simply getting the numbers right, and avoiding problems such as underreporting tax revenues and overestimating budgets. There are many places in a traditional reporting environment where a data point can go awry and cause a major, trickle-down error.

Another challenge is when linked and calculated data must be manually transferred from spreadsheets to documents, a method that is prone to missed or incorrectly transferred data. Once in the documents, data must be painstakingly verified.

Data that must be gathered from the disparate systems used by operating units or other departments or agencies also presents hurdles. The delays caused by diverse data formats and release schedules are only extended by the manual processes for capturing and centralizing that input so it can be included in a report. Even when someone sends a reporting package early and with clear communication, the systems that gather and check the data introduce the risk of information loss or incorrect processing.

Errors in data entry or calculation compound as the data flows to multiple spreadsheets and documents through complex data links. And when a number needs to be updated, it can be hard to identify which reports and related data points are impacted and so also must be updated. As multiple users work with the data and make changes throughout the process, maintaining an audit trail of those changes becomes increasingly difficult.

Then there are the changes in reporting requirements that mean staff spend time every year simply checking that existing report calculations and templates are still in compliance. When modifications are necessary, employees must identify all affected reports and verify the corrections are made everywhere they’re needed.

Given the importance and complexity of these factors, it’s no wonder that a CFO’s concern is about both maintaining report accuracy and improving the productivity of reporting systems and processes.

TODAY’S CFO: FROM “BEAN COUNTER” TO FINANCIAL ADVISOR

Public CFOs are increasingly called upon to present a budget analysis or financial results report to nonfinancial audiences. “As a finance department, our audiences are expanding from investors and ratings agencies to city leaders and citizens,” says Sean Kindell, deputy finance director for the city of Phoenix. “We are always looking to provide clear information in ways that are more useful for agency executives, council members and the general public.”

The CFO’s new role also means developing a broad understanding of business operations to present numbers in a relevant context. Yet those operational insights can be hard to develop when the accounting and budget teams are mired in the demanding, detailed work of everyday reports.

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MODERNIZING FINANCIAL REPORTING

Many government finance departments have reached the limits of their current reporting tools. The fixed reports generated by the accounting system are useful for getting source data, but aren’t adaptable to produce the full information in a CAFR or similar document. Yet standard software for spreadsheets, word processing and presentations isn’t designed for creating complex reports that involve multiple people and voluminous data collected and calculated from multiple sources.

What can be gained by looking for a modernized reporting system? The key benefit is to produce better reports faster.

STUDIES INDICATE THAT GREATER FINANCIAL TRANSPARENCY MAY LEAD TO REDUCED INTEREST RATES THAT MUST BE PAID ON STATE AND LOCAL GOVERNMENT BONDS — A DIRECT BENEFIT FOR THE ISSUING AGENCY.

The Phoenix Finance Department expects substantial time-savings in the second year of producing the CAFR with its new reporting system. “Because we took the time to carefully define the new formats and create the new links, we expect the report to mostly create itself,” says Kindell.

New technology can also help government finance departments recruit and retain young employees. This next-generation workforce considers up-to-date systems an essential factor when choosing and staying in a job.

NEW REPORTING SYSTEMS ENABLE ...

IMPROVED REPORTING THROUGH:

• Transferring the burden of manual work from employees to the system, which frees staff time for more valuable tasks such as analyzing the data
• Creating new reports that present key financial information in clear, useful formats for all stakeholders, including citizens and the media
• Responding to requests for ad hoc reports the CFO can use in advising decisions made by government leaders
• Keeping up with new reporting requirements and frequencies
• Centralizing and consolidating reporting tools in the cloud for a streamlined user environment and reduced IT management burden

FASTER REPORTING THROUGH:

• Automating the tasks of collecting and calculating data, as well as compiling and formatting reports
• Streamlining activity for reviewing the content of data sets, draft documents and presentation slides
• Defining processes so they become sustainable year after year, even with staff changes
• Taking advantage of mobile technologies to simplify report production tasks and review activity

5

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Page #
One of the biggest challenges when considering new technology is getting everyone on board to adopt a new solution. Employees understandably take a lot of pride in their work on the complicated series of documents, tabs and formulas that comprise essential financial reports. Although this work certainly has value, it’s also important to recognize when change is hampered by comfort with the status quo.

Before considering any specific new technology solution, it’s valuable for the teams to conduct an open dialogue for rethinking how they do reporting. This dialogue can explore questions such as:

“Why do we do it this way?”

“Should we just try to improve the system we’re using?”

“Should we still keep all the tools in house, or is it best to move to the cloud?”

“Will moving to a new system only add more complexity and work to what we’re doing now?”

It’s understandable that these questions may raise employee concerns about adopting a new financial reporting system. But those concerns can be addressed by evaluating a new system against the following capabilities.

**DATA MANAGEMENT.**

Some solutions for financial reporting work only with reports produced by the agency’s accounting system. Although this approach might seem to make sense, that data often needs additional compilation and calculation to make it suitable for reporting.

Instead, the key is a standalone reporting system that isn’t dependent on an ever-changing ERP or accounting system. This separation supports the flexibility necessary to interact with the report data regardless of source or what upgrades have been implemented in the source systems.

An independent reporting system that maintains live, unbreakable links to source data can support complex, frequently changing data relationships and reduce the need for manual data editing. Data can be retrieved from multiple systems, programs, departments and agencies, yet be traceable and maintained in a single, current source of truth. “Having the data in one consistent place makes our work much easier and creates the biggest time-savings,” says Joe Jatzkewitz, accounting supervisor for the Phoenix Finance Department.

Another critical capability to evaluate is how data changes are propagated throughout the system. Automated flows of updated numbers help ensure that information is consistent, accurate and current across multiple spreadsheets and documents. This sophisticated level of data management creates confidence in the report content and produces considerable savings in staff time and effort.

**USER INTERFACE.**

An easy-to-learn user interface makes the system simpler for users to adopt with their current skills. It also makes working with the system easier for contributors and reviewers in other departments who use it only for their part of a report. “Instead of having multiple windows and programs open at the same time, it’s easier for users if they only need to open and work within one application,” says Jatzkewitz. A modern system will supplement the desktop interface with a mobile app that provides easy-to-use tools for reviewing and commenting on report drafts.

**AUDIT TRAIL.**

More reports require review by external auditors, including the CAFR, Single Audit and continuing bond disclosures — even reports for routine and special grant funding. A full audit trail of changes to data, formulas and report formats supports compliance efforts and helps streamline the auditing process.

**SYSTEM SECURITY AND DATA PROTECTION.**

In any report, some data should be seen and changed only by certain employees. Yet in spreadsheets and word processing documents, those protections are very difficult to maintain in a meaningful way. A system that supports in-depth, user-specific permissions allows for better control of the report production process as well as data confidentiality and integrity.

Granular permissions allow an administrator to control who can do what to specific types of information. For example, permissions can be set to allow one user to access the tax statements, while another team member can edit only text in the MD&A — without needing to split the report into separate files. This granularity also removes the bottleneck created when only one or two employees are tasked with making all updates and changes.
EASING THE CHANGE FOR USERS

A system that brings together the document, spreadsheet and presentation tools in a way that is focused on producing reports makes the transition easier for users. A single, cloud-based system is easier for users to access, including those who work away from the office if the system supports a mobile app. Of course, users will still need training and support for working with the new tools. One thing that helps the transition: choosing a new system that has a user interface with a similar “look and feel” to the current system. Formal change management practices can also promote successful adoption of a new financial reporting system.

BETTER REPORTING FOR IMPROVED TRANSPARENCY AND DECISION-MAKING

It’s hard to make good financial decisions without the confidence that comes from accurate and timely numbers. The trends in today’s environment are prompting government finance departments to modernize their reporting systems. Although the change may seem daunting, the effort is rewarded with increased efficiency, greater responsiveness and the ability to deliver better information to all stakeholders.

ENDNOTES

1 The Rockefeller Institute, Double, Double, Oil and Trouble, http://www.rockinst.org/pdf/government_finance/2016-02-By_Numerics_Brief_1603.pdf
4 Ibid

CUSTOMIZABLE REPORTS.

When the CFO or other agency leader needs to address a hot community issue, the finance team needs the ability to quickly produce targeted reports and presentation slides. Tools that allow full and easy customization of existing and newly created reports help users fulfill these dynamic information requests.

MANAGING THE DRAFTING AND REVIEW PROCESSES.

Seemingly small tasks can become huge efforts when they must be done over a lengthy time frame or they involve input and review from multiple sources. For example, putting together a budget book may mean collecting data from a dozen or more agencies. Working with auditors requires managing the back-and-forth review of data and report drafts. A collaboration workspace system makes it easier to share information within a reporting team — across organizational boundaries and even with external auditors.

A feature for defining repeatable processes helps ensure the right data is collected from the right sources. When the report rolls forward to a new year, repeatable processes reduce how much work needs to be re-created. It’s also possible to expand these processes to streamline even more tasks over time.

An automatic version control feature makes it easier for multiple users to simultaneously create, edit and review reports while knowing they have the latest content. These features not only reduce the complexity of reporting work, they help retain knowledge as experienced employees leave and new team members learn about report content and processes.

Saving time across all report development activity is another factor to consider. Phoenix is able to give its auditors earlier access to initial data and draft reports because of the streamlined processes in its new reporting system.

SYSTEM MANAGEMENT.

It will benefit from a new system that doesn’t require consultants to fully implement and maintain it. In a cloud-based system, the vendor is responsible for maintaining all software and the computing infrastructure to run it. All users always have access to the latest software version, so compatibility issues disappear. An agency IT administrator only needs to manage tasks such as configuring users and monitoring application performance.
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Catherine Pugh, who will become mayor of Baltimore at the end of this year, is determined to start lifting the city out of its longstanding morass of poverty and crime. Not everyone thinks she’ll be able to do it. If she fails to make serious progress, though, voters will know whom to blame. Baltimore gives its mayor some of the strongest formal powers of any city in the country, making it clear who runs the show.

When a Baltimore mayor presents her budget, members of the city council can only subtract from the total. They can’t raise program funding over the level proposed, nor can they shift money around between accounts. Over the years, that has led to plenty of fights over priorities, everything from afterschool programs to fire stations. But the mayor maintains the upper hand. “We really have a budget that comes to us that we have no real input into,” says Carl Stokes, a member of the city council. What’s more, the mayor controls the Board of Estimates, which signs off on city purchasing and contracts.

Stokes and most of his colleagues believe it’s time to rebalance power between the city’s executive and legislative branches. The time would seem to be ripe. Baltimore, following last year’s unrest after the death of Freddie Gray while in police custody, appears ready for change. That mood was heightened by Mayor Stephanie Rawlings-Blake’s decision not to seek re-election this year.

Twice in recent months, supermajorities on the city council voted to weaken the mayor’s control over the budget and the Board of Estimates. It takes a three-fourths vote to override a mayoral veto. In February, the council managed to pull off that feat for the first time since 1982, on a measure regarding enrichment programs for children. Sponsors of the budget changes were hopeful they could overturn Rawlings-Blake’s other vetoes and send charter amendments to the voters that would lessen the imbalance between mayoral and council power.

But it was not to be. Several members of the council either switched their votes, didn’t show up or abstained. Five voted to uphold each mayoral veto, as opposed to just one vote against each bill on passage.

Pugh, who is leaving her job as majority leader of the Maryland Senate to become mayor, lobbied hard to make sure the position’s job description didn’t change before she’s sworn in. As for the council, she said after the override votes that she’s looking forward to working with its members.

Still a Strong-Mayor Town
because in January, Commerce Secretary Maurice Jones and a batch of state employees watched a football playoff game from a luxury box offered as a gift.

The council also decided that, while pricey presents from lobbyists and the companies that hire them are prohibited, gifts from political action committees are fine. “Dominion Power and its lobbyist are limited,” says Anna Scholl, executive director of ProgressVA, “but Dominion’s PAC or foundation is not.”

The ethics council—on which gubernatorial appointees and legislators themselves sit—hasn’t even hired a full-time director to staff its own operations. To the extent that lawmakers felt they could get away with taking gifts before McDonnell’s conviction, that hasn’t changed much. “A lot of state legislators don’t get nearly the scrutiny they should with respect to the question of ethics,” says Stephen Farnsworth, director of a center on leadership at the University of Mary Washington. “When you talk about Virginia and ethics law, it’s pretty clear it’s the wild, wild West.”

THERE IS A LIFE CYCLE to ethics reform in state government. A major scandal brings condemnation and with it the sense that stricter rules need to be put in place. Over time, however, those rules are generally either watered down or weakly enforced. After a while, old habits and ways of doing business reassert themselves.

All of this is happening on fast forward in Virginia. Following the conviction of former Gov. Bob McDonnell for accepting $177,000 from a health product manufacturer wanting favors from the state, legislators felt they had to do something. The law they enacted last year, however, was dismissed by good-government advocates as an insincere exercise in saving face. “There was a deliberate attempt by some folks to do a window-dressing type ethics reform bill,” says state Rep. Marcus Simon. “It looks like you’re doing something, but when you peek behind the curtain, there’s nothing much there.”

The new rules put a cap of $100 a year on gifts from lobbyists. But the package offered plenty of loopholes. The argument was made that because Virginia has a part-time, lightly paid legislature, lawmakers shouldn’t be subject to penalty if they inadvertently accept goods or favors for legitimate reasons. A group called ProgressVA examined all the gifts legislators had received and disclosed the year before the law passed. They found that if the new rules had been in place, 79 percent of them would have been acceptable.

In other words, the status quo was barely changed. Since the law was enacted, the loopholes have grown even bigger. The state ethics council determined that tickets to widely attended events, such as football games, didn’t fall under the $100 cap. This was an issue because in January, Commerce Secretary Maurice Jones and a batch of state employees watched a football playoff game from a luxury box offered as a gift.

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By Brian Elms with J.B. Wogan
Cities love to boast that they’re special. It’s not always true, but it can be a useful myth.

Long time ago, on a train rumbling through rural France, a local asked me where I was from. I told him. His face lit up. “Chicago!” he exclaimed. “Bang bang, eh!” “That’s right,” I said. “Bang bang.” I suppose I could have taken offense at a stranger’s depiction of my hometown as the world capital of gangster violence, but instead I felt a certain amount of pride. If I had told him I was from Kansas City or Columbus, he would have drawn a blank. Chicago had an identity, even if it was, by most standards, a dubious one.

And it’s an identity the city itself has been happy to exploit. If you come to Chicago, you can visit a gangster museum, stop by a garage where Mafiosos used to hang out, or take a guided tour of crime spots all over the city. At one time, there was a museum devoted entirely to Al Capone’s life and misdeeds. Whatever you may think of Chicago’s history of hoodlum violence, the town isn’t apologizing for it. But this isn’t a column about Chicago’s gang wars of the last century, or about the current wave of gang homicides that continues to give the city a violent reputation. It’s about the deep-seated desire of nearly every city to have some sort of reputation—to convince itself and the world that it is more than just an ordinary place.

Traveling to many American cities over the years, I’ve been struck by how far their leading citizens will go to point out something distinctive in the local culture or politics. Often they’ll do this even in the face of ample evidence that the qualities they like to tout aren’t so unique after all. I couldn’t begin to count the number of times I’ve been told that the place I’m visiting is a “city of neighborhoods,” and that this is the secret to understanding what makes it different from other cities. Neighborhood values are a point of pride to local enthusiasts almost everywhere. But the very universality of the observation is proof that these values don’t make a place unusual. As you get to know any community, finely grained differences begin to pop out, and you realize, for example, that Williamsburg and Greenpoint are distinct Brooklyn neighborhoods with different cultures and histories. But the same can be said about any adjoining neighborhoods in any large American city. It’s just a principle of urban life. It doesn’t stand as a claim to fame.

Politicians in every city will tell you that there’s a key to mastering the code of its local political culture. The key is that its voters are fiercely independent, determined to assess candidates as individuals and unwilling to support any of them merely on the basis of party. It’s a gratifying self-image to have, and it’s always possible to point to election returns that seem to reflect it. But you can find the same examples just about anywhere. If you look at the last century of politics in America’s large cities, you’ll usually find a rather consistent history of long-term partisan loyalties, broken every once in a while by a charismatic outsider whose...
appeal cuts across party lines. Then it's back to normal again.

It's true that partisan allegiances have grown weaker over the past generation in many cities, just as they have at other levels of American government. But it's hard to argue that a streak of indifference is characteristic of any particular place. Still, this is an identity that quite a few cities and public officials find comforting.

The reality is that during the past generation, in certain rather conspicuous ways, most American cities have lost many of the qualities that once separated them from one another. The locally owned businesses that used to set the tone for a city's life have largely disappeared. Family-run department stores have given way to national chains. Fast food has taken a toll on local cuisine. And chains have given way to national medical centers. But an important ingredient of the Industrial Age.

There are, of course, outliers. New Orleans and San Francisco are and will remain quirky and different. Spend five minutes in the center of either one and you know where you are. The more time you spend looking into their values and customs, the more specific they seem. But the uniqueness of their values and customs, the more specific way they wish just about anywhere they wished. Wide-open development not only gave Houston the look that it has today, but a distinctive self-image as well. Much of Pittsburgh's comeback over the past couple of decades can be traced to its bountiful array of universities and medical centers. But an important ingredient of the revival is the widely held belief of its citizens that it is a distinctive place, unlike any other city in the country. It isn't entirely true. Buffalo is a lot like Pittsburgh. So is Cleveland, in some ways. What matters most, however, isn't so much the reality as the feeling of specialness that the Steel City has been able to maintain in the absence of the factories that created its identity.

I may seem to be arguing that American cities are all the same. That is, of course, untrue. What does seem true to me is that they don't differ in the ways that locals often insist they do. They differ in more permanent ways, some obvious and some fairly subtle. It's probably worth mentioning a couple of them.

Geography is the most obvious and almost certainly the most important one. Pittsburgh will always be a place where steep hills rise from the confluence of three rivers. Chicago will always be a prairie on the edge of a lake. In trying to understand what makes a city the place it has become, geography will trump politics nearly every time. Much of the time, it will determine the character of local politics.

Demography may not be destiny, as demographers sometimes claim, but it lies at the root of urban identity and urban differences. Indianapolis is a town started and developed by white Anglo-Saxon Protestants, many of them South Germans. Milwaukee grew up as a magnet for ethnic Catholics from Europe, mostly Germany and Poland. The numbers have changed enormously in the last 150 years, but the 19th-century demographics still explain why these two cities are so different after all this time.

Can any city be described as a creature of its public policies? That's an intriguing question. I would say probably not. But as with all of this speculation, there are bounds to be exceptions. Houston decided a long time ago not to have zoning; it wanted its citizens to be able to build anything they wished just about anywhere. But the 19th-century demographics still explain why these two cities are so different after all this time.

Which way does the arrow point? Did the absence of zoning create Houston, or did something fundamental about the city create the policy in the first place? That may be an impossible question to answer. But what I draw from this whole quixotic pursuit of urban identity is this: The source of a city's self-image may be hard to pinpoint. The image may or may not be entirely accurate. But cities that believe in their specialness are the ones that do well in the long run.
A Home of Their Own?
The uncertainty of where millennials will live is creating new challenges.

Demographics is, in some ways, an exact science, built on hard evidence and solid numbers. But trying to make sense of current statistics can be tricky. Take, for example, the ongoing changes in the U.S. housing market. They will have significant repercussions for states, cities, suburbs and even Congress. But it’s not entirely clear what those repercussions will be.

Members of the millennial generation—roughly those ages 24 to 35—have not been buying many houses lately, for reasons both cultural and economic. A faltering economy has hurt younger people disproportionately. In the past decade their incomes almost stalled, while the older age groups saw a combined increase of 11 percent. Plus, they’re carrying the crushing burden of student debt, at a level of more than $1 trillion nationally, triple what it was only a decade ago.

To these young people, the homebuying market looks scary. So they’ve spent less, saved more and, in the case of the youngest millennials, moved in with their parents in unprecedented numbers—almost 9 million at the peak, up from a little more than 5 million 25 years ago. They’ve also delayed marriage by an average of six years compared with historical norms.

But despite conflicting reports, the situation may be changing. Millennials’ incomes are starting to climb and their unemployment rate is dropping. It’s now about 6 percent. In 2014 they experienced 60 percent better job growth than the nation overall. In addition, millennials make up the best-educated generation ever—educated people generally are the group most motivated to buy homes.

Recent polls show that this age group is increasingly positive about homeownership. Many of them are entering the age bracket where they’re most likely to get married, so even if fewer people tie the knot than historically, the overall numbers of newlyweds are beginning to increase.

Spanning all age groups, homeownership has been running between 3 and 6 percent below historical norms, so that, coupled with a predicted new wave of interest from millennials in a market that already has a tight supply, leaves most prognosticators increasingly bullish on the housing industry. But there remains the question of where the market will take off and what kinds of housing will be at the center of the comeback.

One answer to that question could be downtown. The central districts of many cities are booming, and millennials are at least partially responsible. College-educated young people have been moving downtown in unprecedented numbers in nearly 40 of our 50 largest cities.

Interestingly, the younger set may be competing for homes with their own parents, because the boomers are beginning to return to the market. That is partly due to an uptick in the divorce rate among empty nesters, but it is also because an improving economy has given them more financial flexibility. Some of the more affluent boomers are accompanying their kids into the downtown market because they want to downsize into smaller, more efficient housing closer to the action.

The boomer/millennial mix is particularly apparent in the recent boom in apartment construction, which hit a level of almost 400,000 units in 2015, the highest point in almost three decades, accounting for more than a third of all home construction last year.
But as millennials start having kids, will they leave the city for the added space and security of the suburbs? The research is conflicting. There is no doubt that many will move the same, particularly as the costs of home ownership in cities continue to escalate.

Piling by the Global Strategy Group, a public relations firm, indicates that making the decision on where to live, one key ingredient for millennials is transportation. Two-thirds said access to high-quality transportation was one of their top three criteria; almost half of those who owned a car said they would give it up if public transportation options were adequate. The other leading issues were walkability, parks and good schools.

A study done for the National Association of Homebuilders concludes that the demographics are encouraging homebuilders to produce greener and healthier homes. Again, the boomers appear to be leading the way because, according to the study, “younger buyers are more influenced by the broader impacts of their behavior on the world at large, while older buyers are more focused on the specific financial and physical performance of their home.” In other words, boomers are more likely to actually spend money on green homes and eco-friendly upgrades.

For many local governments these trends present a challenge: how to keep the younger generation in the cities after they start having kids. A solution will necessarily involve expanding pre-K programs, improving schools, and providing reliable transportation and open spaces, as well as zoning to protect family-sized homes.

The biggest cities in Montana would probably be considered small towns in most states. Only three have populations greater than 50,000. Yet Democratic Gov. Steve Bullock will need to receive as strong a vote as possible from cities in his state in order to win re-election this year.

There are 16 states where rural residents make up more than half the population. Republicans are governors of 11 of them. The GOP this year has a chance to pick up the other four—Montana, New Hampshire, Vermont and West Virginia. The reason is simple: Democratic messages are potent in big cities, but simply aren’t selling in rural America. “Rural voters have become a core component of the GOP, especially white rural voters, which is most of them,” says Seth McKee, a political scientist at Texas Tech University.

Rural voters tend to be more conservative on family and social issues than city dwellers and suburbanites. They have higher rates of property ownership. And they’re more likely to be self-employed, which means they’re less likely to turn to government for solutions. As a result, the partisan split between voters is more pronounced along geographic lines than by other measures, such as income, says James Gimpel, a professor of government and politics at the University of Maryland. “There’s a gapping, canyon-sized urban-rural chasm separating support for the parties,” he says.

This gap is even more pronounced within states than between states. Votes cast in elections for governor in, say, Charlotte, N.C., and Kansas City, Mo., this year will look entirely different than the returns out of less-populated parts of those states.

In predominantly rural states, Democratic candidates nowadays struggle to differentiate themselves from the national party’s position on issues such as resource extraction and gun control. In fact, the efforts of state-level Democratic candidates over the years to prove their worth to voters by bashing the national leadership of their own party has served to weaken that party’s brand, says Scott Grischow, who chairs the political science department at West Virginia University. “There’s a feeling that the national Democratic Party is not representing their interests anymore,” he says, “whether it’s tied to coal or EPA restrictions or the chicken industry or whatever.”

The shift of rural voters toward the GOP is nothing new, but it has intensified over the past several years. There’s not much room left for a Democrat to present himself or herself to rural voters as a moderate on various economic or social issues. With the national party growing progressively more liberal, that case becomes harder to make. “In general, national Democrats do not poll that well in Montana,” says Jeremy Johnson, a political scientist at Carroll College in Helena. “It’s partly the identification of the party with issues such as firearms and extraction. Some of it’s a cultural thing, a reluctance to embrace the more cosmopolitan Democratic image.”

Montana’s Bullock needs the urban vote to be re-elected.
Leana Wen, just back from a trip to Israel, is jet-lagged. But Baltimore’s health commissioner doesn’t have time to be tired. In the next three days, she’s appearing on a CNN segment on opioid abuse, speaking alongside U.S. Attorney General Loretta Lynch and writing two college commencement speeches.

It’s a frenzied level of activity that doesn’t surprise those who work with Wen. The leader of the nation’s oldest continually operating health department has taken a fresh and aggressive perspective on what her agency can and should tackle. Appointed in January 2015, Wen was still getting adjusted when the riots over the death of Freddie Gray erupted. The unrest gave her the opportunity to talk about health in broader terms and to a larger audience. “The No. 1 thing I do in my daily life is bring together everyone, from faith leaders to leaders of nonprofits and foundations, and making them think about health as this umbrella concept everything falls under,” Wen says. “We’re framing every social ill around health.”

It’s a movement that is beginning to take hold in public health departments across the country. Historically focused on disease outbreaks, restaurant inspections and disaster preparedness, more city and county health agencies are starting to tackle issues surrounding population health that include gun violence and drug addiction.

To this end, Wen and her team have introduced a dizzying array of initiatives. In September, she ordered that naloxone, a lifesaving antidote to a heroin overdose, be available without a prescription. This year alone, her team has introduced legislation requiring warning labels for sugary drinks, created interactive “health maps” of the city, and launched a program to ensure that all young schoolchildren have access to eyeglasses.

Before Wen took over, the department had launched a couple of big programs that have shown encouraging results. Though controversial, its Safe Streets program, which uses reformed gang members to intervene in potentially violent situations, had helped one dangerous neighborhood go a year without a shooting. B'More for Healthy Babies, an initiative to curb Baltimore’s high infant-mortality rate, reduced infant deaths by more than 20 percent between 2009 and 2014.

Before B'More for Healthy Babies, says Sonia Sarkar, the health department’s chief policy and engagement officer, “there were several initiatives throughout the city on infant mortality, but nothing was moving the needle because they weren’t talking to each other. We are always thinking, ‘How do we bring people together and get them to realize their common goals?’”

The issues Wen is dealing with in Baltimore haven’t been abstract ones for her. She emigrated from China when she was 8 and lived in what she calls “pretty tough areas of L.A., areas not unlike parts of Baltimore.” Before coming to Baltimore’s health department, she was an emergency room doctor and co-wrote a book on misdiagnoses, *When Doctors Don’t Listen*.

While she’s receiving praise for her work in Baltimore, there’s uncertainty on the horizon: Mayor Stephanie Rawlings-Blake, who appointed Wen, leaves office at the end of the year. “As an appointee of the mayor, every administrative change comes with some level of anxiety,” Wen says.

It’s too soon to say whether Wen’s programs will stick in a city still considered one of the country’s most dangerous, but she wants to stay to see her vision through. “I see all of the residents in this city as my patients,” she says. “There are problems, and I need to diagnose them.”

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A New Oasis in the Desert
Las Vegas is betting it can transform itself into a hub for water technologies.

As the nation’s driest big city, Las Vegas knows a thing or two about water. With a metro population of more than 2 million people and just 4 inches of rain a year, the city has learned how to be very, very frugal. Now it’s taking that water consciousness—and all the years of experimentation it’s driven—and using it to transform itself into a hub for new and innovative water technologies.

Long a leader in water conservation, Las Vegas has kept its water use down through a combination of fines, enforcement, incentives, education and innovation. For instance, front lawns have been banned for years. For those homeowners grandfathereed in, the city pays them to rip up their grass. Golf courses pay huge penalties when they exceed their water budgets. And the city recycles most of the indoor water used.

It’s this experience that the city, in partnership with the state, the regional water utility, the University of Nevada and private industry, hopes to build on. The group has teamed up to create WaterStart, an incubator that tests promising water technologies and then helps companies bring those innovations to market.

Of course, this isn’t just about water. It’s about jobs, too. The idea was dreamed up in 2014—in the wake of the Great Recession. For an economy dependent on tourism, officials are hoping that the companies WaterStart helps will stay in Las Vegas.

Las Vegas will have some company, though. Milwaukee started setting itself up as a water hub back in 2013. Still, Las Vegas already has some nifty new technologies and partnerships it’s piloting through the WaterStart incubator.

High-Tech Hydrophones
Late last year, 13 rectangular boxes were installed along the Las Vegas Strip. Inside each one is an acoustic device the size of a fist that listens for the faintest noise emitted by leaks along a 3-mile section of aging pipe. The idea is that these sensors, or hydrophones—microphones designed to be used underwater for recording or listening—will detect a pipeline leak before a catastrophic rupture.

The PipeMinder
Where the hydrophone hears leaks, the so-called PipeMinder sees leaks and other stresses on water systems. The device, through high-resolution data capture, lets a water utility identify where it’s at greatest risk of pipeline failure. The Southern Nevada Water Authority in the Las Vegas metro area will test the gadget, which hopefully will help utilities prioritize infrastructure maintenance based on where it’s needed most.

Drones
Winnemucca Farms in the northern part of the state is using drones to measure plant stress from the air in an effort to improve irrigation precision. The unmanned aerial vehicles will be able to tell farmers where water is being used efficiently and where it’s not.

The Israeli Connection
Nevada, the driest state in the U.S., is partnering with Israel, one of the most arid nations in the world, to bring two Israeli startups stateside. The company Ayyeka produces sensors that can monitor water temperatures and levels in remote storage tanks; Outlocks works on physical security for facilities owned by water utilities.

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State: TX
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Date Request Received: July 1, 2014
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The Rage of Those Left Behind

The 20 percent who run America need to begin paying serious attention.

The middle class has been getting a lot of attention lately. In May, The Atlantic described the “middle-class shame” of half of Americans being unable to come up with $400 in an emergency. A recent Pew Research Center study found the middle class in decline in almost nine out of 10 metro areas. And there is increasing talk of an America in which the upper 20 percent are doing well, while middle-income Americans, like lower-income ones, are under intensifying economic pressure.

The problem with these arguments is not that they are false. In fact, some of them are compelling. The problem is that they have no obvious connection to the daily experience of those living such a precarious existence that they can’t come up with $400 in emergency cash, or who are living through what political scientist Robert Putnam saw in his hometown of Port Clinton, Ohio, and described as the “crumbling of the American Dream.”

Not everyone sees things as Putnam does. An article in one conservative publication argued that manufacturer Carrier’s moving of 1,400 jobs from Indianapolis to Mexico was “utterly unrepresentative” of Indiana’s economy, and quoted a number of accurate statistics about the strength of the state’s manufacturing sector. The author could have said much more, such as talking about the beautiful and booming small manufacturing city of Columbus, Ind., now full of foreign firms.

Yet a drive around the state would show many signs of serious trauma. Gary remains a byword of urban decline. Marion is a shell of its former self. Fort Wayne and Michigan City were two of the 10 biggest losers of economic status in Pew’s recent study. Scott County is making national headlines for its HIV epidemic. Harrison County, where I grew up, is a leading center for meth lab busts. I didn’t even know what meth was when I went to high school there in the 1980s.

Is free trade to blame for all of this? Obviously not. So what is? And how do we fix it? These are the unanswered questions.

Some on the left suggest that railing against free trade or factories decamping for Mexico is all merely racist anger, a sort of death scream from a powerless rural white working class. Not only is this unfair negative stereotyping, but much, if not most, of this anger is coming from those struggling in cities—places like Gary, Flint, Mich., and even Chicago and Los Angeles—with large proportions of minority residents. A recent study from the Federal Reserve of San Francisco found that the median value of liquid assets held by households of Mexican origin in Los Angeles was zero.

So we find ourselves in uncharted territory. We should at least be willing to acknowledge that there are very hard problems out there that need to be faced, that the solutions aren’t obvious and that the issues are so big that the accumulated number of losers simply can’t be ignored.

This will involve having the courage to tell some unpleasant truths. Flint isn’t the only city where voters who feel ignored have largely backed political outsiders like Trump.
When Outsourcing Works
Oklahoma City successfully farmed out economic development.

Many public services are now outsourced. From education and transit to garbage pickup and park maintenance, there’s a notion that nongovernmental organizations can do things better. Certainly, privatization has seen its share of successes and failures. But one of those successes is economic development—at least in Oklahoma City.

Since the beginning, economic development in Oklahoma City has been handled not by a public entity as in many cities, but by the Chamber of Commerce. Putting the chamber or other private groups in charge of economic development has long been common at the local level. And as my colleague Alan Greenspan wrote in these pages late last year, it’s starting to catch on in states, too.

Outsourcing job creation can be controversial. Private economic development agencies have been accused of favoritism and sweetheart deals. But Oklahoma City’s approach has largely been free of these accusations. According to Roy Williams, president of the Greater Oklahoma City Chamber of Commerce, the city has always relied on its business establishment to make major decisions about growth. It contracts with the chamber to do economic impact studies, develop its workforce, recruit outside businesses, assist with site location and issue permits, among other things.

This makes sense, given the intersection between economic development corporations (EDCs) and chambers. A typical EDC aims to dictate a city’s growth agenda by determining the industries and technological change, perhaps we’ll look back with nostalgia, just as when the industrial era replaced the agricultural one or the car replaced the buggy.

In that case, all that’s needed is to stay the course.

But if that’s wrong, or if that future takes too long to arrive, then our failed bet may have fallout well beyond the economic. What the political leadership of America has forgotten is that in a democracy, politics is also a marketplace. Creative disruption and the discipline of the marketplace apply to the political arena as well as the economic one.

When political leaders refused to serve the large market of voters who want less immigration or to break up the banks, among other things, it never occurred to them that political entrepreneurs and new market entrants would come in to serve it. While these leaders were celebrating how Uber used new technology to disrupt the taxi business, for example, it never occurred to them that technology, in the form of social media, also would disrupt the politics business.

Now that they are on the receiving end of disruption and creative destruction, they don’t like it very much. But now they know how so many Donald Trump and Bernie Sanders voters feel.

This should, one would hope, prompt some empathy and willingness to reconsider public policy for an era much different from decades past. Getting it wrong will be a failure with a price higher than we should have to pay.

Email arenn@urbanophile.com

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The Politics of Donald Trump and this year’s bizarre presidential race will affect elections all over the country. What’s not clear is how.

By Alan Greenblatt

Photographs by David Kidd
Minnesota Democrat Lindsey Port, left, is trying hard not to get embroiled in the presidential election: “This year, conventional wisdom is kind of out the window.”
Matt Little is impatient. At 31, he’s already served four years as mayor of Lakeville, a growing suburb of Minneapolis. Now, he’s looking to win promotion to a seat in the Minnesota Senate. His fellow Democrats have been advising him that his first job should be targeting the district’s substantial core of solid Democratic voters.

But Little isn’t so sure. He believes that in 2016, he has no choice but to reach out to everyone, including voters who at first glance might seem unlikely to support him. “I talked with a woman yesterday who is a Republican who says she’s disowning the party of Trump,” he says. “Then I spoke to a guy who’s a lifelong Democrat who is voting for Trump. The traditional rules do not matter.”

This could be a rebuilding year for Democrats in state legislative campaigns after the historic losses they suffered nationally in 2014. They’re hoping that Donald Trump’s presence at the top of the Republican ticket will be a big help to them. Trump has huge negatives to overcome, in Minnesota as in many other places, and he appears to be doing very little to help his own party with data-gathering and turnout efforts that could aid down-ballot Republicans.

But it doesn’t look like the Democratic dream of Trump acting as an anchor, pulling down Republican legislators nationwide, is going to play out in real life. Trump could lose decisively, but the rigid red vs. blue alignment of politics today means that no major party candidate is going to be defeated in more than 40 states, as happened to Democrats in the 1970s and 1980s.

And, as Little fears, Trump could scramble the mix, winning support from disaffected Democrats in much of the country. “Donald Trump is going to win this state, regardless of what goes on at any other level,” says Tres Watson, communications director of the Kentucky Republican Party, which is hoping to pick up the four seats it needs to take over the state House, the last legislative chamber held by Democrats anywhere in the South. “A Donald Trump vs. Hillary Clinton campaign,” Watson says, “will be very beneficial to defeating the Democrats at the state House level.”

The thrust of Watson’s argument—that partisan loyalty starts at the top—has some bearing on legislative races everywhere. For decades following World War II, Democrats held nearly 60 percent of the seats in the nation’s legislatures, regardless of how well Republicans performed at the presidential level. But voters today are much less inclined to split their tickets. To the extent that people tune into politics, they are mainly concerned with the presidency. If they don’t like what’s happening at the White House, they take out at least some of their anger on state legislators who belong to the president’s party.

The reality is that in a presidential election year, legislative candidates who can outrun their party’s standard-bearer by more than a couple of percentage points are few and far between, especially among those who aren’t entrenched incumbents. “Very rarely do you find people who outperform their districts,” says Virginia state Rep. Marcus Simon, a Democrat. “You do all the things you can to keep visibility up, but at the end of the day, most people vote for the red team or the blue team.”

As a result, legislative leaders and campaign committees in both parties offer the same advice to candidates. The presidential contest is like the weather. It’s a force, but you can’t do anything about it. Instead, focus on local issues and your own community ties, knock on thousands of doors and show your face all over the district.

It’s the political equivalent of the Serenity Prayer: Accept that there are things you can’t change and do your best with those you can. “What we tell people in the swing districts is do all you can do is get yourself in a place where, if things are going the right way, you’re going to be able to take advantage of that,” says Paul Thissen, the Democratic-Farmer-Labor Party leader in the Minnesota House.

Minnesota Democrats will call 2016 a good year if they manage to take back the state House, which they lost in 2014. That...
legislative body has been a textbook example of partisan voting trends during the Obama presidency. When Obama was on the ballot in 2008 and 2012, Democrats won control of the chamber. When he wasn’t, in 2010 and 2014, they didn’t. Increased voter turnout in a presidential year, and the state’s blue tilt, should help Democrats in November.

Minnesota hasn’t supported a GOP presidential candidate since 1980—the longest unbroken string of victories for Democrats anywhere in the country. Trump is unlikely to snap that streak: Minnesota was one of only two states, along with Utah, where he not only lost during the primary season but came in third. (It’s also the only state where Marco Rubio won on the GOP side.)

The Star Tribune Minnesota Poll released in May found that only 26 percent of voters in the state believed Trump has the right “temperament and credentials” to be president, compared with a majority who felt that way about Clinton. As Matt Little knocks on doors along Hazel Court in Lakeville, he encounters two different men who both happen to work in IT and separately volunteer the exact same statement: “Trump scares me.” One of them, computer consultant David Collins, says he was excited about Ohio Gov. John Kasich, but with Trump winning the GOP nomination he’ll reluctantly cast a vote for Clinton.

But because of the way the state’s districts are laid out, it’s not foreordained that a Clinton victory in Minnesota means Thissen will regain his title of speaker. Most Democrats in the Minnesota House hail from the seven-county metropolitan region around Minneapolis and St. Paul. There aren’t too many Republicans in that area left to beat. Meanwhile, Trump’s message will resonate in much of outstate Minnesota, which is poorer and more skeptical about gun control, gay rights and environmental protections than the thriving Twin Cities area. When Republicans won control of the state House two years ago, 10 of the 11 seats they picked up were outside the metro area. “Democrats have an urban-only

Kevin Miller voted twice for Obama but likes Trump’s promise that he’ll “bring America back like it used to be.”

THE POLITICS OF UNCERTAINTY

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THE POLITICS OF UNCERTAINTY

Patti Fritz is trying to retake the House seat she lost in 2014. Her daughters are Democrats but her son supports Trump.
strategy,” says David Schultz, a political scientist at Hamline University in St. Paul. “They just don’t have a message to expand beyond the Twin Cities.”

Patti Fritz is one of the Democrats who lost in 2014, in a House district in and around Faribault, about an hour’s drive south of Minneapolis. As she visits voters’ homes and greets them at events, Fritz tries to remind them of all the good she was able to do for the area during her decade in office—securing millions in state funding for the local prison and the community college, and brokering a meeting with federal officials to save the local GMC dealership when the automaker was in bankruptcy. She also got the state to build a new viaduct across the Straight River, linking the east and west sides of town. Fritz describes the wide-mouthed viaduct as “welcoming,” a word she also uses to describe a spacious new building she helped fund at South Central College. Being welcoming is an important virtue for Fritz, but it’s not a value all her constituents hold dear. “Thanks in part to the presence of a Hormel turkey processing plant, Faribault has become home in recent years to sizable numbers of Hispanic and Somali immigrants. A restaurant on Central Avenue, the main strip through the downtown, advertises halal meat, which is permissible for Muslims to eat.

The presence of so many immigrants has become a source of tension in the community. Fritz says people often ask her: “Can you get rid of the Somalis?” It makes her want to scream, she says, but it’s not an unusual sentiment locally. On Memorial Day this year, Confederate flags were flying in front of at least a couple of houses. A large number of Somalis live in an apartment complex along 9th Avenue SW. At a gas station across the street, plenty of the white drivers pulling in say they’ll be voting for Trump. Kevin Miller, a disabled man sporting tattoos and a black “Sons of Anarchy” T-shirt, says he voted twice for Obama but is drawn to Trump’s promise that he’ll “bring America back like it used to be.”

Anarchy” T-shirt, says he voted twice for Obama but is drawn to Trump, in hopes of shaking things up. “He’s outrageous,” Sather says, “but maybe he’ll do something.”

In Minnesota, voters not thrilled with their presidential options have reason to be unhappy with the state government as well. With the House controlled by Republicans and the Senate held by Democrats, little has been accomplished since the 2014 elections. Getting a budget through last year was tough and a major transportation package was left to the last minute in this year’s session, at which point it promptly blew up. Even relatively simple legislation proved too heavy a lift, such as bills complying with federal Real ID requirements or reauthorizing a sales tax exemption to defray the cost of low-income kids participating in high school sports. Both issues got sidetracked due to their attachment to other, more controversial policies. “People are not surprised,” says Little, the Lakeville mayor, “but they’re sick of expecting nothing to get done.”

As a result, freshman legislators haven’t amassed much of a record to run on. Republican state Rep. Roz Peterson, elected in 2014 to represent Lakeville and neighboring Burnsville, is worried about getting caught in the cross currents. Minnesotans like it when politicians can find common ground, Peterson says, and the legislature fell short. “To me, I don’t even feel like we finished our work,” Peterson says. “People really feel we’re going in the wrong direction.”

Peterson has other problems. Namely, while other districts in the south Minneapolis suburbs were drawn to be pretty much safe for one party or the other, hers is a jump ball. After losing to a Democrat by 170 votes in 2012, Peterson came back two years later to take the seat with a fairly convincing victory margin of eight percentage points.
She knows she has another tough race on her hands this year. It’s not just that the district is split right down the middle. Her House seat falls within a congressional district that has become a top Democratic target with the retirement of Republican U.S. Rep. John Kline. The primary isn’t until next month, but the GOP-endorsed congressional candidate is a contentious talk radio host named Jason Lewis. “It was a lot easier for me to follow John Kline, put it that way,” says Peterson, who supported Marco Rubio for the GOP presidential nomination.

As with a lot of chambers, maybe 10 percent of the seats in the Minnesota House are truly competitive for either party. Peterson’s seat is one of them, which means it’s drawing attention and resources not only from party caucuses but also from outsiders such as the conservative group Americans for Prosperity. Total outside spending on the race this year is expected to top $1 million, for a seat designed to represent fewer than 40,000 people. “I’ve got a big fat target on all parts of my body,” Peterson says.

Voters in the middle of a moderate district may or may not come to love Clinton, but they’ll reject Trump in the end, argues Will Morgan, the Democrat Peterson unseated two years ago. Rather than staying home in dismay, he believes, they’ll show up to say no. “Moderates who could vote either way are going to become increasingly distressed with the candidacy of Donald Trump and what he would represent if he became President Trump,” Morgan says.

Lindsey Port, Peterson’s Democratic opponent this year, is trying hard not to get embroiled in the presidential election. She spends most evenings and some days walking the district, knocking on doors looking for potential support on her own. Neither Trump nor Clinton carried the caucus vote locally and she knows as a result “the candidates are not the ones that voters wanted.” Not knowing how the presidential vote will turn out, she follows Little’s lead in talking not just to Democrats but potentially disaffected Republicans as well. “This year,” Port says, “conventional wisdom is kind of out the window.”

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Is Kurt Summers Chicago’s Future?

The city’s young treasurer has turned a moribund office into a hive of activity. The question is where he goes next.

By Liz Farmer

Photographs by David Kidd
Is Kurt Summers Chicago’s Future?

O

n a cool late-spring evening in the Wild 100s of Chi-

cago, an area on the far South Side known for its gang

wars, Kurt Summers Jr. is addressing a small crowd

gathered inside a once-gleaming 1920s retail build-

ning. There used to be a beauty school here; later the

building housed a counseling service and a check cashing store.

But even those businesses are gone. This community, built by

middle- and working-class Dutch families 15 miles from down-
town, never recovered from the closing of the South Chicago

steel plants in the 1970s and 1980s. Today, it’s a symbol of violent
crime and urban decay.

But to Summers, who grew up on the South Side, violence is

only a symptom of the community’s real dilemma. “We don’t have a

violence problem in Chicago, we have an economic problem in

Chicago,” he tells the crowd of about two dozen residents, who

applaud in agreement. Normally a deliberate talker, Summers

feeds off the crowd, his speech driven by their energy and atten-
tion. “It’s like you’re sick and you have a funny nose,” he contin-
ues. “Everybody wants to run and give you a tissue for the funny
nose but they don’t want to solve the sickness.”

He tells them he wants to focus policymakers’ attention on

small businesses, the economic building blocks of any community.

As the streetlights turn on outside the half-papered-up storefront
windows, he outlines his hopes for an investment fund that will

give locally owned businesses the financial help that big banks

won’t. He tells them of his efforts in the legislature in Spring-

field to make Illinois the first state to go after predatory lending to

small businesses.

When he works a room, Summers might be taken for a city

alderman with well-honed political ambitions. On this night, he

happens to be in the neighborhood where Barack Obama got his

political start as a young community organizer. But Summers
doesn’t exactly hold political office; as treasurer he runs a rather
obscure outpost of city government, one responsible mainly for

managing Chicago’s investments and cash flow.

Nevertheless, Summers easily connects with this crowd. As an

African-American leader in a city where blacks are feeling more

privileged and more marginalized, his upbringing in a poor neighborhood in a nontraditional family links him to many poorer Chicagoans, including the ones he’s talking to tonight. “I lived in a neighbor-

hood where everybody was involved in a gang, involved in drugs,
on their way to jail or the cemetery.” Summers says. “And I was

lucky I had a hedge of protection around me of elders who said,

“We’re not going to let you go that route.”

But Summers is equally comfortable with the city’s elite. He

graduated from high school at 16, from college at 20 and has an

MBA from Harvard. At 36, he already has a long resume. Summers

worked on Chicago’s bid to host the 2016 Olympics and spent time

in private capital management. Prior to being tapped by Mayor

Rahm Emanuel to fill the vacant city treasurer post in late 2014,

he was best known locally for being chief of staff to Cook County

Board President Toni Preckwinkle.

“When all of us sort of forget how young he is,” says John Rogers,

chairman of Ariel Investments, who worked with Summers on Chicago’s Olympic bid. “He has a presence and maturity about him that people just assume he’s 10 years older than he is.”

The city treasurer has traditionally been a backwater job in Chicago. These days, it’s closer to the center of the city’s most glaring problems—overly burdensome debt, massive pension liabilities and a school system that can’t afford to pay for its operations. Even so, Summers has limited influence over policy decisions. The real power belongs to the mayor and his CFO. But Summers is finding ways to make himself heard.

Just months into his job as city treasurer in early 2015, Sum-
mers had to deal with the matter of actually running for elec-
tion. He decided to commission a poll. There was no political

tension—he had no opponent. But he wanted to know what his

personal starting point was. He asked the city’s voters what they

knew about their treasurer. Three-quarters of them had no idea

Chicago had an elected treasurer.

Summers saw that as an opportunity. Previous treasurers in Chicago had typically been bankers or fixtures in the business community. They stuck to managing investments and talking to citizens about financial literacy. Summers didn’t want to settle for that. The city’s fiscal and economic strength, he says, are directly connected to crime, neighborhood vitality and education. To him, the treasurer’s office was Chicago’s most underserved asset when it came to addressing its larger problems.

The problems, particularly the financial ones, are compli-
cated. Many feel Chicago is a city that shouldn’t be in the financial chokehold it finds itself in today. It is the Midwest’s only global city, a place with a vibrant, thriving center that draws visitors from all over the world. Its economy continues to grow, if not quite as fast as those of other big cities. It has long touted itself as more affordable and lower in taxation than other cities such as Los Angeles or New York.

But Chicago essentially subsidized its growth over several decades by borrowing habitually to pay for its operations. That’s caught up to it, leading to credit rating downgrades, budget defi-
cits and unpopular tax hikes. The city has about $34 billion in

outstanding debt, with roughly $20 billion of that coming from

its five pension systems. By comparison, its total annual budget

is a little more than $9 billion. The pension debt, in combination

with state-approved benefit increases, has led to a huge unfunded
liability that is now threatening to take over the city’s budget.

The public school system has similar problems and may be fac-
ing a state takeover. The teachers’ retirement fund is short about

$9.6 billion and owes an additional $6 billion to bondholders. The

system’s outstanding bonds alone exceed its $5.8 billion annual

budget, and both the city’s and the school system’s credit ratings

have been downgraded to junk status. In April, the city’s teachers

went on a one-day strike to protest failed contract negotiations

and the overall level of funding.

Getting out of this situation will likely require another tax

increase. The city imposed a historic 70 percent property tax hike

last year, but that half-billion revenue boost is just the opening act
to a story that seems destined to end with Chicago giving up its

long-held claim to being a low-tax city. In concert with all this are a spike in crime and a deepen-

ing racial divide. Murders were up 50 percent during the first

four months of this year compared with April 2015. Shootings

increased by even more. Dissatisfaction with the city’s leadership

decisions: The real power belongs to the mayor and his CFO. But Summers has limited influence over policy decisions. The real power belongs to the mayor and his CFO. But Summers is finding ways to make himself heard.
Summers has strong opinions on all of these issues. He has to choose—carefully—where to insert himself in the city’s larger problems. Earlier this year on Facebook he praised a post by a local clergyman who slammed Emanuel for the way he handled the police shooting of an unarmed black teenager. The post prompted questions from the local media, and Summers had to walk a fine line that avoided direct criticism of the mayor while responding to public outrage over the administration’s slow response. More recently, he urged city pension funds to consider suing banks over money lost from interest-rate swaps, a stance that puts him directly at odds with the mayor.

Summers’ formal distance from the center of power does have advantages: It shields him from direct blame if and when things worsen in any given area. But it also shines a spotlight on the limitations of his position. “Some of his work is certainly impressive,” says Laurence Msall, president of the Civic Federation of Chicago.
But that work has failed to get much attention, he says, “due to the severity of the overall financial crisis, crime and public safety, and the threatened closure of Chicago’s public schools from either financial collapse or strike.”

Take the city’s pension funds. As treasurer, Summers sits on five boards that oversee 11 pension funds. His primary influence is on the funds’ investments, not on the more fundamental issue of how to address their shortfall. But he has made changes that add up. One of his first major moves in office was to tackle the $142 million in annual fees that the plans had been paying to investment managers. Less than a year into his first term as treasurer, most of the funds agreed to join an online database and clearinghouse so they could share information on the fees and work together to reduce their cost. Summers estimates the collaboration could save as much as $50 million a year, or $1 billion over the lifetime of all 11 pension plans.

When it comes to areas outside the traditional treasurer’s role, Summers approaches issues from a financial standpoint and seeks out advocates on his behalf. He is addressing the city’s troubled neighborhoods by positioning himself as a small business champion. During his first three months in office, he visited all 77 Chicago neighborhoods in as many days to hear directly from community leaders about their concerns and problems with the city. His office checks in via regular conference calls with those leaders, who have become a surrogate voice for the treasurer’s agenda across the far reaches of the city. His careful cultivation of neighborhood leaders has served only to heighten speculation about his political ambitions.

Summers set an aggressive management tone early on when he closed more than 200 bank accounts and hundreds of dormant funds and seized untapped bond proceeds to net more than $100 million in what he said was essentially “found” money for Chicago. He decided that the city’s nearly $3 billion in short-term cash—roughly three times what is recommended by the Government Finance Officers Association—could be put to better use. He took a little more than a billion from that stash and invested it. Last year, the investments under Summers’ management earned about $58 million, beating the previous year’s returns of a little less than $50 million. The office has instituted quarterly earnings calls, a practice designed to improve confidence in the city’s financial wherewithal at a time when newspaper headlines are creating doubt.

Summers has made it a point to reach out to residents in every part of the city, including the South Side where he grew up. “We don’t have a violence problem in Chicago, we have an economic problem in Chicago.”
Summers’ office has been leaning hard on banks. In particular, he has demanded that they release information on their neighborhood loans and investments. He wants to track the investments as a way of helping to decide how much of the city’s money these municipal depositories will be given to work with. Meanwhile, banks have pushed back on his effort to obtain passage of a statewide law regulating online lending to small businesses. The bill, which seeks the same kind of transparency requirements that have restricted predatory loans to individuals, appears to exempt bank loans. But the banks are concerned the exemption is ambiguous. Business groups including the state chamber of commerce say the proposal would dry up lending to small businesses, rather than facilitate it. Days after the bill was introduced in Springfield, more than a dozen lobbyists were hired to kill it.

Then there is the campaign to create an independently run investment fund that would pump money into neighborhood economic development. It’s common for major cities to have a revolving loan fund to give local businesses a leg up. But what would basically amount to an economically targeted investment pool run by an independent board is fairly unusual. Summers envisions that founding partners would include various private and institutional investors. He suggests that banks’ participation in the fund would be a way for them to show the city they are investing in local communities without having to take on the risk of underwriting a loan themselves.

Inside his office in city hall, where his power goes a lot further, the cultural change has been swift and fierce. At one time, the treasurer’s office was a place for money managers who knew about their city treasurer. This time, half of them say the proposal would dry up lending to small businesses, rather than facilitate it. Days after the bill was introduced in Springfield, more than a dozen lobbyists were hired to kill it.

Summers thinks of his office as a training ground for future investment bankers and fund managers, most of whom are in their 20s.

In 2013, the Chicago Park District agreed to let the treasurer’s office manage its portfolio. Summers wants to expand on that deal and make the same arrangement with other local agencies. This effort has achieved mixed results. The Public Building Commission agreed to it, but the much larger public school system has yet to take him up on the offer.

Summers says the offer to the school system is still on the table, but he also realizes he needs more advocates on his behalf, just as he has done with the neighborhood leaders. During a recent meeting with the parents’ organization Raise Your Hand, Summers reiterated his desire to manage school system investments, and asked them to bring up the idea during their meetings with school administrators. Here, the limitations of his office are glaring—Summers has not gotten help from the Emanuel administration on this particular quest. “Look, I get it,” he says. “When you’re dealing with a half-billion or a billion-dollar problem and someone’s saying, ‘Hey I might find $20 million here,’ it’s hard to get them to prioritize it. That doesn’t mean it’s not worth pursuing. In fact, it’s all the more reason you have the obligation to take nickels, dimes and quarters.”

All this chipping around the edges at billion-dollar problems has another result: It builds goodwill in bite-sized, digestible chunks. The average city resident may not be able to swallow a half-billion savings in, say, pension liabilities. But $20 million, as one Raise Your Hand parent noted to Summers, saves teaching jobs at a time when teachers are feeling overworked and underpaid. A $100,000 loan to a South Side business owner rejected by local banks is a gesture that makes a statement about local government priorities.

A poll Summers recently ran provides some tangible proof that this flurry of activity is making an impression. One year after they elected him, he again asked Chicagoans what they knew about their city treasurer. This time, half of them remembered him.

The aggressive way in which Summers has approached his role has driven murmurs in Chicago about whether he’s priming himself for a mayoral run. When asked, he doesn’t answer directly but laughs and says it’s not the first nor will it be the last time he’s asked that question. Then he redirects the focus to his current mission. He’s convinced it’s the right mission, given his upbringing and his ability to walk between the worlds of high finance and some of Chicago’s grimmest streets. “A year-and-a-half before, I couldn’t have seen this coming,” he says. “A year-and-a-half from now, who knows? But what I do know is, I’m in this role for a reason. And for at least a defined period of time, I’m going to have all the impact I can.”

Email lfarmer@governing.com

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Greenhorns and Graybeard

Louisiana’s budget crisis is empowering two sets of players: rookie legislators and veteran lobbyists.

By Mike Maciag
Photographs by David Kidd
As soon as Rep. Stephan Dwight was elected last year, he became a sought-after member of the legislature.
The calls started coming in to Rep. Stephen Dwight nearly every day after his election to the Louisiana House last year. Interest groups all across the political spectrum were eager to meet with the newly elected member. For Dwight, it was a bit bewildering. A 38-year-old Lake Charles lawyer, he had never held elected office before. Suddenly, as a member of the Republican majority on the House Ways and Means Committee, he was in the middle of the state’s most severe budget crisis in decades. “It was like drinking water from a fire hose,” he says. “Everything was coming at us.”

One of Dwight’s first-term Republican colleagues, Rep. Jack McFarland, had somewhat more preparation. He had done the budgeting for both his small north Louisiana parish and his timber business. But those budgets pale in comparison to what he’s dealing with as a new member of the House Appropriations Committee. “By the end of my first year in office,” he says, “I will have learned as much as most legislators do in three years.”

That’s the way it is in the Louisiana Legislature in 2016, a year in which fiscal disaster and term limits have combined to give crucial roles to an unusual number of new members. Meanwhile, there’s one other group whose influence is rising: the large corps of lobbyists who practice around the Capitol in Baton Rouge.

While the newly minted legislators have only started to learn the inner workings of the state legislature, many of the lobbyists have been around for decades. Their numbers have grown over the years as well. In a legislature loaded with newcomers, lobbyists and their personal interests are an important source of information not only about the interests they represent, but about the legislature itself. Getting acquainted with Dwight, McFarland and the large class of fresh- men lawmakers has been a high priority for the lobbyists roaming the Capitol corridors this spring.

Lobbyists are key players in every state capitol, and they may be more important now than in the recent past, as national advocacy and business groups turn their attention away from a gridlocked Congress to focus on effecting change at the state level. Louisiana, in the midst of a fiscal crisis, is a good place to watch the evolving roles of lawmaker and lobbyist play themselves out. There is no understating the grim fiscal situation the state’s legislators are now confronting. Broad-based tax cuts implemented by Republican Gov. Bobby Jindal, who left office last year, have contributed to a massive shortfall in the state’s revenue. The recent decline in oil prices, and the accompanying drop in oil severance taxes, have made the situation even worse. Shortly after taking office in January, Democratic Gov. John Bel Edwards called for a special session to close the state’s immediate budget gap. The regular session ended with the treasury still about $600 million short for the coming fiscal year, so Edwards called for a second special session in June.

Edwards has floated a number of revenue-raising ideas, including income tax bracket changes that would effectively increase rates for middle- and upper-income households. He has talked about raising taxes on health insurance premiums and cutting back itemized deductions on state tax returns. The regular session ended with the treasury still about $600 million short for the coming fiscal year, so Edwards called for a second special session in June.

Edwards has floated a number of revenue-raising ideas, including income tax bracket changes that would effectively increase rates for middle- and upper-income households. He has talked about raising taxes on health insurance premiums and cutting back itemized deductions on state tax returns. The Republican-controlled House has pushed back against most of Edwards’ ideas. Republican lawmakers have suggested reductions in business tax credits, health spending, college scholarships and numerous other government programs. Literally every interest group in Louisiana has a stake in the outcome. “Whenever you’ve got a shortfall like this, all the special interests begin to surface,” says Senate President John Alario, with stacks of memos from groups all over Louisiana sitting on his desk. “Everybody wants to be heard and give their side of the story.”

Given the state’s dire fiscal situation, the lobbying firms around the capitol are mostly taking a defensive approach right now, trying to avoid introducing much controversial legis- lation. It’s important, lobbyists say, to manage clients’ expectations and let them know that under these circumstances, maintaining the status quo is a win. Just under 700 lobbyists are registered to work with the state legislature, or nearly five for every lawmaker. That’s twice as many as in 1980. One big reason for the increase is the adoption of term limits. Louisiana is one of 15 states with term limits, prohibiting members from serving more than 12 consecutive years in either chamber. Lobbyists are now providing much of the institutional memory that
term limits have otherwise erased.

This year’s freshman class is not only large—40 of the 144 members of both chambers—it is exception-
ally well-represented on the key committees. On House Appropriations, for example, McFarland is one of 10 freshmen out of a total of 25 members, an unprecedented num-
ber. This too is related to the fiscal situation. Faced with the prospect of making difficult budget cuts, House Speaker Taylor Barras found little interest from veteran lawmakers in the normally sought-after posts. At the same time, Barras wanted newer members to start gaining experience on the money committees, since well over a third of the chamber will be term-limited in 2019. “We need the bench to be capable of stepping in when we’re gone,” Barras says.

Given the importance of the new members, many lobbyists arranged not only to attend fundraisers for them, but also to visit them in their districts prior to the legislative ses-
sion. “When you have a large batch of new legislators coming in, you don’t know what they’re going to do,” says Jeannie Bordelon, who heads the state association of lobbyists. “There are a lot more getting-to-know-you meetings going on.”

If there’s a dean of the Louisiana lobby corps, it’s Randy Haynie. As an independent contractor who has lobbied for 36 years, he knows the history of why bills were passed or amended, and is occasionally called to speak before committees on bills he isn’t even lobbying on. “I am now part educator, almost like a college professor,” he says. “When I first started, I was just a salesman.”

To help newer members, senior lawmakers and the legisla-
ture’s fiscal office convened a series of day-long crash course-
style budget training sessions beginning in November. “Clearly, when you come in with a $900 million shortfall in the current year and $2 billion shortfall in the next year, it’s hard to wrap your head around if you’ve never been through a budget pro-
cess,” says Speaker Pro Temp Walt Leger III, who participated in some of the sessions. In addition, each freshman legislator was assigned a mentor.

Sen. Sharon Hewitt, a first-term legislator who was placed on the Senate Finance Committee, says that making sense of all the moving parts of the budget has been the hardest part of her job. “It’s definitely more complicated than it appeared on the cam-
paign trail,” she says. Like other new members, Hewitt, who had worked as an engineer, is still learning the three-letter acronyms that analysts throw out during committee hearings.

Haynie remembers the days when he wasn’t competing against any other lobbyists on many bills. Now, there are frequently more than a dozen lobby groups on either side of a single issue. Groups representing large industries or fields have splintered off, creating fights within fights. Scope-of-practice battles in the medical field are a good example. One current clash in the Louisiana Legislature pits nurses against doctors on the question of whether some nurses can practice doctors on the question of whether some nurses can practice if they’re not affiliated with physicians.

MultiState Associates Inc., a nationally focused government affairs company, links a recent uptick in lobbyist registrations across state legislatures to the policy gridlock in Washington.
“We’re increasingly talking with D.C.-centric organizations that are taking a renewed interest in state government relations,” says Andy Trincia, a principal at the firm. Areas of growth include the health-care sector, financial services and emerging tech companies.

In Louisiana, while lobbying activity has proliferated over the longer term, annual lobbying expenditures reported to the state Ethics Administration have been mostly flat the past few years. Through the first four months of 2016, though, lobby spending is up more than 50 percent over last year, due largely to the first special session that began in February.

As lawmakers have come and gone over the years, the major lobbying players haven’t changed all that much. The Louisiana Association of Business and Industry and the Louisiana Hospital Association continue to wield significant influence. Some of this is exerted behind the scenes, but some is on display right in the hallways. Organizations often hold a day of events at the Capitol or rent tables outside chambers to make their presence known. One afternoon, the Louisiana Retailers Association served ice cream and snacks. The next day, the Louisiana Academy of Family Physicians offered health screenings and distributed back scratchers to members.

The major lobbying organizations have been providing lawmakers with polling data and specialized expertise that isn’t available within the legislature. When a House member proposed a bill intended to support autonomous vehicles that would have unintentionally impeded testing and development, Haynie flew in an executive from General Motors Corp. from Detroit to assist.

Randy Haynie, right, has lobbied the Louisiana Legislature for 36 years and now works with his son Ryan.
They ended up completely rewriting the language and introduced a new bill.

Legislative staff are available to help with research and bill drafting, of course, but their time and resources are limited. Staff numbers have been dwindling in recent years all over the country. Across all 50 capitols, total state legislative staff has declined about 9 percent since 2003, according to statistics compiled by the National Conference of State Legislatures. Most Louisiana House members have one legislative aide to handle correspondence, but are otherwise on their own to request information.

Gregory Bowser, the Louisiana Chemical Association’s director of government affairs, thinks legislative staffing limitations have increased the need for lobbyists. “When you think about 2,000 bills that may be introduced and start talking about different areas,” he says, “lawmakers don’t have the expertise to really do it all and switch that quickly.”

Years ago, the Louisiana Association of Business and Industry didn’t do a lot of deep dives on policy or research. In 2013, the group hired a research director and has since started producing a series of reports and a daily email newsletter.

Stephen Waguespack, who heads the association, says he’s ramped up information-gathering efforts, in part to fill a void he sees in the limited resources of legislative staff. “Generations ago, lobbying was more of who you knew and whether you could grab the right elbow in the hallway,” he says. “Now, it has absolutely got to be substance-based or you won’t pass the smell test here.”

While wining and dining still occurs in Louisiana, it’s less prevalent than it was a few decades ago, as is the case in virtually every state capital. Old Baton Rouge watering holes like the Green House and Capitol House Hotel restaurant are long gone. Lobbying that once would have taken place over a one-on-one dinner now typically is conducted at luncheons or in group settings.

State ethics rules allow lobbyists to spend $60 on a legislator’s food and drink at a given event, but public officials in the state can’t accept any gifts of “economic value.” Lawmakers are further prohibited from accepting campaign contributions during regular sessions, although those rules didn’t apply to the two special sessions this year.

Perhaps no one has witnessed the evolution of lobbying over the years quite like Alario, the legislature’s longest-serving member, who at age 72 has spent 36 years in the House and eight in the Senate. “I’ve seen it go from individual house parties where people would cook in their homes and invite a bunch of legislators over,” he says. “With the new ethics laws, it has changed a lot.”

Lobbyists also say that email and cellphones have reduced the need to meet with lawmakers as often as before. Lobbyist Liz Mangham says the most of lawmakers’ limited time.
Rooftop solar panels now sit atop roughly 12 percent of Hawaii’s homes.
Hawaii is the first state to set a goal of entirely eliminating fossil fuels from its energy supply. Getting there won't be easy.

By Elizabeth Daigneau
sk Americans which state is the greenest, most unspoiled, most eco-conscious place in the country, and a lot of people would probably say Hawaii. So it may come as a surprise to learn that Hawaii is actually the most oil-dependent state in the nation. Because it’s unreachable by trains or pipelines, the state spends $5 billion a year importing oil. As recently as 2003, more than 90 percent of their electricity came from foreign oil. That’s not just bad for the environment; it’s bad for consumers: Hawaii residents pay the highest electricity rates in the nation.

That could all soon be changing. Thanks to sweeping legislation adopted last year, Hawaii has set a goal to become the first state in the country to generate 100 percent of its electricity from renewable energy resources. If it’s successful—the 100 percent goal has a deadline of 2045—Hawaii would move from worst to first on clean energy.

To call the plan ambitious would be an understatement. Getting to a completely renewable portfolio requires not only new investments and new technologies, but also a complete overhaul of the energy industry in the state. But the truth is that Hawaii has already made notable strides in reducing its dependence on fossil fuels. Thanks to a committed effort over the past 15 years, the state has decreased its dependence on oil by about 20 percentage points from that 2003 high. The five islands boast a wealth of renewable sources, including solar, wind, hydropower and geothermal energy. The state is pushing forward with biogas waste-to-energy technologies, and is also experimenting with wave energy and ocean thermal energy conversion, which involves exchanging colder water with warmer water, creating enormous amounts of energy in the process. As of 2015, there were already 60 renewable projects underway across all the islands. These projects have the capacity to generate more than 150 million kilowatts per hour per month, which is enough to power almost 300,000 homes a year for the next 10 to 20 years.

Getting to a purely renewable portfolio isn’t just about power generation. The most direct way to reach that goal is to use less energy. And Hawaii’s made significant inroads there, as well. The state has aggressively implemented energy-efficiency programs, retrofitting state- and government-owned buildings with advanced cooling systems, LED lighting and other improvements. The measures have largely paid for themselves through the savings captured from installing such efficiency devices. Since 2008, Hawaii has reduced electricity consumption by 16.6 percent. Thanks to lower energy use coupled with an increase in renewables, Hawaii is already a fifth of the way toward its goal. “This isn’t some sort of empty promise where we’re picking a big goal and we’re trying to pursue it,” says Mark Clicik, administrator of the Hawaii State Energy Office. “A long time ago, we went way back revolutionary: Energy demand rises, utilities build more power plants. But the state has acknowledged the strain to the existing delivery infrastructure. Solar-generated electricity, for example, flows out of houses and into a power grid that was designed to carry energy in the other direction. Utilities often don’t have a handle on how many homes have rooftop solar and how much power those homes will be supplying to the grid, which has led to unanticipated voltage fluctuations that have overloaded circuits, burned lines and resulted in power outages. “The entire business model of the electric utility is under such stress,” says Farrell. “For decades, the whole process was essentially: Energy demand rises, utilities build more power plants. But with the business model changing the way it is, all the innovation and entrepreneurship is happening at the retail level and yet the utilities are really stuck on this notion of, ‘We control the system, and we should be the ones to do the changes.’”

And that’s where Hawaii’s story gets more complicated. It isn’t cost or technology that stands in the way of the 100 percent goal. The real challenge is restructuring a legacy energy industry whose business model hasn’t changed in more than a century. As Farrell says, if Hawaii doesn’t reach its renewable energy goal, “it will be the utilities’ fault.”

Hawaii may be the only state with a 100 percent renewable goal, but many places have set aggressive standards of their own. Renewable portfolio standards are on the books in 29 states; in fact, just three days after Hawaii signed its landmark law, Vermont announced a plan to reach 75 percent renewables by 2032. California, New York and Oregon all have set goals to reach 50 percent renewables either by 2030 or 2040. In addition, several cities have committed to being fully renewable, including Aspen, Calif.; Burlington, Vt.; Georgetown, Texas; San Diego; and San Francisco. Private-sector companies like Google and Facebook have purchased carbon offsets and demanded utilities use renewables to power their server farms. Still, Hawaii’s extreme goal sets it apart. Back in 2008, in a historic agreement with the U.S. Department of Energy, the state set a deadline to be 15 percent renewable by 2015. It hit that target two years early, so lawmakers last year decided to push further. Now, though, is when things get really hard, as the state must confront a difficult economic reality: As more and more Hawaiians adopt rooftop solar and other renewables, the electricity sector will make less and less money. Renewables can also add strain to the existing delivery infrastructure. Solar-generated electricity, for example, flows out of houses and into a power grid that was designed to carry energy in the other direction. Utilities often don’t have a handle on how many homes have rooftop solar and how much power those homes will be supplying to the grid, which has led to unanticipated voltage fluctuations that have overloaded circuits, burned lines and resulted in power outages. “The entire business model of the electric utility is under such stress,” says Farrell. “For decades, the whole process was essentially: Energy demand rises, utilities build more power plants. But with the business model changing the way it is, all the innovation and entrepreneurship is happening at the retail level and yet the utilities are really stuck on this notion of, ‘We control the system, and we should be the ones to do the changes.’”

Rooftop solar panels now sit atop roughly 12 percent of Hawaii’s homes, by far the highest proportion in the nation. That will only grow under the new law, so Hawaii needs its utilities to...
be completely on board. So far they have been. “We’re committed,” says Alan Oshima, president and CEO of the Hawaiian Electric Company (HECO). Many places “are setting renewable energy goals, but in Hawaii it isn’t just aspirational, it’s imperative.”

The utilities have been part of the state’s renewable plan from the beginning. “As important as the whole policy agenda was,” says Glick in the state energy office, “stakeholder consensus was just as crucial, if not more.”

But many critics worry that the utilities are still too entrenched in the old ways of delivering and charging for energy. For example, the state has had difficulty aligning its strategy with HECO. In April, the utility revised for a third time its power supply plan—essentially, the road map detailing how the utility will comply with the state’s shift to renewables. Earlier versions had been rejected by the Hawaii Public Utility Commission because regulators said the utility had not “aggressively sought utility-scale renewable generation, addressed distributed resources, or justified its fossil fuel plans.”

At particular issue has been HECO’s proposal to supplement imported fuel with liquefied natural gas. The utility says it’s cheaper than oil. But Gov. David Ige opposes the idea, calling it a “distraction” from the 100 percent renewable energy goal. HECO has said the utility can meet the goal with or without liquefied natural gas, but that without it electricity costs could be higher.

Another major sticking point in the state right now is the possibility of a merger. NextEra Energy, based in Florida, has a $4.3 billion deal on the table to buy HECO. The merger is awaiting approval from Hawaii regulators, but it is wildly unpopular with environmentalists and some state officials. They point to Florida Power and Light, one of NextEra’s subsidiaries, which has donated millions of dollars to Florida lawmakers to squash solar programs in that state. HECO says a merger with NextEra would bring an influx of cash and expertise, making it easier to achieve the state’s energy goals. State regulators failed to meet a June deadline for voting on the merger. Meanwhile, say Farrell and others, the merger is the “elephant in the room” that’s delaying the state from implementing more renewable strategies.

Whether or not the merger goes forward, one thing is certain, according to the state: The future of Hawaii’s energy strategy requires a more interactive partnership between utilities and the state. “We all have to sit down in a room and set goals, review jointly the criteria under which decisions are made, and have much more open and transparent data,” says Glick. In other words, they’ll have to work in concert. Already, Glick says, the utility and the state are looking at new rate structures, new storage possibilities, and how to utilize advanced metering to help shift consumer demand for energy during peak usage times. That, he says, requires “a new planning paradigm where utilities can’t plan on their own.”

“There’s no question that there are big challenges to getting there,” says HECO’s Oshima. “But we’re working with everyone—regulators, government, business, environmental advocates and customers—to get the best ideas on the table while still fulfilling a commitment to provide safe, reliable and affordable service.”

Email edajigmeau@governing.com

GOING CLEAN

Hawaii’s Renewables
The state’s ambition to lead the world in renewable energy is attainable, in part, because it boasts a wealth of natural, clean resources. Below is the percentage of 2014 renewable energy generation from each resource.

21.7% Biomass
12.3% Geothermal
3.4% Commercial Solar
4.3% Hydro
29.1% Wind
1.9% Biofuels
27.3% Distributed PV Solar

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SOURCE: HAWAII DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

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GOVERNING THE STATES AND LOCALITIES

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After 45 years of providing health care in rural western Missouri, Sac-Osage Hospital is being sold piece by piece.
Rural hospitals need federal, state and regional help to keep their doors open.

By Mattie Quinn
they may be the only places that provide health care for a hundred miles, and they may be the main source of local livelihoods. But rural hospitals are very much an endangered species. Nearly 30 percent of the nation’s 2,000 or so rural hospitals are likely to close in the next two years.

Rural hospitals have faced closure crises before, particularly in the late 1980s. This time around, however, the threats run deeper and are more challenging. While some states are taking steps to save hospitals operating in rural areas, there are growing barriers to the financial sustainability of these institutions. The decline and possible fall of rural hospitals mirror an existential question: Can rural areas themselves survive?

The present crisis got underway in 2010, according to Alan Morgan, chief executive of the National Rural Health Association (NRHA). After a decade of almost no rural hospital closures, 74 rural hospitals across the country have since shut their doors. In 2013, more than one-third of rural hospitals were operating at a deficit, according to NRHA.

A cause of the crisis can be traced back in large measure to the Affordable Care Act (ACA). The health reform law increased access to care in all states, but it also upended the overall health-care system by encouraging a move away from a traditional fee-for-service model. As that happens, critical-access hospitals—hospitals in rural areas that have no more than 25 inpatient beds but provide emergency care—are hurt. Critical-access hospitals were created in response to the rural hospital closure crisis in the late 1980s and have been reimbursed 101 percent of each service a Medicare patient uses in the hospital. The system is entirely reliant on fee-for-service, so a move away from that model could potentially spell devastating consequences for the future. “People often describe the program as a leaky life raft,” says Tim Putnam, president of Margaret Mary Hospital, a critical-access hospital in Indiana.

That isn’t the only leak. With the new law came new regulations and mandates. Hospitals have to adopt electronic health records and new forms of reporting, or face penalty fees for not complying with new initiatives. These regulations tightened finances for many hospitals, but especially rural ones which operate with a much smaller and less flexible financial base. Adding to the fiscal pressures, the ACA made at least eight reimbursement cuts for care provided to Medicare patients.

But the rural hospitals that suffered the most were those in states that didn’t take up the ACA’s provision to expand Medicaid coverage at the federal government’s cost. In Kansas, for instance, the state hospital association has told lawmakers that the state’s failure to expand Medicaid is having dire consequences. One hospital, for example, would receive about $1.6 million more in one year if the state expanded its Medicaid coverage.

Indeed, ACA regulations are not entirely to blame. In many cases the law simply exacerbated issues that were already there, such as the difficulty of retaining physicians in rural areas, or young people from rural towns moving into urban areas, or low Medicaid and Medicare reimbursement rates, which have been further exacerbated by a 2 percent across-the-board cut on Medicare payments as part of Congress’ sequestration. “All of these things,” Morgan says, “have created a perfect storm for rural, already vulnerable hospitals.”

### What’s the State of Rural Health Care in America in 2016?

These numbers offer a snapshot of how rural hospitals are faring. Vulnerable hospitals are those that can close at any given time, and critical-access hospitals provide essential emergency care.

<table>
<thead>
<tr>
<th>Rural hospitals</th>
<th>Critical-Access Hospitals</th>
<th>Closed since 2010</th>
<th>Vulnerable Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,078</td>
<td>1,284</td>
<td>74</td>
<td>673</td>
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*Source: iVantage Health*

Previously, there was no real way to keep tabs on rural hospital closures unless the National Organization of State Offices of Rural Health reported them. So when Morgan and his team at NRHA wanted to know where this trend was heading, they teamed up with the Sheps Center for Health Services Research at the University of North Carolina and iVantage, a health analytics firm. The goal was to identify rural hospital closures when they happen and collect a snapshot of how many rural hospitals are struggling and where they are.

In their research, iVantage found 210 hospitals that were the “most vulnerable,” meaning they could potentially close tomorrow. Another 463 hospitals were simply labeled as “at risk,” meaning they could close at any point in the next couple of years. The firm looked at factors that include financial stability, population health and health outcomes. The majority of these vulnerable hospitals...
In 2014, Deal also created the Rural Hospital Stabilization Committee to explore different ways to keep rural hospitals open. The committee decided to try a “hub-and-spoke” model of care in four pilot sites across the state. In the pilot areas, the “hub” is the local hospital, and the spokes are other health systems: local federally qualified health centers, health departments, private physicians and telemedicine providers. The idea is to transfer people whenever possible to the “spokes” to relieve some of the financial pressure of providing costly specialized care on rural hospitals and their emergency departments. The program kicked off last year.

Michael Topchik, senior vice president of iVantage, isn’t convinced that a hub-and-spoke model will do much of anything to help save rural hospitals. “When you employ a hub-and-spoke model, you’re just shipping the cost of care to other health systems in the area,” he says.

Instead, Gov. Nathan Deal signed into law a tax credit bill that gives individuals and businesses a chance to donate to rural hospitals in exchange for a state income tax credit. Individuals contributing to rural health care can apply for 70 percent of the amount of the contribution, or $2,500, whichever is less. Businesses donating can receive 70 percent of the amount they contribute, or 75 percent of their state income tax liability, whichever is less. Estimates suggest that over the next three years, up to $300 million could be disbursed among the state’s rural hospitals.

A sign hangs at the emergency entrance of a now-closed hospital in rural Belhaven, N.C.

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Each of the four pilot sites received grant money to implement a program they felt would best serve the health needs of their own community. The funds were set to expire in June, but were recently extended to the end of the year to see how well these programs actually work, reports Patsy Whaley, the director of Georgia’s State Office of Rural Health. “One goal
that’s been really uniform among the sites is the expansion of telemedicine, especially in schools and federally-qualified health centers,” she says. “It’s remarkable, especially in the school setting. Some of these children haven’t seen a doctor in two or three years.”

Although issues of Internet access and reimbursement hover over it, telemedicine has emerged as a beacon of hope. The need to embrace it is important to the future of rural health care and the people who live in rural areas. “It’s just so cost-effective for the patient,” says Charles Owens, an associate professor at Georgia Southern University’s College of Public Health, adding that by using telemedicine within school settings, “we’re normalizing it for our next generation.”

Louisiana, a state where 58 percent of rural hospitals are considered vulnerable, hasn’t seen any closures so far. In 2013, state lawmakers took action by setting up the Louisiana Hospital Stabilization Fund. It allows hospitals to pool their money, which then qualifies them for additional matching Medicaid funds from the federal government. The fund encourages hospitals to accept Medicaid patients while giving them an additional revenue source. It’s a key reason the state hasn’t had any rural hospital closures, Topchik says.

This spring, newly elected Gov. John Bel Edwards signed an executive order to expand Medicaid eligibility under the ACA, a reversal of the policy of former Gov. Bobby Jindal. The expansion should help rural hospitals’ bottom line by decreasing the percentage of patients who can’t pay for care and increasing the percentage of those whose hospital bills can now be covered by Medicaid.

Beyond expanding Medicaid and telemedicine options, another potential solution to help stem the tide of closures is hospital consolidation. At least 121 rural hospitals were bought by larger, urban-based chains between 2005-2012. The results, however, have been mixed.

The positive news is that many rural hospitals that are part of a merger have access to capital, something they hadn’t had. That capital, says George Pink, deputy director for the North Carolina Rural Health Research and Policy Analysis Center at the University of North Carolina, “can be used for quality improvement projects that otherwise would have never gotten done.”

Pink also notes a downside. “I have heard that some of the larger hospital chains don’t understand the realities of rural America, and there’s a misunderstanding of local culture. So there’s two sides to it.” In addition, patients often face higher costs when their local hospital is bought up by a larger chain.
That is most worrisome about the current closure crisis isn’t that it’s happening, but that there’s no end in sight. For rural health workers and advocates, the predicament has created a greater existential question: Without access to health care, can rural communities continue to exist? Or, as Morgan puts it, “Will rural life even be an option going forward? It’s a big question we’ve been asking ourselves.”

There isn’t an easy answer, but many health experts say it’s up to a particular community, county and state to decide what works for their population. There won’t be a one-size-fits-all fix. “The hospitals need to be having conversations with local health departments and the federally qualified health clinics to figure out the best way to deliver care in their community,” says Owens, the Georgia Southern University professor. He noted that based on an evaluation of need in the community, a hospital in Mississippi recently closed its ER and replaced it with a nonemergency inpatient clinic. “That’s something for people to think about,” he says. “Are there service lines in your community that could be cut?”

Conversations around cutting services such as an ER aren’t easy ones to have, especially in areas where residents may have died unnecessarily because a hospital ceased offering a particular service or because it closed entirely. While experts say it’s tough to study the correlation between deaths and disease in areas that have been hit with hospital closures, “when you talk to the people left behind, there are a lot of stories there,” says Putnam, the president of an Indiana hospital. He mentions one particular anecdote: A child choked to death after the parents drove to the nearest ER only to find that the hospital had just closed.

On the federal level, Rep. Sam Graves of Missouri and Rep. Dave Loebsack of Iowa introduced the Save Rural Hospitals Act last July. The bill, which cites Vantage’s research findings, proposes eliminating Medicare cuts, providing grant funding to keep rural hospital doors open and delaying the penalty fees for failing to make meaningful use of electronic health records. The NHRA has come out in support of the bill. Another similar bill—the Rural Emergency Acute Care Hospital Act—was introduced by senators Chuck Grassley of Iowa and Cory Gardner of Colorado last year. Neither bill has made it out of committee.

As more laws, initiatives and programs are proposed to stabilize the situation on the local level, rural health experts think federal regulators and policymakers need to be more sensitive to the reality of rural health care and the impact of some of the more burdensome regulations on a community hospital serving 4,000 people.

“Rural health is all about population health. That’s great when you look at the shifts that Medicaid is making,” Putnam says, adding one addendum. “The future is great for the hospitals who can survive this.”

Email mquinn@governing.com
Cities, counties and states put a lot of effort—and money—into lobbying other levels of government.

For years, San Antonio’s leaders have been urging Congress to fund construction of a new federal courthouse in the city’s downtown. The current courthouse, originally built as a theater in the 1960s, lacks adequate security and is plagued by poor ventilation and unsafe drinking water. Now the effort is paying off. Congress has cut funding for courthouses in recent years, but the latest budget includes money for eight new ones, and San Antonio is on the list.

The victory for the city was aided, in part, by lobbyists hired over a long period of years. While one government lobbying another doesn’t often receive the same attention as lobbying by private industries, it’s an everyday occurrence in state capitals and in Washington.

Data reported by the Center for Responsive Politics indicates that states, localities and their associations collectively spent $70.8 million in federal lobbying last year. The education sector, primarily colleges and universities, spent another $76.9 million. When combined, more was spent on those two areas of public-sector lobbying than defense, oil and gas, and some other major industries.

“Intergovernmental relations is one of those under-the-radar-activities for any city,” says Jeff Coyle, who heads government affairs for San Antonio. “How a city relates to and is governed by states and the federal government is crucially important to people in the community, whether they realize it or not.”

Some governments employ dedicated intergovernmental relations staff, and a select few larger cities maintain personnel in Washington. Many contract with private lobbying firms to give them broader reach. State and national associations further represent governments and groups of officials on a range of issues.

At the federal level, top priorities of state and local government associations include protecting tax exemption for municipal bonds and seeking the authority to collect sales taxes from online retailers. “Whether it’s education, advocating or lobbying, those who are closest to the people ought to have a seat at the table in informing decisions made by other levels of government,” says Carolyn Coleman, director of federal advocacy for the National League of Cities.

Puerto Rico spent about $2.3 million lobbying federal lawmakers last year—as lawmakers debated how to help address the territory’s fiscal crisis. Most of the large spenders were universities—14 spent more than $500,000 each on lobbying last year. San Antonio spent just under $200,000 on its federal lobbying efforts, which included the campaign for the new courthouse. “It’s always a challenge to make sure we’re high enough on the priority list,” says San Antonio’s Coyle, “while living within what we can afford.”

In state capitals, localities are increasingly pushing back against laws limiting their jurisdiction on issues ranging from local fracking bans to minimum-wage ordinances. While many such proposals reflect partisan rivalries, others involve budgetary restrictions or operational measures that carry major implications. One bill San Antonio and other Texas localities

NOTE: FIGURES REFLECT LOBBYING EXPENSES REPORTED BY STATES, LOCAL GOVERNMENTS, PUBLIC-SECTOR ASSOCIATIONS AND SOME SPECIAL-PURPOSE GOVERNMENTS. THEY DO NOT REFLECT LOBBYING BY THE EDUCATION SECTOR OR PUBLIC-SECTOR UNIONS. SOURCE: CENTER FOR RESPONSIVE POLITICS.

State and Local Spending on Federal Lobbying

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56
fought last year proposed sharply reducing the amount that municipal property tax revenues could increase in the absence of an election. “We spend 80 percent of our time playing defense,” Coyle says, “protecting our ability to make decisions at the local level rather than have state government dictate what we do.”

Texas Gov. Greg Abbott has not only supported a variety of preemption efforts but has repeatedly called for a prohibition on school districts or their boards spending money to lobby the legislature. Abbott sees the practice as a conflict of interest. “School districts should directly represent the needs of their schools and not waste taxpayer resources on lobbyists,” he said during a 2013 campaign speech.

Two bills introduced in the Texas Legislature last year targeted government lobbying more broadly. A state senate proposal would bar political subdivisions that impose taxes from using public funds to influence legislation, with exceptions. State Sen. Konni Burton, the bill’s sponsor, views government lobbying as an improper use of public funds, saying it puts an unnecessary layer between state and local elected officials. While Burton says she is comfortable with government associations disseminating information on bills, she doesn’t think they should lobby actively. “Our taxpayer dollars are being used to work against us in Austin,” Burton says. “When I say that I’m against taxpayer-funded lobbying, it gets a huge round of applause.”

Local officials in Texas say that they need a lobbying voice in state decision-making as they don’t have the time or resources to keep up with the thousands of bills introduced each session. Many serve only part time, and the Capitol is a long drive away in a state as large as Texas.

The Texas Association of Counties fears that the anti-lobbying bills could make it easier for the state to impose new unfunded mandates on the localities. “There’s a lot of political hay to be made that associations like ours are out to lobby against the best interests of taxpayers,” says Paul Sugg, the association’s legislative director. “We’re trying to limit government and limit new burdens that add to the property tax.”

The government lobbying bills stalled in the Texas Legislature this year, failing to make it out of committee in either the House or Senate. Burton plans to reintroduce her bill next session.

Data on just how much localities spend lobbying state legislatures is scant. A few legislatures have enacted laws requiring localities to report their lobbying expenses to the state. Nevada’s local governments recorded $3.3 million in lobbying expenditures last year, while Minnesota’s total exceeded $8.9 million.

At the federal level, lobbying expenditures for states, localities and their associations have remained flat the past three years after peaking at $95.7 million in 2009, according to the Center for Responsive Politics. Opposition has mostly come from conservative groups who argue it’s a waste of taxpayer money. Three residents of Williamson County, Texas, won a lawsuit against the county in 2008, citing a state statute that blocks counties from spending general fund revenues, in most cases, on dues to an association that attempts to influence legislation. A judge ordered the Texas Association of Counties to stop using county-paid dues for lobbying, so the group now funds the expenses using other sources of revenue.

Outside of Texas, some public-sector groups include lobbying services in membership dues, while others allow governments to pay for representation separately. Governments and their associations are subject to more limitations than other lobby groups, such as not engaging in grassroots lobbying campaigns or attempts to influence elections.
When former Iowa Gov. Tom Vilsack was about to take office in 1999, he went to the National Governors Association’s New Governor’s School, and sat next to then-Gov. Zell Miller of Georgia. Vilsack had one big question to ask his seatmate: “What are the one or two things I should focus on? Should it be health care? Jobs? Education?”

As Vilsack recalls, “Gov. Miller said, ‘Son, emergency management. I guarantee you that within six months something is going to happen in your state and if you don’t handle it well, it won’t make any damn difference what you do in health care or jobs or education.’” Vilsack took Miller’s advice, and when the state was hit with a huge tornado three months later, its leaders handled the situation in a coordinated, capable way that saved lives and property.

What was true then is still true now. Whether it’s a natural disaster or a terrorist incident, the importance of emergency management hasn’t lessened.

Consider the blizzard in New York in 2010 that virtually shut down the city for days, largely due to hitches in the deployment of plows and other equipment. When Hurricane Sandy approached in 2012, there were delays in calling for evacuations. And in New Orleans following Hurricane Katrina, there may have been a shortage of water and food, but there was definitely no shortage of blame about who had mismanaged the response to the storm.

Fortunately, the developing field of emergency management offers some hope for cities and states. In order to coordinate and provide support for people in the field during a disaster, the job position of “emergency manager” is showing up in more and more places. According to Robie Robinson, president of the International Association of Emergency Managers (IAEM), the role is not to dictate the actions of any of the responders, but rather to provide coordination among them and to make sure that they have ready access to the equipment they need.

Communicating in real time with citizens in harm’s way is also key to proficient management. Social media can provide lifesaving information. In late April as a tornado was approaching Oklahoma City, Twitter was chock-full of information, ranging from detailed weather maps to concrete advisories that included, “The airport is not a public shelter,” and, “Parking garages are filled to capacity.”

The use of social media requires a change in philosophy from the traditional means of communication with which many public officials are comfortable. “Historically,” says Jeannette Sutton, a communications professor at the University of Kentucky, “officials have wanted to control communication processes as an event is unfolding with twice-a-day briefings that will be of value to the public. The problem with trying to control information flow is that it assumes that information can be controlled.”

Ideally, much of the information provided online should come from the authorities who are coordinating the disaster response. “Rumor management is a big concern,” says Tom Birkland, professor of public policy at North Carolina State University. The more cities, counties, states and federal authorities utilize social media, the more likely it is that the worst of times will be lessened.
people will get accurate, helpful information. “When people can’t get information from official sources,” says Sutton, “they look for it elsewhere. Sometimes those sources are valuable and reputable, and sometimes they’re not.”

In the aftermath of an event, it’s important for governments to provide clear messages about what’s needed and what would help victims. “In many cases, we see an outpouring of clothes after a disaster,” says Tricia Wachtendorf, co-director of the Disaster Research Center at the University of Delaware. “That can be a huge logistical problem. It’s expensive to transport the clothes and often there are stores nearby where you could purchase that clothing at much lower costs.” As a result, encouraging people to send cash can be much more effective.

Beyond commodities, there can be a surplus of volunteers. “If planning is not done properly, you can be inundated by volunteers and end up clogging up roadways or parking lots,” IAEFM’s Robinson explains. The solution is to set up staging areas for volunteers to show up, sign in and get assigned roles. “You don’t want people volunteering for things that are not safe,” he says. “You don’t want incidents where people are injured or lost.”

When people talk about disaster response, they frequently focus on preparedness. And while planning for disasters is essential, the appropriate response to a host of problems simply can’t be rehearsed. “Planning is subject to many pressures, obstacles and constraints,” writes professor Eric Stern of the SUNY Albany College of Emergency Preparedness, Homeland Security and Cybersecurity.

As Stern, a well-known expert on crisis management, points out, a willingness to improvise while dealing with a disaster is as critical as creative problem solving. “The key is to identify the capabilities and resources that can be deployed in novel and creative ways,” he writes. This is “much like children’s Lego pieces that can be combined in a wide variety of constellations for different purposes.”

Creating a ‘People’s Police’

The seemingly daily drumbeat of news of disastrous citizen-police interactions makes it clear that there is a real crisis today in policing in America. If you doubt it, search the words “police violence” on YouTube or Google and you’ll see what lots of our citizens have been seeing for a long time. A cottage industry has grown up around chronicling and counting these incidents, from the Cato Institute’s National Police Misconduct Reporting Project to The Washington Post blog The Watch, written by Radley Balko, author of Rise of the Warrior Cop.

This is not about a few bad cops or a few bad police departments. The problems we are seeing are systemic, and at some point we should no longer be shocked when a new revelation or disturbing video comes to light.

Few understand this as well as Norm Stamper. A cop for 34 years, which included stints as chief of police in San Diego and Seattle, Stamper has spent his career working to help police live up to ideals in a democracy. In addition to dozens of op-eds and lectures, he has written two books, 2005’s Breaking Rank: A Top Cop’s Exposé of the Dark Side of American Policing and To Protect and Serve: How to Fix America’s Police, which was published last month. Both books provide a sympathetic insight into the challenges faced by individual police officers and the organizations they work for. But they also provide solid recommendations for how to make things better.

Stamper examines the larger social context in which the police operate—the war on drugs, the proliferation of guns and the continued legacy of racism—and offers ideas on how to end racist policing. Enact the strongest possible gun control laws, and train white male cops to recognize and manage their fear of black men. He also makes the case that we should hire far more women as police. He thinks women should make up half of our police forces, up from the current 12 percent.

A theme that runs through both books is the idea of “the people’s police.” Stamper argues that effective policing is co-produced by citizens and police working together, with the citizens as the senior partner. They, he writes, can and should be involved in every aspect of policing, from hiring through training to disciplinary procedures. And he believes the federal government should set standards for policing and proactively enforce them.

As Stamper notes, citing a Wall Street Journal report from 2015, payouts by city and county governments for police misconduct are estimated at about a billion dollars a year. That, and untold costs in the broader economy and in our struggle to create the kinds of communities we want to live in, ought to compel us to pay attention to Stamper’s thoughtful and constructive counsel.

Email mfunkhouser@governing.com

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High-speed police chases are extremely dangerous. At least 11,500 people were killed in police pursuits between 1979 and 2013. More than 5,000 of those deaths were bystanders or passengers; 139 were police officers. Injuries were in the tens of thousands. The costs from court settlements are estimated to be in the billions, according to the nonprofit Americans for Effective Law Enforcement.

The high price and level of carnage has forced many police departments to rethink car chases, with some agencies rewriting their pursuit policies to restrict chases to suspected felons or people who present an imminent threat to others. But the issue has also compelled agencies to consider technological solutions.

The options have ranged from the crude, decidedly low-tech approach of tire deflators to research by the National Institute of Justice into what it calls ‘directed energy devices,’ which send out electrical pulses or microwaves that are supposed to make a car’s electrical system malfunction. Unfortunately, microwaves are not well directed and tend to impact any car within a certain radius of the device.

One approach that has been getting a lot of attention is the GPS bullet. Rather than try to immobilize the fleeing vehicle—and put the driver and pursuing police in jeopardy—police can put a tracking device on a vehicle and follow at a slower and safer speed. A compressed-air launcher that is mounted behind the grill of a police cruiser fires the tag, which is a sort of bullet consisting of adhesive and a GPS transponder.

The device was first tried out by the Arizona Department of Public Safety in 2012. Since then, it has been used by a number of other local law enforcement agencies—most notably the Milwaukee Police Department. So far, Milwaukee police have deployed the tracking bullets about 50 times, according to Inspector Terrence Gordon, who would not reveal the total number of devices the department has mounted on its cruisers.

The GPS bullet is part of a larger movement by police departments to use technology to find safer, less lethal ways to deal with suspects. Tasers, body cameras and nonlethal ammunition are just some of the tools police have begun using to identify, pursue and stop criminals without resorting to deadly force.

Tasers, which can knock a suspect off his feet with a jolt of electricity delivered by darts, are now used by more than 15,000 law enforcement agencies nationwide. Body cameras, which were considered experimental a few years ago, are essential equipment today, with nearly every large police department planning to deploy them, according to a survey by the Major Cities Chiefs Police Association and the Major Counties Sheriffs’ Association. Nonlethal ammo, such as shotgun-fired beanbags, rubber bullets and special projectiles attached to a police handgun, have also grown in popularity following the events in Ferguson, Mo., and Baltimore.

With each new tool, the police can gain a tactical advantage. Of course, technology alone is not the solution. Milwaukee’s Gordon says the GPS bullets are no panacea for reducing the risk in police pursuits. Like all new technologies, Gordon thinks it’s an option worth testing “given the inherently dangerous nature of pursuits.” Police are trained to take calculated risks, he adds, but police chases are extremely stressful for cops, and there can be high levels of guilt and grief should things go wrong.

“Pursuits can raise adrenaline and emotions, resulting in aggressive confrontations when the suspects are stopped by a pursuit,” says Gordon. “Those devices give officers time to let the adrenaline high pass, so by the time the pursuit is over, they can think more clearly and make better tactical decisions.”

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Learning to Share

A ‘sharing economy’ could reduce income inequality among localities.

So far, 2016 has been framed by unfolding fiscal tragedies in a number of cities—Flint, Mich.; Ferguson, Mo.; and East Cleveland, Ohio, come to mind. Plagued by high poverty, rising crime rates and diminished sources of revenue, these cities are examples of the increase in income inequality among U.S. municipalities.

Just as the richest Americans have raced ahead of working-class Americans, there are haves and have-nots among cities, too. It got me thinking: What role should states play in all of this? And more specifically, are there ways to use the “sharing economy” to narrow the disparity gap?

For a change, we’re not talking about Airbnb or Uber. The sharing economy I mean is about regional governance, or sharing agreements where local policymakers create new, multijurisdictional fiscal arrangements to address regional objectives.

Right now, throughout America, otherwise identical households pay different taxes for the same level of public services simply because they live in different cities. Bo Zhao, senior economist at the Boston Federal Reserve, wonders if such differences in taxes put some cities or counties at a disadvantage in economic competition. After all, he says, fiscal disparities occur when economic resources and public service needs are unevenly distributed across localities.

For the most part, it’s been up to cities and counties to attempt to address these growing disparities. There are any number of longstanding examples of regional taxation and regional tax-base sharing across the U.S., such as in Minneapolis-St. Paul. More recently, there are new innovations on the theme: The Scientific and Cultural Facilities District, for example, distributes roughly a tenth from a 1 percent sales and use tax to cultural facilities throughout the Denver metropolitan area. States are really in the best position to implement sharing agreements, but few do. One exception is Minnesota, which more than a generation ago enacted legislation to encourage a sharing economy statewide. The Minnesota Fiscal Disparities law has three important goals: reduce the impact of fiscal considerations on location of business; reduce interjurisdictional competition; and direct resources to communities facing the greatest fiscal pressures.

The law shifts millions of dollars in property taxes to be shared among communities in a metro area, including cities, counties and school districts. Each jurisdiction or entity “contributes” 40 percent of post-1971 growth in its commercial-industrial property tax base to an area-wide pool, where the tax base is then allocated among local governments in inverse relation to their per capita fiscal capacity. The percentage of the total tax base in the Minneapolis-St. Paul area-wide pool has increased from 6.7 percent in 1975 to 37.6 percent by 2012. More than $588 million of taxes were shared among the participating localities in 2012. The distribution of shared revenue reduced incentives for cities to compete for businesses and infrastructure projects, and it created greater incentives for shared investments, especially in infrastructure.

It is an effective fiscal disparities program. But unfortunately, despite the growing income disparity among localities and regions, the approach does not seem to be catching fire with other states or with the biggest potential player of all, the federal government.

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Buried treasures are kind of rare in Houston. The city’s clay soil and high water table make digging there—let alone hiding away valuables—difficult. Nevertheless, a treasure of sorts was recently unearthed: Houston’s first underground drinking water reservoir, built in 1926 and decommissioned in 2007 due to an irreparable leak, was “rediscovered” by a company developing parkland in the area. The cavernous structure, dubbed the Cistern, is as large as one-and-a-half football fields—the longest recorded echo measured down there was 17 seconds—and features 221 25-foot-tall, slender concrete columns. In May, the man-made marvel opened to the public.

For $2, visitors can take a 30-minute tour along a narrow catwalk halfway between the Cistern’s ceiling and floor, which is covered in 2 inches of water. Those who are reluctant to go underground can have a peek through a periscope above. The city had initially planned to demolish the Cistern, or use it for parking, but ultimately opted to leave the site mostly as it was. In addition to featuring the magnificent public space, officials hope to use the Cistern to house temporary environmental art installations.

—Elizabeth Daigneau
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