Southern Suburban & Black

The shifting demographics of African-Americans are reshaping cities across the South.

Alicia Newburn recently moved from the Midwest to the Dallas area.
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PHOTO BY DAVID KIDD
COVER PHOTO BY DAVID KIDD

Dennis Webb is the senior pastor at Bear Creek Community Baptist Church in Irving, Texas, and serves on the Dallas City Council.

PHOTO BY DAVID KIDD
COVER PHOTO BY DAVID KIDD

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Milton Gonzalez
Principal
McAllen, Texas

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social government

By Fred Kuhn, Publisher

You’ve seen his youthful face on magazine covers, on TV and online. His name is Mark Zuckerberg, and he’s the 28-year-old founder and boy-wonder CEO of Facebook, which just went public and made Zuckerberg a very rich man. When it opened to everyone in 2006, Facebook had barely a million so-called friends. Today, there are 900 million active users around the globe.

Of course, the other major social media force is Twitter, the 140-character news feed that has 140 million users in the U.S. It is largely believed that Twitter will soon follow Facebook’s lead and go public sometime next year. All of this is to say that social media has come a long way. What started with MySpace, YouTube and LinkedIn, now includes Pintrest, Google Plus and Foursquare. The biggest users of these platforms are, not surprisingly, those under the age of 30, with 61 percent of them networking on a typical day, according to the Pew Internet and American Life Project. But even baby boomers are networking—their usage surged from 21 to 32 percent last year.

And just as social media has changed how we interact, it’s also reshaped the face of journalism. When Rep. Gabrielle Giffords and 18 others were shot on Jan. 8, 2011, in Tucson, Ariz., many media outlets first learned about the tragedy via Twitter. Social media has not only increased the speed at which we get our news, it also has changed how we receive it. It really is a phenomenon. When it opened to everyone in 2006, Facebook had barely a million so-called friends. Today, there are 900 million active users around the globe.

At Governing, we’ve used Twitter, Facebook and LinkedIn, among others, for some time. We’ve encouraged readers to use social networks to launch discussions around our articles, and they can receive daily, even hourly, updates on breaking stories. Our goal is to let the Governing community interact and share experiences and information long after a story has been written.

One sign of just how important this trend has become is evident in our hiring of a social media specialist. Brian Peteritas, who received his communications degree from Penn State University before coming to Governing, will be using the most current social networking platforms and tools to help you engage with our community in ways not possible in the past.

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LETTERS

Is Citizens United to Blame?

I found your article to be confusing [The Corporate Candidate, May 2012], and in some cases, misleading. The Citizens United case had absolutely nothing to do with what’s happening in Wisconsin right now. The mechanism third-party groups are using to spend millions of dollars is exactly the same mechanism they used before the Citizens United decision was handed down, just in much larger amounts. As you know, Citizens United invalidated a federal law for federal candidates, and changed nothing in the world of Wisconsin finance.

The reason there’s so much interest in out-of-state groups dumping cash in Wisconsin all of a sudden is because of the intensity of what’s at stake in the recall battle. For unions, it is their entire funding structure, by which government employees are forced to join unions [and] pay compulsory dues, which are then dumped back into elections to pick officials who then negotiate their contracts. The recall is a union production; without it, all of the compulsory dues, which are then dumped back into elections to pick officials who then negotiate their contracts.

For unions, it is their entire funding structure, by which government employees are forced to join unions [and] pay compulsory dues, which are then dumped back into elections to pick officials who then negotiate their contracts. The recall is a union production; without it, all of the corporations wouldn’t need to spend a penny this year in Wisconsin. Clearly, the focus of your article is corporate giving, but you make scant mention of the tens of millions of out-of-state dollars that will be extracted from taxpayers around the country in the form of union dues, which will then be spent in Wisconsin.

On a final note, you say, “About half the states formerly banned corporate political contributions before Citizens United made those measures moot.” Wisconsin has always banned direct corporate contributions to candidates, and still does.

—Christian Schneider, Senior Fellow, Wisconsin Policy Research Institute

Hartford’s Great Inversion

Though the research isn’t unanimous, [Alan] Ehrenhalt is persuaded that a lot of Millennials, weaned on ‘Friends’ and ‘Seinfeld’, want an urban choice [The Great Inversion, April 2012]. Broad trends—smaller families, later marriages, a general drop in urban crime since the 1990s, more mixed-use zoning—support his thesis.

This doesn’t mean that the outer suburbs are going away. After decades of intense suburbanization in Connecticut, the suburbs are where most of the housing is. Interestingly, some inner-suburban town centers such as West Hartford’s, have acquired urban characteristics, suggesting Greater Hartford may be evolving into a polycentric urban setting.

What it does mean is that things are changing. It is interesting to speculate how the new alignments will change urban politics; whether the old racial/ethnic blocks will collapse or whether cities will be able to assert themselves as the centers of metropolitan regions.

Ehrenhalt senses a move in the direction of bustling 19th-century European cities. I’d be happy with 21st-century European cities, with crowded streets, new streetcars, bicycle paths and bus lanes.

—Tom Condon, Deputy Editorial Page Editor, Hartford Courant

May 2 on courant.com

“Teachers should get paid more than pro-sports players!”

@JeffreyJParker to @GOVERNING in response to the question on Twitter: Ed. Sec. Arne Duncan repeated his call for teacher salaries up to $150k. Is that the right move?

Correction: In the May issue of Governing, John Buntin’s article The Re-Education of ‘Dr. No’ incorrectly stated that Oregon Gov. John Kitzhaber’s predecessor during his first term was Barbara Jordan. It was Barbara Roberts. The article misstated that “only 20 percent of Oregonians have bachelor’s degrees or higher, compared to a national average of 29 percent.” According to Census data, 29.6 percent have a bachelor’s degree or higher. The Oregon House was also mistakenly called the Assembly.
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Legislating a ‘Right to Resist’ the Cops

By Ryan Holeywell

IT’S 2 A.M., and you’re startled awake by the sound of a stranger who’s unlawfully entered your home. Are you allowed to shoot the intruder? In most states, the answer is yes. But what if that person is a police officer? Can you still shoot? If you live in Indiana, maybe. As of March 20, Indiana law gives residents the right to resist police—even with deadly force—if the cops are acting illegally.

More than half the states have castle doctrine laws, which give people the right to defend themselves with deadly force against intruders in their homes. But Indiana is believed to be the only state in which law enforcement officers aren’t exempt. Police officials say the Indiana law is dangerous because it relies on everyday citizens, who usually lack law enforcement training and legal expertise, to make a judgment call on whether cops are acting lawfully. State and national police unions fought hard to kill the bill; Gov. Mitch Daniels ultimately signed it, but not without a warning: “This law is not an invitation to use violence or force against law enforcement officers,” Daniels said at the signing. “So don’t try anything.”

The law requires residents to take certain steps, such as attempting to flee, before using force against a police officer. But law enforcement officials say they doubt people will take the time to read and understand the law. “The unfortunate thing is probably the more publicity it gets, the more people are going to think they have a right to resist no matter what [police] do,” says Tim Downs, president of Indiana’s Fraternal Order of Police. That group’s lawyers are currently researching the constitutionality of the law.

Police say the law could actually hurt public safety, because cops are now more likely to be over-cautious in responding to emergencies. For example, someone who calls 911 may be unable to answer the door when police arrive. Now, instead of breaking down the door, officers in Indiana may take extra time to contact their supervisor in an effort to reach the person inside. That delay could prove crucial in a crisis.

The Indiana legislation was sparked in response to a controversial ruling last year by the state supreme court that homeowners did not have the right to use force against law enforcement officials they believed were illegally entering their homes. The new law was necessary, says co-sponsor Rep. Jud McMillin, to clarify that unlawful entry is unlawful entry, whether by a police officer or anyone else. “I heard from a whole bunch of constituents who said, ‘Look, this is the United States of America. You’re supposed to be able to protect yourself against anything that’s happening to you that’s unlawful.’”

—Caroline Cournoyer

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Plastic Fantastic?

THIS TAX SEASON, many Americans who were owed refunds didn’t receive a familiar check in the mail. They got a prepaid debit card instead. At least six states this year issued their tax refunds on debit cards, in a move they say will save money for both the refund recipients and the government. Residents who have bank accounts can still have their refunds deposited directly to their accounts. For those who don’t, however, states say there are many advantages of plastic cards over paper checks.

For one, residents will be spared hefty check-cashing fees often imposed by banks or check-to-cash storefronts. And state revenue offices say the move will save them anywhere from $300,000 to $1 million every year, because they’ll no longer have to print checks. (The bill for managing and shipping debit cards is typically footed by the banks contracted by the states.) Connecticut, Louisiana, New York, Oklahoma and South Carolina all launched debit card programs this year, and Georgia continued a program it launched in 2011.

Banks make money off the cards by earning interest on the funds before they’re spent by taxpayers, charging merchants each time the cards are swiped, and levying various fees on the consumers who use the cards. In most cases, the debit card fees are structured so that, with some planning, taxpayers can avoid most or all of the associated fees. In South Carolina, for example, there’s no fee for using the card to make purchases from merchants that accept Visa debit cards, and taxpayers don’t pay a fee when they withdraw cash from Bank of America ATMs.

But if a taxpayer isn’t careful, the fees can add up. In South Carolina, recipients who lose a card must pay $15 for a timely replacement. Withdrawing cash from a teller costs $10 after the first trip. Fees such as those have prompted some criticism from consumer advocates, who say residents shouldn’t have to pay to access money they’re owed by the state. After all, those who receive debit cards because they lack bank accounts are the same people who can least afford to be nickel-and-dimed with fees, says Ken Edwards, vice president of federal affairs at the Center for Responsible Lending. Some state legislators are speaking out too. In Louisiana, lawmakers have noted that residents in rural areas don’t have easy access to ATMs for Chase, the bank hired by the state to handle debit card disbursement. There’s also been some criticism from elderly residents who aren’t accustomed to using debit cards and online banking to access their money.

Still, state tax officials say the majority of residents will benefit from the switch. And at a time when most state governments have already switched to plastic payments for unemployment benefits and food stamps, it’s a natural trend, say observers like Verenda Smith of the Federation of Tax Administrators. “This is going to be such a norm that nobody’s going to remember what a paper check is.”

Mass devastation is highly likely, making the area unrecognizable to survivors.

—Tornado warnings that the National Weather Service will dispatch at appropriate times in Kansas and Missouri. The new impact-based warning system is supposed to make more people take notice when potentially devastating twisters are headed their way and may be used nationwide. Source: Reuters
“I’ve had longtime supporters tell me, ‘I don’t even know what party you are.’ And I like that.” —California congressional candidate Linda Parks, who is one of 36 candidates with “no party preference” running for state and federal office in California this year, the first time the option is available for primary candidates. Source: The Sacramento Bee

Potential costs of damage to the Wisconsin Capitol building from last year’s union protests, in a state Dept. of Administration estimate released at the time. The revised estimate recently released by the same Dept. of Administration.

Average amount a woman in Wyoming earns for every dollar earned by a man. The state has the nation’s biggest wage gap between genders.

Cost of registering a voter in Florida, which has the smallest gender wage gap. This is according to Rock the Vote President Heather Smith, who says it’s so restrictive that the organization is no longer registering voters in the Sunshine State. Neither is Rock the Vote, the national organization focused on younger voters.

Florida state Rep. Dennis Baxley, author of the elections law, which also shortens the length of the early voting period, has said it’s designed to prevent voter fraud and ensure the credibility of elections. Sen. Michael Bennett, another supporter of the law, drew the ire of voting rights activists last year when he reportedly called voting a “privilege” and rhetorically asked, “Why should we make it easier?”

In Florida, Get-Out-the-Vote Gets Out of the State

THANKS TO NEW ELECTION LEGISLATION in Florida, several nonpartisan groups have already decided to pack up their voter registration operations in the state. The law, which was passed last year, requires voter registration groups to submit their paperwork within 48 hours of collecting it—a drastic reduction from the 10-day window they had in the past. As a result, many groups have suspended their registration drives and get-out-the-vote efforts. Dierdre Macnab, president of the Florida chapter of the League of Women Voters, calls the legislation “a voter suppression effort” and says it’s so restrictive that her organization is no longer registering voters in the Sunshine State. Neither is Rock the Vote, the national organization focused on younger voters. Both those groups have filed suit to try to overturn the Florida law. They made their case in a hearing earlier this spring. “Right now, this law is making it harder for people to register,” says Rock the Vote President Heather Smith, “and in some cases impossible for us to do our work.”

Florida state Rep. Dennis Baxley, author of the elections law, which also shortens the length of the early voting period, has said it’s designed to prevent voter fraud and ensure the credibility of elections. Sen. Michael Bennett, another supporter of the law, drew the ire of voting rights activists last year when he reportedly called voting a “privilege” and rhetorically asked, “Why should we make it easier?”

Gavin’s Latest Gig

Plenty of pols land TV deals once they leave office. But California Lt. Gov. Gavin Newsom is likely the only public official who’s currently hosting a national television program while still serving in the government. The Gavin Newsom Show premiered last month on Current TV. The weekly hour-long talk show features discussions on public policy as well as arts, entertainment and design.

The former mayor of San Francisco—where Current TV is based—joins a network that already features former governors Jennifer Granholm of Michigan and Eliot Spitzer of New York as hosts. Newsom says his paycheck is going to charity, and he won’t be using any state resources for the program, which he says will complement his efforts to promote California. Newsom, who was hired shortly after the network dismissed host Keith Olbermann, is no stranger to the media. While mayor, he hosted a talk show on San Francisco radio station KNEW.

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The $20 million price tag over five years includes the cost of blanketing campuses with Wi-Fi, training staff and buying systems to manage the devices. It’s being paid for through a combination of local funds, federal grants and stimulus money, and the federal E-rate program, which provides discounted telecommunications services to schools. The investment comes even at a time when McAllen has reduced its education spending in general. This year the city cut $6.5 million from its instruction budget, and the number of full-time equivalent teachers is down 10 percent from 2008. Ponce says the district is still within designated staffing levels, and class sizes haven’t substantially increased.

Aside from the affordability question, though, is a larger debate over technology in the classroom, and whether a government-issued iPad helps students learn. About a decade ago, some schools started embracing a movement known as “one-to-one” that sought to provide every student with access to a laptop. A review of the research on those programs, published last year by the educational leadership nonprofit ASCD, found mixed results. “Rather than being a cure-all or silver bullet, one-to-one laptop programs may simply amplify what’s already occurring—for better or worse—in classrooms, schools and districts,” wrote author Bryan Goodwin.

McAllen district officials say the investment has been worthwhile even if there aren’t hard numbers to back it up. Some students have been downloading vocabulary apps to help prepare for the SAT, while others have videotaped lectures and photographed the chalkboard to study later, district leaders say.

The district has already seen its wireless bandwidth usage triple, suggesting that students are embracing the technology. Many students hang around campus after school and on weekends to use wireless Internet service they lack at home, says Ponce. “We have anecdotal evidence of teachers and students showing, in a short time, a change in the way they do business.”

---

DO TABLET COMPUTERS HELP kids learn? One school district believes they do, and it’s banking on the devices in a major way. This year thousands of students in McAllen, Texas, will receive high-tech Apple products courtesy of the local school district, which is investing more than $20 million in the devices and infrastructure needed to support them. The McAllen Independent School District has already given out about 5,600 of the devices, which include iPods for students in pre-kindergarten through second grade, and iPads for students in third grade and up. Next school year, the district will start distributing the devices to each of its more than 25,000 students.

What’s especially remarkable about the program is that it’s coming from an unusual place: McAllen, located on the Mexican border, has extremely high levels of poverty. More than two-thirds of the students are considered economically disadvantaged. Last fall, a Census brief named the McAllen metro area the poorest in the nation. But Superintendent James Ponce says that’s all the more reason for the district to spend money on the technology.

The project, Ponce says, is part of the district’s effort to improve students’ familiarity with technology and help them develop new ways to learn and study. The investment is the result of a recommendation by a school district panel, which included teachers, students, parents and others. The panel determined that the district’s existing approach to technology—installing a few desktop computers in the back of every classroom—wasn’t working. Ponce says that by investing in iPads and iPads, the district will get a better return on its investment in technology, since students will spend more time with the devices, even outside of school hours. (The school district will own the devices, but students are encouraged to take them home.)

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Governing

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CENTERVILLE, Mass.—This quiet village in Cape Cod, best known for the Four Seas Ice Cream shop, hardly seems like the birthplace of a legislative movement that has spread across the U.S. and overseas to Europe and China. But 40 years ago, Stephen Lakis, founder and president of the State Legislative Leaders Foundation (SLLF), rented a typewriter here and set up operations on a friend’s dining room table, hoping to help legislative leaders get better at their jobs.

Once Lakis had established the foundation as a nonprofit, nonpartisan educational organization, he found more permanent quarters in an office above a Centerville liquor store. “Looking back, it was a very funny time, but it was perfect for us,” he says.

But if location didn’t matter, the programs certainly did. Modeling them after the Harvard Kennedy School’s educational workshops for freshman legislators in Congress, the nascent foundation set out to create a school that would provide what Lakis calls “serious learning experiences” for its core constituency of about 500 elected legislative officials, focused primarily on state speakers, presidents, majority and minority leaders, whips, select committee chairs and others.

Similar in age but much smaller and less well known than the National Conference of State Legislatures or even the American Legislative Exchange Council (ALEC), SLLF was born at a time when state legislatures were believed to be inefficient and inadequate. The foundation’s original list of reforms concerning openness and ethics has been recast in terms of transparency and integrity, but still resonate today.

In the last year, with funding from sponsoring corporations, the foundation has brought dozens of legislators to major universities for programs on revitalizing the middle class and trust in government, health care, the environment and the economy.

SLLF also convenes an annual emerging legislative leaders’ conference at the University of Virginia. Participants arrive on campus identified by their state and legislative role. But missing is their party affiliation. “We ask everybody to take the Ds and the Rs off,” says University of Virginia professor Ed Freeman. “There’s never been any pressure to make it a lefty or righty program. It has always been about broadening the conversation.” Lakis says participants appreciate that because it provides respite from the reality where they often “have to wear ideological labels too heavily at home.”

The SLLF conference helps emerging and veteran legislators work across conventional divides, and Lakis hopes it might inoculate them from today’s nasty civic virus. “The country is in a rough patch right now because of a national malaise of intense, no-compromise partisanship,” he says. “It has infected a lot of legislators in a lot of states, but I don’t see it as something that can sustain itself.”

Freeman credits SLLF for protecting itself from potential pitfalls. Unlike the larger and explicitly ideological ALEC, which finds itself embattled over its model legislation on voter ID rules and Stand Your Ground gun laws, Freeman says the foundation’s success lay largely in avoiding partisan positions while playing to its strength of arranging robust, informed discussion, and letting participants interpret and act on issues for themselves.

The foundation also has spread geographically over the decades. Beyond its New England home, it now has offices in Washington, D.C., and Berlin, with work under way to establish ties in Beijing. The underlying idea remains disarmingly simple and unchanged 40 years after its founding. It is equal parts Steve Lakis and Margaret Mead: Never doubt that a small group of thoughtful, committed citizen legislators can change the world. Indeed, it may be the only thing that can.

Email ptaylor@governing.com
The State of Service: Creating Business Value

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

The 2012 Annual Conference and Technology Showcase will highlight best practices in IT Service Management by examining current and future technologies, applications, tools and ideas. Featured nationally recognized speakers include: Michael Rogers, MSNBC’s ‘The Practical Futurist’ and technology expert; Dick Heller, leadership, team building and customer service expert; and Sergeant Matt Eversmann, hero of Black Hawk Down and the Battle of Mogadishu.

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

For more information about the 2012 Annual Conference and Technology Showcase, visit www.nastd.org or contact Pam Johnson at 859-244-8184.
Smart Taxes Needn’t Be Fairy Tales
20th-century problems bedevil today’s state and local revenue sources.

What could be more magical than Snow White winning the lottery? That’s what happened to Natalie Marston, who played the character at Disneyland and won a $5.2 million California prize in 2009, which she said would help make her dream of a romantic wedding to her prince come true.

To cope with their budget problems these days, state governments are making even bigger wishes. One is for more frenzies like the record April Mega Millions $656 million jackpot, which pumped billions into state coffers. The other is discovering that their Magic Kingdom is built atop oil.

Take North Dakota, whose vast reservoir of shale oil helped drive state tax collections up nearly 45 percent in fiscal year 2011. The mega-success of its oil business has produced revenues larger than its state sales tax, individual income tax and corporate income tax combined. Alaska and Wyoming have benefited enormously from oil, too.

For most other states, though, the Great Recession proved much more punishing. The federal government’s American Recovery and Reinvestment Act funds have gone away. Meanwhile, an April study by the Government Accountability Office estimated that state and local governments face decades of growing deficits unless they decide—to cut spending or increase taxes by 12.7 percent.

What’s at the core of the problem? On the spending side, it starts with health care. Like all employers, states and localities face rising premiums for their own employees. The weak economy has pushed more low-income individuals onto Medicaid. If the Supreme Court upholds the Affordable Care Act, states will have to figure out how to build exchanges and deal with an expansion of Medicaid costs. If the Supreme Court strikes it down, the underlying problems don’t go away and the structure is even less clear. There’s probably not a governor alive who wouldn’t want another bite at the Reagan administration’s apple, the failed plan to swap federal assumption of health care for state assumption of welfare. There’s no fix for the ongoing state and local fiscal crisis without a fix for health care.

Another big part of the crisis stems from the underlying state and local revenue base. The entire system—based heavily on income, sales and property taxes—was clobbered by the recession. In most states, revenues are only now recovering to the pre-recession 2007 level. Declining home prices have savaged local property tax receipts—hit hard by the recession, they rose less than 1 percent in 2011.

The result is a state-local revenue mix in which a handful of states are huge winners, while most are struggling with mid-20th-century revenue systems that don’t match the realities of the 21st-century economy.”
That, in turn, has led many state and local governments to seek new revenue sources. The states benefited from April's Mega Millions mania and, in some parts of the country, a veritable gambling arms race has broken out between neighboring states. Many local governments have been turning to expanded user fees, including annual subscriptions for fire protection. In some jurisdictions it's pay or burn. Two houses in South Fulton, Tenn., were reduced to cinders because their residents hadn't paid the annual $75 fee. Firefighters on the scene sat by and watched the flames.

All these Great Recession problems have fueled three mega-trends. One is the growing gap between state governments with rich natural resource blessings, and state governments without. This has only reinforced the gap between the old and new state revenue systems.

The second is that the federal government's role as the great equalizer is evaporating. The federal government used to balance out differences between the states by focusing aid on lower-income individuals. But the feds are backing away from that strategy, and there is no consensus in Washington for dealing with health care, the inescapable economic and social challenge of the next 50 years. Without a solution to health care, there's no road to state fiscal health, and it's not a solution that the states can fashion on their own.

Finally, many of the new revenue strategies that state and local governments have cobbled together, from gambling to user fees, are regressive—they hit the poor more than the rich. It might be impossible to resist them, especially at a time when no one wants higher taxes and further cuts are hard to make, but they only worsen the overall fiscal health of state and local governments.

We don't need a tax system that ignores state and local needs, discourages economic growth and is increasingly unfair. There's no fairy tale ending to the long-term budget challenge without tackling these issues in state capitals around the nation.

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Remember REAL ID?

Four years after the original deadline, the act has yet to be fully implemented.

States are sounding the alarm over a federal policy that would require them to overhaul their systems for issuing drivers' licenses, arguing it's a massive unfunded mandate that will be incredibly difficult to implement.

If you think you've heard this before, you are right. In 2005, following a recommendation from the 9/11 Commission, Congress passed the REAL ID Act. The law was designed to shore up the security of state-issued identification cards in an effort to thwart terrorists and others who use fake IDs to facilitate their crimes. Fast-forward seven years and REAL ID has yet to be fully implemented. Now, as another deadline approaches, states are once again scrambling to meet it and requesting more flexibility. But should they really be concerned?

Federal officials have consistently delayed REAL ID implementation to give states more time to comply. The most recent delay came in March 2011, and today the deadline for states to come into “material compliance” with the law is Jan. 15, 2013. For practical purposes, however, it’s even sooner: States must provide final documentation to the Department of Homeland Security (DHS) by Oct. 15. State officials say they’re taking this deadline seriously, despite the feds’ track record.

“The fact is it’s a law on the books, and it’s a regulation with deadlines,” says Molly Ramsdell, who leads the National Conference of State Legislatures’ (NCSL) Washington office. “Until something changes, states have to operate under the assumption that that the January deadline is firm.”

As it approaches, an interesting game of chicken between the states and feds is likely to play out. The REAL ID Act would theoretically prevent residents of noncompliant states from using their driver’s licenses as a valid form of ID for federal purposes, like passing through security checkpoints at airports. If states don’t come into compliance with the law, that could create havoc in the country’s airports. That’s a powerful incentive for states to hurry up and implement it. But the feds’ stick may be too powerful. Federal officials don’t want to create problems for fliers, and state leaders know that. So even with the deadline looming, 16 states still have language on the books saying they formally refuse to comply with REAL ID.

Regardless, states aren’t ignoring the law. Since REAL ID was passed, most states have improved the security of their IDs. Still, the cost of implementing—$3.9 billion—has come with less than $225 million in federal aid, according to NCSL. States are also frustrated that several databases they’re required to use aren’t fully functional.

Meanwhile, some have blamed DHS itself for sending mixed signals that have created an environment that fostered REAL ID’s delays. In recent years, the agency has supported legislation known as PASI ID that would have reformed some provisions of the 2000 law. States, wary of spending money to implement a law that could be changed, waited for those changes to come. They never did.

Ramsdell says at this point, it’s clear that the REAL ID legislation probably won’t be repealed. Instead, her group is seeking waivers for states that have come close to implementing the required reforms.

June 2012 | GOVERNING 17
An Ounce of Prevention
On-site health centers keep workers healthy and save local governments money.

Ben Franklin first posited some 250 years ago that an ounce of prevention is worth a pound of cure. Today, the private and public sectors have started to understand the obvious wisdom to old Ben’s words, especially when it comes to health care.

For several years now, large private companies, including the Walt Disney Co. and American Express, have created on-site health clinics to foster healthy behaviors and to practice preventive medicine among their employees. More recently, public entities have begun to do the same. Several Florida cities, for example, have set up municipal on-site clinics to provide everything from check-ups to flu shots to nutrition consults. They also perform municipal health services like pre-employment physicals, drug testing, and police and firefighter physicals. And they provide these services for free, with nary a copay or deductible. Even certain medications, mostly generics, are free to city employees who visit the clinic rather than their regular primary care physician (where they pay through traditional coverage). The result has been fewer long-term health problems, happier employers and lower costs for everyone.

The city of Ocoee in 2005 became one of the first in Florida to try this experiment. Facing annual health-care cost increases of 15 to 30 percent, Jim Carnicella, then the city’s human resources and risk management director, started looking for alternatives. He found a local company called Crowne Consulting, which works with a primary care vendor called CareHere. They hire the doctors, nurses and nutritionists, take care of the liability, handle the billing, and manage the headaches of running a doctor’s office, all for a straight fee of $23 per month per employee, plus direct billing for supplies like bandages and flu vaccine. The city spent about $600,000 refurbishing a building it already owned and buying medical equipment to create the clinic.

“We hoped that, if we could steer enough employees away from their own doctors to here, it would at least pay for the health center,” says Carnicella, now a part-time consultant with the city. “Long term, we thought we could decrease our annual increase from 15 to 30 percent to more like 5 to 10 percent.”

The result was “much better than we anticipated,” he says. More than simply reducing health insurance increases, healthier employees have literally flattened their insurance cost. “We now pay $3.5 million in health insurance—which is the same amount we had estimated five years ago in 2007,” Carnicella says. “On top of that, we have also reduced workers’ comp costs by 60 percent. Before the clinic opened, we spent about $150,000 a year. Now it’s about $70,000.”

And those savings have been funneled back to the 350 or so city workers. “Over the past five years, we have been able to give a small pay raise each year, we have lowered the cost of family health insurance coverage from $240 a month to $200 a month and we even increased the pension somewhat,” Carnicella says.

Attendance at the clinic has been so high that Ocoee has partnered with other cities with similar on-site clinics to allow employees more options. This summer, nearby Sanford will open its on-site clinic. Fred Fosson, Sanford’s director of human resources and risk management, expects to save about $500,000 over the first three years of the program.

“We’ve been telling our people that if they come here with $5 in their pocket, the physician treats them, writes them a [prescription] that, if it’s generic, can be filled at the front desk and they can walk out with the same $5 in their pocket,” Fosson says. “Our people are really excited about it. And they can still go to their [primary care physician] and pay their $25 if they want to.”

But with lower costs and convenient care, it is easy to wonder why anyone would.

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- Green Jobs and Economic strategies
- Strategic planning
- Transportation and the economy

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Soak Up or Pay Up
Philadelphia is fighting stormwater runoff by revamping its water and sewer rates.

In Philadelphia, homeowners pay a flat $13.48 monthly charge for maintaining the city’s stormwater drainage system. Commercial properties pay a great deal more. The University of Pennsylvania, for example, pays about $14,000 a month, and the Philadelphia International Airport pays around $53,000. Come 2013, however, the university will be saving roughly $11,000 a month and the airport’s bill will jump to almost $126,000 a month.

Why? Because Philadelphia has redesigned its stormwater fees to target the properties that contribute most of the pollutant-laced water that flows into the city’s 79,000 storm drains, as well as the nearby Delaware and Schuylkill Rivers. Some monthly bills have already begun climbing thousands of dollars as they take into account all the property covered by rooftops, parking lots and other impermeable pavement—hardened surfaces that shed rain as fast as it falls to the ground.

As part of a $2 billion plan for complying with federal orders to stop sewage overflows, the City of Brotherly Love has committed to refurbishing 9,500 acres of paved land. In 2010, the water agency deployed GIS imaging to determine how much of a parcel had been paved over by impervious structures. Two years from now, Philadelphia will finish phasing in fees that require landowners whose properties shed the most stormwater to pick up an even bigger share of the tab—hence the hefty increase in the airport’s bill. In addition, the city will also be collecting stormwater fees for the first time from 40,000 parking lots and other paved parcels that don’t connect to city water.

But the Philadelphia Water Department is willing to cut commercial customers a lucrative break. In fact, the city will forgive the entire bill if owners create wetlands, plant trees, install rain barrels, cultivate rooftop gardens, lay down permeable pavement or add other water-absorbing features that restore the landscape’s natural capacity to absorb summertime cloudbursts and soak up winter snowmelt.

This summer the water department will distribute $5 million in grants as seed money for businesses and community organizations to install green projects that will generate stormwater fee credits “that help people get their bills down,” says Erin Williams, a city stormwater engineer. Applicants have asked for amounts that range from $40,000 for a charter school rain garden to $3.5 million to retain rainfall at a new mall near Philadelphia’s sports stadiums. Once the market is established, Natural Resources Defense Council finance attorney Alisa Valderrama thinks investors will be willing to raise as much as $376 million in private financing in Philadelphia alone for converting barren lands into water-storing assets.

One promising model for private investors is the energy conservation firms that install insulation and efficient heating and cooling systems in universities and hospitals. These ventures pay the upfront costs, and in return they earn profits from the savings on clients’ utility bills. “There are a lot of people who’d like to do a version of that for stormwater,” says Christopher Crockett, Philadelphia’s deputy water commissioner for planning. With Philadelphia’s incentives, “there’s nothing preventing a company from coming in to do that,” he adds. “And there probably are a dozen different ideas out there.”

Next year, Washington, D.C., plans to give one other emerging market device a try. The city’s regulations will require major construction projects to incorporate enough water-holding structures to retain 1.2 inches of rain on the property. Landowners who prove they’ll do better than that will earn credits they can sell at a profit to other developers. In rundown neighborhoods, that kind of deal could spiff up vacant lots, create green jobs and help relieve contaminated upstream hot spots in Potomac River tributaries.

Crockett suggests that Philadelphia could create credit-trading formats for its college campuses “to try it out in a couple of places and then make adjustments.” To make private stormwater ventures work, Crockett says, “we’ll need to create certainty about the rates, certainty about the rules and certainty about the rewards, then let the market do what the market does best.”

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AMERICA’S GREATEST CITIES HAVE GREAT PARKS
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MORE THAN 100 WORKSHOPS, IN-THE-FIELD PARK TOURS, AND EVENTS INCLUDING:

GOVERNING
Tunnel Vision
Have we lost our capacity to think and build big?

To stand in the cavernous spaces underground that will become stations on the new 2nd Avenue subway line in New York City is to feel pride as an American that we can still do work on this scale. I didn’t know we had it in us anymore. I’m glad we do.

Today, work on the line takes place 24 hours a day, five days a week, but its construction history, with a number of starts and stops, stretches back 75 years. When finished in 2016, this phase of the 2nd Avenue subway line will run for two miles, only a fifth or so of the planned route. But it is still something: It’s the first new subway line constructed in New York City since 1932, and it will alter life for tens of thousands of residents.

The subway project is one of a half dozen or so mega-projects under construction in New York City right now. Four of them are for the Metropolitan Transportation Authority (MTA), the state agency that runs the city and regional transit systems. The projects include the $4.4 billion 2nd Avenue subway line; the $7.3 billion East Side Access project, which will carry train passengers from Long Island into a new station beneath Grand Central Terminal; the $2.1 billion extension of the No. 7 subway line on Manhattan’s West Side; and the $1.4 billion Fulton Street Transit Center, which connects multiple subway lines underneath a glittering new dome. Collectively, they are an example of something we don’t do enough of in this country: big, ambitious and expensive infrastructure projects, ones that change our worlds for the better. In their design and thoroughness, the New York mega-projects could have been bigger, longer and fancier. But that they are being built at all is progress.

We don’t do public works in this country as ambitiously or as comprehensively as we should. We don’t even do it as well as we used to. In comparison with other countries now, we lag even further behind, not only in size and scale but also in execution. Western Europe has recently built or is building a series of mega-projects that have few if any counterparts here. They include the Channel, the 31-mile train tunnel between England and France that opened in 1994; the Oresund Bridge between Denmark and Sweden (the longest in Europe), completed in 1999; the Gotthard rail tunnel, which will run 35 miles under the Alps and will be the longest of its kind when it opens in 2016; and many others.

Of course, that infrastructure-building is dwarfed by what’s happening in Asia, like the relatively new airport in Hong Kong that includes direct train service into the city, or China’s $62 billion South-to-North Water Diversion Project. We are still doing some big projects here. In its April issue, Governing named the five biggest projects under way now. But we could still do more.

Michael Horodniceanu, a dapper man in a bow tie who leads MTA Capital Construction, a division of the MTA that manages capital projects, acknowledges that he labors in an environment...
in which America as a country is not currently embracing infrastructure spending as much as it should.

“Everyone else is beating the crap out of us,” he says from his office overlooking Lower Manhattan. Even Great Britain, from which the United States derives its fragmented and incomplete approach to infrastructure, is pursuing several ambitious projects, says Horodniceanu. “We seem to have forgotten how to do this.” Of course, we should only spend money on public works projects that are intelligently and gracefully designed, and that fulfill a need, either known or anticipated. Just as the late Steve Jobs of Apple bragged that his company could create products people would love before they knew they needed them, great infrastructure can fulfill a need people didn’t know they had.

“You don’t know about demand until you build it,” says Robert “Buzz” Paaswell, who co-authored a study analyzing the New York mega-projects and is a distinguished professor of civil engineering at the City College in New York. “It’s been proven in Europe. High-speed rail has changed the geography there.”

Thanks to low interest rates caused by the ongoing financial crisis, coupled with the need for an economic jumpstart and construction companies in need of work (and able to work more cheaply), one would have thought this would be a perfect time for a massive renewal effort in this country. But after an initial spurt of money from Congress when President Obama took office, that hasn’t happened. The political forces have not been right for it. As the presidential race between Obama and former Massachusetts Gov. Mitt Romney heats up, as well as countless state and local elections, I hope that public works spending makes an appearance part of a decade-long slide in demand, according to Crair’s Chicago Business. While it’s not entirely clear why demand is dropping (condo developers continue to offer a space for every owner), there are some broad trends that indicate America’s love for cars—and spaces to park them—may have finally maxed out.

Young Americans no longer are as devoted to cars as their parents and grandparents once were. The average annual number of vehicle miles traveled by young people (ages 16-34) in the U.S. decreased by 23 percent between 2001 and 2009. It seems more Americans are commuting by public transit. It also seems Americans are buying fewer cars. Yes, auto sales have crept back up since 2008 to more than 14.4 million annually, but that’s still far below the annual average of nearly 17 million cars sold during the nine years leading up to the recession.

With Americans driving fewer cars and more commuters opting to bike, use public transit or telecommute, demand for parking will drop over time, predicts The Washington Post. Until that moment arrives, however, cities are beginning to look at new technologies that make it easier to find a parking spot in congested downtowns. So-called smart parking changes the price of a parking space based on demand. Smart parking is considered so promising that IBM, the Citi banking group and Streetline, a wireless software firm, have partnered to provide $25 million in financing to cities that plan to adopt the technology.

So what does a city do with a potential parking space surplus? Some have already begun to reconfigure streets so that what were once parking spaces are now bike lanes. On weekends, municipal parking lots in many cities become community farmers markets or sites for temporary events, such as a concert or craft show.

But if you think parking spaces and lots in cities will gradually disappear, think again. Eran Ben-Joseph, author of Rethinking a Lot: The Design and Culture of Parking, estimates there are 500 million surface-lot parking spaces in the U.S., covering an area that is larger than Puerto Rico. They are ugly, environmentally unfriendly, waste space and are very cheap to build. Just because we’re stuck with them, how- ever, doesn’t mean they can’t be “modest paradises,” Ben-Joseph writes. “Designed with conscious intent, parking lots could actually become significant public spaces, contributing as much to their communities as great boulevards, parks or plazas.”

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The New Black South

After nearly a century of moving north, African-Americans are moving back to the South and into the suburbs.
Anton and LaToya Alexander recently moved their growing family to the Dallas suburbs.

By Alan Greenblatt
Photographs by David Kidd
When Mark Wells moved to the Dallas area last year, he had plenty of company—and not just because his three sisters had settled there ahead of him. The Kansas native had lived for nearly 20 years in Southern California, building up his career in technology. But the state’s long run of double-digit unemployment finally convinced him to listen to his sisters and move to Texas.

He has no regrets. “I told my friends in California, ‘You got to get out of there,’” he says. “There are no jobs and the cost of living is outrageous.”

Whether or not Wells can convince his friends, he’s already part of a much larger trend. Plenty of other African-Americans have decided to move to the South in recent years. The 2010 Census was the first one in decades that showed more blacks living in the South than in the North. For most of the 20th century, blacks migrated out of the South en masse, finding new jobs and new lives in places like Detroit, Cleveland and Chicago. Now, the Great Migration has reversed. In the first decade of the 21st century, 75 percent of African-American population growth occurred south of the Mason-Dixon Line, the highest that number has been in decades. Meanwhile, states such as Michigan and Illinois saw absolute declines in their black populations.

The movement from north to south is only part of the story, however. African-Americans have also been leaving central cities for the suburbs. For decades, the terms “black” and “urban” were practically synonymous. But that’s no longer the case. As more and more African-Americans have joined the professional and middle classes, they have followed the path long taken by whites in similar circumstances, moving out of the central city and into the suburbs in pursuit of better schools, more plentiful jobs and more expansive housing. “One of the stories in the Census was the decline of urbanization among blacks, the movement of blacks to the suburbs,” says William Frey, a demographer at the Brookings Institution. “The city of Atlanta actually had a net decline in blacks from 2000 to 2010, even though the metro area led all others in black population gain.”

As in Atlanta, the north-to-south and city-to-suburb trends among blacks have been reshaping the face of the Dallas-Fort Worth Metroplex, which gained some 233,000 African-American residents between 2000 and 2010—the most of any metro area in the country, aside from Atlanta. Many of the former “white flight” suburbs south of Dallas now have populations that are majority black, or close to it. The faster-growing suburbs to the north are
still predominantly white, but black populations there have more than doubled. Throughout the area, there are numerous “firsts” in government office—first African-American mayors and district attorneys and assistant police chiefs. Aside from the political changes these population shifts are starting to bring about, there have been implications for a broad range of policy areas, including housing, education, transportation and public safety. While the suburbs may be turning into a mecca for the black middle class, parts of the city remain bleak centers of African-American life, racked by poverty and poor schools. Some of those parts are losing black population.

African-American growth around the Dallas area as a whole in recent years has been dwarfed by that of the Hispanic population. More than a decade ago, there was heated competition between the minority groups as they fought for representation on the Dallas City Council, which switched from white-dominated citywide elections to a district system. But for the most part, the two largest minority groups have been able to pursue their courses in Dallas without the kind of racial and political tensions that have arisen in other cities. Instead, they have managed in many locales to form coalitions to address issues of shared concern and to elect more politicians from both constituencies.

That's symbolized perhaps most strongly by the partnership between Craig Watkins, the African-American who is the criminal district attorney for Dallas County, and Lupe Valdez, the Hispanic sheriff. Their alliance has led to a wave of exoneration for individuals—most of them black—who'd essentially been railroaded by previous generations of white DAs and sheriffs. “You used to have people of color who would have to go to the Anglo community and acquiesce,” says Watkins. “Now, you see Anglos coming to the Hispanic and African-American communities to get the support they need in order to win elections.”

The story is not just political. Part of the power of African-Americans in the Dallas area comes not from their rising numbers but their growing prosperity. The Dallas black middle class has entered its virtuous cycle phase. Success is breeding more success, with newcomers not only emulating well established residents but also using them as a base for networking.

For African-Americans in Dallas, more of those professional networks are spreading out into the suburbs. “The fact that we’ve got majority-minority suburbs now has been sort of phenomenal,” says Rick Loessberg, Dallas County’s planning and development director. “It’s happened without the horror stories you heard 20 years ago in other places, where there’s been animosity and distrust. It’s the American dream as you would envision it to be.”

like many other American cities, Dallas has a racial history that was often shameful. Between 1840 and 1860, every free person of color had been driven out of Dallas County; for fear they might fan insurrectionist flames among the local slaves. When an actual fire broke out in 1866, three slaves were framed and chosen to be hanged as punishment, while each one of the 1,071 slaves in the county was whipped.

A century later, things remained grim. During the 1940s, blacks who moved into white neighborhoods in South Dallas were met with bombs. The mayor himself, Robert L. Thornton, had been a member of the Ku Klux Klan. (One of the city’s major freeways is named after him.) In 1960, African-Americans and Hispanics earned roughly one-fourth the wages of Anglos in Dallas and were twice as likely to be unemployed, according to White Metropolis, Michael Phillips’ history of race in the city.

But Dallas was able to take at least symbolic steps toward desegregation more rapidly than much of the Deep South. A mix of industries—cotton, oil, banking, technology and aviation—experienced postwar booms that brought in executives from around the country who lacked Southern ties and attitudes. The continuing influx of people from the North and Midwest, along with the region’s deepening ties to the global economy, led Dallas to take a more conciliatory approach to race relations than some of its regional neighbors.

Today, younger African-Americans, a generation or two removed from the civil rights era, have built on the educational and professional opportunities that have long since opened up to them. Many have been able to share in the prosperity that comes with an area planning host to 19 of the nation’s 500 largest companies. The Dallas-Fort Worth area—pockets of which saw growth even during the trough of the recession—has been good to entre-
preneurs, too. According to Census data released last year, the number of black-owned businesses doubled between 2002 and 2007, with sales increasing 38 percent to $3 billion.

“Dallas is the only place I’ve been in my life where, if you have a skill and a strong work ethic and don’t think you know everything, you can really make it,” says Terry K. Ray, an attorney who lived in several Northern and Midwestern cities before moving to a Dallas suburb. “You can really make it here, without regard, in my opinion, to race or where you’ve been or where you’re from.”

Ray lives in DeSoto, a suburb just south of Dallas that used to be where white people went when they wanted to leave the city and its black residents behind. In recent years, it’s become a magnet for the aspiring African-American middle class that is leaving Dallas proper. “Nationally we’re seeing a strong growth in middle class African-Americans, and coming with increased economic resources comes the desire to have more space you can call your own,” says Steve Murdock, a former Census director who now runs the Center for the Study of Texas at Rice University.

The properties in Ray’s section of DeSoto are so large that some of his neighbors use golf carts to take their trash out to the curb. Not all the city is so grand. But the wave of wealthy athletes and business owners who were among the first African-Americans to break down the color barriers in DeSoto have since been followed by doctors, police officers and teachers.

Roughly half the city’s residents are black, and DeSoto has its first African-American mayor, Carl Sherman. Race remains the 800-pound gorilla in the room. Sherman himself concedes that there are still some people in what others describe as “the lighter-skinned community” who fail to grant him the same authority that his predecessors received as a matter of course. One locally produced video linked him to Hitler.

Conversely, many African-Americans express some impatience with the rate of political change in a city where the demographic shift has been so rapid. “There are expectations that my fellow African-Americans have that are unrealistic,” Sherman says. “They expect that all injustices or unfair practices will just be eradicated or eliminated overnight.”

But in DeSoto and some other Dallas suburbs such as Garland, segregation is occurring not along racial lines but according to class, says B.F. Williams, a former official with the National Association for the Advancement of Colored People who gave up his post to run for the Garland City Council. “We don’t have an enclave of professional class African-Americans,” he says. “African-Americans in Garland are spread out among the city.”

A generation ago, less than 10 percent of Garland’s population was made up of minorities. Today, blacks alone make up about 15 percent of the population, while Asians account for another 11 percent. Roughly 40 percent of the suburb, which is just east of Dallas, is now Hispanic. On a recent Saturday night, an upscale African-American bride and groom posed for pictures along with their orange-clad bridesmaids at an atrium directly across from City Hall, while in the theater next door an equally colorfully clad Indian dance troupe performed for a full house.

Consultation between City Hall and Garland’s various ethnic groups has been formal and constant. Together, they’ve helped diffuse tensions following controversial incidents involving police, while putting continued pressure on the school district to try to erase achievement gaps that are a lingering reminder of its segregated past.

With 15 percent of the population, blacks in Garland recognized that they couldn’t elect citywide officials on their own, Williams says. But blacks and Hispanics together helped elect Ronald Jones...
as Garland’s first African-American mayor in 2007. “Back then, this was front-page news,” says Jones. He won re-election last year without opposition. “People understand where there’s political power by those who sit in the seat of government, there’s probably going to be greater opportunity,” he says.

Changes in demographics have changed politics throughout Dallas County. In 2010, Democrats won their first majority on the County Commissioners Court in nearly 30 years, while Gov. Rick Perry lost the county by 12 percentage points even while winning re-election handily. “Of 254 counties in this state, Dallas County is the only blue county,” says John Wiley Price, a longtime county commissioner. (Travis County around Austin, as well as some Houston suburbs, also vote reliably Democratic.) “The rest of the state is beet red.”

As African-Americans are moving to the suburbs around Dallas, whites are moving farther out. Dallas County lost about 200,000 white residents in the last Census, or 20 percent of the total. Other groups made up for the loss in sheer numbers, but much of the growth, not just in population but in terms of jobs and tax base, has shifted to exurbs and the old cotton counties to the north.

Prosperous blacks are heading north of the city, too. While Collin County’s white population grew by 32 percent in the last Census, its African-American population skyrocketed by 178 percent. “If you look at Collin County and other areas that have traditionally not been recipients of African-American migrants, that certainly has changed this past decade,” says Murdock, the Rice sociologist.

Many who celebrate the success African-Americans are enjoying in the area nonetheless worry that there’s a price being paid in the center city. Even as the gleaming Dallas arts district has provided a showcase for renowned architects such as I.M. Pei and Renzo Piano, the city has neglected its neighborhood streets, parks and pools. The city as a whole has a backlog of $10 billion worth of infrastructure needs, says Price, the county commissioner. “The rest of the state is beet red.”

In Dallas and elsewhere, a smaller percentage of African-Americans live in poverty today than a generation ago. But poor blacks tend to be worse off than low-income people in other racial groups. A recent Center for American Progress report found that blacks are still twice as likely as whites to be unemployed (the number for Hispanics is 50 percent higher than for Anglos), while those who are working earn considerably less than whites or Asians.

Some suburban African-Americans around Dallas will admit that they’ve left the city for all the same reasons that whites left a
generation ago. It’s a list that includes not just better schools and housing and proximity to job markets, but the desire to get away from inner-city crime and to enjoy the amenities that come with living among lighter-skinned people.

On a blue-sky afternoon in Irving, which lies between Dallas and Fort Worth, most of the people enjoying the park in an upscale neighborhood called Valley Ranch are African-American, pushing their kids on the swings or hosting a cowboy-themed birthday party in a pavilion. At nearby Riverchase Golf Club, about a fifth of the golfers waiting their turn at the first tee are black.

“A lot of people of color, just like anyone else who has the resources, they move to where the schools are,” says Watkins, the district attorney who grew up in Dallas but now lives in DeSoto. “When you have kids, you want a yard and safety and peace and quiet and a good school system and a grocery store where you can shop without being panhandled.”

For African-Americans who dream of a safe, suburban life, the Dallas area has become a prime destination. Individuals who are educated and looking for a place to use their skills find a strong structure already in place, Watkins says. African-Americans who are ensconced in the corporate and civic culture are able to hire more African-Americans, while banks have grown increasingly willing to invest in black entrepreneurs looking to do business in largely black areas. “There’s a community feeling even if you aren’t from the area,” says Alicia Newburn, a loan counselor who decided to move to suburban Irving after graduating last year from the University of Missouri. “Through networking, I found a job really quickly. People are definitely willing to help.”

While Atlanta remains the destination of choice for many African-Americans moving south out of cities such as New York and Philadelphia, Dallas is attracting more than its share of transplants from California, parts of the Midwest and Southern states such as Louisiana, Arkansas and Tennessee. The attractions are obvious—a diverse job base, an economy that weathered the recession better than nearly anywhere else in the country and plentiful, comparatively cheap housing. “This is the land of land,” says Meredith Capleton, a management consultant who recently moved to DeSoto. “We have a lot to offer people, and there’s a lot of social networking.”

It’s not hard to find transplants nostalgic for places they’ve left behind. Some miss the smell of the ocean or the cuisine back home or weather that’s not almost constantly set on broil. Many admit longing for livelier street cultures, living now in an area of endless corridors of glass office towers and interstate overpasses. But you don’t hear many newcomers talk about moving back.

“No neighborhood is perfect,” says Ray, the attorney with the big brick house in DeSoto. “But if I had all the money in the world and you asked me where I wanted to live, I would say this place.”

Email alangreenblatt@yahoo.com

“This is the land of land,” says Meredith Capleton, a management consultant. “We have a lot to offer people and through a lot of social networking.”

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7000 high school students drop out every school day.
That's a stack of desks 12 Empire State Buildings high.

Visit boostup.org and help keep students in school.
The greatest public universities in America are at a tipping point.

By Peter A. Harkness
olden Thorp is perfectly positioned. As the sur- 
prisingly young chancellor of the University of 
North Carolina (UNC) at Chapel Hill, Thorp's 
office is adjacent to the Old Well, the symbolic 
heart of this highly respected state research 
university, which many regard as the birthplace 
of public higher education more than two cen- 
turies ago.

He is of the place, having grown up in Fayetteville and gradu- 
ated with honors from UNC in science in 1986, before going on to 
the California Institute of Technology to earn a Ph.D. in chemistry 
and then on to Yale for more post-graduate work. He returned to 
UNC in 1993 to teach chemistry, became the department's chair, 
then the dean of Arts and Sciences and, four years ago at the age of 
48, was named chancellor. Along the way, he founded a company 
that now develops drugs for fungal infections and prostate 
cancer, and co-authored a book about entrepreneurship and inno-
vation in a university.

In other words, Thorp is a blazing star in the academic firma- 
ment. He presides over a campus of almost 30,000 students and 
2,000 faculty and staff—a small city with a $24 billion budget in a 
metro area called the Research Triangle. The area is currently the 
fastest-growing in the nation, in large part because of its mega-
universities—UNC, Duke and North Carolina State. The UNC 
faculty last year brought in around $800 million in research con-
tracts and grants. Private donations reached their second highest 
level ever of more than $300 million, including pledges and gifts.

Last fall, the university enrolled some 4,000 first-year stu-
dents from a record of 24,000 applicants, 80 percent of whom 
graduated in the top 10 percent of their high school class. Eight-
teen percent were first-generation college students; another 12 
percent were eligible for the Carolina Covenant, which prom-
ises qualified low-income students the chance to graduate debt 
free. For the 11th straight year, UNC has been rated as the best 
university in the nation by Kiplinger’s Personal Finance magazine, as 
well as The Princeton Review’s list of the “2012 Best Value Colleges.”

That’s the good news. But these days Thorp is in a diffi cult 
position, as are most of his colleagues in other states. Public fund-
ing has been severely reduced over the years as demands on state 
support systems have grown. Since 2008, the university’s state aid has been cut by about $230 million, and the campus is feeling the full brunt of it. Class 
sizes have been expanding, 56 class sections have been dropped 
and, in a state where there is a severe shortage of nurses, admis-
sions to the undergraduate class in the nursing school have been 
reduced by 25 percent. Salaries have been frozen for three years. 

Ironically, as funding has declined, enrollment rates have 
been increasing, especially in recent years. In the last decade, the 
full-time enrollment in public colleges and universities surged 
by about one-third. This year, almost 60 percent of Americans 
ages 18 to 24 were enrolled in the higher education system. So 
with state appropriations dropping and enrollments expanding, 
the amount of money supporting the average full-time student 
plummeted in the past decade by 23 percent after rising modestly 
during the 1980s and 1990s.

The severe drop in state funding is being exacerbated by the 
Great Recession, for sure, but it is part of a longer trend. Collect-
ively, states spent $90 billion on their public universities in fiscal 
2009, accounting for about 30 percent of total revenue, according 
to Moody’s Investors Service. That is down from a 50 percent share 
two decades ago, and it is continuing to drop. When the crunch 
comes in state legislatures, higher education makes an easier target 
because it’s assumed that the colleges and universities, especially 
the flagship programs, have more flexibility—shifting costs to students, 
increasing class sizes, changing the curriculum, attracting private 
funding, managing more efficiently—than what the local public 
schools can do. This is shared with the public schools in the 
state’s K-12 system.

The large flagship schools have suffered most, but so have 
whole state systems. They include institutions that carry out 
the key recommendations prepared by Bain & Co., the private 
consulting firm that did a thorough analysis of the campus oper-
ating structure and how to make this complex organization more 
efficient. The program is expected to result in reductions of some 
$50 million in expenses over time.

So in February, the inevitable tuition increase was approved by 
UNC’s 16-campus system board of governors—a 9 percent for 
in-state students (to $78683) and 5.9 percent (to $288,435) for out-
of-state students. There will be somewhat smaller increases next 
year, but what happens beyond that is unclear.

It is a delicate balance because the university prides itself on 
its affordable price, on its commitment to low-income students 
across the state and the diversity in its student body.

“I’m not sure where this will go,” Thorp candidly told a recent 
meeting of the alumni board. (Full disclosure: I’m a board mem-
ber.) “It’s hard to imagine doing what some other schools are 
doing, but don’t want to. Look at our peers, see what happens. 
As you raise tuition, the culture among undergraduates really 
changes. [It] becomes more like a private university. It creates 
more pressure on students to go into high-income jobs—not as 
nurses or social workers or museum directors.”

What is going on in Chapel Hill reflects a strong 
national trend.

The rate of decline in most states for funding 
their university systems is stunning. Currently, 
states are spending 20 percent less in inflation-
adjusted dollars on higher education than a decade ago. According 
to the annual Grapevine study conducted by Illinois State Uni-
iversity and the State Higher Education Executive Officers, state 
appropriations for higher education declined by 76 percent this 
past year—the largest annual decline in at least half a century. A 
five-year drop in state support has left funding levels for higher 
education lower in 29 states than it was in 2006-07.

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The large flagship schools have suffered most, but so have 
whole state systems. They include institutions that carry out
massive amounts of research across a wide array of disciplines, research that often kindles economic development, creates whole new industries and generates jobs. Collectively, they educate around 80 percent of the nation’s college students.

Bob Campbell, who is vice chairman of the consulting firm Deloitte and who serves on two university boards, provides context: Higher education, he says, “may have some parallels with a few other industries which drift along for quite a period of time with business models which have become obsolete, but do not transform until some tipping point is reached.” He thinks that “one of the greater overriding issues is lack of strategic focus. In other words, virtually every institution is trying to do everything for everybody. It is not clear at all that we can afford that. I believe we will see a push for more consolidation, greater shared services and expanded e-learning.”

Today, public higher education seems to have reached that tipping point. Nowhere is that more apparent than in California, which accounts for one in seven dollars spent by the states on higher education nationally. This past year, the Legislature cut appropriations for all higher education by $1.5 billion, or almost 12 percent. The situation is so bad that California State University officials announced in March that they had decided to freeze enrollment at most of the system’s 23 campuses until the results of a November referendum on raising taxes are known. In the meantime, every applicant will be wait-listed. Usually about 70,000 students apply each spring; in the fall, it is 10 times that. If the referendum is defeated, enrollment will be cut by at least 20,000 students.

The separate 10-campus University of California (UC) system has not frozen enrollment, but failure of the referendum almost certainly will lead to reductions in the number of students allowed in and even more hikes in tuition, which already has doubled in the past six years. UC-Berkeley, the system’s flagship and arguably the most outstanding public research university in the country, is suffering. State aid as a share of total revenues has plummeted from 47 percent two decades ago to 11 percent.

In fact a year ago, UC-Berkeley became the first public university to join the elite “$50K club” of the 100 highest priced schools, all costing more than $50,000 for tuition, fees, room and board. Berkeley’s charge of $50,649 applied only to out-of-state students, as opposed to about $28,000 for in-state, but if current trends continue that charge will apply to a larger percentage of the student body as the university seeks more tuition revenue.

The Golden State hardly is alone. The tipping point is prompting very different reactions in many states. The differences say a lot about state traditions, values, demographics and politics.

In Florida, state spending on higher education has dropped by almost one-quarter in just four years, and the state’s 11 public schools have raised their tuitions by 15 percent in every one of those years.

Colorado is a relatively small state in population—about 5 million residents. So it’s hard to run a university that can be “everything for everybody” as Deloitte’s Campbell put it. With less than 7 percent investment from the state, the University of Colorado at Boulder’s strategy as a constitutionally chartered school in a semi-private reality is to raise a lot of private money, increase tuition, depend more on out-of-state students and cut programs. The university regents voted five to four last year to close its journalism school.

The University of Washington in Seattle has another strategy, having a lot to do with its geography. The university is admitting so many foreign students, most of them from China, that those students are subsidizing one-quarter of

\[\text{GOVERNING} \quad 35\]
A historic collapse in state funding for higher education is threatening the very existence of public universities and their mission as engines of upward social mobility. These charts show key trends in the mixture of funding sources for public universities. State appropriations in the past five years (bottom) have fallen an average of 12.5 percent, with only a handful of smaller states seeing increases. Tuition as a percentage of total revenues has doubled in the past three decades (below). And a comparison of the strategies being pursued by two flagship research schools (right) shows the University of North Carolina’s increasing reliance on research grants and state funding, contrasted with the University of Virginia’s decision to move toward privatization by increasing tuition income.

**Net Tuition as a Percentage of Public Higher Education Total Revenue**

23.0% 22.5% 22.0% 21.5% 21.0% 5 year

**Change in Appropriations per Full-Time Enrollee, FY 2006-2011**

The majority of states have cut funding for public higher education operating expenses over the past six years. Figures include state and local appropriations and American Recovery and Reinvestment Act funds, but exclude money for independent institutions and student financial aid for independent institutions, hospitals, medical education and research. Totals are constant-adjusted 2011 dollars.

**Unc-Chapel Hill: Historical Funding Sources, 1989-2011**

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**University of Virginia: Historical Funding Sources, 1989-2011**

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How can you preserve some degree of equity in admissions, since for growing revenue while maintaining academic standards? How to preserve the integrity and reputation of their flagship so “we’ve got to pursue other means of sustaining ourselves.”

The current total cost including tuition, fees, room and board is $44,854. The out-of-state figure may be pushing the limit, so for in-state students it is $22,024; for out-of-state students, it is $60,000 at last count is now six times what it was four years ago, and they all are paying a premium for tuition.

The University of Michigan’s flagship in Ann Arbor has served as a bright beacon of success in a state ravaged by the decline in manufacturing in recent years. The state now contributes only about 2 percent to its revenues and its undergraduate and graduate student body are from out of state, paying around $35,000 in tuition—or three times what in-state students pay. The results of the school’s changing demographics are predictable. One measure of economic diversity of a campus is the percentage of students who receive Federal Pell Grants. In Ann Arbor, it’s about 12 percent, as compared to roughly 30 percent of students at UCLA or UC-Berkeley.

Last year, the University of Wisconsin-Madison, facing $250 million in cuts in Gov. Scott Walker’s budget, made an abortive attempt to separate the flagship school from the rest of the university system. It caused such a kerfuffle that the chancellor left to take a job as president of Amherst College. Only months later, the president of the University of Oregon was dismissed by the State Board of Education after he pushed aggressively for more autonomy for his school.

What the universities in Wisconsin and Oregon were seeking had been achieved seven years earlier in Virginia by the state’s three elite schools—the University of Virginia (UVA), the College of William & Mary and Virginia Tech. They in effect accepted lower funding levels from the state in return for more flexibility in running their institutions. So now, the state covers a little more than 7 percent of the costs at UVA. Funding levels at the other two campuses have dropped as well, but more modestly.

Leaders in both Virginia’s Legislature and university system shy away from the term “privatization,” preferring to call it “restructuring.” When the new arrangement was finalized, the university embarked on an ambitious $3 billion fundraising drive, which was largely successful despite the recession. The other part of the strategy is evident at the College of William & Mary and Virginia Tech. They in effect accepted lower funding levels from the state in return for more flexibility in running their institutions. So now, the state covers a little more than 7 percent of the costs at UVA. Funding levels at the other two campuses have dropped as well, but more modestly.

The academic underpinnings for that critical view come most prominently from Richard Vedder, a self-described “dyed-in-the-wool conservative” who is a retired economics professor from Ohio University and director of the Center for College Affordability and Productivity. His message is that state support for higher education is falling fast, so the schools are being forced to privatize, which is a good thing. “I’m increasingly thinking the government should get out of the business of higher education,” he has said, noting in his blog that the “prestigious state universities that are the pride and joy of American public higher education have largely lost sight of the mission to serve the poor residents of their state.” He cited the University of Virginia as an example of a public school with student demographics that now match those of Princeton or Yale. Virginia and the universities of Colorado and Michigan are his “prime cases for privatization.”

Not all the criticism is ideological. Early last year, the University of Chicago Press released Academically Adrift: Limited Learning on College Campuses, a book full of data and analyses from student surveys concluding that substantial percentages of students are not learning much in college. For many undergraduates, the study asserts, “drifting through college without a clear sense of purpose is readily apparent.” The main reason for the poor showing? A lack of rigor. Too many courses do not demand much reading, writing or studying, and the students in those courses show the least progress in critical thinking, complex reasoning and writing skills. Federal mandates on testing or curriculum rarely work, it concludes. Colleges have to stop just enrolling, retaining and graduating students, and concentrate on educating them.

This year, another influential critique was published. We’ve Lost Our Minds: Rethinking American Higher Education by a retired economics professor from Ohio University and director of the Center for College Affordability and Productivity.

Financial aid is limited and a growing share of out-of-state and foreign incoming students are able to pay considerably more. The answers can be difficult, in large part because they often collide with traditional institutional values.
Who knows, they may appoint you Secretary of Efficiency and Convenience.

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The University of North Carolina’s Thorp takes much of the criticism contained in these two books seriously. It’s true, he says, that the metrics used in higher education often are based on quality of inputs and outputs rather than outcomes. “A large number of students are not defined by academic work, and higher ed needs to face up to that.”

The problem, he says, is that “we are not creating enough of an immersive academic experience. The performing arts probably are doing the best job of this. Scientists can achieve it. We need more of that from everyone.”

Thorp has the kind of strategic focus that Deloitte’s Campbell spoke of. He sees four points to concentrate on: First, examine the quality of how we’re teaching, and what is the purpose of undergraduate education? Second, take a hard look at our financial aid system to make sure it’s aiding those who need it most. Third, control our costs as best we can. And in research, make sure what we are studying is optimized. Are we solving problems?

He does not buy the prediction from some critics like Vedder that the entire public higher education system will look very different in 10 or 15 years. The flagship universities will “all still be there,” he thinks. But administrators still have to face up to the idea that students are not getting everything they should. To his way of thinking, the classroom experience is important—if it’s close and personal. Otherwise, it can be done online. “If losing the immersive nature of residential undergraduate education isn’t that important, then you’re not giving anything up by taking classes online.”

Thorp agrees that the continued “privatization” of universities like Berkeley, Michigan and Virginia probably will continue, but adds, “My objective is to avoid that, and UNC is in a good position to avoid it. The California schools used to look just like us only five years ago. Now they’ve had significant increases in tuition and still have lots of problems. Are we sure the only way to go is by raising tuitions and adding more out-of-state students? We’ll try some of that, but there’s no magic bullet.”

The current syndrome, he says, is that there always is a group of students in pursuit of the “prestigious universities and are willing to pay for it. So these schools can continue on. Most other schools are aspiring to be in that group. They all can continue to do things that way, and others will follow.” At what point, he asks, “does a school like UNC say, ‘We’re not going to do this anymore, we’re going to get off the merry-go-round?’”

The answer is unclear, but Thorp is undaunted. “This is an exciting time in higher ed,” he says, “a great time to be in my job.”

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Can universal health care work without an individual mandate? Ask the states that have been answering that question for 20 years.

By John Buntin
When it comes to President Obama’s signature health-care reform legislation, he and the 26 states suing to overturn it have more in common than you might think. Both sides agree it won’t work without an individual mandate.

The individual mandate, of course, is the provision of the Patient Protection and Affordable Care Act (ACA) that requires most Americans who do not have health insurance to purchase it—or face financial penalties. It is the most recognized provision of the ACA and the least popular: Polling consistently shows that a majority of Americans believe the provision is unconstitutional. Paul Clement, the solicitor general under George W. Bush and the lead plaintiff for the states in this case, has described the mandate as an unprecedented—and unconstitutional—attempt by Congress to create commerce in order to regulate it. Judging by the questioning Solicitor General Donald Verrilli faced during oral arguments before the Supreme Court earlier this year, many of the justices seem to agree.

But Clement and the states arguing against the ACA don’t base their case against health reform on purely constitutional grounds. They also make a policy argument that the individual mandate is so central to the ACA as a whole that it cannot be “severed” from the rest of the legislation. “If the individual mandate is unconstitutional, then the rest of the act cannot stand,” Clement said in court. Upholding the legislation’s other provisions without the mandate, he continued, “would actually counteract Congress’ basic goal of providing patient protection but also affordable care.”

While the Obama administration rejects the plaintiffs’ constitutional critique, it largely accepts this policy argument. Deputy Solicitor General Edwin Kneedler, arguing on behalf of the Obama administration, said that if the court does strike down the individual mandate, he and the 26 states suing to overturn it “are going to have more in common than you might think. Both sides agree it won’t work without an individual mandate.”

The health insurance industry worked hard to convince Congress and the Obama administration that community rating without a mandatory purchase provision was unworkable. While the Supreme Court deliberates various legal theories and constitutional arguments, the states have some real-world experience on the workability question. During the early 1990s, a handful of states attempted to implement variations of community rating with guaranteed issue without instituting an individual mandate. The most ambitious attempt to do so was made by New York. Its experience has much light to shed on understanding how community rating with guaranteed issue works—or whether it works at all.

Health policy experts, when they talk about the ACA, tend to focus on things like Medicaid expansion and health insurance exchanges. But the ACA is also the most momentous act of insurance market reform since the passage of the Health Insurance Portability and Accountability Act (HIPAA) back in 1996. It essentially eliminates medical underwriting in the individual health insurance market—that is, using an applicant’s medical or health information to determine whether to offer or deny coverage and what premium to set. It replaces that practice with community rating, which requires health insurers to calculate premiums by assessing the risks faced by an entire community rather than a specific individual. It also includes provisions for guaranteed issue, which require insurers to cover everyone.

“This is a sea change,” says Kansas Insurance Commissioner Sandy Praeger, who heads the National Association of Insurance Commissioners’ Health Insurance and Managed Care Committee. But community rating and guaranteed issue, Praeger points out, can be a problematic combination. Healthy individuals who didn’t want to pay insurance premiums could choose to go without health insurance until they needed it and then purchase a policy before anticipated medical costs.

The health insurance industry worked hard to convince Congress and the administration that community rating without a mandatory purchase provision was unworkable. That is the issue at the crux of the Supreme Court argument. And yet, while the court deliberates, it might want to note that one state embraced full community rating with guaranteed issue—without enacting an individual mandate.

That state was New York. In April 1993, the Legislature passed and Gov. George Pataki signed the nation’s most sweeping community rating with guaranteed issue law. The law was born largely of Empire Blue Cross and Blue Shield’s (BCBS) troubles. For decades, Empire BCBS, like many other Blues, had enjoyed a semi-monopolistic position that allowed it to pool risks. By the early 1990s, however, other insurers had begun to underwrite more aggressively, allowing them to offer healthier New Yorkers lower rates. That was great—for healthier residents. But it was a problem for Empire BCBS and for sicker patients, as well as for the growing categories of businesses and people who, as Empire BCBS pulled back certain products, could no longer find affordable insurance.

“It was a time when people were becoming aware of what underwriting meant,” says Peter Newell, executive director of the New York State Assembly Committee on Insurance and staff director for Assembly member Pete Grimm at the time.
“Lists starting floating around with the criteria for health insurers: Don’t cover people who work at beauty salons, don’t cover people at architecture firms or landscaping companies. It was an eye-opener for a lot of people,” says Newell. People with chronic illnesses, particularly AIDS, were also shut out of the market.

“It became apparent to me that you can’t have the two systems running side by side,” says Newell. “If you have one group that community rates and one that underwrites, it’s not sustainable over the long term.”

The Legislature faced a choice. It could either make commercial insurers act more like the Blues by instituting community rating or it could let Empire BCBS act more like commercial insurers and deal with the consequences of that by setting up a high-risk pool, paid for by the state.

“As a practical matter,” says Newell, “people had no confidence that the high-risk pools would receive the support they needed to be affordable.” So the state opted for full community rating with guaranteed issue, along with two risk-adjustment pools—one based on demographic information (such as age and location) and the other to compensate insurers for high-cost conditions (such as HIV/AIDS).

The insurance industry warned that premiums would skyrocket. Initial results seemed to bear out their warnings: 40 percent of individual policyholders saw their premiums increase by 20 percent or more, with rates for the youngest, healthiest part of individual policyholders saw their premiums increase by 20 percent or more, with rates for the youngest, healthiest people jumping the most. Some older, higher-risk recipients saw their premiums decline but the number of people who benefited was much smaller than had been hoped. A similar though less dramatic dynamic played out in the small group market. Individuals and small groups alike rushed to less expensive HMOs.

In an attempt to stabilize rate increases, the state passed legislation in 1995 that required HMOs to offer standardized plans. The hope was that forcing insurers to offer similar plans would force them to compete on the basis of price and quality rather than by offering different features that would appeal to different consumers. The results of this action were mixed. By 2000, many observers described New York’s reforms as disappointing at best and, at worst, a failure.

Then, in 2002, John DiNardo and Thomas Buchmueller took another look at New York’s situation. This time, they compared New York’s experiences to two neighboring states, Pennsylvania and Connecticut. Connecticut had enacted a milder version of New York’s reforms; Pennsylvania had made no regulatory changes. That made them natural control groups for New York.

When they expanded their analysis to those two states, DiNardo and Buchmueller made a surprising discovery. The small group markets in Pennsylvania and Connecticut had deteriorated sharply too. That suggested that the changes observed in New York had less to do with the state’s new community rating with guaranteed issue law and more to do with broader trends in health spending. “Contrary to the ‘worst case’ scenarios depicted by the insurance industry and other critics of reform, there is no evidence that the reforms led to a significant increase in the number of uninsured individuals,” the authors concluded.

That’s not to say that all is well in New York’s individual health insurance market. It’s not. The individual insurance market has almost vanished, leaving residents with health issues who don’t qualify for public programs in a perilous position. Cost sharing is rising, benefits are being cut. A recent report by the United Hospital Fund concluded that New York’s 1993 community rating with guaranteed issue law “has weathered well for small employers and Healthy New York subscribers, but is badly broken for direct purchasers.” In other words, if the question is whether New York’s reforms expanded health insurance coverage and made it more affordable, the answer is clearly no.

But Newell says that’s not the right question. “That is how it is often evaluated, as a universal coverage system,” he notes. “But no one involved had that as a goal.” New York was trying to respond to other specific problems, specifically people with chronic illnesses who couldn’t get insurance and small businesses that were shut out of the market. Newell believes that by the measure, the state’s decision to embrace community rating was a reasonable one, despite the problems that have ensued.

Any state attempt to address market failures requires “constant attention and action,” Newell says. Without it, things can quickly go wrong. “This March, the health insurance industry released a survey of eight states that had experimented with community rating, including New...
York. Conducted by the actuarial and consulting firm Milliman, the study describes these experiments as an uninterrupted failure. “Often, insurance companies chose to stop selling individual insurance in the market after reforms were enacted,” the report found. “Enrollment in individual insurance also tended to decrease, and premium rates tended to increase, sometimes dramatically.” States such as Kentucky and Washington have implemented community rating only to pull back when faced with adverse consequences.

To all of the states that have tried market reforms without having everyone participate in the pool,” says Karen Ignagni, president and chief executive of America’s Health Insurance Plans, the industry lobbying group, “what they found was that the younger and healthier people didn’t participate or left the pool, the older and sicker remained, the cost spiraled up and there was a complete breakdown in the insurance market.”

A 2007 study by economists Mark Pauly of the University of Pennsylvania’s Wharton School and Bradley Herring of Johns Hopkins’ Bloomberg School of Public Health, however, suggests that may have more to do with bungled implementation than some fatal flaw inherent in community rating. Pauly and Herring took a broad look at the effect of state efforts to limit medical underwriting and risk rating on premiums. They found that implementing community rating with guaranteed issue does increase average premiums and cause some low-risk customers to exit the market. However, they also concluded that “premiums don’t rise by so much that they drive all the low-risk people out and start this death spiral that insurers worry about.”

There’s also an upside: Community rating expands access for higher-risk patients. Importantly, both effects are modest. According to Pauly and Herring, regulations reduced the overall proportion of eligible people in the individual market by about 7 percent, while expanding access to insurance by higher-risk people slightly.

Pauly’s no fan of community rating; he prefers risk-related premiums, that is, premiums based on medical underwriting. He also strongly supports the rationale for a mandate. In fact, he was one of the leading Republican advocates of a mandate in the late 1980s and early 1990s, “a real one,” he notes, with penalties for people who didn’t buy insurance equal to the premium they’d otherwise pay.

But he rejects the idea that community rating without an individual mandate is inherently unworkable. “Community rating without a mandate, contrary to what you might have heard, doesn’t necessarily mean the insurance market disappears,” Pauly says. “At least some states have been able to make markets function with community rating.”

There are other reasons to believe that the ACA would function, albeit not as efficiently, without a mandate. One is that the individual mandate is actually rather weak. If consumers are rational, many will choose to incur hundreds of dollars in fines rather than thousands of dollars in premiums. The other reason is the ACA’s generous subsidies. “Even if the community rating premium is 20 to 25 percent higher than the risk-rated premium,” Pauly notes, “if low-income people get a 75 percent subsidy, then I am still ahead buying insurance. As long as the subsidy percentage is higher than the mark-up on the premium, it will still make sense” to buy health insurance.

A recent estimate by John Shels and Randall Haught of the Lewin Group suggested that without a mandate, premiums in the individual market would rise by 12.6 percent, causing 7.8 million people to lose coverage. However, because of the ACA’s Medicare aid expansion and the federal subsidies for insurance (up to 400 percent of the federal poverty level), some 23 million people who previously lacked health insurance would nonetheless gain it.

A Supreme Court decision to strike down the mandate would present states with the challenge of minimizing free riders and adverse selection. But many economists and state officials say that’s a challenge policymakers could meet.

“I’m not as concerned about the individual mandate,” says NAIC’s Praeger, an elected Republican who has spoken out in favor of the ACA. Praeger points out that Medicare penalizes people if they don’t buy in when they are first eligible—they pay 10 percent more. With prescription drugs, it’s 1 percent more for every month a person delays. “States control their own markets. States can do these things absent effective federal requirements,” he says. She notes that states “could put in a hard and fast enrollment period so that you would be rolling the dice if you decided not to buy insurance.” Similarly, states could make it more punitive for non-bayers: If you don’t buy insurance when you’re eligible you could face medical underwriting for a period of time.

“What that does is make it a choice,” Praeger says. “You decide how much you are going to risk. I think the individual responsibility aspect is important.”

There’s another argument to make about health insurance reform without a requirement for uninsured individuals to buy coverage. “If you don’t have a mandate and the rest of the law stays intact, then the onus is really on the state and these exchanges to do a lot of very good marketing,” says Kathy Schwartz, a health economist at Harvard’s School of Public Health who has studied state experiences with community rating. “If we went that route, you can well imagine the individual mandate not being necessary.”
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As Chicago Alderman Howard B. Brookins sees it, Walmart isn’t perfect, but at a time when unemployment in the city still hovers around 10 percent, it makes sense to embrace the world’s largest—and perhaps most controversial—retailer. “People can no longer say that not having a job is better than working at Walmart,” says Brookins, whose support for the store has made him a political target of some of the city’s labor unions.

Walmart opened its first Chicago store less than six years ago. Today, it’s up to five stores, having just opened one in the city’s West Chatham neighborhood in Brookins’ ward. Construction is slated to begin this summer on a sixth store in the East Lakeview neighborhood, and another three Chicago stores are in the works. The company hopes to eventually have dozens of stores throughout the Windy City.

Walmart, one of the most recognizable symbols of modern suburbia, is going urban.

In addition to its push in Chicago, the store is expanding its footprint in Atlanta. It’s hoping to enter New York City and Boston for the first time. And in perhaps its most aggressive move, Walmart last year announced plans for six stores within Washington, D.C., a city that currently doesn’t have any. Walmart isn’t the only store that’s expanding into central cities. In recent years, Target, Best Buy and Home Depot, among others, have been turning their focus to urban markets, which for political reasons (like labor opposition) and more practical concerns (like tighter land-use regulations) have posed a challenge for the big-box market in the past.

BY RYAN HOLEYWELL

A development near Washington, D.C.’s Fort Totten Metro station is one of six Walmarts planned for the city. Unlike typical Walmarts, the project includes retail stores and more than 350 apartments.
But times have changed. The country’s largest retailers have oversaturated rural and suburban America, and companies view urban centers as huge, largely untapped markets. Meanwhile, cities are desperate for the property and sales tax revenue the stores can generate, not to mention the jobs they’ll create and the access to fresh food they can provide at a time when the issue of food deserts has become a national concern. To be sure, there’s no lack of opposition to the big-boxification of cities. Most recently, the federal investigation into alleged government bribes by Walmart’s Mexican subsidiary has threatened to slow the retailer’s urban growth campaign in the United States. And there are still plenty of very vocal opponents who say that big-box retailers will hurt urban livability by driving away smaller independent businesses. Nevertheless, city leaders from Atlanta to Chicago and New York to New Orleans are now actively courting Walmart and other mega-retailers. Is it time to learn to love the big box?

Over the last half-century, the volume of retail in the country has grown at an astonishing clip. In the 1960s, the nation had about 4 square feet of retail per American; by 2000, that figure had increased nearly 10 times over. Most of that growth occurred in suburbs, as central cities emptied out. When the recession hit in 2008, retail took a massive hit, leaving an estimated 1 billion square feet of space vacant, much of it in suburban areas. Meanwhile, cities have become increasingly attractive destinations for many of the same types of people who historically left for the suburbs.

Today, big-box retailers look at urban centers like Washington and New York as “oases in this recession” with relatively strong economies, says Winston Oroschowski, research director at commercial real estate investment brokerage firm Calkain Companies.

Walmart has also created new formats that seem particularly well tailored to the urban environment, like the Walmart Express, with a typical footprint of less than 15,000 square feet, and the Walmart Neighborhood Market, measuring about 40,000 square feet. It’s not using those models exclusively in the city—all of the company’s planned Washington stores will measure 80,000 to 120,000 square feet—but that’s still smaller than the typical Supercenter, which can measure up to 180,000 square feet.

There are other questions they’re being forced to answer, mostly for the first time: where to put loading docks, how many underground parking spots to have and how to incorporate transit stops. If done right, urban big-box stores could actually help foster the goals of the smart growth crowd by creating retail opportunities that are easily accessible to pedestrians and transit users, instead of forcing them to drive to the suburbs to shop.

Advocates for the trend also cite the “transformative effect of retail” and believe the stores could help improve transitional neighborhoods.

Casey Chroust, executive vice president for retail operations at the Retail Industry Leaders Association, a trade group that represents just about all of the country’s major big-box stores, points to the 40,000-square-foot Whole Foods Market that opened in Washington’s Logan Circle neighborhood in 2000. Less than 20 years ago, the area was a hub for prostitution and other crime; today, it’s one of the city’s most desirable locations, replete with high-end furniture stores, fresh food they can provide at a time when the issue of food deserts has become a national concern. To be sure, there’s no lack of opposition to the big-boxification of cities. Most recently, the federal investigation into alleged government bribes by Walmart’s Mexican subsidiary has threatened to slow the retailer’s urban growth campaign in the United States. And there are still plenty of very vocal opponents who say that big-box retailers will hurt urban livability by driving away smaller independent businesses. Nevertheless, city leaders from Atlanta to Chicago and New York to New Orleans are now actively courting Walmart and other mega-retailers. Is it time to learn to love the big box?

Chicago's first Walmart Neighborhood Market—a 27,000-square-foot store focusing on groceries—opened last year. Walmart plans to open several dozen stores across the Windy City. These companies don’t just want to move to the city—they have to in order to survive. Cities, which for so long were one of the few places in America ignored by major retailers, have now become their final frontier. “It’s not like they have anywhere else to go,” says Ed McMahon, senior resident fellow with the Urban Land Institute. “They’ve already saturated every suburb and small town in America.” Yet moving to the city hasn’t been easy. Building suburban stores is simple: A Walmart Supercenter in the suburbs of Houston, for example, is basically identical to one outside Orlando. Urban markets, however, force retailers to adapt to existing spaces or lots, and sometimes require other creative steps. In Chicago, a Target is slated for the landmark Carson, Pirie, Scott and Company Building, designed in 1899 by Louis Sullivan. In Washington, several of the proposed Walmart buildings include plans for apartment housing above the store.

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It’s hard to overstate how much these kinds of innovations represent a reversal from just a decade ago. When Walmart and other big-box stores tried to crack urban markets back then, they were largely unsuccessful. Experts say their inflexibility on design issues was too big a hurdle to overcome. “Trying to do something that seems appropriate for the outskirts of Las Vegas ... in a big city like San Francisco or New York or Chicago is not going to work,” says John Norquist, a former mayor of Milwaukee and current head of the Congress for the New Urbanism. "I think they've finally figured that out.”
gourmet restaurants and expensive real estate. Many observers say the Whole Foods (which originally opened under the name Fresh Fields) was a catalyst for change in the area. “It’s like having an anchor in a shopping mall,” says McMahon of the Urban Land Institute. “It’s bringing people into the neighborhood.”

Each city is taking a different approach to the big-box movement. While Mayor Michael Bloomberg of New York City has welcomed the prospect of Walmart, many local leaders like New York City Public Advocate Bill de Blasio and some City Council members vigorously oppose the retailer. As it stands, Walmart doesn’t have firm plans for a single store in the city, even though it’s aggressively eying the market. In Washington, D.C., Mayor Vincent Gray has welcomed the retailer; some City Council members have questioned the merits of the stores, but their criticism has generally been muted. Walmart’s first store is expected to open in the district next year. In both New York and D.C., labor groups and activists have loudly criticized the entrance of big-box stores—and Walmart in particular—into urban markets.

Stacy Mitchell, a senior researcher with the Institute for Local Self-Reliance, a national group that advocates for local businesses, says Walmart’s strategy is to saturate urban markets. She believes the company’s announced plans for cities like Chicago and Washington are merely the earliest stages of a broader effort. Cities, she says, should start developing plans now for how they will address the rapid expansion of Walmart and others so they’ll be prepared. She and other advocates argue that the economic benefits to a city from stores like Walmart have been overstated. Both Walmart and city leaders often cite “leakage”—money that a city’s residents spend in Walmarts outside their city limits—as one of the primary reasons cities should embrace the stores. Residents are shopping at Walmart anyway, the logic goes, so why shouldn’t their own city get a piece of the action through property tax and sales tax revenue? “People are shopping the brand,” says Walmart spokesman Steve Restivo. “Our goal is to make access more convenient.” According to Walmart, Chicagoland spends nearly $500 million each year at Walmart stores outside the city; New Yorkers spend $200 million; and Washingtonians spend $40 million.

But Mitchell and other big-box opponents argue that the money isn’t significant enough to compensate for the negative impact Walmart could have on a local economy: A given market only has a limited amount of dollars to spend, and if residents start spending those dollars at Walmart, they’ll necessarily spend less at smaller, local retailers, causing job losses at those businesses. That’s particularly bad news, critics say, because a dollar spent at a local store will be more widely circulated in the local economy than one spent at a national chain with headquarters elsewhere. Opponents of Walmart’s urban endeavor like to cite a 2009 study of the chain’s first store in Chicago, which identified 82 stores that closed in its wake. (That study, notably, did not look at any new Walmart stores.)
businesses that may have been created as a result of Walmart moving in, ignoring the “transformative effect” cited by Chroust and others.)

“The problem with the big-box stores is they have such economic clout in the marketplace that they’re able to undercut local businesses,” says D.C. Councilman Phil Mendelson. He’s pushed for legislation—so far, unsuccessfully—that would require big-box stores in his city to pay a living wage and benefits. The intention, he says, is to prevent a race to the bottom in terms of wages. Theoretically, if a big-box store offering low wages had a large enough presence in a city, it could drive down wages across the entire retail sector. Mendelson’s legislation would only apply to big-box stores; other businesses could still pay the minimum wage. His argument? Big-box stores can afford it. Supporters of Walmart say that the very fact that its stores have employees proves the company pays the market rate wage.

Opponents say that “the trust of a city street is formed over time from many, many little public sidewalk contacts” at places like the bakery, the newsstand, the grocery store and the drug store. “We’re in danger of obliterating those things if we greenlight these retailors,” says Mitchell of the Institute for Local Self-Reliance. “Could those places really disappear if Walmart and other big-box stores come to dominate city life? Maybe. But that might not necessarily be a bad thing. “Cities are evolutionary,” says Tregoning, the D.C. planner. “New uses replace old uses.” As Tregoning sees it, Walmart doesn’t offer any meaningful shopping experience. It competes solely on price and convenience. She doesn’t sugarcoat her message to small businesses afraid that they can’t compete. “If Walmart can beat you,” she says, “then you are in the wrong business to begin with.” Instead, she says businesses that offer something Walmart can’t—like bars, restaurants and stores selling specialty goods or offering personalized levels of service—will continue to thrive.

In many ways, the notion of major retailers opening huge stores in central cities is a return to the way things were half a century ago, says the Urban Land Institute’s McMahon. “It was 1960. We called it a department store.”

Washington, D.C., Mayor Vincent Gray joins Walmart Foundation Senior Director Michelle Gilliard at an event last year. The retailer has made major charitable contributions in cities where it’s trying to curry favor.

T
here’s also a debate within cities about whether they should use their planning and zoning regulations to block the store. In many urban markets, Walmart isn’t seeking tax incentives, making it difficult for city leaders to make demands. That’s a stark departure from what big-box stores have historically done in the suburbs, where they often play jurisdictions off one another to see who will offer a lucrative package of tax abatements and incentives.

With that dynamic removed, cities may see that the best way to exercise leverage is through the zoning process. But even that’s a difficult situation. In Washington, Planning Director Harriet Tregoning says the only way the city could block Walmart—even if it wanted to—would be essentially to make the store illegal, since its plans generally comply with existing zoning regulations. In New York, the city has had a bit more flexibility with a Brooklyn site that Walmart is rumored to be considering, because part of the development’s land is titled to the government. Big-box supporters say it’s a gross misuse of the planning and zoning process to try to block a store on political grounds. In a free market, they argue, a big-box store such as Walmart shouldn’t face roadblocks so long as it operates legally. Others see it differently. “We’re in a highly regulated system,” says Tom Angotti, an urban affairs professor at Hunter College in New York. “I’d love to see where this free market is. Show me a municipality that doesn’t have zoning regulations, that doesn’t have taxes, that doesn’t have a regulatory structure that limits what businesses can do all the time because of an overwhelming public interest.”

Washington has less than 9 square feet of retail per resident, while the national average is more than two dozen, according to Tregoning. Anything that gives residents more shopping options—especially affordable ones—is a good opportunity in her book. Other city leaders appear to be embracing that philosophy. In Chicago, Alderman Brookins sees Walmart filling a similar void. “It may not be right for everybody, but in our community, it works,” Brookins says. “In our community, the mom-and-pop stores have long since left.”

In many ways, the notion of major retailers opening huge stores in central cities is a return to the way things were half a century ago, says the Urban Land Institute’s McMahon. “It was 1960. We called it a department store.”

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In January, Long Beach became home to the first parklet in Southern California. “As I drive along 4th Street, I see it being utilized constantly,” says city Public Works Director Mike Conway. He says the city is already looking ahead to creating “bio-soil” parklets intended to help capture and divert rainwater.

IMAGE: STUDIO ONE ELEVEN

This parklet in front of San Francisco’s Mojo Bicycle Cafe opened in March 2010, kicking off the trend of converting parking spaces to public places.

IMAGE: APIMAGES.COM
On a recent episode of the NBC sitcom Parks and Recreation, Leslie Knope, the unflappably optimistic deputy parks director for the fictional city of Pawnee, Ind., enthusiastically announced her latest plans for a new public space. “I want this to be the most amazing, awe-inspiring, fun-filled park ever conceived!” said Knope, played by Amy Poehler. How big was the proposed new project? As Knope proudly announced, “It is 0.000003 square miles.” Leslie Knope’s plan for a tiny park was funny. (She explained that the vacant space had formerly been the site of a phone booth.) But her idea actually isn’t that far-fetched. In what’s become the latest trend in urban placemaking, cities across the country are converting public parking spaces into postage stamp-sized parks called parklets.

It all started in 2005, when a San Francisco design company descended on a downtown parking space, fed the meter and created a pop-up park complete with sod, public benches and leafy trees. They called it Park(ing) Day, which eventually became an annual event. Then in 2009, when New York City began converting some street spaces into pedestrian-only plazas, urban planners started to see the appeal of pint-sized parks. Officials in different places began working with local business owners to convert parking spaces into public parks. Parklets are mostly funded by businesses, but cities insist they be open to everyone. “We want to make it very clearly visible that this is public space, not private,” says San Francisco’s David Alumbaugh.

By Zach Patton
ing spaces. San Francisco cut the ribbon on its first permanent parklet in March 2010; today the city boasts 27 completed parklets with another 40 in the pipeline. In the past year alone, cities from Philadelphia to Oakland and Long Beach, Calif., have launched parklet programs; others, including Chicago, Los Angeles and Roanoke, Va., are exploring the idea.

In most cases, business owners pay for the construction and maintenance of the parklets, which vary in cost but average $15,000 to $20,000. Cities may offer design help or a little extra cash—and of course, they give up metered parking revenues—but most of the investment is private. For businesses, it’s a way to beautify their block and help attract more foot traffic. Cities see it as a next-to-nothing investment in innovative new public spaces. “For very little or no dollars, we can change the shape of our city,” says Andrew Stober, chief of staff in the Mayor’s Office of Transportation and Utilities in Philadelphia, which opened its first parklet last summer and is hoping to add several more this year. “It’s part of a larger movement in the city as we think about how to make it a more livable place.”

Some best practices have already emerged. Parklets work best in front of businesses such as coffeehouses and pizza places, which thrive on walk-up customers. They need to be placed on streets with relatively low speed limits, and they’re too obstructive to work on corners. They should be visually distinct: San Francisco requires that any benches or chairs in a parklet look different from the seating at the

Philadelphia’s 43rd Street parklet, the city’s first, was a big success last year, according to officials. “Of course we have to be careful about balancing transportation and pedestrian needs,” says Andrew Stober of the city’s transportation department. “But a parking space maybe gets used by one or two people an hour. If you convert it to a parklet, it can be enjoyed by literally dozens of people an hour, all day long.”
adjacent business, to reinforce the idea that these are public spaces rather than an extension of a private café or coffeehouse. Similarly, those cafés aren’t allowed to serve customers sitting in the parklets. And what works in one place may not work elsewhere. Parklets in West Coast cities can stay open year-round, while in Philadelphia, for instance, the parklets will be packed up and put away in the winter. (“We don’t want them to fall victim to a snowplow,” says Stober.)

The best aspect of parklets is that, because they’re so simple and inexpensive, cities can easily experiment with what works and what doesn’t, says David Alumbaugh, the director of the city design group in the San Francisco Planning Department. “The beauty of parklets is that they’re very transformative yet not very difficult.” Alumbaugh notes that the city renews each parklet’s permit annually, although so far none has been revoked. “It’s a chance for us to say, ‘Let’s just try it. If it doesn’t work, we’ll take it out.’”

A San Francisco resident snapped this camera phone shot of a parklet in front of the Devil’s Teeth Baking Company. Most parklets are the size of a couple of parking spots, at an average of roughly 320 square feet.

The development corporation for Chicago’s Andersonville neighborhood hosted this pop-up park last summer to spark interest. The group is now working with the city Transportation Department to develop Chicago’s first official parklet.
One in four adults and 10 percent of children in the United States will suffer from a mental health illness this year. Mental disorders are more common than heart disease and cancer combined—the leading causes of death.

“You’re more likely to see someone having a panic attack than you are to see someone having a heart attack,” says Linda Rosenberg, CEO of the National Council for Community Behavioral Healthcare (National Council). Yet most people, she says, don’t know how to react to the former. That’s why in 2008, the National Council, the Maryland Department of Health and Mental Hygiene, and the Missouri Department of Mental Health joined forces to bring the Australian concept of Mental Health First Aid (MHFA) to the U.S.

The idea behind MHFA is no different than that of traditional first aid: to create an environment where people know how to help someone in emergency situations. But instead of learning how to give CPR or how to treat a broken bone, the 12-hour course teaches people how to recognize the signs and symptoms of mental health problems and how to provide initial aid before guiding a person toward appropriate professional help.

Since its introduction in the U.S. four years ago, more than 50,000 people have been trained in 47 states and the District of Columbia. In at least 22 of those states, state or local governments supported the program, usually paying for employees to take the course, says Susan Partain of the National Council. Several states—including Arizona, Colorado, Georgia, Maryland and Missouri—already have statewide programs, which require some public workers and citizens to complete training as part of their job. For example, in Rhode Island the course is part of police officer training. Austin, Texas, offers it to every public library employee. Maryland offers it at every community college—something several other states are looking to do. And Missouri partners with faith-based organizations since the clergy is often “the first place people go when they feel stressed,” says Edwin Benton Goon, the state’s program coordinator. Arizona toyed with the idea a few years ago, but really invested in the program after a mentally ill man shot U.S. Rep. Gabrielle Giffords in Tucson in January 2011.

Sometimes it takes a tragic event for governments to take notice of the program, says Rosenberg, but she believes it has the ability to prevent future incidents like the
At least seven colleges in Missouri use MHFA training to their staff and students. Many high schools—faced with the fear of school shootings and everyday issues like bullying—have expressed interest in bringing the program into their classrooms. But most are waiting for a pilot program that tailors mental health training to young people. Plans are under way to roll out such a program sometime this year.

An MHFA course costs about $180, which pays for instructor time, materials, classroom location and snacks. State and local agencies find several ways to finance this: Some pay for it using private donations; some use federal or state mental health funds; some partner with nonprofits; and some reduce costs by holding the training in public buildings for free. Maryland and Missouri pay for it out of the proceeds they receive for every MHFA training manual sold. As part of the national founding organization, they each get $1 for every sale.

The most cost-effective way to train people, according to Goon, is for agencies to have their employees become MHFA certified instructors. Anyone can become an instructor—regardless of their background or expertise in mental health—after successful completion of a five-day training program. Once an agency has its own instructors, it no longer has to pay for the instructors’ time—which makes up most of the course’s cost. “This is very cheap to do,” says Rosenberg. “You’re not talking about millions of dollars. You’re talking about hundreds.”

And though it’s difficult to quantify, increasing the public’s mental health literacy can save money. In most municipalities, people with untreated mental health illnesses cost the government money because they’re either unaware of their mental disorder or lack health care. “This segment of the population takes up a lot of police and fire department time by dialing 911 when they usually need a counselor or doctor.”

Many public safety agencies are testing ways to stop this. For example, Baltimore tried connecting repeat 911 callers with a nurse and a case manager, and counties in Oregon and Washington began forwarding nonemergency calls to first responders who specialize in social service referral. But if enough people are trained to detect mental health problems, “not everything has to rise to the level of a professional intervention … [Mental Health First Aid] creates a better-educated community where people can take care of themselves and take care of each other,” says Rosenberg.

The course is typically administered over two or three days. The majority of the training is interactive and uses teaching techniques like role play. For example, one exercise simulates what it’s like for people who hear voices. According to Goon, participants tend to be quiet when the course starts, but once it gets rolling, they’re eager to learn and share their stories. “It’s like they’ve wanted to have these conversations for a long time,” he says.

Participants learn how to detect a number of mental illnesses—including schizophrenia, bipolar disorder, psychosisis, substance use disorders, depression, anxiety and eating disorders—and how to respond to people who have them. Their response is guided by a five-step action plan, termed “ALGEE,” which stands for:

1. Assess for risk of suicide or harm.
2. Listen nonjudgmentally.
3. Give reassurance and information.
4. Encourage appropriate professional help.
5. Encourage self-help and other support strategies.

One of the program’s main goals is to erase the stigma associated with mental health illnesses. “It wasn’t long ago that cancer wasn’t openly spoken about,” Rosenberg says. “Mental illness is the last illness that people talk about in whispers.” But that will change, she says, once Mental Health First Aid becomes as common as CPR training—something she sees as inevitable.

THE TAKEAWAY:

• Because people with untreated mental health illnesses are either unaware of their mental disorder or lack health care, they consume a lot of police and fire department time by dialing 911 when they usually need a counselor or doctor.

• Jurisdictions are training public servants and citizens in Mental Health First Aid, a concept whereby people learn to recognize the signs and symptoms of mental health problems and how to help.

• Increasing mental health literacy can speed up treatment for the mentally ill while saving governments money.
A Measure of Control

Minnesota is applying performance measures to its health reform effort, and is tracking progress in a variety of areas.

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<th>Percent of Diabetic Patients</th>
<th>Receiving the Right Care to Better Control Their Diabetes</th>
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<tr>
<td>All Products</td>
<td>28.4%</td>
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<tr>
<td>Commercial</td>
<td>28.7%</td>
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<tr>
<td>Medicare</td>
<td>39.9%</td>
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<td>Minnesota Health Care</td>
<td>45.1%</td>
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<tr>
<td>Programs/Uninsured</td>
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SOURCE: STATEWIDE QUALITY REPORTING SYSTEM, HEALTH ECONOMICS PROGRAM

The Performance Rx

Quality measures are transforming everything from billing practices to patient behavior.

Something special and worthy of note has been happening at the management end of health care. Quality measures for performance aren’t being stuck away on some dusty unused webpage. They’re being used to change the way doctors and hospitals are reimbursed and to change both provider and consumer behavior. “It’s a revolution I have seen in my own lifetime,” says Shoshanna Sofaer, a professor of health-care policy and evaluation at Baruch College in New York.

The attempt to measure quality in health care isn’t new. It’s a decades-old phenomenon, driven by the demands of the private sector as well as Medicaid and Medicare. But widespread fears about escalating health-care costs have given the movement an adrenalin-laced booster shot.

In Minnesota, for example, a plan is in the works to tie the public reporting of health quality measures to payment reform, with hospital-based physician clinics compared on their relative performance ratings in quality and costs. Reimbursement—and consumer cost-sharing—will be based on which categories physicians are in. A clinic with high performance and low cost will be reimbursed at a higher level—and cost consumers less—than one with lower performance and higher costs.

The integration of both quality and expense is critical. According to a recent study from the Agency for Healthcare Research and Quality (AHRQ), when consumers only know how much a particular medical intervention costs, they tend to pick the higher-priced one on the false belief that it must be better. This is much like those old Consumer Reports ads in which customers, when they knew nothing about a vacuum’s ability to suck up dust, picked the higher-priced of two appliances. Consumer Reports was supposed to fill that information hole, so people could save money and still have super-clean floors. This is just the way quality measures can benefit the healthcare arena.

Measures can sometimes be used effectively to help specific physicians improve outcomes. Jack Meyer, a professor with the University of Maryland, describes how the chief of surgery in one hospital worked with a heart surgeon to help him see that his bypass operations took longer than those performed by other doctors in the hospital. This presented a potential danger to patients. “The surgeon didn’t know he was out of line,” says Meyer. It also mattered that the information was delivered by the appropriate party. “If the CFO had come in and gotten in the face of the surgeon,” Meyer says, “there would have been a blowup. But it’s different if the chief of surgery comes in and says, ‘Did you know you’re an outlier? Let’s see if we can work together to improve.’”

A key difference between performance measures developed for health care and for other government topics is their consistency from place to place. These shared measures come from the work of the National Quality Forum (NQF), which was set up about 10 years ago as a private standard-setting body. The forum doesn’t create measures, but it carefully researches and vets them. About 85 percent of measures used in federal programs are NQF measures. In Minnesota, it’s estimated that about 75 percent of the measures used are NQF endorsed. “We need standardized measures so that you have apples-to-apples comparisons,” says Janet Corrigan, outgoing president and CEO of NQF. She says her organization’s work helps set priorities and reduces the data production and reporting burden on providers.

While there continues to be debate about how much quality measures can contribute to lower costs and improved performance, some of the impact of publicly reported health-care data has been striking. Reporting of central line-associated blood stream infections, for example, along with an aggressive campaign to improve practices, helped lead to a 63 percent drop in infection rates among U.S. intensive care patients between 2001 and 2009, according to

The Performance Rx

Quality measures are transforming everything from billing practices to patient behavior.
Centers for Disease Control and Prevention data. Similarly, a study in Wisconsin found that low-scoring health-care organizations that participated in reporting publicly on their performance improved measurably over time.

To be sure, there’s still room for improvement. Available outcomes—like hospital readmission, mortality rates or patient satisfaction information—only get part of the way. Follow-up information is wanting. If you’re looking at a total knee replacement, for example, it’s good to know what the patient’s experience with that knee is in a few years. Information on how someone is functioning after medical procedures or how health care affected their quality of life is still hard to come by.

What’s more, some providers continue to push back, complaining that the data often aren’t good enough, the comparisons may not be fair and that public reporting can compromise the doctor-patient relationship. “The challenge is that for every service provider group, you have to fight the battles that you thought you won years ago,” says Stefan Gildemeister, state health economist in the Minnesota Department of Health.

Then there are the consumers. A series of reports was prepared for AHRQ in 2010 on the many challenges of getting consumers to pay attention to health quality measures, which are often technical and complex. As one of the reports observed, relatively few consumers have “used comparative measures to make health-care choices. “There’s a disconnect with people’s likely use of measures and what measures are there,” says Baruch College’s Sofaer, a co-author of that report.

That’s unfortunate. But even though there’s lots of work to be done, clear progress is being made on this front. What’s more, the advances being made with performance measures in health care can and should be replicated in many other government endeavors. Let’s keep our fingers crossed.  

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IDEA CENTER
By Brian Peteritas

Starting Up the Windy City

In an effort to lure more startups to Chicago, a new 50,000-square-foot tech center has opened on the 12th floor of the downtown Merchandise Mart building. The center, called 1871, is funded by a $2.3 million grant from the state and private companies. It aims to create a community where entrepreneurs can collaborate as they grow their digital businesses. The center is being run by the nonprofit Chicagoland Entrepreneurial Center, which has already received more than 300 applications for a space that can house up to 400 individuals and roughly 100 startups. Costs for the space will range from $125 to $400 per month. Some of the amenities that the center will offer include conference rooms, storage space, use of AV equipment, mentorship opportunities, and priority access to classes and seminars. Due to the lower living expenses in Chicago and the ability to pay newly hired employees a lower salary, the center is already attracting startups from similar facilities in Silicon Valley. Currently, Illinois ranks second in the nation (after California) in the number of high-tech startups, according to a study by the Illinois Innovation Council.

The Merchandise Mart in downtown Chicago

Michigan Targets China

Interested in reaching new customers in the fastest growing economy in the world? If so, and you happen to be a Michigan company, a new pilot program called Pure Michigan Export Now will help you. Created by a partnership between the Michigan Economic Development Corp. and the export services company Export Now, the program helps consumer-product companies in the state sell their products directly to Chinese consumers via a Chinese e-commerce site, tmall.com. The aim is to help Michigan companies sell their wares in China at a lower risk and at roughly the same cost as selling domestically. Four forums were held throughout April for consumer businesses interested in participating. To use the exportation services, Michigan companies pay $1,000 a year, in addition to a small transaction cost with each sale.

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Relationships Matter
CIOs can use a friend in the budget office.

In my home state of California, a proposal to consolidate the state’s technology department into a central administrative agency is raising eyebrows in the IT industry, which is worried that the move signals diminished attention on the strategic use of technology. Other recession-era moves around the country to repurpose IT agencies within state budget offices have triggered similar alarms.

But Michigan is proving that agency consolidation—on its own—may not spell trouble for IT. A few years back, the state combined its technology office with its management and budget agency to create the Department of Technology, Management and Budget. Now Michigan is poised to approve an ongoing $50 million commitment to new technology. It’s also beefing up a program that offers seed money for innovative initiatives regarding shared services.

Without discounting too much the role that organizational structure plays in IT success, this clearly is an area where relationships matter. The secret, in Michigan’s case, is the bond between Budget Director John Nixon and state CIO David Behen. It also doesn’t hurt that Michigan Gov. Rick Snyder—former chairman of Gateway Inc.—gets it, which creates powerful momentum for updating state computer systems.

“I truly believe that to keep up with the increased demands on state government, you need to have a strong backbone in IT—and you have to understand that our governor is an IT geek,” says Nixon. “David has about as much support as you can ever get from a CIO perspective.”

The governor’s proposed 2013 spending plan builds $50 million for technology into the state’s base budget for the next five years. Those dollars aren’t attached to specific projects, says Nixon. Instead, the money should provide more stable funding for IT upgrades and modernization. “We tried to be creative and said that we wanted to start a few of these projects together and cash flow them over the next couple of years.”

In addition, the state will offer $25 million in grants to local governments for innovative shared-services partnerships.

Funding for the program—launched in 2012 with $5 million—will grow dramatically in fiscal 2013. In its first year, state officials were swamped with applications. The initial round of grants already have helped launch 28 local initiatives, including multijurisdiction tax processing and emergency dispatch projects.

All of this couldn’t be hitting at a better time for Michigan, which finally seems to be recovering from one of the nation’s longest economic slumps and is now playing catch-up on deferred technology upgrades. “When the budget declines, infrastructure is the first thing to go—so you use Band-Aids and duct tape,” says Nixon. “That’s what happened here, and it’s happening in a lot of other states.”

He admits that the Michigan model may not be for everybody—most CIOs won’t have the luxury of working for a budget director who’s passionate about IT and a governor from the technology industry. Nixon is also careful to note that state CIO Behen remains a member of the governor’s cabinet even though Behen reports to the budget director.

It’s important, says Nixon, for the CIO to participate in cabinet-level discussions with other agency directors.

But regardless of where IT sits on the state organizational chart, it’s crucial to build strong relationships between the budget director and the CIO. In too many instances, they aren’t on the same page—or even speaking the same language. Michigan offers an example of how to do it right.

“The IT world doesn’t do a really good job translating, and I’m not going to blame it all on IT because the finance people don’t do a good job either,” Nixon says. “There’s often a disconnect, and there needs to be a really strong link.”

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The Doublespeak On Debt
If a city pleads poverty in public, it can’t tell the muni market its bonds are safe.

Mayors and city leaders in “fiscally challenged” communities need to steer clear of loose talk about “bankruptcy” and “insolvency.” Sometimes politicians use these words while the city’s financial officers tell bond ratings agencies that everything is under control. That’s asking for trouble.

Often, these simplistic household terms are used by local leaders to make their point about fiscal challenges. Everybody knows that bankruptcy is bad—that you’re out of money—so that’s the easiest term to use to connect with the public.

In municipalities that are actually en route to federal bankruptcy court, the B-word is totally appropriate. No city or county should kid itself or its stakeholders when seeking a federal court reorganization of its financial affairs. In some cases, the only way to compel changes in union contracts and retirement plans is for the receiver to order reforms that employees and retirees won’t accept voluntarily. The receiver for Central Falls, R.I., has made exactly that point in public remarks.

This becomes a central issue in states where retirement benefits enjoy ostensible constitutional vesting protections or the law is unsettled. In the states where bond laws are conducive, the bankruptcy path may also be necessary to fix a fiscal problem from a financial blunder like a sports stadium, an incinerator or a sewage system that failed to live up to inflated dreams. In these cases, we never—and shouldn’t—see the financial officer of the distressed bond issuer telling the credit rating agencies that the bonds are going to be hunky-dory.

The scenario that becomes problematic is when public officials plead poverty in public at the same time that their financial team is trying to maintain high, investment-grade bond ratings.

That’s where doublespeak creates a tangled web. Bond ratings analysts don’t wear blinders. They read the newspapers, so we should expect them to push back at optimistic presentations made by the financial teams who are trying to show their community in the best possible light. Let’s not worry too much about analysts being fooled. But there is a good chance that those ratings agency presentations could be subpoenaed back home in legal proceedings, often by unions seeking to prove that fiscal conditions really aren’t bad enough to warrant cutbacks in labor contracts.

This doesn’t mean that a city with a high bond rating can’t argue for substantial reforms of its pension plan on the grounds that it’s unsustainable. The mayor of San Jose, Calif., has made a strong case that continuation of the current retirement benefits system will destroy the city’s financial capacity to provide essential services, even though it presently enjoys a good bond rating. The soundness of existing bonds, especially general obligation debt secured by taxes, doesn’t mean that a public employer has unlimited capacity to pay pension and retiree medical benefits at any cost. Public employees and retirees are playing with fire when they push their employer into harm’s way, and some of them will eventually be burned as a result.

My point is that the chief executives, their public relations teams, their lawyers and their finance officers need to coordinate their communications to these various audiences more carefully. At the least, they would be smart to acknowledge the challenges they face and the mitigation strategies they are pursuing.

So be careful when you use the terms “bankruptcy” and “insolvency” unless you really mean it. It may come back to haunt you.

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How does a deputy streets commissioner keep a city clean even in a fiscal crisis? Simply put, he innovates. And that’s exactly what Philadelphia’s Carlton Williams has done since he assumed the position in 2005. Working with a $100 million annual sanitation budget, Williams has been the creative force behind such innovative projects as the BigBelly trash cans and the Recyclebank rewards program. With the introduction of more than 900 BigBelly solar-powered trash-compacting bins since 2009—which can hold five times as much trash as wire-can baskets—Williams has reduced the cost of garbage pickup and collection frequency. He’s also improved Philly’s recycling rate—from 5.5 to 20 percent—through a program that encourages residents to recycle by awarding them points toward rewards such as magazine subscriptions and retail gift cards. He runs the annual Philly Spring Cleanup as well, which is now in its fifth year.

In early March, Williams became the first recipient of the Richardson Dilworth Award for Distinguished Public Service. Philadelphia Mayor Michael Nutter praised Williams for “creating a more livable, sustainable and cleaner city.” It’s absolutely vital, Williams says, for cities to keep their streets clean. “We play a very important role in making sure our city is presentable, it’s inviting and that people want to come and live here.”

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