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The soon-to-be-replaced Cuyahoga County headquarters in Cleveland

Cover: A parking garage constructed inside the former Michigan Theater, built on the site where Henry Ford assembled his first car

PHOTO AND COVER PHOTO: DAVID KIDD

FEATURES

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America's Got Talent

The word "talent" keeps popping up in my conversations with government officials.

The need for talent in the public workforce is a very real issue. Attracting and retaining talented people, and creating a succession plan around outgoing talent, are issues on the minds of leaders at every level of government. Interestingly, the topic typically comes up at the tail end of an exasperated exploration of all the challenges facing government today—pension obligations, employee health-care expenses, cost-cutting, unfavorable public opinion and shaky worker morale. That's when a public official throws her hands up with a sense of resignation: "How are we ever going to find and keep talented people?"

Two things surprise me about these conversations. First, that the issue of a talented and dedicated public workforce rarely *starts* the conversation. And second, that when it comes to attracting talent, government officials tend to sell themselves short.

Erin Waters, Publisher

A career in government offers the opportunity to serve and be part of the basic American ideal of self-governance. Public employees oversee large budgets, manage diverse staffs and create strategic plans that can positively impact their communities. There also is a camaraderie that unifies tens of thousands of public officials across this country.

A few weeks ago, Ross King, executive director of the Association County Commissioners of Georgia, invited me to attend his group's annual meeting in Savannah. Overall the meeting's atmosphere was positive and constructive. Attendees sought new approaches, selflessly shared their best ideas, and talked with their colleagues about their communities, their families and their work in public service.

I saw passion, dedication, optimism and leadership. And thought, "Who *wouldn't* want to work with these individuals?"

Finding, retaining and managing talent will always be a challenge in any organization. But attracting the next generation of public-sector talent comes down to great leadership and honest passion. Leaders must help employees make the connection between their daily work and the larger mission of public service. Understanding how one's job helps fellow citizens and positively impacts a community should lead to personal fulfillment and job satisfaction. Don't underestimate what you have to offer.

What are you doing to hire, retain and plan for the government workforce of the future? Let me know by emailing me at ewaters@governing.com. You can also follow me @GovPub.

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Broadband Is Not Broken

Anyone who insists that broadband networks are "natural monopolies" best provided by government agencies as adjuncts to the electrical power grid, as *Governing* columnist Alex Marshall did in his recent article ["Who Controls Fiber?" in Economic Engines, April 2013], doesn't have a very sound understanding of broadband.

Apart from a few superficial similarities—they're both networks, both involve wires of some sort, and both involve billing and maintenance—broadband information networks are as different from power networks as they could possibly be. Power networks deliver the same service to each user all the time, but the technology-driven services that information networks deliver are dynamic, tailored to the needs and activities of each customer, and constantly adapting to a changing environment.

While the service provided by electric utilities is the same as it was 100 years ago, the services that broadband networks provide double in speed every three to five years. Broadband service providers constantly evaluate new equipment, install upgrades, invest in outsourcing and insourcing, and devise new service plans. They do these things while maintaining complex systems constantly beset by viruses, malicious attacks and new applications that alter network load in unpredictable ways. Electrical power services have issues of their own, but the challenges draw on very different skill sets.

The argument for a massive reorganization of America's broadband markets depends on a set of facts that don't exist. Our system needs constant attention at the margins, to ensure full participation and development in the right direction, but the system is fundamentally sound and in no need of major repairs. I wish we could say as much for our utility networks.

—Richard Bennett
Information Technology and Innovation Foundation

Alex Marshall responds at governing.com/**broadband**

Overshoot the Moon

As a goal-setter often ridiculed for the scope of his goals, I found your piece exhilarating ["Shoot the Moon," March 2013]. Having finished my M.A. in political communication, I would like to focus on advancing the needs of a community dear to my heart, the Ethiopian community who have immigrated to Israel over the last 30 years. Nearly every immigrant in the community who has moved to Israel in the last five years is illiterate. Just formulating a goal in terms of helping this sub-community integrate seems formidable and daunting.

Shooting for the stars is one thing, but based on the wisdom you gleaned from the research for your article, what did you find the breaking point to be when a visionary's goal was simply too unrealistic to even be worth considering?

—Yoav G. Barth
Jerusalem, Israel

I strongly believe that many leaders and especially many transit leaders fail to set extreme goals because of the tremendous fear in not achieving these goals. ... Many transit leaders often make the claim that transit is safe; it is one of the safest modes of transportation. This information is based on the current performance measurement being used which is .04 per 100 million miles traveled for fatality. Therefore, the fatality rate is statistically insignificant. As your article suggested, leaders should set extreme goals. For example, the transit industry should have a zero fatality goal. But I don't think that I will see it during my career and/or lifetime.

—LeVern McElveen
Baltimore, Md.

The Pension Problem

Unfortunately, some of the solutions being implemented or explored around the country solve the [pension] problem at a disproportionately high cost to new employees ["'You're not going to please everybody. Get over it,'" April 2013]. When employers create new pension programs for all new employees but allow current employees to continue in the existing, more generous pension program without alteration (as well as occasionally continuing other compensation benefits, such as longevity pay, for current employees), it sends the wrong message to the next generation of public servants. The pension predicament is unfortunate for all of us and the cost of solving the problem should be born equally by all stakeholders, not primarily those who have only recently entered into public-service fields.

—S.T. on Governing.com

Corrections: In the April issue of *Governing*, John Buntin's article "Geek Squad" mistakenly stated that Shaunak Kashyap's first job as a programmer was writing code to control satellites. It was not his first job; rather, it was Kashyap's last job before his fellowship with Code for America.

The map accompanying May's Behind the Numbers feature ("The Rural-Urban Divide") included inaccurately shaded counties. An updated map is available at governing.com/countypopulation.

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When Public Officials Become Targets

IN MARCH, Tom Clements, the chief of the Colorado Department of Corrections, was shot and killed when he answered his front door. Ten days later, the Kaufman County, Texas, district attorney and his wife were shot to death in their home. Two months before that, the Kaufman assistant DA was fatally shot on his way to work. In April, Texas police thwarted what they allege was a prisoner's plot to kill yet another district attorney.

Is it time to rethink public officials' personal safety?

At every level of government, policy decisions can make enemies and public officials can become targets. While the White House can assign a phalanx of armed guards to protect the president, such precautions aren't realistic for every county attorney, mayor and city council member in the country.

The threat to local leaders isn't new: More than a century ago, Chicago Mayor Carter Harrison was murdered by a constituent (later deemed insane in court) who was angry the mayor hadn't given him a job in his administration.

But today, when a public figure's home address is just a click away, and tracking an official's whereabouts can be as simple as following his Twitter feed, the threat is more dangerous than ever, says Michael Street, who runs a private security company called Specialized Emergency Response Training in Meridian, Miss. Four years ago, Street started visiting state capitols to train officials about their own safety. (He instructs them, for instance, to be wary of handwritten letters addressed from outside their district.) His team also conducts specific threat assessments for elected leaders. If a lawmaker holds the key vote for, say, an abortion bill, Street's staff will evaluate which individuals and interest groups would disagree with the vote and how dangerous they might become.

Earlier this year (before Clements' murder), the Colorado State Patrol asked the Federal Aviation Administration to stop giving out tail numbers of aircraft carrying public officials. It's important to limit information about officials' movements, both in the air and on the road, says Lance Clem of the Colorado Department of Public Safety. Same goes for limiting information shared over the telephone, Clem says. "If someone calls to reach somebody, we try to pass on the message, but we don't provide a lot of information about where they are."

"When they're between places, that's when vulnerability increases," says Christopher Falkenberg, president of Insite Security, a company serving private clients in New York, mostly in the banking industry and in law firms. But as the incidents in Colorado and Texas show, it's equally important to consider personal safety at home. Insite recommends layers of security, which means hardening doors, installing intercom systems, and constructing gates and fences. "The whole approach is to borrow time" for police to arrive, he explains.

Ultimately, much of the responsibility rests with public officials themselves, Street says. "They overlook how dedicated these domestic terrorists are [and] when they do receive a threat, they just play it off." *—J.B. Wogan*

The Kaufman County, Texas, district attorney and his wife were killed at their home in March.

APIMAGES.COM

No Place Like Home Plate

SOME BASEBALL FANS like the sport so much they buy season tickets. But sports junkies in Indianapolis will soon be able to take their passion even further. Starting this summer, they'll be able to live in a stadium.

In August, workers will complete the process of converting a historic minor league ballpark into a high-end apartment complex. It's believed to be the country's first housing development located in a former baseball stadium. "From the outside, you'd hardly be able to tell the difference from the old stadium," says Michael Cox, a developer with Core Redevelopment, the firm handling the project.

Bush Stadium, the longtime home of the minor league Indianapolis Indians, opened in 1931. But the team moved to a new field in 1996. Since then, it's been largely empty. For a time, it was used as a track for midget car racing. At one point, it was used as a parking lot for cars in the Cash for Clunkers program. The ballpark had been on a list of Indiana's endangered historic properties.

Baseball stadiums are purpose-built, so they don't offer easy solutions for reuse. Yet they have sentimental and historic value that makes demolition a sensitive topic. "There are purists who would like to see it remain as a ballpark," says Marsh Davis, president of Indiana Landmarks, a preservation nonprofit that helped push the stadium project through. "The city studied it every which way. There were no takers. So the alternative is: Do you scrap it, do you save a token wall, or do you do something creative?"

The project cost around $13 million, with the city picking up $3.5 million of the tab and the state kicking in another $1.8 million.

Communities across the country have struggled with reusing pro sports facilities when a team packs up for new digs. Reimagining stadiums as apartments could be a way to give them new life. For would-be residents, there's an added enticement: That "new home" smell might include a whiff of peanuts and Cracker Jacks.

—Ryan Holeywell

RENDERING COURTESY OF CORE REDEVELOPMENT

Miner's Major Moment

WHEN NEW YORK Gov. Andrew Cuomo unveiled his pension reform proposal in January, few would have predicted that Stephanie Miner would become the plan's chief critic.

After all, Cuomo and Miner, the mayor of Syracuse, are both Democrats. Miner, in fact, is the state Democratic Party co-chair, an assignment given to her last year by Cuomo. And early in her career, she worked for his father, former Gov. Mario Cuomo, as a regional representative in central New York.

MICHAEL OKONIEWSKI/SYRACUSEPHOTOGRAPHER.COM

Syracuse, N.Y., Mayor Stephanie Miner

None of that stopped Miner from penning an op-ed in *The New York Times* in February calling the current governor's solution to rising pension costs "an accounting gimmick." In essence, the proposal—now law—allows cities to contribute to their public employee pension funds at lower rates, so long as they agree to pay the outstanding amounts plus interest over 12 years. Instead, Miner argued, cities need their governor to assume a leadership role and convene state and local government leaders to address systemic problems plaguing municipal budgets.

"Everybody has to be at the table," Miner says. "Everybody's got to have part of the solution."

To be sure, Syracuse could certainly use a pension holiday. Like many other upstate New York cities, Syracuse has suffered decades of job losses and population decline. Lawmakers in Albany have slashed subsidies to cities, with only an incremental increase this year. Since taking office in January 2010, Miner has cut her workforce by 10 percent. She's privatized some city services and consolidated others with surrounding Onondaga County. Yet the city still faced a $18 million shortfall going into its 2013-2014 budget process.

Nonetheless, Miner thinks her city and others would ultimately be hurt by taking part in Cuomo's pension plan, which she called in the *Times* "a path to insolvency. In fact, it was such fiscal recklessness that plunged New York City into a fiscal crisis in the mid-1970s."

Miner's dissent prompted Lt. Gov. Robert Duffy to suggest that Syracuse may need a financial control board—which would undermine much of Miner's authority as mayor. Cuomo followed up with a speech to lawmakers in which he implied that cities' idea of aid was more money from the state. Now that the proposal has become law, Miner has made it clear that Syracuse won't participate.

"She's become the de facto leader for local governments all around the state," says Richard Ravitch, a former lieutenant governor of New York and a co-chair of the State Budget Crisis Task Force. Ravitch cautions against oversimplifying Miner's critique as laying blame on Cuomo. It's more of a plea for the governor's help as the only person who can bring labor, state and city leaders to the same table, Ravitch says. Still, as he notes, most mayors "are afraid of saying anything that the governor may not like."

—*J.B. Wogan*

THE BREAKDOWN

1/3

Proportion of the nation's chronically homeless population that lives in California.

7%

Amount by which Nevada's water supply is shrinking every year.

90%

Portion of tuition covered by the state for University of South Dakota law school students who agree to work in rural South Dakota counties for five years after they graduate. Similar to rural programs nationwide for doctors, nurses and dentists, South Dakota is the first state to offer tuition coverage for attorneys.

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Number of years, out of the last 15, that motorcycle fatalities have increased, including a 9 percent jump last year. Thirty-one states do not have universal helmet requirements.

SOURCES: ALLIANCE TO END HOMELESSNESS APRIL REPORT, STATELINE, GOVERNORS HIGHWAY SAFETY ASSOCIATION, *THE NEW YORK TIMES*

So, How Many Calories in a Cheesesteak?

FOR ALL THE TALK about how the Affordable Care Act (ACA) is an overreach of federal power, Philadelphia officials have a different problem with the law: They think it doesn't go far enough, specifically when it comes to menu-labeling rules.

One of the less-heralded provisions of the 2010 law is a requirement that chain restaurants include calorie counts on their menus. The idea is that the next time you order those Loaded Potato Skins at Chili's, you'll know exactly how many calories you're putting into your system. But before the ACA was passed, Philadelphia had already gone further. A 2008 ordinance mandated that chain sit-down restaurants include a lot of other nutritional information in addition to calorie counts—stuff like sodium, trans fats and saturated fats. The ACA's weaker requirements would trump the city's policy. So Philly officials are petitioning the Food and Drug Administration (FDA) to exempt the city from the law and keep their ordinance in place.

"If we didn't petition at all, then information is literally being taken away from consumers," says Giridhar Mallya, director of policy and planning at the Philadelphia Department of Public Health. "So in terms of our responsibility to protect Philadelphians' health, we just couldn't let it go."

New York City approved the nation's first menu-labeling policy in 2006, but it was limited to calorie counts. Four states—California, Maine, Massachusetts and Oregon, according to the National Conference of State Legislatures—have passed similar policies, but they, too, only focus on calories. King County, Wash., had a rule that required restaurants to share additional information, but rewrote it to comply with the ACA after the law passed.

Only Philadelphia is fighting to maintain its local policy.

Philadelphia has the highest rate of hypertension and cardiovascular disease among the 10 largest U.S. cities, and it ranks second in obesity and diabetes. That's why the city first instituted its menu requirements five years ago. More than 80 percent of the city's chain restaurants meet the calorie-labeling requirements, and 63 percent adhere to the rules for sodium, trans fat and saturated fat labeling. (Violations are supposed to be punishable by a fine of up to $500.)

The proposed federal calorie-count regs were submitted in April 2011; Philly filed its petition that August. There hasn't been much action on either front since then, as the FDA has been finalizing its own regulations before deciding on Philadelphia's exemption.

Clear labeling is an integral part of public health, Mallya says. "Before there was any menu labeling in the United States, there was this idea that if people want the information, they can find it. In theory, that's right, but in practice, it's not. We can't just say people can find the information if they want it. People just aren't going to ask for it." —*Dylan Scott*

A Cosi restaurant menu in Philadelphia displays nutritional information.

SHUTTERSTOCK.COM; PHILADELPHIA DEPARTMENT OF PUBLIC HEALTH

By Alan Ehrenhalt

The Chicago Paradox

Central cities still have lots of problems. So why do people keep moving in?

Suppose you're thinking about moving to a new city, and you're trying to scope out which would be the most appealing choice. A friend who happens to be a real estate agent makes a strong case for one locale. It has a nice downtown, with plenty of street life and restaurants and other amenities on practically every block.

Of course, your friend tells you, there are a few small drawbacks. It's a city that has a disproportionate number of murders: more than 500 in 2012 alone. Many of its schools are dysfunctional and even dilapidated: Fifty-four of them have been largely empty for quite a while and are being closed down this year. The city suffered a huge population loss in the first decade of the new century; 6.9 percent of the people moved somewhere else. The transit system is aging and in desperate need of maintenance. But the municipal government can't afford to meet many of its needs. It starts every year with a daunting budget deficit. And the city has a world-famous legacy of political corruption that it has been unable to put to rest.

Would you want to move to a place like that? I doubt it. Based on all those negatives and no other information, I probably wouldn't either.

But here's another surprise. People who get a look at the central core of this town are willing to put up with all those drawbacks just to be there. If you do decide to move to this city, the most likely problem you'll confront is either a lack of vacancies or a price you can't afford.

That's because you are in Chicago, the city whose appeal these days seems largely impervious to the encroachment of its problems. A couple of months ago, Greg Hinz, a reporter and researcher for *Crain's Chicago Business*, conducted a detailed study of Census information and data from local business associations and governmental agencies. Here is some of what he found:

- According to the Census, the central area of Chicago (no matter what precise geographic definition you choose), is growing in population faster than any comparable area of any large American city. In 2010, by most estimates, there were more than 140,000 people living there. That represented a gain in population of more than one-third during the previous decade, despite the economic collapse that hit Chicago as hard as it hit most cities.
- It's not just people who are moving to the center of Chicago; it's businesses as well. Last summer, Motorola Mobility, the cellphone company, announced plans to move to the downtown Merchandise Mart from its previous home in the exurb of Libertyville. That meant 3,000 new downtown jobs. Ground floor rents in Michigan Avenue's historic office buildings are reaching the $400 per square foot range.
- Hinz also took a look at property tax payments and sales tax receipts. In the period from 2000 to 2011, both increased by about 20 percent in the city as a whole, and the bulk of that growth occurred in the center. Prior to 2000, growth in city sales tax receipts trailed far behind the increase in suburban Cook County and the more distant suburbs in the region's "collar counties." By 2010, the city was outpacing the rest of the region in sales tax collection growth, again due to the action in the center.

These positive changes all came at a time when Chicago was receiving national attention for its murder rate, its poor schools and its shaky fiscal condition. And at a time when the outer neighborhoods of the city, most of the suburbs and the region as a whole were lagging behind much of the rest of metropolitan America in economic growth. The center of Chicago not only has held its own in difficult times, it has expanded and thrived.

There have been a fair number of newspaper and magazine articles documenting what might be called the "Chicago paradox," but the phenomenon is not limited to Chicago. Central areas of Boston, Atlanta, Washington, D.C., and at least a dozen other large American cities are reporting similar increases in population and household income. Most are different in that they are not experiencing the appalling murder rates that have plagued Chicago. But to one degree or another, they have the same problems: poor school performance, serious budget concerns and a need for new infrastructure investment. Yet affluent people are settling in neighborhoods in or near the center of these cities to the point where they are pricing the middle class out.

All of this has prompted what may be the most interesting debate going on right now on the subject of urban policy. On one side are scholars such as Richard Florida and Christopher Leinberger, who project a broad-based urban revival and a decline in the attractiveness of suburbs over the next 20 years. The opposite faction is dominated by Joel Kotkin, the pugnacious polemicist for suburban sprawl, who insists that the downtown revival is nothing more than a demographic blip, a boutique phenomenon drawing young unmarried hipsters who crave a little urban excitement before settling down to a conventional suburban existence.

This hipster theory runs up against some simple numbers. The 2010 Census showed that if you expand your conception of Chicago's city center by just a few miles in three directions, to take in eight

neighborhoods near downtown, you find about 465,000 people living there. I don't know exactly who qualifies as a hipster these days, but I doubt that there are 465,000 of them residing in or near the confines of central Chicago. The only way to dismiss what is going on in Chicago as hipsterism is to define a hipster as practically anyone under the age of 40. Otherwise it makes no sense.

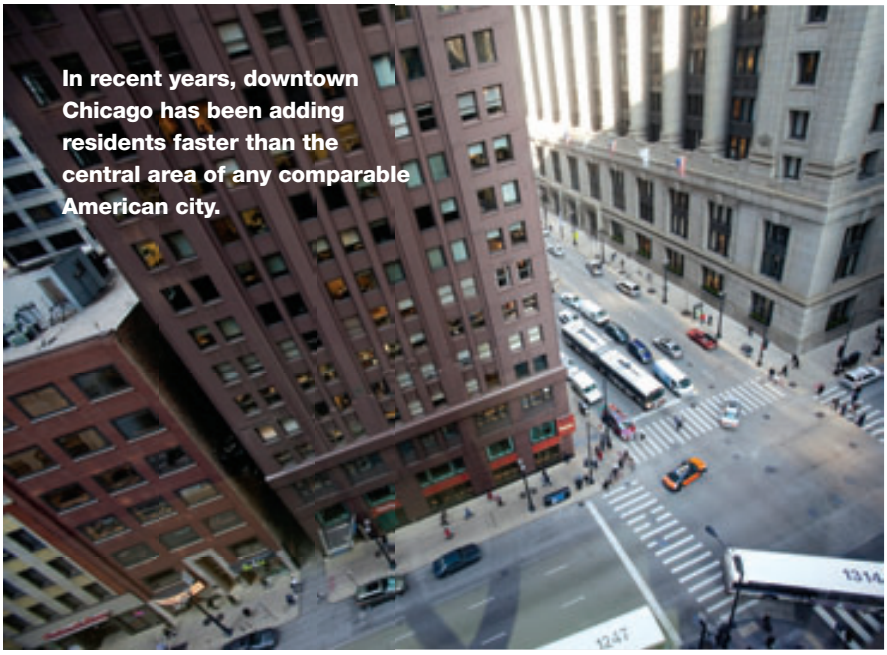
Nor does the argument that an urban comeback is illusory because it is composed primarily of singles and couples, rather than families. I'm not disputing the fact that it does break down that way: Husbands and wives with three children and a gas grill are not leaving their suburban cul-de-sacs to move to lofts on Chicago's Near North Side. At least, not many.

But we are moving toward a society with an increasing number of households comprising singles and couples, not traditional families. One may regret that this is so, but it is a fact. A few years ago, the eminent demographer Arthur C. Nelson noted that in the 1950s, roughly half of all American households were raising children. In the year 2020, he predicted, the number would be closer to 25 percent. When a cohort of singles and couples becomes this large, then denouncing it as inadequate material for forming a neighborhood begins to sound like ideology or personal prejudice.

One anti-urbanist argument that should be taken seriously is the argument that no matter how large the return to center may be, it will be much smaller than the concurrent movement of other Americans out to suburban single-family homes. This is true.

Wendell Cox, one of the most prolific anti-urbanist demographers, has written that between 2000 and 2010, downtowns in the 51 largest metropolitan areas registered a net gain of 206,000 residents. Meanwhile, Cox says, suburban areas 10 to 20 miles from the center increased in population by as much as 15 million.

This matters. Indeed, it stands as seriously deflating news to anyone who assumed the urban revival would consist of millions of disaffected suburbanites storming the gates of the city to live in lofts and townhouses. But no one I know has ever seriously suggested this. The downtown revival in Chicago consists of a comparatively modest but significant percentage of metropolitan area residents opting for an urban existence during a substantial portion of their lives. Downtown and its environs will always have fewer people than the suburbs. But this will not prevent central city enthusiasm from exerting a powerful effect on the nature of the city and the entire urban region.



In recent years, downtown Chicago has been adding residents faster than the central area of any comparable American city.

DAVID KIDD

More important than the absolute numbers involved is the nature of the populations moving in and those moving out. To put it bluntly, the affluent are moving into central cities, and the poor and recent immigrants are settling in the suburbs.

It is perfectly possible to look at all these statistics and conclude that what is happening is simply a massive case of gentrification, one that does nothing to help the poor and minorities who find themselves relocated to stagnant suburbs that have difficulty providing even basic services. This is a fair point, and gentrification itself is a subject on which reasonable people may differ. But it seems to me important to determine what is actually going on before pondering what to do about it.

When one sorts through the evidence, it seems plain that the Chicago paradox really does exist. There are a variety of ways to explain it. Perhaps young central city residents don't worry much about the quality of schools because they don't have school-age children. Perhaps they shrug off the murder rate because virtually all the murders are contained in gang-infested neighborhoods far from downtown. Perhaps the city's deficits and the state's insolvency are abstractions that most adults in their 20s don't feel the need to think about. Or perhaps a significant number of Americans raised in suburbs are sufficiently tired of suburbia that they are willing to accept a few personal risks in exchange for the bright lights of the Loop, the surrounding neighborhoods and their counterpart places across the country.

Whatever the reason, the Chicago paradox has already served to alter life very noticeably in the nation's third largest city and its environs. Variations of it will make their imprint on much of urban America before the process is through. **G**

Email aehrenhalt@governing.com

Alan Ehrenhalt's book, "The Great Inversion and the Future of the American City," is available in paperback from Vintage Books.

By Paul W. Taylor

Winding Down the Culture Wars

From same-sex marriage to marijuana, demography is upending old biases.

NEW YORK—On a recent trip to New York City, I made a pilgrimage to the Avenue of the Americas to walk among the buildings that are the headquarters of broadcast giants ABC, CBS, NBC and Fox. Of the four, Fox did not exist when, as a kid growing up on the Canadian prairies, I tuned in to hear that signature opening, "From New York City ..." most evenings on cable TV.

But it was the Fox News Channel's home in the News Corp. building with its wraparound news ticker that made me stop that Sunday afternoon. There, in the second floor studios in late March, conservative news host Bill O'Reilly capitulated on same-sex marriage after oral arguments were heard before the Supreme Court on the subject. "The compelling argument is on the side of homosexuals," O'Reilly said. "That's where the compelling argument is. 'We're Americans—we just want to be treated like everyone else.'"

If O'Reilly wasn't declaring an end to hostilities, it sure sounded like a draw down after three decades of culture wars. Growing up, I could never make sense of Sunday morning television. The TV preachers spoke differently than the one at my family's church. It was as if it was a different gospel. In fact, it was. "Don't drink, dance or chew, or go with girls who do," was core to the blue laws that made up much of TV preaching. It wasn't hard to imagine their positions on other forbidden subjects, but the occasional messages on homosexuality and reefer madness filled in any ambiguity.

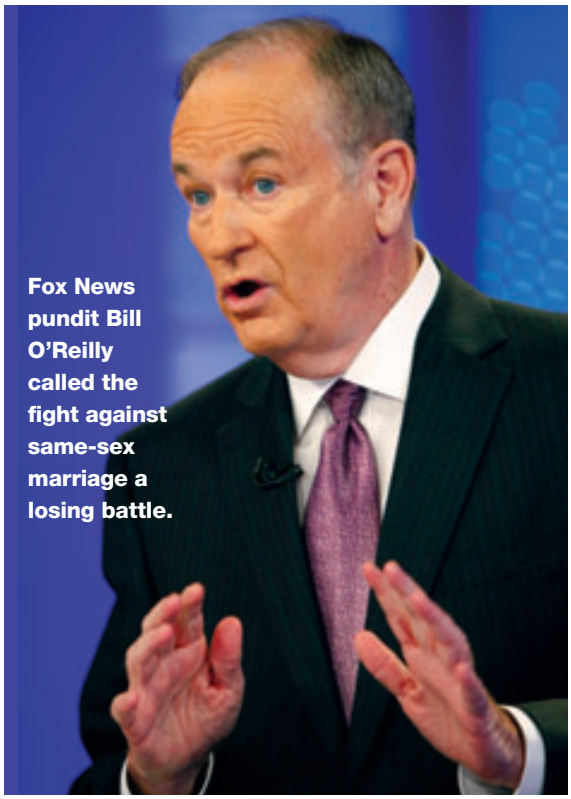
Political operatives exploited this pietistic earnestness and the two became conflated under the misnomer of the religious right. Its constituents celebrated election and courtroom wins until demography began to catch up with them. Millennials, or 18- to 32-year-olds, have seen their proportion of the population grow from the single digits a decade ago to more than a quarter (27 percent) today. Their world view is showing.

A pair of surveys from the Pew Research Center for the People and the Press help tell the story. In the last decade, support for same-sex marriage has risen from one-third in 2003 to almost half (49 percent) today. Among millennials, support is fully 70 percent. When asked about legalizing the use of recreational marijuana, fully two-thirds (65 percent) of millennials indicated support, far higher than other generations and up from 50 percent in only five years.

Demographer and historian Neil Howe reminds us that "laws against pot are part of a world view millennials don't remember because they missed the counterculture." Arriving after the height of the culture wars, they also don't understand or recognize "old arguments about gay rights as asserting a right to be deviant," says Howe. Instead, they now ask, "Why shouldn't they be allowed to be normal?"

The political tensions these demographic changes are having on our culture can be viewed through a story I once heard from the late singer-songwriter and storyteller Harry Chapin, who championed social justice through music and activism.

Chapin's grandfather told him "there are two kinds of tired." One is that "bad tired," which happens when you fight "other people's battles, you lived other people's days, other people's agendas, other people's dreams. And when it's all over, there was very little you in there. And when you hit the hay at night, somehow you toss and turn; you don't settle easy."



Fox News pundit Bill O'Reilly called the fight against same-sex marriage a losing battle.

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In bold contrast, he said a "good tired" comes when "you knew you fought your battles, you chased your dreams, you lived your days and when you hit the hay at night, you settle easy, you sleep the sleep of the just and say 'take me away.'"

Our civics may be tired but, for many, it is in a good way. Our politics are tired too but in a different, less hopeful way. They can be excused for needing to toss and turn. G

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By Donald F. Kettl

Boston's 'Unity of Effort'

The marathon bombing highlights homeland security done right.

FLICKR/VJERAN PAVIC

In the week between the tragic bombing at the Boston Marathon and the surviving suspect's arraignment in his hospital room, we saw how far homeland security has come since the Sept. 11 terrorist attacks. The message is overwhelmingly good.

We saw tremendous bravery in the moments after the bombs exploded, as citizens and first responders raced toward the victims without regard to whether more bombs were primed to explode. Civilians applied tourniquets to prevent some of the wounded from bleeding to death. The field station, originally set up to treat chilled, dehydrated runners, quickly became a triage station. The city's network of ambulances, police and hospitals responded magnificently, in large part because they had practiced over the years for just such a day.

In the immediate aftermath of the blasts, we learned again the fundamental lessons: All homeland security events are local, beginning with local consequences that require local officials to respond. We learned that effective response depends on robust relationships among people who have learned to work together before events happen. And we learned that skilled, problem-focused improvisation can fill in the gaps.

Moreover, we've also learned again that good homeland security is intergovernmental, interagency, intersectoral—and enlists ordinary Americans. While the FBI managed the scene, it was a regional Massachusetts Bay Transportation Authority SWAT team that took the suspect down. The first photos of the captured suspect showed federal tactical officers wearing FBI and ATF gear. And don't forget, during the manhunt for the suspect, it was a citizen who found him hiding in a boat. Citizens often worked the front lines, making "Boston Strong" more than a T-shirt message and demonstrating that "if you see something, say something" is far more than a cliché.

The very same week of the alleged bomber's arraignment, the opening of the George W. Bush Presidential Center recalled these same balance-of-responsibility questions. In the center's Decision Points Theater, visitors are asked to relive one of four big moments from the Bush presidency. Listening to briefings from former White House chiefs of staff, participants are immersed in the events as they unfold. In the case of Hurricane Katrina, for example, they're asked what should President Bush do—deploy federal troops or rely on local forces?

The contrast between Boston's lessons and the theater's questions could not be bigger. The Bush administration's initial response to Katrina was anything but successful, with citizens stuck at the Superdome and political support crumbling. During Katrina, the questions about who was in charge and whether to deploy federal troops or rely on local forces preoccupied the Bush White House. In Boston, we learned yet again that this is precisely the wrong question. We've been crippled most when we battle over who's in charge; we succeed best when we send out the best we have to those who need it most.

This is what retired Coast Guard Adm. Thad Allen calls "unity of effort" instead of "unity of command." After the battle between New Orleans, Baton Rouge and Washington hamstrung

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the government's Katrina response and cost FEMA Director Michael Brown his job, President Bush sent in Allen. The no-nonsense admiral pushed the bureaucratic squabbling aside, figured out who had which assets to solve which problems and promised everyone on the front lines that he had their backs. In remarkably short order, Katrina moved from a monument of government failure to a model of effective response.

In Boston, unity of effort drove success in the federal-state-local-private-public-nonprofit-civilian response, just as it eventually did after Katrina when Allen took the helm. The badges on the uniforms didn't matter as much as the capacity to get the job done. And the job got done.

The prevention side remains a huge challenge, and stories continue to trickle out of dots unconnected among federal agencies [see "Intelligence Break," page 64]. But on the response side, we've come light years since the painful days of the 2001 terrorist attacks and the 2005 hurricane. It's heartening to see that we know how to learn, and that we've been able to apply winning strategies to tragedies like Superstorm Sandy and Boston.

The Bush Presidential Center poses the big and irresistible "who's in charge" question. The remarkably brave response in Boston shows us why this is the wrong question. Effective response begins with a strong, integrated, practiced-in-advance local response coupled with a nimble problem-solving ability.

More fundamentally, we've learned again that our really important challenges are too big for any one agency, any one level of government or even government itself to try to control. Someone has to be in charge to make sure that coordination happens. But the job of the field commander isn't barking orders, it's identifying the assets that are needed, who has them and how to get them to where they're needed. In the end, what works is focusing more on solving that problem than solving who's in charge. G

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By Ryan Holeywell

Is It OK to Raise the Gas Tax?

Washington says no, claiming it's a political loser.

As the surface transportation bill nears expiration next year, the discussion inevitably will turn to how, exactly, the feds will pay for transit and highways in fiscal 2015 and beyond.

Two of the most obvious methods—raising the gas tax or instituting a vehicle miles traveled (VMT) fee—have historically been nonstarters. The conventional wisdom in Washington is that increasing the gas tax is unpopular with voters and thus politically unpalatable. A VMT fee—often decried as a "driving tax"—is seen as even more of a political hot potato. But maybe they aren't political losers.

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Asha Weinstein Agrawal, chair of the Department of Urban and Regional Planning at San Jose State University in California, has spent years tracking public opinion about gas taxes and other instruments used to pay for transportation infrastructure. Her latest survey, released in June 2012, found that 58 percent of Americans say they would support a 10-cent increase in the gas tax in order to maintain streets, roads and highways, and 54 percent say they would support the same tax if it were used to reduce accidents and improve safety. (New survey data will be released this month.)

Agrawal's experience exploring the intersection between public opinion and transportation funding began as part of a project she did for the California Department of Transportation. In the course of her research, she discovered that Californians would be likelier to support various revenue options if they had a "green" angle attached to them. She applied that thinking to federal taxes and realized people would support paying more for transportation if they got more details.

Meanwhile, the opposite trend holds true too. Vague plans don't tend to get as much buy-in. When voters were asked simply whether they supported a 10-cent gas tax increase to fund transportation—without any further details about where the funds would go—support was a paltry 20 percent. Indeed, an April Gallup Poll found that two-thirds of Americans would vote against a hypothetical state gas tax increase. "What this means to me is, if we want to have a tax that's politically acceptable, we need to think carefully about what it's used for and how it's described and framed," Agrawal says. "We shouldn't just write off all taxes."

Agrawal's results also found surprising support for a VMT fee. While the fee is the favored policy remedy of many who study transportation finance, it's often viewed as even more politically unpalatable than a gas tax hike, in part because of the assumption that Americans wouldn't want the government knowing their driving tendencies. While the survey did find low support for a 1-cent-per-mile VMT fee—just 21 percent were in favor of it—the support grew to 41 percent when it was pitched as an average 1-cent-per-mile fee that would vary depending on how much pollution a driver's car produced.

The lesson for the feds, then, may be that if they want Americans to support federal transportation taxes, they need to do a better job educating them on the purpose and value of a proposed tax or project.

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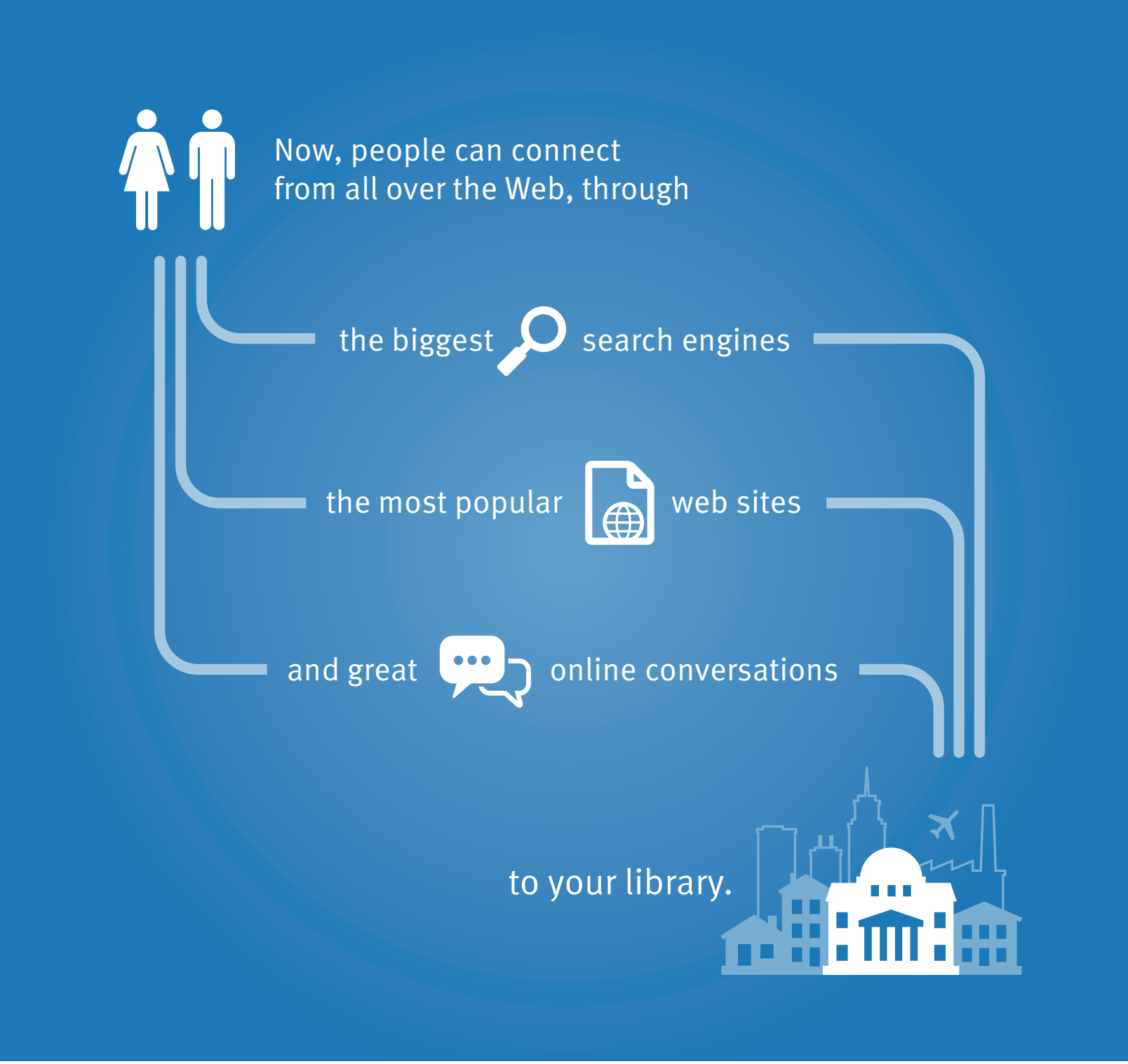

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By David Levine

The Other Provider Shortage

An impending dearth of nurses imperils primary care.

With an expected influx of millions of new patients courtesy of the Affordable Care Act, health experts are warning of a doctor shortage in the coming years. It is a problem that has gotten plenty of press already; one that has overshadowed another looming provider shortage—that of nurses.

The nation could see itself 260,000 nurses short of demand by 2025, according to a 2009 study by researcher Peter I. Buerhaus of the Vanderbilt University School of Nursing. That would be more than twice as large as any shortage of registered nurses (RNs) since Medicare and Medicaid were introduced in the mid-1960s.

How could this happen? There are two primary reasons, says Peter McMenamin, a senior policy fellow at the American Nursing Association (ANA). And both, he says, have to do with the economy.

For one thing, the recession and its sluggish recovery have actually masked the impending shortage, as older nurses delayed retirement and stayed on the job. The average age of employed RNs in the U.S. is 45, up from 40 in 1980, and 40 percent of working RNs (1 million of the 2.6 million employed in nursing) are age 50 and above. In 1988, by comparison, 53 percent of RNs were under age 38. At the moment, those delays in retirement have actually led to a glut of nurses. According to a 2011 survey of recent nursing school grads by the National Student Nurses Association, 36 percent of newly licensed RNs were not working as registered nurses four months after graduation.

But once those 1 million older nurses do start retiring, there won't be nearly enough new RNs to replace them and to meet the coming demand. Enrollment in nursing colleges has more than doubled in the past decade, but it's still not enough, says McMenamin. "About 149,000 nurses entered the workforce last year," he says, "but at that rate we'd need eight years to replace the 1 million."

So why don't nursing schools prepare more graduates? Again, it's the economy. The nation's nursing colleges don't have enough teachers. Teaching usually requires a cut in pay, which is something most RNs can't afford these days. More than 54,000 qualified applications were turned away from nursing programs in 2010, far and away the highest number in any recent year, reports the American Association of Critical-Care Nurses. And more than 11,000 applications were rejected by master's and doctoral degree programs.

This isn't the first time the nation has faced a nursing shortage. President Lyndon B. Johnson signed the $300 million Nurse Training Act of 1964 to address a predicted shortfall of 300,000 nurses by 1970. The act was part of the Title VIII programs under the Public Health Service Act, the primary source of federal funding for undergraduate and graduate nursing education. The ANA and other advocates are pushing for similar new funding, but McMenamin is not optimistic: "Real funding for Title VIII would need to be multiplied five times to get back to the 1970s level, and that is not going to happen."

Nursing groups also advocate other initiatives, including an Institute of Medicine recommendation to allow properly trained nurses to work across multiple specialities. The hope is that everything aligns so the number of retiring nurses somehow matches the influx of new nurses. If that doesn't happen, "we could have a substantial and deep shortage," McMenamin says. "Right now we are on a knife edge. It could go well, or it could go terribly bad." G

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Nursing Matters:

A patient's **risk of death increases by 2 percent** during each shift in which nurse staffing is below target levels.

Americans scheduled for routine surgeries run a **31 percent greater risk of dying** if they are admitted to a hospital with a severe shortage of nurses.

Adding 133,000 RNs to the nation's acute-care hospital workforce would **save 5,900 lives per year**, and each additional RN would **average $57,000 in combined medical savings** and increased productivity.

IMAGE: APIMAGES.COM; SOURCES: *NEW ENGLAND JOURNAL OF MEDICINE*, *JAMA PEDIATRICS*, *JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION*, *MEDICAL CARE*

By Elizabeth Daigneau

The Rating Is the Hardest Part

Energy report cards for buildings are becoming popular. But do they work?

The idea of energy benchmarking is simple: Building owners collect and report data on their annual energy and water use, and then use that data to make energy efficiency upgrades in an effort to reduce greenhouse gas emissions. Thanks to the added data-collection costs and the possible negative impact of a low grade, benchmarking—which can be found in cities across the globe—tends to be unpopular with many of the building owners themselves.

As it turns out, it also might not even be effective.

That's the word from a new report by Robert Stavins, an environmental economist at Harvard University. Stavins and two coauthors looked at benchmarking in cities in the U.S. and elsewhere, and found that it imposes financial burdens on building owners with no guarantee of producing significant energy savings. "There is currently no real evidence," the authors conclude, "that these mandatory programs lead to any changes whatsoever in energy use."

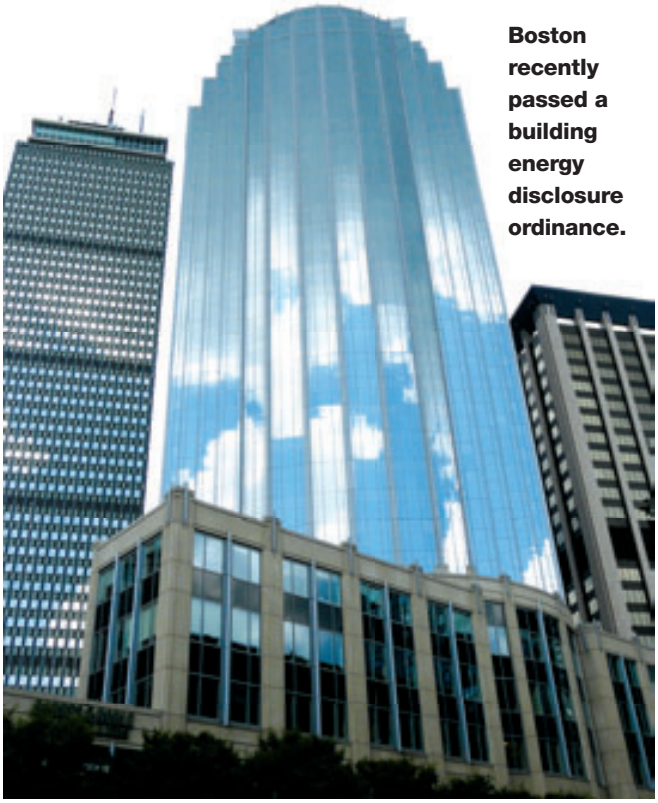
The study was funded by the Greater Boston Real Estate Board and the Building Owners and Managers Association, which both oppose a new benchmarking ordinance in Boston. Introduced in February by Mayor Thomas Menino and approved by the city council last month, the ordinance requires commercial buildings larger than 25,000 square feet and residential buildings with 25 or more units to track and report their overall energy and water use. It is based on similar laws in Austin, New York, San Francisco, Washington, D.C., and elsewhere.

Benchmarking aims to help owners identify their buildings' biggest energy inefficiencies and target investments to areas that will have the biggest impact in reducing a building's energy use and costs.

But the report by Stavins finds a number of issues with that approach. For starters, disclosure rules generally don't distinguish between occupant energy use patterns and a building's inherent energy efficiency, which, Stavins writes, could impede efforts to target investments wisely.

The report even questions whether ratings really work for buildings at all. Consumer product ratings, like the U.S. Environmental Protection Agency's Energy Star, can be a useful way to compare the efficiency of household appliances. But unlike appliances, the report finds, each building is unique. Energy Star-like ratings don't account for factors like age, historic status or location of a building—all critical factors in a building's energy efficiency. And appliances only need to be measured once. Buildings, on the other hand, must be monitored on an ongoing basis.

A low rating could hurt a property's value. A 2011 policy brief from the Lawrence Berkeley National Laboratory cited five different studies indicating higher sale values for properties with energy efficiency or green labels. Less-green properties could "see depreciation of their asset values," Stavins writes. "These transfers could have significant citywide and/or neighborhood effects, or even effects on different building sectors."



Boston recently passed a building energy disclosure ordinance.

WIKIMEDIA.ORG/PIOTRUS

That's part of the point, say benchmarking advocates. Tying a building's market value to its efficiency can help encourage owners to make energy upgrades. Research on benchmarking's effectiveness is still relatively thin. But a 2012 study by the EPA suggests it does have an impact on energy use. Examining 35,000 buildings that from 2008 to 2011 consistently used the Energy Star Portfolio Manager measurement tool to track energy use, the study found that energy consumption in those buildings decreased by an average of 7 percent.

In Boston, buildings are responsible for two-thirds of all greenhouse gas emissions. The commercial and industrial sectors are responsible for about 75 percent of that. Even if these programs result in only limited gains in energy efficiency, advocates argue, that's still a step in the right direction. Even Stavins doesn't go so far as to discredit benchmarking programs entirely. At this point, he concludes, best practices for these programs just haven't been established. G

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By Alex Marshall

Seizing the Moment

The opportunity to overhaul and upgrade our infrastructure is slipping away.

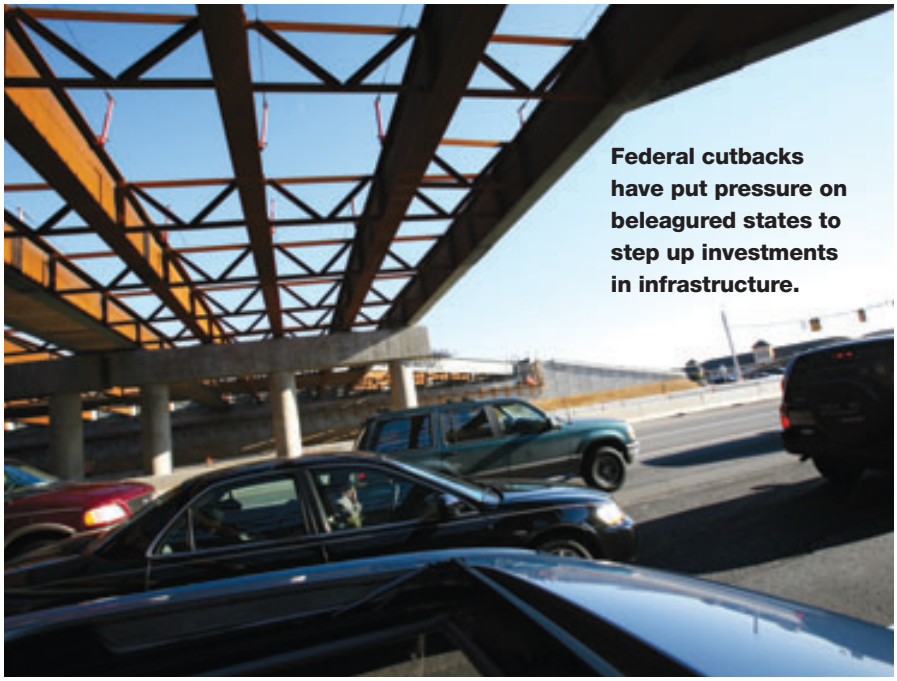
Many thought the 2009 federal stimulus would kick off a revived era of bipartisan infrastructure spending that would jump-start the economy and rejuvenate our decaying roads, bridges, water systems and transit networks.

It hasn't turned out that way. After an initial boost, infrastructure investment has almost certainly declined at every level—federal, state and local. While there are some big-ticket items proceeding here and there, like the tunnel to replace the Alaskan Way Viaduct in Seattle, states and cities are pulling back and the feds are not stepping forward.

It's more than just a shame; it's a shocking, hair-pulling example of a missed opportunity of historic proportions. This has been and still is the best time to do heavy infrastructure work—probably the best time in the last 75 years. And here's why.

Building roads, bridges, train lines, fiber-optic networks, inland waterways, libraries and court buildings means borrowing millions and billions of dollars to finance the work. The same goes for what is called "capital maintenance," replacing worn-out or aging equipment with new stuff. This might mean repaving a road or replacing a catenary line above a train track. With interest rates for long-term borrowing at record lows—edging close to zero, really—now would be a good time to do all this work. Money borrowed at such rates means that in future years, the payback will be millions or billions of dollars less—or would have been, if the project had been built.

Look at construction costs. A huge input into infrastructure projects is labor, the men and women who sit behind the bulldozers, the computer terminals and the drawing boards. These jobs are usually contracted out to private companies, most of which are hurting now and can offer their services at the best rates in decades. Costs for materials like steel and concrete are down too, at least relative to what they would be in a stronger economy.



Federal cutbacks have put pressure on beleagured states to step up investments in infrastructure.

DAVID KIDD

Let's not forget that a stimulus affects both the economy overall and individuals. When a man or woman generates productive labor and receives a steady paycheck, this benefits them and society on multiple levels. It's always better to spend public money on a road crew than on food stamps or unemployment payments.

And finally and most important, remember that spending on good—preferably great—new infrastructure provides for the long-term health and prosperity of a city and state. That's also true when all we are doing is putting existing infrastructure back into a state of good repair.

All this is simply stating the obvious. But there's a need to state it because it's not happening.

On a practical and political level, states are in a bind. To build, you need to borrow, and most states right now have a hard time paying back their existing debt. There are ways to raise more money, but most involve raising taxes or fees, which is a tough sell even in a recovery. And most states and cities are required to balance their budgets.

This all highlights the need for federal action. Unlike state legislatures, Congress can pass bills to raise funds for infrastructure projects, secure in the knowledge that deficit financing is legal and that the Treasury Department and the Federal Reserve Board can be willing partners. States and cities, on the other hand, can't print their own money.

In April, the State Budget Crisis Task Force, led by noted statesmen Richard Ravitch and Paul Volcker, released a white paper called "Increasing Transportation

Investment to Benefit the Economy," which bemoaned how federal cutbacks were putting more pressure on already beleaguered states. The authors then strategized on ways states could find a path to greater investment, while also noting that states had always carried the lion's share of infrastructure costs, even though this varied by mode. States have paid most of the costs for roads, while the federal government has almost completely paid for the inland waterways, which are in particularly poor shape.

"According to the Congressional Budget Office, in 2007 state and local governments spent $103 billion on transportation and water infrastructure capital, while the federal government spent $58 billion. State and local governments thus accounted for more than 60 percent of public capital spending on such infrastructure." And it's been that way for decades, wrote the authors of the report.

Some states are moving forward, in ways suggested by the Ravitch-Volcker commission. Governors in Massachusetts, Michigan and Virginia have proposed raising tax rates and reorganizing tax systems to raise more money for transportation infrastructure. One can criticize the specifics of these plans while applauding the overall intent.

President Obama is a great cheerleader for infrastructure. He has rhetorically pushed a national infrastructure bank and most recently something called "America Fast Forward Bonds," which would make borrowing easier for states. But he needs Congress' assistance to turn words into deeds. That hasn't happened yet.

On a macro level, all of this showcases the political demise of the late British economist John Maynard Keynes, who advocated public spending to revive a depressed economy. Within the halls of academia, Keynes is vanquishing or converting longtime foes. But within city halls and statehouses, leaders are still reluctant or unable to do what the wiser know should be done: Borrow and spend. G

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URBAN NOTEBOOK

By Tod Newcombe

Commuter Rail's Growing Pains

There are more lines, but ridership has barely budged.

Rail Runner. Northstar. Trinity Railway Express. Music City Star. America's newest generation of commuter rail lines certainly have catchy names; they're also sprouting up at a record pace. More than a dozen new lines have opened in the last 10 years, creating what could be characterized as a new golden era of passenger rail in America's biggest urban areas—except it's not.

In 2012, commuter rail accounted for 466 million passenger trips in the U.S., making it a vital cog in public transit. But while last year may have been a banner year for public transportation, with a record 10.5 billion trips—the second-highest annual ridership since 1957, according to the American Public Transportation Association—commuter rail ridership barely budged (up 0.5 percent) and 10 out of 28 systems lost riders. More troubling, the decreases occurred at some of the newest commuter lines, including Albuquerque (down 9.09 percent), Dallas-Fort Worth (down 7.73 percent), Minneapolis (down .47 percent) and Nashville (down 6.37 percent).

So what's going on? The biggest problem commuter rail faces is that its customer base lives in far-flung suburbs where cars are used for just about everything. "You are trying to attract people who are the least likely to use transit in the first place," says Yonah Freemark, editor of *The Transport Politic*. Furthermore, service is mostly limited to a not-so-frequent hourly schedule and the final destination is often not the central business district. It all adds up, says Freemark, to a series of impediments to growth.

While the public may love the notion of commuter rail lines, they are perhaps the least popular form of transit for politicians. The subsidies for commuter rail are tremendous, says Michael Smart, a researcher with the Institute of Transportation Studies at the University of California, Los Angeles. A study of the Minneapolis Northstar line concluded that taxpayers were paying a subsidy (which included capital costs) of $89 per passenger. Other studies showed subsidies of much lower rates, but still significantly higher than those for bus or subway riders.

The answer to commuter rail's problem may sound counterintuitive, but it involves more service. That's what New York City's Metropolitan Transportation Authority (MTA) discovered last year. After watching ridership decline for decades on its Metro-North Railroad line, the MTA added more off-peak and weekend service, as well as another 187 trains, representing the most ambitious service expansion in its 30-year history. As a result, ridership has grown robustly.

That doesn't surprise Freemark, who argues that the success of a commuter rail line is best measured by the number of riders it carries. And the only way you get more riders, he says, is by offering frequent service throughout the day and on weekends. "Too many of today's commuter rail lines are wasted infrastructure. Can you imagine a highway where the lanes are only open during rush hour?" G

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DETROIT

The would-be saviors of the Motor City

STRONG

By Ryan Holeywell

Photographs by David Kidd

Emblazoned on Detroit's city seal is the Latin phrase, "Speramus Meliora; Resurget Cineribus." Coined in the wake of an 1805 fire that leveled much of the city, it's equally relevant more than two centuries later. The translation: "We hope for better things; it will arise from the ashes."

The challenges facing the city sometimes seem insurmountable. Tens of thousands of abandoned homes dot the city's landscape, making redevelopment all but impossible in many areas. The population, which has been declining for generations, dwindled another 25 percent to 716,000 in just the past decade. Last year there were 411 homicides—the highest number in years. And the current unemployment rate of 23.1 percent puts Detroit first among America's biggest cities.

"[In Detroit] you've probably seen the destruction of an American city on scale with the carpet bombing of World War II," says Lyke Thompson, director of the Center for Urban Studies at Wayne State University in Detroit.

But there are those who simply will not accept the conventional wisdom that Detroit is doomed—and are working hard to prove it wrong. A charismatic billionaire is investing huge sums of money downtown. Young people, drawn by cheap rent and the opportunity to play a role in Detroit 2.0 (whatever that may turn out to be), are moving into the city. And while the state's takeover of Detroit's governing functions is controversial, some think it could finally prompt meaningful reforms.

Today, Thompson says, "we're seeing simultaneously the destruction and reconstruction of the city." It's not clear just what the future holds for the Motor City, but whatever it is, the following 10 people will play critical roles in creating it.

Previous page: A barista at Great Lakes Coffee, which opened last year in the Midtown neighborhood, displays her tattoo of the Detroit city motto.

Additional profiles and photos at governing.com/**detroit**

Phil Cooley

Restaurateur

Can any good come out of a foreclosure? Phil Cooley—dubbed by many the "Prince of Detroit"—thinks the answer is yes. About two years ago, a bank asked Cooley if he was interested in purchasing a 30,000-square-foot warehouse near the popular restaurant he owns. The building cost $100,000, less than the price of a studio apartment in most cities. He named the facility Ponyride, and rents space in it at 10 cents to 20 cents per square foot to artists, nonprofits and upstart businesses. That's made Cooley a popular person among the city's hipster set.

Today, Ponyride is home to a diverse group of tenants. The nonprofit Empowerment Plan hires homeless women to work as full-time seamstresses; the women make winter coats that convert to sleeping bags for the homeless. Stukenborg Press is an old-fashioned letterpress that produces art and does commercial jobs. Beehive Recording Studio helps area musicians record professional-quality tracks—for free—and hosts them online in an effort to give them exposure.

Sandy Baruah, head of the Detroit Regional Chamber, says the organizations inside Ponyride don't necessarily need to become big in order for the project to be a hit; its real value is in promoting a sense of entrepreneurship in the city. "Culturally," Baruah says of Ponyride, "it's critical."

A one-time fashion model, Cooley attended film school in Chicago and traveled the world for two years. Eventually, he was drawn to Detroit's music and arts scene. He worked as a janitor and a bartender, eventually joining with two partners to open Slows Bar-B-Q in Detroit's Corktown neighborhood in 2005. Some considered the venture a risk, but Cooley guessed correctly that there were more than enough potential customers. Quickly, the restaurant became a Detroit institution. "Because of all these misconceptions about Detroit, people are afraid to do business here," he says, "and there ends up being more demand than supply."

William F. Jones Jr.

CEO, Focus:HOPE

After a long career in the auto industry, capped with a stint as chief operating officer of Chrysler Financial, William Jones hoped to retire in 2008. Instead, the nonprofit where he served as a board member tapped him to become its CEO.

In his role as head of Focus:HOPE, Jones' goal is workforce development. It's a critical task in a city where, officially, more than 1 in 6 members of the labor force are unemployed, and the real unemployment rate is even higher.

Jones sees job training as key: Detroit's school system has gotten so bad that it's now run by a state-appointed emergency manager. "We can't ignore the needs of the adults who have been underserved by what's been widely viewed as a failing education system," Jones says. "As we fix it for the kids, we've also got to work with the adults to make sure they've got the skills to take advantage of the expanding but changing economy."

Focus:HOPE trains workers in manufacturing and IT, and through partnerships with area universities, helps them earn associate's and bachelor's degrees. A worker can go through machinist training in 12 to 26 weeks, while a student can go from almost no knowledge of computers to getting a Cisco IT certification in a year. Jones estimates that about 70 to 80 percent of people who go through Focus:HOPE's training find work within three months. Employers, he says, know that if a candidate "comes through a program here, they can hire them with the confidence that they know what they're doing."

Jones knows Detroit's population will never return to its earlier levels, but he says education and job training are more important than population numbers. "It doesn't take 1.8 million or 1.9 million to have a thriving city," he says, "but it's going to take a lot of people who are well educated, gainfully employed and economically self-sufficient."

Sue Mosey

President, Midtown Detroit Inc.

For 25 years, Sue Mosey has been working to make things happen in Midtown, the area just north of downtown anchored by the Detroit Medical Center, Wayne State University and the Detroit Institute of Arts. Today, that's finally starting to pay off. The area's gained a reputation as one of the city's most desirable locations. It's filled with restaurants, bars, art galleries and nonprofits, and apartment occupancy rates are at 96 percent.

Mosey is the driving force behind much of the change. "Pretty much anybody doing anything in the neighborhood will be sent here," says Mosey, who works with developers to facilitate their projects by connecting them to the right partners, helping them secure tax credits and advising them on how to navigate city hall.

The organization she leads, Midtown Detroit, is involved in a dizzying array of initiatives designed to boost the neighborhood. It's working with the city to rezone the area to allow more mixed-use projects and relax parking requirements. It owns a park that hosts summer concerts, in addition to two community gardens, a hotel and an office building. It runs a program that pays employees of some of the area's biggest employers to live in the community. It runs popular events like the arts festival DLECTRICITY that draw thousands. All told, it's helped fund 30 residential developments and 20 local businesses.

And there have been more unusual undertakings too. "I stopped the 'Transformers' people from blowing up one of our really nice buildings," says Mosey, referring to the action movie partially shot in the city. While some would say Midtown Detroit's broad range of activities is unfocused, Mosey calls it "our special sauce." And it's all done without city funding.

In the ultimate sign of neighborhood status, a Whole Foods is slated to open in Midtown this year. Now Mosey is in a position that at one time would have been unthinkable: defending the neighborhood against accusations of yuppiedom. "I think people think Midtown ... is all about young, white people. They couldn't be more wrong. There is that factor, but that's negating all the other people that are moving here, plenty of people of all backgrounds and income levels."

Robert Anderson

Director, Planning & Development Department

As Robert Anderson drives back to his office from lunch in Detroit's Mexicantown, he passes an abandoned house with the letters "GASM" written in graffiti on its side. It's a tag that has become pervasive throughout town. "GASM—I'd like to kick that guy's ass," sneers Anderson, the city's no-nonsense planning director. While Anderson is a relative newcomer to Detroit's government—he arrived in 2011—he speaks about his new city with the passion of a local. "Being out of state and reading about Detroit—I wanted to get back home," says Anderson, who is originally from Michigan. "It's a place where I'd have the opportunity to have a greater impact than anywhere in North America, and maybe anywhere in America in the last 30 years."

Anderson, whose office administers many of the city's federal grants, arrived with a splash. Shortly after starting here, he made headlines by announcing that the city had mismanaged more than $25 million in federal housing grants, awarding money to groups that weren't qualified to use it.

He sees his job as building the capacity of his department so it can execute Detroit Future City, the broad plan designed to prepare for its next chapter. Much of that plan explores how a city built for 2 million people should adapt to the reality that its population is now less than half that. For example, Detroit has had a problem with prefabricated housing in derelict neighborhoods; just a few years after being installed, those houses frequently wind up empty. Anderson doesn't want to prohibit building in those areas. But given the limited federal and city resources, he says, Detroit should avoid investing in places so far gone that they lack the potential for a comeback.

When Anderson first arrived in Detroit, housing rehabilitation funds were disbursed in an unsophisticated way. Thousands of residents would line up at the convention center and put their names in a drum, and city council members would draw the names and announce winners as if on a game show. The system—if you can call it that—didn't actually evaluate what type of work needed to be done on homes or whether the funding would make a dent in the residents' housing problems.

Now, Anderson says, city staffers actually visit homes, trying to determine which ones have the most immediate needs and how they can target funding to prevent future damage that would necessitate more costly repairs. Fewer people get help, but the aid goes further toward assisting each home that gets it. "The goal is to ensure each house is in good shape for a generation," Anderson says.

Dan Gilbert

Chairman and Founder, Quicken Loans

Dan Gilbert is likely the most popular guy in Detroit right now. His impact has been enormous. Rock Ventures, the umbrella corporation that includes the mortgage lender Quicken and dozens of other companies in Gilbert's empire, has purchased more than 20 buildings encompassing 3 million square feet of commercial real estate in the city's central business district. More than 70 organizations have moved into those buildings in the last three years.

"Given the level of disinvestment in Detroit, no one could possibly think that the turnaround can be quick," says Sue Mosey, who promotes development in Midtown, just north of where Gilbert focuses his efforts. "But downtown is sort of a different situation. You've got one guy spending a lot of his own capital, so [the city] can affect something pretty quickly."

This spring, Gilbert and city officials unveiled a vision for a lively downtown—sidewalk cafés, outdoor concerts and movies, food carts, art installations, beer gardens, dog parks, volleyball courts, and even public Ping-Pong—to be funded both privately and publicly. The idea is to get a critical mass of people living, working and visiting downtown in order to make larger-scale retail and residential development attractive again.

Development in troubled cities has always faced a chicken-and-egg problem: Retail tends to go where people live, but people won't live somewhere if shopping is unavailable. "Our approach is to put the resources behind it to attack both issues at the same time," says Matthew Cullen, president and CEO of Rock Ventures. "We're not a passive real estate investor."

Already, Gilbert's done his part to populate downtown. In 2010, he moved more than 3,600 employees from his companies' suburban offices to the heart of the city. Since then, another 4,000 new hires have started working for him downtown, and his companies plan on hiring 1,000 paid interns there this year.

Some worry it's risky for the city to invest so much hope in just one man. Others say he's ignoring blight in neighborhoods outside the city's central core. Cullen says he and Gilbert aren't oblivious to other dilapidated areas, but their resources are most suited to make an impact downtown. Gilbert's actions aren't altogether selfless: If his gamble on Detroit pays off, few will profit quite as much as he will. "This is not philanthropy," Cullen says. "We think there's an opportunity to do good and do well."

Leslie Lynn Smith

President and CEO, TechTown Detroit

Leslie Smith is essentially in the same business as William Jones: workforce development. She's just going about it much differently. "We have a huge talent gap," Smith says. "There are not lots of people in Detroit who are serial entrepreneurs. That doesn't mean they don't have entrepreneurial capacity or potential. It just means they may not know it, and we haven't put them in places where they can excel."

TechTown, one of a growing number of business incubators in the Detroit area, is based on the idea that the *people* who build businesses can themselves be created. The nonprofit was launched in 2000 as an initiative by Wayne State University to commercialize the school's research. At its launch, it received $35 million in private and public funding, and General Motors offered up a huge building—140,000 square feet—that has innovation in its bones: It's the place where the Corvette was designed.

A former executive with the Michigan Economic Development Corp., Smith was drawn to TechTown largely because of the speed at which it works. "The proximity between decision and impact at the state level is longer than impatient people can deal with," Smith says. The nonprofit's specialty is "boot camps" designed to teach business acumen quickly. One shows entrepreneurs how to turn early stage technology into a viable business. Another caters to students looking to launch technology-focused ventures. A third takes retailers from concept to opening in just a few months. TechTown claims it has offered some sort of assistance to more than 600 businesses since 2007. While its biggest success is Asterand, a provider of human tissue research to drug researchers, it's also worked with a coffee shop, a pharmacy and a café.

Incubator programs have had only modest success in most other cities, and at their best can reach only a fraction of the people who might benefit from them. But Smith is convinced they can play a central role in Detroit's recovery.

"We try to apply a level of urgency to our work," Smith says. "I firmly believe that we can't continue to say we're in crisis and not move quickly to solve it."

Tom Nardone

The Mower Gang

While Detroit businessmen like Dan Gilbert negotiate high-level deals, Tom Nardone is trying to revitalize Detroit one blade of grass at a time.

One recent spring evening, he was in Stoepel Park No. 2, in far west Detroit. It was overgrown, covered with trash and bounded by dozens of abandoned homes. On this particular evening, it was soggy with rain. There's no reason anybody should be there, but Stoepel was teeming with activity, thanks to The Mower Gang.

This group of self-proclaimed "renegade landscapers" descends on a different overgrown public park every other week in order to remove debris and mow the grass. In cash-strapped Detroit, park maintenance isn't a public priority, which sometimes means parks are plagued by waist-high vegetation.

The situation was so bad that earlier this year the city announced it would close 119 of its more than 300 parks due to funding woes, though corporate donors and other grant money have saved them for now. "I'm sure there's a year's worth of growth here," says Nardone, the group's leader, as he zips around Stoepel in a high-powered Husqvarna riding mower, joining about two dozen other people.

Nardone acknowledges that The Mower Gang's work since 2010 isn't a substitute for the city's role in park maintenance. "One guy working for the city with a tractor and a truck could do as much as my group does in a year," Nardone says. "With the right piece of equipment, a single guy could mow a park in a day. We're not nearly the replacement for government service."

Nardone, who has the unusual day job of running a company that sells sex toys and other marital aids, knows his group of "schlubs with old lawn mowers" isn't going to single-handedly fix Detroit's parks. But as he said at a recent TED event in Detroit, that's the point of volunteerism: Just doing something—even something small—is better than doing nothing.

Bill Pulte

Detroit Blight Authority

As one of the country's biggest homebuilders of the 20th century, William Pulte made a career constructing houses. His grandson Bill is making a name by demolishing them. The younger Pulte, an investment banker, is the driving force behind the Detroit Blight Authority, a nonprofit that takes a new approach to removing the derelict structures that plague the city.

Earlier this year, the group made its first effort, clearing 260 lots over 10 blocks near a school. The work included demolishing 10 homes and two commercial structures, with the whole job coming in at $200,000. The Blight Authority partnered with the city to help streamline the permitting process and ensure that the group had the legal grounds to demolish the property.

Pulte decided to tackle blight in the city after reading a news article about a young girl who said she was fearful every morning when she walked to school. "It just didn't seem right to me that, given everything our country has [accomplished] we couldn't figure out how to knock down homes in Detroit," Pulte says. Indeed, the city has an estimated 78,000 vacant buildings, and city officials say no more than 10 percent of them will ever be reused. Those blighted structures are a haven for crime, and are damaging property values of everything nearby. "They're making every homeowner in the city poorer," says Lyke Thompson of Wayne State University.

Pulte says historically the city has used federal resources to clear individual homes on a piecemeal basis, as opposed to clearing whole blocks at a time, which will be the focus of his organization. "We've spent millions of dollars on this demolition program, but you'd never know money had been spent on it," says Pulte, referring to previous demolition efforts.

His goal is to bring efficiency to the demolition process, and he says his team can clear a home for less than $5,000, while demolitions by the city cost more than $10,000. The assembly line process he's employing brings in specialists in demolition, asbestos removal, utility disconnection and vegetation control. Since 80 percent of the materials the Authority recovered during its pilot were recycled, Pulte knows he can save on the costs of transporting waste to landfills.

Some critics say that Detroit will never be able to tear down all its abandoned properties without a massive infusion of state and federal cash. But Pulte has gotten an inordinate amount of attention for demolishing just one area, and many believe his strategy has great potential. "The city will eventually have to pick up our model," Pulte says. "Detroit is going to have to take care of these structures. It's just a matter of when."

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Kevyn Orr

Emergency Manager

The most polarizing figure in Detroit these days is Kevyn Orr, appointed by Gov. Rick Snyder in March to guide the city on its path toward financial solvency. The circumstances of his appointment were unusual: Although Michigan residents voted last year to repeal the emergency manager law that allows state-appointed officials to assume control of troubled cities, the legislature simply replaced it with another version of the law, setting the stage for Orr's takeover of city hall.

Orr is a bankruptcy expert who represented Chrysler during that firm's bankruptcy in 2009. A partner at the Washington, D.C., law firm Jones Day, he got off to a rocky start in Detroit when critics said it was a huge conflict of interest to have that same firm getting multimillion dollar contracts with the city. "I'm prepared to be the most hated man for a period of time, but some of that vitriol will abate," Orr told *The Detroit News* after his appointment.

Orr's supporters say his role is necessary to help rein in the city's troubling finances, which include a general fund deficit in excess of $300 million and nearly $15 billion in long-term debt. His power is vast: He can change contracts with unions and vendors, as well as sell city assets. The city council and mayor still make decisions, but Orr must approve them. Critics say his appointment by the governor is undemocratic. They argue that it's a way for the state to isolate the city's problems so they won't spill over and impact the state's credit rating. Orr hasn't made clear what concessions he'll seek from the city's workers, but labor leaders are already circling the wagons.

Ed McNeil, chair of the coalition of labor unions that represents city workers, fears Orr will work to outsource many city services. McNeil also accuses the city of walking away from labor concessions unions have accepted that would save Detroit millions of dollars a year.

But the city's business community has praised the arrival of an emergency manager as an unpleasant but necessary step toward financial stability. "He understands a challenge and he has a good support group around him," says George W. Jackson Jr., head of the Detroit Economic Growth Corporation. "I think the average resident of this city doesn't care who's in charge, as long as stuff starts working."

Lyke Thompson of Wayne State University says Orr might be able to help the city adjust to its financial situation in the short term, but the city's macroeconomic challenges—which extend beyond city hall—are too big for him to address on his own. "The emergency manager is one small piece of the puzzle of the vast rebuilding of Detroit," Thompson says. "People see it as the critical piece, but it isn't at all."

Deirdre Greene Groves

Executive Director, Challenge Detroit

As a 20-year-old college student, Deirdre Greene Groves, a native of rural Michigan, took an internship in Chicago. The experience of being a young person in a booming city was a thrill, but it was also bittersweet. "I wanted this vibrancy at home," Groves says. Today, she leads Challenge Detroit, which hopes to draw the country's top young talent to the Motor City—and hopefully use it as a catalyst to spur that same kind of vibrancy that Groves saw in Chicago.

The program hooks up a group of competitively selected fellows with Detroit employers like United Way, Quicken and Chrysler for one year while providing them a housing stipend. Relying mostly on word of mouth and social media, Challenge Detroit drew more than 900 applicants for this year's program, which was whittled down to 28 fellows ages 22 to 29. The new class arrives in August. The program recruits recent grads from diverse fields including science, business and urban planning.

In addition to working and living in Detroit, each month the fellows address a different "challenge" in concert with area nonprofits. They analyze ways to address problems like food access, education and health. The idea is to groom young people who will stay in Detroit and eventually become leaders.

The fellows are roughly divided among Detroit-area natives, Michiganders from elsewhere in the state and newcomers to the region. Groves expects most will remain at the end of their year, but insists even those who don't will play a valuable role. "If they're in New York or Chicago or L.A., when someone says, 'What were you doing in Detroit for a year?' they can say what they did and why it was amazing."

What About ...?

The auto industry

Despite Detroit's deep ties to the auto industry, much of the discussion about the city's possible turnaround focuses more on companies like Quicken and tech upstarts than on the big automakers. That's no surprise. "The people who've been here a while—they have a complex relationship with the auto industry," says Sandy Baruah of the Detroit Regional Chamber. "They've ridden the highs and they've ridden the lows. Since they've been burned by the auto industry, there's some school of thought that we need to diversify away from it." Baruah, for his part, says the automakers and associated industries are critical to the region.

"They still play a major role; the difference is you have other types of companies stepping in," says George Jackson of the Detroit Economic Growth Corp. "They're not as dominant as they used to be now that we have other large-scale employers here."

Mayor Dave Bing

After months of speculation, Mayor Dave Bing announced in mid-May that he would not seek a second four-year term. His decision didn't come as a shock. Just a few days earlier, emergency manager Kevyn Orr had released a grim report on Detroit's finances, indicating that the city was nearly broke and had become "dysfunctional and wasteful after years of ... mismanagement." Meanwhile, as mayor, Bing has suffered a string of health problems, including a perforated colon and a pulmonary embolism.

The question now is who wants to take over? As long as Orr is around, the mayor of Detroit doesn't actually run the government. Any decisions are subject to review by the emergency manager. A recent poll named Wayne County Sheriff Benny Napoleon and Mike Duggan, former head of the Detroit Medical Center, as the leading mayoral candidates. The primary is scheduled for August.

The banks

Some activists in the city have decried the role of lending institutions, who they argue have contributed to Detroit's financial woes. Indeed, a recent *Bloomberg News* analysis revealed that since 2005, the city has paid more than $474 million to financial institutions in fees alone.

As of June 2012, the city's long-term debt was more than $8.6 billion, according to state estimates. That figure rises to nearly $15 billion if you include pension liabilities and the cost of other post-employment benefits Detroit is currently committed to pay. While contractors, employees and retirees may take a hit in the city's financial restructuring, don't bet on bondholders losing big. The law requires Orr's financial plan to provide for "payment in full of the scheduled debt service requirements on all bonds, notes and municipal securities." G

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HR and Finance:

The Value of a Unified System for State and Local Government

Controlling costs throughout state and local government is more important than ever as revenues continue to decline and austerity measures take effect. Often, organizations don't realize the many hidden costs in their operations or the true cost of operating disparate systems — this is especially true in human resources (HR) and finance organizations.

A recent study by PricewaterhouseCoopers (PwC)[1] revealed that hidden costs, such as indirect labor and system maintenance, account for as much as 50 percent of the total cost of ownership (TCO) of in-house HR/finance processes. The same study also found that the average organization spends $200 per employee per year on enabling and maintaining interaction between HR/finance systems.

State and local governments can significantly reduce costs by bringing HR/finance processes onto a single, unified platform. In addition, a unified HR/finance system can help state and local governments address a wide range of ongoing challenges and emerging trends — from meeting demands for greater transparency and complying with government regulations to preparing for the "Silver Tsunami" of Baby Boomers who are nearing retirement to enabling mobility and bring your own device (BYOD) programs.

By unifying mobile, Web and desktop applications, government organizations not only lower the TCO of HR/finance administration, but also gain the efficiencies and timely insights they need to accelerate decision-making, increase operational efficiency and add greater business value to their processes.

Workday — Making Life Easier

As state and local governments consider solutions to unify HR/finance processes, they are finding that cloud-based applications can speed deployment, minimize complexity, reduce the IT burden and cut costs further. HR/finance processes delivered in the cloud allow organizations to immediately eliminate visible costs (e.g., installation and labor), as well as hidden costs (e.g., indirect labor, non-labor, maintenance) associated with systems integration, data center operation, software updates and other vital functions. In addition, a unified platform provides a clear, single version of the truth which greatly decreases any potential compliance risks for the organization. With the solution offered as a subscription model, organizations pay on a month-to-month or yearly basis without a large, upfront expenditure, significantly speeding the time to return on investment (ROI).

www.workday.com

The Drivers

In a late 2012 survey by the Aberdeen Group, respondents cited the following as important drivers for adopting a unified HR/finance system:

- **Reduced costs: 53%**
- **Timely information: 47%**
- **Accurate financial data: 28%**

And contrary to popular misconceptions, cloud-based solutions have fewer incidents of downtime and data compromise than on-premise solutions.[2]

Workday's cloud-based application brings disparate HR/finance systems into a single, unified core while allowing organizations to maintain complete control over data. By providing a single view across every function of HR and finance (human capital management, talent management, payroll, financial management, grants management and spend management), the Workday application enables government HR/finance teams to not only slash costs, but also organize data into a useful, meaningful format that puts actionable information at users' fingertips. With timely, accurate information and streamlined processes, organizations can make better decisions and free up employees to focus on higher-value processes.

More than 300 business processes are built in to the Workday application, so organizations can flexibly customize workflows for their unique needs. By using Workday processes, for example, employees can accomplish much on their own, which can enable their organizations to cut the TCO of workforce administration by 50 percent.[3] Mobile applications are built in and optimized for the specific device being used (e.g., smart phone, Android or tablet), so employees can be productive wherever they are.

Paving the Way for the Future

According to PwC,[4] HR/finance costs are increasing in spite of technology advances, suggesting that state and local governments will need to become even more efficient at administering HR/finance. Workday's cloud-based HR/finance applications unify the entire HR/finance system to prepare state and local governments for the relentless challenges of this era while eliminating up-front capital expenditures, lowering TCO and extracting added value from HR/finance processes.

For More Information

To learn more about unified HR/finance and how Workday can help state and local governments reduce costs, increase productivity and improve decision-making, visit **www.workday.com.**

Critical Features Checklist

Workday meets critical requirements for cloud applications:

- ✓ True multi-tenancy ensures everyone is using the same software release
- ✓ Regularly delivered, vendor-managed updates — at no additional cost
- ✓ Seamless integration, on demand, with internal and third-party systems
- ✓ Business-driven configurability, with more than 300 built-in best practice business processes
- ✓ World-class data centers to ensure data is physically and digitally secure 24/7
- ✓ High-performance, sustainable IT infrastructure to support any size organization
- ✓ Predictable TCO model
- ✓ Rapid deployment

1. PricewaterhouseCoopers. The hidden reality of payroll and HR administration costs. January 2011.
2. Aberdeen Group. Cloud Applications in the Public Sector: Helping Tax Dollars Work Harder. November 2012.
3. PricewaterhouseCoopers. The hidden reality of payroll and HR administration costs. January 2011.
4. Ibid.

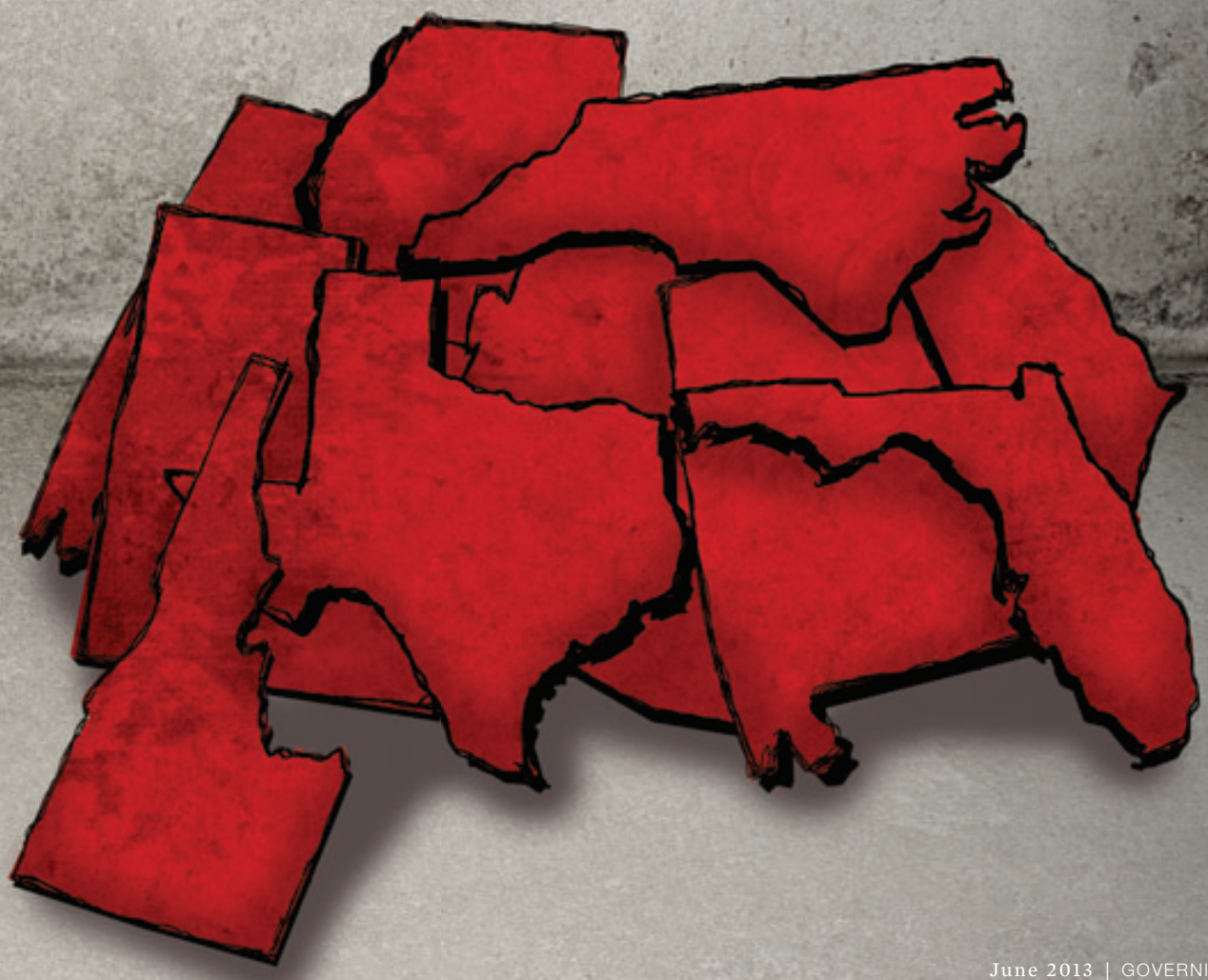
workday®

The Untied of America

In the absence of strong federal policies, states and more divergent—than they've been in

States

have become more active—
decades. By Dylan Scott



TOM McKEITH/SHUTTERSTOCK.COM

Less than five months after the massacre at Sandy Hook Elementary School, Connecticut enacted comprehensive gun control legislation. At the same time, 1,300 miles south and an ideological world away, Mississippi lawmakers considered a bill that would explicitly prohibit state officials from enforcing any new federal gun regulations. That last measure proved unnecessary. After months of controversy and extensive debate, Congress did not muster the votes to pass any federal law at all.

The same kind of split prevails on gay marriage. Last year, North Carolina joined more than 30 other states that have explicitly outlawed same-sex marriage. In just the past three months, Rhode Island, Delaware and Minnesota have legalized it, joining nine other states and the District of Columbia. The Supreme Court is currently deciding how far to wade into the gay marriage dispute—or whether it should wade in at all.

A third case: Voters in Colorado and Washington state chose to fully legalize marijuana in last November's election. On the same day, voters in Arkansas handily defeated a proposal to allow the drug even for medicinal purposes. The use of marijuana remains illegal under federal law; the Obama administration hasn't taken a position on last fall's actions but has made it clear that federal regulations will not be enforced.

This is more than just party polarization. It is part of a tectonic shift away from federal authority and toward power in the states. While the divided Congresses that have followed the 2010 Tea Party insurgency have been among the least productive in U.S. history, rife with partisan bickering and a chronic inability to compromise, robust action is common at the state level. Connecticut's quick and seamless movement from tragedy to statute is one of countless examples. In turn, ideologues and interest groups increasingly view states as the most promising venues for policymaking. Why waste your time in Washington—where you might pass a watered-down, largely impotent bill if you're lucky—when you can head to Austin or Sacramento and advance your agenda intact and with relative ease?

And while states pass legislation with an almost industrial efficiency, America, as is often noted these days, is becoming a more and more splintered nation. Red states are redder; blue states are bluer.

Take a look at a U.S. map colored by state party control. In the upper right-hand corner down to the Mid-Atlantic, it's all blue. In the South and across the Great Plains, you see a blanket of red. That crimson sea begins to break at the Rocky Mountains until you reach a stretch of blue along the West Coast. In a way, we are returning to our roots as a loose confederation of culturally and geographically distinct governments.

States led by Democrats are moving toward broader Medicaid coverage, stricter gun laws and a liberalized drug policy. They've legalized gay marriage, abolished the death penalty and extended new rights to undocumented immigrants. Republican strongholds are working quickly to remove government from the business sphere—reducing taxes, pushing anti-union right-to-work laws and rebelling against the Affordable Care Act (ACA). They're also pressing forward on some of their most valued social issues, promoting pro-life abortion policies and protecting the rights of gun owners.

The divisions generate fundamental questions about the nature of federalism. The sweeping national interventions of the New Deal and the comprehensive federal social legislation of the 1960s have been replaced by a more decentralized approach to governance. States are openly defying federal law and resurrecting the concept of nullification.

These are not merely legal or rhetorical exercises. They are fostering real change and real consequences for average Americans. If one bill that's currently pending in the Mississippi legislature is upheld by higher courts, the state will have effectively outlawed abortion altogether. In New York, meanwhile, Gov. Andrew Cuomo has introduced legislation that would make abortions easier for women in his state to obtain. Income taxes may go up this year in California and Massachusetts; several Republican governors say they want to abolish income taxes completely. Illinois will insure nearly 1 million additional people next year by expanding its Medicaid program under the federal health law, while Texas is expected to leave up to 2 million people without coverage because Gov. Rick Perry has steadfastly refused to do the same.

"Polarization has resulted in this changing relationship between the states and the federal government. There's a clear connection," says Alan Abramowitz, a political scientist at Emory University. "It's leading to gridlock at the federal level, which in turn is leading to many issues being decided at the state level because the federal government seems to be incapable of deciding anything."

"That's the hydraulics of political power. Power always seeks an outlet," agrees Heather Gerken, a law professor at Yale University. "When Congress is no longer doing anything, people are going to go to the states and localities."

This rebalancing of the federalist system has permeated almost every corner of public policy, taking center stage in the most controversial debates of the last few years. Last summer, Chief Justice John Roberts made the unexpected decision to join with his liberal colleagues and uphold the bulk of Obamacare and its individual mandate to purchase health insurance. But on the less publicized question of the law's Medicaid expansion, which was supposed to require states to extend eligibility for the program to those earning up to 138 percent of the federal poverty level, Roberts took a startling turn. He ruled, for the first time in the court's history, that the federal government had gone beyond its constitutional powers when it threatened to withhold all of a state's federal Medicaid funding if it refused to comply with the expansion.

The immediate implication was a dramatic reassertion of individual states' sovereignty. In the year since the court's decision, a Southern wall of conservative states, which fought against the ACA in the first place and have been encouraged by national Republican leaders, have decided to take this new option that Roberts legitimized and have refused to expand Medicaid.

On other issues, states have rebuffed federal policy or preempted it. The Real ID Act of 2005, mandating state adoption of

what is effectively a national identification card, has been foiled in the last decade by states refusing to comply with its federal requirements. More than 40 states have agreed to adopt the Common Core State Standards for K-12 education, which involve new curricula and assessments developed by state policymakers, in part because they didn't want another federal education regime after the failure of No Child Left Behind. The distribution of medical marijuana in 17 states, paired with outright legalization in Colorado and Washington, is a clear flouting of the federal Controlled Substances Act.

Such assertiveness or outright defiance by the states is a dramatic shift from the assumptions of federal preeminence that have prevailed during most of the years since the enactment of comprehensive social legislation during the 1960s, which included the passage of the Civil Rights Act, the Voting Rights Act and Medicare. Some would place the beginning of the erosion of the federal model in the Reagan administration, which introduced the waiver concept to state-federal programs such as Medicaid.

But it is also a reflection of changing public opinion: The Pew Research Center found this April that people's trust in state and local government had settled comfortably above 50 percent. Trust in the federal government, meanwhile, sat at a dismal 28 percent in 2012. That's a far cry from the early 1960s, when public confidence in Washington approached 80 percent.

"People had lost confidence that states were really up to the task of dealing with problems of modern society, so the federal government filled that vacuum," says Ernest Young, a constitutional law scholar at Duke University. "We're living in a new era now where the opposite is true. People have more trust in their state and local governments than the federal government."

Coinciding with this movement toward more state-centric governance has been the ideological polarization of the two political parties. Conservative Southern Democrats and moderate Northeast Republicans have slowly disappeared both from Congress and from state legislatures in the last generation. The Democratic Party is more uniformly liberal, and the Republican Party more uniformly conservative, than either has ever been. They therefore command certain regions of the country more consistently; the turnover of conservative Southerners to the Republican Party has turned the Deep South impenetrably red. Republicans have become a weak minority in much of the Northeast and West Coast.

This natural political sorting has led to two very different outcomes. With the GOP controlling the U.S. House and the Democrats controlling the Senate and the White House, productivity in Washington is at a historic low. Multiple analyses ranked the 112th Congress, which met in 2011 and 2012, at or near the bottom in terms of legislation passed and signed by the president. There was some optimism that the 113th Congress would see an uptick in action, due to the supposed mandates of the 2012 presidential election, but there is little to support that thesis so far.

While Capitol Hill trudges through political molasses, the states are as prolific as they have ever been—and the primary reason is the prevalence of single-party rule in the nation's statehouses. One party or the other is in full charge of both chambers of the legislative branch in 43 states. This is the highest concentration of partisan power since the 1940s. Half the legislatures have veto-proof supermajorities.

The States of Marijuana

A redrawn nation of states that have legalized medical marijuana would include 18 states and the District of Columbia. Colorado and Washington state have gone a step further and legalized pot altogether. Most of the marijuana states are in the libertarian West or the liberal Northeast. Michigan, which approved medical marijuana in 2008, is the only outlier.

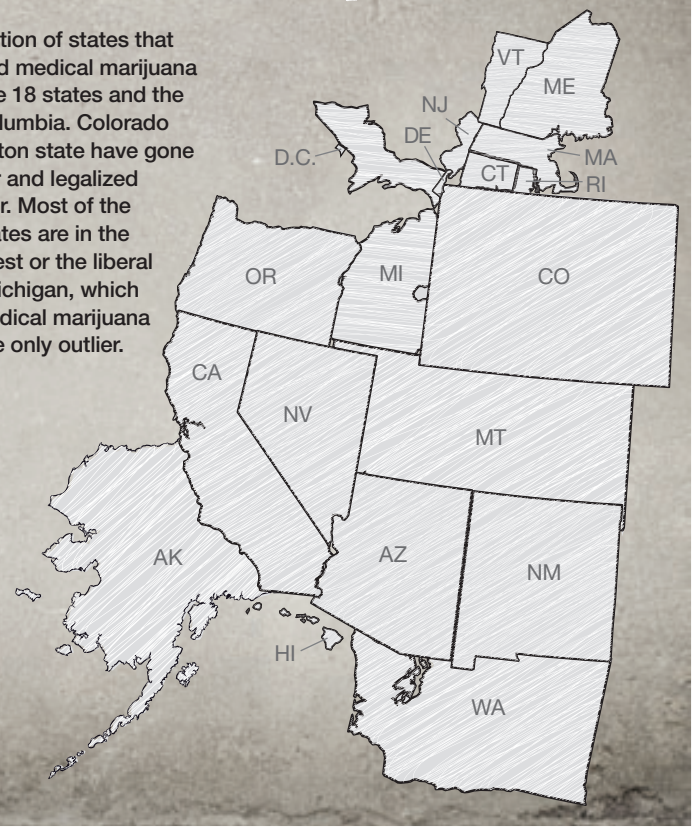


IMAGE: SHUTTERSTOCK.COM; SOURCE: NATIONAL CONFERENCE OF STATE LEGISLATURES

So when anti-abortion advocates want to roll back Roe v. Wade, they turn to conservative-controlled states. Arkansas and North Dakota are two of the most recent single-party legislatures to pass abortion restrictions, outlawing abortions after 12 and six weeks of pregnancy, respectively. Arkansas' Republican senate and house passed this legislation over the veto of Democratic Gov. Mike Beebe, one of only two Democratic governors left in the South.

On the other end of the spectrum, California, tired of waiting for federal action on climate change, established its own

cap-and-trade system last year; the nation's largest and arguably most liberal state had little trouble charting its own course on legislation that's essentially been a pipe dream in Washington since the 2010 midterms.

Individual states or coalitions of states can increasingly be viewed as proxies for what their ruling party's elites would like to accomplish at the national level, but currently cannot. Take Washington state as the liberal example. The Democratic legislature and governor have legalized gay marriage, taken an active role in implementing Obamacare and begun work this year to meet the goal of reducing the state's greenhouse gas emissions to 1990 levels by 2020.

Conservative counterparts are plentiful: Texas has become the flagship opponent of the federal health law, leading a coalition that includes nearly every state below the Mason-Dixon Line. Its legislature voted to defund Planned Parenthood because of its ties to abortion providers. Kansas, Nebraska and Louisiana have weighed the elimination of their state income taxes this year. Republicans in Indiana and Michigan last year joined the anti-union right-to-work movement that conservatives have been promoting since the 1940s. At least 10 GOP-controlled states have passed laws this year loosening their gun regulations.

"As the parties become more distinct from each other, they're generating a lot of ideas. They've become very programmatic parties, and they've been doing a lot of policy implementation in the states," says Seth Masket, a political scientist at the University of Denver. "If you want to change the ways things are, you're almost invariably going to be frustrated at the federal level. If you're going to get anything done, a unified state government is the place to do it."

So where are we headed? Is this movement toward decentralization and polarization a momentary lapse in what once seemed an unavoidable march toward federal control? Or are we seeing a permanent revival of the 10th Amendment to the U.S. Constitution, under which most governmental power is reserved to the states and regional fracture is assumed to be the norm?

There is a good deal of evidence to suggest that political polarization across states and regions will solidify. One argument is that people seem to be choosing, consciously or unconsciously, to live in communities that share their ideological beliefs. This is known in sociological circles as "sorting." It offers a powerful explanation for the growing homogeneity within states and regions, and some statistical analysis backs the theory.

In 1976, 26 percent of Americans lived in "landslide counties,'" defined as those that voted for one presidential candidate by at least a 20-percentage-point margin over the other, according to an analysis by social commentator Bill Bishop and University of Texas sociologist Robert Cushing. By 2012, that number doubled to 52 percent. In the 1976 election, 20 states were decided by five percentage points or less in the race between Jimmy Carter and Gerald Ford; only four were that close in 2012 with Barack Obama and Mitt Romney on the ballot.

Some doubt the sorting thesis, both as a reason for polarization and as a predictor of future trends. They instead attribute the widening political gap to simple ideological reshuffling—conservatives coalescing in the Republican Party, and liberals on the Democratic side. Gerrymandering is sometimes blamed for appearing to sort like-minded people into the same jurisdictions.

Several variables could determine whether this movement persists in the coming years. In particular, the dispersion of Hispanics and other minority populations into new communities where they haven't historically lived could upset the political balance in those places. The Democratic goal of turning Texas blue within the next two decades is the most noteworthy endorsement of this belief. Or perhaps the millennial generation won't remain as thoroughly liberal as it seems to be right now.

But many prominent thinkers give credence to the sorting thesis, and if it does hold some truth, then ideological and geographic divisions should harden in the coming decades. New England would continue on its path toward liberalized social democracy; the South would move further toward laissez-faire or libertarian capitalism.

If the sorting rule bears out, and states and regions continue to drift further and further apart on public policy, people might increasingly decide where to live based on these differences. That would create a self-perpetuating cycle that would continue to decentralize political power and destabilize our concept of a national identity.

The States of Same-Sex Marriage

The Supreme Court's decision on gay marriage, expected this month, could dramatically shake up this map. But for now, 12 states and the District of Columbia have extended full marriage rights to same-sex couples. Except for Iowa and Minnesota, all gay-marriage states are located either in the Mid-Atlantic/New England region or the Pacific Northwest.

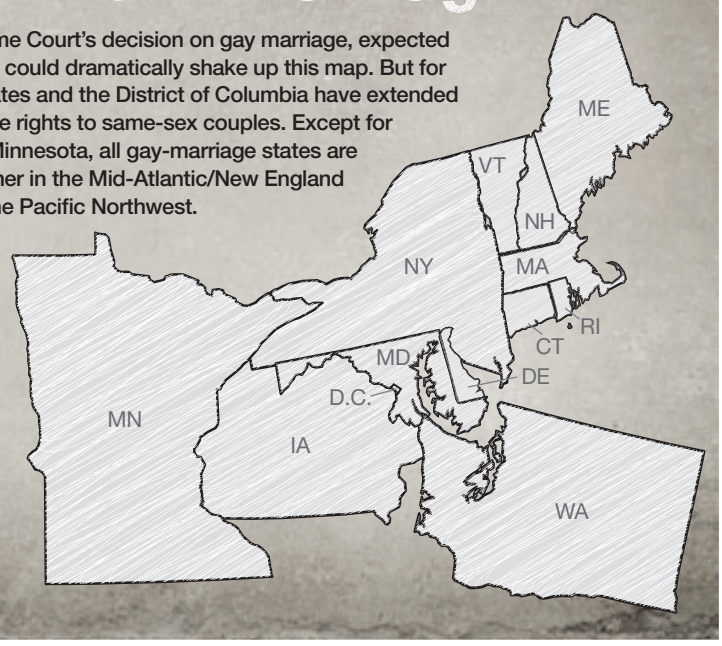


IMAGE: SHUTTERSTOCK.COM; SOURCE: NATIONAL CONFERENCE OF STATE LEGISLATURES

The States of Gun Rights

While the Newtown, Conn., tragedy spurred a (so far unsuccessful) call for greater gun control at the federal level, a coalition of conservative states, mostly in the Great Plains and Deep South, have acted in 2013 to strengthen the rights of gun owners. At least 15 state legislatures, almost all of them controlled by Republicans, passed laws this year to loosen gun restrictions.

IMAGE: SHUTTERSTOCK.COM; SOURCE: CQ STATE TRACK, STATELINE

"The trouble is within these places, there's less diversity where you live, but there's more diversity from place to place. As a result, there's less of a sense of a country as a whole," says social commentator Bishop, who drew national attention to the idea in his 2008 book, "The Big Sort: Why the Clustering of Like-Minded America Is Tearing Us Apart." "So you have this phenomenon where like-minded people get together and they become more extreme in the way they're like-minded."

In this future as a sectarian nation, which some say has already arrived, states emerge as the best forum for meaningful policymaking. The federal government will always have a dominant role on some subjects—foreign relations and international trade being the most obvious—but as long as Washington is politically divided, the number of issues on which it can effectively act is likely to shrink.

"When states become very homogeneous inside, and more heterogeneous across state lines," says Michael Greve, a law professor at George Mason University and director of the Federalism Project at the American Enterprise Institute, "it becomes much, much harder to write federal legislation that wraps all of them under one federal cartel."

The Affordable Care Act, which might stand as the last significant legislative achievement of a single-party Congress and White House for the foreseeable future, has become a testament to how difficult it is to institute national initiatives when some states actively resist federal prescriptions.

The refusal of conservative states to expand Medicaid has undercut the law's ability to insure low-income Americans. More than 30 states have refused to set up health-care marketplaces, which has left the Obama administration scrambling to pick up the slack. Questions are mounting about what will happen in these conservative states in 2014, when the law's major changes are supposed to take effect. On the other hand, the liberal states that have embraced the law's policies will fundamentally overhaul their insurance markets next year, as was originally intended. But the law's goal of universal health coverage will be stifled by the dissenting states.

Supporters of a revised immigration law remain hopeful for federal action during the 113th Congress. But the resulting legislation, if it passes, will likely be an undesirable compromise for both parties, a vanilla law that really pleases no one. If you want ideological purity, look a few miles away to Democratic Maryland, where Gov. Martin O'Malley and his legislature have in the past year legalized gay marriage, cracked down on guns, passed a DREAM Act that eases access to education for undocumented immigrants and eliminated the death penalty. Or go to Republican Mississippi, where the Second Amendment is sacrosanct, abortion is being made extremely difficult and residents have one of the lowest tax burdens in the nation. It's still possible to achieve philosophical cohesion within a single-party state, and there are more of them than ever. If you want to change policy, look to the states. That's where the action is these days. **G**

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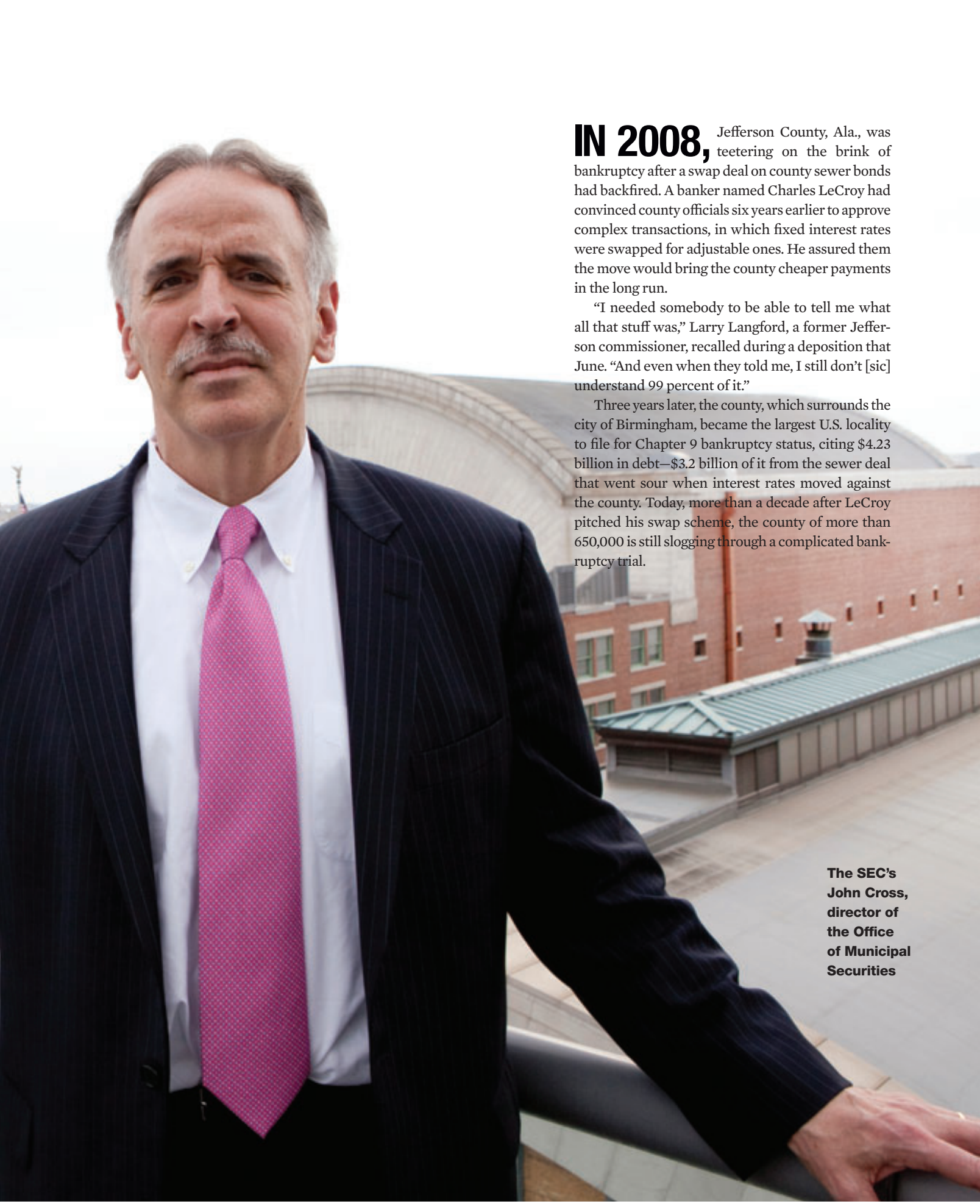
GREAT EXPECTATIONS

What will new faces at the SEC and MSRB mean for the municipal bond market and its issuers?

By Liz Farmer

DAVID KIDD

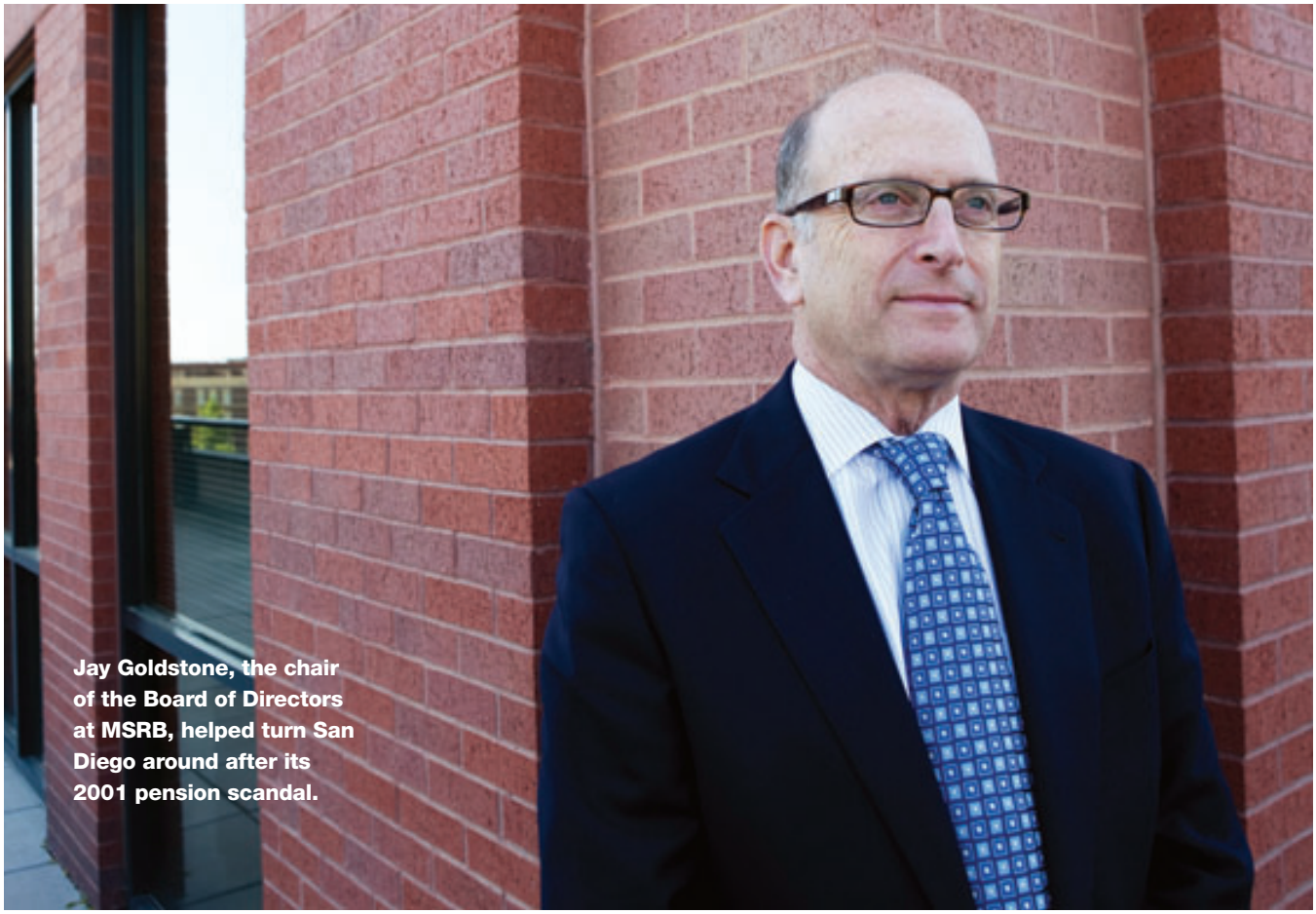


IN 2008, Jefferson County, Ala., was teetering on the brink of bankruptcy after a swap deal on county sewer bonds had backfired. A banker named Charles LeCroy had convinced county officials six years earlier to approve complex transactions, in which fixed interest rates were swapped for adjustable ones. He assured them the move would bring the county cheaper payments in the long run.

"I needed somebody to be able to tell me what all that stuff was," Larry Langford, a former Jefferson commissioner, recalled during a deposition that June. "And even when they told me, I still don't [sic] understand 99 percent of it."

Three years later, the county, which surrounds the city of Birmingham, became the largest U.S. locality to file for Chapter 9 bankruptcy status, citing $4.23 billion in debt—$3.2 billion of it from the sewer deal that went sour when interest rates moved against the county. Today, more than a decade after LeCroy pitched his swap scheme, the county of more than 650,000 is still slogging through a complicated bankruptcy trial.

The SEC's John Cross, director of the Office of Municipal Securities



Jay Goldstone, the chair of the Board of Directors at MSRB, helped turn San Diego around after its 2001 pension scandal.

DAVID KIDD

Although extreme, Jefferson County's debacle is an example of the mysteries that can cloak the $3.7 trillion municipal securities market for issuers new to the ways of Wall Street. And it was that event, along with other municipal bankruptcies and the 2008 market crash, that prompted the Securities and Exchange Commission (SEC) to call for a restructuring of the market in a 2012 report. Now, two new bosses in the federal agencies that oversee aspects of the buying and selling of municipal securities are charged with shepherding changes through a wary market.

The Players

Nearly 3,000 miles separate the offices of the SEC's John Cross, director of the new Office of Municipal Securities, and Jay Goldstone, the chair of the Board of Directors of the Municipal Securities Rulemaking Board (MSRB). From his office at the SEC building in Washington, D.C., Cross, a Louisville native whose voice still carries a soft drawl, can see the congressional office buildings on Capitol Hill. Goldstone, on the other hand, works 25 miles outside downtown San Diego. Recently retired from his post as the city's chief operating officer, Goldstone now works out of his home, which overlooks the 15th fairway of the Crosby National Golf Club.

Goldstone is a lifetime public servant. It is a role he says he wanted since completing a public service work study program during high school near Minneapolis. While he's managed the finances for Maricopa County, Ariz., and Pasadena, Calif., Goldstone is best known for helping turn around San Diego. From 2006 until this March, he presided first as chief financial officer and then COO during a tumultuous period in which the city's credit rating was suspended for years following a pension scandal. Unlike Goldstone, Cross has worked in both the public and private sectors. He was appointed to the SEC last year after six years with the Department of Treasury. Prior to that he spent more than a decade at the national municipal bond specialty law firm Hawkins Delafield & Wood.

Despite their different backgrounds, the two men align where it counts: They both want to make the municipal securities market more accessible and easier to use for issuers and investors.

Disclosure and Price Transparency

To know what to expect from Cross on municipal securities, one need look no further than last year's SEC report that called for more price transparency and uniform disclosure in the market. "That basically is kind of a to-do list, or road map for the future for priorities, themes and initiatives for our office," Cross says.

His reasoning for why state and local governments should embrace the idea of more uniform disclosure is basic: It will lead to more liquidity in the market. "There's a longstanding perception that pricing in the municipal market is opaque," Cross says. "That may be an overstatement, but there ought to be a lot of abil-

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ity to come to a consensus from market participants that more transparency and information on pricing is better."

It's not as if governments are against better disclosure and clearer pre-trade pricing information—certainly they acknowledge that untangling some of the rat's nest that is the pricing of trades in the municipal bond market would encourage more trading and thus net better prices for governments. While they appreciate Cross's view that new disclosure requirements should be implemented incrementally, they would like to see a more user-friendly way for potential investors to access governments' most recent, unaudited and audited financial information. (Typically the relevant information for investors is scattered throughout several agencies' websites in each government.) It is unclear whether such an idea would have localities and states each responsible for creating such an online database or whether the SEC or MSRB should launch something akin to Electronic Municipal Market Access, the MSRB-managed Web resource where municipal offerings and trades are reported.

What issuers are less enthusiastic about is the potential for mandated deadlines to submit audited financial statements, a requirement the SEC has with the corporate market and a recommendation included in last year's SEC report that also advised legislating disclosure requirements by governments. That would be a tall order for the nation's diverse group of governments.

The challenge with audited government financial statements is formidable, issuers claim. "You can't release a financial statement until that last grain of sand is put in place," says Marty Benison, the Massachusetts comptroller and president of the National Association of State Auditors, Comptrollers and Treasurers (NASACT). For example, Benison said he needs about 660 audited financial statements to put together the state's Comprehensive Annual Financial Report, including 15 regional transit authorities and all state schools. "It takes a while," he says. "It's herding cats."

Over at the MSRB, Goldstone said the organization's viewpoint is comparative to the SEC report's recommendations, although "there may be some [goals] that go further" than MSRB would. On disclosure, Goldstone says the MSRB is "not looking to regulate issuers, to force them to do certain things." He believes his prior hands-on experience as an issuer makes him sensitive to what's at stake and the difficulties a lack of top-of-the-line disclosure can create. "Faulty disclosure is really what got San Diego into trouble," he says. "If we can encourage and inform issuers as to what their disclosure obligations are, that's a form of protection. Investors are protected by having adequate disclosure and issuers are protected from maybe running afoul of the law."

Issuer Protection

Just as in Jefferson County, states and localities everywhere are full of well-meaning public finance officials who were trained to balance the books. Most are not, however, savvy in the ways of Wall Street.

In Virginia, there have been times where "you hear about a small locality doing something and you cringe and think, 'How could they have done that?'" says Manju Ganeriwala, the state's treasurer and the president of the National Association of State Treasurers. "It's because they had someone advising them and didn't have anyone on staff to ask the right questions."

The notion of issuer protection has always been an underlying goal of the MSRB, and they were given broader responsibilities in that respect under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Goldstone says he's made it his personal goal during his one-year chairmanship (which ends in October) to step up that mission by seeking input specifically on that topic during MSRB forums. Finance managers for many smaller issuers, Goldstone says, "were never hired to issue debt." So if the need does come up to raise capital, the process can be daunting.

"For many, it may be their very first time and it's a very foreign concept. They're relying very, very heavily on their professionals," he says. "But that doesn't absolve the issuers of certain liability and exposure. And so to the extent that we can do outreach and education, I think that's important."

Municipal Advisers

A source of frustration in the area of protecting issuers is resolving the Dodd-Frank mandated definition for municipal advisers, the companies that issuers pay to help them navigate Wall Street. The legislation called for the MSRB to write rules to regulate the advisers, but the board can't do so until the SEC establishes who counts as a municipal adviser. The commission initially issued a definition in late 2010, but it was widely panned as being too broad. More than two years later, issuers are still waiting for a new definition.

Cross has met with many groups, including the association representing state treasurers and NASACT. He won't say when to expect the new rules, but does say that finishing the definition is a top priority of his office.

"That part's encouraging," says Goldstone. "It would be even more encouraging if they actually do take action."

Goldstone's sentiment is echoed by finance officers. Virginia's Ganeriwala expects more action on that front now that Mary Jo White's nomination to SEC chair has been confirmed by Congress. "When everybody has been appointed, we'll work to resolve the issues that have been bouncing around the last two years."

Of course, all sides are cautious about the perception of instituting wholesale changes in the municipal securities market even though most are eager to see adjustments. One of the tricky parts, Cross points out, is that the market actually works rather well.

"Many would say, 'There's nothing broken here. What are you trying to fix?' And there's some truth to that," he says, noting that defaults have been limited mostly to small sectors of the market.

That said, there are still stresses—some have come to light thanks to the SEC's three-year-old Municipal Securities and Public Pension Unit within its enforcement division that has already reached settlements with Illinois, New Jersey and Harrisburg, Pa., for securities fraud. More enforcement actions are expected in the future as the unit pursues its mission. "The financial crisis," Cross says, "particularly underscored potential liquidity stresses in this market and the need to pay attention to increasing transparency of pricing and disclosure." G

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Agent of Change

After a massive corruption scandal, Ed FitzGerald restored people's trust in Cuyahoga County, Ohio. Now he'd like to lead the whole state.

By Alan Greenblatt

Photographs by David Kidd

Ed FitzGerald can't help but laugh as he looks forward to this month's ribbon-cutting for Cleveland's new convention center. FitzGerald, the county executive of Cuyahoga County, Ohio, is proud that the $465 million project is opening on time and under budget, but he recalls that not long ago people harbored serious doubts about it. "How about that guy shouting out at the groundbreaking that this would never open?" FitzGerald says. "What took nerve was that he was working on the project."

The steelworker-turned-heckler wasn't the only skeptic. Construction began in the aftermath of a corruption scandal that left people wondering whether Cuyahoga County was capable of doing anything right. A massive FBI raid in the summer of 2008 led to the arrests of the county auditor, a county commissioner and about 60 other county employees and contractors—many of whom have long since gone to prison.

Against that backdrop, Cuyahoga County voters opted to change the county's 200-year-old form of government, shifting it from a three-member board of commissioners to a single executive. FitzGerald was elected in 2010 as Cuyahoga's first county executive, answering to a new 11-member county council.

It's possible to find people who will criticize the job FitzGerald's done, but it's not easy. He's lowered the number of non-courthouse county employees by 1,600, or one-fourth. He's created an economic development fund that is bigger than those run by all the other counties in Ohio combined. And he has encouraged greater cooperation among local governments in the region, while saving the county itself millions by consolidating and cleaning up offices that once seemed like little more than personal piggybanks for corrupt officials.

In the old days, the more your house or commercial property was worth, the more likely it was to be undervalued, thanks to a kickback scheme that was a major part of the corruption scandal. "We've pole-vaulted right from Tammany Hall to a customer-oriented, competent and honest assessor's office," says Ned Hill, dean of Cleveland State University's College of Urban Affairs. "When it comes to actually executing the vision and building a more responsive county government, and changing the culture of using it as a patronage pit, Ed gets four stars."

Hill is not alone in giving FitzGerald high marks. He's also one among many who regret that FitzGerald is ready to leave the job so soon. In April, he officially launched his candidacy for governor. At the moment, he appears to have a clear shot at the Democratic nomination to challenge GOP Gov. John Kasich next year.

Regardless of how that race turns out, FitzGerald will be done as executive for this county of more than 1.2 million residents. The end of his term coincides with the gubernatorial contest, and he can't run for both offices. People are not only worried that it's too early for FitzGerald to declare victory and leave, but also that the campaign will leave him distracted for the remainder of his sole term in office. "I'm concerned about the next year and a half or two years," says Ellen Connally, president of the Cuyahoga County Council. "We have a county to run. He came in as a very strong leader, and we're concerned about how much he can do if he's traveling up and down I-71."

FitzGerald recognizes that he's in an unusual position, having made a success out of a job that never existed before. When a new Cleveland mayor gets elected, he may be great or he may be lousy, but people have a sense of what the job entails and can ride out the term if they have to. Cuyahoga residents are understandably more wary of the still-new county executive position at a time when memories are fresh of cronyism, bribery and outright theft. "There's been too little time," says Chris Ronayne, who has held a number of local government posts and may run for county executive next year. "The ink hasn't dried in terms of rewriting our future."

Finishing touches are added to a new waterfront development.

FitzGerald himself believes that many of the changes he's helped put in place will be difficult to reverse. Either way, he says, "other people can do it, and somebody else will do it."

Cuyahoga's troubles burst into public view on a July day five years ago, when 175 federal agents searched offices and seized documents across the county. Their investigation—and subsequent trials—has made clear just how pervasive corrupt practices were in the county. School district treasuries were raided, contracts were handed over in exchange for bribes, and a disturbing number of county employees held no-show or redundant jobs because they were friends, or friends of friends, or girlfriends of individuals with political connections. "People who aren't from around here don't understand how deep it went," says Michael Gallagher, a member of the county council. "It went to the root."

The crisis also created an opportunity. A group of reform-minded individuals, led by a trio of suburban mayors, pushed through something that had been attempted many times over the

Demolition began in April to make way for the new county headquarters building.

previous century without success—namely, a change in Cuyahoga County's form of government. "Getting structural change for structure's sake wasn't going to work," says Joe Roman, president of the Greater Cleveland Partnership, the local chamber of commerce, which underwrote the charter revision campaign in 2009. "Changing our county was both structural and a response to what was happening in county government."

FitzGerald was elected to the county executive's slot by a plurality. He'd served as mayor in Lakewood, a suburb with about 50,000 residents west of Cleveland along Lake Erie. And before that, he had worked as a county prosecutor and an FBI agent, attached to the organized crime task force in Chicago. "It's a strange coincidence that my FBI experience ended up being so relevant to what we ended up doing here," he says. "In terms of what was happening on a day-to-day basis with kickbacks and no-show jobs and patronage employees, it was very familiar to me."

Corruption is possible under any form of government. FitzGerald—who had initially opposed the restructuring—worried that the new form of government put too much authority directly in the hands of the executive. He came into office with the power to unilaterally grant and sign contracts worth hundreds of millions of dollars, so he established a board of control to oversee such deals. He also helped set up an inspector general's office to keep an eye on departments so that problems could be spotted before they spiraled out of control.

A lot of the managerial changes FitzGerald has implemented would have been a given in most places. Under the old regime, plenty of employees couldn't be disciplined by their supervisors, because of who they knew or who they were dating. Now, employee evaluations are routine—and meaningful. All union employees are entitled to baseline raises, but some will get more based on merit. Nonunion employees, who haven't seen a raise in seven years, will get a modest bump this year, which should help to ease some of the sting caused by the mass layoffs and furloughs FitzGerald implemented early in office. Name an operational budget—information technology, vehicles, building, utilities, procurement—and FitzGerald has found ways to save money. "There were a lot of duplicate jobs and an incredible number of HR departments," county council member Gallagher says. "Now we've put everything under one umbrella."

Having spent considerable time getting the county's operations back in order, FitzGerald is now focusing on boosting a local economy that never seemed to recover from the recession in 2001, let alone the one that came along in 2007 and has lingered nationwide ever since. The county has historically been a weak player in the region—providing social services, but little else. That's no longer good enough. Cleveland now makes up a fraction of Cuyahoga's overall population and there's no other regional actor ready to take the lead. "The county planning department went from being isolated, this kind of sideshow," says Hill, the urban studies dean, "to being used for long-range planning."

Using the cost savings he's achieved, FitzGerald has created a $100 million economic development fund that will lend assistance to companies creating jobs in the county—including some of the tenants who will fill a medical innovation center adjacent to the new convention center. Like other executives around the country, FitzGerald is now able to come in as the closer when necessary on deals, says Roman, the chamber president. In the old days, having three people in charge meant no one was able to call the shots. People attempting to put together a package would

have to engage in shuttle diplomacy. "It's as close to night and day as you can get," Roman says.

FitzGerald is not the sort of politician who absorbs all the oxygen in a room. Slight with soft features, he may ask pointed questions but he doesn't immediately take charge of every meeting he's in. Instead, his job is making sure that the right people are in attendance and are being tapped as resources. Jim Bennett, a senior vice president of Chicago-based MMPI, the county's private partner on the convention center project, says FitzGerald improved both its design and its business plan by bringing to the table senior government and private-sector leaders. "He's the convener," Bennett says. "You had every heavyweight in town to put pressure on MMPI to open on time and secure the best tenants."

FitzGerald has taken that talent and applied it to his peers, the local mayors. To everyone's surprise—including his own—he's been able to persuade all 59 municipalities within Cuyahoga County to sign an agreement not to use tax incentives or other tools to poach businesses from one another. In exchange, they'll each get a real shot at a share of the county's development dollars.

About the changes he's put in place, FitzGerald says, "other people can do it and somebody else will do it."

His interest in regionalism goes beyond just attracting new business. There are currently 45 emergency dispatch centers within the county; FitzGerald hopes to cut that number down to four. He's established an office of regional collaboration to encourage his former mayoral colleagues to work together where possible and to buy services from the county whenever practical. He intends next year to release grades that will show whether each municipality is making strides at regional cooperation, and he prods county department heads to market services to cities such as IT and health insurance pooling. "I feel kind of ghoulish asking the coroners to send us more business," said Thomas Gilson, the county medical examiner, after FitzGerald's chief of staff suggested at a CountyStat hearing that he offer DNA services to other localities.

FitzGerald looks up from his desk to a large photo of Robert F. Kennedy. Born just a month after RFK's assassination in 1968, the 44-year-old may be one of the last people to enter public service inspired by the example of the older Kennedy brothers. He says he's always been fascinated by politics and history and assumed when he went into law enforcement that he might end up running for office some day. "I finally got to the point where I wanted to feel like what I was doing in my career was creating something," he says, "as opposed to just punishing people for doing the wrong thing."

He's been able to do both. Having cleaned house at the county level, FitzGerald now hopes he can make a difference as governor. His next campaign will be a challenge. After a rough start early in his tenure, Kasich's approval ratings have improved, Ohio has created more than 100,000 jobs on his watch and he leads FitzGerald by double-digit margins. What's more, early polls indicated that four out of five people in Ohio don't know enough about FitzGerald to have an opinion about him one way or the other.

People in Cuyahoga County understand that FitzGerald is ambitious. No one seems to begrudge him his shot at statewide office. Still, lots of people wish he would hang around a little while longer. Cementing changes within the local political culture—as well as expectations among the county's workforce—will take more than a couple of years, even if things are heading in the right direction. "The county executive did a great job in setting the foundation for the change and putting in place some of the procedures and avenues for the change," says Nailah Byrd, Cuyahoga County's inspector general. "Whoever comes in next really has to have a similar vision and has to stand behind some of the things that have to be implemented."

Over the next couple of years, the county administration building will be imploded to make way for a new convention center hotel. County operations will be consolidated from a number of buildings—"too many buildings," council president Connally says—to a new location in Cleveland's downtown. Those moves are expected to ultimately save the county millions of dollars in real estate costs.

Lots of people think it's a shame that FitzGerald won't be running the county when it moves to its new headquarters, or that he won't be in his present office if a mini-World's Fair known as the Great Lakes Exposition takes place in Cleveland in 2016, as FitzGerald hopes. He'll also be leaving just as his convention center and other projects help spur a downtown Cleveland revitalization that's long overdue.

But if FitzGerald won't be in office long enough to see his grand plans take fruition, most people recognize that his short tenure is what made them possible. "He has made a dramatic change in how people think about county government," says Kevin O'Brien, head of the Center for Public Management at Cleveland State University. O'Brien says that even though FitzGerald will be leaving soon, "he'll have done his service to the county at the time when it needed it most." G

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The $1.95 Billion Question

New Jersey has positioned itself
state for tax incentives. Will it pa

By Mike Maciag

as a leading
y off?

Gov. Chris Christie

STATE OF NEW JERSEY GOVERNOR'S OFFICE/TIM LARSEN

Standing in the half-built atrium of Atlantic City's Revel casino in February 2011, New Jersey Gov. Chris Christie made a bet. The state would provide $261 million in tax incentives—its largest award ever—to help shore up the financially stalled project. But Revel, which opened in April 2012, has yet to generate as many jobs as expected or receive any state money. This March, the casino filed for bankruptcy.

Earlier this year, Christie addressed a crowd of Lockheed Martin employees at the company's Moorestown facility, hailing a $100 million defense contract the company had landed. Grant funding from the state to upgrade the Lockheed site helped secure the contract. But the deal also came at a cost: $40 million over 10 years.

The push for tax incentives has been a key part of Christie's strategy for turning New Jersey's economy around, what he often touted as the "New Jersey Comeback" early in his tenure. It's a continuation of an economic development approach that's generally enjoyed bipartisan support in the state legislature for years.

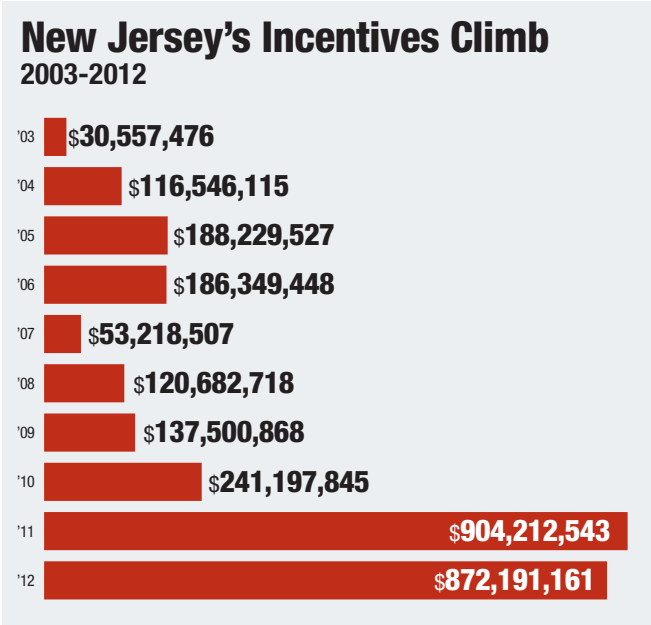
Most states offer their own attractive incentives to lure out-of-state employers and boost existing businesses, and many became more aggressive after the recession. But perhaps no other state—both in sheer dollar amounts and an expanded range of offerings—has bolstered its tax incentive programs in recent years quite like New Jersey.

Since January 2011, the state's five major incentive programs awarded an estimated $1.95 billion to companies, mostly tied to long-term agreements yet to be disbursed. That's more than the entire total from the previous 15 years, a *Governing* review of state data found. New Jersey has also expanded the number of options available to employers. As recently as 2009, the state Economic Development Authority issued awards through just two tax incentive programs; today it administers five. The scope of the programs could soon widen even further if a proposed bill makes its way through the state legislature.

"New Jersey has gone off the charts in the types of incentive deals it offers," says Dan Levine, a former assistant state treasurer who now runs MetroCompare, a corporate relocation firm. "We've just got into a cycle of doubling down on incentives."

The problem, say critics, is that New Jersey's all-out effort on tax incentives hasn't delivered, or at least it's failed to live up to expectations. The state's economy has begun to recover, but it has only created about half the private-sector jobs lost since the height of the recession, trailing neighboring states. In the last few months of 2012, the gap between New Jersey's unemployment and the national rate was the largest since 1977. The state's rate has since declined a bit, but it's still one of the nation's highest.

Companies receiving subsidies are expected to create jobs and make billions in private investment. But some aren't immune from economic shifts. Since 2010, according to an analysis of New Jersey records, at least 20 companies receiving incentives filed layoff notices while they were still subject to grant terms with the state. Verizon Communications, one of the top beneficiaries, has netted about $60 million in incentives over the past decade. Yet the telecom giant laid off 336 New Jersey employees last year as demand for landline phones withered. Biotech firm ImClone Systems laid off 141 workers in 2010, not long after the state approved incentives worth an estimated $32 million for its Branchburg headquarters.



Estimated value of annual incentive awards approved for New Jersey's five major programs. Years refer to when amounts were initially approved, not disbursed.

SOURCE: *GOVERNING* ANALYSIS OF STATE ECONOMIC DEVELOPMENT AUTHORITY DATA

Other sectors of the state's economy, hit hard even before the recession, have continued to struggle. Pharmaceutical and telecom companies downsized or consolidated. Atlantic City's casinos have faced growing out-of-state competition. Last summer, Christie quietly retired the "Jersey Comeback" banner from his town hall speeches.

Proponents say incentives help offset New Jersey's pricey real estate and high taxes. Funding is crucial to encourage economic development, they argue, and many new jobs will not be realized for years to come. The state expects the $1.95 billion in awards approved since 2011 to create an estimated 18,473 jobs and protect another 17,579 considered at risk, not including construction. "We've been very aggressive since the collapse of 2008 in trying to do whatever we can to work with the private sector to create the economic conditions they need," says Assemblyman Al Coutinho, a Democrat who heads the Commerce and Economic Development Committee. Incentives matter, he says. "I've seen development in my city that would have never happened if not for this."

Others aren't convinced. "We don't see the type of job creation we would have expected," says Levine, "and it's a very legitimate public policy question."

Much of New Jersey's upswing in subsidies resulted from mega deals with major corporate players. The state has awarded incentives to more than 500 businesses since it began giving out incentives in the mid-1990s, but about half of approved incentive money has gone to just 22 companies. Those receiv-

ing some of the biggest packages in recent years took part in the state's high-profile Urban Transit Hub Tax Credit Program, which Christie and the legislature expanded. The biggest recipient so far is Prudential, the insurance and financial management company, which received a tax credit worth $210.8 million over 10 years to build a new 20-story office tower in downtown Newark.

But Prudential already leases space down the street, and none of its jobs were at risk of leaving. Similarly, officials in Secaucus expressed outrage when the state approved $102 million in Transit Hub incentives for Panasonic to move its headquarters there about 10 miles down the road to Newark. Others also contend doling out money to companies already in the state isn't the best use of taxpayer dollars. Much of the debate centers around whether a company is actually "at risk" of leaving.

State officials see it differently. Investing in existing companies, they say, can help spur new development; Transit Hub credits are intended to drive growth in underserved urban areas. "Many of these communities have not had any significant private investment for decades," says Timothy Lizura, the state Economic Development Authority's president. Under the Prudential deal, for instance, the company pledged to invest $444 million and create 400 new positions. And there's "no question" that Panasonic, which was considering sites in Brooklyn, Atlanta and California, would have left the state, says Lizura. The state estimates the $1.08 billion already awarded will result in $2.82 billion in private investment, creating or saving nearly 6,000 jobs.

When it comes to luring companies from out of state, New Jersey's primary tax credit is the Business Employment Incentive Program (BEIP), initiated in 1996. The subsidy provides businesses relocating or expanding their footprint with grants up to 80 percent of employees' state income tax withholdings. Good Jobs First, a watchdog group critical of incentives, published a report last year examining 22 similar programs redirecting workers' withheld personal income taxes in 16 states. New Jersey's BEIP disbursed $178 million in fiscal year 2011, by far the most of any program in the study.

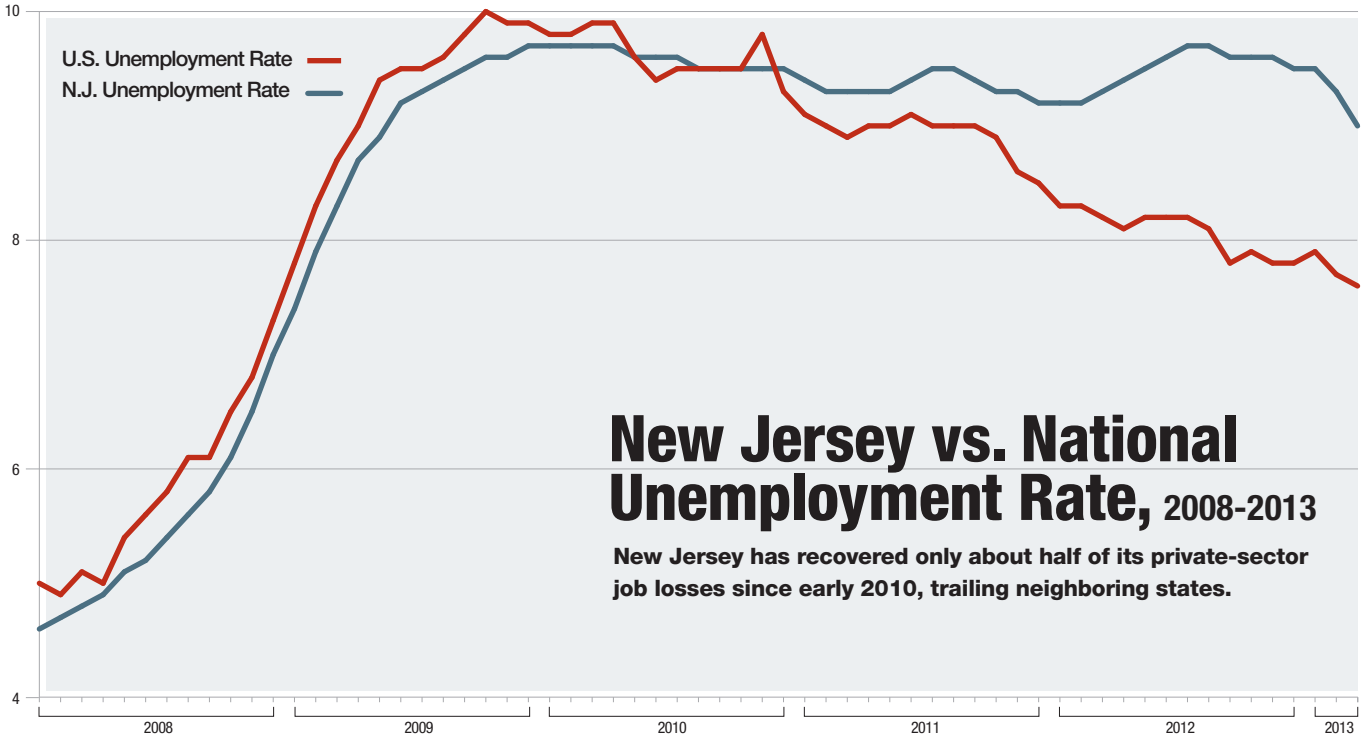
New Jersey does have "clawback" provisions—allowing it to recoup tax incentives for firms that don't hold up their end of the bargain. After Morgan Stanley announced plans in March to relocate all 95 of its Princeton employees, it paid back the entire $7.3 million in BEIP grants it had received. Verizon and ImClone weren't asked to return any money following their layoffs, however, because they still employed a minimum number of workers, the state Economic Development Authority says.

No one argues New Jersey should completely do away with all its incentives, ceding ground to other states. "It's an arms race," says Rutgers University economist Joseph Seneca. "Every state would be better off if none of them did it."

But some critics are concerned that New Jersey's corporate incentives have ballooned in size and breadth in recent years. (Indeed, Gov. Christie has so far vetoed only one project, a film tax credit for the MTV show "Jersey Shore" dubbed "the Snooki subsidy.") The governor and the legislature now appear poised to broaden subsidies even further, with a bill that would enhance incentives for smaller companies and those outside of urban areas. The proposed Economic Opportunity Act would also consolidate the state's five main incentives programs into two. Sen. Joseph Kyrillos, the bill's sponsor in the senate, says it will help streamline the application process and make the programs more marketable. "We need to do everything we can at the state level to make New Jersey as competitive as possible."

Christie holds a New Jersey Comeback town hall meeting in Lyndhurst in 2012.

STATE OF NEW JERSEY GOVERNOR'S OFFICE/TIM LARSEN



New Jersey vs. National Unemployment Rate, 2008-2013

New Jersey has recovered only about half of its private-sector job losses since early 2010, trailing neighboring states.

SOURCE: U.S. BUREAU OF LABOR STATISTICS, SEASONALLY ADJUSTED DATA

The question being asked in New Jersey is the same as in nearly every state: Do tax incentives really matter when a company decides where to locate?

With New York City, Philadelphia suburbs and wealthy Connecticut enclaves just outside the state, New Jersey leaders say the competition to land jobs is intense. Every competitive edge helps, says Philip Kirschner, president of the New Jersey Business and Industry Association. "We have really developed incentives on a bipartisan basis that are equal or better to surrounding states and any state in the country," he says. "I think an incentive really has the power to seal the deal."

But Patrick O'Keefe, a New Jersey resident and the director of economic research at the accounting firm CohnReznick, says tax incentives have little, if any, effect on most relocation decisions. "If cost is the only consideration, we're not competing across the Hudson or Delaware River, we're competing across oceans," he says. The hurdles the state faces in attracting employers are the product of an accumulation of policy decisions made over decades. New Jersey should broaden its approach to economic development and eliminate unneeded regulation, O'Keefe says, rather than focus on incentives. "The incentives serve a political—not an economic—objective."

Without knowing how deals will play out, estimating indirect revenue gains against costs of tax credits is difficult. In a 2012 fiscal analysis, New Jersey's Office of Legislative Services wrote it could determine "neither the direction nor the magnitude of the net fiscal impact" of a bill proposing additional funding for Transit Hub tax credits.

The fact is that company executives weigh an array of factors when deciding where to locate. For example, Mission Solutions Engineering president Michael Knowles, whose company secured incentives to relocate to a building in Moorestown, says the available workforce, facilities and proximity to customers were top priorities in his decision to retain workers in the state. Still, the state's tax credits did factor into the selection of the location over a competing Pennsylvania site, he says. Incentives typically aren't going to woo a company halfway across the country, but they're more relevant when businesses compare real estate options within a labor market, says Levine, who drafted the state's original Business Retention and Relocation Grant program.

With so much emphasis on landing large projects, the incentives that states award frequently don't benefit smaller projects. "Too often, economic development has gotten highly aspirational and going after the glitzy technology company and corporate campus," Levine says. And some New Jersey companies resent others receiving large incentive packages when they're left out. Two CEOs Levine worked with viewed it as an "annoyance" and eventually took their companies out of state, he says.

Across the Hudson River, New York has had its share of wins and losses in vying for employers against the Garden State. Mark Jaffe, president and CEO of the Greater New York Chamber of Commerce, says governments across the region would be better off working together. Jockeying for top companies with incentive deals, he says, too often creates a "reactionary" environment for economic development. "If New Jersey comes up with a great program," Jaffe says, "New York is going to want to match it." **G**

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Investigators examine the Boston Marathon blast site.

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Intelligence

Break

Fusion centers are struggling to find their footing in the post-9/11 world that created them.

By Tod Newcombe

When terrorist suspects Tamerlan and Dzhokhar Tsarnaev set off two bombs near the finish line of the Boston Marathon in April, those immersed in the science of homeland security pondered a handful of obvious questions: What had authorities done to secure the route, and was securing all 26.2 miles of the course even possible? Had local law enforcement picked up any chatter related to a possible attack in advance of the incident? And were the brothers homegrown terrorists or connected with some foreign group?

Those are the kinds of questions that routinely get examined though an extensive intelligence infrastructure in place in the form of nationwide "fusion centers." They were set up by the Department of Homeland Security (DHS) after the Sept. 11, 2001, terror attacks as a way to improve information gathering and intelligence surveillance among the country's various law enforcement agencies.

But fusion centers are controversial. Questions have been raised about how effective they are in securing the nation from both homegrown and outside threats, and in their approach to the delicate business of intelligence gathering.

Boston isn't new to the debate about the efficacy or the tactics of fusion centers. In March 2007, Boston

police took it upon themselves to monitor an antiwar event at a local church, taking careful notes and later filing an intelligence report that described the gathering as a criminal act involving extremists. When the American Civil Liberties Union (ACLU) later obtained a copy of the report and published the information, the public was astonished and outraged to learn of the surveillance, which was undertaken by Boston's fusion center, known as the Boston Regional Intelligence Center, or BRIC.

The ACLU accused the Boston police of trying to suppress legitimate constitutionally protected speech in a broad-based effort at thwarting terrorism. The police responded by saying the report should have been purged from its records, but a glitch in the computer system failed to remove it. The incident hardly served to instill great confidence among citizens in either the mission or the tactics of BRIC.

But there are other cases of fusion centers performing exactly the functions they were set up to execute. Two years after the Boston church surveillance incident, law enforcement authorities in North Carolina shut down a terrorist group led by an American named Daniel Patrick Boyd, who had trained in militant camps in Pakistan and Afghanistan in the early 1990s. The group had provided money and transportation to help terrorists overseas while amassing a large cache of weapons before the FBI and local police arrested Boyd and seven members of his group. Boyd is now serving an 18-year sentence. The intelligence that led to the breakup of his domestic terrorist organization was produced by the North Carolina Information Sharing & Analysis Center.

The different outcomes at the fusion centers in North Carolina and Boston reflect their mixed record overall. Conceived in 2004, the centers were set up to be state-run information networks that would have guidance and support from the federal government and operate in conjunction with local law enforcement agencies in the war on terrorism. Today, they have become centers that communicate and analyze "all crimes" and "all hazards." The result is more confusion than fusion. The centers, critics charge, have grown unwieldy and wasteful. Meanwhile, the ACLU complains that the lack of oversight has led to far more serious problems, such as abuses of privacy and civil liberties.

Fusion centers are not without their supporters. They argue that in a post-9/11 world, the U.S. needs more information and intelligence sharing between federal, state and local law enforcement agencies, not less. They also point out that preventing crime and terrorism will always be a difficult outcome to measure.

"You have to remember, they have a very difficult charter, figuring out what they are to do," says Rick Nelson, a senior associate at the Center for Strategic and International Studies (CSIS). "They have demonstrated their value. The question is how do they continue to evolve to contribute to the security of the country."

When the 9/11 Commission issued its recommendations in 2004 on how the country could guard against future attacks, a key finding was the need for more robust information sharing between state and local law enforcement agencies and federal intelligence agencies. The result was the creation of fusion centers, which were to form the centerpiece of the U.S. domestic antiterrorism strategy. The mission was to collaborate and combine resources, expertise and information with the goal of maximizing the ability to detect and prevent any criminal or domestic terrorism activity, and apprehend those who might be involved in confirmed plots.

Today there are 78 fusion centers that range in size from small three-person offices to massive centers with a staff of 250 officers, agents and analysts. Mike Sena, director of the Northern California Regional Intelligence Center and president of the National Fusion Center Association, says that of the 78 centers, 49 are state centers, another 26 operate in major urban areas and three are territorial.

The center in Northern California has a staff of 70 representing 23 different agencies, including state law enforcement agencies, the California Department of Justice, state highway patrol, local sheriffs, local police departments, the FBI, state and local emergency management agencies, and even some public health officials. In addition, the fusion center also includes operations in what's known as a High Intensity Drug Trafficking Area.

If you're thinking of a large room with banks of computer screens and digital maps, forget it. "We aren't like the Tom Cruise movie, 'Minority Report,'" Sena says. Rather, the staff works in cubicles, sifting through raw data, analyzing information and creating reports.

As broad and all-encompassing as it sounds, the center has been working well, Sena claims, and has cut down duplication of information sharing since its creation in 2007. That said, he admits that the center he runs and the 77 others around the country are still works in progress. "This is a new network," he says. "It takes time to build an operation, including three to five years to develop the kind of analytical capability that a fusion center needs."

Getting any kind of information sharing network up and running is never an easy task, and when it involves law enforcement agencies from three branches of government (four, if you include tribal), the difficulties and complexities are only magnified. Despite that challenge, some experts who track America's intelligence programs are cautiously optimistic about the job fusion centers are doing. The question, of course, is how they are developing to protect the country against an ever-evolving threat.

That's an important question because in the short time fusion centers have been around, they have come to have different purposes. States provide the bulk of the centers' funding with the rest coming from DHS and other federal agencies. States also decide how the centers will operate, and with 50 of them, the results aren't harmonious. "Some states have used them effectively and have the resources to put into the centers," says CSIS' Nelson. "Other states have not been able to realize the same value."

With today's fiscal constraints, the inconsistency of how fusion centers are funded has become even more problematic. Federal grant spending on state and local homeland security has been dropping steadily since 2010, according to the Federal Funds Information for States. Every state or local police officer in a fusion center means one less cop on the beat. That can add up when a fusion center is manned by dozens of officers. Last year, Utah's legislature stripped out funding for its fusion center, only to restore it after pressure from local law enforcement agencies. Oregon's two fusion centers are also in danger of closing due to a lack of grant funding from the federal government.

Inconsistent funding is a major strategic problem. "It's hard to run an operation like this when you don't know what your budget will be," Sena says. "There's no real funding strategy across the board."

The lack of reliable financial support from fiscally beleaguered federal agencies and state governments looms large. But an even bigger problem could be the very mission of fusion centers. In October, the U.S. Senate Permanent Subcommittee on Investigations released a report based on a two-year investigation that found the centers had not been effective in doing their job despite the huge sums of taxpayer money spent on their operations.

The investigation said the centers produced intelligence of uneven quality, sometimes endangering citizens' privacy, and that DHS did not monitor how the money provided to the states—estimated between $289 million and $1.4 billion—was used. Instead, the report uncovered spending on items that had little to do with intelligence gathering, from shirt-button cameras to a fully loaded SUV used for daily commuting.

"It's troubling that the very fusion centers that were designed to share information in a post-9/11 world have become part of the problem," said Oklahoma Sen. Tom Coburn, the subcommittee's ranking member who initiated the investigation. "Instead of strengthening our counterterrorism efforts, they have too often wasted money and stepped on Americans' civil liberties."

While the report made headlines and brought fusion centers to national attention, it was just the latest in a long line of reports critical of the centers. In 2010, the Government Accountability Office issued a report warning that no "standard performance measures" are used to demonstrate the impact and value of fusion centers when it comes to information sharing goals.

In 2009, professor Torin Monahan, who conducts research on surveillance and security issues at the University of North Carolina, published a paper that raised questions about how fusion centers shared information with private-sector data brokers. "There are no clear mechanisms for oversight or accountability with fusion centers, in spite of the fact that private companies are likely obtaining unprecedented access to government data on individuals, and vice versa."

The Senate report was strongly denounced by supporters of the intelligence gathering community. Connecticut Sen. Joe Lieberman, who has since retired, said the public record showed that fusion centers had played a significant role in thwarting terrorism and had generated hundreds of leads for the FBI. California's Sena echoed that sentiment, saying that the recommendations in the report were helpful, but the methodologies used were flawed.

One of the recommendations called for Congress to link fusion center funding to performance, a potentially complicated concept since fusion centers are fundamentally in the prevention business, something that's not easy to measure. Nevertheless, Matt A. Mayer, a visiting fellow at the Heritage Foundation, backs that idea and would like to see it taken one step further. "I think there's a fundamental flaw in how fusion centers are designed," he says. "I don't think there's a sufficient level of activity in most locations to justify a fusion center." Mayer believes the number of centers around the country needs to be scaled back to 40 or fewer.

More troubling to many fusion center critics is the lack of oversight with civil liberties and privacy. The ACLU has raised concerns about the centers' ambiguous lines of authority, the participation of private-sector data brokers, questionable data mining tactics and their overall "excessive secrecy." According to the Senate report, fusion centers have produced intelligence of "uneven quality—oftentimes, shoddy, rarely timely, sometimes endangering citizens' civil liberties and Privacy Act protections."

The ACLU complains that the lack of oversight of fusion centers has led to serious problems, such as abuses of privacy and civil liberties.

In 2011, an investigation by the Associated Press found that the New York City Police Department had been regularly spying on mosques, student groups, Muslim businesses and communities, with only mixed results to show for its aggressive surveillance work. For New York state Sen. Kevin Parker, who represents a broad range of ethnic communities in his Brooklyn district, the reports of police spying programs raised alarms. "I'm all for coordination among law enforcement agencies when it comes to information sharing and surveillance, but there needs to be accountability," he says. "We're talking about agencies that have large amounts of personal data. We have no idea what's happening with that information. What are they going to do with it?"

Parker has introduced three bills that will provide oversight of fusion centers while protecting privacy and prohibiting "biased-based profiling" from occurring. While the bills will only affect the action of the fusion centers located in New York, they could provide a road map for how other states can address some of the problems that have surfaced with fusion centers.

Some might argue that if Parker's bills become law, they could have a chilling effect on the country's ongoing efforts to deal with terrorist threats that grow more sophisticated and have the potential to do harm on a large scale. But Parker worries we may be giving away too much in the name of protection and safety. "Those who are willing to give up a little freedom for more security will get neither." G

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Falling Behind

Hit hard by the Great Recession, can young adults make a comeback?

With the last days of school winding down, millions of students will soon embark on a hunt for summer employment. But as the economy struggles to gain momentum, many will find landing a job difficult, failing to acquire skills and experience crucial to their future careers.

By many measures, young people were the hardest hit group during the Great Recession, causing recent graduates to go back to school or accept low-wage, part-time positions. The unemployment rate for those ages 16 to 24 soared to levels previously unseen, peaking at a record high of 19.6 percent in April 2010. As youth employment continues to lag far behind the rest of the nation, some fear a generation of Americans is falling behind.

"There's a real sense that this is pushing back life expectations and elements of the American dream," says Rory O'Sullivan, policy director for Young Invincibles, a youth advocacy group.

With job opportunities scarce for everyone, young adults are finding that they have to compete with older, more experienced workers vying for positions previously held by recent graduates. While the chances of getting hired may be better in the retail or food service industry, some long-term unemployed youth simply aren't interested in accepting these low-paying, low-skill jobs, O'Sullivan says. Meanwhile, young workers who are landing jobs are finding that they don't have great job security.

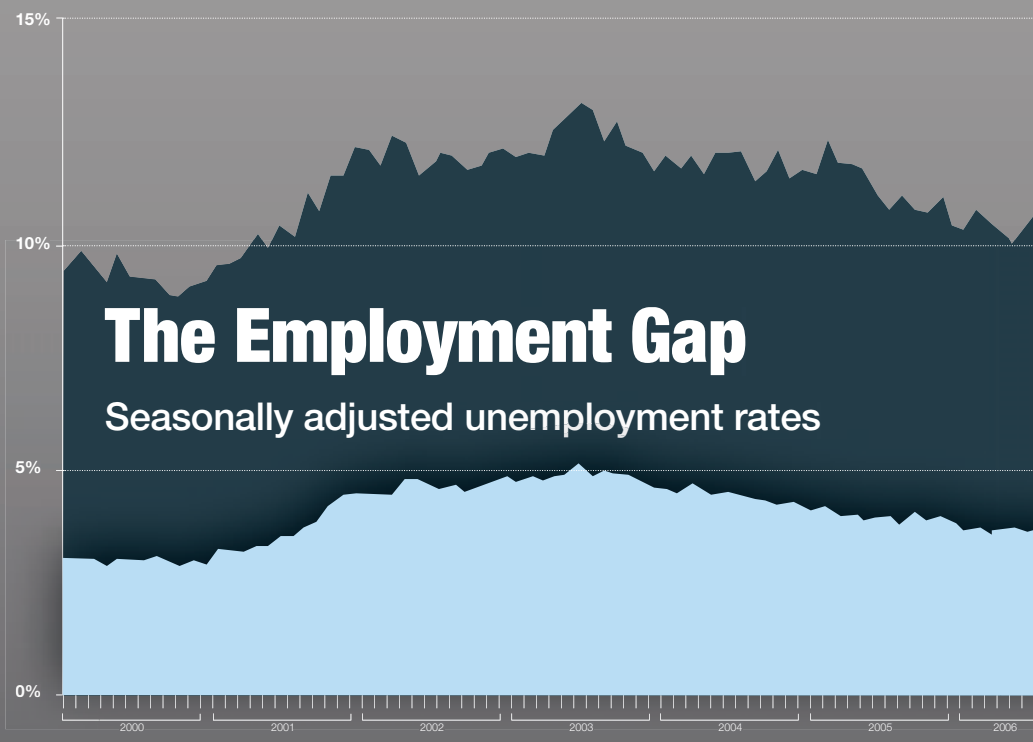
The youth unemployment rate stood at 16.1 percent in April, more than double the national rate of 7.5 percent. But the true extent of the problem is much worse than what's portrayed by the unemployment rate, which only considers individuals actively looking for work. The annual employment-to-population ratio for 16- to 24-year-olds, comparing those employed to the total population, fell from an annual average of 53.1 percent in 2007 to 46 percent last year. By comparison, the employment-to-population ratio for those 25 to 54 also dipped over the five-year period, but only by 4.2 percent.

Entering the workforce is a particularly daunting task for youth lacking any professional experience. "Young people often have a lot of barriers getting connected to the labor force," O'Sullivan says. This challenge is most apparent in areas with low incomes and educational attainment.

Mississippi, which ranks near the bottom in both metrics, recorded an average jobless rate of 23 percent for the cohort in 2012—the nation's highest rate. State Economist Darrin Webb attributes this to the weakened condition of the state's economy, along with older workers filling up entry-level jobs. South Carolina (22.9 percent), Georgia (20.6 percent) and California (20.2 percent) recorded the next-highest average jobless rates last year.

In response, some local governments have launched efforts to directly address the problem. Philadelphia Mayor Michael Nutter is pushing a summer work program with a lofty goal: 10,000 youth jobs. Demand for summer jobs in the city, which had an unemployment rate of 10.5 percent in February, is huge. The public-private partnership linked 6,800 area youth to paid summer positions with local government and private employers last year, but more than 14,000 submitted applications.

Setting a high target this year helped to motivate employers, says Lori Shorr, Nutter's chief education officer. The city and its nonprofit partner, the Philadelphia Youth Network, ramped up recruitment efforts to boost the number of available slots with area businesses. As of April,



The Employment Gap

Seasonally adjusted unemployment rates

By Mike Maciag

public and private employers had already committed to providing 7,500 jobs.

The program offers three options, each tailored to where youth are in their careers. The youngest students typically participate in service learning teams that address a community need; others wanting to work in specific sectors are placed in work experience programs; and more advanced workers receive internships. "They need some early experiences, particularly if they've grown up in economically isolated areas," Shorr says.

Participants are also expected to master a set of transferable skills, and 86 percent met that requirement last summer. "With the unemployment rate we have in the city," Shorr says, "we need to be building the workforce of tomorrow today by giving them these experiences."

It's vital that young people make connections to the workplace in high school or in their first few years of secondary education, says Neil Bomberg, the National League of Cities' program director for human development and public safety.

Although the youth unemployment rate inched down slightly over the past two years, it's still 5 to 6 percentage points above rates prior to the recession. Demos, a policy group promoting economic equality, estimates that the U.S. economy would need to add 2.2 million jobs for 18- to 24-year-olds for that age bracket's employment to return to pre-recession levels.

The result has been a widening skills gap—older workers are developing skills while many young adults continue to put their careers on hold.

"If we don't do something rapidly, we are just creating a generation of kids who have no connection to the workplace and will not be productive," Bomberg says. G

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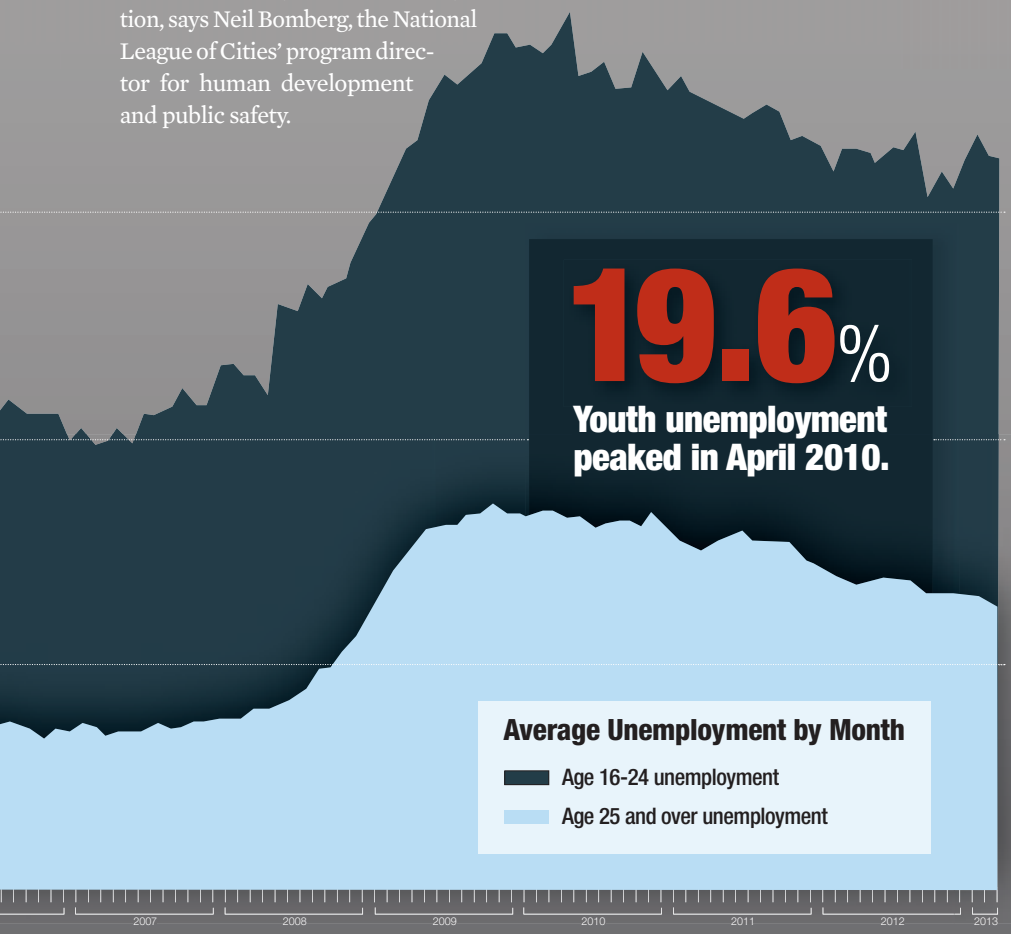
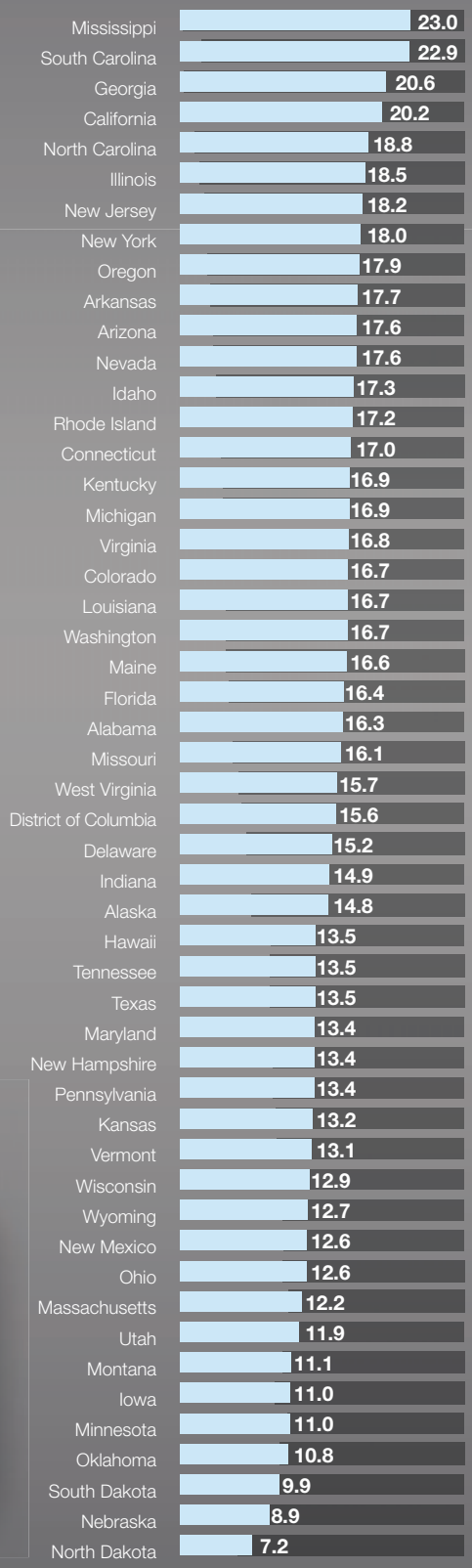
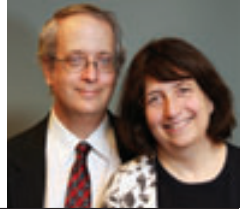


Youth Unemployment Rate

16- to 24-year-old population, 2012 averages



SOURCE: U.S. BUREAU OF LABOR STATISTICS



By Katherine Barrett and Richard Greene

When to Apply the Success Meter

Performance measures are a key management tool—but not for everything.

There are certain fields in which performance measurement is particularly useful. Direct public services, such as sanitation and roads or corrections and public safety, are clear-cut areas where developing good measures is a reasonable pursuit.

But there are others where finding concrete measures can be as difficult as counting stars in the night sky. You just aren't going to get anywhere. Acknowledging this is crucial, because efforts to measure things in these areas can be a waste of time unless the obstacles to the effort are cleared away first.

Measurement gets particularly tricky, for instance, when the government is granting or contracting out its dollars. There can be many steps before arriving at the level that actually performs the service. "It's harder, the more contracting you do, to actually have your arms around what it costs and what you're accomplishing," says Jeff Tryens, deputy director of performance management in the New York City Mayor's Office of Operations.

One of the more substantial obstacles to measuring certain kinds of performance is that they are difficult to standardize. For example, say you want to measure the results of disaster relief. Obviously, an ideal goal would be to reduce the loss of life in a flood or a tornado. But it turns out that success is far more likely to depend on the severity of the disaster itself than on the programs in place. It's like comparing rotten apples to putrid pears. "You can't standardize an emergency," says Michael Jacobson, deputy director for Performance and Strategy in King County, Wash. "Over time you'd say that loss of life should be going down, but one flood may come with a [category] 2 hurricane and the other with a [category] 3."

Some of the areas that are particularly difficult to nail down are in administration, which often rely on analysis or relationship-building for their success. Budget offices fit neatly in this category. You can look at differences between expenditures planned and dollars actually spent, but it's likely that this varies depending on many other things besides the actual performance of budgeters. Budget office performance, just like measuring the accuracy of revenue estimates, is dependent on external factors, such as hurricanes, the price of oil or unexpected national economic dips.

> "The toughest things to measure are those where you're looking for a long-term result. The results you want are in the future and may be affected by multiple factors."

Beth Blauer, director of GovStat at the company Socrata and former director of StateStat in Maryland, says that economic development was always a tough area to measure because it was all about nurturing relationships. Cities and states have gotten sucked into focusing on process measures—such as the number of business contacts made, or the number of trade shows attended—but "it didn't mean anything," she says.

Complicating matters still further is an ongoing redefinition of success in economic development. "We're translating [our goals] from attraction of large businesses to growing our own or supporting small businesses," says Christine McFarland, the interim director of the Center for Research and Innovation at the National League of Cities. "We haven't found the answer at all."

Drummond Kahn, director of audit services in the Auditor's Office in Portland, Ore., says the toughest things to measure are those where you're looking for a long-term result. The results

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you want are in the future and may be affected by multiple factors.

Longitudinal data helps to pin down the relationship between government services and what they accomplish, but such data systems are expensive to build and still quite rare, for example, in the social services/health arena. For most social services, the data you can get is about the population at large and doesn't provide information on the impact of services on individuals over time. You'd like to know whether homeless services for a particular person put him or her into a more stable living situation, but instead you get a headcount of the numbers of homeless at any one time. "Keeping track of an indigent person is not a simple thing," says King County's Jacobson.

It's also difficult to measure things that involve areas that are hard to count. Again, homelessness is a good example. King County's efforts are more aggressive than those in many places. City and county representatives head out annually, flashlights in hand, peering under bridges and inside parked cars in addition to getting headcounts from agencies.

Worthwhile? Yes. But there are two problems: Cities with lesser efforts to locate the homeless will appear to have fewer homeless people. Additionally, sampling techniques like this are problematic because they miss people who may be homeless, but reside indoors somewhere—permanently couch-surfing with friends, say.

Government spending can be designed to get something to not happen—instead of getting something to happen—and that's rather daunting to measure. How do you really know that you've prevented a terrorist attack? Or prevented someone from taking that first cigarette? "Prevention is the obvious answer [to many public problems]," says Tryens. "But what didn't happen as a result of your activities? We measure the negative things about society. Is the absence of a negative a positive?" G

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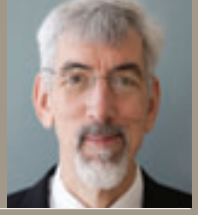


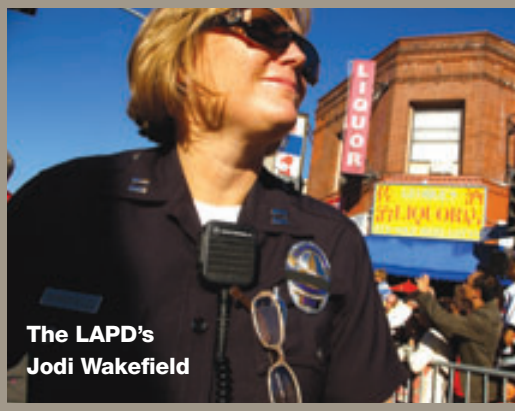
By Mark Funkhouser

Keeping the Cops Out of Trouble

The LAPD is leading the way in police performance auditing.

Jodi Wakefield had never planned to lead a bunch of police performance auditors. Her star had risen steadily in the Los Angeles Police Department (LAPD). She'd been promoted by then-Police Chief William Bratton and, she says, "raised as a Bratton baby captain," so she was familiar with his CompStat performance management system.

In 2009, Wakefield was asked to command two units that later were combined into the Internal Audits and Inspections Division (IAID). The original audit division had been created in 2001 under the consent decree that the LAPD and the city entered into with the U.S. Department of Justice as a result of the scandal in the department's Rampart Division. The scandal involved egregious violations of civil rights, inappropriate use of force, and illegal and unethical behavior by dozens of police officers.



The LAPD's Jodi Wakefield

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But Wakefield's shop goes far beyond monitoring the LAPD's use of force. IAID audits the department's most sensitive functions, including search warrant applications, arrest reports, motor vehicle and pedestrian stops, confidential informant matters, and the handling of personnel complaints. The audits are presented publicly to the police commission and are available on the department's website.

In 2004, the audit unit established the nation's first Police Performance Auditing School, which teaches law enforcement professionals and auditors the fundamentals of auditing police functions. Today the IAID has about 50 staff. While not required to, the division follows the standards for performance auditing issued by the comptroller general of the United States and is planning to undergo an external quality-control review in the near future.

Wakefield and her chief audit manager point out that their operation is different from most city audit functions because those offices are heavily focused on efficiency and effectiveness. While those are important, the IAID's overriding concern is with civil rights and compliance with policy and procedure. When police departments get into trouble, it is almost always because of violations of procedures.

Too many experts in police accountability, Wakefield says, don't recognize the value of performance auditing. They focus on internal affairs or professional standards bureaus, but that tends to treat problems as simply involving "bad apples" instead of looking systemically at policy, procedures and training as the source of the problems.

Wakefield says the LAPD has improved enormously since the days of the Rampart and Rodney King scandals. That doesn't seem to be an empty boast. The federal consent order was recently withdrawn. And Wakefield says her staff gets a couple of calls a month from other law enforcement agencies wanting to learn how to establish their own performance audit units. IAID is working with the L.A. County Sheriff's Department and the Seattle Police Department, both of which are embroiled with the Justice Department in their own controversies over their officers' use of force. Wakefield's division holds regular police performance auditing seminars that attract hundreds of attendees. Last year she and her top staff spent four days in Kosovo, in the Balkans, training people there in police performance auditing. G

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By Steve Towns

Think Before You Delete

Orange County, Fla.'s 'textgate' teaches the importance of texting policies.

Last September, a nasty little controversy over an undetermined number of deleted text messages erupted in Orange County, Fla. Commissioners there were accused of trading texts with opponents of a ballot referendum during public hearings on the measure. When local media outlets and supporters of the measure—which would require businesses in the county to provide paid sick time to employees—sought the texts, they discovered some had been erased.

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Dubbed "textgate," the scandal raised ethics questions about county leaders and created a huge headache for county CIO Rafael Mena, who had the task of recovering texts related to the ballot measure. But the event had larger implications too: Mobile technology is creating new ways for our officials to run afoul of public records laws. That's why the issue needs more attention from CIOs and public leaders.

Ultimately, the incident prompted Orange County to tighten up its treatment of texts. Mena recently flipped the switch on a new system that captures and stores text messages sent and received by county-owned devices. Messages are saved in a searchable repository and can be quickly retrieved to comply with records requests. The county also inventoried county-issued mobile devices and disabled texting for employees who lacked a business justification for the service.

A new training program drives home the point that employees are responsible for retaining work-related text messages even if they're using personal cellphones, like county commissioners were during the incident. "They can forward the content of the text message to our email system so it will be saved," Mena says, "and they need to understand that the police can come and get their personal phone to do forensics on it." Employees who fail to complete the training will be disciplined, he adds.

Mena arrived at these solutions while trying to recover the deleted texts last year. He quickly discovered that wireless carriers don't retain the content of text messages, so he was forced to dig into the guts of the phones themselves. As with any other type of computer, deleted messages are still rattling around inside of a smartphone until the device actually reuses the portion of memory containing those messages. Until the messages are overwritten, it's possible to retrieve them—but it's not always easy. "Depending on what device was being used," Mena says, "we were able to recover them all or not [at all]."

Having lived through textgate, Mena urges others to confront the issue head on as he was forced to do. First, he says, determine if your default stance is to treat texts as public records or as transitory communications that aren't subject to disclosure. Then train your workforce on the policy to ensure they understand and follow it.

The key is to develop explicit guidelines for text messages before controversy arises—and you can expect the matter to crop up more frequently as mobile devices permeate society. Florida's tough sunshine laws pushed Orange County to adopt a policy that assumes business-related texts are public records, but that approach won't be right for everyone.

"Sit down and determine what is legal, because every state has different records retention laws," Mena says. "But don't ignore it." G

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By Justin Marlowe

Why We Put Money Aside

States and localities have very different perspectives on the point of rainy day funds.

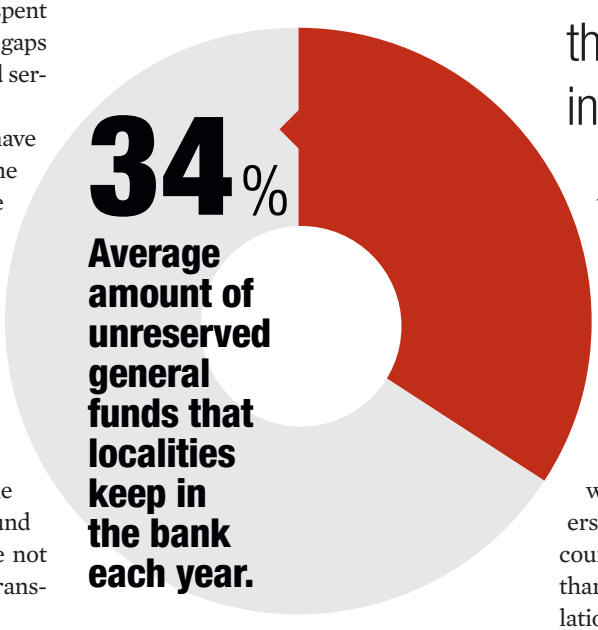
Wallace Sayre, an early and influential scholar of public management, once said public and business administration are "alike only in all unimportant respects." His insight applies equally to states and localities and their rainy day funds. Both put money aside for unforeseen emergencies or hard times. But states use these funds to solve problems. Many local governments use them—or don't—in ways that reveal problems.

Among the states, rainy day funds have been the best (and in some cases the only) tool available to blunt the Great Recession's fiscal destruction. During the good years prior to the downturn, most states built up 5 to 10 percent of annual expenditures in their funds. During the recession and the ever-so-slow recovery, they spent almost all of that money to fill budget gaps created when revenues fell short and service demands spiked.

Most local governments do not have formal rainy day funds in the same way most states do. A typical state rainy day fund is governed by a law that sets a target fund balance and dictates when to use and replenish that balance. According to recent research, only 11 of the 30 largest U.S. cities have an actual rainy day fund. Instead, most localities use budget surpluses or unreserved fund balances as a rainy day fund, but one without the constraints of a formal fund policy. These informal practices are not necessarily bad, but they're not as transparent as most state policies.

Unlike states' funds, local reserve levels are large and varied. Where state rainy day fund balances have hovered around 5 to 8 percent of annual spending, local governments tend to keep much more in the bank. In my own analysis of more than 6,000 local government financial reports from the past five years, I found the average local unreserved general fund balance to be around 34 percent of annual general fund expenditures. Even more striking is how much these local balances vary. It's not uncommon to see a group of local governments with 0 percent fund balances and a nearly identical group of jurisdictions with fund balances at 70 to 80 percent of annual spending.

Here's the most important difference: Unlike the states, local governments did not spend down their reserves during the Great Recession. In fiscal 2007 the average local unreserved general fund balance was 37 percent of annual general fund expenditures. In 2009, as the recession began to take hold, it fell to 29 percent. But by 2011, as the recovery struggled to start, it was back up to 31 percent. In the meantime, operating margins—or the percent by which revenues exceed expenditures—fell from an average of 6 percent in 2007 to an average of less than 1.5 percent in 2011. To be clear, about one in four of these governments did spend down most or all of their reserve funds. But the vast majority, including several with large reserve funds, reduced spending instead.



Why were local governments reticent to spend reserve funds during one of the stormiest eras in history? On the record, many local finance officials say they would prefer to use those funds to take on an idiosyncratic problem, such as a flood or the loss of a major local employer. Off the record, they will tell you it has a lot to do with citizens' lack of understanding of what local government services really cost. Some say, "If we spend it, we won't get it back." In other words, the pressure to keep taxes low is so great that they would never be able to replenish the reserves with new incremental revenues. Others say, "I can't spend it because my council wants our reserve funds higher than the (neighboring) city of X." Translation: High reserve funds are a signal of strength and prosperity precisely because you don't really need them. Until we can address these much larger issues of perceptions, local rainy day funds will be a symptom rather than a solution. G

> "Why were local governments reticent to spend reserve funds during one of the stormiest eras in history?"

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Last Look

DAVID KIDD

In 1986, Detroit artist Tyree Guyton saw blight in his childhood neighborhood and decided to do one small thing about it: paint the side of an abandoned crack house. That small step eventually led to the Heidelberg Project, a creative undertaking that's transformed the impoverished east side neighborhood into an internationally known work of art. Over the last 27 years (and despite two city-led demolitions and a recent fire), Guyton has been covering the neighborhood's blighted homes with brightly colored paint as well as found objects like records, stuffed animals and dolls. The idea is to take something unremarkable and transform it into something whimsical. As a result, visitors flock to a place that otherwise would go largely unnoticed. It's also prompted debate about what exactly the project means, and whether it's art or just an eyesore. That's fine by Guyton. "Is it art? Is it junk? Is it telling a story?" he writes on his website. "That's for you to decide." **—Ryan Holeywell**

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