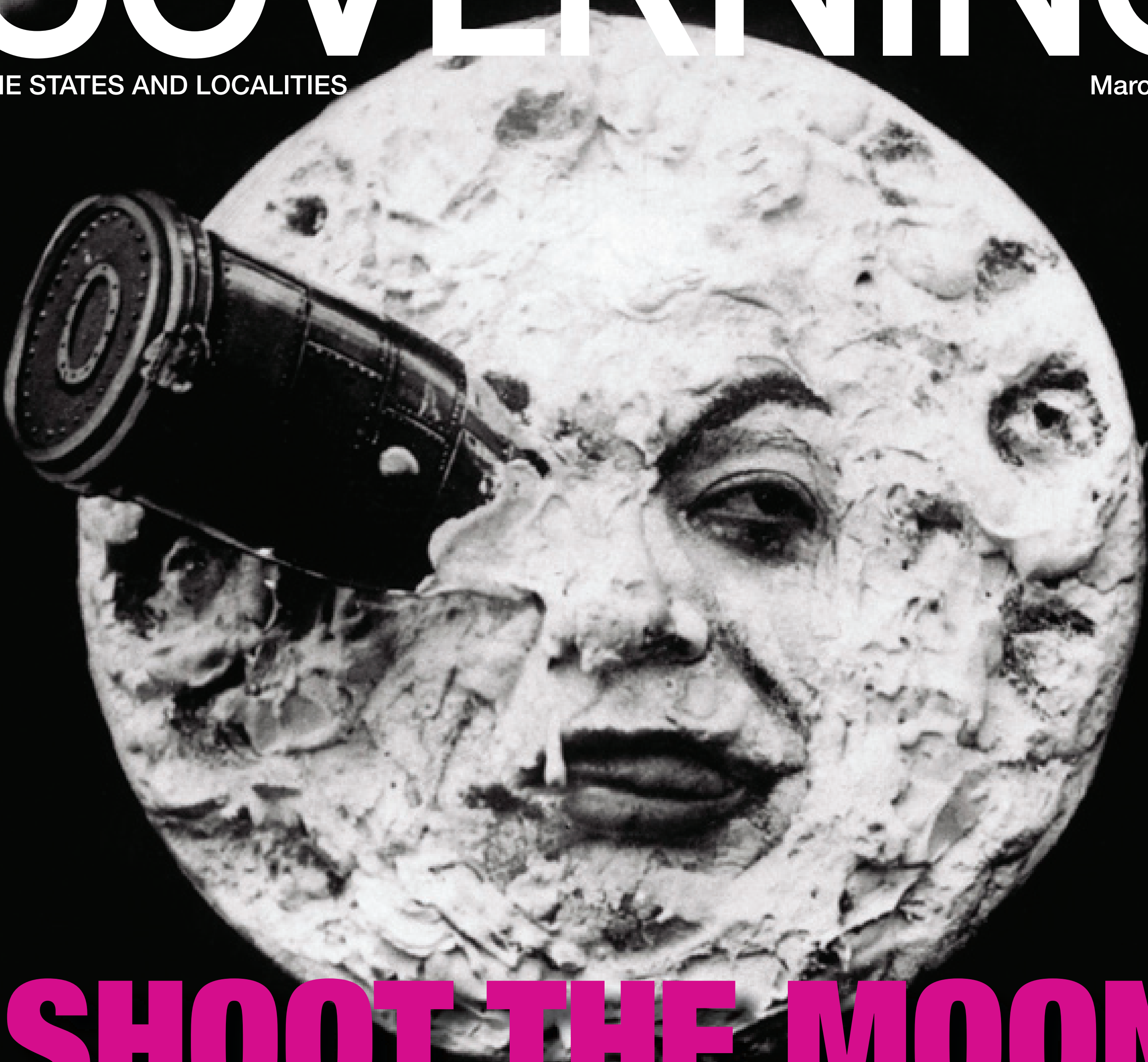
GOVERNING

THE STATES AND LOCALITIES

March 2013



SHOOT THE MOON

The power and the danger of setting extreme goals

VOL. 26, NO. 6

GOVERNING 03.2013

FEATURES

Waiting to cross the street in lower Manhattan

PHOTO BY DAVID KIDD
COVER IMAGE: A STILL FROM GEORGES MÉLIÈS' 1902 FILM, "A TRIP TO THE MOON." (THE KOBAL COLLECTION)

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Standard Setter

I've returned to write the publisher's column this month to deliver the sad news of the passing at age 89 of a giant in journalism who played a key role in founding *Governing*.

Twenty-six years ago, Eugene Patterson, then chairman of the Times Publishing Co. of St. Petersburg, Fla., slammed his hands down on the table in a Washington restaurant and blurted out, in pure Patterson style, "By God, let's do it!"

He was responding to a proposal that the Times spend millions of dollars to launch a new national magazine covering state, city and county government. At the time, the Times owned the *Congressional Quarterly* news service, which was then and still is the central conduit for news on legislative activity in Congress. But the pitch to Gene was that "we have to follow the story," which we felt was rapidly moving down the political food chain from Washington to the states and localities. Gene immediately understood the mission we had in mind for *Governing*, and even though *CQ*'s management was divided, he made a quick decision to give it a try. That was typical Gene.

TAMPA BAY TIMES

Eugene Patterson

Fresh out of journalism school the year I was born—1943—Gene went to war. He became a tank commander under Gen. George S. Patton in World War II, and was awarded the Bronze and Silver stars. That reputation for bravery stuck with him during his career as a newspaper editor in the heart of the South during the tensest years of the civil rights movement. In the face of repeated death threats (someone even shot his dog), he wrote a daily column urging moderation and acceptance. He eventually became the editor of both Atlanta papers, the *Constitution* and *Journal*, and won the Pulitzer Prize for his commentary.

In 1968, he was named the managing editor of *The Washington Post*, but the newsroom turned out to be too confined for both Gene and Ben Bradlee, the legendary executive editor of Watergate fame. So after three years, Gene moved on to a one-year stint teaching at Duke University, which he thoroughly enjoyed.

He was then hired by Nelson Poynter, the prescient owner of the *St. Petersburg Times* (now the *Tampa Bay Times*), and the founder of *Congressional Quarterly,* to run the newspaper and its holdings in Washington for the next 17 years. Gene was stunningly successful, not only in Pulitzers won and respect received, but in setting a high standard for quality journalism everywhere.

He was the light.

—Peter A. Harkness
Founder & Publisher Emeritus

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Marketing/Classified advertising@governing.com

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The Bond Mistake

The January article, "The Great Gamble," put forth the blunt proposition that pension obligation bonds (POBs) are, by definition, a "fiscal gimmick." That blanket condemnation is unfortunate, because the article presents some of the worst examples of POBs gone wrong as evidence that any plan sponsor that issues them is engaged in naked speculation—or worse.

Connecticut is not, as the article suggests, licking its wounds. Rather, with an innovative approach to POBs, it has licked into shape its commitment to funding pension obligations well into the future.

As state treasurer and principal fiduciary of the state's retirement funds, I believe that the timing of the issuance of POBs in 2008 was warranted, and that the transaction represents a comprehensive solution to one of the most chronic issues that Connecticut faced—the growing unfunded liability of the Teachers' Retirement Fund (TERF).

Yes, timing could have been better. But we must be careful not to hastily minimize the merits of POBs during the first few years after issuance, particularly after navigating through the Great Recession. The old adage, "let's not count our chickens before they hatch," is apropos of the investment merits of POBs. Indeed, key features of this transaction have already begun to pay dividends. A few specifics bear underscoring:

• The most important upside of this transaction is the unique bond covenant that requires the state to fully fund the annual required contribution for as long as POBs remain outstanding.

• The $2 billion in proceeds generated by the sale of POBs have since grown to approximately $2.2 billion through December 2012. Moreover, had we not issued POBs, the 55 percent funded ratio of TERF, for example, would have deteriorated to roughly 46 percent at best.

• The average cost of POBs is 5.88 percent, and based on our 2012 projections, there is an 88 percent probability of exceeding that borrowing cost when the bonds mature in 2032, which represents a more reasonable hurdle to achieve versus the 8.5 percent actuarial assumed rate of return.

• The infusion of POB proceeds provided a much needed liquidity cushion, which was by design and strategy. The value of avoiding the need to liquidate long-term assets during the credit crisis and market declines? Immeasurable.

In the final analysis, the measure of Connecticut's success with its POB transaction will be judged by more than a simple mathematical comparison between debt service costs and the average return on invested bond proceeds. The added assurance of full funding of the state's annual commitment is no less significant, particularly during an era of great fiscal stress.

—Denise L. Nappier
Connecticut Treasurer

HE'S A FAN

DAVID KIDD

Philadelphia Mayor Michael Nutter calls *Governing* his favorite beach reading—or at least he did in a 2005 interview with *The Philadelphia Inquirer*.

Correction: In the January issue of *Governing*, Alan Greenblatt's article "Newbies" mistakenly identified Larry Hall as North Carolina's Senate Democratic leader several times. He is actually the House minority leader.

Rethinking Buybacks

APIMAGES.COM

THREE DECADES AGO local governments launched gun buyback programs in a bid to cut crime. It was a simple proposition: Sell your gun to the city for cash, no questions asked. The events became so prevalent across the country that public health researchers decided to test whether they actually reduced crime. Their conclusion? Not really.

Yet in the aftermath of mass shootings in Aurora, Colo., and Newtown, Conn., buybacks have made a comeback. Baltimore, Chicago, Cincinnati, Los Angeles, Newark, Seattle and dozens of other cities have announced plans to purchase residents' firearms in bulk.

Gun rights adovcates say buybacks don't serve any real purpose. John Josselyn of the Associated Gun Clubs of Baltimore called a December buyback in his city "symbolism over substance" and "a publicity stunt." Josselyn turned in a nonworking gun and noticed many other people doing the same, he says. "None of these would be attractive to a criminal."

Data seem to back him up. Studies in Seattle and Sacramento in 1994 and 1998 suggested that the type of people selling their firearms—relatively few young men, for instance—didn't resemble the general gun-owning population and weren't likely to commit gun crimes. In Seattle, there appeared to be no statistically significant change in gun-related homicides after its gun buyback. A 2002 study in Milwaukee found that handguns sold back to local police didn't fit the profile of handguns used in homicides. Buybacks, the studies seemed to say, don't work.

But it may be time for a reassessment. Garen Wintemute, an author of the studies in Milwaukee and Sacramento and the director of an injury-prevention center at the University of California, Davis, now says these programs deserve a re-examination.

In the past, police would often accept any gun, even ones that no longer worked. Now many local programs tailor the rules to attract targeted guns. For example, a December buyback in Camden County, N.J., paid residents on a sliding scale from $50 for a gun that couldn't fire to $250 for a high-powered weapon. Police set a state buyback record, collecting 1,137 guns, including five automatic assault weapons.

The number of firearms already in circulation in the United States—an estimated 300 million—dwarfs even the most successful public buyback figures. Nonetheless, Wintemute says he regrets that he and his peers wrote off buybacks a decade ago. "They have intangible value that we have really been underestimating," he says. "They never will reduce rates of violent crime, but that may have been the wrong parameter to look at."

As part of a larger discussion about public safety, Wintemute says, buybacks may play an important role in mobilizing a community to examine gun control. Some 800 mayors have joined Mayors Against Illegal Guns, which pushes for national gun-control proposals. Chicago Mayor Rahm Emanuel, a proponent of buybacks, wants city leaders across the country to divest municipal pension funds from assault weapon manufacturers.

"Our concern was that people would do a buyback and then move on and think they had taken care of the problem," Wintemute says. "But people are not sitting back and waiting for Washington to do something."

—J.B. Wogan

Bye-Bye Biennial?

STATE LEGISLATURES that conduct business every other year are already a rare and dwindling breed. Oregon went annual in 2011. Arkansas in 2009. If some lawmakers had their way, no state would have biennial sessions.

North Dakota state Rep. Keith Kempenich is one of those lawmakers. He has introduced legislation that would split North Dakota's current 80-day biennial session into 40-day sessions every year.

"I've never been a big supporter of changing the way we do things," Kempenich says. But in recent years, he notes, annual sessions would have allowed the state government to respond more quickly to floods and new transportation infrastructure demands brought on by the state's current oil boom.

More generally, he says, annual legislative meetings would provide a check on the executive branch every year, not just the odd-numbered ones. Kempenich isn't looking to change the state constitution or add additional business days for the legislature; he just wants to space out when it convenes. Even so, he says the bill's prospects aren't good because he doesn't have widespread support in the Senate.

In the 1960s the majority of states did not meet every year. Today only four do not: Montana, Nevada, North Dakota and Texas. Proponents of meeting every other year say that states should limit the length and frequency of sessions to allow politicians time to connect with constituents and maintain normal civic life.

> "Bottom line is we're just too large to do this [only once every other year]."
>
> —*Texas Rep. Richard Peña Raymond*

The fear of losing that connection is what Kempenich says is keeping some of his fellow legislators from wanting to meet yearly. "A lot of people fear that we're going to become full time," he says. "It's still a citizen legislature. You'd still have to go out for 10 months ... living with what you passed."

Nevada and Montana actually used to have annual sessions, but their political climates changed. Nevada voters, tired of seeing legislators work beyond their 60-day limit, passed a ballot initiative approving the two-year structure in 1960. Numerous attempts to revert to yearly meetings—including 10 bills introduced by retired Assemblyman Bob Price over his 28-year career—failed to pass. In Montana, the political culture "opposes any expansion of government and is influenced by the belief that the legislature should remain a part-time, amateur legislature," says Jeffrey Greene, a political scientist who researches state and local government at the University of Montana. State voters have rejected a constitutional amendment to establish yearly sessions three times since 1972.

But it has nothing to do with increasing the size of government, says Texas Rep. Richard Peña Raymond, who this session has proposed a modest version of the annual-session idea that would only pertain to passing a yearly budget. It's his third attempt to change the legislative schedule since 2009. "I'm not talking about passing one more single law at all," Raymond says. "The bottom line is we're just too large a state to do this [only once every other year] efficiently and accurately."

—*J.B. Wogan*

THE BREAKDOWN

$99.99

The highest price of an item of clothing you could purchase in Minnesota without paying sales tax under Gov. Mark Dayton's proposed new budget, which would impose for the first time a sales tax on clothing costing $100 or more, as well as on services such as haircuts and auto repairs.

15

The maximum number of bills that representatives in the Tennessee House are now allowed to introduce in one year.

22

The number of states plus D.C. where drug busts have been traced to medical marijuana purchases in Colorado, according to the Office of National Drug Control Policy.

IMAGE: SHUTTERSTOCK.COM; SOURCES: *THE TENNESSEAN*, *MINNEAPOLIS STAR TRIBUNE*, *USA TODAY*, MCCLATCHY

To Push Health Exchanges, States Get Creative

THE NEXT TIME you tune in to watch "Modern Family," the plot may involve members of the Pritchett-Dunphy clan signing up to purchase insurance coverage on the California health exchange.

OK, maybe not. But that's one of the many ideas that have been floated as a way to educate the public about the upcoming changes to the health insurance market. State-run online insurance marketplaces are crucial to the Affordable Care Act's (ACA) goal of universal health coverage, but those exchanges can only function well if people know to sign up.

This October, as many as 20 million Americans are supposed to enroll in the exchanges and purchase health insurance—often with the help of federal tax subsidies—for 2014. But many people still aren't aware that the exchanges even exist. Getting all those people to the virtual market will be a monumental challenge. If fewer people enroll, insurers will have fewer people to make up their coverage pools, and that drives up premium rates for everyone.

"Beyond the Beltway, nobody knows anything about the [ACA]," says Kim Holland, executive director of state affairs for the BlueCross/BlueShield Association. "We cannot underestimate the amount of effort it will take to get people to the system."


©ABC/PETER "HOPPER" STONE

Could "Modern Family" episodes help raise awareness of exchanges?

So states are getting creative. California has signed a $900,000 contract with Ogilvy Public Relations Worldwide to market its exchange. Some of the ideas the group has explored are rather nontraditional: How about a reality show chronicling the struggles of people living without health insurance, with the occasional plug for the exchange? What about writing the exchange into plotlines for primetime shows like "Modern Family" or "Grey's Anatomy"?

Washington state is reportedly considering airing health exchange ads on Pandora Internet radio stations. Oregon might print notices on coffee cup sleeves so residents could get a public service announcement along with their Starbucks fix. More traditional avenues like newspaper and radio advertisements are also on the table.

"The uninsured population is an extremely difficult population to reach," Michael Marchand, director of communications for the Washington State Health Benefit Exchange, recently told *Politico*. "They're uninsured for a reason. How much will it actually take to get people both understanding the value [of the exchange] as well as taking action to enroll?"

Determining just what to call an exchange can also be a big marketing decision. States hope the right name can help spur public awareness. The concept of a "health exchange" doesn't mean anything to the average person. California, for instance, toyed with some esoteric names like "Avocado" and "Europa" before settling on something much more mundane: Covered California.

Even the federal Department of Health and Human Services, faced with the prospect of running exchanges in as many as 30 states in 2014, is working to make things easier to understand. In mid-January, the department announced that it would stop referring to "exchanges" (a decidedly wonky term) and instead call them "health insurance marketplaces." "We felt simpler was better," a spokesman told *USA Today.* —*Dylan Scott*

$5m

The amount in federal grants given to states last year—even though $125 million was appropriated—so they could create databases of people who are legally barred from buying guns, including the mentally ill.

In the Clear

A recent report by the U.S. Public Interest Research Group examined government spending transparency, grading 30 U.S. cities on how well "checkbook-level" information is presented online. The study—the first of its kind assessing local government spending transparency—found some cities lag far behind others. Most of the high performers were the largest cities with the most resources. But not always: Baltimore and Cincinnati both ranked in the top five.

—Mike Maciag

THE BEST:		
Chicago	**A**	**98**
New York	A	98
San Francisco	A-	90
Baltimore	B+	89
Cincinnati	B+	87
Denver	B	85
San Antonio	B	83
Washington, D.C.	B	83
THE REST:		
Orlando	C+	79
Pittsburgh	C+	79
Seattle	C+	78
Miami	C+	76
Houston	C+	75
Kansas City	C	73
Philadelphia	C	72
San Diego	C-	69
Los Angeles	C-	68
Dallas	D+	64
Phoenix	D	58
Las Vegas	D	56
Tampa	D	56
Minneapolis	D-	54
Riverside	D-	54
Boston	D-	53
Portland	D-	50
Atlanta	F	46
Detroit	F	46
St. Louis	F	46
Sacramento	F	44
Cleveland	F	41

SOURCE: U.S. PIRG

More at governing.com/**transparentcities**

Hizzoner Had Chutzpah

Edward I. Koch, the lively, contentious mayor of New York who died last month at 88, left an indelible mark on the city where he lived and worked for most of his life. He served as mayor from 1978 to 1989 and is widely remembered for his feisty personality, sharp political skills and his trademark question to constituents, "How'm I doin'?"

During his 12 years in office, Ed Koch helped lead New York out of its darkest financial days and into a period of prosperity and growth. New York was a cash-strapped city that was losing population when Koch took over as mayor, according to Robert Snyder, director of the American Studies Program at Rutgers University and author of a forthcoming book on New York's post-war mayors. "By the time he left office, New York had a growing population that was increasingly middle class and affluent."

But inequality in the city also grew during Koch's three administrations, a result of his somewhat conservative economic policies, says Snyder. He ran New York at a time when many cities were struggling to rebuild after decades of suburban flight, high crime and the decline of urban manufacturing as the traditional economic base. By the end of his tenure, New York was less white and its economy was expanding, thanks to a boom in real estate. A similar pattern would slowly emerge in other major urban centers around the country.

Politically, Koch moved away from the liberal wing of the Democratic Party, and his combative style put him at odds with blacks and other minorities, who felt he didn't do enough to help New York's working poor. Critics also lambasted him for not being more responsive to the city's rising homelessness problem and the emergent AIDS epidemic. His last years as mayor were further tarnished by a series of corruption scandals. In 1989, he was defeated in the Democratic primary by David Dinkins, who became New York's first African-American mayor.

Koch's impact was felt beyond Gotham, says Snyder. "I think he set the pattern for social liberalism and fiscal moderation, coupled with an emphasis on real estate development, finance and insurance, that other mayors have followed."

As for Koch, he had said he wanted to be remembered for straightening out the city's finances, building affordable housing and for reforming the city's judicial process. But most will remember him as an authentic voice of New York: loud, brash and never afraid to say what was on his mind. *—Tod Newcombe*

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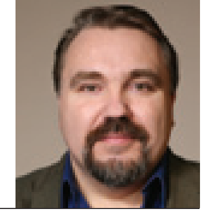
WHAT WE GUARANTEE IS AMERICA'S ABILITY TO MAKE PROGRESS.



By Paul W. Taylor

Next Stop: Madison Avenue

The tricky business of commercial advertising in public places.

SEATTLE—Advertising revenue often looks like free and easy money for cash-strapped public agencies eager to augment budgets. At its core, it's about two inextricably linked things: attracting attention to the buyer and generating revenue for the seller. But when things go wrong, it can also attract unwanted attention to the government agency that accepted the ads.

In New Hampshire, Ohio and Washington state, persistent budget gaps have prompted legislative proposals to expand the selling of naming rights for the usual suspects—like sports facilities—to include other public infrastructure and attractions, such as highways, bridges and rest areas.

These bills come on the heels of a deal Virginia reached last year with Geico Insurance to sponsor "safe phone zones" at rest stops. The $2 million-a-year deal will cover one-tenth of the state's annual operating costs for its 43 highway rest stops. Virginia is now working on a plan for selling naming rights for its bridges.

We have grown accustomed to the brand names of insurance, telecommunications, logistics and retail companies, plus a handful of banks and the odd pizza chain, emblazoned on public stadiums in all parts of the country. But what about the Go Daddy Expressway or the Hallmark Cards Airport?

A number of governments have come to see ad revenue as an important if still marginal funding source for operations of certain programs. Public transit systems have accepted advertising for a long time, and their experiences are often cited as models for expanding advertising in and around other public facilities.

Take King County Metro in Washington state, which sells about $5.5 million in ads on buses and stations each year. The transit system, which serves the greater Seattle region and is the tenth largest in the country, has an advertising policy that prohibits commercial messages about tobacco, alcohol, the sale of firearms and X-rated or adult material. However, it did not account for controversial messages from other sources, such as nonprofit advocacy groups. Because of the oversight, the county ended up in court over its decision to quell an inflamed debate between pro-Palestinian and pro-Israeli groups by blocking ads from both organizations.

The controversy forced Metro to change its policy to explicitly prohibit "public-issue advertising expressing or advocating an opinion, position or viewpoint on matters of public debate about economic, political, religious or social issues." The new policy states that advertising not jeopardize security, safety, comfort or convenience of operations; that it maintains a position of neutrality on controversial issues; and prevents harm resulting from demeaning, disparaging or objectionable ads.

Metro also set up a compliance review process that gives officials final authority on all ads, allowing the agency to take one down at any time. Under the new policy, Metro had to reject a public health campaign from the county's own health department in which thought balloons above an 11-year-old's head asked why stores are full of tobacco and sugary drinks instead of fruit and milk. Advocating what stores should stock proved too provocative when the ads were vetted.

The message to other governments in all of this seems clear: If you need ad revenue, go in with a clear business plan and acceptance policy. Advertising may begin to feel a lot like marrying for money. You will earn every dime. **G**

Email ptaylor@governing.com

Controversial messages led to a decision by King County Metro to stop accepting advertising from advocacy groups.

FLICKR/ORAN VIRIYINCY

By Peter A. Harkness

Federalism from the Bottom Up

The feds need states and local regions to help along a new economy.

As our national government bumps along from one self-made crisis to another, the dysfunction and hysteria mask positive forces. This recession, tied to a major financial breakdown, was the deepest and most destructive in 70-plus years. But from the pain and suffering it inflicted, the Great Recession may be offering potential for self-renewal. A healthier new economy is beginning to emerge—one that is better balanced, more productive and substantially deleveraged.

FLICKR/MALLORY BENEDICT/PBS NEWSHOUR

Perhaps most promising, it appears the 30-year trend toward outsourcing of manufacturing goods is beginning to reverse. Thanks to higher international transportation costs, wage growth in China, declining energy and labor costs in the U.S., a stunning improvement in robotics, and a new interest in bringing the people who design stuff and assemble it together under the same factory roof, we're seeing a nascent renaissance in making things.

One thing that could derail this more positive outlook is Washington—its Russian-roulette politics, mindless sloganeering and depressing incivility. That's why I found a recent series of policy briefs suggesting a better way so intriguing and heartening. Launched by the Metropolitan Policy Program at The Brookings Institution, the effort is designed to elicit a more positive and creative policy debate in the first months of the new Congress and presidential term. The series, "Remaking Federalism/Renewing the Economy," offers up a radical but non-ideological series of changes in the way Washington should work, based on three guiding principles.

The first principle: Make significant cuts in spending and tax subsidies, and then invest part of the savings in strategic investments designed to spur economic growth—R&D, infrastructure, education, training and so on. The government's own accounting office recently identified $400 billion in easily justified cuts; the brief suggests investing one of every four of those saved dollars to help transform the economy.

Second, in the spirit of the "reinventing government" movement of 20 years ago, reform the way the government works. "Direct action by the federal government will need to give way increasingly to catalytic government: government by incentive, government through partnership, government by alignment," the report states. Many federal programs remain too rigid, prescriptive and redundant, so reducing them should be managed "in ways that seek to make limited investment go farther by seeking greater focus on building in more space and flexibility" for problem-solving by state and local governments and the private sector.

And that leads to the third principle—the one that resonates most with me. The report calls for the emergence of a new "bottom-up" federalism, where states, locals and the private sector collaboratively do much more of the work. Policy will need to be "co-developed" and new institutions created to manage the process. This may sound like pie in the sky, but whether you approved of the 2009 stimulus program or not, there is agreement at all levels that the interaction between Washington and subnational governments in administering it was surprisingly seamless. It can be done.

Indeed, until it was defunded in 1996, the U.S. Advisory Commission on Intergovernmental Relations played such a role in Washington, trying to strengthen the federal system by coordinating federal efforts with the states and localities. Something like it would be needed in a bottom-up approach.

Already, many states, cities and metro business groups, sometimes allied with universities, are crafting promising new programs. Specific examples are cited in a number of cities, states and regions.

The work by Brookings, authored by Bruce Katz, Mark Muro and some 15 other experts, is more than one big report. It is a series covering all sorts of topics, making specific recommendations not only on how best to carry out the three guiding principles, but also on actions that should be taken to juice up the economy. Some are controversial—limiting the home interest deduction or imposing a modest tax on carbon emissions, for instance. There probably will not be great enthusiasm in Congress for those ideas.

But what is intriguing, just for starters, is the prospect of bringing the 50 governors—30 Republicans and 20 Democrats—into the decision-making process, as well as mayors and metro business leaders. They generally are more pragmatic and less ideological than members of Congress, and they have a better idea of what is needed now on the ground. In more general terms, the effort offers a path to positive change in a transforming economy and an escape route from the muck we are in. It gives both the administration and its opposition an alternative agenda to consider.

Washington is dysfunctional, but it's worse than that, "because it is fundamentally misaligned with the imperatives of the new global order that is unrelentingly competitive, constantly changing, and paradoxically local," the report concludes. The federal government "currently appears unable ... to respond to the need to develop a new American growth model. And it is that inability to respond to profound challenges that has deepened the current sense of drift."

You can find a link to the full series of these reports at governing.com/brookingsreport. **G**

Email pharkness@governing.com

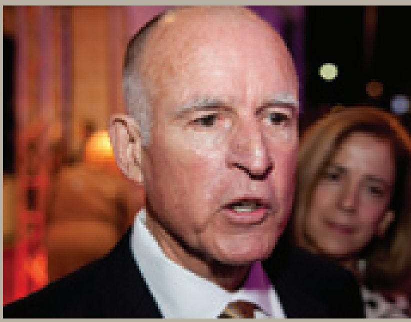
By Ryan Holeywell

'Zombie' Estate Taxes Are Dead

Congress failed to restore the credit in January.

When Congress in January averted the so-called fiscal cliff, it struck a deal to raise tax rates for the highest earners and delay automatic federal spending cuts to the start of this month. It didn't tamper with the tax exemption for municipal bonds as many public officials feared. It did, however, mess with the death tax.

The estate tax credit, as it is properly known, allowed the 50 states to levy estate taxes without really impacting residents' bottom lines. Up to a point, every dollar that someone paid in state estate taxes would be a dollar they didn't have to pay in federal estate taxes. This one-for-one tax credit gave states a convenient way to raise money. But in 2001, as part of the Bush-era tax cuts, the credit was scrapped. It was scrapped again in 2010 when Congress voted to extend the cuts for two more years. And, guess what, it was scrapped yet again in the fiscal cliff deal, dashing the hopes of several state leaders who had bet the feds would restore the credit.



Gov. Jerry Brown's budget estimate for California assumes $45 million of estate tax collections in 2012-2013.

RANDY MIRAMONTEZ/SHUTTERSTOCK.COM

Today, there are 25 states that have "zombie" estate taxes on the books that are linked to the federal credit but don't actually collect anything, says Norton Francis, senior research associate at the Urban Institute. Why does that matter? If Congress had allowed the credit to be restored, those states would have automatically started collecting around $3 billion in new revenue, according to Francis.

The uncertain status of the credit led some states with the zombie estate tax to project revenue as if they were collecting the tax again. California projected $45 million in new estate tax revenue to help balance its budget for the 2012-2013 fiscal year, and Wisconsin's executive budget office included that revenue in a recent budget forecast. With the state estate tax credit as good as dead, those states are now on the hook for revenue that will likely never materialize.

The fiscal cliff deal has other state tax implications as well:

- Twenty-four states and Washington, D.C., have an earned income tax credit (EITC), which is a refundable tax credit for low- and medium-income individuals and couples. States typically set their EITC as a percentage of the federal credit. With the deal, the feds have extended it for another five years, which basically means nothing changes.
- Six states could be poised to lose some tax revenue because they allow residents to deduct their federal taxes from their taxable state income. With the top federal tax rates increasing, that would mean less money for those states.
- Five states use federal taxable income as the starting point for their own state taxes. Limits on personal exemptions—that were lifted as part of the Bush-era tax cuts—now come into play again, meaning taxpayers in that handful of states would now owe more.
- Congress fixed the alternative minimum tax (AMT) by permanently indexing it to inflation. That ensures that large numbers of taxpayers who aren't top earners won't be subject to the AMT and can continue to deduct state income taxes from federal returns. The move essentially equates to a subsidy for states.

GOVERNING.com Find out what the feds are up to at governing.com/fedwatch

By David Levine

Filling the Dental-Care Gap

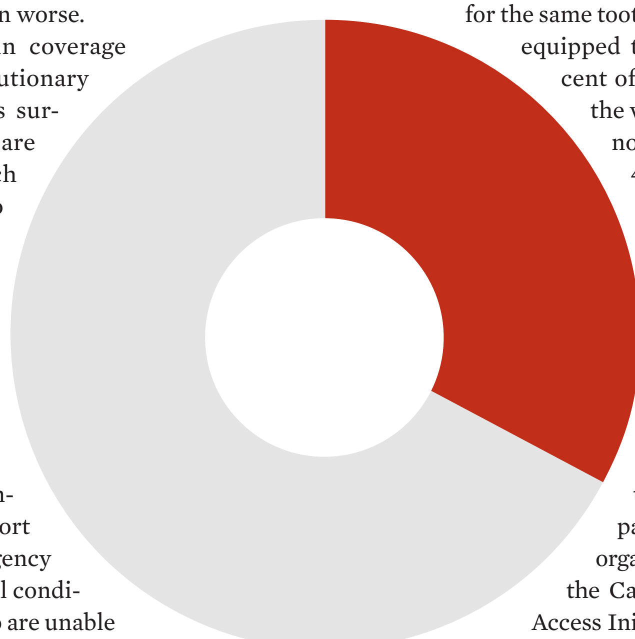
Communities create programs to provide dental care for the poor and uninsured.

More and more, epidemiologists are uncovering the correlation between oral and overall health. Still, dental care is rarely included in health insurance, and when it is, there are stricter coverage limits and much higher deductibles than for other types of care. For those on Medicare or Medicaid, it's even worse.

The reasons for this lack in coverage include health insurance's evolutionary history, the differing ideologies surrounding medical and dental care and, of course, money, which insurance companies are loath to pay out for chronic and common health issues—like bad teeth. But things are slowly changing. Along with the realization that it makes sense medically to provide oral health care, states are also finding that it makes financial sense.

In February 2012, the Pew Center on the States published a report describing the increase in emergency room visits for preventable dental conditions by low-income patients who are unable to afford routine dental care. The report stated that preventable dental conditions were the primary diagnosis in 830,590 visits to ERs nationwide in 2009—a 16 percent increase from 2006. A study of dental decay-related ER visits in 2006 found that treating about 330,000 cases cost nearly $110 million. Further research showed the average cost of a Medicaid enrollee's inpatient hospital treatment for dental problems was nearly 10 times more expensive than the cost of preventive care delivered in a dentist's office.

Rather than wait for lawmakers and health insurance providers to address this issue, dentists and public health advocates in several communities have taken it upon themselves to try to reduce the number of people visiting the ER for dental problems. One example is Seattle's Swedish Medical Center, which has started a dental clinic that treats complicated dental problems—mostly extractions—that normal clinics cannot handle.



Roughly one-third of Florida's ER dental visits in 2010 were made by Medicaid patients.

SOURCE: PEW CENTER ON THE STATES, FEBRUARY 2012

The clinic had 810 visits in 2012, operating just two days a week, says Tom Gibbon, manager of the Swedish Community Specialty Clinic. "Our dentists pulled 2,163 teeth," he says, a figure that could double this year as the clinic ramps up to five days a week. "We had one patient who went to the ER 11 times for the same tooth," he reports, because the ER isn't equipped to do extractions. "About 97 percent of these ER visits are being seen in the wrong place, but these people have no other place to go." The program's 40 volunteer dentists and oral surgeons provided the equivalent of $800,000 in typical dental office charges in 2012.

Another program, in Calhoun County, Mich., uses a unique pay-it-forward model. Forty-three volunteer dentists provide routine care to community members 200 percent below the poverty rate—but only after the patients first volunteer with other organizations in the area. A group called the Calhoun County Community Dental Access Initiative created the program, which is administered by Community HealthCare Connections. CHC verifies that the patients perform their volunteer work at any nonprofit in the county; every four hours of service earns them $100 of treatment.

The program has given out more than $700,000 in free care, says CHC Executive Director Samantha A. Pearl. When the program began in 2007, the local ER treated 111 dental patients a month (at an average cost of around $1,500 per visit). That has decreased by about 80 percent, to about 30 patients a month. "And it has totally eliminated repeat visits to the ER," Pearl says.

While advocates and legislators hash out the possibility of adding dental care to insurance coverage, it's good to know that innovative interim solutions are improving the oral, physical and financial health of community health care. **G**

Email levkern@nycap.rr.com

By Ryan Holeywell

Indy's Clean and Green Fleet

The city has a bold plan to green every vehicle in its fleet, including police cars.

Indianapolis Mayor Greg Ballard is trying to accomplish something that hasn't been done before in a major city: He's trying to convert the city's entire vehicle fleet to run on alternative fuels, and he wants to do it by 2025.

Greening a city's fleet is by no means a new idea. It may even sound like something that's been done before. Cities from Seattle to Ann Arbor, Mich., to Boston all have programs to green their fleets. But unlike Seattle, Ann Arbor, Boston and other cities, Indianapolis plans to green *every* vehicle in its fleet.

The plan works like this: The first step is moving about 500 city-owned sedans to plug-in or hybrid vehicles. A newly signed executive order requires the city to make that switch as older vehicles are phased out. Next, the city will move heavy fleet vehicles—like fire engines and garbage trucks—to compressed natural gas. And the final step—and possibly the trickiest one—is the conversion of its police vehicles.

That's what makes Indianapolis' plan unique: When city officials discuss the importance of green vehicle fleets, they generally aren't talking about cop cars. (To be sure, Indianapolis is not the only city to announce plans to green its police fleets; New York City, for example, has some plug-in police vehicles on the streets now.) Tom Johnson, a fleet expert who runs the annual Government Green Fleet Award, says there are a lot of reasons for that. The main one is that municipal governments have historically had a difficult time converting their police vehicles because of local politics. "The police see themselves as an entity apart—separate and special," Johnson says. "That's pretty prevailing."

But advocates of Indianapolis' plan argue that police vehicles shouldn't be ignored by any city that's truly trying to transform its fleet, simply because they represent a huge portion of any city's vehicles. In Indianapolis, for example, more than 1,900 of its 3,100 vehicles are cop cars. Ballard hopes to change the status quo by offering up his city as a sort of laboratory to any automaker interested in testing more fuel-efficient solutions for police vehicles that can also still meet the demands of the job. The city has no formal agreements with any automakers at this time, but is in talks with several of them.

Johnson thinks Ballard's plan has a good chance of succeeding since Ballard himself is loudly trumpeting it. The mayor, Johnson says, carries more gravitas than, say, a fleet manager or other city official. And Ballard is committed, largely because of his own personal history.

A former Marine and veteran of the Gulf War, Ballard says he's pursuing the goal not for environmental reasons but for the sake of security. "That war was clearly about oil," the mayor says, recalling his time in the military. He sees the switch as a way for his city to contribute to national security by reducing dependence on foreign oil. He's hoping other local governments will follow suit.

Indianapolis Mayor Greg Ballard says the city will replace its entire fleet with electric and plug-in hybrid vehicles by 2025.

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If national security doesn't sway them, maybe the savings will. According to Ballard, the city's police cruisers get about 10 mpg, roughly equivalent to the fuel efficiency of a Hummer H2. If the city's police fleet started getting 40 mpg, Indianapolis would save as much as $10 million annually in fuel costs. While electric vehicles tend to have higher upfront costs than gasoline-powered vehicles, Ballard says he wouldn't be pursuing the effort if he didn't think it made economic sense. "Everybody in Indianapolis knows I'm a tightwad," Ballard says. "Unless we're able to save money on this, we wouldn't be going in this direction." G

Email rholeywell@governing.com

By William Fulton

Snookered

The corporate tax incentive game is a money-loser, but states keep playing.

If you sat down and drew up the ideal plan to invest $80 billion every year in economic development across the United States, you would think of a lot of exciting things. You could pour the money into research and form the basis for new product breakthroughs in a wide variety of fields. You could invest in America's workforce to make it more skilled and flexible. You might assist manufacturing companies in upgrading their factories and equipment, or help universities attract the best students from around the world for science and engineering programs, or improve our transportation infrastructure.

The one thing you almost certainly would *not* do with $80 billion a year is create a decentralized system of providing tax breaks and other subsidies to profitable businesses in different economic sectors, often with little accountability for how the money is spent and no recourse if the company goes south. Yet, as a highly publicized series in *The New York Times* last December showed, this is exactly the system that state and local governments around the country have created over the past four decades.

Though the issue of economic development incentives has been around for a long time, the *Times* used solid footwork and a lot of groundbreaking data analysis to draw the most complete picture of our incentive system to date. By combing through a variety of databases, the newspaper's reporters examined 150,000 incentive deals and came up with the $80 billion price tag. They also cast the story in David-versus-Goliath terms, clearly suggesting that unsophisticated government agencies—especially local governments—get snookered on a regular basis by slick corporations that often take the money and break their promise to deliver jobs.

> “Throwing the money into the pot doesn't mean you'll win the game. All it means is that you get to play.

The bottom line was depressingly familiar. When asked whether the tax breaks and subsidies actually created jobs, elected officials and economic development experts couldn't say for sure. All they knew—or so they said—was that they didn't dare *not* put these incentives on the table, for fear that the companies would locate or relocate elsewhere.

And therein lies the biggest problem with America's decentralized economic development incentive system: It may or may not work. In fact, there's considerable evidence that it doesn't work, but it operates kind of like the ante in a poker game. Throwing the money into the pot doesn't mean you'll win the game. All it means is that you get to play.

Whether you win depends a lot on how the business sectors you are dealing with approach the poker game. Sophisticated businesses tend to play their poker hands based on skill. “Sure, we'll take the money you ante up with, but that's not really what we are looking for,” they'll say. “We also need a skilled labor force, a good transportation system, connections to research institutions, perhaps a favorable regulatory environment—because those are the things we really need to run our enterprises profitably and no amount of cash is going to make up the difference if these things are lacking.”

Manufacturing in the South is undergoing a renaissance in large part because both governments and companies play this game with skill. “Yes, we have incentives, low taxes, and light regulations, but we also have the things you really need as well,” government officials respond. It is no coincidence, by the way, that these other things are often place-based and

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hard to move, meaning the companies are less likely to skip town.

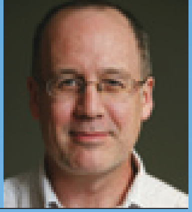
In other situations, however, governments and businesses play a very simple, bald game of up the ante. Some manufacturers insist on subsidies and promise jobs, but they take the subsidies and then leave town. General Motors' up-the-ante approach during its bankruptcy was the subject of much of the *Times'* reporting.

The film industry plays a similar game of, "If you're dumb enough to give me your money, I'm dumb enough to take it." Movie productions search all over the United States and Canada seeking ever more subsidies and tax credits. Some localities are just excited to land a Hollywood film shoot, while others try to use the shooting as a foundation to build a bigger infrastructure that will attract more value-added pieces of the business. But the bulk of the film business remains headquartered in Los Angeles, which has an enormous infrastructure that is virtually impossible to duplicate anywhere else. Even so, the studios still try to extract more subsidies out of the state of California, which is under constant pressure to up the ante—or else.

The great comedian Jack Benny had a running joke with Ed Sullivan, the host of his namesake TV show, one of the most popular in America in the 1950s and '60s. What would happen if Sullivan didn't show up for his own show? Being on the Ed Sullivan show was the biggest thing in American entertainment, but Sullivan himself didn't actually do anything. Pressed for an answer, Sullivan said he had no idea. Finally, Benny would delivered his classic deadpan punchline: "Don't ever stay home to find out."

That's the dilemma states and localities in America face in dealing with financial incentives. A lot of the time they don't seem to do anything. But no one knows whether the companies would turn up in town without them. So the politicians follow Jack Benny's advice: They keep putting money on the table just to find out what will happen. **G**

Email wfulton@smartgrowthamerica.org



By Tod Newcombe

Different Shades of Green

Do cities need a new funding model for their parks?

Picture Los Angeles' Griffith Park. Or San Diego's Balboa Park. Or even New York City's Central Park. Those great urban parks were what officials in Irvine, Calif., had in mind for the site of a nearly 1,347-acre U.S. Marine Corps base after it was decommissioned in 1999.

The vision was certainly grand. There were plans for a man-made canyon, lakes, orchards, meandering pathways, athletic fields, rivers, forests and botanical gardens. To pay for it all, the city would tap $1.4 billion from taxes collected from any housing and commercial development built on the surplus land surrounding the park. But then the housing crisis struck, and in 2012, the state legislature decided to get rid of redevelopment agencies, which meant the development funds were no longer Irvine's to invest. Today, the Great Park, as it was dubbed, is anything but. Only a sliver—about 200 acres—has been built, and most of the Marine base remains fenced off.

Irvine's experience is a cautionary tale. People may love parks, but they're expensive to build and maintain. Cities are struggling to find money for them. In 2010, park spending fell 2.7 percent, according to the latest figures from the U.S. Census Bureau.

Even public-private partnerships, which cities have relied on so heavily to build today's urban parks, are coming under scrutiny. Sure, the High Line, a linear park on New York City's West Side, stands as a shining example of a successful public-private partnership. It cost $153 million in public and private money to build and has generated $2 billion in new development. But it is the loss of public space to private use that has people questioning such partnerships.

So how do you pay for parks? Perhaps there's a third way. It's a bit old-fashioned, but maybe it could save Irvine's Great Park. Since 1993, Chicago has added 99 acres to its park system and 150 acres to its school campus park network, preserved 183 acres of prairie, and made two miles of privately owned riverfront accessible to the public. The funding is public, paid for by a portion of the city's property tax. The Chicago Park District is the only independent taxing park district in the country. "The guaranteed source of revenue not only shields the Park District from city council politics and cutbacks," writes Peter Harnik, director of the Center for City Park Excellence at the Trust for Public Land, "it also enables the agency to issue bonds since lenders know that repayment is guaranteed from tax revenue."

Having a dedicated source of funding has let Chicago take a step back from the vagaries of the public-private model, making fewer accommodations for private development as a trade-off for developing new parks. Maybe it's time for Irvine and other cities to take a step back and consider Chicago's approach. It may be a hard step to take these days with strapped budgets, but park benefits seem indisputable—studies have found that they improve health and air quality, mitigate against climate change, and reduce noise, among other things. It's a model worth at least some thought. **G**

Email tnewcombe@governing.com

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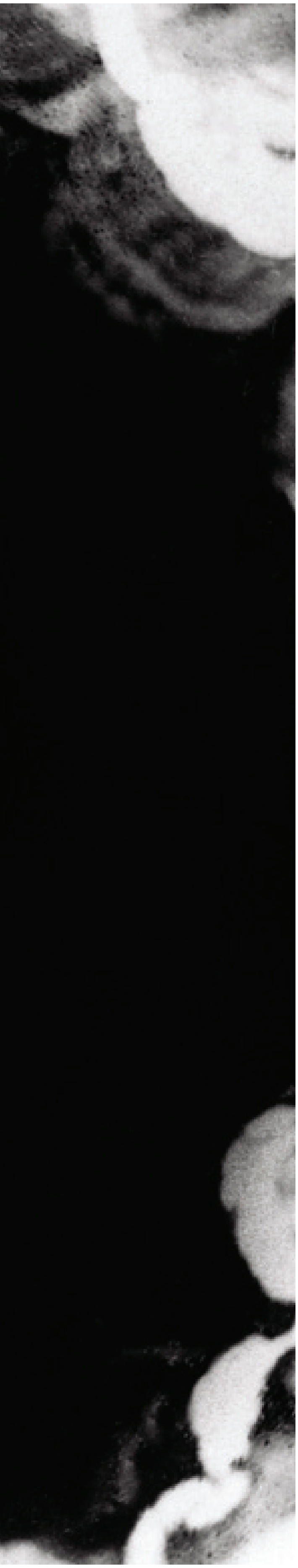
The closed U.S. Marine Corps base in Irvine, Calif.

THE KOBAL COLLECTION



SHOOT THE MOON

The power and the danger of setting extreme goals

By John Buntin

'Make no little plans," the Chicago architect Daniel Burnham once remarked. "They have no magic to stir men's blood."

Burnham, the most famous builder of his era, drafted Chicago's master plan after fire destroyed the city in 1871. He dreamt of a Chicago that was not "the hog butcher of the world" but rather "the Paris of the Prairie."

Chicago Transportation Commissioner Gabe Klein is a Daniel Burnham kind of guy. Today, in cities such as New York, San Francisco and Portland, Ore., transportation commissioners are dreaming big and shaping cities' futures. Klein, a self-described Vespa lover, world beach traveler and hip-hop fan, is at age 42 one of that movement's superstars. That's in part because of his immodest goals: 100 miles of protected bike lanes in four years' time; streets kids can play in; and street designs that put pedestrians first, cyclists second and automobile drivers last. Most daring of all, however, is the goal set last year to eliminate all pedestrian deaths within 10 years.

Goalsetting is among the most basic responsibilities of any executive. Yet in a world awash in case studies and management literature, it is also among the least understood. Some managers set "stretch goals" for their teams; others try to underpromise and overdeliver. Nevertheless, some of the most striking public policy achievements of our time started by setting targets so ambitious that they deserve their own label: extreme goals.

Extreme goals are ambitious. They are attention grabbing. They use the language of morality rather than cost-effectiveness.

They also often seem impossible—and that can be a problem. "Anytime a leader sets goals where people can't see how they would achieve them, it risks conflict and confusion," says Zachary Tumin, a lecturer at Harvard's Kennedy School of Government. "With extreme goals, you run that risk even more."

However, extreme goals—or what management consultant Jim Collins has called "big hairy audacious goals"—can also deliver big payoffs. That's no coincidence, says Tumin, who, along with former New York and Los Angeles police chief William Bratton, is the author of "Collaborate or Perish! Reaching Across Boundaries in a Networked World." "The guys who go broad on extreme goals, big goals, they bring in a lot of levers for change," he says. "The broader they go, the more people they can rally around the goal." Indeed, rallying a large group of stakeholders to address a common, moral issue is the point.

In setting his zero-death goal for pedestrians and bicyclists, Klein is aligning himself with those who see possibilities that others miss and is setting goals that at first glance seem implausible. This concept is easy to underestimate in an age where incrementalism and cost-effectiveness often dominate. Those who undertake extreme goals must find ways to brand events—be they pedestrian deaths, airline crashes or central-line infections—as unacceptable, and to eliminate them by embracing collaboration and culture change rather than issuing regulations.

The story of extreme goals starts in the skies. At 8:19 p.m. on July 17, 1996, TWA Flight 800 took off from New York City's John F. Kennedy International Airport, bound for Rome. Twelve minutes later, it exploded in mid-air, killing all 230 people on board. An investigation by the National Transportation Safety Board (NTSB) concluded that the exact cause of the explosion could not be determined with certainty, but the most likely cause was an electrical short circuit. It was the second deadly accident of the summer. Just two months earlier, ValuJet Flight 592 had crashed into the Florida Everglades, killing all 110 passengers and crew, after used oxygen canisters improperly stowed in the cargo hold sparked a fire. By year's end, the aviation death tally stood at 380 people killed, the highest in 11 years.

> **"The regulator says, 'I see this problem. And here's the solution that I'm going to propose. And everybody needs to do this solution.' The industry's response is, 'Hey, FAA, you don't fly airplanes. I'm not confident that you've identified the problem correctly.'"**
>
> —Chris Hart

For the people who died and their families, each of these deaths was a tragedy. For the aviation industry, it was also a business problem. With 20 percent of Americans admitting to an acute fear of flying at the best of times, the accidents and deaths threatened projections that air travel would double in 10 years.

DAVID KIDD

There was another reason for concern. For nearly two decades, aviation fatalities had fallen as technology improved. Then progress stalled. As a result, the airline fatality rate had plateaued at about 1.9 deaths per 100 million aircraft miles. If air travel doubled and safety rates failed to improve, the number of fatal accidents would double too, with devastating consequences. So in August 1996 when President Bill Clinton appointed Vice President Al Gore to chair the White House Commission on Aviation Safety and Security, the aviation industry enthusiastically signed on.

At the time, the relationship between the airlines and their primary regulator, the Federal Aviation Administration (FAA), was poor. Chris Hart, who is now vice chairman of the NTSB, was assistant administrator for the Office of System Safety at the FAA when the relationship between the two was in turmoil. He describes the interplay between the FAA and the airline industry this way: "The regulator says, 'I see this problem. And here's the solution that I'm going to propose. And everybody needs to do this solution.' The industry's response frequently is, 'Hey, FAA, you don't fly airplanes. I'm not confident that you've identified the problem correctly, and I'm even less confident that you've got a good solution for this problem. So I'm going to fight it, and I'm going to litigate it, and I'm going to do everything I can not to have to do it, because I don't like it.'"

The task of the White House Commission members, then, was to change that relationship. They did so by setting an extreme goal—an 80 percent reduction in fatal accidents in 10 years. To achieve it, they recommended that the airlines and FAA collaborate.

Key members from all the major stakeholders (airlines, manufacturers, employees, government and observer agencies) created the Commercial Aviation Safety Team and started gathering for regular meetings where issues were discussed, priorities set, and initiatives and evaluations were reviewed. Embedded in this collaborative approach was an important insight, namely, that it was often difficult to identify exactly what the problems were because, as a team report put it, "the problem usually relates to linkages between subsystems." In other words, the systems required to fly planes and manage air traffic are so complex and intricate that top-down command wouldn't work. Collaboration would.

Ultimately, the aviation world was able to make remarkable strides in safety—without issuing rafts of new regulations. By 2008, commercial aviation accidents had declined by 83 percent. It has now been more than four years since a U.S. airline experienced an accident that caused a passenger fatality, the longest such span since the dawn of the Jet Age 70 years ago.

DAVID KIDD

Today, Hart spends much of his time talking to other industries looking to replicate aviation's successes. Nuclear energy, chemical manufacturing and, more recently, offshore drilling companies have been particularly interested in understanding the aviation industry's experience because most of these fields operate in environments where the people attempting to carry out the change directly benefit from improvements.

"You're always going to have people that are wary of the big goal; you're going to have people question whether walking and biking, for instance, or more investment in transit, is the right thing for a city." —Gabe Klein

"There's a saying among pilots that they are the first to arrive at the scene of an accident," says Hart wryly. "If you're on the plant floor in a chemical plant or a petroleum refinery, you get hurt by your mistakes." In those industries, collaboration easily meets what Tumin of the Kennedy School describes as the critical feature of a successful collaboration: "Collaboration has to pay."

That's not true of most state and local government officials. Most are not attempting to implement an approach that will directly affect them. Rather, executives pushing extreme goals quickly discover that what they are really attempting to do involves changing a culture. Few cultures are more resistant to change than those of hospitals. Yet one of the most dramatic success stories in the world of public health comes from hospital intensive care units. It's a change that started with the needless death of an 18-month-old girl in a Baltimore emergency room in 2001.

Josie King was one of four kids. One evening, while her siblings were watching TV, Josie tiptoed into a bathroom and turned on the bathtub. Her mother had floated a toy boat in her bubble bath a few nights before; Josie wanted to see it again. The nearest faucet handle was for hot water. The water heater was broken; as a result, the water was scalding. Josie fell in and started screaming. Her terrified mother ran upstairs, pulled her out and called 911. When she arrived at the emergency room at the Johns Hopkins Bayview Medical Center, the triage nurse estimated that 60 percent of Josie's body was covered with second-degree burns. Doctors placed IVs in her neck, wrist and inner thigh to ensure that she was getting enough fluid intravenously. A few days later, they replaced these lines with a central-line catheter, a tube that runs to a place near the heart through which doctors could administer fluids, food and medicine while also monitoring heart function. After a series of skin grafts, Josie gradually began to improve. After a month, she was preparing to go home. Then, her temperature spiked. Tests revealed a bacterial infection in the bloodstream. Her doctors removed the central line and began administering oral antibiotics. She didn't respond well. A few days later she died.

Several months later, a doctor introduced Josie's mother to Peter Pronovost, an anesthesiologist and patient safety expert at Johns Hopkins University. Pronovost already knew that central-line infections killed between 30,000 and 60,000 Americans every year and that most of those infections could be avoided if doctors and nurses followed proper procedures. But hearing the story of Josie's death personalized the statistics. He resolved on a new goal for the surgical intensive care unit (ICU) where he worked as an attending physician—zero central-line infections.

His first challenge was persuading people that central-line infections were a problem that could be fixed. Hopkins' infection rate was high—15 central-line infections per thousand catheter days—but many physicians believed their patients were unusually sick, their cases unusually challenging. Pronovost marshaled statistics and evidence to argue otherwise; he also worked with Josie's mother to inject urgency to the effort by sharing her story. Inspired by a book he had read about airline safety, he proposed an additional measure—a checklist for setting a central line. Physicians would run through it before any procedure, just as airline pilots check their planes before takeoff. His team accepted the idea in principle but not in practice. Initially only 30 percent of doctors followed every step listed.

Pronovost tried empowering nurses to serve as compliance officers. But this threatened the normal pecking order, and his colleagues resisted. "What was striking was that nobody debated the evidence, nobody challenged the items on the checklist and nobody questioned whether we should do them," says Pronovost. "But everyone objected to the change in culture."

It's a truism that people resist change. But as Pronovost wrestled with this issue, he realized that change wasn't the real problem. The real problem was loss—or perceived loss—of stature and autonomy. "What leaders of change need to do is minimize real losses and demonstrate that perceived losses are mythical," says Pronovost. "Only then can they successfully implement cultural change." Pronovost ultimately succeeded in raising compliance rates to about 95 percent. In a year's time, central-line infections in his unit had disappeared.

In April 2003, Pronovost flew to Michigan to give a talk on his ideas. There he met Chris Goeschel, who ran a quality and safety institute funded by the Michigan Health & Hospital Association called the MHA Keystone Center for Patient Safety and Quality. Thanks largely to the presence of the auto industry, Michigan had a long history of collaboration between industry, insurers and large health-care providers. After the talk, Goeschel asked for Pronovost's help in implementing statewide ICU programs similar to those he'd put in place at Hopkins. A two-year federal grant provided the funding, and the collaboration set as its goal one central-line infection per thousand catheter hours, a significant decrease from the statewide mean of seven central-line infections per thousand catheter days.

As at Hopkins, many ICUs initially insisted that sick patients, not sloppy procedures, were the root of the problem. Pronovost and his team used two strategies, storytelling and hard data, to break that down. They also took pains to avoid the perception that they were imposing a solution from the top down. Although certain aspects of the checklist approach were designated as "essential," each hospital ICU was given the authority to draw up its own checklist, which gave them ownership. However, it was the peer dynamic that proved decisive.

Pronovost and Goeschel believed they needed consistent, centralized data to provide accurate feedback to participants and to judge whether the intervention was succeeding. Yet two months into the program, only 40 percent of the participating ICUs were delivering such data. At this point, Pronovost and Goeschel made a decision: ICUs that didn't provide appropriate data would be dropped from the program. No ICU wanted that.

There was another reason for hospitals to stay on. The handful that were implementing the checklist were seeing central-line infections disappear. Although the statewide goal was one central-line infection per thousand catheter hours, institutions were beginning to embrace a new goal—zero.

An early holdout was the University of Michigan Health System. It operated six high-volume ICUs, and it was clear that some at the institution were unhappy about receiving suggestions from an interloper in Baltimore. Only one of its ICUs was participating—and that ICU insisted on zero as a central-line-infection goal.

"Not embracing a zero goal would be the equivalent of you telling us that you think we can't do it," said the administrator of the participating hospital at a meeting of the hospital board. In other words, the ICUs themselves wanted—and needed—the extreme goal. Soon thereafter, the other University of Michigan ICUs joined the program as well.

Pronovost's checklist has since become famous, thanks largely to contributor-and-surgeon Atul Gawande's book, "The Checklist Manifesto." And it's given Pronovost a chance to work with states across the country. When asked about the challenges he perceives at the state government level, Pronovost cites the comment made by the astronaut Rusty Schweickart in the 1960s while orbiting over the Middle East, "There are no lines from outer space." The need for leaders to dream big and to undertake the difficult work of changing cultures is everywhere, Pronovost notes, adding, "When I see state government, I see a whole lot of lines."

In Chicago, Gabe Klein looks at city streets as a battleground. Across the country, he says, "we're losing more people per year in auto-related fatalities than any war that we're fighting." Last year, 32,000 pedestrians and bikers were killed nationwide. In Chicago itself, cars crash into roughly 3,000 pedestrians and cyclists every year; about 50 people die as a result. As far as accident rates go, it's not that bad. In fact, Chicago is the fourth safest city for pedestrians in the country. But "accident" is a word Klein doesn't accept.

"When you think of an accident you think, like, 'Whoops, the milk fell off the counter;' 'Whoops, I stubbed my toe,'" he says. "Well, we don't view [pedestrian deaths] as accidents. We view these as avoidable casualties."

Hence the goal—zero.

Klein came to his calling from an unusual background for a government manager. He grew up on a commune in Virginia, worked in his dad's bike shop in Charlottesville, then moved into marketing and operations, becoming one of the early employees of the car-sharing startup Zipcar. His next foray was starting his own company—a high-quality electric-vehicle food truck in Washington, D.C.

"It was a pretty crazy idea," he says. "Now, there are food trucks everywhere, but in 2007 when we started writing the business plan, there was nothing but hot dog vendors." Klein's business, however, quickly ran into a problem—the district's Department of Transportation, which he says seemed more interested in maintaining the status quo than in accommodating a new business.

"Nobody debated the evidence, nobody challenged the items on the checklist, and nobody questioned whether we should do them. But everyone objected to the change in culture." —Peter Pronovost


KEITH WELLER

Soon thereafter, Washington, D.C., Mayor Adrian Fenty recruited Klein to join his administration—as the city's transportation commissioner, with responsibility for a $1 billion annual budget. Although the public sector was new to Klein, he didn't have any trouble grasping its levers.

"The biggest opportunity I had coming into government was my absolute and total ignorance of how government was supposed to work," he says. He was accustomed to the private sector, where a business plan was followed by market surveys and feasibility analyses. "You do it all very quickly; you figure out if it's going to work," he says. "You launch on a small scale. You test things before you invest a lot of money. You have a vision. You get your whole team on board. Then you go to market and you go full bore. That's the approach that I took to government."

Like the 19th-century Chicago architect Burnham, Klein was inspired by Paris—specifically, Paris' bike-sharing program, which he brought to D.C., creating the city's wildly successful Capital Bikeshare program. He also created bike lanes throughout the city, supported the return of streetcars in the fast-developing H Street corridor neighborhood, expanded an innovative bus route through downtown called the DC Circulator and installed the largest pay-by-phone parking system in the U.S.

When Fenty was defeated in his bid for reelection, Klein's D.C. adventure was over. He went to Costa Rica with his wife, rented a jeep and started driving. Soon after returning, he got a phone call from Rahm Emanuel, Chicago's new mayor, offering him the opportunity to come to Chicago and oversee transportation there.

Not surprisingly, he was determined to approach the job in Chicago as he had in D.C., and goalsetting is a key part of that process. "When you set a 10-year goal, do you ever know that you are 100 percent going to attain that? No," he says. "But I can tell you that if we set a goal that was half that we're not going to exceed it. By setting this zero goal, it forces us in everything we do and every design standard we set to make sure we think nobody will ever get hit by a car. It changes the way we do things."

His Chicago approach, detailed in a 100-page document published last May, provides more than just an extreme goal. It lays out the steps needed to get there—lowering speed limits, fixing the intersections that top the "10 most dangerous" list each year, and adding red light cameras and school safety programs. It also proposes incremental goals of a 10 percent reduction in pedestrian accidents per year. By setting an extreme goal and subsuming these new initiatives and more modest goals under it, the Chicago Department of Transportation has attracted attention.

"It lets people know that we are dead serious about this," says Klein. "You're always going to have people that are wary of the big goal; you're going to have people question whether walking and biking, for instance, or more investment in transit, is the right thing for a city." To answer that point, Klein hauls out data from cities that have made similar infrastructure investments, such as Amsterdam and Tokyo. Those cities, he says, are more economically viable because of the investments they've made. They have more density and a bigger tax base on average, as well as better-quality schools. "We know it works," he says.

When it comes to setting big goals, "one of the insights that emerges is you can't order it; you can only set it as a vision and then rally people around it," says Harvard's Tumin. "The relentless pursuit of insight from data is really the opportunity today. It may take data to bring a goal to pass, but it is driven by a moral insight." **G**

Email jbuntin@governing.com

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Back from War and On Their Own

Returning veterans often find that help is hard to come by, especially from the federal government. Some states and localities are stepping in to fill the void.

By Dylan Scott

Photographs by David Kidd


Unemployed Navy vet Anthony Palladino in his Utica, N.Y., apartment

In October, an unemployed and homeless Anthony Palladino arrived in Utica, N.Y., a city of 60,000 people about halfway between Albany and Syracuse. Palladino had been laid off from a job at an electronics manufacturer in Onenota, 60 miles down the road. It was a job he'd held for 13 years. When he walked into the local social services department, he was told he'd have to be placed on a 45-day waiting list before he could receive any housing assistance. Palladino spent the next several nights at a homeless shelter, struggling to decide if he should focus first on finding a job or a place to live.

The folks at the Oneida County Department of Social Services didn't know it at the time, but the 50-year-old Palladino was a veteran. He served in the Navy as a seaman apprentice from 1980 to 1982, playing war games aboard aircraft carriers in the Pacific and Indian oceans, and keeping watch on the Soviets in the midst of the Cold War. He came home at a time when America was still grappling with the political and psychological quagmire of the Vietnam War, an era in which many communities didn't seem to put much value in taking care of their veterans. But his military career taught Palladino self-reliance, he says. For most of his life, he never struggled for work or money—until the Great Recession forced his company to lay off many of its workers.

Palladino needed help. But like many of his fellow soldiers who have come home from Vietnam, Iraq, Afghanistan and other corners of the world, he wasn't sure where to look for it. He also wasn't sure he wanted to ask for it. He was caught in a common dilemma for veterans: His pride made it hard for him to ask for a helping hand; at the same time, he felt he'd earned it. "I've done my time," Palladino says. "I served my country. I don't want to feel like I'm reaching into someone else's pockets to get benefits that, as a veteran, I should be entitled to."

Little did he know when he arrived in Utica last fall that there was a place in town that could help him—a place that understood men and women like Palladino. The Central New York Veterans Outreach Center, founded in 2009 by another veteran, exclusively serves the area's military men, women and families. Housed in an 87,000-square-foot former YMCA, the center feeds hungry vets and helps connect them with state and federal benefits, as well as guiding them toward work and housing. The center tries to help them cope with the mental health problems that come with military service: In 2011, the center ran a therapeutic photography class that asked vets to document their life through the camera lens. Those photos now hang in the computer lab. Plans are also under way to turn part of the second floor into transitional apartments.

All this is made possible by a three-year, $2 million federal grant from the U.S. Department of Veterans Affairs' Veterans Homelessness Prevention Demonstration Program. Awarded in 2010, the grant pays for up to 18 months of rent assistance, utility payments and even car repairs up to $1,000. So far, the center has helped nearly 500 veterans and their families avoid homelessness—including Anthony Palladino.

Palladino heard about the outreach center through the grapevine of the former military community—which is substantial in New York state, where as many as 20,000 veterans are estimated to be homeless. After a few weeks in Utica, he went to the center and told the staff he'd found a cheap apartment advertised in the newspaper. Thanks to the federal grant, he moved into the one-bedroom apartment in November. The center is paying his $250 monthly rent, allowing Palladino to turn his attention to finding a job. He has had some encouraging prospects, including an interview with the Turning Stone Casino in nearby Verona. He credits the outreach center and its coalition of community and government resources with helping him land on his feet.

Palladino picks up lunch from the local shelter...

As Palladino's experience suggests, American communities are starting to realize the importance of supporting returning veterans. Though the overall veteran population is expected to decline in coming years, approaching 15 million in 2035, down from an estimated 23 million now, their needs are still great. About 131,000 veterans are homeless on any given night, according to the Centers for Disease Control and Prevention, and veterans are more likely to report mental health problems, chronic medical conditions and work limitations than their non-veteran peers. So while the need for strong community support is more apparent to the public today than in the recent past, the problem is that nobody is exactly sure how to provide it.

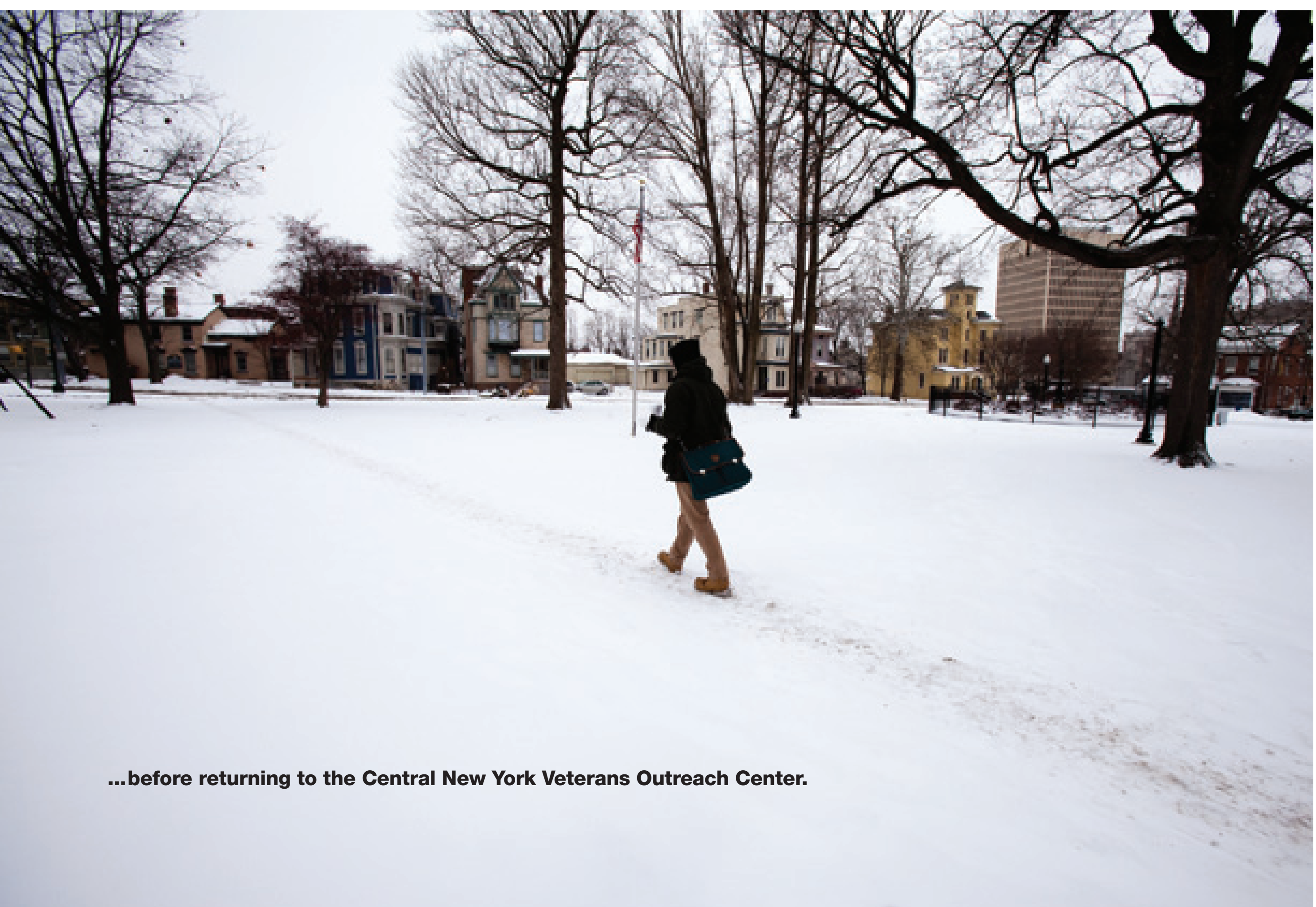
Helping veterans when they return from duty has historically been seen as the role of the federal government. Even state veterans affairs departments largely devote their time and energy to helping vets secure federal benefits. Dwindling local government resources have made it hard for cities and counties to jumpstart any serious effort to improve services for their military men and women. But a successful model is emerging—and the Central New York Veterans Outreach Center in Utica has become one example of it.

Local governments might not have the necessary resources to address veterans' needs in all their facets, but they can be a key partner and supporter of the community groups that do. Sometimes, it's as simple as screening people who come into the social services or mental health departments, asking if they've served in the military and directing them to community groups that serve vets. In places like Utica, state and local officials regularly visit the centers to check in with the veterans and make sure they're taking advantage of government benefits. Ultimately, what emerges is an ongoing relationship between the volunteers in the community and the folks in City Hall.

That's what makes the model work, and it's that kind of mutual determination that will be needed to make communities across the country more hospitable to their veterans, says Steve Darman, a Vietnam-era veteran and consultant to the Utica outreach center. "We had a long period of doing what we could to avoid veterans," he says. "We didn't want to talk to them. We didn't want to know what was going on with them. There was no history of communities thinking about what we can do as a community to help veterans. But something we're starting to understand is it takes a community for a veteran to come home. The light bulb has gone on."

The Utica center didn't start from scratch, though. It learned a lot from the Veterans Outreach Center 140 miles to the west in Rochester. The Rochester center was founded in 1973 by a collection of Vietnam veterans who wanted to help their own. It's since become the standard bearer for the one-stop, holistic-style shop that its younger counterpart in Utica seeks to emulate—and, in effect, has helped turn this patch of upstate and western New York into fertile testing ground for providing better community service for veterans. Syracuse University, for example, opened the Institute for Veterans and Military Families in 2011, a first-of-its-kind program dedicated to interdisciplinary scholarship around veterans' issues. And in Buffalo, a group of nonprofits is in the process of securing real estate to relaunch the Western New York Veterans One-Stop Center, which will borrow much of its operating model from the Rochester program.

Jim McDonough, president of the Veterans Outreach Center from 2010 to 2011 and senior fellow for veterans affairs at the New York State Health Foundation, says the older program views its younger spin-offs in a "big brother, little brother" frame. That



...before returning to the Central New York Veterans Outreach Center.

mentorship took an official form in May when, with a grant from the State Health Foundation, the Rochester center drafted an official blueprint for how community organizations could better coordinate with their government counterparts and the community at large to aid veterans. It's a step-by-step guide to creating a one-stop shop anywhere in the United States, drawing from the 40 years of experience that the Rochester program possesses.

That experience and the center's entrenchment in the community have enabled it to expand beyond its one-stop shop concept. Perhaps the most interesting project is a discount card for veterans, a joint undertaking by Monroe County and the center. Through the card, veterans receive deals, like a 10 percent discount on all purchases, at more than 100 participating local businesses. "It's a pretty cool relationship that has developed," says Laura Stradley, director of the Monroe County Veterans Services Agency. "We've been able to develop a much stronger connection with our veteran population."

It's this kind of government and community partnership that makes the Rochester model work, says McDonough, a retired U.S. Army colonel. But it's a relationship built out of necessity as much as anything else because local governments don't have many resources to spare. Monroe County's veterans office employs just six full-time staff members to serve a veteran population that approaches 70,000 in the greater Rochester area. In Oneida County, home to Utica and its 20,000 veterans, the county agency has three staffers, making it the smallest department in the county, "which is crazy when you look at our population and the veteran population we're serving," says Oneida County Executive Anthony Picente. "But it's impossible to do anything more in these financial times."

"You see that a marriage between government and private resources offers you the greatest amount of promise to do the greatest amount of good," says McDonough. "You find these little pockets that have sprung up in response to the shame of the post-Vietnam era and with a renewed sense of purpose to serve those serving our country. But the country needs a strategy. It can no longer singularly rely on and delegate to the federal government to do this."

If nothing else, the federal government is contributing a fair amount of money to these local efforts. The $2 million federal grant keeps the Utica center afloat for now; the overall federal program put $15 million over three years toward five projects nationwide. About $1 million in federal funding accounts for nearly half of the Rochester center's annual budget. The federal Supportive Services for Veteran Families (SSVF) program, which

Case Manager Zlatko Musedinovic assists with housing and other services.

Project Director Terésa Fava-Schram hopes to see the Utica center expand to use more of the space in its building, formerly a YMCA.

aims to prevent veteran homelessness and which the Rochester program participates in, received $300 million in this year's budget, one of the largest investments in improving veterans' welfare since the post-World War II G.I. Bill.

But advocates on the ground worry that federal efforts are too scattershot, hardly the comprehensive strategy that McDonough would like to see. At the end of this year, for instance, the Utica center's prevention grant from the Veterans Homelessness Prevention Demonstration Program will run out, despite its demonstrated success. Project Director Terésa Fava-Schram says she's proud of the work that the Utica center has done with the federal money, but she never received an explanation for why the program wasn't taken to scale, as the "demonstration" moniker

Palladino uses the center's computers to search for job opportunities and to check his email.

would imply. Instead, her staff, with the help of the Rochester center, will try to obtain a SSVF grant to replace the lost funding. In the meantime, they've been scrapping donated walkers for metal and renting out the former YMCA gym to youth soccer clubs to try to make ends meet.

That's one example of what advocates and officials say is a lack of long-term planning from Washington, D.C. A statistic commonly cited by advocates is that the VA is only directly serving roughly 30 to 35 percent of the 23 million veterans in the United States at any given time—numbers backed up by surveys conducted by the VA. (Multiple requests for comment from the VA were not returned.) "What we're doing locally is damage control," says Monroe County's Stradley. "We probably wouldn't need half of these community resources if the VA were more efficient."

Without a national strategy in place to improve veterans services, the onus falls on states and localities to be innovative. Fortunately, a consensus on best practices is starting to form. The primary lesson: Establish local veterans services agencies. New York required its counties to create veterans departments in the aftermath of World War II, and their role, despite small staffs, has been crucial to the success of the efforts in Rochester and Utica. The state has also had a property tax exemption for veterans in place for decades.

Other states are starting to explore what they can do to help veterans transition home. In Virginia, which has seen the largest population increase in young veterans in the country, Gov. Bob McDonnell has pledged to make his state the most veteran-friendly in the union. "We want vets to come here," says Terrie Suit, Virginia's secretary of veterans affairs and homeland security. "We want to attract them. We believe vets are extremely capable and fantastic contributors to the community."

To that end, the state has undertaken a wide range of initiatives, including granting in-state tuition to all veterans regardless of actual residency; establishing a one-stop center similar to the Rochester and Utica model at Fort Monroe; and working with groups like the American Legion and other veteran services organizations to give them a permanent voice in the state legislature.

One of the most important efforts is rethinking the state's occupational licensing requirements so that they recognize military service. Virginia sent officials to Fort Lee, just south of Richmond, to observe service members driving military trucks, which then led to that training being counted toward a veteran's application for a commercial trucking license. "It's ridiculous that people who drove over land mines overseas wouldn't be able to come home and get a driver's license," Jane Oates, assistant secretary for employment and training administration at the U.S. Department of Labor, said at a U.S. Conference of Mayors meeting in January.

More than 20 other states have adopted some kind of policy to make it easier for vets to count military experience when applying for private-sector jobs, according to the National Conference of State Legislatures, including Virginia and New York. In New York, the state legislature passed a bill that would expedite the process for military doctors to be certified as emergency medical technicians.

Slowly but surely, changes are coming, much to the relief of veterans like McDonough and Darman. But galvanizing real political will to craft a comprehensive national strategy remains a difficult goal. Politicians are quick to pay lip service to veterans on the stump, but turning that rhetoric into actual policymaking hasn't been easy.

"There's still no big national idea," says Darman. "But you get the sense that we don't want to make the same mistakes again. We're not going to screw this up again. This touches everybody. If you don't do a good job, you're either missing an asset or you're creating a liability." **G**

Email dscott@governing.com

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The ‘B’

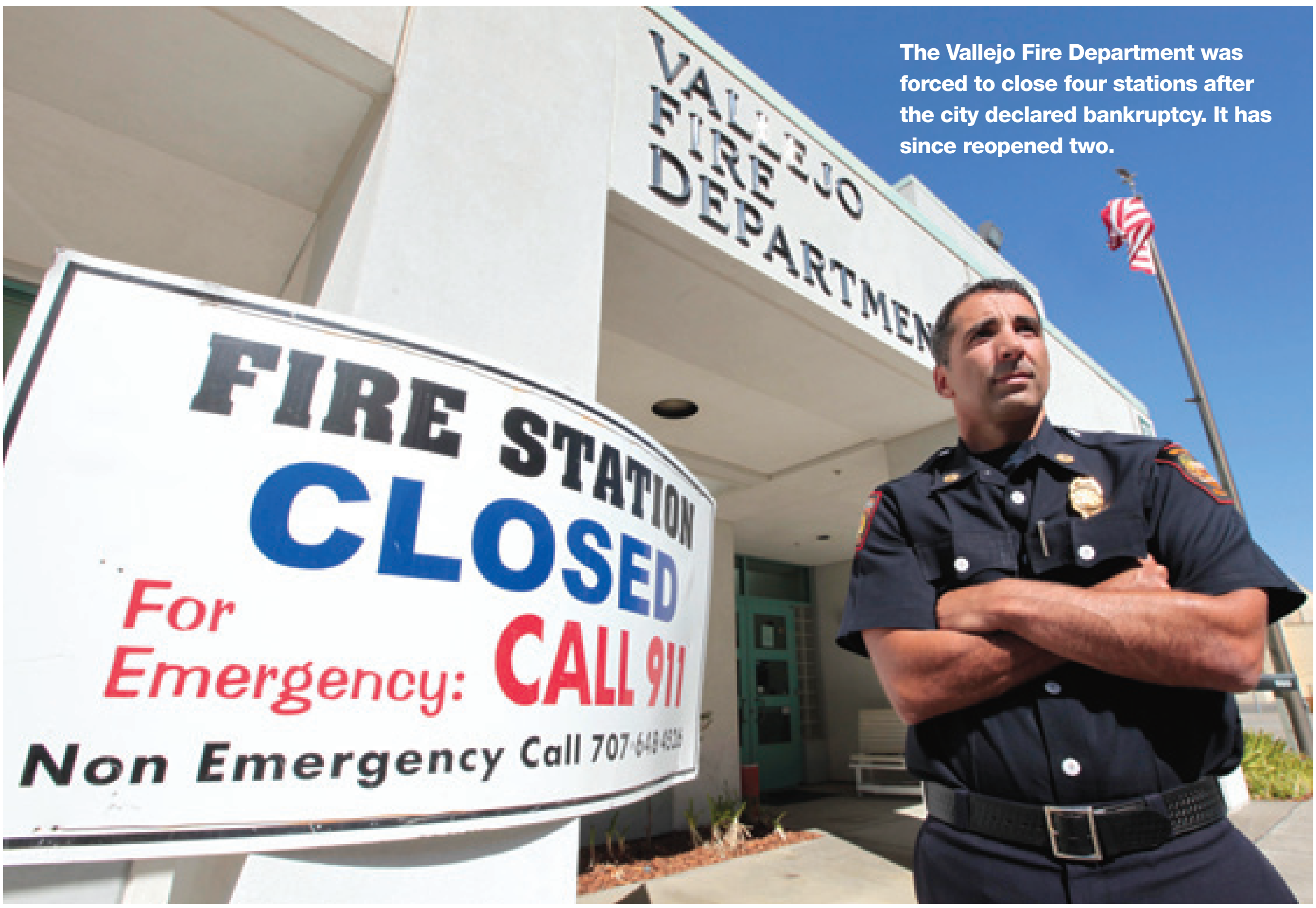
Is the stigma of municipal bankruptcy going away?

Word

By Liz Farmer

Central Falls, R.I., put its Department of Parks & Recreation building up for sale after declaring bankruptcy in August 2011.

Dan Keen knew what he was getting into. When he took the post of city manager of Vallejo, Calif., more than a year ago, Keen understood that Vallejo, a city of more than 100,000 people about 30 miles north of San Francisco, had just emerged from a grueling three-year bankruptcy case. The working-class port town had become the largest municipality to file for bankruptcy after it ran out of money in May 2008. Unable to pay its bills, Vallejo faced a $16 million deficit amid falling property tax revenue and soaring costs in employee compensation and pensions.



The Vallejo Fire Department was forced to close four stations after the city declared bankruptcy. It has since reopened two.

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So when Keen arrived in Vallejo, he fully expected plenty of headaches. But it was the little things that got him.

"When I came here, the copy machine was on the fritz," Keen says. "As opposed to leasing a new copy machine, which you would do in other cities, that's not an option in Vallejo because they're not going to lease to you. You're a bankrupt city."

Many fiscal observers point to Vallejo as Exhibit A of why municipal bankruptcies are a bad idea. The city's credit rating plummeted, all but killing its borrowing ability. Cuts to services and public safety led to increased crime and prostitution. Even now, the city faces a looming collective bargaining battle with labor unions, and its 2013 budget draws several million dollars from rainy day reserves.

But the landscape may be changing. Since Vallejo, other cities have used bankruptcy filings to help restructure burdensome debts, overhaul pension obligations and renegotiate labor contracts. A handful of California cities are now using bankruptcy to take on that state's goliath pension system; the outcomes of those cases could spread far beyond California, changing the way other municipalities view bankruptcy. Filing for Chapter 9 will almost certainly remain a decision of last resort, but the stigma may not be what it once was. There's a growing sense among some leaders that municipal bankruptcy—unthinkable just a few years ago—may be a valuable tool in a city's financial toolbox.

A big part of the shift has to do with pensions. Employee pensions and other retiree benefits aren't the only cause of municipal distress, but they're a major factor. Cities' obligations to retired employees are gobbling up a larger and larger share of local budgets. In San Jose, Calif., for example, the city's pension payments jumped from $73 million in 2001 to $245 million in 2012, roughly 27 percent of that city's general fund budget. But tinkering with those obligations can be next to impossible. Fiscally distressed cities have sought relief by raising taxes and cutting services, but they often hit a brick wall when it comes to contract adjustments. And even in cases where they can negotiate a new labor agreement, existing pension agreements have legally been untouchable.

That was until Central Falls, R.I., declared bankruptcy. The finance-strapped town of 20,000 people, located on the northern outskirts of Providence, had been trying to renegotiate its pension contracts for months with no success. When it filed for bankruptcy protection in August 2011, the slate was essentially wiped clean. The city immediately moved to change its labor and retiree agreements. The new deal hammered out by Central Falls and the unions was essentially what the city had wanted all along, says Ted Orson, the attorney for the city's receiver. The final agreement slashed pensions by 55 percent (although funding from the state's general assembly reduced that cut to 25 percent for the first five years).

The difference, Olson says, is that Central Falls was the first city to use bankruptcy to make good on its promise to cut pension benefits. "Up until Central Falls, there was never what we call an 'or else,'" Orson says. "There wasn't any leverage to make concessions. However, after Central Falls, when [the labor unions] saw what happened, they understood it's better to negotiate a better agreement than to be in a position where something can be forced on you and you might not like what it is."

Bankruptcy is seen by some as a valuable tool in a city's financial toolbox.

Central Falls showed cities that pensions were touchable. Now, two cases in California could cement that idea into law. In Stockton, which filed for bankruptcy in June, the city's bond insurer, Assured Guaranty, is challenging Stockton's Chapter 9 status because the city did not attempt to renegotiate its pension debt with the California Public Employees' Retirement System (CalPERS). In Southern California, San Bernardino is arguing that CalPERS should be treated like any other of the city's creditors. The pension system, says San Bernardino (which surpassed Vallejo last July to become the largest U.S. city ever to declare bankruptcy), should take a haircut right alongside the city's bondholders and other shareholders. If a judge rules that pension systems can indeed be treated like other creditors—many expect the case to make its way to the U.S. Supreme Court—it could forever change the notion of municipal bankruptcy and fiscal restructuring.

The whole definition of bankruptcy is rapidly changing, says University of Pennsylvania law professor David Skeel. "Each new significant bankruptcy has suggested that a type of obligation that more or less seemed to be off the table is on the table."

Needless to say, labor unions don't see the issue the same way. Steve Kreisberg, collective bargaining director for the American Federation of State, County and Municipal Employees, says it's erroneous to think that the country is entering some new phase when it comes to municipal bankruptcies. He rejects the notion that bankruptcy will be used as a tool for restructuring pensions and similar agreements. Case law, he says, still favors his side. "I really think this idea that somehow we're going to create a precedent in this country that public employee pensions are a debt like any other is misguided," Kreisberg says. "So that's why we're opposed to giving up anything that's accrued in terms of a benefit."

Kreisberg may be right. After all, only about half the states even allow cities to file for bankruptcy. Of the 13 cities, towns or counties that have filed since 2008, five cases have been dismissed by a court. And many of the rest of the filings tend to arise from special cases. In Westfall Township, Pa., for example, the city had been hit by a $20 million federal judgment granted to a developer. And Jefferson County, Ala., had filed because of a failed sewer project and corrupt financial dealings by local politicians.

Nonetheless, many legal observers think the outcome of the cases in California could open the door to a host of new bankruptcy filings. "I think you'll see cities looking at Chapter 9 as not some horrible thing, but as a business tool," says San Francisco-based bankruptcy lawyer Karol Denniston, who has helped numerous California cities restructure their finances. She adds that insurers would favor the move because restruc-

The city of San Bernardino is arguing that CalPERS, the state pension system, should be treated like any other creditor.

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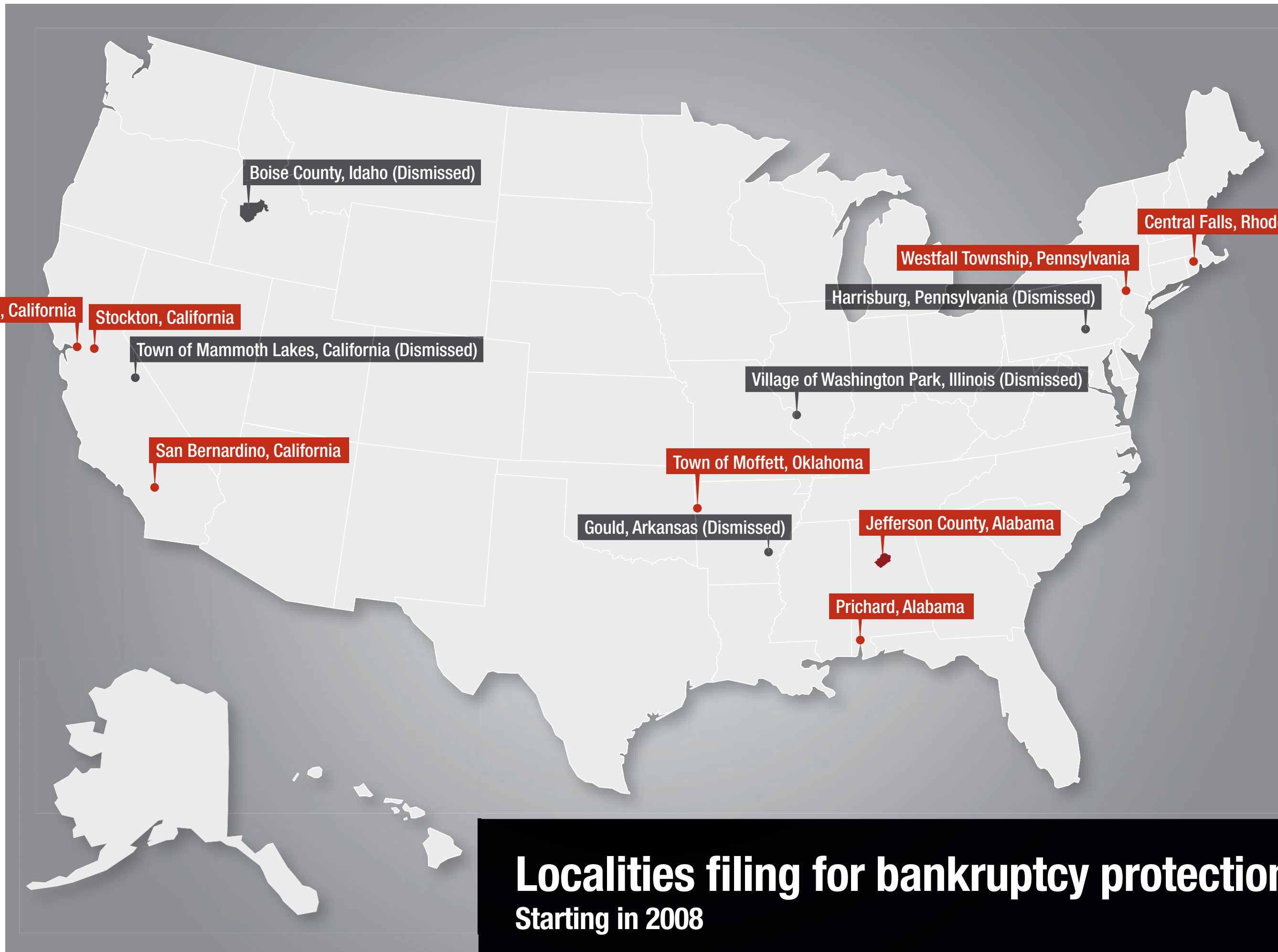

GOVERNING REVIEW OF FEDERAL COURT RECORDS

Localities filing for bankruptcy protection

Starting in 2008

Listed municipalities do not include water authorities, sanitation districts and other special-purpose governments not providing general services.

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turing is not being done "on the back of the bonds." "I think capital markets would be more receptive if there's that opportunity to restructure."

On the other hand, there's the possibility that such a ruling could actually reduce the number of future bankruptcies. If pensions are indeed deemed to be creditors, labor unions and retirees may be more willing to negotiate in the first place because they know cities' threats are real—the "or else" that was demonstrated in Central Falls. "I think increasingly you'll see unions come around if they believe the city or town will qualify [for bankruptcy]," says Robert Flanders, who was the state-appointed receiver for Central Falls. "Because if it does qualify, unions are going to get taken to the cleaners in bankruptcy."

Indeed, after Central Falls, Rhode Island Treasurer Gina Raimondo pushed through major pension reform at the state level, reform that included raising the retirement age and adjusting benefits for current employees. Raimondo often used Central Falls in making her case for why the reform was needed.

Although many states underwent some kind of cursory pension reform last year, a few cities followed Rhode Island's dramatic lead. In California, San Diego and San Jose voters both approved changes to city pensions that targeted retirement age and restructured employee contributions.

Many believe those changes wouldn't have been possible a few years ago. "I think the lesson from all of this is that in cities across the country, there is a need for them to address their pension and health-care liabilities sooner rather than later," says Chris Hoene, executive director of the nonprofit California Budget Project. In the past, he says, "there's always been this thought of, 'We're not in crisis mode, we have time to sort out this problem.'"

Seeing other places file for bankruptcy has also raised public awareness about the fiscal burdens cities face. In San Diego, for example, retirement fund payments soared from $43 million in 1999 to $231.2 million in 2012. As residents have become more attuned to those kinds of budget obligations, the public outcry against municipal debt restructuring may have softened somewhat. The city of Pacific Grove, Calif., for instance, recently launched community forums to get input from its citizens on how the city should handle its retiree debt. And, says bankruptcy lawyer Denniston, who is helping the city host the forums, Pacific Grove's large community of retirees isn't shying away from the issue of balancing pension costs with the need for public services. "If you can get the conversation out in the open that this is a problem, then you get lots of people talking about solutions," she says. "They've watched what's happened: Nobody wants to be in the position of San Bernardino. They drove off a cliff."

Taxpayers are also becoming more aware of the fact that the bankruptcy process, by its nature, excludes them from decision-making. Chapter 9 cases deal with debtors and creditors. Taxpayers take a hit in the form of higher taxes and reduced services, but since they aren't creditors they don't have a seat at the table, says Skeel, the law professor. "The bankruptcy process isn't really designed to maximize their voice."

Perhaps the most important bottom line when it comes to bankruptcy is image.

In Vallejo, the bankruptcy process has bruised the city's ego as well as its morale, says Keen, the city manager. "You see it everywhere—the pace of work by employees, the police response time. We are not capable of providing what this community needs."

There's definitely still a dark cloud associated with bankruptcy, says Lou Schimmel, the state-appointed emergency manager in Pontiac, Mich. (which has not filed for bankruptcy). Bankruptcies restructure debt, but they don't address gross mismanagement, he says. During his 18-month tenure, Schimmel has struck new labor agreements, consolidated city resources, cut spending and sold off assets to bring Pontiac into a balanced budget. Bankruptcy, he says, doesn't stop a city from making poor financial choices in the future.

Still, many experts say more municipal bankruptcies are inevitably on the horizon. Hoene, for instance, notes that many cities in the Midwest and the Rust Belt have struggled for years, and some are likely too far gone to avoid bankruptcy. And Michigan recently passed a revised emergency manager law that could ease the restrictions allowing that state's cities to file for bankruptcy. Perhaps perversely, declaring bankruptcy could ultimately help a city's credit rating. That was the reasoning in Central Falls, where the bankruptcy court judge's focus was the city's credit standing and access to capital markets. If more places begin to see bankruptcy as a restructuring tool for pension obligations—and a route to better credit—the practice could become more common.

"The biggest hurdle," says Central Falls' Flanders, "is the stigma that's still associated with the 'B' word. Cities, towns and legislatures are deathly afraid of what that word means." If the process had another name, Flanders has said, cities would be much likelier to use it. It's still a very difficult choice to make, and he says he wouldn't want to recommend it. Still, as he said at a *Governing* event last fall, "Bankruptcy is not the disease for these cities and towns. It's the cure." G

Email lfarmer@governing.com

PHOTO ILLUSTRATION BY DAVID KIDD, MICHELLE HAMM AND TOM McKEITH

Chasing Fads

New management tools are a dime a dozen, and often just old strategies with fancy new names. But a few do make measurable differences.

By Jonathan Walters

Paul Epstein calls it "the asphalt paradox." It occurred to him while working in New York City government doing process improvement in the early 1970s. The city was trying to capture and describe cost savings and revenue increases stemming from the citywide initiative to become leaner, meaner and more productive. The paradox? Becoming more efficient can cost a city more money.

The asphalt paradox is just one wrinkle in today's current wave of management strategies popping up nationally. It's especially relevant today as more and more states and localities are counting on souped-up efficiency efforts to close persistent budget gaps. Meanwhile, the usual army of management consultants stands ready to hand governments the magic formula for paring government to its bare, affordable essentials.

New York City's early efforts notwithstanding, it was probably the Total Quality Management (TQM) push in the late 1980s and early 1990s that launched the modern era of grafting private-sector management strategies onto the public sector. The goal: to make state and local government more effective.

Teresa Hay-McMahon notes that she "still has the scars" from tangling with TQM while she was working as an administrator in the Iowa Department of Natural Resources in the early 1990s. TQM proved to be a cumbersome, process-driven approach to management reform that engendered more employee resentment than magnificent examples of increased public-sector productivity.

Whether it's TQM, management by objectives or the balanced scorecard, state and local governments have proved to be both fertile and shaky ground on which to establish businesslike approaches to the public's business. In some cases, management strategies have stuck; in others, they have come and gone like desert puddles.

But that's not to say that veterans like Hay-McMahon have sworn off trying to apply private-sector-born management reforms to the public sector. To the contrary, Hay-McMahon is now president of the Iowa Lean Consortium—a group of Iowa businesses and governments that employ Lean, which along with Six Sigma has surfaced as the most visible management trend in state and local government today. The two tactics have captured the interest of dozens of states, cities and counties, raising questions about what they actually do and how well they work.

Whenever a management regimen surfaces in a city or state, it arrives with the attendant question: Is this really new? In the case of Lean, which involves paring down processes to the bare essentials, or Six Sigma, which aims to reduce variation in any repeatable process, that question has pretty much been settled: Epstein, an early proponent of results-informed government, was doing some form of both 40 years ago in New York City. All these strategies have their roots in industrial quality and productivity improvements—probably dating back to the invention of the wheel, but certainly taking tangible form as industrial production ramped up through the 1940s and 1950s.

"Often these efforts are actually not named anything that you or I would recognize," says Ryan Chasey, who was director of quality for Fort Wayne, Ind., under Mayor Graham Richard. "Whenever someone says the name of their program and I ask what's involved, a lot of times it's a different name for the same thing."

In the case of Mayor Richard, the program was a combination of Lean and Six Sigma concepts. His most famous and visible success was using both to cut the time it took the city to fill a pothole from days to hours, which brings us back to the asphalt paradox. What Paul Epstein figured out—and which shouldn't surprise anyone—is that if you get much more efficient at things that involve material costs, like resurfacing roads, you may very well end up using lots more material. Over the course of a year, that can mean you're spending more money, in this case on asphalt.

That has proved to be one of the pricklier issues around Lean and Six Sigma: How do you actually calculate either increased savings or enhanced revenues thanks to a new way of doing a particular piece of the public sector's business? If you don't have documented, verifiable improvements in process, and you can't put a dollar value on those improvements, it's even less likely

that any given management regimen is going to survive when the newly elected executive takes over.

In Erie County, N.Y., for example, where former County Executive Chris Collins was making multimillion-dollar savings claims for Lean/Six Sigma (LSS)—and also claiming it allowed the county to shed 900 employees virtually pain free—incoming County Executive Mark Poloncarz summarily closed the program down, reapportioning the $116,000 salary that had gone to the county's Six Sigma director in the process. Poloncarz contended that there were no verifiable gains from the practice. Poloncarz would arguably know: Before becoming Erie's executive, he was the county's comptroller.

In Fort Wayne, on the other hand, the multimillion-dollar savings claims for LSS have the blessing of the city's Controller Pat Roller, who attributes savings both to increases in efficiency and reductions in staffing. She also thinks LSS has lots to do with the city's 35 percent growth in both geographical size and population since 1999—even as it shed 10 percent of its employees.

Not only has LSS survived a mayoral transition in Fort Wayne, it also has survived with employees' blessing, a rare thing for the average management trend. "There's a big misconception with the whole union thing going on nationally that we don't want to be part of helping the city save money," says Jeremy Bush, president of the Fort Wayne firefighters union. Using LSS, he says, "the city looked at every way [the department] could save money, and firefighters were directly involved, after all we're the ones who best understand how we operate." His department even went as far as scoping out ways to save money on soap and toilet paper, says Bush.

Clearly, employee support is one key to a management trend's survival. Part of why TQM came and went was that it involved putting together small labor-management teams to analyze procedures and processes and then make recommendations for improvement, recommendations that might or might not be adopted. Lean, say its supporters, involves everyone who has any piece of any process, and everyone in the chain of action is empowered to suggest changes to process in real time on the spot. Giving staff the power to make changes and do it virtually instantaneously makes Lean a far more satisfying way for employees to join in the hunt for efficiency, Iowa's Hay-McMahon argues.

It's also tough for seasoned management fad skeptics when they find that those who support Lean and Six Sigma tend not to be overly fanatical about the process—plenty of public employees were put off by TQM's almost cult-like feel and following. With LSS, though, "it's not like it's the greatest thing since sliced bread," says Andrew Downs, who was Richard's first-term chief of staff in Fort Wayne and now teaches political science at Indiana University-Purdue University Fort Wayne. "But by and large people saw the benefit of it."

Even certified Six Sigma black belts concede that there are lots of ways for governments to become more efficient. Scott Sittig, who spent time applying his high-level Six Sigma knowledge to various operations in Erie County's school district, credits Six Sigma with improvements ranging from mailroom efficiencies that netted tens of thousands of dollars in savings to million dollar savings in the district's food service. "Lean and Six Sigma are two of the different ideologies, and they have merit," Sittig says. At the same time, he also admits that "anyone just applying basic common sense to government operations can get a lot accomplished."

Whenever a management regimen surfaces in a city or state, it arrives with the attendant question: Is this really new?

There are other reasons why Lean, in particular, seems to have unusual staying power. In Iowa, for example, where Lean has survived three changes in administration, it has outside support from large companies based in Iowa, companies that make up the bulk of the Iowa Lean Consortium membership. "You have businesses telling the new administration that this is not about politics. It's about doing government smarter," says Hay-McMahon.

There's also an inside component to a management trend's survival that comes up consistently. Initially it might be helpful to have an outside consultant come in and help teach LSS—oftentimes local businesses versed in the practice will do this for free. But it's developing internal capacity that helps a seemingly transient management fad to become standard practice.

That's certainly been the case in Iowa, where quality improvement has become an agency job title. "Five minutes ago my staff came in to talk about a request from the legislature on why it takes so long for service providers to get a waiver," says Jeff Terrell, chief of the Bureau of Quality Improvement for the Iowa Department of Human Services. He and his staff mapped the process and found that there was a lot of waiting involved between steps. It didn't take long to use LSS to streamline the process. "It's a management tool that offers a different and visual way to make sense of each of the silos," Terrell says. "You have people busting their humps to do their work, but they don't see how it all fits together."

Creating a culture that looks at processes in that more holistic, connected way has also been key to the survival of Lean in Fort Wayne, says Controller Roller. "It's just embedded in the way we do business now. People have made it part of their daily work. If you see something that seems screwed up, you fix it." G

Email jowaz22@gmail.com


Facts About
New York City

Building Blocks

Mayor Michael Bloomberg's administration has reshaped the New York cityscape in unprecedented ways. Now that his team is leaving office, will the work go on?

By Ryan Holeywell

Inside New York City Planning Director Amanda Burden's office a block from city hall, a huge photograph of Brooklyn's waterfront leans against the wall. It's not a pretty image. Dotting the East River are two miles of grungy warehouses, largely abandoned, with chain-link fencing choking off the river from the city.

It's the same scene that Burden showed Mayor Michael Bloomberg when she took him on a tour of New York City more than 11 years ago, back when he was just starting to consider a run at the city's highest office. The tour along that waterfront, Burden says, was an emotional experience, since both she and Bloomberg saw an amenity that New Yorkers could potentially be enjoying but instead had long been denied.

Today, as Bloomberg's third and final term in office is drawing to a close, it's clear that the meeting had an impact on both of them. The two have taken to referring to New York's waterfront as the city's "sixth borough," and developments along the water—from Brooklyn Bridge Park in Brooklyn to Freshkills Park in Staten Island to the East River Esplanade in Lower Manhattan—have been among the administration's highest-profile undertakings.

Those projects have been touted as economic development drivers, and they are. But just as important, they're key to the idea of livability—that sometimes hard-to-define concept that makes it enjoyable to call a certain place home. "In the end, great public space is what makes people want to stay in the city," says Burden, who's held her position since Bloomberg first took office. "You live in this high-density, high-energy environment. These waterfront parks just changed how people feel about the city."

Bloomberg's time in office has been about much more than parks, of course. America's most famous mayor has gained international attention for his ardent advocacy on issues like gun control, immigration reform, infrastructure invest-

Amanda Burden has led New York City's planning office for nearly a dozen years. In just a few months, the office will get a new director.

PHOTOGRAPHS BY DAVID KIDD

Bloomberg often refers to the city's waterfront as the "sixth borough."

ment and climate change. More controversially, he's well known—and sometimes lampooned—for enacting bans on trans fats, smoking in public places, and big, sugary beverages. But for New Yorkers, Bloomberg's most important legacy—the one that affects their daily lives most—may be the role he's played in reshaping the urban landscape. If predecessor Rudolph Giuliani was the mayor who made New York a safer place to live, Bloomberg is the guy who's made it a more pleasant one. Through an unprecedented emphasis on parks, pedestrians and development, Bloomberg's signal achievement could be the physical transformation of the city. His commitment to livability has put an indelible imprint on Gotham. Now, his mayoral tenure is coming to an end; a new leader will be elected in six months. And there's one question that underscores every conversation about the upcoming election: Can the momentum of the Bloomberg years continue?

There's a small park in SoHo called Lieutenant Joseph Petrosino Square. For decades, it was hardly more than a forgotten concrete triangle surrounded by streets on all sides. As Mitchell Moss, a New York University urban planning professor and media-dubbed "New Yorkologist," walks past Petrosino Park, he says it was a "shithouse for meth heads" until a few short years ago. Then things changed. The city (in a $2 million project championed by former Councilman Alan Gerson) enlarged the park and added new benches, trees and lighting. Today, it's a tony greenspace for neighborhood residents, workers and shoppers, who meet in Petrosino to share lunch, walk their dogs or just take a break. "Up until now, most mayors viewed parks as something they could cut," Moss says. That's changed, in dramatic fashion.

Petrosino Park is a small-scale example. Brooklyn Bridge Park is a much larger one. Creating a park along Brooklyn's disused post-industrial waterfront has been the subject of debate for 30 years. "Now it's one of the great gems of the city," Moss says. Progress is continuing on the 85-acre park, with bocce courts, soccer fields, summer concerts and even the occasional pop-up swimming pool. And there's an even bigger example on Staten Island, where the Fresh Kills landfill is being transformed into a 2,200-acre park. That project, which has been under way since 2008, will result in the largest park developed in the city in a century.

And, perhaps most famously, there's the completion of the High Line, the internationally known project that wrested a spectacular linear park from the ruins of long-abandoned elevated railroad tracks in Chelsea. The mile-long park has significantly altered the neighborhood around it, attracting tremendous new development and becoming a favorite spot for residents and visitors alike. "High Line" has become shorthand for planners and activists worldwide who want to transform the derelict into something dazzling.

"I think for a good 50 years, there was a sense that this is our city, and we're stuck with it," says Aaron Naparstek, a fellow at Harvard's Graduate School of Design and founder of the website Streetsblog, which covers land-use and transportation policy in New York. "One of the really great legacies of the Bloomberg administration is going to be this sense that we can change things."

"We clearly have moved into a new era now where people see that it's really possible to redesign New York City streets, the waterfront, the public spaces and the parks," Naparstek continues. "These things are not just set in stone. These are things that we have control over."

Indeed, Bloomberg observers say he's been successful in making major changes in the city—and getting them done quickly—for two big reasons. For starters, he's a political outsider who is independently wealthy, making him beholden to nobody. "He's not afraid to take risks," says Robert Lieber, who served as Bloomberg's deputy mayor for economic development from 2008 to 2010. "He's not going to play it safe all the time."

Bicycle lanes and pedestrian plazas have been the signature initiatives of Transportation Commissioner Janette Sadik-Khan.

Bloomberg also has a reputation for avoiding micromanagement, empowering his deputies and loyally defending them from any political fallout they may encounter. Those close to him say that while livability is absolutely one of the mayor's priorities, he's comfortable deferring the specifics to his lieutenants. "Really, he gives you an enormous amount of leeway to come up with your plans," Lieber says. "He'll support you and defend you. This is what a chief executive does. He knows how to run a business. If you're going to be effective at running a business, your effectiveness is being able to leverage the people that work for you."

Janette Sadik-Khan has perhaps been the biggest beneficiary of an administration that has been unafraid to shake things up. As Bloomberg's transportation commissioner since 2007, Sadik-Khan has transformed the role of her office by placing a serious emphasis on pedestrians and bicyclists. Under her leadership, the city has created 300 miles of bicycle lanes. She's been on a quest to make streets safer and more accessible to those who use modes of transportation besides driving. (As she points out, only about one-third of New Yorkers regularly drive.) And she's probably not exaggerating when she says her office has made the most significant changes to New York's roadways since one-way streets were introduced 50 years ago. "Our streets were out of balance," Sadik-Khan says. "They were not designed for the demands that are on them today. That's really what we're doing. And we've gotten a lot done."

In addition to the unprecedented proliferation of bike lanes in New York, the department this spring will help launch the largest bike-share program in the country, capitalizing on an urban amenity that has proven extraordinarily popular in other cities. And throughout New York, Sadik-Khan's department has embarked on an ambitious plaza program: Using planters and other barricades, the city has blocked off parts of some streets to establish pedestrian plazas with benches and chairs. (Unsurprisingly, much of her work has been praised by those who don't use cars, and demonized by those who do.)

Among the most prominent of the new plazas are those in Times Square and further south along Broadway, where pedestrians lounge or stroll along streets that were, at one time, major thoroughfares filled with honking cars. "Times Square—that whole area—was just a Gordian knot of traffic," Sadik-Khan says. "Ninety percent of the street was dedicated to cars, yet 90 percent of the people there were pedestrians. It was really out of balance. People don't go to Times Square to see the traffic."

Like others throughout the Bloomberg administration, Sadik-Khan focuses intently on data, and she uses it to help justify her programs. She says pedestrian deaths are down and business is up in places that have gotten the pedestrian/bicycle overhaul from her department. Still, that doesn't always make her popular. She's frequently been criticized by New York tabloids. The *New York Post* calls her the "psycho bike lady;" Brooklyn Borough President Marty Markowitz calls her a "zealot." And the bike lanes have even become the subject of lawsuits.

Sadik-Khan says she doesn't worry about the political implications of her department's initiatives—and that's something she says she has in common with her boss. After all, Times Square was pedestrianized in 2009, an election year. A mayor with a more conservative style might have waited until after November to pursue such an unusual undertaking, Sadik-Khan says. "I remember him telling me at the time, 'I don't ask my commissioners to do the right thing according to the political calendar; I ask my commissioners to do the right thing, period.' I think that pretty much says it all."

Still, Sadik-Khan (and Bloomberg by proxy) have been criticized for their hardball techniques. Her office has a reputation for literally transforming streets in the dark of night, which some believe is intended to make it difficult to block the work. *The New York Times* has chronicled a technique used by the administration—and in particular the transportation department—to launch projects as "pilots," as a clever way to cut through red tape and escape the typical city review process. When asked about her reputation as someone who's more effective at getting things done than building consensus, Sadik-Khan is unapologetic. "We really didn't have a choice. Our streets had been in suspended animation for 50 years."

Amanda Burden, the planning director, is the other half of the administration's team that has played a significant role in reshaping the city. Her approachable demeanor and affable tone belie her status as what some observers call the most influential person in the city's political power structure besides Bloomberg himself. She's been described as a woman with the ideals of Jane Jacobs and the power of Robert Moses. "If you're in love with cities, you say, 'What are the qualities that make me want to be in the city?'" she asks rhetorically as she explains her philosophy. "It's fun. There are choices. It's diverse, and [there's] always a sense of change—something new and exciting. It's a sense of serendipity."

Construction has begun (left) on the Hudson Yards Redevelopment Project, which will include 12 million square feet of new office, residential and retail space above a former rail yard.

A former socialite and an heir to the Standard Oil fortune, Burden eschewed a life of privilege for a career in urban planning. She has worked on the City Planning Commission since 1990; when Bloomberg took office in 2002, he appointed her chair of the commission and head of the Planning Department. Since then, her office has led an ambitious program that has rezoned an unprecedented 40 percent of the city. To those not steeped in the world of planning, that accomplishment may not sound noteworthy. But it's been an integral part of opening access to the waterfront, facilitating parks improvements and developing land-use patterns most suited for the city's future population growth.

Bloomberg has elevated the prominence of planning and zoning issues, giving Burden's office unmatched influence and facilitating initiatives like the Hudson Yards Redevelopment Project, a mixed-used real estate development being erected over a train yard along the western edge of Midtown Manhattan, or the development of Lower Manhattan's Seward Park, which will create a mixed-used space on six acres of underutilized land that will include a new market, commercial space and affordable housing. "People knew the status quo wasn't acceptable," says Moss, the NYU professor. "There was recognition that doing nothing was no longer valuable."

In New York, development occurs "as-of-right," meaning that if a developer wants to build something that conforms exactly to the existing zoning standards, he can do so with little more than a building permit. In reality, the city's zoning regulations are so outdated that developers frequently need special approval. The administration, through Burden, is changing those zoning guides to upzone for higher density in areas that are transit hubs like Jamaica, Queens; Downtown Brooklyn; and Long Island City—and downzone in areas that aren't suited to big growth. Eventually, the goal is to make as-of-right development widespread, so that developers don't need special approval. "The concept of setting the table to allow these neighborhoods to grow and change is a positive thing," says Mitch Korbey, a land-use attorney and director of the planning department's Brooklyn office under Mayor Giuliani.

As Burden has gone through that process, she's gotten creative. In addition to using the traditional tools of her profession—things like height limits and setback requirements—she's including provisions that encourage bike parking, environmental components and affordable housing. "We use zoning for a variety of different things that nobody's even thought about," Burden says.

The city's most creative rezoning effort has been the High Line. In addition to being one of the earliest champions of the park itself, Burden created the rezoning mechanism that helped make the work possible. Owners of land underneath the rail line had wanted it demolished since it kept them from building vertically. Her office allowed landowners to sell those air rights to nearby sites where higher developments would be permitted. That's caused a real estate boom in the area surrounding the park, a stretch along the west side of Midtown Manhattan that had long been underdeveloped.

RENDERING COURTESY OF RELATED COMPANIES

Burden has gained a reputation for having a granular focus on aesthetic design details. Supporters say that fine eye has served the city well, but some developers have called it strong-arming, and have accused Burden of overstepping her bounds as a civil servant. "From the outset," says one developer, "everyone was aware—and has been aware—that Amanda has to like it, or it won't happen."

Like Sadik-Khan, Burden makes no apologies for her style. "We've tried to raise the bar for what's expected in design. And that has really been important, not only for iconic, cultural buildings, but in areas like the South Bronx" where thousands of new housing developments are being built, she says.

And even if some developers have bristled at Burden's approach, it has served New York well, says Korbey. "Projects are better because of this. The city now has more attractive and exciting architecture."

New York is a better place to live now than it was a decade ago. It's difficult to find anyone who would dispute that sentiment. But can the progress on livability continue once Bloomberg has left office? Will the next mayor build something like the High Line? Will Bloomberg's successor tackle anything as ambitious as transforming Times Square? It's unclear, thanks in part to the wide-open field of candidates. Among them are Christine Quinn, the speaker of the New York City Council who's seen as Bloomberg's heir apparent; Public Advocate Bill de Blasio; Joseph Lhota, who recently resigned as chairman of the Metropolitan Transit Authority; Bill Thompson, the former city comptroller; and Joseph Liu, the current comptroller. There's a common thread here: All of those candidates come from typical political proving grounds. Moss, the planning professor, calls them an uninspiring bunch, and he warns of a possible "return to normalcy" under any of them. (John Catsimatidis, the billionaire owner of the Gristedes grocery store chain, announced his candidacy in late January; he hasn't held office before, but his candidacy is considered by many to be a long shot.) While there are many candidates, they've said little or nothing about what they plan to do with the city's physical space.

However it shakes out, Streetsblog's Naparstek says, New Yorkers will likely miss the independence that comes with a billionaire mayor who's a political outsider. "They'll get a reminder of what it's like to have a regular old Democrat back in city hall who really feels like he or she has to take heed and pay attention to whatever cranky rant is coming out in the *Daily News* on Thursdays," Naparstek says. "Mayor Bloomberg did have a unique ability, for better or for worse, to ignore a lot of that stuff and didn't really feel so beholden to it. The next mayor almost certainly is not going to be insulated."

Some urban advocates are concerned not just about livability in the abstract but about whether some of the administration's efforts may literally be undone. De Blasio has called Sadik-Khan a "radical," and Quinn has said Sadik-Khan's style has contributed to the controversy surrounding bike lanes. Some wonder whether the next mayor would literally start removing bike lanes.

And there are those who actually are leery of the Bloomberg livability campaign. Bloomberg's critics say the rash of development under his leadership has been a boon for developers and gentrifiers but has done little to benefit the average New Yorker. Marquee parks and public spaces are great for wealthy residents, 20-something urbanites and tourists, but critics say they haven't helped working-class families. "Is New York becoming a luxury item? And is it affordable the way it used to be?" asks Joseph Viteritti, chair of Hunter College's Urban Affairs & Planning Department. "These are the issues that I think will come up."

The administration doesn't put much stock in that criticism. "A growing city is a good thing," Burden says. "I don't think you'd turn your back on that."

Indeed, the administration often works hand in hand with community groups on many improvements like parks and plazas, says Bruce Berg, a political science professor at Fordham University. Those groups, now that they're mobilized, could continue to demand similar efforts under Bloomberg's successor. That's a notion echoed by Sadik-Khan, who says that in many cases the transformations happening in New York are more of a response to the wants and needs of residents than the product of anyone's political agenda. "A lot of times," says Sadik-Kahn, "the public leads the political officials, and I think that's the case here."

That may be true. But there's still a sense among many observers that it will be difficult for any successor to match Bloomberg's impact on the overall look and feel of New York City. "I think it's going to be very hard," says Moss, "for any mayor to equal what Mike Bloomberg has done." **G**

Email rholeywell@governing.com
More photos at governing.com/**NYCplanning**

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WHERE YOU LIVE:

THE MAKING OF HEALTHY COMMUNITIES

"WHEN WE THINK ABOUT how we achieve health, it's not just what happens in the four walls of a clinic," said Jeff Levi, executive director at Trust for America's Health (TFAH). "Whether we feel integrated or isolated in our communities has an impact on our health. One of the things we've learned is that the more engaged people are in a community, the healthier they'll be."

That was the underlying theme from the gathering of government officials and advocates at the second annual GOVERNING Healthy Living Summit in December in Atlanta to discuss how to promote healthy living. There are individual policies to pursue (access to healthy foods) and specific goals to strive for (reducing childhood obesity). But the broader concept was creating an environment where, in the simplest terms, it's easier to be healthy. While the goal sounds simple, achieving it can be difficult. So policymakers, from the lieutenant governor of Maryland to the public health director in Sioux Falls, S.D., came together to share ideas about how to marshal resources and the collective willpower to realize it.

Healthy living can mean a lot of different things:

- Bringing healthier foods into schools to stop childhood obesity before it starts
- Promoting workplace wellness, so it's simpler for employees to get and stay healthy without sacrificing their productivity
- Building living places, replete with parks, walking or biking trails and the like, which make it easier to get outside and be active

The specific policies are boundless. But as policymakers strive to make their communities healthy places to live and work, they're likely to run into some of the same challenges. How do you make the case to the community that investments in prevention and wellness are worth it? How do you coordinate among many different sectors that aren't always used to working together? How do you harness data so you can make smart choices and track your progress? And most fundamentally: What can public policy do to encourage these kinds of changes—and what can't it?

Those questions are part of an ongoing conversation about making the United States a vibrant place to live that promotes citizen health. "People can't be more responsible unless they live in an environment where they can engage in healthy activities," Levi said. "We have to help make the healthy choices the easy choices for Americans."

MAKING THE CASE

Promoting healthy choices starts with convincing the public at large that something needs to change. One attendee voiced a growing frustration for policymakers: What if people don't want to make healthy choices? How do we persuade them?

The obvious thing would be to start with the facts: Being healthier means a longer and more fulfilling life. Lower blood pressure reduces the risk of heart disease. Losing weight cuts the chances of diabetes. More exercise increases physical stamina and mental well-being. And so on.

But this information has been out in the public sphere for years. Maybe we need a new pitch. If we can't convince people to help their bodies, maybe they'll listen if we tell them it will help their wallets. For example, at the Healthy Living Summit, Maryland Lt. Gov. Anthony Brown described his lobbying of the state legislature to award $16 million for a four-year pilot program to create health enterprise zones. Modeled after economic enterprise zones, the new program is dedicated to reducing health disparities (the differences in health among different ethnic and socioeconomic groups). In this way, he is appealing to checkbooks as much as hearts.

"If you're not convinced that there's a moral imperative to ensure that all of us enjoy the same quality of life and quality of health," he said, "then there certainly is this business case to be made that all of us have a financial interest to reduce and eventually eliminate health disparities in our communities."

Brown explained that Maryland spends $800 million on excess hospital admissions for African-Americans. Not only are they going to the hospital more often, but that population is also more likely to be uninsured. Because of the state's all-payer system, those expenses are then passed onto taxpayers and private insurers to cover the costs. Most states provide hospitals with some money to cover uncompensated care. So taxpayers are paying for it. Then, to make up for whatever the state doesn't match, hospitals charge higher rates to insurance companies, who pass on those costs to employers. In other words, a community's overall health trickles all the way down to the business community.

"The close tie between how healthy a community is and how healthy its businesses are is becoming more and more clear," said Jim Marks, president of the Robert Wood Johnson Foundation (RWJF). "It's good for the private sector if the public sector's health care costs are low."

A TFAH analysis concluded that a $10 per person, per year investment in prevention could save the U.S. up to $16 billion overall by 2016. That's $5 in return for every $1 spent. Another study estimated that a 5 percent reduction in the national body mass index average could save billions by 2030. Looked at another way, 80 percent of health care dollars are spent on treating preventable diseases. Imagine if a fraction of that money could be funneled to the various other needs that state and local governments have to address.

As Lenny Eliason, commissioner of Athens County, Ohio, said: "If you reduce health benefits costs in the future, think of what you can do with the money."

> "If you're not convinced that there's a moral imperative to ensure that all of us enjoy the same quality of life and quality of health, then there certainly is this business case to be made that all of us have a financial interest to reduce and eventually eliminate health disparities in our communities." —Anthony Brown, Maryland lieutenant governor

MARK O'DELL/EXECUTIVE OFFICE OF THE GOVERNOR, MARYLAND

Maryland Lt. Gov. Anthony Brown visits Glenridge Elementary in Prince George's County to announce $1.2 million in Safe Routes to School grants, which encourages children to walk and bike to school.

DATA, DATA, DATA

An implicit part of making the healthy living case is using numbers to do it. Policymakers have access to more data than ever before. Now they have to figure out how to harness it to make their arguments for them and to track whether they're reaching the goals they've set for themselves.

"Data drives so many decisions in our lives. Data drives decisions on the best educational policies to implement and how to implement them. Data drives decisions we make about deploying public safety resources in the communities that are in greatest need," said Maryland's Brown. "And that's no less true for addressing public health."

For Brown's initiative to reduce health disparities in Maryland, recipients of a state grant have to use data to prove that they've identified a health disparity that needs to be addressed. They then need to continue tracking it to show they've been able to achieve the outcomes that they laid out at the onset of the initiative. Those kinds of raw numbers made it easier to go to the state legislature and ask for millions of dollars in funding for a pilot program, he said.

Numbers also have a way of making an impact on the public conscience, policymakers said. Here's a sobering statistic: Thirty-eight percent of Nashville's children are obese. That's nearly two in five. Nashville Mayor Karl Dean joked that most outsiders (and even some insiders) have a warped perception of his city because of the new television drama that portrays Nashville as a city filled with rich, beautiful (and skinny) country music stars. But when he presents constituents with the hard facts of the challenge they face, it seems to leave an impression. That's a tool that needs to be taken seriously, he said, and that's how advocates can change minds.

"If we were treating obesity like any other medical condition, it'd be the biggest epidemic in years," Dean said. "But we don't."

METROPOLITAN GOVERNMENT OF NASHVILLE/GARY LAYDA

Citizens participate in Nashville Mayor Karl Dean's 5k challenge. The city struggles with weight — 38 percent (or nearly two in five) children that live in Nashville are obese.

COLLABORATION

Once public officials have made the case, they want to find a way to make healthy living a reality. That starts with collaboration. The very idea is founded on the concept of integrating health concerns into every decision. The planning department needs to consider it when they approve new development. The school board should be mindful of it when setting policy. One way that's been realized is through the adoption of health impact assessments. An offshoot of well-known environmental impact assessments, they ask policymakers to determine how a new bridge or planning development might impact public health. It's a policy tool for forcing different groups to come together.

"If we were treating obesity like any other medical condition, it'd be the biggest epidemic in years. But we don't."
—Karl Dean, Nashville mayor

Working in silos is a dead end, replaced by a more collaborative, dynamic environment across all levels of government and with business and nonprofit and community groups. "We're now working with more partners in more sectors to make a bigger impact in people's lives," said Ursula Bauer, director of the National Center for Chronic Disease Prevention and Health Promotion at the Centers for Disease Control and Prevention. "Public health can't solve these problems on its own."

That takes a little education on both sides. Transportation officials need to familiarize themselves with the public health world. But it also goes the other way. If public health advocates are going to sit in on a zoning board meeting, they need to be able to follow the conversation and make their case in the zoning board's terms. When officials in Sioux Falls, S.D., started developing their Shape Sioux Falls initiative, a 20-plus year plan that aims to improve health outcomes through smart growth, they had to get up to speed on the vocabulary of the departments and sectors they'd be working with.

"Public health has to learn to speak the language when interacting with planning and design," said Jill Franken, public health director for the Sioux Falls Health Department.

Designers are also taking a more inclusive view of building healthy communities. With an eye on changing demographics as people raise families and age in place, architects, engineers and designers are focused on creating greater choices for people in where they live and work (a mixed-use built environment) and how they get around (multimodal transit) as infrastructure that supports healthy living.

Public health concerns also transcend traditional party politics. There might be differences about how we solve these programs, but the recognition that they need to be fixed is universal. So, coming to the table by setting aside ideology is a good place to start. "No matter where you are on the political spectrum, people get that we need to be doing something about health," said Nashville Mayor Karl Dean.

POLICY AS VEHICLE FOR CHANGE

"Public policy is how communities become what they want to be," said RWJF's Marks. That's the power that state and local governments have in encouraging healthy living. Marks said a growing number of communities are reflecting the inextricable links between healthy people and a healthy economy in their strategies, policies and practices. This new "culture of health," as Marks calls it, features an increased emphasis on collaboration and connections to sectors—including education, transportation and business—that extend the conventional public health orbit.

Take Gary, Ind., where the city government was facing 30 percent unemployment, 40 percent poverty and had to cut its public health funding dramatically to close a budget shortfall. But that didn't stop local leaders from striving toward better health outcomes. They revamped and reemphasized the public employee wellness program that was already in place. The city held a "Zumba with the Mayor" event to raise public awareness about the dance-based fitness program. They're upping coordination with their federally qualified community health clinics and working with the faith-based community to galvanize public enthusiasm for wellness.

"It'd be easy to say, 'Well, we can't do anything,'" said Mayor Karen Freeman-Wilson. "So we asked: 'What are the resources we do have to make a difference?'"

Maryland's health enterprise zones demonstrate one state's unique solution to the quandary of turning policies into outcomes. The quick version: Maryland awards a grant to a coalition of interested parties (health care providers, advocacy groups, etc.) to address a very specific health disparity (say, for example, higher rates of diabetes in African-Americans in Baltimore County). The coalition can then spend that grant in a number of ways: tax credits for clinics to hire doctors, capital improvement grants to renovate facilities, etc. Flexibility is the name of the game. And the hope is that, if the Maryland model proves successful, it could be translated across the country to other areas of the country bogged down by health disparities.

> "It'd be easy to say, 'Well, we can't do anything.' So we asked: 'What are the resources we do have to make a difference?'"
>
> —Karen Freeman-Wilson, Gary, Ind., mayor

"If we can eliminate disparities in Maryland, and our model gives policymakers on the West Coast or in the Midwest or in the southern states a tool that can be implemented in their states and their communities to address disparities, that's a good thing," Brown said. "Then we will have done our part not only for Marylanders, but for Americans."

There's one last aspect to implementing change: "The trick is making people want to use what you're providing," said Paula Vaughn, head of the American Institute of Architects. You can't build a park that's located miles away from the people you want to use it. Healthy foods aren't useful if no one knows where to find them at their local convenience store. An important consideration in policymaking goes back to the heart of healthy living as a concept: How do you make it easy for people to live healthy lives?

TFAH's Levi aptly summed up the way public officials can change how public health works. "Sometimes the best thing to do for health is not directly a health program," he said. "Start where people are, and empower them to make demands for their health."

Resources:

AIA Healthier Communities through Design
www.aia.org/aiaucmp/groups/aia/documents/pdf/aiab096798.pdf

AIA Principles of Livability
www.aia.org/about/initiatives/AIAS075369

Robert Wood Johnson Foundation
www.rwjf.org

Robert Wood Johnson Foundation's NewPublicHealth
www.newpublichealth.org

NewPublicHealth Coverage of *Governing's* Healthy Living Summit
- Maryland's Health Empowerment Zones
  www.rwjf.org/en/blogs/new-public-health/2012/12/health_enterprisezo.html
- Architects: "Good design makes a difference"
  www.rwjf.org/en/blogs/new-public-health.html?q=AIA

The American Heart Association Policy Report
www.heart.org/HEARTORG/Advocate/PolicyResources/AHAASA-Policy-Report_UCM_448695_Article.jsp

AHA's My Life Check
http://mylifecheck.heart.org/

YMCA Healthier Communities Initiatives
www.ymca.net/healthier-communities/

KaBOOM! Playful City USA
www.playfulcityusa.org

KaBOOM! Joint Use Grant
http://kaboom.org/joint_use

KaBOOM! Grants
www.kaboom.org/grants

KaBOOM! Our Dream Playground
ourdreamplayground.org

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Driving Forces

Are police officers more likely to be killed in certain states?

Officer Sean Callahan was only four months on the job with the Clayton County Police Department one afternoon in December when he responded to a domestic dispute at a Georgia motel. As he and another officer attempted to make an arrest, a man fled and began firing rounds, striking Callahan twice in the head. The rookie officer passed away the next morning, becoming the state's eighth officer of the year to die in the line of duty.

Across the country, the National Law Enforcement Officers Memorial Fund counted 127 fallen police and corrections officers in 2012—down 23 percent from 2011. While far fewer officers are killed from a peak in the 1970s, it's too early to know whether rates will fall any further. Traffic accidents, which claimed the lives of 50 officers last year, are typically the leading cause of deaths. Shooting fatalities generally stem from traffic stops, domestic disturbance calls or ambush-style attacks. Fewer deaths result from falls, heart attacks or other illnesses.

Fatality data show some regions experience significantly more deaths than others. The southeastern U.S. registers the highest death rates given the number of officers, according to a *Governing* analysis of five years of memorial fund and law enforcement employment data. Excluding less-populous states with only a few thousand officers, Alabama, Mississippi, Oklahoma, Georgia and Arkansas were found to have the highest per capita death rates from 2008 to 2012.

Alabama lost 19 police and corrections officers over the five-year period, while Vermont has gone nearly a decade without a death. The state's last fatality occurred back in November 2003, when an Essex County deputy sheriff lost her life after a truck struck her patrol car.

But does this mean officers in some states are safer than others? Robert Kaminski, an associate professor at the University of South Carolina who studies violence against police, says it's difficult to make direct comparisons between most states, but officers in the southeastern U.S. historically face greater risk. Rural areas also tend to record higher fatality rates, possibly due in part to fewer backup officers and farther away hospitals.

> “The highest death rates can be found in the Southeast; the lowest rates are in the Northeast.

Kaminski says the lowest police murder rates are typically found in the Northeast. New York, for example, lost 24 law enforcement officers from 2008 to 2012, compared to 38 for Georgia and 21 for Louisiana, both with a workforce a fraction of the size. Better training could partially explain New York's lower death rates, says Erin Vermilye, a manager with the International Association of Chiefs of Police.

More recently, health and wellness surfaced as a major area of concern. Diet, nutrition and mental health all influence officer safety. “If they're stressed at home, it may play out in the field,” Vermilye says.

The Fairfax County (Va.) Police Department is unique in that it has established its own dedicated safety officer program. Lt. David Pirnat serves as the department's full-time safety officer, overseeing a staff of 11 who respond to incidents and assist with training on a part-time basis.

Pirnat's team teaches skills that wouldn't be part of a typical department's training regimen. When a storm sweeps through the county, officers often are called on to clear roads, so the department purchased new equipment and trained officers to use chainsaws safely. Area police also encountered a new wave of chemical suicides, so safety officers outlined guidelines to ensure they aren't exposed to harmful substances.

Safety officers further provide vital assistance at the scene of hostage situations, searches for missing persons and other prolonged incidents. “The safety officer's job is to focus on the hazards of the environment,” Pirnat says. This includes, for example, ensuring officers are standing outside a blast radius and away from collapsible structures.

Many fire departments have long utilized safety personnel at the scene of fires, but the idea is new for police departments.

Other departments attempt to bolster safety by refining policies. Some officers, for instance, don't wear body armor, exposing them to greater risk in shootings and traffic accidents. A Police Executive Research Forum survey found that 92 percent of police were required to wear body armor last year, compared to just 59 percent in 2009. Agencies also set other rules to minimize risks, such as when to not engage in vehicle pursuits.

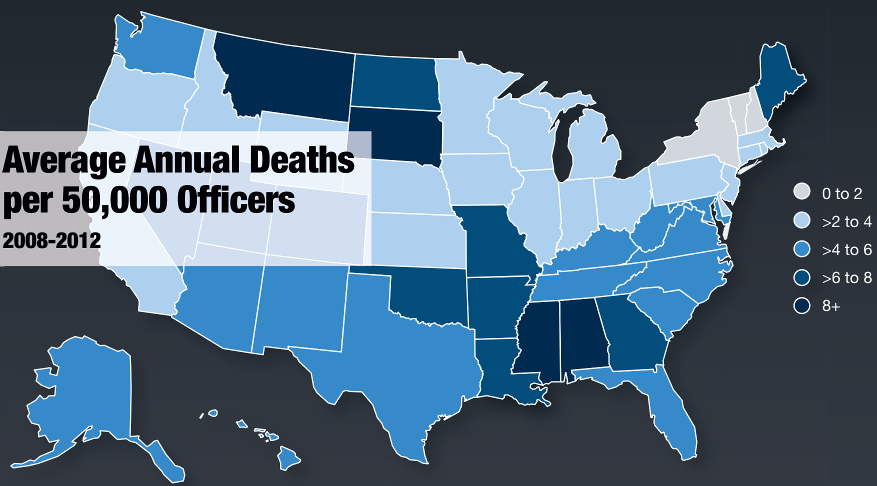
But there's no one practice that can completely ensure an officer's safety. Maria Haberfeld, a professor at the John Jay College of Criminal Justice, says preventing fatalities ultimately depends on a mix of training, equipment and a host of other variables. “It's very hard to prepare for unpredictable events. Anything can happen on the street.” **G**

Email mmaciag@governing.com
Data for each state at governing.com/**policefatalities**

By Mike Maciag

Average Annual Deaths per 50,000 Officers

2008-2012

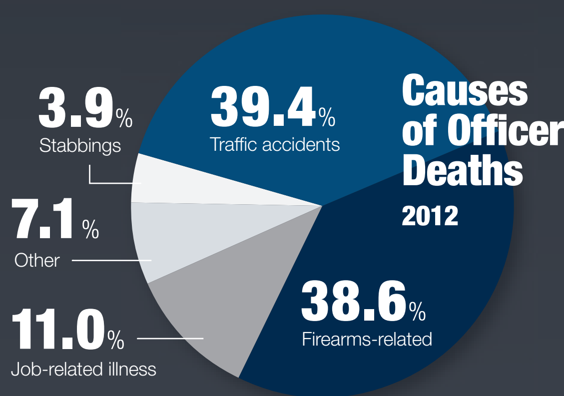


23%

Decline in fatalities from 2011 to 2012. 165 law enforcement officers were killed in 2011 compared to 127 officers killed in 2012.

Causes of Officer Deaths

2012



Highest Average Annual Deaths per 50,000 Officers

2008-2012

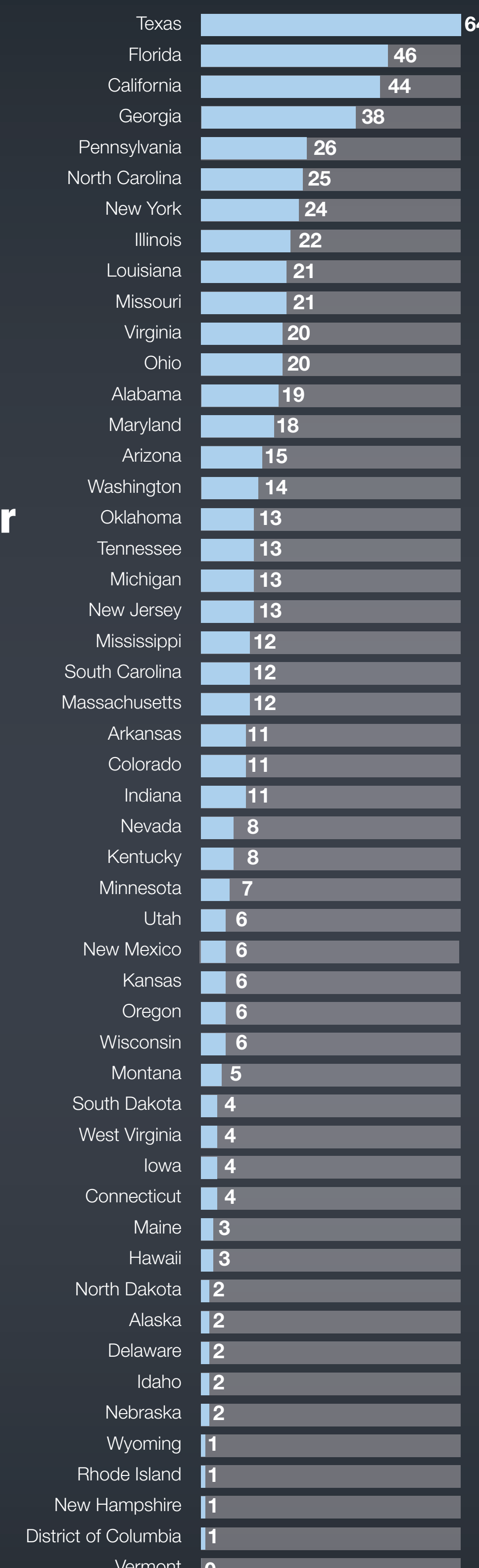
12

States and the District of Columbia did not lose a law enforcement officer in 2012.

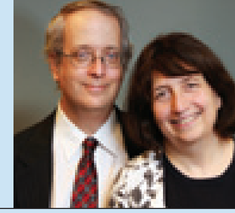
NOTE: Figures do not include federal officers. Fatality counts are for law enforcement and corrections officers. Police officers account for the vast majority of deaths, so per capita death rates for only police are much higher without corrections employees included.

Total Deaths, 2008-2012

Law enforcement and corrections officers



TOTAL NUMBER OF DEATHS CHART: NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND; AVERAGE ANNUAL DEATHS CHART/MAP: *GOVERNING* ANALYSIS OF NLEOMF DATA AND CENSUS BUREAU ESTIMATES OF STATE AND LOCAL GOVERNMENT EMPLOYMENT



By Katherine Barrett and Richard Greene

The Rut in the Road to Reform

Why haven't states and localities capitalized on great managerial ideas?

If you sat down and read all the articles we've written over the years about various government reforms, you would gain the impression that city, county and state management must by now have reached the pinnacle of excellence.

You would be wrong.

Many highly anticipated managerial reforms crash into the sharp shoals of monetary shortfalls or technological disasters. Others simply fall by the wayside or are curtailed because they don't deliver as promised. Still others cease for less defensible reasons.

Take Maine. Starting in the mid-1990s, the state made its way through a series of rebounding reforms. In an attempt to put the state's fiscal house in order, officials adopted performance-based budgeting. Hope and support abounded, but problems cropped up. Some were linked to constraints on the process imposed by the legislature, including retaining line-item control. Additionally, the state's budgeting information systems couldn't deliver the necessary data. "It was a very good process [at first]," according to a source close to the scene, "but momentum fizzled."

The state then turned to something called "modified flat budgeting." That didn't work out either. So in 2011 the governor called for zero-based budgeting, a concept that's been around for decades. But at this point, there's talk in the state about "reform fatigue."

We're sympathetic to the men and women who spend lots of time trying to make something new work—only to feel that their time has been wasted. But resolutely sticking with the status quo seems like the greater evil. "My notion is that iterative reforms leave in place something that can be built on, even if it doesn't look like it at the time," says Philip Joyce, professor of management, finance and leadership at the University of Maryland's School of Public Policy.

That makes sense. But as Joyce points out, often reforms are dropped and new ones generated for reasons that are substantially political, and that's not a good thing. But it's predictable. "You have to anticipate there will be modifications in policy with new administrations," says Greg R. Lawson, statehouse liaison and policy analyst for the Buckeye Institute for Public Policy Solutions. "I'm sure there is frustration, but elections have consequences."

They sure do. In Indiana, a chronic disease management program established in 2003 for patients with chronic heart disease reduced claims to Medicaid by an average of $283 a month, according to researchers from Indiana and Purdue universities. After a 2005 change in administrations, however, the effort was outsourced and the economics of that deal worked out in such a way that a follow-up evaluation found no savings. Ultimately, the program was scaled back.

Equally dramatic is the case of Minnesota, where the politicization of health-care reforms has been a long-standing game. Consider this: In 2008, the legislature passed a health reform package, which included a $45 million allocation for public health to combat smoking and obesity. It also included an effort to identify certain conditions and treatments—such as a knee replacement for an arthritis-damaged knee—and ask providers to bid on a package to provide the appropriate service.

But before these potentially worthwhile changes had a chance to prove their success (or to be shown as failures), the governorship switched from Republican to Democrat; the legislature shifted its political balance in the opposite direction. The $45 million was cut by two-thirds. The packaging of services was put on the back burner and a new round of reforms was introduced.

When management meets politics, management is generally the loser. So, what can policymakers do to heighten the chances that a reform will, at least, be given the opportunity to succeed or fail

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on its own merits? Here are a few ideas from the experts:

- "It is much more likely that there will be continuity in these reforms if they are codified in law as opposed to just the idea of the governor or mayor. If it is in the law that agencies have to produce performance reports—it can't be completely ignored by the new administration." — Philip Joyce, University of Maryland.
- "Reforms that are made quietly and gently are more likely to slip in and not be bothered." For instance, it helps to avoid calling a reform a reform, but to use words like "progression." "If an incoming administration treats it that way, it won't be something that was associated with a prior [administration]." —Harry Hatry, director of the Public Management Program for the Urban Institute.
- "Managing the pace of change is an art form. We have seen organizations try to make too many changes at the same time. When too much change is stacked up, the organization doesn't have time to learn from its own change. You get people who are burned out." —Marv Weidner, CEO of the public-sector consulting firm Weidner Inc.

One last note: Some of our comments could lead readers to believe that we never met a reform we didn't like. Obviously, many are misguided or unfeasible, and these should certainly be shut down as quickly as possible. But that shouldn't happen for the wrong reasons. G

Email greenebarrett@gmail.com

By Mark Funkhouser

A Transportation Funding Power Shift

States are moving into the void left by Washington's paralysis.

Throughout the 20th century, the federal government's role in transportation infrastructure steadily increased. The construction of the interstate highway system, conceived and begun under President Dwight D. Eisenhower, was emblematic of the dominance of Washington, whose ever-expanding role ranged from establishing highway construction standards to denying federal highway funds to states that did not establish 21 as the legal drinking age. Then, beginning about 1993, the last time the federal fuel tax was increased, the political climate in Washington began to become so polarized that reasonable, stable funding and planning, although desperately needed, were no longer happening.

FLICKR/PAT PILON

The shortfall in federal spending on transportation infrastructure is running at about $30 billion annually. There was, of course, a brief respite for the states in the form of federal stimulus money for transportation: About 6 percent of the $831 billion in American Recovery and Reinvestment Act funding, or $49 billion, was spent on transportation infrastructure. But as much as states welcomed that money, it was a one-time infusion that did not address the long-term funding shortfall.

Now, in the aftermath of the recession and the stimulus, there is even less likelihood of major federal investment in infrastructure. Whatever political juice is left in Washington will likely be spent trying to bring the federal deficit under control. In fact, the Eno Center for Transportation reports that a 35 percent cut in federal transportation funding is likely in order to bring federal funding in line with Highway Trust Fund revenues.

So it isn't surprising that governors and state legislatures, closer to their constituents and driven by a greater need to show results in terms of quality of life and economic competitiveness, have begun moving to fill the void left by the feds. During 2009-2011, in the teeth of the recession, 10 states and the District of Columbia raised fuel taxes. Now, however, most policymakers see that the traditional gas tax is a less and less viable funding source, given increased fuel efficiency and the rising number of alternative-fueled vehicles. Something different has to be done, and we are beginning to see it happen.

For example, California, Oregon, Washington state and British Columbia have combined to form the West Coast Infrastructure Exchange to create and develop innovative new methods to finance and facilitate development of infrastructure. In Michigan, Gov. Rick Snyder has put forward a $1.2 billion package of increased transportation funding that proposes replacing the state's cents-per-gallon gas tax that drivers pay at the pump with a percentage-based wholesale fuel tax. Virginia Gov. Bob McDonnell wants to do away with his state's gas tax and increase the sales tax to provide more transportation funding. And in Massachusetts, Gov. Deval Patrick has proposed raising more than $1 billion a year in new or higher taxes and fees to fund public transit and highways.

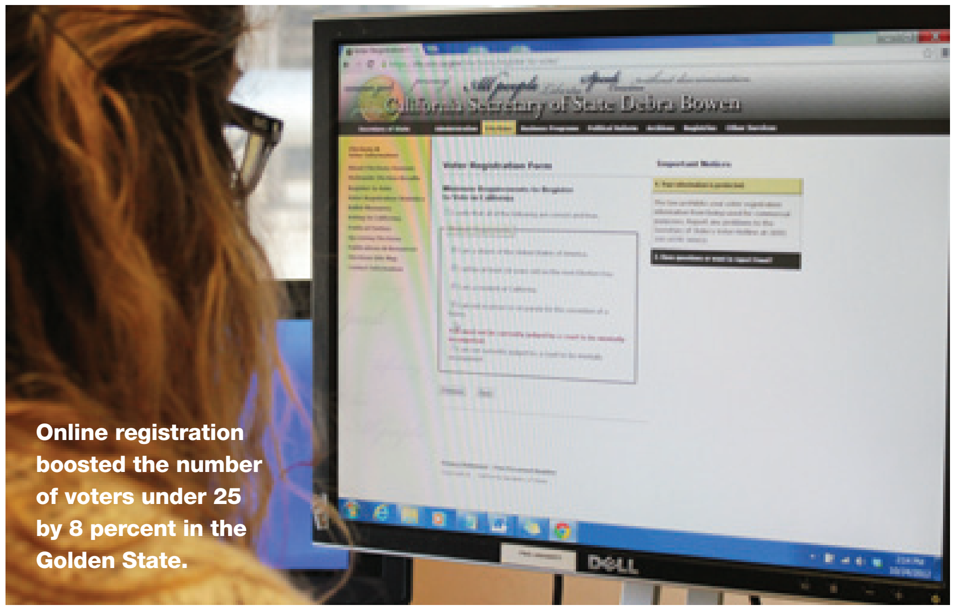
These are politically risky proposals, but I predict that we will see more like them. Some will work and others will not, but policymakers are seeing that continuing to wait for the feds to deal with infrastructure is riskier. The absence of federal action has created a power vacuum. We are entering an interesting period of experimentation and innovation as the power to drive transportation policy in America shifts to the states. G

Email mfunkhouser@governing.com

By Steve Towns

Signing Up by Logging On

The option to register online was a hit among young Californians.



Online registration boosted the number of voters under 25 by 8 percent in the Golden State.

CAFWD.ORG

It may have been brief, but California's one-month experiment with online voter registration running up to the November general election told us a lot. In particular, it told us that if there was any doubt about citizen desire to register online, California's experience erased it.

From the time the new registration system opened online on Sept. 19 to its close on Oct. 21, more than half of the 1.2 million voters who registered did so through the new online system. It was undoubtedly the state's most popular voter registration option.

"We thought that was quite striking," says Mindy Romero, project director for the California Civic Engagement Project. The research organization, part of the Center for Regional Change at the University of California, Davis, is combing through the November numbers to measure the impact of online registration on the state's electorate. Based on what the group has seen so far, Romero says it's likely that online registration will be the state's dominant voter registration option from now on.

Although online registration was popular with all registrants, it was particularly effective at pulling younger citizens into the state's voting pool. Residents under age 25 accounted for 30 percent of all online registrants—helping to drive an 8 percent increase in voter registration in that age bracket, Romero says.

Online registrants also went to the polls, she added, contradicting the notion that citizens using a more convenient registration option may be too lazy or apathetic to cast a ballot. Instead, voters who registered online turned out at a higher rate—about 8 percent higher—than those who registered through other methods.

It's less clear, however, what online registration means for California's major political parties. The online registration numbers did buck one major trend among the state's general electorate that shows declining voter identification with either of the major political parties. The author of California's online registration law, state Sen. Leland Yee, a San Francisco Democrat, noted late last year that almost 50 percent of voters using the online system registered as Democrats, while slightly less than 20 percent registered as Republicans. That's even more lopsided than California's general electorate, which favors Democrats over the GOP by a margin of about 44 percent to 30 percent.

Of course, the tilt could be explained, in part, by the age group registering. As noted earlier, residents under age 25 accounted for 30 percent of all online registrants. It has long been held that younger voters tend to be more liberal, a belief borne out by the Pew Research Survey's analysis of the youth vote in the 2012 elections. In winning re-election, President Obama won 60 percent of the vote among those younger than 30.

Romero agrees that online registrants leaned more heavily Democratic than the state's general voter population, but she says the online sample size—just 1.6 million out of more than 18 million registered California voters—is simply too small to generate any conclusions. "We were a bit surprised by the party differences between online registrants and the general electorate," Romero says. "But we're not sure if that'll hold up."

Time will tell which political party, if any, benefits from online registration. Meanwhile the new method is a clear winner for voters. California's rapid adoption of online registration—and higher voting rates for online registrants—offers a compelling argument for changes that make it easier for citizens to join the voting pool. That's particularly true for younger voters.

California's experience also shows that citizens may not be as apathetic about elections as some people fear. In other words, if you give citizens a better process, it appears they'll not only register, they'll also vote. **G**

Email stowns@governing.com

By Charles Chieppo

Clearing the Path to Pension Reform

New government accounting rules could show the way.

Illinois is the perennial—and among states, the worst—example of what happens when traditional public pension plans spin out of control. But as the state's leaders struggle with their pension funding debacle, new government accounting rules may provide the route to a solution.

At the end of the last fiscal year, Illinois' unfunded pension liability was nearly $100 billion, and the retirement fund had less than 40 percent of the money it needed to meet its responsibilities. Every day the problem goes unaddressed puts the state $17 million further in the hole.

More is at stake for Illinois than a comfortable retirement for its government workers. The ratings agency Standard & Poor's downgraded Illinois' bond rating last August and again in January, making it far more expensive for the state to borrow money. In addition to the downgrade, S&P said the outlook for Illinois is negative and that "lack of action on pension reform and upcoming budget challenges could result in further credit deterioration." Only California's bond rating is as bad, but unlike Illinois', California's outlook is positive.

Many of the problems with state pension systems stem from their continued reliance on traditional defined-benefit retirement plans. Just 21 percent of private-sector employees were in defined-benefit plans as of 2009, down from 84 percent in 1980. But 84 percent of state and local government workers were still in the traditional systems.

Under a defined-contribution system, the employer makes set contributions to an employee's retirement fund rather than guaranteeing a specific level of post-employment benefits. A defined-contribution plan more effectively ties employee benefits to contributions and better protects government budgets from short-term market fluctuations.

One reason for the continued dominance of defined-benefit plans in the public sector has been a fear that steep costs would accompany the transition to a defined-contribution system. Because most public pension systems are underfunded, the argument goes, their sustainability depends on higher contributions in the future from both employers and employees, and abandoning defined-benefit plans would leave taxpayers to pick up an enormous tab for current unfunded liabilities.

> "One reason for the continued dominance of defined-benefit plans in the public sector has been a fear that steep costs would accompany the transition to a defined-contribution system.

Those arguments almost invariably are paired with predictions that better investment returns are ahead that will help solve the pension mess. But with the first wave of baby boomers retiring as investment returns plummeted in the wake of the 2008 financial crisis, public pensions are starting to look a little like an officially sanctioned Ponzi scheme.

The simple response to the transition-cost argument is that we'll be on the hook for unfunded liabilities whether or not a system switches from defined benefits to defined contributions. But things are never that simple.

In this case, the main complication has for nearly two decades been rules from the Government Accounting Standards Board (GASB) that some interpreted as requiring public pension systems to pay off more of their unfunded liabilities up front if a defined-benefit plan is closed to new members. Of course, higher short-run costs are rarely popular in government, particularly during times of fiscal stress.

That interpretation of GASB rules led to some strange results. Primary among them was that it made reform nearly impossible for the plans that need it most. Because their unfunded liability is so great, shifting more of the burden up front would be particularly painful. As one headline put it, "Virginia Retirement System too far in debt to reform."

But last summer, GASB changed the rules, making it clear that its goal is to promote transparency in financial reporting, not to dictate how much governments contribute annually toward eventually retiring their unfunded pension liabilities.

For most states, including Illinois, the new rules eliminate the main substantive barrier to moving toward defined-contribution plans. But politics are just as responsible for the sorry state of government pension systems. Time will tell if the new GASB rules are the spark that ignites a transition for public pensions like the one we've seen in the private sector. G

Email Charlie_Chieppo@hks.harvard.edu

Last Look

ISABEL LEON/CITY OF BOSTON

Mobile food trucks are already a familiar sight in many cities. But Boston residents are lining up for a new kind of truck: a mobile city hall. Launched as a pilot project in December, the vehicle (a refurbished bomb-squad van) delivers more than 20 municipal services on the go. "Menu" options include paying parking tickets, getting a library card and even registering to vote. Bostonians can track the truck's hours and locations on Twitter and in print notices. The program—scheduled to ramp up with the spring weather—may be the first of its kind, but Boston officials say other cities have expressed interest in launching their own trucks. **—J.B. Wogan**

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