

GOVERNING

THE STATES AND LOCALITIES

May 2014



The International Issue

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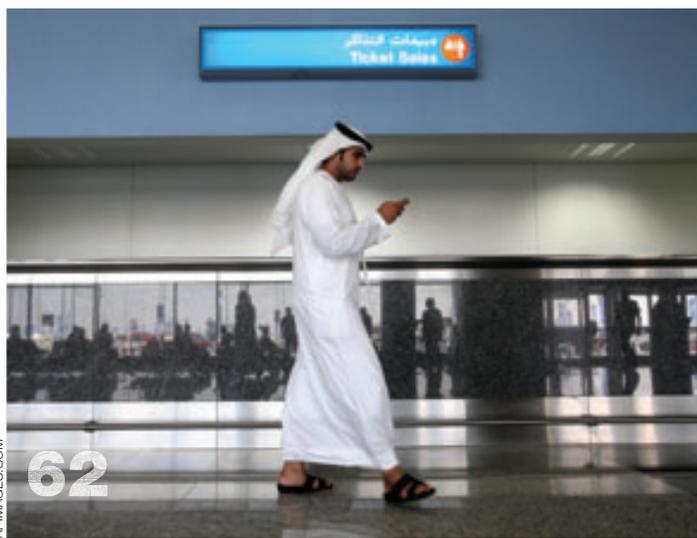
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Shaping the Future of Water

“... America works best when it's calling upon the resources and ingenuity of our vibrant private sector.”

The White House, Rebuild America Partnership announcement, March 29, 2013

AMERICA'S PRIVATE WATER COMPANIES have delivered quality service for centuries, and as communities across the country struggle with the complexities of providing water and wastewater services, they increasingly turn to private water companies as trusted partners. Today, nearly 73 million Americans receive water service from systems that work with the private water industry.

As detailed in the *Water Is Your Business* campaign launched by the National Association of Water Companies (NAWC) and the U.S. Chamber of Commerce — our nation's water infrastructure is approaching a state of crisis. With 240,000 water main breaks each year, and a system of pipes and treatment plants that each day leaks enough treated drinking water to fulfill the daily needs of California, a change in the national “out-of-sight, out-of-mind” attitude toward infrastructure investment is both welcome and long overdue.

As the dialogue around our nation's pressing infrastructure challenges continues, the concept of a public-private partnership (PPP) will become an increasingly familiar part of our national lexicon. According to a recent report by the National Council for Public-Private Partnerships (NCP3P), studies have reported cost savings of up to 24% over the life of a PPP project.

With the right level of preparation, research and commitment, PPPs can be true win-win situations, bringing private sector resources and expertise together with the best in public sector governance. The dedicated men and women of the private water sector work tirelessly to ensure the long-term reliability and continued improvement of water systems throughout the country. Well-structured PPPs provide much more than critical capital for large, complex projects — they also can be models of reliability, efficiency, and transparency.

As the renewed focus on the condition of our nation's infrastructure continues, PPPs will play a critical role in ensuring that safe, reliable water service is secured for future generations of Americans.



Michael Deane, Executive Director,
National Association of Water Companies



The National Association of Water Companies (NAWC) is the voice of the private water industry. To learn more about private water solutions, **visit NAWC.org** or follow us on Twitter and Facebook.

 Follow us: **@MDeaneDC @MovinH2OForward**

Governing the Globe

In his book *Community Power Structure*, Floyd Hunter argued that democracies must maintain vitality in “dealing with problems that affect all in common.” I would take that idea further. I think this is the nearly universal and eternal purpose of all governments, whether ancient tribal councils or modern nations.

This is because the problems that must be dealt with by government are inherent in the human condition—for example, how to educate our children and deal with the elderly and infirm; how to gain the voluntary cooperation of the governed; where to draw the line between personal and public information. Problems and challenges like these transcend political systems and cultures, but how we address them varies enormously.

This fact—universal problems and disparate solutions—forms a central part of *Governing's* reason for being. If every city or every state were managed exactly the same way, there would be little opportunity for them to learn from each other. As it is, our audience is interested in the stories we present because the challenges we write about resonate with them.

Carrying out *Governing's* mission requires that we range broadly across the 50 states and the tens of thousands of units of local govern-

ment in the United States. But, we wondered, if government policies and practices vary greatly between, for example, New York state and Texas or between San Francisco and Oklahoma City, how much more would they differ and what more could our readers learn if occasionally we looked beyond our country's borders?

This issue of *Governing* is our second with an international focus. The problems we found overseas governments addressing—providing pre-K education more broadly, for example, or managing dementia in a growing elderly population, or protecting privacy rights—are issues of concern in American communities as well. Both the successes and shortcomings of these other governments' efforts are worth reading about and learning from.

In the United States, for example, there is growing belief in the value of universal pre-K. President Obama has made it an issue, as has New York Gov. Andrew Cuomo. San Antonio has enacted a tax to fund universal pre-K, and Mayor Bill de Blasio of New York City has made it a central part of his agenda. Our article in this issue about Brazil, which has made it part of that country's constitution, highlights the difficulties in carrying out such a policy.

You can let me know what you think about our experiments in looking overseas for innovation at one of our *Governing* events, or you can email me at mfunkhouser@governing.com.

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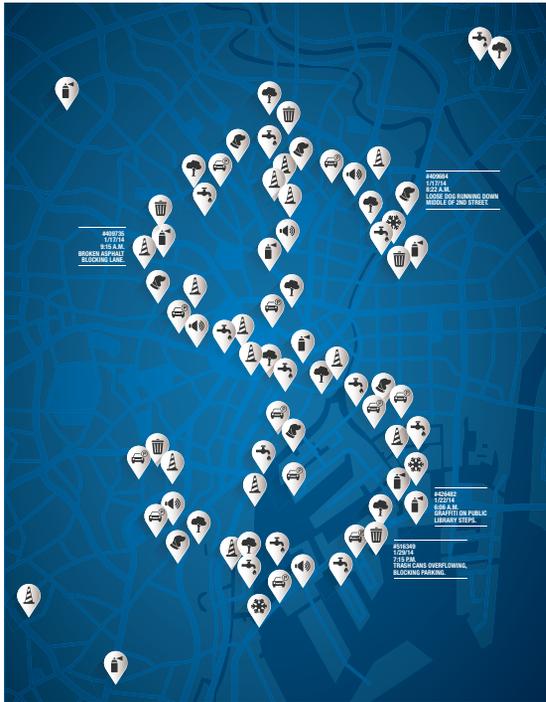
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311 Stories

311 systems can be extremely costly, leading many cities to discontinue the otherwise popular public service. In reporting this piece, Governing’s Tod Newcombe learned that it costs an average \$3.40 to answer a phone call, with some cities paying as much as \$4 or \$5 per call.

The problem with most 311 [systems] from a fiscal standpoint is that, instead of leading innovation, they perform, budget and operate as their fellow departments do [“The Price of Knowing,” March 2014]. In Knoxville, Tenn., the cost per call ranges from \$1.50 to \$1.80. While remaining cost effective, the center also gets high marks from customers: 100 percent of recent respondents found agents courteous and polite, and 8 out of 10 felt their issue was handled in a timely manner. If done correctly, with the focus on service improvement and innovation, 311 becomes an integral part of the community and its services, much like public safety. Playing “keep up with the Joneses” in technology is not the answer. I have called centers that have all the bells and whistles, only to be frustrated by the lack of actual service offered or provided.

Being cost effective, efficient and customer friendly do not need to be mutually exclusive.

—Russ Jensen
on *Governing.com*

My experience with 311 is that it’s a valuable service. However, all too often, at least from my NYC 311 experience, I find that workers have trouble knowing where to route complaints and issues. I may be a much savvier user of 311 than the average person—sophisticated enough from working for NYC government to be able to call 311 and tell them who specifically to route my issues to. Regardless, the issues I called about may have been better solved by a 311 Web or mobile app

where a photo can be uploaded. Many operators that I’ve encountered just aren’t savvy enough and fast enough at entering new cases into 311, in turn making it costly, timely and inefficient to use.

—Scott Michael Webber
on *Governing.com*

Anonymous Blogging

In his March Dispatch column, “Credibility and the Blogger,” Paul Taylor asked: Are anonymous blogs on media websites helpful or confusing?

The problem, for many anonymous posters, is that we work for organizations that have placed a gag order on us. Businesses and governments have developed social media policies that forbid anyone working for them to post anything, anywhere—including on our personal Twitter and Facebook accounts—that does not meet with the approval of the powers that be. So posting anonymously is the only way that many of us can voice any opinion that is not the party line of our employer. The courts have upheld these employer sanctions. Freedom of speech is not a right in this country. It is a privilege granted or denied by employers.

—Deb on *Governing.com*

The challenge I have observed is that many commenters who post anonymously often use it as a license to publish blatantly false and misleading information. They can be extremely abusive and insulting toward other participants and even borderline libelous in their accusations and claims. At what point should a responsible editor step in and assertively enforce existing terms of use by removing such content and/or banning such commenters? If an editor does not consistently and assertively police his or her site, how complicit does he or she become in publishing that sort of unproductive content?

—John on *Governing.com*

It isn’t that complicated. The truth tends to float to the top of any conversation, for anyone with the perception to recognize it.

—JEP07 on *Governing.com*

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PUBLIC OFFICIALS of the YEAR 2014

Last chance!
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Issue Brief

Transforming Water Management in Local Government

How public-private partnerships can unlock hidden asset values in municipal water systems

Water main breaks have become a consistent occurrence for cities across the country that — depending on their size — can create a calamitous impact for citizens and government leaders alike. But they are also a very visual effect of a much bigger problem that occurs below the surface, and often under the radar: our crumbling water system infrastructure.

This growing need for infrastructure improvements to local water systems is pervasive and urgent. U.S. cities deal with nearly 250,000 water main breaks a year and sewage overflows threaten drinking water. According to an estimate by the American Water Works Association, the price tag to fix aging water systems will be as high as \$1 trillion through 2035. This is leading — or has already led — to increasing water bills for consumers. The American Society of Civil Engineers (ASCE) gave a “D” grade in its 2013 Report Card on America’s drinking water and wastewater infrastructure.

The GOVERNING Institute recently surveyed state and local government leaders about their needs for water infrastructure improvements. Eighty-one percent of respondents expected to make significant investments in water and wastewater infrastructure, while 62 percent of respondents said that they have significant upgrades or replacements already planned over the next 24 months.

But these improvements, replacements and general maintenance don’t come cheap and local governments, which are still reeling from the recession, often have more pressing day-to-day issues that capture their attention and their dollars. Budgets are constrained, and increasing taxes and water rates on similarly stressed taxpayers and rate-payers are an unpleasant option. Nor is the federal government a likely source of funding as much as it used to be. Fifty-six percent of those surveyed by the GOVERNING Institute said funding is the most significant barrier they face in water infrastructure projects.

So how do states and municipalities pay for these much-needed projects with money so tight?

To help answer this question, in June 2013, GOVERNING hosted a meeting of local government leaders, experts and private sector executives to discuss the future of water management. During the “Transforming Water Management: *Building a Future Leveraging Existing Resources*” event, many leaders returned to the same conclusion on the best way forward: public-private partnerships (P3s).

Why P3s Now?

A decade ago, municipal governments may have been able to fund water improvement themselves with tax-exempt bonds. But times have changed, said Bradford S. Gentry, director of the research program on Private Investment and the Environment at Yale University. The interest rate differential favoring tax-exempt bonds over taxable financing has been reduced considerably, creating an opportunity for private investors.

By partnering with a private water utility, local government entities can unlock the monetary value hidden in their water assets, obtain financing to pay for infrastructure projects and acquire the latest tools in technology innovations — all while retaining ownership of their systems. Once unlocked, this money can be used to not only fund infrastructure projects and improvements, but other budgetary needs, ranging from unfunded pension liabilities to libraries. The unlocked money can also be used for important projects that drive economic development.

P3s: Not an Either/Or Scenario

In the past, some P3s received an undeserved reputation as being bad for government, with critics alleging that taxpayers had given away an important asset to a profit-making company and that public sector employees lost their jobs to private sector workers.

But Stephen Goldsmith, former mayor of Indianapolis and currently a professor at Harvard’s Kennedy School of Government, said there are several false choices for governments when it comes to P3s. The first false choice is viewing this as a choice between public and private sectors. Goldsmith said it’s more about how to integrate the two together.

“The best run systems are the most amenable to integrating the best of both public and private,” said Goldsmith, who

The GOVERNING Institute recently surveyed government leaders about their needs for water infrastructure improvements:

81% of respondents expected to make significant investments in water and wastewater infrastructure.

62% have significant upgrades or replacements planned over the next 24 months.

56% said finance is the most significant barrier they face in water infrastructure projects.

entered a P3 during his tenure as mayor to operate Indianapolis' wastewater treatment facilities and sewage collection system. "We were smart enough to know we were good, but not great and wanted to improve."

The second false choice is that the only way for government to save money is by being hostile to labor. In Indianapolis, Goldsmith said, municipal unions were unreceptive to the P3 at first; they were angry and scared. But after the deal was signed, workers compensation claims dropped 80 percent and no government workers lost their jobs during the transition. "This doesn't need to be done on the backs of labor," he said.

The third false choice is that the government entity will lose control and ownership of its water system if it enters into a P3 with a private utility. But Goldsmith said "that's just an item in the contract," noting that it is critical for the government side to be well prepared to look out for its interests, not just at contract signing but throughout the life of the deal.

Joseph P. Baumann Jr., counsel for the Bayonne Municipal Authority in New Jersey, which recently entered into a P3, noted that many such partnerships have failed due to their lack of oversight.

Benefits of P3s to Local Government

Done right, public-private partnerships provide many benefits to local governments, among them:

✓ Upfront payments to fund infrastructure projects and other budgetary needs

In its P3, the Bayonne Municipal Authority in Bayonne, N.J., received an initial upfront payment of \$150 million, which will be used to eliminate the authority's existing debt and half of the city's debt. The private partner is committed to investing another \$157 million over the life of the 40-year contract.

Allentown, Pa., earlier this year agreed to lease its water system to a partner. The lease gives control of the system to the partner for 50 years in exchange for a \$220 million upfront payment, which Allentown plans to use to eliminate its unfunded pension liability, estimated at \$160 million. The money will also be used to pay off \$30 million of city water and sewer system debt and add \$20 million to the city's general fund.

"We received money to fix other structural deficits that could have eventually bankrupted the city," Allentown Mayor Ed Pawlowski said at the GOVERNING event.

✓ Rate predictability

Bayonne water customers were facing a 30 percent rate increase shock following several years of no rate increases. According to its P3 arrangement, in exchange for an initial rate increase of 8.5 percent, or about \$5 a month per residence, rates will be frozen until 2015, when a 3.5 percent increase is

The Next Phase in P3s: Regional Authorities

Public-private partnerships can play an important role in the creation and implementation of regional water authorities and watershed areas, which often involve many players and require the cooperation of various governmental entities, each with its own narrow interests.

In addition to providing financing and technical expertise, the involvement of the private sector can often offer a means to get all of the various political subdivisions to work together effectively. "The private company can serve a diplomatic role to get various political subdivisions to join together into a regional authority," Anthony Coscia, chairman of the United Water Board of Directors, said.

scheduled. After that, 70 percent of annual rate increases are fixed with the rest tied to an inflation index.

✓ Access to the latest technology

With just 31 employees, Bayonne's water department didn't have access to or the expertise to take advantage of the latest innovations, Baumann said. But its P3 arrangement will include the installation of a new wireless meter reading system that transmits data directly from homes into the customer billing system, as well as other monitoring systems to help reduce water loss from leakage, prioritize pipe replacement and improve operational efficiency.

Deals like Bayonne's "combine creative financial engineering and operational excellence," Goldsmith said.

✓ Higher credit ratings

Shortly after Bayonne signed its P3 contract, Moody's Investors Service raised the city's debt outlook from negative to stable. Moody's also called Allentown's lease of its water system a "credit positive" for the city.

Moving Forward with P3s

While there are clearly significant opportunities for P3s in water, these partnerships can benefit state and local governments in a host of other areas as well, including electricity generation and distribution; education, health care and correctional facilities; garbage disposal and resource recovery; and even municipal parking meters. The most important thing from the government's perspective is that it must first understand what it is trying to accomplish, whether that be providing ongoing monetary savings, financing infrastructure improvements, improving access to technology or establishing predictable rates. Once realistic goals are set, the agency can establish what it must do to protect its interests throughout the life of the agreement.

About United Water

United Water is one of the nation's leading environmental companies, providing water and wastewater services to approximately 5.5 million people in the United States. In addition to owning and operating 16 water and wastewater utilities, United Water operates 90 municipal and industrial water and wastewater systems through innovative public-private partnerships and contract agreements. Founded in 1869, United Water is a subsidiary of SUEZ ENVIRONNEMENT.

About SUEZ ENVIRONNEMENT

Natural resources are not infinite. Each day, SUEZ ENVIRONNEMENT (Paris: SEV, Brussels: SEVB) and its subsidiaries deal with the challenge of protecting resources by providing innovative solutions to industries and to millions of people. SUEZ ENVIRONNEMENT supplies drinking water to 97 million people, provides wastewater treatment services for 66 million people and collects the waste produced by 50 million people. SUEZ ENVIRONNEMENT has 79,550 employees and, with its presence on a global scale, is a world leader exclusively dedicated to environmental services. SUEZ ENVIRONNEMENT, reported sales turnover of 14.8 billion Euros (\$19.6 billion USD) at the end of financial year 2012.



Confronting China's Skyrocketing Local Debt

CHINA HAS PLEDGED greater transparency in its local debt market. But leaders first must get a handle on just how much debt the country's local governments actually have on the books. A national audit released in December revealed that local governments' debt (which includes debt explicitly and implicitly guaranteed by the government) totaled 17.9 trillion yuan, or \$2.95 trillion USD.

While perhaps not an alarming number—borrowing in the U.S. municipal market currently totals \$3.7 trillion—what's startling is the fast growth. A previous estimate for 2010 pegged China's local debt at 10.7 trillion yuan. In just three years, the country's local debt had grown by a staggering 67 percent as local officials were driven by a job-promotion system based on local economic growth through large-scale infrastructure projects. By comparison, it took the U.S. municipal borrowing market 10 years to increase by the same portion. (Neither of these debt estimates include long-term liabilities like pensions.)

The audit also highlighted concerns that officials both inside and outside China already had: that local governments are taking on far more debt than they can actually afford. One provincial capital outlined in the report has amassed debt equal to 220 percent of revenues, once debt guaranteed by the city is

included; nine other cities have debt of more than 100 percent of revenues. These local governments can get bailed out by the Chinese central government, but the appetite for that in Beijing has lessened in recent years. In fact, even before the report was released, the Communist Party plenum in November pledged a series of national reforms, including strengthening government fiscal reporting frameworks.

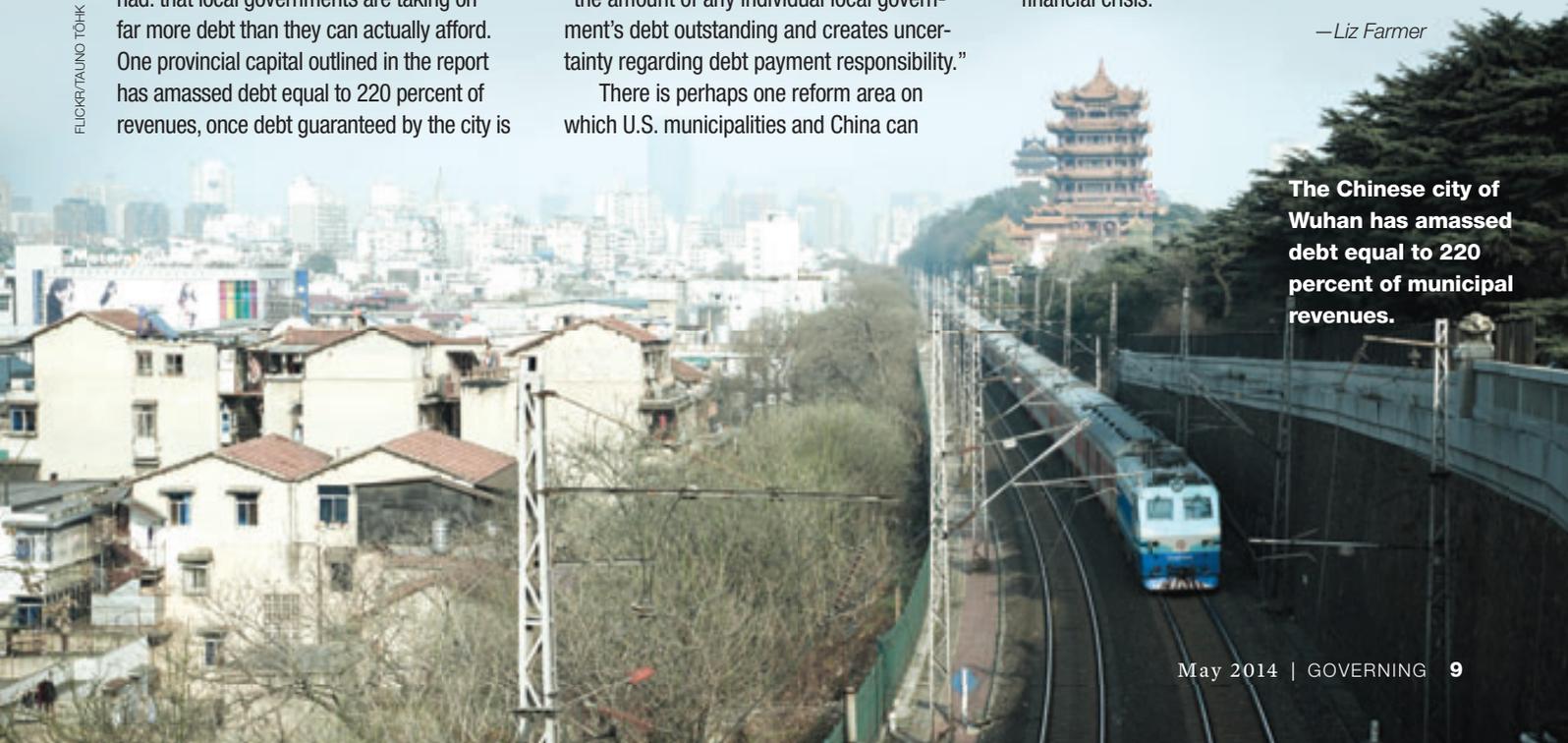
Since the 2008 recession, both the U.S. and Europe have enacted greater fiscal oversight in an effort to flag troubled cities before they hit the skids. But China is essentially starting from scratch. For one thing, China's local debt is not consolidated in one line item in government financial reports (as it is in the U.S.). That means the real total of the local debt remains a big unknown. And unlike many of its global counterparts, China doesn't have a municipal market in which governments sell debt publicly to investors. Instead, governments in China borrow indirectly through local government financing vehicles and other entities. This kind of borrowing, says a recent Moody's Investors Service analysis, obscures "the amount of any individual local government's debt outstanding and creates uncertainty regarding debt payment responsibility."

There is perhaps one reform area on which U.S. municipalities and China can

relate: A key part of the coming reforms, which include establishing a municipal market, will be changing the mentality of local officials when it comes to finances. In the U.S., local and state officials are dealing with a highly constrained growth economy and louder-than-ever calls for belt tightening and accountability in spending. It is becoming clear today that past officials overpromised on benefits like pensions that are now coming due in huge annual bills. In China, no longer will local job promotion hinge upon economic output and flashy infrastructure projects. Moody's Senior Credit Officer Debra Roane says China's job-promotion system was an incentive that tended to spur officials to embrace large undertakings that boosted economic growth in the short term, but raised fiscal risks over the long term.

"Local governments' pursuit of the overarching economic growth imperative," she wrote in December, "produced a surge in local level liabilities that are largely responsible for the increase in central and local government debt in the wake of the global financial crisis."

—Liz Farmer



The Chinese city of Wuhan has amassed debt equal to 220 percent of municipal revenues.

Lessons in Gun Control

IN THE YEAR and a half since 20 children were killed by a gunman at Sandy Hook Elementary School in Newtown, Conn., a handful of states have passed laws requiring universal background checks, bans on semi-automatic weapons and limits on high-capacity magazines. But the U.S. remains a patchwork of uneven regulations on firearms, ammunition and gun owners. Meanwhile, at least 44 school shootings have occurred since the Newtown tragedy.

has already been re-released with an update.

It's worth noting that the book's foreword was written by former New York City Mayor Michael Bloomberg, a prominent voice in national efforts to restrict access to illegal guns. The book's editors, Daniel Webster and Jon Vernick, are researchers at the Johns Hopkins Bloomberg School of Public Health. Though their work is independent from the former mayor's advocacy agenda, the

nation's overall firearm stock. Since then, Australia has not had another mass shooting. Meanwhile, its firearms mortality rate is half of what it was in 1996 and about one-tenth of the current rate in the United States.

In a separate chapter, Rebecca Peters, the former chair of Australia's National Coalition for Gun Control, argues that Australian gun control advocates swayed public opinion by demonstrating that a reactive regulatory framework was insufficient. Research at the time showed that family homicides were usually preceded by a pattern of domestic violence, most of which wasn't reported to police. Also, most homicide offenders did not have a prior record of criminal violence, nor had they been determined as mentally ill by a judge. "A system that waits until violence is officially recorded," Peters writes in the book, "will fail to assist most victims."

No single tragedy prompted new regulations in Brazil. But in 2003 the country's high rate of gun violence—it had 2.8 percent of the world's population but 13 percent of firearm homicides—spurred legislative changes. A new law banned guns above a .38 caliber, raised the minimum purchasing age from 18 to 25, and added qualifications for buying a gun, including evidence of psychological stability and knowledge of gun safety. The country saw a 13 percent reduction in gun deaths between 2003 and 2010.

Brazil's reforms only came after progressives in the federal government first tried to reduce violence by focusing on other potential explanations, including unemployment, social inequality and illiteracy. Eventually they turned back to the idea that the problem was the guns themselves. "The proliferation of weapons," writes Brazilian political scientist Antonio Bandeira, "explained why personal conflicts that did not result in fatalities in other countries so often proved deadly in Rio de Janeiro."

—J.B. Wogan



Should states look to Australia as a model for gun laws?

If state leaders want to curb firearm violence through regulation, perhaps they could learn from countries that have tightened gun restrictions in recent years. That's the idea behind *Reducing Gun Violence in America*, a compendium of social science research on guns, with chapters on the experiences of Australia, Brazil and the United Kingdom.

"Because no two jurisdictions share the same problems or legislative or social settings—let alone attitudes—none can claim to have discovered the magic bullet," writes Philip Alpers, a public health researcher and one of the book's authors. Still, it's clear the book is intended to outline foreign approaches that could be implemented in the U.S. Originally published last year, the book

book's original kick-off event last year did have political overtones: In addition to a speech by Bloomberg himself, Maryland Gov. Martin O'Malley used the occasion to preview his gun control proposals for the state legislature, which led to bans on both high-capacity magazines and assault-style long guns.

Just as the Newtown shooting triggered new gun laws in the United States, the 1996 mass shooting of 35 people at the Port Arthur historic site in Tasmania precipitated a national response in Australia. Within 12 days, the country had passed a ban on automatic and semi-automatic long guns. The government also bought, collected and destroyed more than 1 million firearms, eliminating about one-third of the

A Swiss Solution to Poverty: Just Pay Everybody

THERE'S BEEN A GREAT DEAL of talk this spring about the American minimum wage, with President Obama and some local leaders pushing to raise the national base pay, while other lawmakers contend it's sufficient at the current level or should be done away with altogether.

So what about a minimum *income*? That's what's being debated right now in Switzerland. On May 18, Swiss citizens are scheduled to vote on a ballot initiative that would guarantee a base pay—with no work requirement—equal to about \$24.73 an hour, more than three times the current federal minimum wage in the United States. About 330,000 workers in Switzerland, mostly women, have full-time jobs that pay less than the proposed minimum income.

More than 100,000 people signed a petition last year to place the minimum-income measure on the ballot. If a majority of voters and cantons—the Swiss version of states—support the proposal, it would become part of the country's constitution. (A November 2013 survey commissioned by two Swiss trade unions found that 74 percent of respondents supported the proposed minimum income.)

The cost to implement the program would be astoundingly expensive, about \$220 billion a year, or one-third of Switzerland's gross domestic product. Advocates of the initiative say that \$75 billion will come from replacing existing safety net programs, such as unemployment insurance, disability payments and welfare. The remaining two-thirds of funding would likely come from some kind of tax or fee increase.

The ballot measure already has its share of detractors among the highest echelons of Swiss government. "It would be wrong for the state to impose a nationwide wage," the country's Economy Minister Johann Schneider-Ammann said at a press conference in February. He argued that a minimum income would lead to job cuts and the closure of small businesses.

So far, the notion of a guaranteed income hasn't exactly won widespread support in the U.S. One unlikely exception is

Charles Murray, a policy researcher at the conservative Washington-based think tank the American Enterprise Institute. Murray, a libertarian, advocates for a similar idea in his 2006 book, *In Our Hands: A Plan to Replace the Welfare State*. The country's current



Flickr/James Gridland

batch of safety net programs are confusing, complicated and inefficient to administer, Murray argues. Both the taxpayers and the poor would be better served, he says, if the government simply gave away money.

"It's a very interesting policy idea," says Iowa state Sen. Joe Bolkcom, who last year successfully pushed through a law increasing the refundable value of the Earned Income Tax Credit in his state. American safety net programs often come with compliance criteria to verify that people are using public assistance in appropriate ways, tantamount to assuming the recipients are dumb, he says. By contrast, the Swiss proposal "recognizes that the people running that household are probably better at more efficiently managing that money."

But a guaranteed income would face stiff political resistance in Iowa and other American states from those who prefer that public assistance be tied to work requirements. Also, each of the existing safety net programs, from food stamps to Head Start, would have its own constituencies ready to resist a complete system overhaul. The political barriers to implementing a guaranteed income would be so great, Bolkcom says, "you would have difficulty getting people to take it seriously."

—J.B. Wogan and Veronika Zubo

THE BREAKDOWN

10

Seconds between buses at stops on the TransMilenio bus rapid transit system in Bogotá, Colombia, which transports nearly **40,000 passengers per hour**, or about **1.6 million per day**.

244_k

Decline in Japan's population last year, a record. The country has around **127 million people**, but thanks to falling birth rates, Japan's population could fall to **87 million** by 2060, of whom almost 40% will be 65 or older.

1

Number of people killed by police in Iceland's history. In December, police shot and killed a man in a Reykjavik apartment complex after he began firing at them.

74%

Share of the world's skyscrapers completed last year that were in Asian countries, a **19 percent increase** over 2012. Asia is now home to **45 percent** of the tallest buildings in the world (those high-rises over 200 meters).

SOURCES: COUNCIL ON TALL BUILDINGS AND URBAN HABITAT; ASSOCIATED PRESS; THE NEW YORK TIMES; THE ECONOMIST



Rwanda outlawed plastic bags in 2008.

Flickr/JOHN CATEBAGAN

One Country's Fight to Ban the Bag

IN RECENT YEARS, a number of cities in the U.S. have passed special taxes aimed at discouraging the use of disposable plastic bags. A handful of places, notably San Francisco, have outlawed them entirely. But there's one unlikely country that's leading the way in banning the bag: Rwanda.

In 2008, the small East African nation of 12 million people instituted a national ban on non-biodegradable plastic bags. The polyethylene bags, which shoppers typically only use once before throwing out, are known to amass in landfills, litter streets, obstruct sewer systems and hurt marine life.

Rwanda was still recovering from the economic and emotional destruction of genocide in the mid-1990s. As part of a revival plan, leaders decided to emphasize environmental protection, resulting in a series of reforms that

included the bag measure. It wasn't the first national bag ban—Bangladesh passed one in 2002—but Rwanda's law has serious teeth. It prohibits the manufacture, use, importation and sale of the bags. Owners of businesses that violate the ban face up to a year in prison, and anyone caught carrying a bag faces stiff fines. Businesses that flout the rules are raided; travelers who enter Rwanda's borders are subject to searches. Strict enforcement has led to some revolt among small business owners and the growth of a black market trade in plastic bags. But there's been less ire from bag manufacturers, who were encouraged through tax incentives and recycling contracts to convert their businesses.

Rwanda's audacious ban, however harsh it may be, seems to have been effective. Numerous international

environmental agencies have praised the prohibition for helping clean up the streets of the country, especially the capital city of Kigali.

California, along with Massachusetts and Washington, has debated a statewide ban for years. California's prohibition wouldn't be nearly as severe as Rwanda's—no threat of prison, and no one will be raiding Golden State businesses looking for a secret bag stash. And the ban would likely only affect carry-out bags at grocery stores, liquor stores and pharmacies. But the latest proposed legislation does include ways to soften the ban's impact on California manufacturing, including \$2 million in loans and grants to retrain workers and repurpose bag manufacturers.

Advocates say that compromise could garner enough support for the bill to pass. "The new language does address some of the concerns that some folks had, and we're now in the strongest position we've ever been before," says Nathan Weaver, an advocate with Environment California, an activist organization.

—Chris Kardish

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By Alan Ehrenhalt

Free Ride

Tallinn, Estonia, is running a bold experiment in fareless transit.

What if big-city transit systems were free? What if you could board a bus or train at one end of town, ride all the way to the other end and back, and not have to pay a cent for it? How would that affect the practicalities of urban life in America? The list of possible outcomes, bad ones as well as good ones, is a long one.

It could be that enough cars would come off the road to create a substantial decline in carbon emissions. Low-income residents might have access to job opportunities that they never had before. And there might be a sustained boom in land value and development along the routes. Those are the pleasant and plausible scenarios.

Here are the bad ones: A flood of new passengers might crowd onto the transit

system, requiring additional equipment and actually creating new traffic problems and longer commute times. Buses and subways could become de facto homeless shelters. Residents might start taking the bus instead of walking or bicycling, the exact opposite of what public health advocates want them to do. And free transit could turn out to cost so much that the local government would have to halt the program out of simple economic prudence.

More than likely, some of these things would happen, both good and bad. We don't know for sure, because no major American city has ever committed itself to full-fledged free public transportation. But an increasing number of cities around the world are looking at some version of this idea, and the movement even has a world headquarters: Tallinn, the capital of Estonia, which stopped collecting fares

from residents a year ago and has local officials raving about the results. Since Tallinn made its big move, the city has hosted two conferences on the free transit idea, and activist groups supporting it have sprung up on every continent. Paris is now looking into a fareless experiment as a weapon against air pollution.

The results of this country's limited free-fare ventures have been mixed. The best known have been in Seattle and Portland, Ore. Both went to no-fare zones surrounding the downtowns in the 1970s. Both ended the experiments in the same month, September 2012.

Portland's free transit system might be described as a victim of its own successes. It was the creation of Mayor Neil Goldschmidt, who decided that a fareless zone in central Portland would be a boon to tourism and economic development, as well as an aid to low-income residents of the inner city. The zone, initiated in 1975, was (and remained) the largest area of its kind created in North America.

Within a couple of decades, almost everything that Goldschmidt had hoped for came to pass. Downtown Portland was vibrant again, with more than 1,000 separate businesses operating inside its confines. Property values soared. Tourists came. About the only goal that became irrelevant was the goal of no-fare zones as a boost to poor people. By the 1990s there were few enough of them in central Portland that the numbers hardly made any difference.

One can argue that free-fare transit didn't determine what happened in Portland. Quite likely, downtown would have come back even if the fareless zone had not existed. Still, it's plausible to allow the experiment at least a little credit for the resurgent night life and thriving urban mall that became landmarks of the central city even as free fare continued its extended run.

Tallinn's free public transit has been popular, but it's yielded mixed results.



WIKIMEDIA.ORG/JKB

In the 2000s, though, it gradually became clear that the fareless zone's days were coming to an end. Downtown didn't need the help anymore, and the seemingly modest cost of the program (about \$3 million a year) represented money that the metropolitan transportation authority needed to plug widening holes in its overall budget. So the fareless zone died at the age of 37, its passing unlamented even by many of the city's transit advocates.

Seattle's story was a little different. The country's seventh-largest transit system instituted a free-fare region in 1973 to boost tourism and offer a break to the many low-income residents who still crowded into the center city blocks around historic Pioneer Square. The area didn't bloom quite the way central Portland had, and after nearly 40 years, the venture was catering in large part to an underclass constituency that lacked the political influence to preserve it. Transit advocates wanted to impose a new region-wide car tax, and the only way they could do that was to agree to drop the free-fare zone, for a savings of about \$2.2 million. Advocates for the poor staged a funeral for free transit on the day before it expired.

What happened in Portland and Seattle seemed at first to mark the end of large-scale free-fare experiments in big cities, but on the other side of the developed world, Tallinn soon proved them wrong by launching a project more extensive than either of those cities ever envisioned. Since January 2013, any resident of Tallinn has had the option of riding the city's buses and trolleys without paying anything.

Tallinn is the largest city in Estonia, with a population of about 430,000, and while it does not have a high global profile, it is one of Europe's most affluent and technologically advanced cities, the birthplace of both Skype telephone service and online voting. It can afford a little transit experimentation.

What did Tallinn expect to gain by going fareless? Generally not the things Neil Goldschmidt talked about in Portland in 1975. According to the global cities website Citiscope, which has offered

the most extensive coverage of the Tallinn experiment, the leaders there mostly wanted to get people out of their cars to reduce traffic congestion and ease up on carbon emissions. "We are frequently asked why we are offering free-of-charge public transport," the mayor of Tallinn told Citiscope. "It is actually more appropriate to ask why most cities in the world still don't."

Whether the project is meeting its stated goals remains a subject of debate. After nine months of fareless transit, the city announced that car traffic was down 15 percent and the number of transit users was up by 14 percent. In addition, Tallinn officials reported that the average speed of cars on its roads had increased—a partial loosening of gridlock.

At the same time, a study by the Royal Institute of Technology in Sweden reported a much different result: Transit ridership was up just 3 percent, and car traffic was down by an even smaller amount. The institute also found no change in the average speed of vehicular traffic. It's now working on a longer-term study for release later this year.

Whatever the surveys ultimately show, the dollar cost of Tallinn's free transit experiment isn't that large. To ride for free, you have to be an official resident of the city—tourists still pay to get around. Residents have to buy a citizenship permit before they can use the public system, and enough people have bought them to cover most of the cost of eliminating fares. The net loss to the city's treasury is estimated at an annual 2 million euros—a little less than \$3 million.

The cost is made more manageable by the fact that Tallinn was paying about 70 percent of its transit budget from public funds even before it went fareless. The stretch from 70 percent to full fareless funding proved not to be that painful.

It turns out that the size of a city's existing transit subsidy is the most important factor in determining whether a fareless experiment is even feasible. Asian cities such as Hong Kong and Singapore are dependent on passenger fares for the bulk of their transit bud-

gets. Ripping out the farebox would be prohibitively expensive for them. But most American cities are more like Tallinn: Fares cover a relatively small portion of their transit costs. Public subsidies make up a much greater portion. In that respect, some of the largest cities in this country are relatively well positioned financially to try a fareless experiment if they find it attractive for other reasons.

Despite the end of the Portland and Seattle experiments, fareless transportation does still exist on a limited basis in a few American cities. Miami has had a fareless automated people mover running on elevated tracks above a four-mile stretch of its downtown since 2002, and has attracted a respectable ridership. Jacksonville has a similar system, which it calls the Jacksonville Skyway. Baltimore launched four fareless downtown bus routes in 2011. Salt Lake City continues to run a fareless system downtown, although city officials have proposed eliminating it at various times in the past few years.

Smaller cities such as Corvallis, Ore., and Chapel Hill, N.C., home to large student populations, have found ways to eliminate fareboxes from their transit systems. The experiment in Corvallis is perhaps the most interesting one. In 2011, that city began charging a Transit Operations Fee on its individual households, payable with the regular water bill. In 2013, the monthly charge for a single-family residence was \$3.80. By paying that mandatory amount each month, every citizen of Corvallis (and visitors to town) can ride on buses anywhere in the city for free.

Corvallis is a city of only 54,000 people. Chapel Hill has 58,000. No city in this country anywhere near the size of Tallinn has dared to launch a fareless experiment covering its entire territory. Will the idea return in the United States anytime in the foreseeable future? It seems unlikely. But it's a reasonable conjecture that before too long, there will be Tallinn-style experiments popping up in other large cities in the developed world. **G**

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The Surge of Cities

As urban populations grow, cities have become centers of innovation.

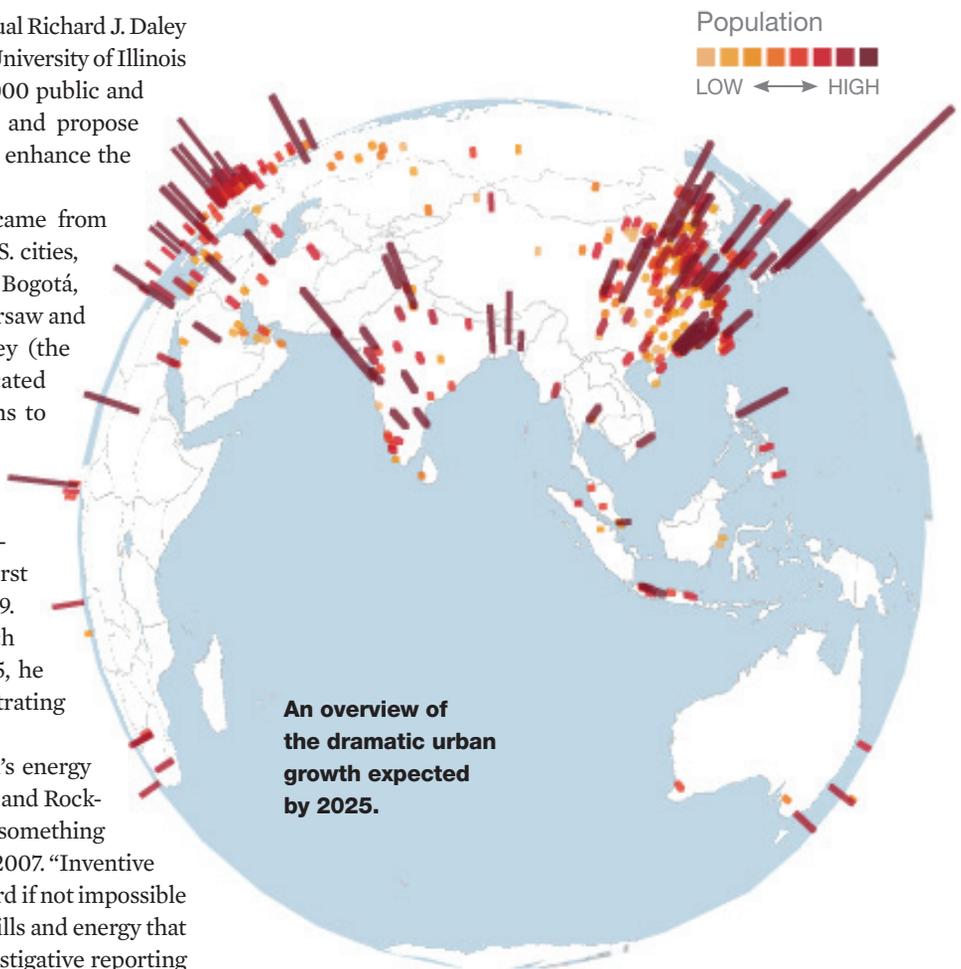
Four years ago, I attended the sixth annual Richard J. Daley Global Cities Forum, designed by the University of Illinois in Chicago to convene more than 2,000 public and private leaders “to discuss, analyze and propose pragmatic and innovative solutions that will enhance the lives of city-dwellers around the globe.”

Underline “around the globe.” Mayors came from everywhere: scores of large and mid-sized U.S. cities, but also from the likes of Abu Dhabi, Amman, Bogotá, Guadalajara, Istanbul, Kathmandu, Paris, Warsaw and others. Hosted by Mayor Richard M. Daley (the son), it was an amazing assemblage, dedicated to learning from each other about solutions to common problems.

Less than a year later, I participated in a planning session for something called Citiscope, an ambitious global reporting service that was the vision of Neal Peirce, my first editor at *Congressional Quarterly* back in 1969. Ironically, Neal’s real interest was not so much Washington as states and cities, and in 1975, he became the only national columnist concentrating on state and local trends and issues.

Citiscope is now a reality, thanks to Neal’s energy and tenacity, as well as funding from the Ford and Rockefeller foundations. His idea was sparked by something he learned covering a global urban summit in 2007. “Inventive solutions to various cities’ challenges were hard if not impossible to find in popular media,” he told me. “The skills and energy that professional journalists bring to bear on investigative reporting of official malfeasance need to be matched by vigorous, objective reporting that covers cities’ most original new policies and solutions to their tough problems.” And he added, it cannot be confined to one region or country, but must cover the entire globe.

Citiscope is not alone in shining a spotlight on this issue. Atlantic Media, along with its magazine, has been operating an international news service called *Atlantic Cities* for a few years, though it is not as program-and-solution oriented as Citiscope. But one of *The Atlantic* magazine’s best-known journalists, James Fallows, recently authored a fascinating article called “Why Cities Work Even When Washington Doesn’t.” He reports “that once you look away from the national level, the American style of self-government can seem practical-minded, nonideological, future-oriented and capable of compromise.” And he gives examples, comparing Greenville, S.C., and Burlington, Vt.—two cities in different political time zones but seeking solutions in very similar ways.



It isn’t just disillusioned Washington journalists writing this stuff. The advent of international cities is the mantra of some respected academics, most recently Benjamin R. Barber, a senior research scholar at the City University of New York, whose new book, *If Mayors Ruled the World: Dysfunctional Nations, Rising Cities*, was published late last year. Barber’s message is pretty clear. He wants to change the subject “from states to cities, from independence to interdependence, from ideology to problem solving. The city is the right subject today because hope has always been an urban currency and mayors have always ... been optimists hoping to get something done.” Like Fallows, his disdain for Washington and other dysfunctional “nation states” in the developed world is laced throughout his writing. He warns that they “will fight to regain control of globalizing cities that contemplate cross-border actions,

demonstrating forcefully that however collaborative and trans-territorial cities may regard themselves, they remain creatures of state power and subsidiaries of national sovereignty.”

Sure enough, as Barber’s book was being published, the *American Political Science Review* ran the results of an academic study showing just how disadvantaged large cities have been over more than a century in 13 state legislatures. In all, bills benefiting large cities of more than 100,000 were twice as likely to fail as those supported by small and medium-sized towns. “Year after year,” it concluded, “while most bills affecting smaller districts pass, most big-city bills fail.”

Perhaps most interesting in this international urban movement is the new venture of New York’s recently retired mayor, Michael Bloomberg. After serving three terms, he is launching Bloomberg Associates, a sort of “mayors’ mentor” consulting firm that will help urban governments around the world solve problems—free of charge. It is being staffed in large part by former top aides in his administration, including the chief executive who was the city’s tourism director and presided over record increases in visitors to the Big Apple, to an astounding 54 million last year. The firm expects to work intensively with four to six cities from around the world every year.

Big ideas are propelled by big numbers. The World Health Organization reports that the majority of the world’s population now lives in cities. Within the next three decades, that number will increase to 70 percent, adding some 60 million new residents a year. In developing countries, urban growth is expected to double by 2050 to 5.2 billion people from just 2.5 billion in 2009.

That huge wave building around the globe helps ensure that Neal Peirce, Benjamin Barber, Michael Bloomberg and others are on to something in predicting the international surge of the city. **G**

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Mexico’s New Soda Tax

How did it succeed where U.S. jurisdictions failed?

In the realm of public health, Mexico has succeeded in pushing forward a policy that has so far eluded more than 30 U.S. states and cities. In October, the Mexican Legislature passed a soda tax.

Actually, the legislation, which took effect in January, created an 8 percent tax on all junk food that contains more than 275 calories per 100 grams and a new peso-per-liter tax—about 10 percent—on sugar-sweetened drinks. The ostensible goal is to attack the alarming obesity epidemic in Mexico, which recently passed the U.S. in rates of overweight residents. As in the States, Mexican businesses and politicians were sharply divided over the tax. So how did the Mexican government get it passed when power brokers here failed?

They did it through the Pact for Mexico, a grand bargain in which the three main political parties agreed on specific, major legislative reform in almost 100 areas, including energy, politics, telecommunications and fiscal reform.

The pact, agreed to in 2012 when President Enrique Peña Nieto took office, committed the parties to not blocking anything that a majority wanted. In Mexico, “the parties have much more power than the individual legislators, who are all replaced in every election cycle,” says Christopher Wilson, an associate at the Mexico Institute of the Woodrow Wilson International Center for Scholars. “There are no re-elections there, out of fear of dictatorships. There is also a stronger tradition of public funding for elections, another way in which parties maintain stronger power than special interests.”

President Peña Nieto is a member of the Institutional Revolutionary Party (PRI), which had held power for 71 years up to 2000. When the PRI regained power, Mexico was suffering from political corruption, fiscal disarray and problems on just about every front. Under the circumstances, it was hard not to reach out to the opposition to collaborate on sweeping changes.

Despite its name, the PRI is actually the more centrist party, Wilson says, so it had to appease both the left and the right on various issues. “On fiscal reform, they worked with the left, and the soda tax is one piece of this. They went with the right on energy reform, which was even harder to pass.”

Were the soda and junk food taxes more fiscal or health driven? “I think it’s a little of both,” Wilson says. “Traditionally, 30 to 40 percent of the budget came from oil exports, and that has been declining. That has made for a strong imperative to increase tax collection, which is extraordinarily low as a portion of GDP, and that is the driving force behind fiscal reform. My own reading of the situation is that the politics of creating a healthier Mexico may have been a stronger part of this fiscal reform. The argument was about whether it would make a difference in health outcomes.”

Policy wonks in the U.S. are watching that closely. If the policy does have a discernible impact on health, then health experts in the U.S. hope that might help tip the scales for soda and junk food taxes here. **G**

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‘Please Help Others’

The U.K. has learned that when it comes to organ donation, the message matters.

The longstanding problem with organ donation is the divide between people’s overwhelmingly positive attitudes toward it and their actual participation: In the U.S., 95 percent of the population supports organ donation, but only about a third are actually registered donors, according to the Department of Health and Human Services. That gap of more than 60 percent almost exactly mirrors the divide in the United Kingdom, where researchers recently discovered a truth that political pollsters have long held dear—messaging is everything.

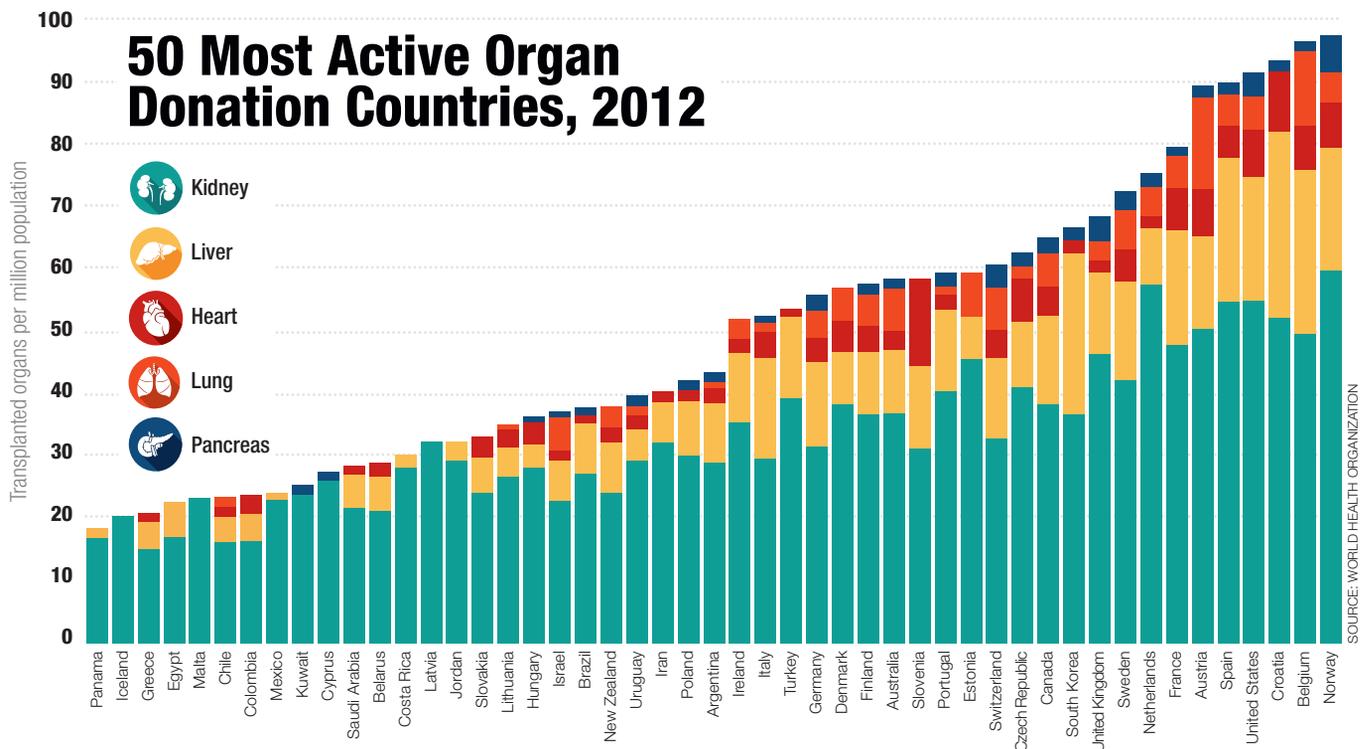
The U.K.’s National Health Service recently conducted a randomized experiment in which it tested seven different prompts and one control message on people completing online vehicle registration or renewals (see “Test Driven,” page 26). The psychology behind each message varied. One pressed social norms (“Every day thousands of people who see this page decide to register.”). Another tested the effectiveness of a “loss frame,” which in this case meant reinforcing the ramifications of doing nothing (“Three people die every day because there are not enough organ donors.”). One tried the opposite, or a “gain frame,” that reminded visitors they could “save or transform up to 9 lives as an organ donor.” The researchers also tried to appeal to people’s “inherent desire for fairness.”

That last message, which proved the most effective, went like this: “If you needed an organ transplant, would you have one? If so, please help others.” During the trial, 1,203 more people registered under that message compared to the control prompt, which translates to an additional 96,000 donors a year. Applying that message consistently and on a wider scale across the U.S. donor-network infrastructure, this study in behavioral science could prove useful, says Tom Mone, former president of the Association of Organ Procurement Organizations.

That’s not to say the U.S. system significantly lags behind its peers; its overall donation rate still ranks fourth-highest in the world, and second by some counts. In fact, the U.S., along with Spain, is considered a model.

The key difference between the U.S. and Spanish systems is that the former is voluntary and the latter presumes consent automatically. “There is no doubt that in Spain the strong unified national message that donation is a social norm and is built into the fabric of the system is something we could all learn from,” says Mone, “and I think the British are learning from that as well.” **G**

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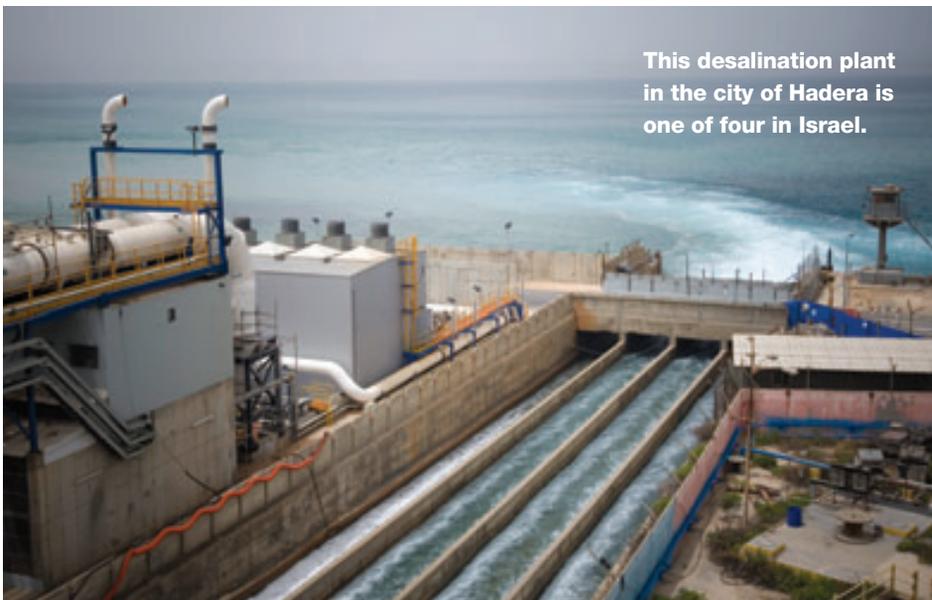


Cup of Seawater?

Thanks to desalination plants, Israel is no longer worried about its water supply.

“California, I hear, has a big water problem,” Israeli Prime Minister Benjamin Netanyahu recently said on Bloomberg Television. “How come we don’t have a water problem? Because we use technology to solve it.”

The technology is Israeli’s four seawater desalination plants. The Middle Eastern nation, which sits on the eastern edge of the Mediterranean Sea, is 60 percent desert and has been struggling with drought for most of its existence. But with a fifth desalination plant set to open this year, Israel doesn’t have a water problem anymore. That’s because once the new plant comes online, more than 80 percent of Israel’s water will come from desalination.



This desalination plant in the city of Hadera is one of four in Israel.

Indeed, the largest users of desalinated water are in the Middle East, which uses about 70 percent of worldwide capacity, according to the U.S. Geological Survey. The desalination process essentially makes seawater drinkable by forcing it through reverse osmosis membranes that filter out salt and other impurities. There are about 300 desalination plants in the U.S. Most of them, however, are used for industrial purposes. Only about 13 percent of America’s domestic water supply—that is, water for drinking, cooking and bathing—comes from desalination. So why aren’t there more desalination plants in the U.S.?

That’s essentially what Netanyahu was wondering during his visit to drought-stricken California in March. Currently, the state has 17 proposals for plants but only half a dozen small ones currently operating along the 840-mile coastline. A desalination plant is being built in Carlsbad, Calif., that will wring 50 million

gallons of freshwater a day from the sea and serve about 3.1 million people. The \$1 billion project is set to open in 2016.

Part of the reason seawater desalination plants are rare in the U.S. is that the process is energy intensive and, as a result, expensive. Desalinated water can cost two times as much as water currently imported from other sources. The process is more common where energy is cheap, such as the oil-rich Middle East.

But perhaps a bigger reason there aren’t many seawater desalination plants in the U.S. is that there “is a risk in building facilities before we need them,” says Heather Cooley, water program director for the nonprofit Pacific Institute. She points to the Charles Meyer Desalination Facility in Santa Barbara as a cautionary tale. During the 1987-1992 drought, the coastal Southern California city built a plant as a hedge against an ongoing drought. But as soon as it was completed, the drought ended. Since there were cheaper options available, the city shut the facility down and it remains closed to this day.

Australia had a similar experience. During its Millennium Drought, which lasted more than 10 years starting in 1995, the country built six major seawater desalination plants. Today two of them are still in operation and four of them have been put in standby mode. “This is because, again, there are cheaper options available,” says Cooley. “Yes, we can build them

from a technological standpoint, but they are energy intensive and expensive. We need to look at what all of the options are.”

Long before Israel built its first desalination plant, it was already a world leader in water conservation. In addition to desalination, Israel reuses treated sewage water for agriculture, runs a public education campaign to conserve water, monitors for leaks in its infrastructure using advanced software and runs computerized deep drip irrigation systems. These areas, Cooley says, are ones that California and the U.S. need to work on.

“Water conservation and efficiency is typically the cheapest, fastest way to reduce demand and essentially develop a new supply,” she says. “We’ve made significant improvements in California, but we still have a long way to go.” **G**

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By Aaron M. Renn

Becoming a Necessary City

In the global era, cities are overlooking a key economic development strategy.

One aspect of globalization that has received tremendous attention is the concept of the so-called “global city”—a place like New York or London that is in some sense an exceptionally successful and dominant player on the world stage. These have been variously defined, but often with a focus on specific business services like finance, and on overall economic size, diversity of culture and attractiveness as a tourist destination.

These are all important dimensions to be sure, but one area that’s gotten less attention is the seemingly old-fashioned idea of cities as centers for corporate headquarters. Even in this global age, it’s still an important idea. Some cities are simply “must do” locations for corporate heavyweights. This makes them in some sense “necessary cities”—ones you can’t help but visit or deal with when doing business globally because of their popularity or their specific industry.

A recent report from the McKinsey Global Institute titled *Urban World: The*

Shifting Global Business Landscape examined the location of major corporate headquarters on a national and metropolitan basis. They compiled a database of 8,000 global companies with annual revenues exceeding \$1 billion, along with 2,300 foreign subsidiaries of those companies with stand-alone revenue of \$1 billion or more. Their finding was that the presence of headquarters in cities is heavily driven by metropolitan area GDP. However, for foreign subsidiary headquarters, this isn’t true. Rather, certain cities appeared to be much more favored. So where overall corporate headquarters’ locations may be an accident of history related to where they were founded, foreign headquarters are more likely to be deliberately chosen.

In the emerging world, Beijing was the top city for headquarters with 116 corporations (including state-owned enterprises) but it has only 14 subsidiary headquarters. By contrast, Singapore is home to 118 large foreign subsidiaries, making it the top emerging world destination. Perhaps that’s why Singapore

had more total foreign direct investment transactions than any city in the world in the last five years, according to the *Financial Times*’ FDI Intelligence Service.

In some cases this phenomenon can be tied to specific industries, creating even more market power. As part of a forthcoming report from Chapman University’s Center for Demographics and Policy, the project team and I analyzed headquarters and regional headquarters locations for leading firms in several industry groups. For example, where do major European firms in particular industries tend to establish a North American or Asia-Pacific headquarters? Where do American firms put their European HQ?

Our finding was that while some industries like pharmaceuticals were fairly dispersed geographically, others exhibited significant concentration. For example, Houston is overwhelmingly the preferred location for energy companies. Not only is the city home to a large number of U.S. energy company headquarters, it is also home to the North American or U.S.



In the emerging world, Beijing is the top city for headquarters, with 116 corporations, but it has only 14 foreign subsidiary headquarters.

FLICKR/EDWARD STOUKOVIC

headquarters of a large number of major foreign firms. Even domestic energy firms based elsewhere in America often have a large Houston presence: Dallas-Ft. Worth-based Exxon is building a 3-million-square-foot campus there that will house 10,000 workers. If you're in the energy business, there's no escaping Houston.

Hong Kong is another popular Asia-Pacific headquarters location. It's not as diverse as Singapore, but is more concentrated in the financial services sector, with many leading investment and commercial banks and hedge funds maintaining their Asian headquarters there. This creates a powerful pull. Paris is a powerhouse in the fashion and luxury sector. Dublin has seen many U.S. technology companies open up there thanks to its favorable tax laws. London, of course, is a juggernaut, with some important presence in nearly every industry, but with particular strengths in finance, media, fashion and technology.

One intriguing finding is that some places not conventionally viewed as global cities nevertheless are in a sense necessary global cities in select global industries. Take Detroit and the auto industry. The major global equipment manufacturers are widely dispersed, but when you look at leading global parts suppliers, they virtually all have their North American headquarters in Detroit—including the German, Japanese and Korean ones. Among them are companies like Robert Bosch, Denso, Yazaki and Hyundai Mobis. If you're in the auto industry in America, you have to deal with Detroit. Unsurprisingly, Detroit boasts several nonstop flights to key Asian destinations.

These concentrations show that attractiveness of cities as a location for global and especially regional headquarters is an overlooked area. Cities aspiring to prominence on the global stage should include this as a dimension of their overall economic development strategy. Because being a necessary city for global business lets a city reap a major economic harvest. **G**

Email arenn@urbanophile.com

Blind Spots

Urban planners in Zambia learn to embrace the 'informal city.'

Lusaka, the capital of Zambia, is laid out a lot like many cities in sub-Saharan Africa. There's an urban core dating back to the colonial era. Then on the outskirts there are dozens of ramshackle squatter settlements. The traditional urban planning response to these slums has been to demolish them, often in the middle of the night.

Gilbert Siame is working hard to change that attitude. Siame recently launched a new master's program in spatial planning at the University of Zambia. It's the first program in Africa to fully incorporate acceptance of the "informal city" into its curriculum. The on-the-ground reality in Lusaka is that 70 percent of the city lives in unplanned slums without basic services. Siame's goal is to produce a new generation of planners who not only acknowledge this but also work to improve the lives of the people living in these settlements.

Siame welcomed his first class into the two-year program in October. He has 18 students, a group that includes top planning officials for the local, provincial and national governments. For their first six-month "studio"—a hands-on learning experience—the Zambia chapter of Shack/Slum Dwellers International took them into a settlement called Kalikiliki.

Some in the class were uneasy about this. "Their training and experience tells them that informality needs to be erased," Siame says. As the students began attending community meetings, visiting churches and talking to slum residents, they warmed up, ultimately producing a half-dozen plans for upgrading services such as water and waste collection. "They're learning how to socially engage a community like that," Siame says. "How do you speak in a language they understand so they can draw *with* you—that you formulate the plan together?"

The problems of vast unplanned squatter settlements can be hard to fathom in the United States. But you can find parallels if you think of Gilbert Siame's quest as an effort to fill in a big blind spot in his country's urban policy.

One of those parallels is the growing suburbanization of poverty. According to the Brookings Institution, America's suburban poor population grew by 64 percent between 2000 and 2011—more than twice the rate of growth seen in cities. Yet social services and public transit remain largely oriented toward city centers.

There's a lot we still don't understand about this phenomenon, especially when it comes to transportation. Researchers at Northeastern University recently surveyed Latinos in different parts of Massachusetts on how they get around. One intriguing finding was that one-sixth of respondents get around using "someone else's car."

"Someone else's car" is a mode of transportation that is not recognized in transportation planning in the USA," says Stephanie Pollack, the center's associate research director. "It shows how little the people who make decisions actually know about the lived experience of the people who use it."

The slums of Lusaka are obviously quite different from U.S. suburbs. But it's useful to remember that elements of the "informal city" exist here, too. And the only way local leaders can truly understand those things is to go into communities with an open mind, ask questions and listen carefully to the answers. **G**

Lusaka, Zambia



Christopher Swope is managing editor of Citiscope, a nonprofit news service covering innovations in cities around the world. Find him on Twitter @cswope.



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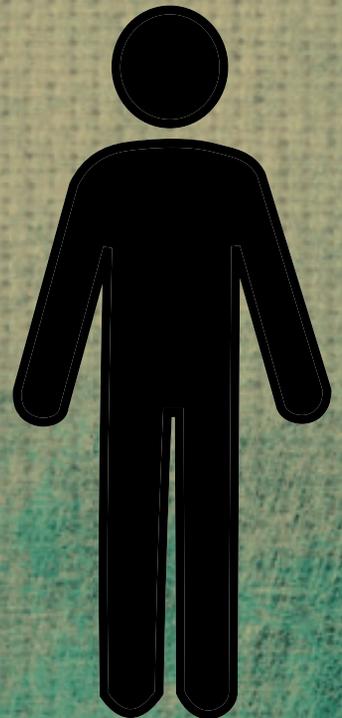


Go Further

Test

A

**Inside Britain's bold—yet
to test different real-world**



Driven

brilliantly simple—plan policies at the same time.

B



By Jonathan Walters

In medicine

they do clinical trials to determine whether a new drug works.

In business they use focus groups to help with product development. In Hollywood they

field test various endings for movies in order to pick the one audiences like best. In the

world of public policy? Well, to hear members of the United Kingdom's Behavioural

Insights Team (BIT) characterize it, those making laws and policies in the public sector

tend to operate on some well-meaning mix of whim, hunch and dice roll, which all too often

leads to expensive and ineffective (if not downright harmful) policy decisions.

A lot of policy and spending is based "on what people think is going to be successful rather than

on evidence of what actually is successful," says Owain Service, a member of the

founding BIT team, and now managing director. It is a best-guess

approach to ginning up programs and policies, a method that, if practiced in other fields, would be considered

"bizarre or even reckless," noted a BIT white paper. That characterization is hardly a stretch considering the huge

amounts of public money expended on programs and policies that very directly impact the lives and the well-being of citizens. Get it wrong,

and it's not just money down the drain. It could add up to actual human or societal harm.

One of the prime BIT examples for why facts and not intuition ought to drive policy hails from the U.S. The much-

vaunted "Scared Straight" program that swept the U.S. in the 1990s involved shepherding at-risk youth into maximum security prisons. There, they would be confronted by inmates who, presumably, would do the scaring while the visiting juveniles would do the straightening out. Scared Straight seemed like a good idea—let at-risk youth see up close and personal what was in store for them if they continued their wayward ways. Initially the results reported seemed not just good, but great. Programs were reporting "success rates" as high as 94 percent, which inspired other countries, including the U.K., to adopt Scared Straight-like programs.

The problem was that none of the program evaluations included a control group—a group of kids in similar circumstances with similar backgrounds who didn't go through a Scared Straight program. There was no way to see how they would fare absent the experience. Eventually, a more scientific analysis of seven U.S. Scared Straight programs was conducted. Half of the at-risk youth in the study were left to their own devices and half were put through the program. This led to an alarming discovery: Kids who went through Scared Straight were more likely to offend than kids who skipped it—or, more precisely, who were spared it. The BIT concluded that "the costs associated with the programme (largely related to the increase in reoffending rates) were over 30 times higher than the benefits, meaning that 'Scared Straight' programmes cost the taxpayer a significant amount of money and actively increased crime."

It was witnessing such random acts of policymaking that in 2010 inspired a small group of political and social scientists to set up the Behavioural Insights Team. Originally a small "skunk

Does It Work? 9 Key Steps to Testing a Policy

The U.K.'s Behavioural Insights Team stresses these stages as necessary components to doing a defensible, effective randomized controlled trial.

A vs. **B**

1 Identify two or more policy interventions to compare.



3 Decide on the randomization unit (the population or institutions that will be involved in the test).



2 Define the outcome that the policy is intended to influence and how it will be measured in the trial.



works” tucked away in the U.K. Treasury Department, the team gained traction under Prime Minister David Cameron, who took office evincing a keen interest in both “nonregulatory solutions to policy problems” and in spending public money efficiently, Service says. By way of example, he points to a business support program in the U.K. that would give small and medium-sized businesses up to £3,000 to subsidize advice from professionals. “But there was no proven link between receiving that money and improving business. We thought, ‘Wouldn’t it be better if you could first test the efficacy of some million-pound program or other, rather than just roll it out?’”

The BIT was set up as something of a policy research lab that would scientifically test multiple approaches to a public policy problem on a limited, controlled basis through “randomized controlled trials.” That is, it would look at multiple ways to skin the cat before writing the final cat-skinning manual. By comparing the results of various approaches—efforts to boost tax compliance, say, or to move people from welfare to work—policymakers could use the results of the trials to actually hone in on the most effective practices before full-scale rollout.

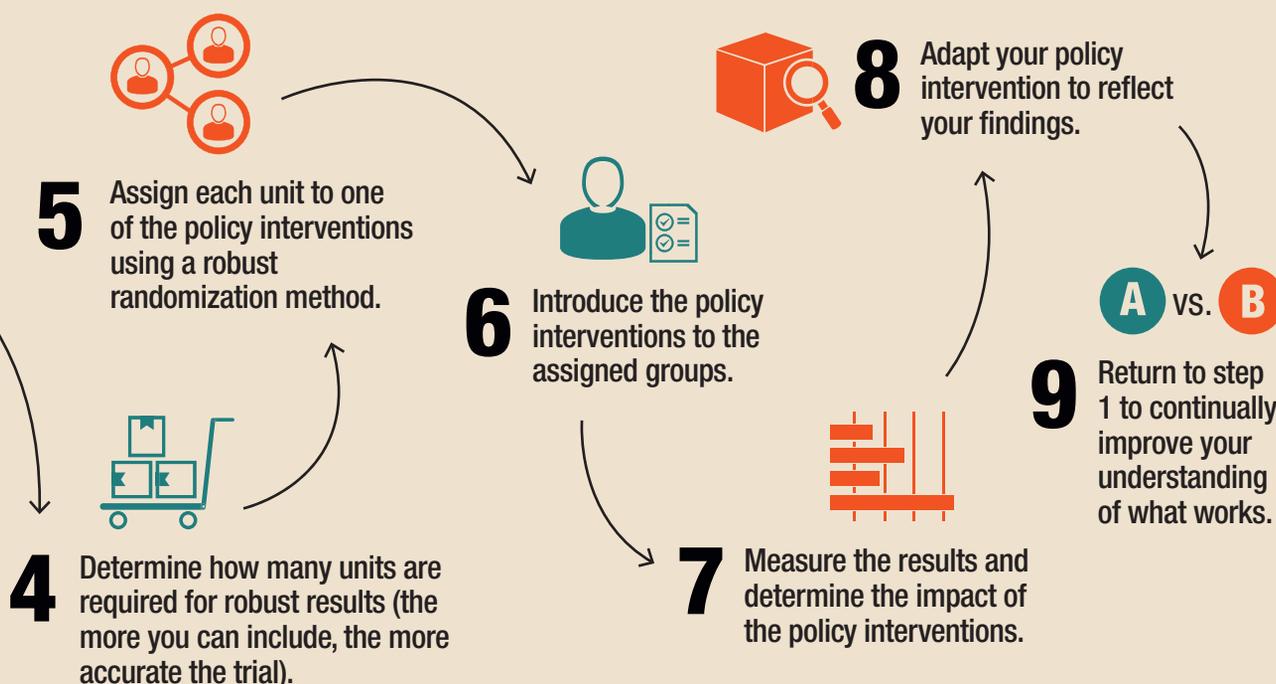
The various program and policy options that are field tested by the BIT aren’t pie-in-the-sky surmises, which is where the “behavioural” piece of the equation comes in. Before settling on what options to test, the BIT takes into account basic human behavior—what motivates us and what turns us off—and then develops several approaches to a policy problem based on actual social science and psychology.

The approach seems to work. Take, for example, the issue of recruiting organ donors. It can be a touchy topic, suggesting one’s own mortality while also conjuring up unsettling images of get-

ting carved up and parceled out by surgeons. It’s no wonder, then, that while nine out of 10 people in England profess to support organ donations, fewer than one in three are officially registered as donors. To increase the U.K.’s ratio, the BIT decided to play around with the standard recruitment message posted on a high-traffic gov.uk website that encourages people to sign up with the national Organ Donor Register (see “Please Help Others,” page 18). Seven different messages that varied in approach and tone were tested, and at the end of the trial, one message emerged clearly as the most effective—so effective, in fact, that the BIT concluded that “if the best-performing message were to be used over the whole year, it would lead to approximately 96,000 extra registrations completed.”

According to the BIT there are nine key steps to a defensible controlled randomized trial, the first and second—and the two most obvious—being that there must be at least two policy interventions to compare and that the outcome that the policies they’re meant to influence must be clear. But the “randomized” factor in the equation is critical, and it’s not necessarily easy to achieve.

In BIT-speak, “randomization units” can range from individuals (randomly chosen clients) entering the same welfare office but experiencing different interventions, to different groups of clientele or even different institutions like schools or congregate care facilities. The important point is to be sure that the groups or institutions chosen for comparison are operating in circumstances and with clientele similar enough so that researchers can



confidently say that any differences in outcomes are due to different policy interventions and not other socioeconomic or cultural exigencies. There are also minimum sampling sizes that ensure legitimacy—essentially, the more the merrier.

As a matter of popular political culture, the BIT's approach is known as “nudge theory,” a strand of behavioral economics based on the notion that the economic decisions that human beings make are just that—human—and that by tuning into what motivates and appeals to people we can much better understand why those economic decisions are made. In market economics, of course, nudge theory helps businesses tune into customer motivation. In public policy, nudge theory involves figuring out ways to motivate people to do what's best for themselves, their families, their neighborhoods and society.

There has been pushback on using randomized controlled trials to develop policy. Some see it as a nefarious attempt at mind control on the part of government.

When the BIT started playing around with ways to improve tax compliance, for example, the group discovered a range of strategies to do that, from the very obvious approach—make compliance easy—to the more behaviorally complex. The idea was to key in on the sorts of messages to send to taxpayers that will resonate and improve voluntary compliance. The results can be impressive. “If you just tell taxpayers that the majority of folks in their area pay their taxes on time [versus sending out dunning letters],” says the BIT's Service, “that adds 3 percent more people who pay, bringing in millions of pounds.” Another randomized controlled trial showed that in pestering citizens to pay various fines, personal text messages were more effective than letters.

There has been pushback on using randomized controlled trials to develop policy. Some see it as a nefarious attempt at mind control on the part of government. “Nudge” to some seems to mean “manipulate.” Service bristles at the criticism. “We're sometimes referred to as ‘the Nudge Team,’ but we're the ‘Behavioural Insights Team’ because we're interested in human behavior, not mind control.”

The essence of the philosophy, Service adds, is “leading people to do the right thing.” For those interested in launching BIT-like efforts without engendering immediate ideological resistance, he suggests focusing first on “non-headline-grabbing” policy areas such as tax collection or organ donation that can be launched through administrative fiat.

Recently the BIT moved out of Treasury to become a quasi-governmental operation. The move, says Service, was so that the BIT could expand both the countries and the sectors in which it operates, inasmuch as it's not just governments that are trying to help people make better decisions for themselves and society. Randomized controlled trials, for instance, are now in widespread international use among NGOs doing antipoverty work.

One interesting thing about the whole BIT phenomenon is that the inspiration for it came from the United States, including the work of key academics from heavyweight institutions like the University of Chicago, Yale and Harvard. Applying behavioral insights to policy has caught the interest of the Obama administration, too. The White House has established a behavioral sci-

ences team within its Performance Improvement Council, an interagency group that serves the federal performance community. The team is reportedly working with key regulatory agencies testing out different types of letters to noncompliant parties. The effort has already caught the attention of the likes of Fox News, which quoted a Utah State University professor as saying, “Ultimately, nudging ... assumes a small group of people in government know better about choices than the individuals making them.”

It's no surprise, really, that the White House's initiative has caught that kind of attention from critics who decry nudge efforts as “mind control.” But most skeptics here aren't so much worried about mind control as they are about a more down-to-earth issue: whether elected officials in the U.S.—particularly legislators, who haven't always been enthusiastic adopters of results-informed policymaking and budget decisions—can learn to embrace facts and data alongside emotion and politics.

Service has a sunny take on the topic, one that will face a tough test on this side of the pond. “We find that elected representatives, ministers, senior officials get really interested when we're able to show the impact of our work. Rather than saying, ‘We'll evaluate a program for you,’ we are more likely to get traction by saying, ‘We're going to put this great new program in place, but we're going to run it as a trial, so that we can see how effective it is.’ The trial is then your policy.” **G**

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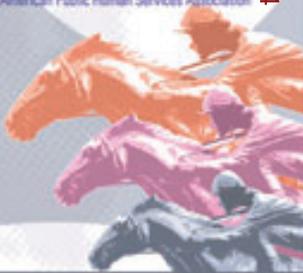


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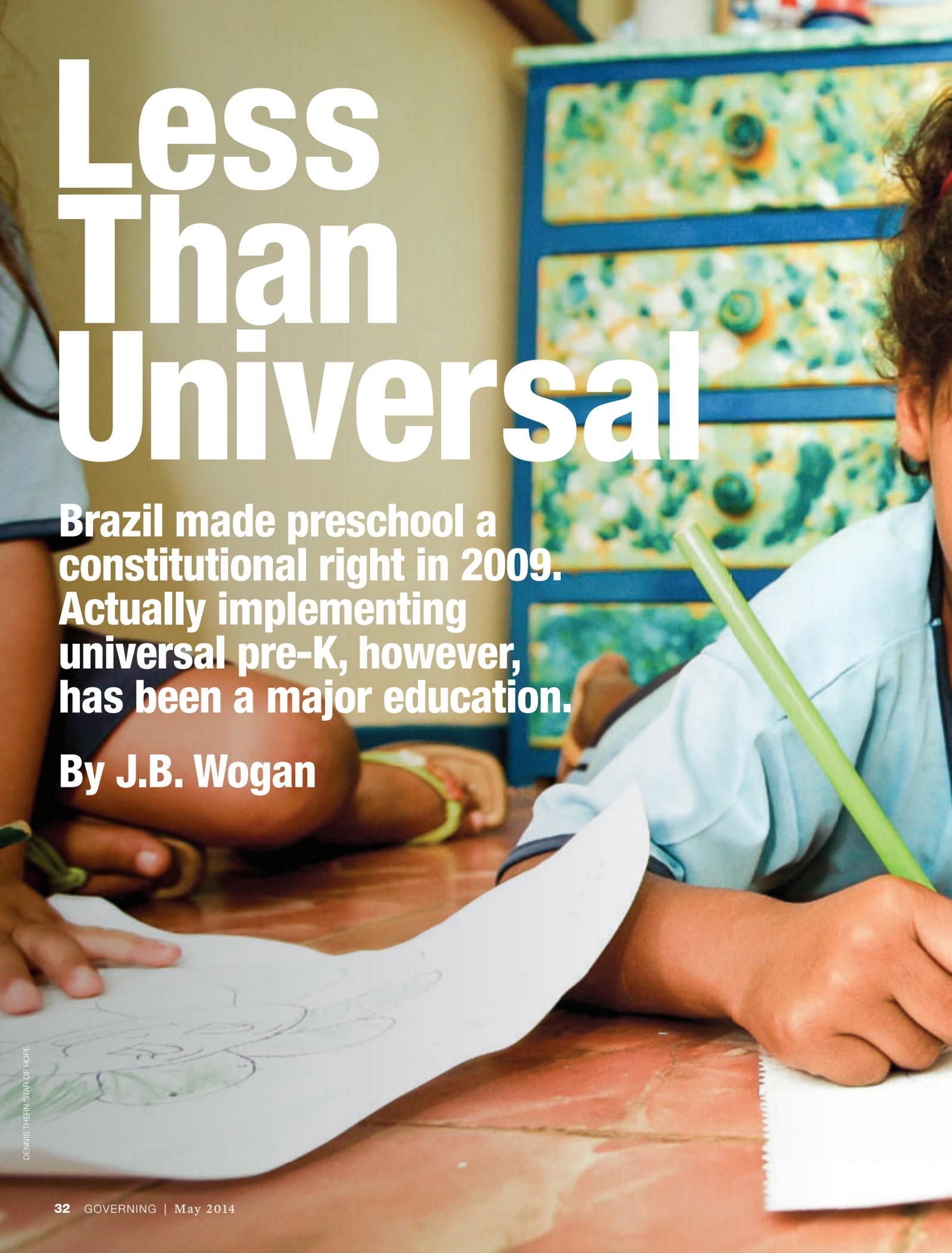
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Less Than Universal

Brazil made preschool a constitutional right in 2009. Actually implementing universal pre-K, however, has been a major education.

By J.B. Wogan



The Montes Claros
nursery in Brazil

W

hen Claudia Costin became education secretary for the city of Rio de Janeiro in 2009, she saw firsthand the problem governments face when they mandate universal preschool: It's a simple idea that's difficult to implement.

"I was sometimes shocked," she says, reflecting on her first visits to preschools in her municipality. "Some rooms didn't have any letter reading. Kids were just coloring inside the lines and not even playing with appropriate toys." Building puzzles, oral storytelling and other key components of early education were strikingly absent. Costin's observations echo findings by Brazil's Ministry of Education, which rated more than three-quarters of the country's early education institutions in 2010 as below "adequate" based on international standards.

All this may come as a surprise to many in the world's early education community, because Brazil receives positive attention across the globe for being one of only three countries to mandate public education for children under 5 years old. In 2009 national lawmakers even enshrined the right to preschool in the constitution, the latest in a series of reforms spanning three decades. Those changes have led to gradual gains in preschool enrollment, from about 52 percent in 1999 to 81 percent in 2009. During the same period, class sizes shrank and a higher proportion of teachers earned graduate-level degrees.

But despite those gains, the country has struggled to set up the preschool system it wants. Many of the schools fail to meet regulations, and the quality of teachers varies dramatically. Enrollment rates differ by state and region. Schools are sparse in rural areas. National funding isn't targeted enough to poor municipalities. The cumulative result is an uneven system that still isn't adequately reaching the children who stand to benefit the most from early education.

Many within the United States would like to see the American education system follow Brazil's lead in enacting a bold expansion of public preschool. President Obama called for universal preschool in his last two State of the Union addresses and his March budget proposal. In the past year, several governors and state lawmakers, along with New York City Mayor Bill de Blasio, have proposed state or local expansions. While legislation has no hope of passing in Congress this year, a recent national poll found that a majority of registered voters in both the Democratic and Republican parties would be willing to support a higher federal tobacco tax to fund nationalized public preschool.

American state legislatures have made incremental expansions to preschool for decades, but the latest data from the National Institute for Early Education Research found that less than a third of eligible 4-year-olds attended public preschool in 2012. Enrollment ranged from 79 percent in Florida to zero in Wyoming, one of 10 states with no public preschool at all. When looking at all types of preschool, including private programs, enrollment is higher, but still only about two-thirds of 4-year-olds attend preschool, and wealthy families enroll their children at higher rates than poor families. "We're a long way from leveling the playing field," says MaryLee Allen, policy director for the Children's Defense Fund, an advocacy group in favor of nationalized public preschool.

Brazil's Journey to Universal Pre-K

Year	Law	Policy Change
1975	Pre-school Education Coordinating Body (Coordenação de Educação Pré-Escolar)	Education of 4- to 6-year-olds put under responsibility of Ministry of Education
1988	Federal Constitution (Art 208.IV)	Defined early childhood education (ECE) as government responsibility
1996	Law of Directives and Bases of National Education	Placed responsibility for ECE in municipalities Defined ECE (age 0-6) as part of basic education Set starting age for obligatory education at 7
1998	Fundamental Education Fund (FUNDEF)	Increased education revenue to municipalities
2005	Law 11.114	Lowered obligatory education starting age to 6
2006	National Policy for Early Child Education	Defined strategies and goals for ECE at each level of government
2007	Basic Education Fund (FUNDEB)	Provided municipalities with capitation grants for ECE starting from birth
2009	Constitutional Amendment 59	Lowered obligatory education starting age to 4

SOURCE: WORLD BANK

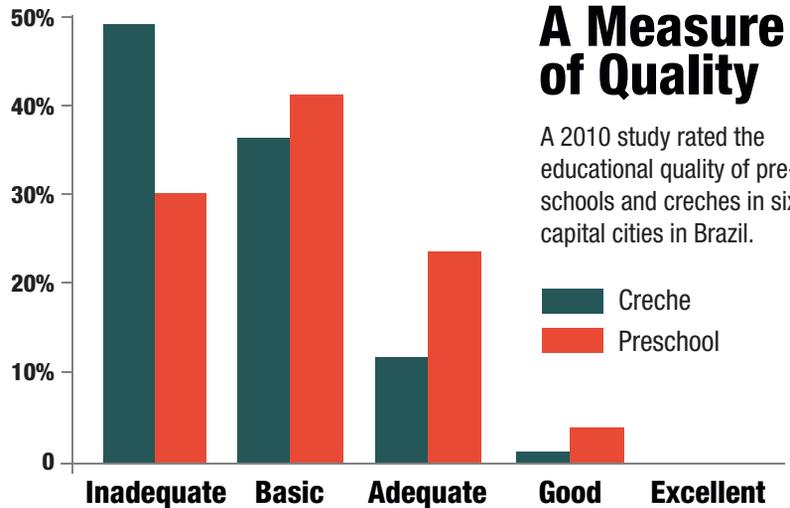
Allen and other proponents claim that universal preschool would narrow income inequality, boost college attendance and reduce crime rates. While some states and cities have long experimented with preschool, the latest proposals call for public preschool at a much larger scale. At a time when talk about early public education is all the rage, Brazil offers valuable lessons about its benefits and limitations.

In the United States, most proposals for universal preschool entail a full-day, voluntary program available to children beginning at age 4, sometimes age 3, but not younger. "It's starting too late," says Russ Whitehurst, director of education policy at the Brookings Institution. By contrast, many countries approach early childhood education as a continuous public

service that begins before the child turns 1. The Brazilian model, for example, includes preschool for 4- and 5-year-olds, but also *creches*, which are education-oriented day-care centers for children ages 0 to 3. Because Brazilian educators target children at an earlier age, some research suggests they're more likely to impact children's cognitive development. By that measure, at least, the United States has something to learn from Brazil.

But Brazil's universal preschool system remains an imperfect model and one Americans should approach with caution. When the Ministry of Education evaluated preschools and creches in six capital cities in Brazil, it found that only one city had preschools on par in quality with those in Germany, Portugal and the United States. A 2012 study of Brazil by the World Bank found disproportionate rates of low enrollment among poor children in preschools and creches, an unfortunate fact since research shows that poor children experience the largest gains from these type of programs.

While Brazil's preschool enrollment data show disparities based on family income, they also reveal a rural/urban divide. Early childhood education facilities in rural areas are less likely to have bathrooms, running water and electricity, according to a 2007 assessment by the country's Ministry of Education. Rural areas also tend to have long and complicated routes to creches



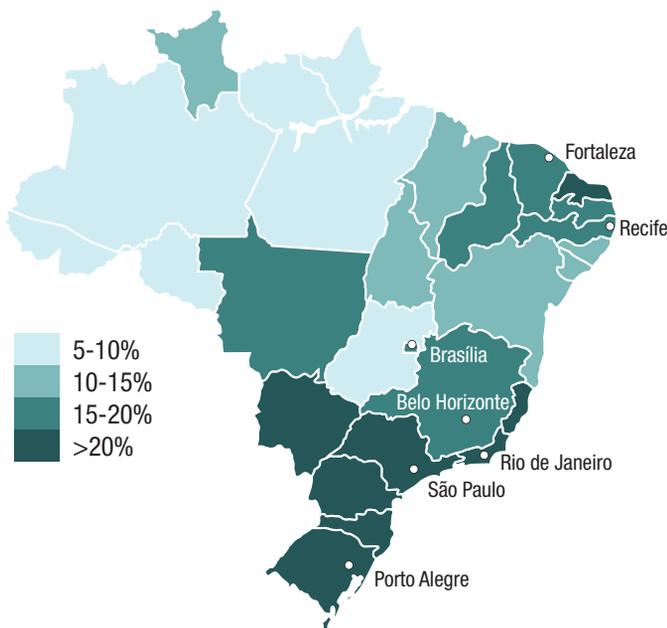
SOURCE: FUNDAÇÃO CARLOS CHAGAS

and preschools, leading some parents to leave their children at home. In fact, even the wealthiest 40 percent of rural children enroll at lower rates than the poorest 40 percent of urban children, according to the World Bank.

Perhaps a bigger problem is a flawed system for funding early education. All Brazilian municipalities are legally required to spend a quarter of their budgets on education, but they have wide discretion on how much to invest in early education. Wealthier

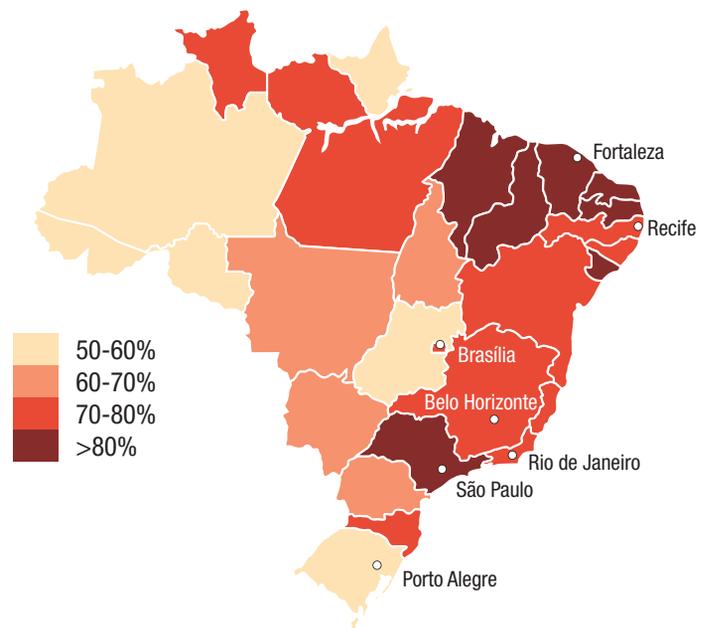
Not Quite Universal

Early education access has historically varied widely and is mostly concentrated around Brazil's largest metropolitan areas.



Creche access (ages 0-3) by state, 2009

SOURCE: PESQUISA NACIONAL POR AMOSTRA DE DOMICÍLIOS, 2009



Preschool access (ages 4-5) by state, 2009



The Montes Claros school is targeted to poor children in the region.

DENNIS THERNSTAR OF HOPE

municipalities tend to invest more in preschools and creches. Making matters worse, the federal funding formula distributes money evenly among wealthy and poor states, even though some regions don't need as much federal support. Not surprisingly, major regional differences in the investment in early childhood education are readily apparent. Brazil's Southeast region, for example, spends 6.7 times more per pupil on public early childhood education than the relatively poor North region does.

Some places around the United States aren't waiting for Congress to decide whether it wants a Brazil-like public preschool system. San Antonio, Texas, the seventh most populous American city, launched public preschool for 4-year-olds last fall after voters approved a 1/8-cent sales tax to fund early education—about \$8 per year for the median income household. The city manager's office estimates that about 2,300 children are not currently enrolled in any preschool program and another 3,400 only attend half-day preschool.

While the centers are under the city's direct supervision, more than half of the children projected to participate in the San Antonio model will attend private, charter or nonprofit community-based preschool. Kathy Bruck, CEO of San Antonio's Pre-K 4 SA program, acknowledges that San Antonio may run into some of the problems of the Brazilian system, where the quality of instructors and curriculum would vary widely by neighborhood and provider. "We're still finding ourselves," she says. "Our board and our mayor believe strongly in innovation. They say, 'You're going to make some mistakes. Just acknowledge it, drop it and fix it.'"

For instance, the city is still determining the appropriate student-to-teacher ratio in a preschool classroom, something currently not set by state or federal law. Bruck also expects both the curriculum and the evaluation tools for measuring students to evolve as a result of universal preschool.

Since the November 2012 election, San Antonio has built two preschool centers, and last fall, it enrolled 700 students. Within the next two years, the city plans to open an additional two centers and use competitive grants to expand early education through other preschool providers, such as charter schools. By 2021, Bruck hopes to reach an annual enrollment of 3,700 students, still only a small fraction of the city's preschool age population.

If the Brazilian experience is any barometer, a national mandate would not eliminate the need for American cities like San Antonio to experiment with implementing public preschool. One Brazilian municipality, Santarém, has developed its own environmental curriculum with outdoor activities. Campinas, another municipality, orients lesson plans around dance. Rio de Janeiro, under Costin, wrote its own preschool curriculum and hired new teachers with prior training in early education. School administrators in Rio learned that some parents wouldn't drop off their children for day care during the week, either because schools were too far away or because families could ask a grandparent to watch their children on workdays. The city decided to set up Saturday programs where parents could receive training and staff could monitor children's brain development and play habits. "It's not easy to establish a new educational system," Costin says. "We have to have a mix of solutions for different families." **G**

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PHOTOGRAPH BY DAVID KIDD



**Ann Cavoukian is
Canada's longest-
serving information
and privacy
commissioner.**

Ann Cavoukian doesn't sit still for long. When speaking, she'd rather pace back and forth than be constrained behind a podium that blocks out much of her 5'2" frame. She constantly uses her hands to punctuate her rapid-fire speech. She demands that her office, which is in charge of protecting the privacy of citizens in Canada's Ontario province, conduct investigations "in record time." Even in her downtime, she completes paintings, which line three walls of her office overlooking downtown Toronto, each in just a few Sunday sessions. "Everything in my life is fast," she says.

Cavoukian's rapid-result style has allowed her to leave a clearly defined imprint in her nearly 20 years as Ontario's information and privacy commissioner. It's a job that's part consumer advocate, part transparency auditor and part in-house thorn in the side of the provincial government—and it is a role Cavoukian has fully embraced. She has issued dozens of scathing reports unveiling abuses of power in her own government; among the most recent was a report that named several high-level officials for illegally deleting emails to cover up the estimated \$1 billion cost of a gas plant closure.

To Cavoukian, the notion that personal privacy is sacrificed for the greater good—from health reporting to communications tracking—is the lazy way out.

But Cavoukian's most important influence is not provincial: It is global. From her post in what might seem like a backwater office, she has become a worldwide commentator and advocate on privacy questions affecting countries on every continent. Her policy vision for privacy standards in the digital world—that citizen privacy does not have to come at the sacrifice of security or any other interests—has been largely accepted by major players everywhere, including the Federal Trade Commission (FTC) in the U.S. and the European Union.

To Cavoukian, the notion that personal privacy is sacrificed for the greater good—from health reporting to communications tracking—is the lazy way out. She has developed what she calls Privacy by Design, the idea that personal privacy protections and new technology advancements can actually live in harmony. "Why do we have to look at it as one interest versus another?" she asks. "I always call it the power of 'and.' Get rid of the word 'versus;' substitute the word 'and.' I want privacy *and* security."

Privacy by Design, or PbD, as it's commonly called, is essentially the policy of building in consumer privacy protections as a default when designing new technology rather than following certain privacy rules after the fact. "The future of privacy cannot be assured solely by compliance with regulatory frameworks; rather, privacy assurance must ideally become an organization's default mode of operation," says the policy's core document, *7 Foundational Principles of Privacy by Design*. When considered at the onset, privacy is "baked in," as Cavoukian likes to say. This makes it easier on engineers who are tasked with building new programs. It's far simpler—and cheaper—to write in protections when designing a program than after it's been built.

Put into practice, Privacy by Design can be as simple as the "off the record" chat function in Google's Gchat, which allows users to send instant messages to each other without having their chat history saved. Or it can be as complicated as protecting biometric data (such as facial recognition information) through encryption by default. When a digital key is the only thing that will render the data readable, then even if there is a data breach the information stolen is useless to the thief.

In recent years governing bodies have sought to iron out clear privacy laws and have turned to Cavoukian's brainchild. The FTC included Privacy by Design as a best practice in its 2012 final commission report on protecting consumer privacy and is advocating for an American consumer privacy law based on that document. Even more significant, the European Union incorporated the principles in its recently approved data protection legislation.

With the growing acceptance, however, has come detractors. The overarching criticism is that the concept has impracticalities when put into actual use. Some worry that Privacy by Design could undermine law enforcement techniques that trace criminals' data trails to find them. Additionally, privacy as part of the underlying design requires that those in leadership positions take on the role of consumer advocate when working with engineers to develop a new program—a tall order that can have varying results.

Some question the financial benefits, too. Earlier this year, Cavoukian issued an order that found Google's online advertising service violated Canadian privacy law by using sensitive information about individuals' online activities to target them with health-related advertisements. In response, Google agreed to take steps aimed at stopping the practice, including increased monitoring for possible violations of the policy. But Sarah Spiekermann of the Vienna University of Economics and Business says that sort of enforcement is bad for business. On the whole, she says, privacy protections that mask user data squash opportunities for effective, targeted advertising—and hinder revenue potential.

"PbD proponents hardly embrace these economic facts in their reasoning," Spiekermann wrote in a 2012 critique. She went

“We have to demand greater transparency because we have to hold the government to account. And you can’t hold the government accountable if you don’t know what they’re doing.”

on to criticize PbD for telling companies they risk bad press if they don’t comply, saying that there is still too little evidence pointing to the real damage done to brands and a company’s reputation when privacy breaches occur. “[Privacy by Design proponents] take a threat perspective arguing that low privacy standards can provoke media backlash and lead to costly legal trials around privacy breaches.”

Certainly there is no dearth of data breaches for Cavoukian to point to as an example of why the world needs Privacy by Design. “Do I even need to mention Target?” she asked during a recent presentation to the Congressional Bi-Partisan Privacy Caucus in Washington, D.C. The retailer endured a torrent of negative press and consumer backlash after it announced in December it had been victim of a massive credit card data breach potentially affecting tens of millions of consumers. Target’s stock price fell by 13 percent in the month following the revelation, and the company is spending millions in free consumer protection services.

Target’s stock has since rebounded, but other recent major breaches reported at Michaels, Neiman Marcus, Sally Beauty Supply and Kickstarter have attracted media attention. To Cavoukian, whose main concern is consumer privacy, the lesson for companies is the hassle they will endure cleaning up a data breach after

the fact. “The way I sell this to companies, it’s not a hard sell,” she says. “The cost you will incur protecting privacy on the front end and embedding it in design is a fraction of the cost you will incur when you have a data breach or a privacy infraction.”

Even after nearly two decades in office (this is her final term), Cavoukian still finds fault with many of the privacy practices in her home country. She has been a vigorous defender of Edward Snowden, the American who leaked classified national security data. Snowden’s revelations prompted debate in the U.S. about the appropriate level of information tracking that a federal government should pursue. President Obama has called for a review, and congressional hearings have delved into the issue. In Canada, Cavoukian says, that kind of open dialogue has been completely lacking. She is using her post and reputation to sound off on what she sees as an injustice. “I have been very vocal in my criticism of the government for the silence,” she says. “We have to demand greater transparency because we have to hold the government to account. And you can’t hold the government accountable if you don’t know what they’re doing. This whole ‘trust me’ model? Trust me based on what?”

This is a little ironic, since Canada has a national privacy law and the United States does not. Still, some say that Cavoukian has been able to maximize her influence because she comes from a country that takes a middle-of-the-road position on privacy and information. Canada in some ways is a bridge between the U.S. and the more rigid European Union views of privacy. While Canada has a privacy law, it is viewed by many as a more reasonable and practically applied law than the stricter European version. “Businesses [in Canada] don’t usually moan and groan,” says Jules Polonetsky, who heads a group called the Future of Privacy Forum. “It’s helpful sometimes in a global atmosphere to be viewed as not locked in to the U.S. or European Union point of view.”

Would the United States be better off with a privacy czar? On balance, Cavoukian thinks it would be. She believes the creation of such an office would make for more uniformity and accountability here in U.S. policy disputes. Privacy oversight in the United States is now sprinkled among different sources, including the inspectors general of various agencies, the FTC and privacy officers in corporations that choose to have them. But there is no overarching privacy law. That can make for inconsistency. States have their own laws on privacy enforcement, for example. Meanwhile, the Obama administration has composed a Consumer Privacy Bill of Rights that envisions a stronger role for the FTC and actually contains the phrase “privacy by design.” But it was first introduced two years ago and has made little headway in Congress.

Polonetsky argues that government and businesses in the U.S. should at minimum be dedicating more resources to privacy issues. “With or without a law, many of the decisions we need to make are ethical and challenging,” he says. “You need trained, sophisticated, independent voices who can say [we] shouldn’t or should do this. Ann is a great example of how if you have authority and a bully pulpit, you can have a real impact.” **G**

Email lfarmer@governing.com

Forget Me



Not

In the global search for dementia care programs, Chile is pioneering a radical new effort to rebuild community.

By Chris Kardish

Photographs by Jean Gajardo Jauregui

Dementia patients gather outside after lunch at their facility centrally located in a suburb of Santiago.

In his working life, Francisco ran a bakery out of his home in Peñalolén, a suburb of Santiago, Chile. Now in his 80s, he closed up shop years ago, and as dementia began to claim his memory and independence, he withdrew from his social life as well. His isolation grew so deep that neighbors assumed he had died or moved away.

Francisco's re-emergence started when his daughter sought to enroll him in a dementia care pilot program called Kintun. Kintun, which is from an indigenous language, translates roughly to "searching." In the case of the Kintun program, its organizers see the search as one for connection and awareness, but also for treatment of a problem too few recognize. Their program has connected Francisco with another dementia patient who used to buy bread from his bakery, and it has re-engaged him with his neighbors.

That's because Kintun is designed to help people like Francisco reconnect with the community around them. His story isn't unique for the program. Kintun is an experiment in providing care to people with mild-to-moderate dementia. In a country that lacks a full-scale

plan for the condition, Chile—much like the U.S.—is looking for worthwhile approaches to promote on a wider scale. Kintun is special in that it combines a host of services, from diagnosis to care coordination. In addition, there is a strong social underpinning, assistance for caregiving family members and a visible presence within a high-traffic community center near city offices, soccer fields and cultural mainstays.

“In the U.S., one of the big differences is our services are very segregated,” says Laura Gitlin, a Johns Hopkins University professor of community public health who provided some consultation to Kintun’s organizers. “This is a social, integrated model that provides complementary services. When [patients] are walking outside, they’re walking around the same courtyard where mothers with young babies are walking.”

Of course, it’s not just the U.S. and Chile that are looking for the best ways to deal with dementia. A new study in the *American Academy of Neurology* ranks dementia, a condition that refers to a general decline of cognitive ability (of which Alzheimer’s disease is

by 2025. Similar goals already appear in the national dementia plans of many countries; the U.S. first released such a plan in 2012. Experts say that plan goes a long way toward setting goals, encouraging cooperation between sectors of the medical world and making sure the U.S. is the leader in researching a cure. Where it falls short, however, is in not doing enough to educate people about dementia or provide better care for the people who have it—exactly the kinds of things that are going on in the Chilean municipality where Francisco lives.

Kintun got its start when Chile’s National Service for the Elderly wanted to find new strategies to help people with dementia maintain independence. Marilú Budinich Villouta, a geriatrician who previously worked at the University of Chile Clinical Hospital, volunteered. She started looking for an approach that would take typical adult day-care facilities—which often lack highly trained medical staff—to another level, offering a full range of services. She and a few other specialists sought a city government that was willing to host the experiment and put up some administrative funding, on top of about \$300,000 the group had already received from the national government. That’s what led them to Peñalolén.

Home to about 240,000 people, Peñalolén provided space in a civic center surrounded by government offices, playgrounds and soccer fields. Budinich Villouta and organizers brought on board occupational therapists, nurses, social workers, nutritionists and doctors, all of whom play a part in assessing impairment and developing care plans for new patients, who come through word of mouth or a primary physician’s referral. After a full medical assessment, the group connects patients to specialists if they need them, recommends changes to the home environment and starts bringing patients to full-day sessions, which combine activities to improve cognitive functioning, physical abilities, social interaction and community involvement. Kintun also provides classes for caregivers to teach them how to better understand dementia and how to respond

to it. “We needed to recruit other services,” Budinich Villouta says. “Otherwise, we’d just be an isolated island without context to primary health services or the wider community.”

The goals for the project, which began enrolling patients in August, include raising awareness about dementia, helping patients maintain functionality to avoid institutionalized nursing care for as long as possible, ensuring they’re taking the appropriate medications (people with dementia are often erroneously prescribed antipsychotics), and keeping them out of hospitals.

A typical day for patients starts with transportation by car to the facility twice a week. They’ll spend the morning on activities



The program makes sure patients get outside as much as possible, with walking, gardening, museum-hopping and going to festivals.

the most common type), as the third-leading cause of death in the U.S. And the World Health Organization estimates that the number of people living with dementia worldwide will double by 2030 from the current 35.6 million and triple by 2050. On top of that, dementia is incredibly expensive, particularly in the U.S., where the current price tag of \$214 billion a year in direct costs (\$150 billion paid by Medicare and Medicaid) will rise to \$1.2 trillion a year in today’s dollars by 2050.

That’s led the world to take notice. Last December, the G8 forum of eight industrialized nations, including the U.S., met to discuss strategies and pledged to develop a “cure or treatment”



Patients attend full-day sessions which include activities to improve cognitive functioning, physical abilities, social interaction and community involvement. Staff members not only lead activities but also eat lunch with them every day.

prepared by psychologists and occupational therapists that are designed to help patients interact in basic community functions and test memory. That could mean anything from watching and discussing a film to holding conversations on nature or history. The sessions are sometimes themed to coincide with holidays or other special occasions. Last year, they marked Chile's Independence Day with stories and the national dance. "That's important," says Jean Gajardo Jauregui, an occupational therapist at Kintun and one of its founders. "Here, [dancing is] something that has a really big cultural impact. That's how we relate with each other."

But the staff also makes sure patients get outside as much as possible, whether through exercises around the soccer field where teenagers play pick-up games, walks throughout the city, gardening, museum-hopping or going to festivals. Patients also eat together with the staff, incorporating different generations in an activity as basic as it is important to Chilean culture. The six-hour day ends in the mid-to-late afternoon, giving caretakers time to run errands, rest and tend to their own lives, which experts view as a critical component to any strategy combating dementia.

One caregiver, Jacky Pajuelo, used to run a catering business out of her home. But since she's been taking an ever-greater role

in caring for her mother, it's been impossible to maintain it. Her mother started showing signs of dementia about three years ago, first with the basics, such as forgetting the locations of household items. She was one of the first patients to enroll in Kintun, and Pajuelo was one of the first caregivers to take courses on the common myths about dementia, how to respond to people struggling with it and how to make a safer home environment. "At the beginning, I didn't know how to deal with this," Pajuelo says. "In Kintun, they helped me manage my mom's attitudes and reactions."

Projects in the U.S. funded through universities or the Centers for Medicare and Medicaid Services (CMS) have also subscribed to the philosophy that caregivers need to be considered part of any treatment model. One of them is a partnership between Indiana University and the nonprofit Regenstrief Institute called the Aging Brain Care Model. The ABC Model received a \$7.8 million grant from CMS to prove its early successes in dementia and depression with a population of 2,000 Medicare patients. Like Kintun, the ABC Model starts with a comprehensive assessment, but it provides more at-home, individualized care with a staff of nurses, social workers and people who coordinate a patient's medical needs. The team includes the caregiver

**HOW TO
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LEND YOUR MUSCLE.

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GIVE 10%. GIVE 100%.

GIVE 110%.

GIVE AN HOUR.

GIVE A SATURDAY.

THINK OF WE BEFORE ME.

REACH OUT A HAND TO ONE AND

INFLUENCE

THE CONDITION OF ALL.



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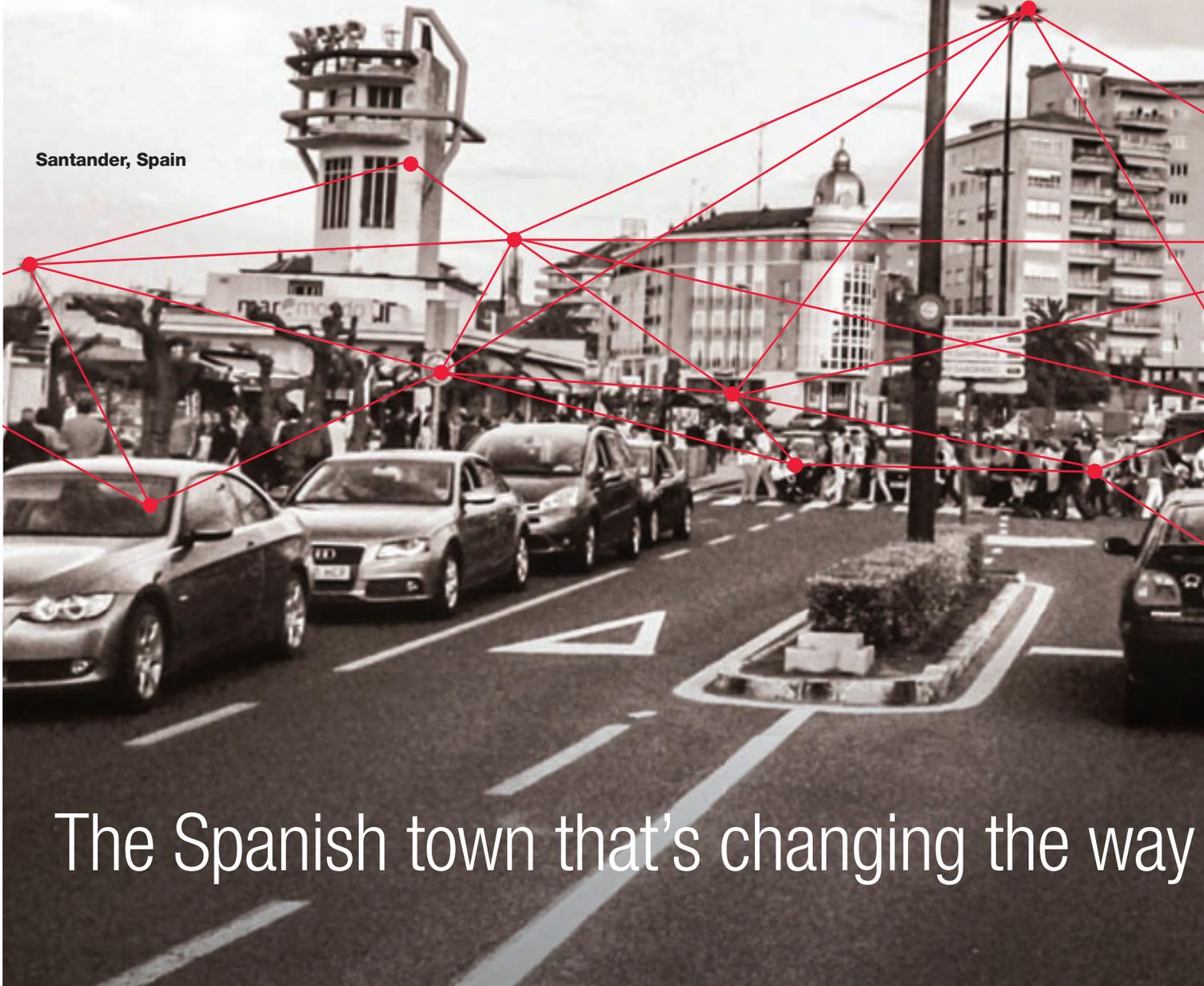
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SENSORS &

Santander, Spain



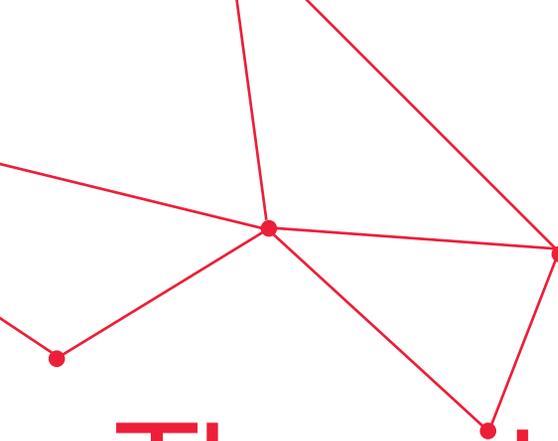
The Spanish town that's changing the way

SENSIBILITY



Europe thinks about cities. **By Tod Newcombe**

FLICKRFREEBIRD



The city of Santander

is an old seaport on the north coast of Spain. A couple times a week, a ferry brings over a handful of English tourists who crowd the beautiful beaches of Playa de la Magdalena and El Sardinero, and shop and dine in the city's historic center. Otherwise, the Spanish city of 180,000 has little interaction with the foreign world. Or at least that was until Santander was chosen four years ago to become Europe's test bed for a sensor-based smart city.

Today, the sight of foreign tourists is a familiar one. Delegations from tech companies the world over are flocking to "see" Santander's sensors. Since 2010, 12,500 sensors have been placed in and around the city's downtown district, where they measure everything from the amount of trash in containers, to the number of parking spaces available, to the size of crowds on the sidewalks. In addition, sensors on vehicles such as police cars and taxicabs measure air pollution levels and traffic conditions.

The data from these sensors flows to banks of computers that analyze the real-time information and give city officials the kind of big picture that allows them to adjust the amount of energy they use, the number of trash pickups needed in a given week and how much water to sprinkle on the lawns of city parks.

At the same time, the city is opening up its data so that programmers can create apps that help citizens find bus arrival times or let tourists find out who is performing at concert halls simply by pointing their mobile phones at a bus stop or building. The collecting of data through numerous sensors could lead to significant improvements in how city infrastructure is used and lead to a better understanding of urban issues, says Carlo Ratti, director of the SENSEable City Lab at the Massachusetts Institute of Technology. "Sensors allow us to better understand reality," he says, "letting us catch the pulse of a city." The goal in Santander is to make the city a more enticing place to visit, shop and get around. These kinds of sensor-driven projects are already saving the cash-strapped Spanish city significant amounts of money.

But others are more skeptical about the rush to try to measure as many data points as possible in a city, run them through analytical software and then base major urban policy decisions on what the data says. "I think there are some considerable risks that we are building into cities by deploying these technologies very rapidly, somewhat haphazardly and without a lot of risk assessment," says Anthony Townsend, a senior research scientist at New York University and author of *Smart Cities: Big Data, Civic Hackers,*

and the Quest for a New Utopia. Townsend and others have raised concerns about buggy software and the push to optimize aging infrastructure through the use of sensors. Where some see smart cities, others fear a new form of governance based on algorithms rather than human experience.

While the idea of a smart city is still relatively new in the United States, the concept is more established abroad. London, Seoul and Stockholm have been using sensors to monitor traffic and manage congestion for years. Singapore has placed sensors throughout almost every part of its physical geography with the goal of becoming the world's smartest city. And Rio de Janeiro has become the poster child for smart cities with its high-tech central operations center, which is staffed by nearly 400 workers who monitor everything from traffic to keywords in local social media in an effort to spot trends—or problems—before they occur.

Four years ago, the European Union (EU) decided to use Santander to test the latest in smart city technology. Dubbed SmartSantander, the project, which received an \$11 million grant from the EU, started when Luis Muñoz, an engineering professor at the local University of Cantabria, and his development team of 20 technicians, researchers and programmers buried hundreds of sensors in the asphalt to develop a way to manage the limited number of parking spaces available in the city's downtown area.

Parking management, says Muñoz, is a good place to start. It is one of the low-hanging fruits as far as testing sensor technology goes, because it gives drivers a quick solution to the nagging problem of where to park and helps city officials reduce congestion and air pollution. Information about parking is displayed on special panels located at major intersections in the city, so anyone who is heading downtown will have an idea of how many spaces are currently available and where they are located.

After that initial project, the team soon launched others, including adding 2,000 sensors on streetlights and buildings to monitor temperature, carbon monoxide levels, noise, light and traffic; another 60 sensors to monitor traffic flow into the city; 50 sensors in two major city parks to measure environmental factors; and so forth.

Muñoz's team wrapped up the project last year, and turned it over to city officials who use all of these monitoring and sens-

ing systems to more precisely calibrate how the city allocates its resources. The sensors on the streetlights, for example, can tell whether the sidewalks have people on them or whether the streets have cars. If it's late at night and the streets and sidewalks are empty, the lights are dimmed. If the sensors pick up someone walking, they brighten. These sensors and others have helped Santander cut energy costs by as much as 25 percent. Similarly, sensors in trash cans have helped the city cut garbage pickup costs by 20 percent.

But sensors installed by technicians aren't the only way Santander is testing the smart city concept. "People with smartphones can be an even better instrument for broadcasting information about the city and facilitating new interactions with it," says MIT's Ratti. He points to Waze, a community-based traffic and navigation app that shares real-time traffic and road information with users. It is as an example, he says, of how people can become sensors themselves.

Santander has launched an app called "Pace of the City," which users can download to receive up-to-date information about city events. The alerts are even geocoded so that people can use their phones to get to events. Geolocation plays a prominent role in what Muñoz calls "augmented reality" apps. Using about 2,000 quick response (QR) codes—those square, checkered symbols that can be scanned with a smartphone—the city has tagged points of interest, shops and public places around Santander. They have proven useful as a way to provide tourists with information about what the city has to offer and where they can find it. Geographical location, for instance, is also helping with the city's transit system. Using one of Santander's apps, a person can get bus arrival times simply by pointing the phone at the bus stop.

The more the public uses the city's data in these applications, according to Muñoz, the better they get at interpreting the data and what it means. "For example, when they see one of the displays saying there are five open parking spaces in a certain location in the city, they know that the information is correct only up to a point," he says. "They know the actual number may change." So when the number of spaces posted on the display fall below a certain number, drivers can decide whether they should chance it and search for a space, or find other alternatives.

Certainly at this point everyone is excited about sensors and their possibilities. But a growing chorus of experts is calling for a more measured approach, arguing that there are broader and deeper problems when cities become too reliant on sensors and smart applications to drive services and decision-making. As cities increase their dependence on software to run services, operate infrastructure and make critical fiscal decisions, they increase the risk that something could go wrong, says NYU's Townsend. He cites Y2K as the best example of when software can backfire: It cost companies and governments \$300 billion to fix. The Israeli government has acknowledged that essential services that run off sensors, such as water, electricity and banking, have been the target of numerous hacking attacks. In 2012, the traffic management system for a main artery in the port city

of Haifa, Israel, was hacked, causing major traffic problems that lasted for hours.

Then there's the so-called brittleness factor. A good portion of the sensors being used in cities are designed to improve the performance of key infrastructure, such as roads, rail, water systems and electrical grids. Townsend describes this as squeezing excess capacity out of existing networks. "You're creating a structure that is inherently unstable and can only be controlled by a computer and software that can sense what's going on," he says. When these systems are forced to operate faster and to constantly recalibrate their settings based on demand, the potential for a breakdown increases. "So what happens when these control systems shut down?" asks Townsend. "Does it happen gracefully? Does it fail catastrophically? Does it warn you? Are there digital backups?" The real-world analogy for this predicament is what happened to cellular networks during hurricanes Katrina and Sandy and the Boston Marathon bombing. Circuits overloaded and the networks shut down.

Professor Muñoz admits that's a problem. With the sheer number of sensors that are spread throughout the city, "bad weather can create problems," he says. "That can be difficult to manage when you have such a large, distributed network of devices."

Ultimately, there's also the question of privacy versus security. Sensors that capture sound, images and locations of individuals can be helpful when we need protection or greater security. But there is always the worry that what starts as surveillance in a democratic society can become something else in a country that becomes autocratic. Rob Kitchin, director of the National Institute for Regional and Spatial Analysis at the National University of Ireland, points out that the more a city can measure and control, the more likely it becomes "panoptic," capable of tracking everything, never forgetting what happens. In other words, a kind of Big Brother society.

But spring in Santander means the surf is up and those who like to ride the waves are more interested in apps that can provide up-to-date information on wave size than privacy issues. Information about surf is another data point SmartSantander can share with visitors and the local population. Muñoz agrees that privacy is one of those issues that the project is trying to tackle. "We are concerned about what to share and what should remain private," he says. "One of our goals is to encourage users to embrace this technology, not run away from it."

Another goal is to make city government more transparent than ever before, Santander Mayor Iñigo de la Serna told Germany's *Der Spiegel*. "We want to create a new, cooperative relationship between the people and the city government."

One promising new application would leverage the sensors that measure sound so that when they pick up the frequency of an ambulance siren, the traffic control system kicks in and creates a priority lane of green lights so the ambulance can get to the hospital faster. That's the kind of story Muñoz and de la Serna would like people to remember when they think about the possibilities of smart cities. **G**

Email tnewcombe@governing.com

Desk Jobs

Dutch photographer Jan Banning has traveled the world documenting the consequences of war, the homeless and impoverished, and victims of human trafficking. Asked to photograph a story on the administration of international development aid, something he thought to be “un-photographable,” Banning and a journalist set out to visit hundreds of local government offices worldwide. Between 2003 and 2007, they met civil servants in eight countries on five continents. “Though there is a high degree of humour and absurdity in these photos,” Banning says, “they also show compassion with the inhabitants of the state’s paper labyrinth.”

PHOTOGRAPHS BY JAN BANNING

See additional photos from this series at governing.com/deskjobs



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Assistant Clerk
Patna, India



Rodolfo Vilca Flores
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Al-Mahwit, Yemen

Problem Solver

General Government Gross Debt, as % of GDP

- < 25%
- 25-50%
- 50-75%
- 75-100%
- > 100%
- Data unavailable

GROWING DEBTS

As much as the United States' federal debt has climbed in recent years, other nations are confronted with even higher public debt loads. Japan's estimated government debt, for example, is more than 200 percent of GDP—the highest of any country.

This map shows countries' gross debt levels, as compiled by the International Monetary Fund. Please note that gross debt does not factor in financial assets in the form of debt instruments. Annual deficits adding to countries' debt totals are shown in the table below. **G**

View an interactive debt map at governing.com/worlddebt

Deficits Around the World

The vast majority of nations registered deficits in 2012. Here's how deficits as a percentage of GDP compare for select countries:



By Mike Maciag

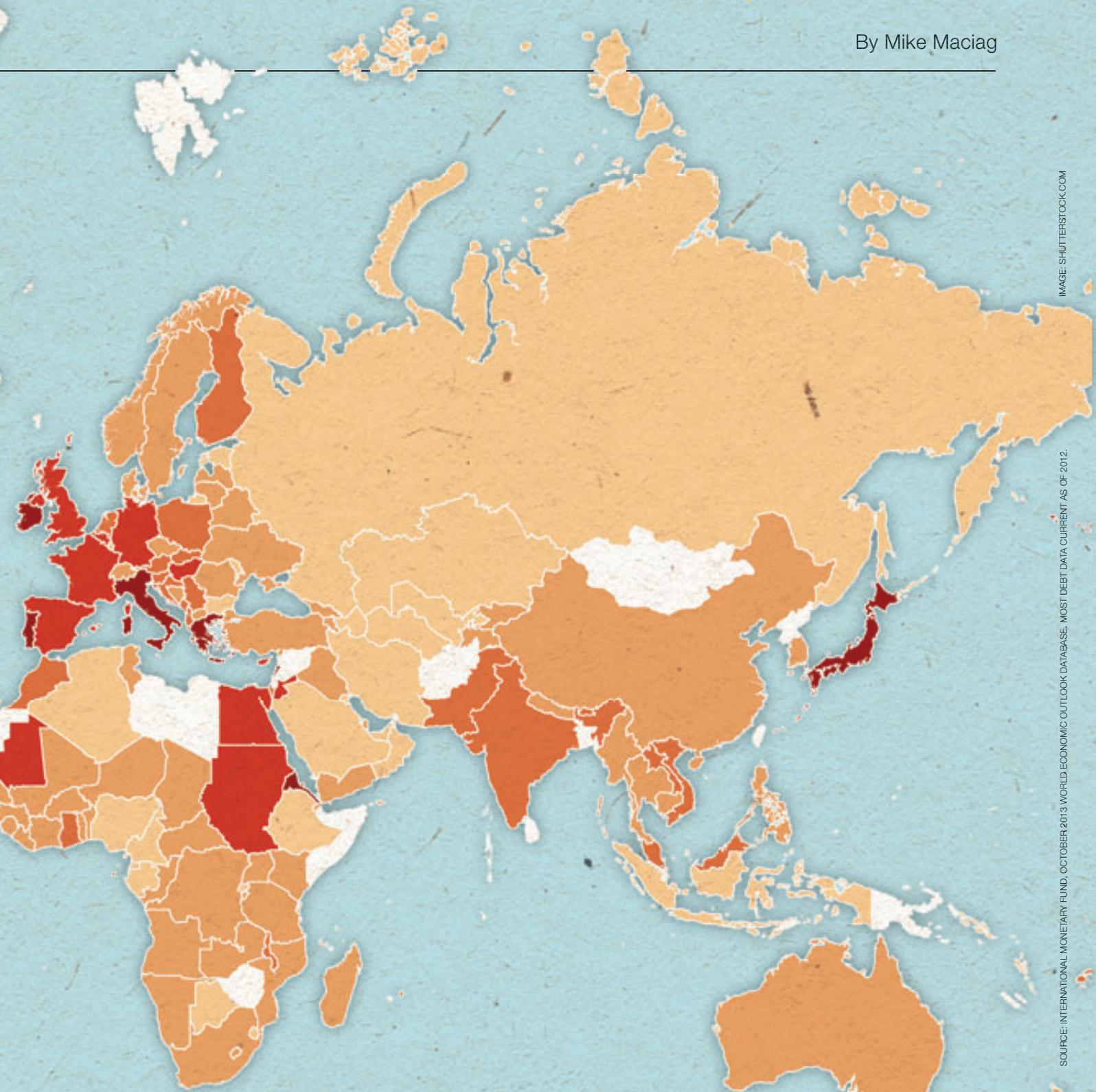


IMAGE: SHUTTERSTOCK.COM

SOURCE: INTERNATIONAL MONETARY FUND, OCTOBER 2013 WORLD ECONOMIC OUTLOOK DATABASE. MOST DEBT DATA CURRENT AS OF 2012.





By Katherine Barrett and Richard Greene

Worldwide U

When international students attend U.S. universities, their ideas enrich us.

Over the course of the last few years we've had the opportunity to give a number of presentations at schools of public policy. This is fun for us, largely because the audiences tend to be excited about new ideas—in contrast to many public-sector employees who are more inclined to be skeptical.

At these events, we are repeatedly struck by the number of students who are attending an American school of public policy or administration even though their lands of origin are a multitude of countries from around the world—every place from China to Turkey to France to Brazil.

Obviously this is a very profitable line of business for the schools themselves. Often foreign students are subsidized by their countries, and they don't typically request or receive scholarships. We got interested in this phenomenon and asked around to see what the benefits of

such an education were to visitors. But the first reaction we got was something of a surprise to us. Many observers took note of the value for Americans of having international students in their classes. The reality is that for states and large cities and counties, there's very little that involves public policymaking—including food safety, economic development and transportation—that doesn't involve global affairs.

Consider, for example, a class that might be examining the pros and cons of public-private partnerships (P3s). Although there's a significant trend toward such arrangements in the United States, other countries like China and France have a leg up. Discussions of P3s in China have been a major area of study and investigation. Students with a first-hand knowledge of how these arrangements have worked out bring a great deal to the class.

Elizabeth Tatum is a second-year student at the Fels Institute of Government at the University of Pennsylvania. "It has absolutely enriched my graduate education to hear [international] students talk about the issues they are passionate about," Tatum says, like, "rights for women in Turkey, the need for better education and health care in Pakistan, planning challenges in growing cities in Mexico, and anticorruption efforts in Indonesia."

Do these kinds of conversations impart genuine expertise to issues? It's not reasonable to expect that. But, as Tatum says, the discussions "helped me refine arguments for the policy changes I think we need here. Furthermore, I think the presence of international students has reinforced my commitment to public service here."

Another example of the power of foreign students to educate Americans is Pavel Javalera, a Mexican student at Fels. He has helped put the question of Common Core criteria for American education into perspective for his classmates. Apparently in Mexico a similar program has long been in place—and has not been controversial because education is essentially a function of the federal government, with states having only a modest capacity to make change.

That's a valuable perspective, but equally important may be the fact that a common core has been far from a panacea for Mexican students, even though the educational system has not resisted.

Of course, it's not as though droves of foreign students are seeking a policy program in America because they have some kind of altruistic desire to share their experiences with the students they find there. There are a number of reasons why this trend has been beneficial for them.



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For one thing, the reputation of the American universities in this discipline is well known worldwide. In a day when people are growing accustomed to hearing that the U.S. is outstripped by other countries in all kinds of educational fields, we can take solace that in public policy education and other fields of higher education we're No. 1. "American higher education is still viewed internationally as the gold standard," says David Thornburgh, executive director of Fels.

Some observers point specifically to China, which is sending a lot of students to this country. Like students from other nations, many do not stay in America after they get their degree. But they find themselves with an advantage when returning to China. There, public officials are held in high esteem and are generously paid.

Additionally, there are a variety of lines of coursework that may be difficult or impossible to find abroad, but which are relatively commonplace here. For example, many U.S. schools have coursework in performance measurement, while schools abroad do not. The same is true with ethics and human organization. At the core, says Marc Holzer, dean of the school of public affairs and administration at Rutgers University, "we deal with management competencies that are better defined than what they are encountering in their home countries."

But aren't the government structures in other parts of the world so alien to that in the states, that the policy and management techniques taught here might be of little use elsewhere? There may be some truth to that, but there's no need to over-complicate matters. The kinds of services provided by government—particularly at the local level—are pretty familiar from Madagascar to Maine. Sanitation, water cleanliness, air cleanliness, infrastructure, financial policies and more are all on the international list.

"Mayors say there's no Republican way or Democratic way to fill a pothole," says Thornburgh. "Well, there's no difference between countries." **G**

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Street-Level Transparency

In South Korea, government isn't 'they' anymore.

I was in Seoul, South Korea, last fall, and I was so surprised by a sidewalk sign I saw on one of the streets that I stopped and took a picture of it. It was a large, temporary sign with a description of the sidewalk construction project that was under way, with beginning and end dates noted in both English and Korean. The unusual feature that caught my attention, however, was that the sign prominently displayed the photographs and phone numbers of the people directly responsible for the project.

Here in America, we talk a lot about transparency and government's need to be responsive to the public, but I have never seen anything like what I saw in Seoul. To the American public, government tends to be a big anonymous "they," as in "they have started to tear up the sidewalk for some reason and it's really annoying and is hurting my business." You might see the occasional "your tax dollars at work" sign showing the name of the mayor or other high-level officials, but it's understood that the purpose of that kind of sign is to give credit to those officials, not to identify specific individuals who are accountable for the project and can answer questions and address concerns.

When I began to inquire about the Seoul sign, I got another surprise. It is part of a policy initiative begun by the city in 1999 to combat corruption. The country had suffered an economic shock, and the mayor at that time felt that a key to enabling Seoul to survive the downturn was for city government to be more efficient. Corruption was seen as diminishing efficiency. The officials in charge of the program report that it has improved communication and trust between citizens and the government, that public officials' sense of duty and pride have increased, and that those officials are doing a better job of supervising contractors. In 2012 the National Assembly expanded the Seoul system to the entire country.

The reason the origin of the program surprised me is because in the United States we rarely think about the connection between efficiency and corruption. It seems like everything we do to aid efficiency limits transparency and everything we do to combat corruption adds rules, regulations and red tape that makes programs less efficient. We rock back and forth between extremes—on the one hand, privatizing programs to streamline them and make them less bureaucratic and more efficient, and on the other, adding more and more contracting procedures and documentation requirements designed to combat the scandal *du jour*.

The street-level transparency developed by the Koreans, using the power of the photograph, is direct and simple. I can imagine lots of possibilities for governments in the United States that might adopt this approach, not only for construction projects but also for services such as snow removal, park maintenance and public safety. It wouldn't take long for social media, bloggers and neighborhood listservs to grab onto such a system, opening possibilities for some real transparency. And the public would finally know exactly who "they" are.

Think of it as the crowdsourcing of accountability. Maybe we need fewer rules and regulations and more names and faces. **G**

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Sidewalk accountability in Seoul



Clicking with the Times

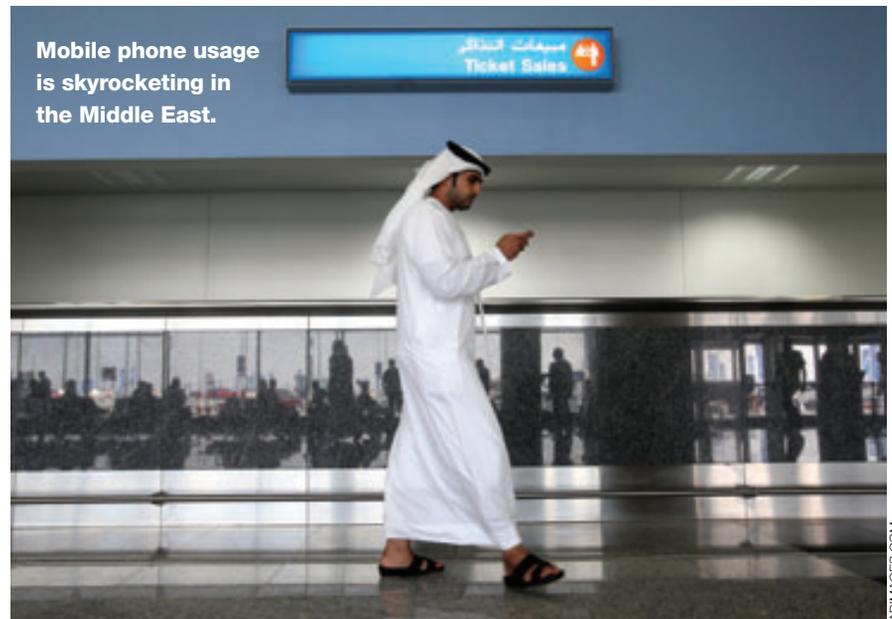
The United Arab Emirates is a rising star in e-government services.

Some small countries have had outsized success with e-government. For years, Denmark, Estonia, the Netherlands, Singapore and South Korea have scored high on international rankings for online service delivery. But another small country from outside the digitally advanced regions of Europe and Asia has quietly yet quickly moved to the forefront of tech-savvy governments: In 2012, the United Nations ranked the United Arab Emirates (UAE) 28th in its global survey of e-government, up from 49th in 2010.

It's no small feat to advance 21 positions in just two years, and how this small Middle Eastern country on the Persian Gulf did that should have state and local CIOs paying close attention.

Once considered a backwater in the Middle East, the UAE today is highly developed. Dubai, one of the UAE's seven states, hosts some of the world's tallest and most impressive buildings. Governed by a Supreme Council made up of seven emirs who appoint a prime minister and cabinet, the UAE started down the e-government path in 2001 when it launched an electronic card to collect service fees. Since then, the kingdom of 9 million has continued to build its e-government reputation, which was solidified earlier this year when the tech giant Accenture placed it third in its annual roundup of leading digital governments.

A lot of UAE's success has to do with its management style. It's taken an approach that states and their local partners might find interesting: Government departments in the UAE's principalities can create any new online services they want, while the central authority focuses on building the common parts that all departments need, like payment and customer support. This hybrid approach results in standardization,



Mobile phone usage is skyrocketing in the Middle East.

best-practice sharing, cost savings and fast deployment.

Look at "Markabati," a portal from the central authority that lets all UAE residents connect easily with every aspect of vehicle service in the public and private sector. Whether the need is car insurance, spare parts, customs and registration forms, or car rental, everything can be found and transacted through the portal.

Or look at the country's experiment with mobile technology. The UAE sees itself as moving from e-government to "m-government." Home to one of the largest smartphone and mobile penetration rates in the world, the government announced earlier this year that it was setting up the Arab region's first lab to test secure ways to offer residents mobile government services.

This initiative is part of the UAE's larger effort to make digital technology, networks and apps a central part of how it operates and interacts with citizens. By May 2015, the UAE hopes to have all government departments providing a one-stop store for apps and enabling all

transactions through a single log-in. It will allow the public to deal with government departments using their smartphones "any time, any day of the year," Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum told *Arabian Business*.

The UAE backs up all of its e-government initiatives with serious money. IT spending is expected to grow nearly 13 percent from \$716 million in 2013 to \$808 million in 2014, according to the International Data Corp. All this investment and work is paying off in two ways. First, UAE views its public spending on e-government as another way to seed the field for private investment in the country's growing technology sector. Second, it has led to one of the highest rates of customer satisfaction in the world for service delivery.

There are certainly many differences between the UAE and the U.S., but we should admire the level of state and local cooperation there, and consider how we can replicate that here. **G**

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Municipal Debt Traps? Nein.

Localities can't go bankrupt in Canada or Germany: The state stands behind them.

Detroit's insolvency was a fiscal shot heard round the world. In Germany, the authors of an article on municipal debt for the German Institute for Economic Research gave Michigan a nod when they titled a draft report, *Race to the Debt Trap?* Nevertheless, we could learn from Germany, as well as from our neighbor Canada, how to avert the fiscal catastrophes of municipal bankruptcies.

A key lesson is in the roles of shared revenues, shared tax bases and implicit state responsibility for municipal debt. In Canada, one of the most decentralized countries in the world, provinces are responsible for most major social expenditures. They also receive large, unconditional transfers from the federal government—so much so, in fact, that in some provinces such transfers are more important sources of revenue than their own taxes.

Canadian municipalities are essentially agents of provincial governments: Hierarchical budget and debt constraints restrict their revenues, direct their expenditures and control access to capital markets. But if a local government gets into financial trouble, the province generally comes to the rescue in a variety of ways, including adjusting municipal boundaries, taking over functions and in the extreme, taking control of its finances.

In Germany, which has 16 states, some 450 counties and 12,500 towns and cities, municipalities have responsibilities for public order, infrastructure, cultural institutions and public transport. To finance these essential services, German municipalities draw not only upon three local taxes (two property and a local business tax), but also allocated tax revenue from income taxes, federal value-added taxes and state-allocated grants. The shared tax base eliminates overdependence on

a property tax and serves to balance disparities in both resources and needs at the local level.

Municipalities can't go broke in either Germany or Canada. German states implicitly guarantee public debt incurred by municipalities. This means municipalities in great fiscal distress do not experience the kinds of interest rate

“Unlike here in the U.S., Germany and Canada appear to be models of shared dependency and fiscal responsibility.”

spreads or disparities experienced in this country. German state regulators can take over a municipality in the event of looming insolvency and may mandate a “Haushaltssicherungskonzept” or a budget consolidation plan. This is not dissimilar from a Chapter 9 plan of adjustment that demonstrates how the municipality can return to a balanced budget within 10 years.

In Canada, local borrowing requires prior provincial approval and is severely limited. These constraints are a product of the implicit provincial responsibility for bailing out any municipal default and a legacy of the Great Depression, which in Canada led to a wave of local defaults amounting to about 10 percent of total municipal debt.

Unlike the U.S., Canada has continued to expand the size (relative to GDP) of provincial

transfers to municipalities. Today, such transfers as a proportion of total local revenues remain close to half.

In the U.S., tax competition rules. Neither the federal government nor states share tax bases with localities. In Canada, although provinces have freedom to choose their own tax bases and rates, in practice most provincial income taxes are collected by the federal government under tax collection agreements—with the condition that the same base is taxed as for the federal income tax. Moreover, the Canadian federal government collects corporation income taxes and personal income taxes for several provinces under such arrangements. Thus, instead of tax competition, the Canadian federal and provincial governments essentially tax the same bases. The federal government collects more from its taxes than its direct spending, so that, for many years, it has transferred much of the surplus through two large unconditional transfer programs to the provinces—even as direct income maintenance programs for the elderly, children and the unemployed are largely federal.

Unlike the more difficult relationships between the three layers of government in this country, Germany and Canada appear to be models of shared dependency and fiscal responsibility. It's hard to see how a Detroit could happen there. **G**

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Last Look



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Library users and theatergoers in the towns of Derby Line, Vt., and Stanstead, Quebec, have something in common. Besides sharing an international border, they also share a combination library/theater. Completed in 1904, the Haskell Free Library and Opera House was intentionally built astride the border to provide the two communities with a cultural center. A painted line delineating the border runs across the floors of both the library on the ground floor and the opera house above it. In the library, the stacks are in Canada, and upstairs in the opera house, audiences sitting in the U.S. applaud performers on the Canadian stage. Locals say that the Haskell is “the only library in America with no books” and “the only opera house in America with no stage.” There are a few jurisdictional complications. For instance, if the opera house needed to be evacuated, patrons must exit through a newly built fire escape on the Canadian side of the building. As a result, any Americans in the audience would have to immediately report to the immigration office up the road.

—David Kidd

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