He’s not the governor. He’s not a lawmaker. But thanks to the way he runs his state’s pension plans, David Bronner may be

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Cincinnati’s new streetcar isn’t the city’s first.
Five cities – Albuquerque, Atlanta, Baltimore, New Orleans, and Seattle – are developing new practices that better engage low-income residents in civic life and public decision-making.

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The City Accelerator is an initiative to speed the adoption of local government innovations to improve cities and the lives of their low-income residents.
Public employee pensions have been under fire from the right for decades, and that war intensified with the onset of the Great Recession. The sharp drop in the stock market brought losses in asset values of as much as a third for some funds. This issue’s cover story, by Daniel C. Vock and Liz Farmer, is about David Bronner, head of the Retirement Systems of Alabama. Bronner, who has run the state’s pensions for more than four decades, comes across as supremely confident in his ability to continue to fend off critics and run his pension system as he sees fit. But I think that he, and other defenders of governments’ traditional defined-benefit pensions, are misreading the situation.

The main threat to public-sector pensions is the decline of private-sector pensions. This is because demographic changes and market trends combine to force public pension plans to turn to the taxpayers for support, those taxpayers are going to be less willing to kick in more money when they themselves enjoy no such benefit. While 84 percent of state and local workers have access to a defined-benefit pension plan, the percentage for private-sector workers has declined from 42 percent in 1990 to only 18 percent.

This has happened as public pensions’ ratio of active employees to beneficiaries, which stood at more than 7 to 1 in the mid-1950s, has declined to less than 2 to 1. That has made the plans more dependent on investment returns, but the outlook for those isn’t good either.

Since last summer, the stock market has been extremely volatile, which means that when pension plans close out this fiscal year on June 30, they will have had their second straight year of meager investment returns. As Farmer recently reported on Governing.com, Moody’s Investors Service warns that “the two-year hit will effectively wipe out the funding progress that many plans made in 2013 and 2014.”

In one of the best analyses of the public pension issue that I have seen, Donald J. Boyd and Peter J. Kiernan observed: “U.S. society long ago adopted a fundamental value that public work—done at public expense—entitles to a reliable measure of retirement security in exchange for their service. That societal value is considered a core promise that governments are obliged to meet.”

What David Bronner and folks like him need to know is that over the long run the only way public pensions are going to continue is if that “reliable measure of retirement security” is extended to all workers, public and private.
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Rich Governors? Old News

In his March Politics Watch article “The Rise of the Rich Governor,” Alan Greenblatt noted the increasing number of “rich-guy governors ... at a time of concern about the outsized influence of the uber-wealthy in politics.” The topic garnered a lot of comments that generally represented one of two views, which are best embodied by the following responses.

Competent, successful people running the government? What’s not to like? Why should [a wealthy businessman] back a quasiling to run the government when public duty demands they offer up their skills? If it works, good. If it doesn’t, they’re through. Very American.

—mmegeath on Governing.com

A day late and a dollar short for this story don’t you think? This is not a recent development. It is funny, though, how many become millionaires after being elected. Politica, politicians and political office have always been for sale, from local mayors right on up to the top. Now that we have identified the problem, when do we set about correcting it?

—not surprised on Governing.com

Not Blue Collar, Not Gritty

In his March Assessments column “The Saga of an Inner Suburb,” senior editor Alan Ehrenhalt wrote about Columbia Heights, Minn. It’s “not only an auto-strip town,” he wrote. “It’s a blue-collar town right down to its roots, one of the poorer suburbs, by household income, in the Twin Cities metro area.” Columbia Heights happens to be situated alongside Northeast Minneapolis, “a once-dilapidated neighborhood that has come alive in recent years as an arts district.” Many locals believe it is only a matter of time before that growth spreads to Columbia Heights. Ehrenhalt wrote about that and concerns that such growth could lead to gentrification.

I enjoyed reading this article, but I take issue with classifying Columbia Heights as a “gritty blue-collar town.” Columbia Heights is a first-ring suburb, located only two-and-a-half miles from downtown Minneapolis, and has many different types of neighborhoods and commercial offerings. We are a financially stable, independent city with our own school district, local government and downtown area. Columbia Heights offers many housing opportunities, ranging from smaller starter homes to million-dollar condominiums. Our plan for the future of the Central Avenue corridor includes bringing in new businesses and redevelopment, while honoring and maintaining the existing businesses and the rich history of the community.

—Joe Hagebohm, Community Development Director, Columbia Heights

Statistics are showing that the demographics in Columbia Heights are changing. It is becoming a popular place for first-time homeowners with their lower housing prices and easy access to all parts of the metro area. We are bucking the trend of an aging population for all cities surrounding us. We have more people in their 30s than any other age group. What you describe in your article is already beginning to happen. We are becoming the new Northeast Minneapolis.

—Donna Schmit on Governing.com

LETTERS

Curbing Domestic Violence

In his March feature “Fighting Back,” John Buntin asked whether efforts in the High Point, N.C., Police Department to combat domestic violence using an approach known as “focused deterrence” could be replicated. Through an array of positive incentives, community engagement and warnings of jail time, the department seeks to deter first-time and chronic abusers from assaulting their partners again. Since the intervention began, High Point has seen a decline in intimate partner homicides and re-arrest rates for domestic violence. Buntin also wrote about the Lexington, N.C., Police Department, which has successfully implemented the approach as well.

In this article, it was mentioned that the U.S. Department of Justice was looking to fund replication of High Point’s program elsewhere. The Lexington Police Department was the first agency to replicate it, so it was unfortunate that there wasn’t more mention of that. Considering we are a smaller department with many fewer resources than High Point, I think it’s important to get it out how an agency our size can make this rewarding program work and get positive results.

It is a resource-intensive program for any agency. However, when you consider how many fewer personnel resources we have, it takes on a different look. Agencies serving communities our size or smaller will look at this article and think there is no way to do it. It would be nice to let others know that we have successfully implemented it and that they too can make a positive change in their community with this program.

—Major Bobby Rammage,
Lexington Police Department
In 2013, the Metro Government of Louisville, Kentucky, faced a dilemma. Many of its facilities were energy-inefficient and in need of repair. At the same time, the city wanted to maintain its favorable credit rating, making it sensitive to financing infrastructure improvements. To solve the problem, Louisville turned to a contingent payment performance contract that is delivering improvements while helping the city avoid traditional debt financing.

**NO-RISK FUNDING GREENS LOUISVILLE**

Guided by an energy-saving initiative, the city of Louisville is improving the quality of life of its residents while decreasing the city’s per capita energy use by 25 percent. The plan, Sustain Louisville, was launched in 2013 to protect the environment; reduce the metro area’s carbon footprint; ensure the health, wellness and property of all citizens; and create a culture of sustainability. To achieve sustainability goals, planners knew they needed to make critical upgrades to inefficient, high-maintenance building equipment. With limited available capital, they also knew they needed a partner that would offer a creative way to finance the effort.

Contingent payment performance contract provides creative financing

Johnson Controls stepped up to the plate and designed a plan that would include nearly $27 million in energy-efficient upgrades and repairs in municipal-owned buildings. Combining an energy savings performance contract and a contingent payment program, Johnson Controls agreed to pay for the improvements up front and guaranteed enough savings to allow the Metro Government of Louisville to pay Johnson Controls over the 20-year life of the contract. The contract eliminates the need for debt service payments and limits the Metro Government’s payment obligations to actual benefits realized by the improvements. Johnson Controls assumes financial liability for any savings shortfalls. As an added bonus, because the funding mechanism doesn’t affect the city’s bond capacity, it frees up funds for other critical projects.

Contract already producing savings

As a result of improvements, Louisville Metro buildings reduced their water use by 395,000 gallons in less than a year. The energy savings performance contract also guarantees $2.7 million in annual energy savings and expects to reduce annual CO2 emissions by 19,900 metric tons, which is equal to removing 4,100 vehicles from the road.

In addition to guaranteed savings, the project is expected to positively impact Louisville by attracting new business to the city and creating a culture of sustainability that will engage residents in environmental stewardship. In addition, the project has created 400 jobs, with 90 percent of them remaining in the community.

For the city of Louisville, a single contingent payment performance contract is enabling the city to create an environmentally sound, vibrant and prosperous future for the metro area and its citizens.

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TIRED OF WAITING for Congress to approve a tax on Internet sales, nearly two dozen states are moving to pass bills or change regulations in ways that deliberately invite lawsuits from Internet retailers. The goal? Landing the issue before the U.S. Supreme Court.

On May 1, South Dakota became the first state to implement new legislation allowing it to collect a sales tax from out-of-state retailers who sell products over the Internet to South Dakotans. Because the legislation calls for an expedited path for judicial challenges, experts believe the law will produce a crucial first test case that the nation's top court could take up as soon as the end of this year.

Putting the issue of taxing online sales before the courts is part of a new coordinated effort by state legislators across the country. All told, 34 bills in 22 states have been introduced this year that would allow states to collect sales taxes from remote retailers, according to the National Conference of State Legislatures. About a half-dozen of those bills have moved forward in some fashion.

Other states, like Alabama, are revisiting their existing regulations. The state’s revenue department recently began enforcing an old law it says allows it to tax out-of-state sellers and then, possibly, audit for noncompliance. Proposed federal legislation has taken various forms over the years but has never gained much traction, despite having bipartisan support. In 2013, states got a huge victory when the U.S. Senate passed the so-called Marketplace Fairness Act. But since then, the bill has languished in the House. By some estimates, states are collectively missing out on more than $23 billion annually in potential online sales tax revenue.

Meanwhile, states have watched with great frustration as Congress has repeatedly extended—and recently made permanent—a law that bans states from collecting a tax on Internet service providers. Online retailers and others argue that allowing Internet sales taxes wouldn’t level the playing field, as some hope. Large companies that have a presence in multiple states generally have the infrastructure in place to collect a sales tax. “But it’s more challenging for smaller retailers that don’t have the computer systems and accounting staff to ensure compliance with 10,000 nationwide tax jurisdictions and 46 state tax auditors,” argues NetChoice, a trade association promoting e-commerce.

If the issue does make it to the Supreme Court, it would challenge a 1992 decision, Quill Corp. v. North Dakota. Under that ruling, states can apply sales taxes only to companies with a physical presence in the state. But that decision, says the National Governors Association’s David Quam, is severely outdated because it revolved around the mail-order catalog industry. “Today the Internet has completely changed the economy,” says Quam. “It allows for a level of commerce across state lines that nobody anticipated back in 1992.”

—Liz Farmer

New Taxes, New Tactics
LOTS OF CITIES have faced corruption scandals. Few have had nearly their entire leadership decapitated by them.

In February, an FBI raid in Crystal City, Texas, led to the indictments of the mayor, the city manager and three current or former members of the city council as part of a conspiracy and bribery scheme. Another city council member had previously been indicted on human trafficking charges. That left just a single city council member who was not facing criminal charges. “It seems as though no one is running the city right now,” says Maria Dora Paloma, a retired municipal judge. “The whole community’s upset.”

City officials have been accused of taking bribes, helping to promote an illegal gambling operation and offering an outsized salary to an inexperienced city attorney in exchange for his acquiescence with the bribery scheme. Eventually that attorney, William Jonas, who had no previous municipal experience, was also hired as the city manager.

Not all the indicted officials have stepped down. A week after the raid, Mayor Ricardo Lopez was taken away from a city council meeting in handcuffs and charged with disorderly conduct because of a fight about whether those officials who hadn’t stepped down would be subject to a recall election.

All of this has left the city barely able to function. When the council met recently to discuss a starting date and salary for an interim city manager, there weren’t enough members left to form a quorum.

Crystal City, which is home to about 7,500 residents, fashions itself as “the Spinach Capital of the World.” A statue of Popeye stands outside city hall. While Crystal City may seem like an outlier in terms of its legal problems, the sad reality is that corruption charges are pretty common in South Texas, at all levels of government. The two federal judicial districts that cover the region rank near the top nationwide in terms of public corruption cases. Just to cite one ongoing example, four county commissioners in Maverick County have been charged in a case involving bribery and contract fixing. “We’ve really turned our focus to public corruption,” Christopher Combs, an FBI special agent in charge, told the San Antonio Express-News. “It’s almost like shooting fish in a barrel.”

Why are there so many fish to go after? There are a lot of theories, but no single explanation. For one thing, given the drug trade, corruption is a problem on both sides of the border with Mexico. South Texas also remains overwhelmingly Democratic: One-party areas are often prone to problems since there’s no one from the opposing party with any authority to blow the whistle. Furthermore, many communities in South Texas are poor. People at city hall with control over sizable contracts become “the beautiful person at the ball” that everybody, from contractors to gambling operators, wants to dance with, says former FBI agent Fred Olivares.

Finally, there’s just the sheer size of the area. Crystal City is about 115 miles southwest of San Antonio. Even lead-footing it, an FBI agent will have to decide it’s worth three hours of driving round-trip to check out a tip. And there are a lot of similar outlying cities in South Texas. “It’s pretty much outside our radar, unless somebody comes to us,” Olivares says.

There’s one thing Crystal City does have going for it. On May 7, the indicted officials who haven’t stepped down will face recall elections. Regular municipal elections will be held the same day. The city has the chance to start over with a new mayor and a fresh slate of city council members. Under Texas law, they’ll be able to start work a week after winning office. “It will be quite a job to face,” says Paloma, “because we don’t know what condition the city really is in.” —Alan Greenblatt
WHEN BIKE SHARES GO BUST

BIKE SHARES HAVE THRIVED in cities across the country. But Seattle’s Pronto program hasn’t worked as hoped. Now the city has decided to take over the financially beleaguered bike share—the council voted this spring to buy it for $1.4 million—and Seattle is faced with some tough questions.

The biggest will be how to boost Pronto’s anemic ridership. Pronto predicted it could attract 4,000 paid members in its first year. It turns out that membership actually slipped to below 2,000. That means that Pronto’s 500 bikes, distributed among 54 stations, are not used much—just 0.78 times a day, on average. The usage rates for bike-share systems in Boston, Chicago, New York City and Washington, D.C., by comparison, are higher than three times a day. Denver, Minneapolis and San Francisco also have higher usage rates than Seattle.

There are many theories on why Seattle’s performance has been so lackluster. Certainly the city’s geography doesn’t make it easy. Pronto introduced special bikes, with extra gears, to help riders climb hills. That said, San Francisco, another hilly city, is going forward with a major expansion of its successful bike share. Seattle’s rainy climate might discourage riders, but Portland, Ore., has a wet climate, too, and it plans to start a bike-sharing service with twice as many bikes as Seattle this year. Another complicating factor for Seattle is a state law that requires riders to wear helmets, which many bicycle advocates see as a deterrent for would-be cyclists. But the same helmet law hasn’t discouraged Tacoma, Wash., from looking into launching its own bike-share system (although Tacoma hasn’t decided whether to go forward with it yet).

Perhaps the biggest issue, though, is how far apart Seattle’s bike stations are from each other. The National Association of City Transportation Officials found that station density is one of the biggest factors in the success of bike-sharing programs. The group has recommended that stations be no more than a five-minute walk apart. Seattle’s bike-share stations are located in two clusters: 42 stations downtown and eight in the University District roughly three miles away. Seattle Mayor Ed Murray proposed a city takeover and expansion of Pronto last year, but the council wanted to wait until it could figure out how to make the system financially viable. Some wanted to turn the system over completely to a private company, as in New York City. Ultimately the council opted for a takeover instead. The move prevented Pronto from shutting down at the end of March and stopped the city from losing the $1 million it received from the federal government to launch the service.

Mike O’Brien, the chair of the city council’s transportation committee, told constituents he anticipates that Seattle will expand Pronto now that it has taken over. “You can expect to see more stations and more bikes, which means both better access in the areas currently served by Pronto and a reach into new neighborhoods,” he said. “A bigger network will mean many new opportunities for people to use the system.”

—Daniel C. Vick

Seattle recently took over the faltering Pronto bike program.
The Black Lives Matter movement isn’t giving up on street protests, but it’s starting to press its demands within political and policy circles as well.

Well-known activist DeRay Mckesson made a bid for mayor of Baltimore last month, and Black Lives Matter played a key role in other elections—namely, helping to unseat prosecutors in Chicago and Cleveland who were seen as insufficiently rigorous in their pursuit of justice following police shootings.

But even as the movement works to hold elected officials accountable, some African-American politicians are working to highlight the need to change law enforcement and criminal justice policies. A group called the 20/20 Club, consisting of 20 Republican and 20 Democratic officials, will host forums on these topics at the two national party conventions this summer, while pressing Congress to act on legislation.

Street protesters helped signal “a new era of civil rights,” says Ashley Bell, Republican co-chair of the 20/20 Club. He says Black Lives Matter helped to mobilize people and branded a movement. But translating anger over police shootings and the economic ramifications of mass incarceration into new governmental policies still requires people who can work an inside game, people who take “a relentless, incremental approach,” says Bell, a former county commissioner in Georgia.

“We saw lots of marches, we saw lots of protests,” he says, “but where was that aspect that talked about policy and strategy? Every protest movement with any real resonance has come to this crossroads. There’s always tension between those who want to topple the status quo and political insiders who say affecting real change requires working within a system protesters find tainted. “Street-based protest and militancy raises some issues,” says Rosemary Feurer, a historian of protest movements at Northern Illinois University. “Then there are groups that come forward that say, ‘We'll address these issues, but we'll be brokers. ‘We're going to direct this anger toward a more detailed purpose.’”

One certain difference between the approach taken by the 20/20 Club and the Black Lives Matter movement is that the elected officials’ group includes top police officials and organizations as part of its advocacy work. “We're trying to add policy to quiet the concerns that are being reflected in the Black Lives Matter movement,” says Democratic state Rep. Ted James of Louisiana, a club member.

When James says he’s trying to quiet the movement’s concerns, that doesn’t mean he’s trying to dismiss them. Quite the contrary. The eruptions of distrust and unrest within the black community have led African-American officials to find common ground on these pressing issues, on a bipartisan basis, wherever possible. Last fall, in South Carolina, the group hosted the only forum on criminal justice issues that drew presidential candidates from both parties.

High-profile events, whether they’re televised speeches or marches, can draw attention to an issue. The grunt work that leads to policy change looks a lot different from protests, but it doesn’t have to be done in opposition to the activists. “We play a different role,” Bell says. “We like to say that we’re a different instrument within the same orchestra.”

—Alan Greenblatt

Louisiana state Rep. Ted James is a member of a group that seeks to translate the energy of the Black Lives Matter movement into legislative action.

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The Establishment? It’s Long Gone
Power brokers haven’t dominated politics at any level for decades.

The 2016 presidential campaign has defied expectations at almost every turn, but it has produced one seemingly immutable fact: The Establishment is a spent force. Lurking behind this simple truth, however, is a whole collection of puzzles. Is the death of the Establishment mostly an event in presidential politics, or does it apply to the entire American political system? Or is it a broader event with deep roots in society at large?

And perhaps even more important, what exactly is the Establishment in the first place? The politicians and journalists who have become addicted to the term don’t stop to explain what they think it actually means. The more we trouble to think seriously about the Establishment’s demise, the more problematic the whole subject becomes.

When most of us imagine the existence of an establishment in a presidential campaign year, we conjure up visions of a small group of party leaders meeting in private, reaching agreement on who their presidential nominee is going to be and making it stick. This form of establishment is indeed gone, but it didn’t die this year, or in any recent election cycle. It has been dead for more than half a century.

If the Establishment is indeed a cohesive cadre of high-level decision-makers, then the last time it genuinely functioned was in 1952, when an elite group of East Coast lawyers, financiers and diplomats anointed Dwight Eisenhower as the Republican presidential nominee, and an equally exclusive cohort of Democrats chose Adlai Stevenson as his opponent. Neither man had to run for the job—he chose his opponent as his opponent. His son managed to acquire the Establishment’s trust.

Nothing like that has happened in decades. Jimmy Carter, Bill Clinton and Barack Obama, the last three Democratic presidents, all entered as insurgents bent on cracking through the barriers to political leadership, not as favorites seeking to succeed by elite anointment. George W. Bush had plenty of influential Republican friends in 2000, but he still had to fight his way through a bruising and often brutal primary season. Mitt Romney looks and sounds like the epitome of what an establishmentarian is supposed to be, but he too had to claw his way to the nomination in 2012. Nobody gave him anything.

Of course, the problem could lie in the definition. Maybe, instead of conjuring up smoke-filled rooms, we should think about establishments more broadly as clusters of voters and political actors who live in suburbs, work in the higher echelons of corporate America, follow the dictates of the Chamber of Commerce, and generally believe in preserving the social and economic status quo. By that measure, establishmentarianism continues to exist, at least in the Republican Party.

But if that’s what the Establishment is, I’d still argue that it hasn’t exercised much clout in the presidential nominating process for quite a while now. Most of the Republican candidates who have become household names in the last 60 years—Barry Goldwater, Richard Nixon, Ronald Reagan—carried a chip on their shoulders when it came to the supporters of the status quo. Having close ties to the Establishment hasn’t been anything to brag about in presidential politics for a very long time. Those who have succeeded have managed to portray themselves as outsiders in some tangible or symbolic way: George HW Bush professed to love pork rinds. His son managed to acquire the cadences of a Texas oil-field accent.

Nevertheless, that hasn’t stopped the political commentator from looking around every four years and proclaiming the decline of the Establishment as if it were something new. Journalists are a little bit like the Bill Murray character in the movie Groundhog Day. They keep waking up to the same music and failing to realize they’ve heard it before. It’s not a perfect analogy—Murray eventually figures out what’s going on—but it captures the essence of the situation. All Donald Trump has done is turn up the volume on the radio.

But the Groundhog Day peculiarity doesn’t just infect presidential campaigning. It’s a force practically everywhere in American politics. Consider state legislatures. Anybody sent to cover one in the 1960s or ’70s, or a bit later in some places, had the privilege of observing a classic establishment at work: a close-knit group of elected and unelected leaders making all the important decisions and essentially imposing them on the membership at large.

Each state was a little different, but there were some elements common to most of them. The leading legislators socialized together in cliques that did their most crucial work during off hours and in private, usually in favored bars or restaurants. House speakers and Senate presidents tended to remain in power for many years. A disproportionate number were from rural communities, because the malapportionment of seats gave rural parts of the state outside influence. Key members mixed with lobbyists in a nearly seamless web of political influence. It was a cabal of pragmatists; ideologues were rarely invited to join. Newly elected members weren’t listened to very much; it took a few terms for a legislator to win the Establishment’s trust.

You still see freshman legislators voicing to take on the Establishment and reporters filing stories asserting the
decline of entrenched power, but in most places they are several decades behind the curve. With a few notable exceptions, such as Illinois and New York, concentrated legislative authority fell victim to “one person, one vote,” to the decline of seniority, to the increased presence of women legislators, to the modest tightening of ethics and disclosure rules, and to the refusal of most junior members to sit quietly for a few years and do as instructed. The Establishment died out in state politics around the time it collapsed in presidential campaigning, and for some of the same reasons.

Back when state legislatures were governed by cabals of senior legislators, local governments were dominated by establishments of a different sort. In a few big cities, the Establishment meant a single party boss who had control of the nominations in the party that dominated local affairs. This was the “Daley Machine” model from mid-century Chicago that still resonates even among some Americans too young to have experienced it. In most cities, the Establishment wasn’t a single power broker but a close-knit alliance of party insiders who dictated key policy decisions to rank-and-file city council members and compliant mayors.

In smaller communities that had adopted city manager government, often in disgust at political machines and party bosses, a different sort of Establishment prevailed. Generally it consisted of the manager, a handful of trusted city bureaucrats and a friendly collection of business leaders. They often made the important political and policy choices over breakfast or lunch in a café conveniently located near city hall or the county courthouse. I have literally never come across a community of any size that didn’t have a political café of this sort in the 1950s and 1960s.

Why have I made the leap from presidential campaigning all the way down to the bottom rungs of government? Because in their heyday, all levels of American politics operated in roughly the same fashion. They were managed by an establishment that decided who the officeholders in their jurisdiction should be. Whether late ‘60s and early ‘70s, it fell apart from top to bottom, from the upper reaches of presidential politics to the tedious slate-making choices in small-town diners. Establishments gradually ceased to function as judges of political integrity and talent. Upstarts crashed the gates of the political process, winning elections as presidents and governors, and for myriad minor offices further down.

Who chose these people? They chose themselves. I wrote that in a book 25 years ago, but I didn’t foresee that it would apply even more forcefully to the politics of 2016 than it did to those of a generation ago. The idea of self-nomination is helpful in explaining Jimmy Carter, Bill Clinton and Barack Obama; it is even more helpful in explaining Donald Trump.

Why the Establishment declined is a question that can’t be answered fully in a single column. Perhaps it will suffice as a start to say that over the course of the ‘60s and ‘70s, Americans lost the confidence and trust they once felt toward authority in almost every walk of life. There are many casualties of that disillusionment, but one of the important results has been a refusal to let an establishment of any sort choose political leaders through a process of anointment. If you follow that disillusionment from its beginnings in the ‘60s, it may seem like a radical break from the past, but in many ways it is the culmination of a process that began more than half a century ago and has yet to play itself out.

If the Establishment is indeed a cohesive cadre of high-level decision-makers, then the last time it genuinely functioned was in 1952, when it anointed Dwight Eisenhower as the Republican presidential nominee and Adlai Stevenson (left) as his opponent.

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If you have any questions or need further assistance, please feel free to contact me. I can be reached at ahevenhalt@governing.com.

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Monumental Decay
In D.C., historic infrastructure is in bad shape. What’s below ground is even worse.

You don’t need to convince the citizens of the nation’s capital that we are in an infrastructure crisis. They see it all around them and experience it in their daily lives. The biggest single reminder is the U.S. Capitol, which can be seen throughout the district. It’s shrouded in scaffolding as construction is underway to repair more than 1,000 cracks and deficiencies in the cast-iron dome, originally built more than 150 years ago. It’s the first time in 56 years the structure has been redone, and the job will cost a projected $60 million.

Not long ago the Washington Monument, just down the National Mall from the Capitol, was similarly covered with scaffolding, after an earthquake in 2011 threatened the structure. Congress appropriated $15 million to fix it, but that was only half the needed amount. The other half had to come from private sources.

Local billionaire David Rubenstein, who made his fortune in private equity, paid the additional money. Now Rubenstein is at it again, this time to renovate the crumbling Lincoln Memorial, at the opposite end of the Mall. In February, the National Park Service announced that Rubenstein would donate $18.5 million to pay the entire bill for the four-year project.

Just on the other side of the Memorial, there’s another problem, and it’s doubtful Rubenstein will be able to help. The park service recently announced that the iconic Memorial Bridge, crossing the Potomac River to Arlington Cemetery, is unsafe and will have to undergo a major renovation within the next four to five years at a projected cost of $250 million. The problem is that the park service already has unfunded infrastructure needs totaling some $12 billion nationwide.

But the city’s real infrastructure disaster cannot be seen so easily because most of it lies underground. A couple of months ago, the capital region’s 40-year-old Metro rail service, the second-largest urban system in the nation, with six major lines, more than 100 miles of two-way track and 91 stations, closed down for an entire day. The immediate reason was safety, specifically electrical fires caused by malfunctioning cables. Two days earlier a fire had disrupted morning service and filled a tunnel with smoke. It was an ominous reminder of a similar but far more serious incident in early 2015 that killed one passenger and injured many others.

In a metro area known for its monstrous traffic jams and hours-long commutes, the complete closure of a rail system that handles almost 720,000 passenger trips on the average weekday was bound to be a disaster—and it was. Alternative forms of travel picked up some of the slack: Buses were particularly crowded, bike trails were jammed and Uber reported a record surge in business.

So how did things get to this point? The answers are complex, involving a breakdown in management and poor intergovernmental cooperation that has been unfolding over a long period. In recent years, Metro has become so unreliable, and at times so dangerous, that rail ridership has begun falling—by 7 percent just last year, which in turn is affecting the Metrobus system, the nation’s sixth largest, with ridership averaging 445,000 customers a day.

The official who made the decision to close down the entire rail system is Paul J. Wiedefeld, who used to run the Baltimore-Washington International Airport. He was appointed as Metro’s new general manager in November, and his first major decision to stop the trains for a day actually offered some hope that he is the kind of leader the agency needs.
A measure to raise the minimum wage is on the ballot in Washington.

Wiedefeld inherited a system whose problems he now says are “worse than I thought,” where “a deep-rooted operational safety culture has not taken hold,” and where the “erosion of service reliability” is disturbing, with mechanical problems resulting in a doubling of late trains last year alone.

Perhaps most remarkably, Wiedefeld reported that Metro “has significantly underspent its capital budget every year for more than 10 years.” Last year, he said, “it spent only 65 percent of its $1.1 billion capital budget.”

You don’t need a more glaring example of mismanagement than that, but there also is a problem with the agency’s structure. It’s operated by three jurisdictions—DC, Maryland and Virginia—now joined by the Federal Transit Administration, which stepped in last summer to handle safety oversight.

Wiedefeld doesn’t mince words in describing his problems: “an unyielded and too large board of directors whose members represent competing jurisdictions; “powerful and entrenched unions that may encumber management’s ability to deploy personnel sensibly”; and finally, “the heavy hand of federal oversight.”

Metro’s deepening crisis marked the first time the feds have taken over a management function at any public transit agency, but there was plenty of provocation. The three jurisdictions responsible for Metro dawdled in devising a plan to organize their own effective safety oversight commission, finally saying they couldn’t do it until next year because of different legislative schedules. It was hard to argue with the federal agency when its leaders said they were frustrated.

Looking at the larger picture of an infrastructure crisis in our nation’s capital, from its historical monuments above ground to the rail system beneath it, the city, the two states and the feds all richly share in the blame. But they also have a unique opportunity to find a solution and set an example. G

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Petitioning for Change
Democrats use ballot measures to further causes.

From California to Maine, voters will be faced with dozens of ballot measures this fall, ranging from instant-runoff voting to pharmaceutical regulation. But ballot initiatives aren’t just about the issues. They are also used to help get out the vote.

In recent cycles, progressive groups have looked to topics such as minimum-wage increases and marijuana legalization to help drive voter turnout.

The fact is that there are few other avenues for Democrats. Republicans dominate Congress and control big majorities in most state legislatures. “People are recognizing that their legislatures aren’t helping them on issues that they care about, so they’re going directly to the ballot,” says Kellie Dupree, director of programs for the Liberal Ballot Initiative Strategy Center.

Not to be outdone, the Republican State Leadership Committee (RSLC) has set up the Center for Conservative Initiatives. “It was created early in 2015 in response to a very well-thought-out, very well-coordinated effort by Democrats and leftist groups to gain access to the ballot,” says RSLC President Matt Walter.

The new center helped defeat two education funding measures that were on the Mississippi ballot last November. But this year, Walter says, it will “largely be playing defense” as the center develops its own strategies and funding levels. Eventually, he adds, look for the group to back a raft of conservative measures.

In the meantime, progressives are doing everything they can to further their causes. Minimum-wage increases will again be prominently featured on ballots, while a half-dozen states will likely cast votes on marijuana.

Of course, legislatures aren’t sitting idly by, either. There are some issues that legislators are almost endemically allergic to, such as campaign finance regulation and sending redistricting responsibilities to an independent commission. When it comes to policy questions, advocates find that initiatives let them work their way around political branches that may be unfavorable. “The legislature doesn’t like people passing things through the initiative process,” says Craig Burnet, an expert on ballot measures at Hofstra University.

“If you’re a legislator, you think lawmaking power should be preserved within the legislature itself.”

That line of thinking is one reason why numerous states have passed laws to limit access to the ballot over the past decade or so. “Legislatures are increasingly looking for ways to dampen these initiatives,” says Allen St. Pierre, executive director of NORML, a pro-pot legalization group. “We marijuana reformers might not have voter initiatives available to us in 2018 or 2020 or 2022.”

In 2016, however, anyone with adequate funding for an initiative should have an unusually easy time getting an idea on the ballot. Why? Initiative campaigns generally have to collect a number of signatures that is equal to a percentage of the votes cast in the last election. In 2014, turnout was the lowest it’s been since World War II. “It will certainly be a pretty busy ballot year,” says Dupree of the Ballot Initiative Strategy Center.

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Black, Gay and HIV Positive
Alarming infection rates bring more attention to treatment in communities of color.

About half of black gay men in America will be infected with HIV at some point in their lifetimes, according to a recent Centers for Disease Control and Prevention (CDC) study. That frightening statistic is surprising to many, as public perception in the U.S. is that HIV has largely been eradicated here. But for those who work in HIV research and advocacy, it’s not a surprising number at all.

For most people facing the disease, HIV is no longer seen as a death sentence but as more of a lifelong, manageable illness. Yet the policy and program efforts for treating and preventing the disease haven’t always extended fully to communities of color. The high rates of HIV among black gay men can be traced back to factors including stigma in the community, lack of health care and few community resources. The organizations and funds that are available often don’t go far enough or aren’t adapted to best serve the population.

“There needs to be a peer-to-peer health-care infrastructure in place that touches every single delivery point,” says Phill Wilson, president of the Black AIDS Institute, which works to stop the AIDS pandemic in black communities. “Often we’ll see community health programs where other gay black men are helping out at the screening and testing phase, but not in the health-care delivery phase—which is the most vital.”

Alameda County, Calif., is hoping to change that. It was awarded state funds in March to improve coordination with community members and providers regarding pre-exposure prophylaxis (PrEP), a pill that can be taken to prevent an HIV infection. Community members, called “navigators,” will help those most at risk—largely black gay men, especially in Oakland—get access to PrEP.

Meanwhile, in Los Angeles County, the nonprofit AIDS Project Los Angeles is refocusing its efforts to adapt to the changing face of the AIDS patient. The project recently opened clinics in traditionally African-American and Latino neighborhoods that focus on increasing the use of PrEP.

Nick Moss, director of the HIV/STD unit at the Alameda County Public Health Department, acknowledges that there has to be a change in how public health entities approach HIV prevention and care in more urban areas. “We’re a government entity, so it’s important that we’re not barging in and telling people what to do,” he says. “We really want to make prevention efforts community-focused so we can best understand needs and challenges.”

One bright spot is that the CDC study could bring much-needed attention to the issue from public officials who dole out money and resources to health agencies. Officials at AIDS Project Los Angeles say they’ve heard that the CDC report has been circulating in Sacramento, so they’re hoping that state legislators will act soon to fund efforts like theirs. “We have an opportunity to address HIV in these communities in ways we haven’t before,” says Moss. “We know we can do a better job testing people; we know we can do a better job keeping people on treatment.”

The impact of the CDC report is good news to Wilson of the Black AIDS Institute. “I was diagnosed with HIV when I was 26, and my doctor told me to get my will in order because I wasn’t going to live to my 27th birthday,” says Wilson. “I’m about to celebrate my 60th birthday. So I’m always optimistic that something will lead to a breakthrough within our population.”

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Women for Water
A new initiative calls on rural women to help in cleaning up water pollution.

Water is crucial to the identity and economy of Minnesota. The state known as the Land of 10,000 Lakes draws more than a quarter of a million visitors every year to canoe and explore its Boundary Waters wilderness area. It’s the state where the Mississippi River begins.

But Minnesota’s lakes and streams are increasingly polluted, and that pollution is starting to take its toll. Less than a fifth of the lakes and streams in the southern portion of the state are swimmable or fishable, mainly because of nitrogen and phosphorous from farm fertilizers that wash off into nearby waterways. Attempts to curb the pollution, including a state law passed last year requiring farmers to leave unfarmed “buffer” areas between their crops and waterways, have been sporadic, hard-fought and, so far, insufficient.

The resistance among farmers is formidable. “Whether it’s rational or not, there is a real skepticism about anything coming out of the Twin Cities that has to do with rural policy. There’s a distrust of the government,” says Nicole Helget, a University of Minnesota graduate student who hails from a rural area.

That sentiment is not unique to Minnesota. Other states, including Iowa, Maryland and Ohio, are struggling to get farmers to cooperate with efforts to clean up streams and waterways. In Iowa, Des Moines’ water utility resorted to suing outlying rural counties last year, hoping to force farmers to reduce the amount of nitrogen-heavy fertilizers they were applying to their crops. Des Moines spends hundreds of thousands of dollars each year filtering nitrates out from its drinking water.

Helget and a team of four other graduate students think they can engender change by recruiting women in rural areas to do the persuading. They’ve launched an effort, called the Plum Creek Initiative, to pay women to teach their neighbors about water quality problems, show them how they can reduce pollution on their own farms, test local bodies of water for pollution and even help farmers fill out paperwork to get government grants. Initially, Plum Creek plans to hire 27 women in one county.

“Women’s roles on the farm are changing. They’re starting to make more and more decisions … and running the business,” says Monica Bolinger from St. Catherine University, another member of the team. Women are either the primary or supporting operators on a quarter of Minnesota farms, and they’re especially active in running small farms.

Bolinger says rural women are also more receptive to environmental concerns than men. “Women are more open to hearing a message that might affect their family and their community,” she says. “They’re more apt to communicate that message with their neighbors, their spouses and their partners.”

In 2006, Plum Creek was deemed unfit for aquatic life.

The hope is that these women will convey that message in a way that avoids shaming farmers, pointing fingers or relying on partisan arguments. Instead, they’re likely to appeal to profit motives, the importance of stewardship and scientific facts—possibly even emotion, the organizers say.

In fact, the project’s name itself has some emotional appeal. It’s a nod to On the Banks of the Plum Creek, the fourth book in Laura Ingalls Wilder’s Little House on the Prairie series. The book describes the Ingalls family’s time living in a dugout house on a farm in Redwood County, the same county that the Plum Creek Initiative plans to start its work in. These days, the creek is in bad shape, like many of the waterways in the area. When regulators last checked it in 2006, they concluded the creek was unfit for recreation or for aquatic life.

Organizers plan to kick off the initiative in August. In the meantime, the team is lining up support, including financial backing, from other groups active in rural Minnesota causes. It has already won a modest grant of $5,000 as a finalist at the National Public Policy Challenge in Philadelphia, a competition that judges policy proposals from public policy schools. “Our key goal is to complement and cooperate with existing organizations,” says Bolormaa Jamynsuren, another Plum Creek organizer, “so that the end goal is to improve the water quality.”

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Automation and the Displaced Worker

Technology hasn’t been kind to the working classes. That won’t soon change.

In George O. Smith’s science fiction short story “Pandora’s Millions,” society collapses when the invention of a “matter replicator,” like the ones from Star Trek, instantly renders most of the economy, and money itself, obsolete. Being a short story, this is resolved quickly with the invention of a substance that can’t be duplicated, followed by rebuilding the economy and society around services. Real life doesn’t always recover so quickly from disruptions, as we are finding out.

Process improvements, technology and global trade, we were told, would be a great boon. And indeed they have been. Global economic output has soared, and some developing world nations have dramatically transformed themselves. The modern economy has tremendously benefited many in the educated classes. More important, a billion people around the world have been lifted out of $1.25-a-day poverty. This is a truly stunning achievement that should not be discounted.

Alas, not everything has gone as promised. The middle and working classes in the developed world have struggled, not just economically but also socially. While “creative destruction” would wipe out many existing jobs, we were assured that it also would create many new ones, just as yesterday’s industrialization provided better jobs not just for those displaced from the collapsing agricultural economy but for millions of poor European immigrants as well.

We tend to forget that industrialization involved a long and painful period of adjustment and that the beneficial outcome wasn’t guaranteed. Today we find ourselves in another such period of uncertainty, one highlighted in a recent McKinsey study citing the thousands of U.S. manufacturing jobs lost from increased goods trade with China since 2000. “Workers who lose their jobs in one industry should find opportunities elsewhere,” the study notes. “Yet this process does not always play out neatly and quickly.”

As a recent academic paper entitled “The China Shock” put it, “Offsetting employment gains… have yet to materialize.” The Brookings Institution adds, “Household incomes and wages are stagnant or losing ground for all but the top tier of earners. Nationally growth in low-wage jobs has far surpassed growth in middle-skill and higher-wage occupations.”

My Manhattan Institute colleague Scott Winship demonstrates that income gains are not disproportionately going to the top 1 percent, as some would argue, but writes that in part that’s because “so far in this business cycle, there have been no income gains to divide between rich and poor.” And both conservative scholar Charles Murray and liberal Harvard sociologist Robert Putnam have documented the social destruction that has gone along with and reinforced this.

There’s ample reason to believe these trends will continue. Northwestern University economist Robert Gordon argues that we are in an age of slower growth. But even if productivity growth does rise sharply, that may actually increase near-term job displacement. Researchers at Oxford University estimate that nearly half of all U.S. jobs are at risk of being lost due to automation in the next 20 years.

Unsurprisingly, this has generated discontent. Back through to the 1980s and ’90s, this was mostly limited to displaced industrial workers. Today that has grown to a much broader spectrum, from young...
master’s degree holders with piles of student loan debt who are stuck working at Starbucks to corporate middle managers losing their jobs to outsourcing or foreigners working here under H-1B visas.

Add to these the many people who have seen their wages stagnate or decline. Yes, some compellingly dispute the stagnant wage hypothesis, but clearly there’s enough that we can see is wrong to justify the feeling of pessimism many have about their own and their children’s lives. Cumulatively, there are many millions of unhappy people out there. The white working class may not excite much sympathy on the left, or increasingly on the right either, but if they are hurting this badly there’s little prospect of accomplishing the critical task of economically integrating black America into prosperity.

This has percolated through to the political system, with the rise of Donald Trump and Bernie Sanders, both questioning many of the premises of the current economic system. America is more receptive to these arguments than many ever would have believed possible. That’s because the current system has lost legitimacy in the minds of many. Not only did it fail to deliver the promised benefits to them, but then government turned around and bailed out the big banks in the financial crash.

The economic and social challenges facing America are serious and won’t go away wishful thinking. The industrialization era was turbulent and produced many reform movements, not all of them good. Even if Trump and Sanders lose, their social upheavals, and they might even start changing that. Failure to implement some serious policy proposals for how to do this will only perpetuate further social upheavals, and they might even get uglier than what we’re seeing today.

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The Perils and Promises of TIF

The Perils and Promises of TIF

Tax increment financing (TIF) is one of the most popular financing techniques in a locality’s toolbox. It’s also one of the most unappealing methods among some policy wonks. Intended to eliminate blight in the poorest neighborhoods, TIF projects are often criticized for funneling money away from core services and to neighborhoods that are neither blighted nor poor. But the problem with TIF isn’t the policy itself. When applied properly, TIF can bring the notions of value capture and financial accountability to public works.

TIF policies vary by structure. But generally TIF works like this. A municipality approves and floats bonds for a new amenity. Then the municipality draws a boundary around the area, estimating which properties will benefit from the amenity. To pay the debt, the municipality uses the added property or sales tax revenue—called the “increment”—that results from within the boundary.

TIF is controversial because it’s become a financing source, and in some cases a slush fund, for some municipalities to speculate on private redevelopment projects. In Chicago, up to one-sixth of the budget has been used for TIF projects, including construction of a Marriott and a Whole Foods. Many of urban America’s much-maligned stadiums and convention centers were funded through TIFs. Because TIF began as a blight combative, it’s also been used for the controversial practice of performing eminent domain for private uses, such as when Detroit demolished a neighborhood for a GM plant.

But TIF isn’t all bad. A better use for TIF has been for core public works projects, such as libraries, parks, underground infrastructure and street improvements. Mass transit has been a particularly common TIF-funded amenity, which is fitting given that transit is generally built near intensive, revenue-generating uses.

There are several advantages to using TIF, rather than money from the general fund, for these public goods. First, it forces neighborhoods to fund their own amenities. People who benefit from proximity to a project via higher property values, added commerce, or use of that amenity, will actually pay for it. This matters in an age when struggling inner-city neighborhoods and outer suburbs alike resent funding downtown projects that have little to do with them, especially if that means their own services are cut. Second, TIF incentivizes governments to use the land within TIF boundaries for high-revenue-generating purposes.

Of course, TIF doesn’t guarantee against boondoggles. But a third asset is that TIF, if structured properly, encourages accountability. If officials know that a project must pay for itself through added tax receipts in a specific location, they’ll be more cautious about what and where they build. And because TIF demands a before-and-after look at an area’s revenue levels, it clarifies whether an amenity has worked.

TIF is not the only value-capture option. Other options include special assessment districts, land value taxes and developmental impact fees. While varying in substance, all of these value-capture policies are much more pragmatic and targeted than simply funding projects willy-nilly through the general fund. The key is to use them on public goods, rather than on private real estate speculations that ultimately should be left to the market.

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By Scott Beyer

May 2016 | GOVERNING 23
The Wynwood neighborhood, formerly a warehouse district, has become a popular destination.
Miami is reshaping itself from the ground up.

By Zach Patton

Photographs by David Kidd
Miami’s Wynwood neighborhood epitomizes hip. A neglected industrial enclave that sat mostly empty just a few years ago, Wynwood today thrums with energy. Its low-slung warehouses and once-dowdy auto garages are filled with buzzy-worthy eateries, high-end tattoo studios, vegan juice bars and edgy art spaces. At Wood Tavern, twentiesomethings gather around graffiti-covered picnic tables to sip La Rubia blonde ale, brewed just a couple of blocks away at the Wynwood Brewing Company. At nearby Wynwood Kitchen and Bar, diners eat Latin-tinged cuisine under wall-size murals by street artists. A block down, the line at Panther Coffee can stretch out the door. Throughout the neighborhood, at all hours of the day, people stop to snap selfies in front of the colorful new murals that cover seemingly every inch of every building in Wynwood.

It’s the kind of dynamic urban scene that cities dream about. And it would never have happened, Miami planners say—or at least not to the same degree of success—without the city’s new zoning code known as Miami 21. “I cannot imagine it,” says Francisco Garcia, the city’s planning director, shaking his head at the thought. “I just can’t even imagine.”

Miami 21 isn’t actually brand-new: It’s been on the books since 2010. But it was the first true overhaul of the city’s code in nearly 80 years, and it points toward major change in the way Miami will grow for generations to come. The controversial code has altered every aspect of the city’s development, from the way a builder interacts with the planning department to the size of the windows of a finished storefront. And it touches every part of the city. That means buildings are considered in context with what’s around them, regardless of what goes on inside. The code defines the physical shape development should take in different parts of the city. That means buildings are considered in context with what’s around them, regardless of what goes on inside. The goal is a more walkable, more human-scale form of development.

Public zoning codes are typically filled with mind-numbingly dry details of frontages, setbacks and floor-area ratios—and Miami’s is no. But these codes ultimately determine the way a building will be used—residential, say, or mixed-use commercial—how it will be used—residential, say, or mixed-use commercial—the code defines the physical shape development should take in different parts of the city. That means buildings are considered in context with what’s around them, regardless of what goes on inside. The goal is a more walkable, more human-scale form of development. When Miami adopted the code in 2010, it was the first big U.S. city to implement a form-based code citywide. Six years later, it’s still the only one.

Most of the impact of Miami 21 isn’t as tangible or as concentrated as in Wynwood. But its effects are suffused in properties throughout the city. On a recent sunny Friday, as Assistant Planning Director Luciana Gonzalez drove around town with a couple of visitors, she didn’t help interrupting herself every so often to point out the role of the new code. “That’s Miami 21,” she says, as she passes a new bank branch building set close to the street, with parking hidden behind it. “That’s Miami 21,” she says again, pointing out a multistory self-storage facility that looks more like a sleek office tower, with inviting plate-glass windows along the sidewalk and a soon-to-open high-end rooftop restaurant that will take advantage of the views of the Miami River. A little later, Gonzalez passes an under-construction residential high-rise that’s wrapped in street-level retail spaces. “That’s Miami 21, too.”

Miami’s form-based code has been lauded by the international planning community as a progressive commitment to New Urbanist ideals. But getting to this point involved years of convincing skeptical developers, architects, neighborhood organizers and political leaders that this was the right thing for the city. And the code still has plenty of critics. A block down, the line at Panther Coffee can stretch out the door. Throughout the neighborhood, at all hours of the day, people stop to snap selfies in front of the colorful new murals that cover seemingly every inch of every building in Wynwood.

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sensed that Miami’s development had gotten off track, even if he couldn’t articulate it. “I wasn’t trained in urban planning or design, but instinctively I knew something was wrong, because I just looked around,” he says. “I saw pretty buildings that had no connection to the street, no connection to the buildings around them. I knew something had to be done, but I didn’t know what that meant.”

Diaz turned to Gelabert-Sánchez and to Elizabeth Plater-Zyberk, the renowned Miami-based architect who, along with her husband, Andrés Duany, has become an international leader in New Urbanist design. “The old code,” says Plater-Zyberk, “was completely unpredictable.” It had resulted in a “totally incoherent” city.

Plater-Zyberk and the city planning team got to work on a code that would help guide the form of new buildings, rather than just prescribe how a specific property would be put to use. It would emphasize street-level activity and public spaces to encourage walking, and it would bring a sense of order to Miami’s explosive new growth.

Other cities had already implemented partial form-based codes in certain areas, such as a downtown core or a tourist district. In most places, the new code existed in parallel to a traditional use-based code. Cities would incentivize developers by, say, offering faster permitting for those choosing to abide by the form-based code, but it wasn’t mandatory. The planners in Miami began drafting something similar, a code that could be used to augment planning in certain hot spots around town.

Diaz had a different idea: Scrap the old code completely and start over from scratch. If a form-based code was good for certain parts of the city, he felt, then it would be good for the city as a whole. “It just made sense,” he says. “Let’s just do it all at once. I know it’s crazy, but let’s just do it now.”

The plan was hit by opposition almost immediately. “There was a lot of concern, reluctance—fear, even—at the very beginning,” says Garcia, Miami’s planning director, who at the time was working in the private sector, on Plater-Zyberk’s team. “Some people in the design community were worried that everything would end up looking the same,” says Gelabert-Sánchez. “Or they were worried that we in the city were going to say, ‘I don’t like those windows. I don’t like that arch.’ But we just wanted to establish principles. We don’t care about the style.”

Over a period of six years starting in 2003, the city held 60 meetings to draft the code. Since the Great Recession, Miami has seen a building boom coinciding with the implementation of its new zoning code.

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formal public hearings on the new code, in addition to another 500 meetings with residents and other stakeholders—ranging from events with hundreds of attendees in large downtown convention halls to intimate sit-downs in residents’ living rooms. Many of the meetings were in Spanish. “We knew we’d have skeptics,” says Díaz. “So we wanted the process to be as transparent and as inclusive as possible. One thing no one can say is that this was some backroom deal between the city and developers, or land use attorneys.”

As the city coalesced around a plan, developers got on board. Because the new code provided much more predictability in terms of what was allowed on a given plot, the approval process need no longer involve acrimonious public hearings and contentious fights with the city over building plans. Everything would be spelled out in the code itself. And neighborhood conservationists appreciated that a new plan could better preserve the character of Miami’s distinct communities.

Still, there were critics. Property owners said the new code would devalue their land by limiting the amount of future development they could undertake. Builders said the code would throw all the city’s existing structures into legal limbo because they wouldn’t conform with the new regulations. And some of the preservationists and neighborhood groups that had initially supported the idea began to complain that the new code didn’t go far enough in protecting Miami neighborhoods; they waged fights with the city to “downzone” residential areas even further.

On Oct. 22, 2009, after an embarrassing initial rejection, Miami 21 was approved during Díaz’s very last meeting as mayor. The new code was law. But that didn’t end the opposition. The lone city council vote against the final code had been cast by Regalado, who 12 days later was elected mayor. Many people expected he might dismantle Miami 21 as soon as he took office. Indeed, some in the community hoped he would. Today, Regalado says he never even considered doing that. But at the time, advocates were worried. “Two or three [city commissioners]—and in particular Mayor Regalado—were set to take it apart,” says one person who was tracking the issue closely.

Then came the Great Recession. Ironically, it may have been the best thing that could have happened to Miami 21. Development in South Florida ground to a halt, and city leaders were overwhelmed by other concerns. Suddenly, debate over a zoning code was no longer a front-burner issue.

Gonzalez in the city planning office agrees. “It was good timing, actually, because then when the economy did come back, we were ready to receive the development. And ever since the beginning of 2013, it’s been, like, boom!”

It can be hard to appreciate the staggering rate of change Miami has seen in the past decade. From 2000 to 2014, the city’s downtown doubled in residential population, and almost half the residents who live there now are between 25 and 44 years old. In the past decade alone, the city has added 113 new high-rises. Some of that development happened prior to Miami 21, which officially became law in May 2010. But most of it has happened since.

For many in the city, the jury is still out. Regalado complains that with so many details spelled out in the code itself, orhammered out between developers and city planners, less of the process is subject to public input. “In the old code, every minor zoning change had to be done by public hearing,” he says. “Miami 21 [offers] less transparency.”

Garcia says that’s not the case. “Under the old code,” he says, “the public hearings were much more acrimonious than they have been under Miami 21. Now we get out there and engage with the stakeholders.” By the time a public hearing does occur, he says, everything has already been worked out.

Aside from dissatisfaction with the process, there are still some people who think the new code is a substantively bad deal. A few lawsuits have been filed by landowners—including the Catholic Archdiocese of Miami, which sued the city for $89 million in 2013—who say the new code has devalued their property. None of the suits has gone anywhere. Others have accused the city of applying the code inconsistently, letting certain projects skirt the regulations: A proposed Walmart in Midtown became a particular lightning rod for controversy, as urban big-box stores...
often are. But the city says the store has been designed to comply with Miami 21; ground was broken on the project in January.

For the most part, Miamians seem to be living with the new code. Architects and developers appreciate the predictability of it; city planners like the way it’s shaping new growth. In fact, nearly everyone seems to agree that it’s working extremely well downtown. But it becomes more problematic when applied to smaller neighborhoods. “Miami 21 is great in the areas of town that are already designated as high-density, high-intensity development,” says Ines Marrero-Pregues, a local land use attorney. The process for upzoning to add new denser projects in other parts of the city, however, is “very lengthy. It’s easy to get projects approved in the urban core, but it can be very onerous for people who are doing smaller projects where there’s less density already.”

There’s one thing you won’t find mentioned anywhere in the pages of Miami 21: climate change. According to some of the latest projections of sea-level rise, large parts of Miami could be underwater in as little as 85 years, which can make Miami 21’s intense focus on walkability and livability seem a bit ironic. It’s not quite like rearranging the deck chairs on the Titanic, but some fear it might be close. “I think we’re behind the curve,” says Regalado. “Sea-level rise is something no one wants to talk about because the condos are selling very well; Latin American people are buying condos by the dozen. It’s going to be painful, but we do need to create a code that takes sea-level rise into account.”

Regalado says he wants to add a climate change component to Miami 21 before he leaves office in November 2017. That’s something that Garcia would love to see as well. The climate change conversation, he says, has typically been dominated by architects, not planners, and has focused on making single buildings climate-resilient. “What I think is being left out of the conversation,” he says, “is neighborhood resiliency, as opposed to building resiliency.”

The full impact of Miami 21 won’t be felt for decades. But simply getting to this point has been a remarkable event. “Those seven years we spent developing the code,” Garcia says, “were seven years of getting a better understanding of what the concerns of the citizens were, and engaging the citizens to wrestle with planning and zoning issues. The knowledge base improved significantly, so now we can have much more advanced, sophisticated conversations with stakeholders. The profile of planning as a whole has been elevated.”

Walking around Wynwood, or popping into a sidewalk coffee shop in a new skyscraper downtown, most people aren’t thinking about the building code. They just know that Miami is becoming a nicer place to live. But the city as a whole has indeed come to appreciate the role zoning plays in creating a better built environment. Former mayor Diaz says that’s something he learned as well. “You don’t run for office on urban planning. You run because you say, I’m going to fight poverty, or fight crime, or improve education. But I realized that planning is the most important issue. We fight crime, and it goes down, and that’s good. But in a few years, it might go up again. You move the needle as best you can, but these are constantly changing issues.” But a new building, he says, will impact residents for generations. “When you put up a building, it’s there for a hundred years.”

Current Mayor Tomás Regalado acknowledges that Miami 21 “looks good on paper,” but says it’s proven difficult to implement on the ground.
Residents signed this door to show their commitment to ending violence in New Orleans.
Murder Mystery
Can New Orleans get its homicide rate in check?

By J.B. Wogan
ach time a shooting or homicide occurs in New Orleans, an email alert pulses through city hall. That’s pretty much every day. In 2015, there were 164 alerts for murder in a city of only 384,000 residents—giving New Orleans one of the highest murder rates anywhere in the country.

It is a gruesome reality for Charles West, the city’s criminal justice coordinator and chief architect of Mayor Mitch Landrieu’s violence-reduction strategy. West leads a team of innovation specialists who help city agencies devise new strategies to address key priorities identified by Landrieu. In 2012, Landrieu tasked them with bringing down the murder rate. There was no bigger problem than that. There still isn’t.

Crime is a perennial issue in every American city, and most mayors make public safety a cornerstone of their administration. Few, however, have devoted as much time and attention to homicide as Landrieu. New Orleans had more murders per capita than any city of more than 100,000 people. With grant funding from Bloomberg Philanthropies, Landrieu hired a team of in-house consultants, headed by West, to devise a comprehensive anti-homicide program. What emerged was NOLA for Life, a cross-agency initiative that aims to help young black men from low-income neighborhoods avoid violent crime, while also cracking down on a small group of ring-leaders responsible for most of the murders in the city.

“From a moral perspective,” says Landrieu, “you cannot accept the reality that young men are being killed at catastrophic levels on the streets. I just thought it was the most important problem I could think of. It was as complicated as any, and nobody has yet found an answer to it.”

Landrieu’s own staff questioned whether it made sense to stake so much political capital on a problem driven by forces largely outside the mayor’s control—poverty, unemployment, sub-standard education, inadequate housing and regional migration trends. Ashleigh Gardere, the mayor’s economic development director, says that when Landrieu announced that the innovation team would focus on murders, “My response was, ‘Why would we do that? We can’t even win.’ And yet, to the surprise of many, they started to win. In the first year NOLA for Life came online, the number of annual murders dropped from 193 to 156. The next year, it dropped to 150.

Since 2012, the mayor’s innovation team has committed itself to track every single murder in the Crescent City. Hence, the emails. The one team member who doesn’t get them, surprisingly, is West. He decided to skip the unpleasant experience of seeing the city’s annual murder count rise in real time. “We all have a desire to see people live their lives to the fullest, to not fall prey to violence,” he says. “We are all affected personally by the work. But I want to stay focused on the larger trends.”

The calm, soft-spoken West, who is 36 years old, prizes long-term data over the isolated anecdote, historical context over the latest trend piece in the local paper. Even so, the first quarter of 2015 tested his resolve to focus on the big picture. After three consecutive years of decline, murders were up 73 percent compared to the first three months of the previous year. After patient monitoring of the data, says West, “we see this spike. Then the question becomes, well, what do we do about it?”

Last year, city officials in much of the country were asking themselves the same question. For the most part, violent crime had been dropping steadily in urban America over the previous two decades. Then police departments started to see a worrisome reversal of that trend. By late August, New Orleans was among several major cities on pace to see a double-digit percentage increase in the number of murders compared to the year before.

For 2015 as a whole, murder rates rose an average of 14.6 percent across the 30 largest U.S. cities, according to a preliminary analysis by the Brennan Center for Justice at New York University. In New Orleans, murders ended up 9 percent higher. The Brennan Center’s researchers caution that because annual murder counts have declined so much since the 1990s, a small change in the actual number can look more dramatic than it really is. In Seattle, for example, one additional murder translated to a 4.8 percent increase. In Denver, 22 additional murders meant a 72.4 percent increase.

Still, no one knows why homicide made a comeback in some cities last year, or whether it was the start of a more sustained and troubling trend. Some say public outrage over police brutality discouraged officers from confronting and arresting violent criminals. In many cities dealing with financial pressures, insufficient police pay and benefits may have led to shortages of experienced officers needed to investigate murders and catch especially dangerous people. Another theory is that gang members were killing each other to gain control of the growing synthetic drug market.

In New Orleans, Landrieu has framed last year’s uptick as a small setback, but not a reason to panic. “One murder is too
many and a statistic has no meaning to a family member,” he says. “But when you’re redesigning an entire system to make murders go down, it matters a lot whether the statistics have gone up 50 percent or 9 percent.” It was a more sober assessment than the one Landrieu made the year before, when his office trumpeted a 43-year “historic” low in murder. The decline in murders had become a signature achievement of the Landrieu administration, proof that a community could in fact do something about the most complicated and intractable of urban problems. The rise of murders in 2015 threatened to undermine that inspirational narrative, leaving West and others involved with NOLA for Life to figure out what was going on.

The strategy that West and his colleagues devised in 2012 to reduce homicides is a sprawling one—there are 29 discrete programs in NOLA for Life—but the parts that get the most attention deal with gang violence. Frank Young, a police commander who runs the Multiagency Gang Unit, remembers the incident that prompted officials to dedicate funding and manpower to the gang problem. It happened in 2012. Young was a lieutenant in the Central City neighborhood, a high-crime area, and he heard gunfire a few blocks away. Someone had shot a girl named Briana Allen as she and her family celebrated her fifth birthday on their front porch. Her father, himself a suspected murderer, was the intended target.

In response, Landrieu convened law enforcement officials from the city, the surrounding parishes, and the state and federal government. The purpose of the meeting was to generate new ideas to prevent children from getting shot. Young hauled in a box of reports on violent crimes involving just one family, Brianna Allen’s. Much of the gun violence in Central City could be traced back to them. “There’s nothing I can do,” he recalls telling people in the room. “I don’t have the resources to build a huge conspiracy case.” At that point, an assistant district attorney piped in with a proposal: The city should create a special gang unit with local prosecutors, local law enforcement and federal agents. They would focus on gathering evidence to put the most dangerous offenders in prison.

Anti-gang units are a common feature of large urban police departments, but the conventional wisdom in New Orleans had long been that the city didn’t have organized gangs. What it had were small, informal neighborhood groups. They tended not to have the size or rigid hierarchy of organized gangs. Still, many
The rationale behind the unit was that a core group of troublemakers was involved in a disproportionate share of the shootings. Removing them from the neighborhood through arrests and incarceration might disrupt the cycle of retaliatory murders. Taking advantage of a little-used 30-year-old racketeering statute, the unit’s work has resulted in indictments of 114 people from 12 different gangs on a variety of charges, among them illegal gambling, bribery, drug crimes and gun-related offenses. As the prosecutions ramped up, the number of shootings and murders in the Central City neighborhood steadily declined. Between 2012 and 2015, the incidence of so-called group-involved murders dropped from 114 to 49.

The city has a few other tactics it is using to discourage gang violence. Young’s unit conducts call-ins with offenders on probation, offering them free support services and a warning that if they reoffend, they’ll face aggressive prosecution and a likely prison sentence. Another program, modeled after one called CeaseFire that began in Chicago, uses outreach workers to meet with young people suspected of being involved in shootings. Unlike the gang unit, CeaseFire doesn’t have an enforcement mechanism and its staff members don’t work with police. They tend to be ex-offenders or residents of the same high-crime areas as the people being targeted for assistance.

Young says, “Today’s suspect is tomorrow’s victim. Today’s witness is tomorrow’s suspect. It almost became predictable. We kept on seeing the same names.”

T o some, the spike in murders early last year was evidence that the city’s progress on the problem had been a mirage. “They got lucky,” says Michael Glasser, president of the New Orleans police union. Glasser believes the drop in murders had nothing to do with the mayor’s programs. He points to the conflicting trends of murder and shootings. While murder declined between 2011 and 2014, the number of shootings fluctuated. “When people are shot,” he says, “whether they live or die has nothing to do with police.” Instead, he believes effective trauma care in hospitals.

While the mayor’s office casts the wide-ranging nature of NOLA for Life as a strength, critics question whether the city can pinpoint what, if anything, actually brings down violent crime. "But I want to stay focused on the larger trends." says Charles West. "We are all affected personally by the work."

"Today’s suspect is tomorrow’s victim. Today’s witness is tomorrow’s suspect. It almost became predictable. We kept on seeing the same names."
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For his part, Landrieu doesn't seem overly concerned with proving that NOLA for Life is the reason murders dropped for three successive years. “It seems pretty obvious that when we started concentrating on it, simultaneously murders started to go down,” he says. “There seems to be something of a correlation. I don’t really want to get in a fight of whether we caused it or not—I don’t really care. The fact is that it’s gotten lower and it’s gotten lower in a fairly dramatic fashion. Having said that, our murder rate is still way too high and we have a lot more work to do.”

There is widespread agreement that the murder rate is still disturbingly high. The city’s progress, after all, is relative. There are still more murders in New Orleans than in most cities its size. Even in 2014, when the number was at its lowest point in eight years, residents reported that they didn’t feel safer. “It’s difficult to have a perception of safety when you live in a neighborhood where gunshots are a daily occurrence,” says Lisa Fitzpatrick, executive director of APEX, a drop-in center for at-risk youth in Central City. “Residents aren’t going to drill down into the statistics.”

Fitzpatrick says she does think the city is getting safer, and she has a very specific reason. Two years ago, a gunman fired into the playground behind her youth center. Fitzpatrick ducked and retreated into the center’s bathroom, where she dialed 911. It took 45 minutes for police to respond, and the officer left the scene without finding her. In mid-March of this year, another gunman shot one of the boys who uses the youth center. The boy had reached the center’s front door, where Fitzpatrick ran out to perform first aid, and she soon saw something out of the corner of her eye. “There was this mountain of a man, standing over us,” she says. An officer had arrived less than three minutes after the shooting. “He was just there, standing between us and the corner where the shooting had happened, at great risk to himself, guarding over us.”

Fitzpatrick knows people are skeptical about whether crime is actually down and whether NOLA for Life actually works. She also knows what she’s seen firsthand. “Because of personal experience,” she says, “I feel safer now than I did two years ago.”

When murders rose in early 2015, West and his team decided to revisit their original assessment of violent crime from three years before. What they feared was that a turf war between gangs was responsible for the wave of gun deaths. Instead, they found that a new problem had cropped up. Group-involved murders continued to decline, but domestic violence incidents had increased. The city hired more detectives to work domestic violence cases and changed 911 dispatch protocols so that police would respond faster to domestic violence calls. It expanded training for officers to identify patterns of abuse before they become deadly. The police also noticed a new concentration of group-involved murders in a neighborhood that NOLA for Life hadn’t targeted, prompting the Multiagency Gang Unit and outreach workers from CeaseFire to focus more of their time on that neighborhood.

After reviewing the crime data, West’s team concluded that the homicide numbers in the first quarter of 2015 were abnormally high, and the numbers would level off over time. “A lot of what we were doing didn’t need to change,” West says. Sure enough, the second half of the year was just shy of the lowest number of murders in a six-month period since the 1970s. After a rocky start, homicides in 2015 ended about 9 percent higher than the year before, still one of the lowest murder tallies in 25 years. The lower level of violence carried over into the first two months of this year, leading The Louisiana Weekly to report in early March that the city was on pace for fewer murders than at any time since 1969. “My response was, it’s really early,” West says. “I think some amount of consistency on both sides helps. Good or bad, it’s just too short of a time frame to really judge.” Maybe West was correct to be cautious. This March saw one of the bloodiest weeks in recent memory, casting doubt on the prospects of another annual decline.

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For more than four decades, David Bronner has run Alabama’s pension plans as a virtual one-man fiefdom. But lackluster returns may threaten his dominance.

The office suite of David Bronner, head of the Retirement Systems of Alabama (RSA), rivals those of governors in much bigger and much richer states. Perched on the top corner of a building completed in 2008, Bronner’s spacious office is full of the framed photos, cartoons and assorted knick-knacks indicative of a long career in politics. A large rug in front of his desk prominently displays RSA’s circular logo. Bronner’s real trophy case, though, can be seen through his floor-to-ceiling windows and adjoining balcony: the panoramic view of downtown Montgomery, which shows just how much he has changed the skyline of this city of 200,000 people. Five mammoth concrete-and-glass buildings, much like the one his office occupies, stand nearby. The green-capped buildings are designed primarily to house state agencies, yet they’re outfitted with flourishes fit for big-city law firms, from fountains, marble, granite and towering lobbies to polished metal cauldrons at major entrances. Beyond them stands the city convention center and the adjoining hotel that Bronner also oversees.

The Montgomery real estate makes up just a small slice of RSA’s $33 billion in investments. But it highlights Bronner’s grand ambition to use the pension funds to transform the state’s economy, which is the only way, he insists, that Alabama can fulfill its guarantees for the 339,000 state and local workers covered by RSA. “If you have the fifth-poorest state, where are you going to get the revenue to pay the teacher’s benefit and the state employee’s benefit? The state is not going to be sending me any money if it’s broke,” says the 71-year-old Bronner, who’s led RSA for the past 43 years. Alabama has fewer corporate...
the ways that he, the son of a Minnesota pool hall owner, has invested enormously. Some states, such as Florida and Montana, cap local economy. But the scope of this home-state investing variable. It’s unclear how far other players can or will depart from the path he has laid out. Can a state that consistently ranks among the poorest, least healthy, least educated in the country afford to further spread out one of its biggest pools of money? Should it follow Bronner’s lead and double down on local investments? And, if so, should it continue to let one man call the shots on his own?

Bill Newton, Alabama’s finance director, sits in a wood-paneled office at the Capitol, dispassionately discussing Bronner’s various investment strategies. Newton repeatedly comes back to a central point. “You’re going to recognize that most of my answers over time are going to include 8 percent,” he says. “That is by far the most important function of our investing approach. Everything else is not as important.”

Eight percent is Alabama’s target for average annual investment returns for its pension plans. Long an industry standard, the 8 percent mark is now viewed by many as too low for a post-recession economy in which inflation is negligible and interest rates are near historic lows. A number of pension plans in the country are lowering their targets, and Alabama later this year will re-evaluate whether its 8 percent rate is realistic. In the meantime, though, a lot is riding on RSA’s ability to meet that goal. Alabama lawmakers set aside roughly $1 billion every year to pay the state’s share of retirement benefits for its employees. If, over time, RSA falls short of the 8 percent return, the state would have to chip in more money to cover the difference. Just falling short a fraction of a percent could divert tens of millions of dollars from other state services to shore up the pension plan.

“Investing in yourself” is a strategy that many state pension plans have explored. Indeed, the notion that pension plans can contribute directly to their own state’s economy is an attractive one. The practice is called economically targeted investments, or ETIs, and the idea is that some investments are preferable to others with equal returns because they offer benefits to the local economy. But the scope of this home-state investing varies enormously. Some states, such as Florida and Montana, cap their in-state investments at around 2 or 3 percent. Others, such as Arkansas, allow for as much as 10 percent. California puts 8.5 percent of its assets toward in-state investments. But with Bronner at the helm, Alabama has taken this idea further than anyone else, investing as much as 16 percent of its pension money in the state and local economy, according to one outside assessment. (The RSA says that assessment is too high.)

Leaning back in his leather desk chair, Bronner ticks off the ways that he, the son of a Minnesota pool hall owner, has improved the lot of everyday Alabamians by investing their retirement funds back in Alabama. He made the state into a tourist golf destination. He recruited auto manufacturers first Mercedes, then Toyota and Hyundai. Bronner briefly served as the chairman of US Airways more than a decade ago when RSA owned a big piece of the airline, and he says he brought aerospace manufacturing to Alabama. “I recruited Airbus, and [former Gov. Bob Riley] takes credit for that,” he says. “I let every governor do that. Doesn’t make any difference. I’m not like Donald Trump and saying ‘I did it, I did it.” No, I’m not interested in that.”

Maybe. Bronner certainly shares some traits with the brash real estate tycoon and presidential candidate. Both Bronner’s and Trump’s marquee investments have been similar: golf courses, hotels and top-tier office buildings (RSA actually owns the biggest office building in Manhattan). Both are masters at branding, affixing their logos to every eligible surface on property they control. Both relish their notoriety and jump at the chance to take one of their critics. For both men, too, questions have arisen lately about whether the legend of their investing prowess holds up under closer inspection.

That last point might be the only thing that could bring the high-flying Bronner back to earth. For as much as he likes to tout his investment successes, in many cases Bronner’s portfolio hasn’t lived up to expectations, and that makes him vulnerable politically. The legislature, out-of-state groups and Bronner’s own pension fund boards have stepped up their scrutiny of RSA as its investments have lost ground. But in a state where, for all intents and purposes, Bronner is the retirement system, it’s unclear how far other players can or will depart from the path he has laid out. Can a state that consistently ranks among the poor-
Newton flips over two sheets of paper on the desk in front of him. One displays a bar graph; the other, a table. They both illustrate the same point: The financial health of Alabama’s pension funds, as measured by its funded ratios, has declined from where it was 15 years ago. In other words, the retirement system’s liabilities have grown faster than its assets. Many factors affect the funded ratio, including life expectancy and how long employees work before they retire. But one of the few factors states do control is their investment portfolio. In Alabama, the vast majority of pension money is contained in two systems. Since 1997, the funded status of the employees retirement system, which includes state and local workers, has plummeted from 111 percent funded to 63 percent in 2014. The teachers retirement system, which is nearly twice as big, fell from 105 percent funded to 68 percent in 2014. The current unfunded liability of the two Alabama pension plans together is about $15 billion.

“This is the primary issue for me in our retirement system, as a board member,” says Newton, who by virtue of his position sits on the boards of both retirement systems, which oversee Bronner and his staff. It’s not just Newton who’s concerned. His fellow board members, lawmakers and some judges have taken a closer look at RSA’s investments in recent years. Many are unsatisfied with what they’ve seen.

The legislative scrutiny began in earnest in 2011, when Republicans took control of the Alabama Legislature for the first time in 134 years. The new GOP majority confronted a state budget still devastated by the Great Recession, and like their counterparts in most states, Alabama legislators took steps to reduce overall pension costs. One way they did this was to create a new, less generous tier of benefits for new employees. Legislators also hiked the contribution rates imposed on current employees from 5 to 7.5 percent. The raft of changes reduced RSA’s total liability by $2 billion. That meant that the state—and thus its taxpayers—would save $5 billion over the next 30 years in pension costs. As a result of the changes, the funded ratio of the pension plans has remained about the same for the past several years, after a long period of decline.

But lawmakers still worried it was not enough. National data from Boston College’s Center for Retirement Research showed that RSA’s investments performed worse overall than most pension plans, averaging just 6.4 percent over the last 10 years. Certainly the Great Recession hurt RSA’s ability to meet its 8 percent goal, but Alabama’s returns rank in the lowest quartile among major pension plans over the last decade.

That picture is complicated, though, by the fact that RSA’s investments have done much better in the last three years, ranking in the top 10 percent of comparable plans. RSA is more heavily invested in stocks than most pension systems, which typically own a higher share of traditional bonds. Sixty percent of RSA’s portfolio is in equities, compared to an average of about 50 percent, according to the Center for Retirement Research. So when the stock market does well—as it did between 2012 and 2014—RSA does very well. The reverse is also true. The stock market slid in 2015, and so did RSA’s returns. Initial estimates show that RSA made just over 1 percent in returns for its last fiscal year, which ended in September. The volatility in RSA’s investments is one reason lawmakers are especially focused on longer trends.

One way RSA tries to improve its bottom line is by spending less than most pension systems on outside investment firms. The fees these firms charge can have a significant impact, reducing the rate of return for typical pension funds by as much as 0.5 percent, according to RSA. But most of Alabama’s investments are managed by RSA’s staff, so it pays extremely low fees by comparison. Bronner’s staff says RSA’s 10-year returns would look better if other plans’ higher fee expenses were taken into account.
It's not hard to spot the green-roofed RSA-owned office buildings that tower over Montgomery.
But many in Montgomery, who every day see evidence of RSA’s spare-no-expense strategy for boosting the Alabama economy, suspect something else is afoot. Are the very things that made RSA unique—especially its focus on in-state investments—bringing about its difficulties? State Sen. Arthur Orr, a Republican who is one of the state’s top pension experts, notes that the legislature has consistently made its annual required contributions to the pension funds. Given that record of performance, Orr questions why the plans’ funding levels should be so low. “We haven’t shortchanged ourselves like Illinois and other states,” Orr says. “So why are we in this predicament?”

To explore that and other lingering questions, lawmakers last year formed a joint pension committee. Orr, one of the two leaders of the committee, stresses that the panel has no intention of changing benefits for current workers or retirees. The idea is to see whether there are other fixes that can be made for incoming employees that will help shore up RSA’s financial position.

But Orr set off alarm bells when he decided to seek outside advice. The Republican senator enlisted the help of The Pew Charitable Trusts, which partnered with the fiscally conservative Arnold Foundation. The Arnold Foundation is named for its founder, former Enron energy trader and billionaire John Arnold, who is probably the most active critic of public pension systems in the country. Pew and Arnold had previously played a prominent role in Kentucky’s decision to create so-called hybrid or cash balance pension plans. Under those plans, participants are guaranteed a lower rate of return than in a traditional plan and share any excess investment returns with the state. Public workers are likely to get less money when they retire, but their employers save more money. When Pew got to Alabama, some of the work it did for the committee was to outline how Alabama too could put a cash balance plan in place.

Brommer, who regularly runs anti-Arnold ads in his newsletter to RSA members, is incredulous about what he sees as outside interference. “Let’s not put Pew in the category of good guys. That’s ridiculous,” he says. “It is an organized attack on public pension funds by the super rich.” It’s not only Arnold or Pew, either, he says. It’s the oil-billionaire Koch brothers and their pension funds by the super rich.” It’s not only Arnold or Pew, either. They have turned sour, leading to bankruptcies, embarrassment and huge expenses for RSA. One involved a company called National Railcar, whose owner defrauded RSA after bilking it for hundreds of millions of dollars. RSA agreed in 2007 to loan $350 million to a Canadian businessman to build a railroad manufacturing facility in northwest Alabama. The vision was of a factory nearly a mile long, which would produce 12,000 railcars a year and employ more than 1,800 local residents. But the plan proved too good to be true.

Gregory Aziz, the businessman who proposed the deal, knew all along that the project would cost far more than the $350 million price he reported to RSA, according to a grand jury indictment. For nearly a year and a half, Aziz hid the true cost of the building from RSA, until at last he admitted he needed an addi-
tional $400 million to finish the project. Alabama authorities charged Aziz with securities fraud and arrested him. Eventually, though, they dropped the charges after Aziz agreed to pay RSA $21 million. Now RSA owns the property, and roughly 1,150 people work there.

A second case involved RSA’s investment in Signal International, an Alabama shipbuilding company that also repaired oil rigs in the Gulf of Mexico. RSA owned 47 percent of Signal International, which declared bankruptcy last summer after agreeing to pay up to $22 million to settle lawsuits brought by Indian guest workers who accused Signal of human trafficking. Signal had brought the workers to the Gulf Coast to fix oil rigs after Hurricane Katrina with the false promise that they could receive green cards to remain in the U.S. permanently. Instead, according to the lawsuits, Signal made the workers pay $1,050 a month to live in cramped living spaces in guarded labor camps. The action took place before RSA invested in the company, but the pension fund bought Signal’s assets in bankruptcy and used them to launch a new company, called World Marine.

RSA’s attempts to increase its media holdings also earned it a rebuke from federal regulators. For years, Bronner had his eye on a local Montgomery TV station. He failed at his initial attempt to buy WSFA in 1989. But Raycom did eventually acquire it and 14 other stations when it bought Liberty Corp. six years later. In the two weeks before the deal closed, RSA, which was financing the transaction, also bought 73,700 shares of Liberty. The value of its new shares increased by more than $700,000 after the deal closed. The move prompted a U.S. Securities and Exchange Commission (SEC) investigation for insider trading, and RSA ultimately agreed to compensate the previous owners of Liberty stock and beef up its own procedures to prevent insider trading in the future. The deeds still earned RSA a public admonishment from the SEC.

In the past few years, Bronner’s in-state investments have become a legal issue in other ways as well. RSA came out on the winning side of one recent lawsuit, in which the plaintiffs argued that Bronner violated state law by focusing so heavily on Alabama investments, which they claimed diminished overall returns. The

Bronner had a hand in bringing Mercedes, Toyota, Hyundai and Airbus to Alabama.
Alabama Supreme Court threw the case out in December 2014, ruling that monitoring RSA’s pension activities went well beyond the power of the judiciary.

Meanwhile, Bronner has been under attack from the inside. In 2013, the board of the employees retirement system barred him from making investments without first consulting the board’s investment committee. For years, Bronner had sided with the committee by securing proxy votes from two out of the committee’s three members. “Nothing that the board is trying to do is about vilifying any- one,” says Curtis Stewart, the gubernato- rial appointee who proposed the change. “Whatever changes we do, we want to make sure the system operates the way it should operate.” Bronner saw the changes as an intrusion on his authority.

Now attention has shifted to the legis- lative committee studying the pension system. So far, no consensus has emerged for any major new initiatives. At press time, state officials were still waiting for final numbers on RSA’s performance in 2015, which could affect the appetite for further changes.

It’s clear, though, that Bronner thrives on the controversy around him. He’s framed dozens of editorial cartoons depicting him over the last four decades. Nearly all, he says, are critical. No matter.

Bronner has a domineering tendency to look down on his challengers—even gov- ernors. He’s served under eight of them, and nearly all, he says, have wanted to fire him. Bronner attributes his dust-ups with politicians to a clash of perspectives. Gover- nors view problems through a four- or eight-year time frame, he says, while pen- sion fund managers must think in terms of decades.

Clearly there’s more to it than that. Bronner has created much of the resent- ment by building a political power base independent of the elected officials who nominally oversee him. To start with, he has on his side 339,000 working and retired state employees, who amount to 7 percent of Alabama’s population. Bron- ner communicates with them directly through monthly newsletters mailed to them and distributed in state offices. He writes a column in nearly every issue of the newsletters, rallying members to beat back efforts at cutting their retire- ment benefits or reining in RSA officials. But Bronner doesn’t stop there. He also speaks out on issues with more tenuous connections to the retirement funds, call- ing for increased staffing at state prisons and asking Gov. Robert Bentley to expand the state’s Medicaid program in tandem with the Affordable Care Act.

The Raycom TV stations pick up the message. All three of the company’s Ala- bama stations—one in Montgomery, one in Birmingham and one in Tuscaloosa—have run editorials criticizing Bentley for not increasing Medicaid eligibility. They all took issue with the governor’s most recent education budget. Some of the sta- tions’ editorials were identical. Bronner says he has no direct say on the editori- als, but it isn’t hard to figure out where he stands.

As a practical matter, Bronner’s job is safe for the foreseeable future. He reports to the control boards of the two major pension systems, and he has always been able to count on their support. The teachers’ system is twice as big as its counter- part for state and municipal workers, and 80 percent of the board members for the teachers’ fund are elected by partici- pants in the system. So as long as Bronner keeps retirees and current workers happy, elected officials have limited options for telling him what to do. When asked why he’s never been fired with so many people after him, Bronner is frank: “Because,” he says, “I’d snuggle up to the teacher board. [Otherwise,] the politicians would have nailed me decades ago.”

Bronner sees the recent scrutiny as no different from the heat he has withstood throughout his career. He was ques- tioned when RSA bought the New York City office building, later when it began its media investments and again when it started the golf trail. In fact, Bronner says his critics were convinced that with the golf courses they were “going to get him on this one. So they buzzed the buzzards were flying around me,” he says. He waves his hand in the air like a bird, making a sputtering helicopter noise. “Keep flying, I don’t give a shit.”

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School options have proliferated in recent years. But has that improved education overall?
Casey Locke has been diagnosed with autism. When her parents enrolled her in the public school in her town in Arizona, she had a hard time communicating, let alone learning. The Lockes, however, took advantage of an education savings account (ESA) program to sign their daughter up at a private school. ESAs work like vouchers, with one difference: The funds can be used not just for tuition but for other expenses, such as tutoring. For Kasey, the new school and continuing educational therapy did the trick. “With the ESA, the parents were able to put her in a private school that specializes in autism,” says Debbie Lesko, the majority whip in the Arizona Senate. “The child is not only learning, but thriving.”

Lesko thinks a program that has worked so well for a family like the Lockes should be available to any Arizona resident who wants to use it. Five years ago, she sponsored legislation that made Arizona the first state to offer ESAs, which it calls empowerment scholarship accounts. Since then, Arizona has repeatedly expanded the pool of eligible residents to include groups such as foster children, Native Americans and the children of military veterans.

No state has embraced school choice ideas with the fervor of Arizona. It has the nation’s highest percentage of students enrolled in charter schools—14 percent, which is roughly three times the national average. The state Department of Education itself runs an office of school choice.
At the start of this year, the time seemed right in Arizona to expand the ESA program to take all comers. Neighboring Nevada enacted the nation’s first statewide ESA program last year, freeing up state money for students to use regardless of geographic location, or educational or family status. Thousands of families immediately signed up and the idea of copying Nevada became the ambition of state legislators across the country.

Lesko got her version through the Arizona Senate in February. But that was as far as it has gotten. The bill was twice pulled from the House floor due to a lack of support. Even some Republicans, who hold the majority in both chambers, were nervous that universal ESAs would drain too much money from traditional public schools. Meanwhile, Nevada’s universal ESA program has been put on hold due to a court challenge.

School choice is having its glass-half-full moment. On the one hand, the various choice options—vouchers, charter schools, home schooling, tuition scholarship programs, open enrollment within districts—have grown enormously over the past decade. Once choice is available, there’s no denying its popularity. Waiting lists for charter schools are common. Parents who want their kids to study Mandarin or engineering can find charter schools that cater to such ambitions.

On the other hand, proponents of choice say that the better they do in terms of improved test scores, high enrollment and reducing long waiting lists, the more pushback they encounter. People who run and support charter schools contend that traditional school districts and teachers unions use every tactic at their disposal, from political and legal battles to simply hogging school buildings and buses, as part of the ongoing effort to beat them down. “A lot of our friends feel like charters are getting their butts kicked,” says Charles Barone, policy director of Democrats for Education Reform.

As a generation’s worth of momentum toward school choice begins to slow a little, policymakers have the opportunity to explore whether school choice is doing what it was supposed to do in the first place: offer not just an alternative to public schools, but new methods that improve education and can be widely replicated elsewhere.

While charter school operators feel embattled, the reality is that charters and other choice options have become a structural part of the education landscape. That wasn’t a sure thing even a few years ago. Obituaries were being written about...
A Growing Movement

While traditional public schools still far outnumber public charters, enrollment in charter schools has grown fivefold in the last decade alone.

School districts and unions are doing everything they can to maintain their market dominance. A superintendent who has graduated from a foundation-sponsored training program such as the Broad Academy is sure to be confronted with angry accusations that he or she is a corporate sellout. “The rule is, it’s still a street fight,” says Michael Petrilli, president of the Fordham Institute, a conservative think tank that supports school choice. “They basically hassle and harass the charter schools at every opportunity.”

Most dramatically, teachers in both Chicago and Detroit recently staged walkouts and strikes, in part to protest enrichment from charters and other choice options. Both city systems have deficits reaching well into the hundreds of millions of dollars, leading many to worry that support for the traditional system will continue to erode in favor of charters and other newer models. “You can’t oversimplify what bad shape we’re in because of charters and choice decimating a public school district and running it into the ground,” says Margaret Wozniak of the Detroit Federation of Teachers.

It’s true that in terms of actually delivering education that’s measurably better than traditional public schools, vouchers and charters continue to have a mixed record. School reformers have consistently overpromised the effects their bright new ideas would have. In the face of ongoing political opposition, it may no longer be enough to slap the name “charter” on a school and convince parents it’s going to be a better place for their children.

As to measuring the record of accomplishment, it’s not a simple matter. Choice supporters and opponents continually accuse the other side of cherry-picking numbers that overstate the benefits or drawbacks of their own approach. It’s easy to find a study showing that vouchers, for instance, have no effect on test scores, or that kids in voucher programs end up doing worse in reading or math. You can also find a study that demonstrates the exact opposite.

In February, Don Coberly, the superintendent of schools in Boise, Idaho, put out a public memo accusing a foundation of presenting college admission tests in misleading ways to make his school look bad. “At a recent downtown Rotary Club meeting, the executive director of the Albertson Foundation stated that the goal of the foundation is to increase charter school seats by 20,000 in the next few years,” Coberly wrote. “That will only happen if Idahoans lose faith in their public schools.”

In response to complaints that people have already lost faith, public school supporters respond that charters and other choice options are being pushed by big-money foundations, as well as corporations out to make money by siphoning off per-pupil spending. Programs such as ESAs are seen as giveaways to parents who would be sending their kids to private schools anyway. Private schools and charters can “cream off” their choice of applicants, while old-fashioned neighborhood schools—which have to keep their doors open to all comers—are left to deal with a population of less-motivated parents and often struggling students. “If a charter program fails to deliver, those kids come back into the traditional public schools,” says Gentzel, the school boards association official. “Often, they need remediation and end up costing the taxpayer more.”

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MAKING THE GRADE

UT in a consumer culture where the Internet makes shopping for any conceivable item easy and your corner bar may stock 20 different kinds of craft beer, parents are clamoring for choice when it comes to something as essential as their kids’ education. Every parent who has the chance exercises school choice, if only by picking neighborhoods that boast strong schools, says Doug Lemov, managing director at Uncommon Schools, which runs urban charters. “For most of the 20th century, if you were poor, you were forced by law to send your child to a dysfunctional school that was probably dangerous,” he says. “There was hidden choice for other families. Now, for the first time, there is a conversation about whether we can make choice available to others.”

Aside from that fairness argument, school choice has something else major going for it: true believers. Families such as the Lockes in Arizona become fierce partisans of their preferred flavor of choice and the institutions that support them. Active and avid supporters make a big difference. So-called reform programs such as Common Core and standardized testing have their adherents, but they won’t inspire 20,000 people to march across the Brooklyn Bridge. That happened back in 2013, when Bill de Blasio was running for mayor of New York and threatened to make charter schools pay rent. He might have sounded pretty hostile to charters back then, but his administration—threatened to make charter schools pay rent. He might have sounded pretty hostile to charters back then, but his administration—

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LEARN HOW TO FIND, TRAIN AND CULTIVATE A GREAT POOL OF UNTAPPED TALENT.
It All

Many state capitol buildings were designed to inspire with soaring architecture. The view from the top offers a unique perspective.

Photographs by David Kidd
Previous page: A painting by Edwin Howland Blashfield, whose work adorns several state capitols, is suspended above the Wisconsin Statehouse.

Above: Blashfield's painting, as seen from the ground floor.

Above right: Looking down 265 feet from the top of the Wisconsin dome.

A flag is raised over the Senate chamber of the Mississippi Capitol, as it is whenever the body is in session.
Left: Visitors are allowed to sign their names when they reach the top of the Georgia Statehouse. Above: Visitors and workers have also left their mark on the Maryland Capitol, America’s oldest.

This suspended stairway eventually leads to a cupola, via a spiral staircase, atop the Iowa Capitol.
latest one night, while riding along with a police officer on patrol, the mayor of Fishers, Ind., asked the policeman what kinds of calls most concerned him. He got an unexpected answer: mental health situations. They were occurring almost once a shift.

Mental illness isn't readily visible in a place like Fishers, an affluent suburb of Indianapolis with just under 90,000 residents. “In our community,” Mayor Scott Fadness says, “there are a lot of people living in quiet despair and suffering from mental health issues, but they’re not being addressed in a systemic way.”

In the country as a whole, mental health situations are responsible for about 1 in 10 police calls. Many stem from undiagnosed conditions unknown to police and first responders. The consequences can be tragic. While about 3 percent of U.S. adults suffer from a severe mental illness, they make up a quarter to one-half of all fatal law enforcement encounters, according to a recent report by the nonprofit Treatment Advocacy Center. Similarly, a recent internal review by the Los Angeles Police Department reported that 37 percent of police shootings last year involved suspects with documented signs of mental illness.

Municipalities like Fishers are seeking ways for public safety to better assist the mentally ill and respond more effectively to potentially dangerous situations. Fadness noticed last year that suicide attempts and similar crises in Fishers appeared time and time again on weekly police summaries, so he convened a mental health task force.

One of the resulting recommendations was a call for additional training. All police patrol officers in Fishers will soon complete a 40-hour Crisis Intervention Team (CIT) training module covering de-escalation techniques and how to spot mental health symptoms. It’s not brand-new—the model was first implemented in Memphis in the late 1980s and has spread to over 3,000 departments. But the majority of agencies and officers nationwide still lack the necessary training to implement it. Michael Woody, president of CIT International, says incident reports are often misclassified because officers are not aware that mental illness is involved.

Even when they are aware and mentally ill individuals threaten to harm themselves or others, police often are left with no choice other than to contact a family member or take the person to jail. The nation’s largest individual mental health providers are now, in fact, correctional facilities, like the Cook County, Ill., jail. “When I became a police officer in 1977, we had health facilities,” Woody says. “Now, there’s no place to take them to.”

In Fishers, police are encouraged to identify mental illnesses and transport individuals to a mental health facility, if necessary. They did so 211 times last year. Police responding to mental health situations frequently face a conflict between what they feel they should do and what they’re legally able to do. They must act on what individuals are willing to...
About 3 percent of U.S. adults suffer from a severe mental illness, according to a recent report from the Treatment Advocacy Center.

tell them. Seeing a house in disarray may indicate a person needs help, but officers may not be authorized to intervene.

The proliferation of community policing hasn’t helped, either. John Snook, executive director of the Treatment Advocacy Center, says it places officers in more frequent contact with the mentally ill, but gives them no real treatment options. “This isn’t a law enforcement problem,” he says. “Police are forced to be the first responders for mental health calls, something that they aren’t suited to do.”

Traumatic mental health episodes pose serious safety risks for police. Departments that have implemented CIT training report reductions in officer injuries. After an Indianapolis officer was gunned down, the Indiana General Assembly passed a law allowing police to seize and retain firearms from mentally ill persons considered dangerous.

Nationally, reliable information on the role of mental illness in fatal police encounters is scarce, according to the Treatment Advocacy Center, which compiled its estimates from a review of academic studies and media reports. Several federal databases track officer-involved fatalities, but all suffer from a limited number of participating agencies, reports that aren’t standardized or other shortcomings. “There isn’t a good carrot or stick for states to report this information,” says Snook. Mental health advocates say comprehensive solutions are needed. In Fishers, fire and emergency personnel will work with local hospitals to follow up with patients to make sure they’re taking prescribed medications after they’re discharged from hospitals, helping to cut costs from frequent emergency room visits. The citywide initiative also includes partnerships with behavioral health providers and efforts to better treat mental illness within the school system. “Our goal is to ultimately help people before they get to a crisis situation in the first place,” says Mitch Thompson, an assistant city police chief who served on the task force.

One practice that research has found to be particularly promising is assisted outpatient treatment, which permits judges to order treatment plans for offenders suffering from severe mental illnesses as a condition for remaining in their communities. Such treatment programs offer addiction services, housing, job opportunities and a range of other assistance.

While the Fishers initiative isn’t yet fully implemented, one early result has been greater empathy on the part of law enforcement, Thompson says. Officers aren’t used to interacting with the mentally ill unless they’re going through a crisis, so part of the CIT training aims to help police understand the types of conditions people are suffering from. “Just coming to the table and talking about it,” Thompson says, “is quite sobering.”

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Getting from Here to There
States struggle to manage medical transportation programs.

The dialogue around providing accessible health care includes such big issues as high-priced prescriptions, overuse of emergency rooms and a burgeoning need for long-term care. One topic that gets relatively little attention, but could have a big impact on accessibility, is transportation.

It represents a tiny fraction of the total spent on health care, but it has been a big challenge for states to manage.

This piece of the health-care puzzle affects 7.1 million people, according to the nonprofit Altarum Institute, which provides health-care research and consulting. A chunk of this group are Medicaid patients. The federal government requires transportation reimbursement for all Medicaid recipients.

A report to the 2015 National Conference of State Legislatures described the extent of the overall problem. “Services can overlap in some areas and be entirely absent in others,” it said, noting that funding shortfalls, policy and implementation failures, and lack of coordination leave many who need transportation with few or no options.

Often the service shortfalls are as mundane as cars that show up late—sometimes 15 minutes, sometimes hours. Or worse, they don’t arrive at all. This is more than an inconvenience. It can be devastating, particularly when the patients involved are frail or disabled and trying to get home from an appointment.

Nathale Molliet-Ribot, senior associate director of Virginia’s Joint Legislative Audit and Review Commission notes, for instance, how traumatic it would be for, say, an intellectually disabled child to be left alone for hours while waiting for a ride home.

Poor service isn’t the only issue states have to deal with. There have been a host of instances in which states wind up overpaying for transportation or paying for transportation that wasn’t necessary in the first place.

Massachusetts, for example, audited a company that had contracted to provide wheelchair van services based on a fee-for-service model. When Massachusetts examined the books, the state auditor’s office found that:

• More than $17 million in questionable payments were made to the provider for wheelchair van transportation.
• Hundreds of claims were made for members who were inpatients at hospitals at the time the alleged transportation was offered.
• 16 percent of transportation services to methadone clinics occurred with members who were not receiving any medical services.

In a model of understatement, State Auditor Suzanne Bump says that “the administration of the program has not been its strong suit.” The provider’s failure to comply with the terms of the program was so blatant, she adds, “it blew the auditors and me away.”

How did the provider respond to the publication of these problems? They said that they were acting under the direction of MassHealth, the state’s Medicaid and children’s health insurance program. MassHealth denies that was the case. The provider has been suspended, and the attorney general’s office is investigating.

While, Medicaid recipients, with the help of MassHealth, have been scrambling to find other ways to get to their medical appointments.

The problems with nonemergency medical transportation in Virginia have been somewhat different. As many states do, Virginia uses a single broker to match transportation providers with Medicaid recipients. Under the contract, the broker is paid a fixed rate per enrollee. But the broker has claimed to be unable to cover its costs, arguing that the service rate set in its contract is too low.

There is no demonstrated cause and effect between the reimbursement rate and the qual-
ity of service, but there would appear to be a link. The state has experienced an increased rate of complaints from patients about unfilled trips.

One of the challenges in fixing the problem was a lack of data. “Medicaid didn’t have any information on whether the broker was losing money, and why,” says Molliet-Ribet. A year ago, the state did a study and found enough justification to provide an increase in reimbursement. But the broker continues to claim not to have enough money, and the state doesn’t appear willing to raise its rates again since “the broker has been unwilling or unable to provide [necessary] information,” says Molliet-Ribet. In the meantime, the auditor’s office has been pushing for greater transparency in order to deal fairly with its broker and optimize quality of service.

It’s not all failure out there. One state that has run a particularly efficient non-emergency medical transportation program is Vermont. The state is largely rural, and a lot of citizens live far away from medical facilities. As a result, many Medicaid recipients do not have easy access to health care. What’s more, the number of transportation- needy Medicaid recipients has been growing as a result of Medicaid expansion and an increase in the number of patients with addiction-related problems.

Vermont has taken a multiprovider approach to managing the transportation challenge. It gives 12 separate providers wide latitude to provide rides. “It’s their responsibility to develop their own transportation plans,” says Sudien Bot-tiggi, who heads up Medicaid provider relations. But that’s only the first part of their approach. The second is to practice oversight—each of the 12 is audited once or even twice a year. “Ongoing monitoring is so important,” says Bottiggi.

Regardless of the public-sector service, we can’t repeat that sentiment often enough. There’s nothing like a focused look at the books to keep providers on their toes. 

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When Women Have Power

They’re more likely to use the tools of government in new ways.

In 2009, Kym Worthy, the first woman ever elected as the top prosecutor for Wayne County, Mich., discovered that more than 11,000 rape kits containing victims’ DNA evidence were sitting untested in an old Detroit police storage facility. Some had been there for 35 years. More than 10,000 of the kits have since been tested, yielding hundreds of suspected serial offenders and more than two dozen convictions.

I think there’s a good chance that if the citizens of Wayne County hadn’t finally elected a woman as their top prosecutor, those rape kits would still be gathering dust. The prosecutor’s office is an instrument of power, and the fact that Worthy is a woman shaped how that power was used.

We’ve certainly come a long way since 1431, when Joan of Arc was tried, convicted and executed by an exclusively male legal system for the crimes of being a better general than the men and for wearing pants. But it wasn’t so long ago that not a single law firm in Phoenix would hire a woman lawyer. So, in 1953, Sandra Day O’Connor worked for free for the San Mateo County attorney until she was hired. And in 1959, a young Ruth Bader Ginsburg, a star Harvard law student, was rejected for a clerkship by Supreme Court Justice Felix Frankfurter. “I’m not hiring a woman,” he said.

O’Connor’s and Ginsburg’s experiences were the basis of the bond explored in Linda Hirshman’s Sisters in Law: How Sandra Day O’Connor and Ruth Bader Ginsburg Went to the Supreme Court and Changed the World. Outwardly they could not have been more different—a conserva-tive Republican from Arizona and a liberal intellectual from Brooklyn—but Hirshman describes how they became powerful allies, working to set precedent in cases from employment discrimination to abortion to sexual harassment.

Women today may not face the kind of overt, open discrimination that O’Connor and Ginsburg were forced to cope with, but plenty of challenges remain. When the Equal Pay Act was signed in 1963, for instance, women made 58 cents on the dollar compared to men. Today that figure is 79 cents overall, but the gap widens with wom-en’s education and experience. Two-thirds of minimum-wage workers are women. And the United States still does not have mandated paid family leave, making having a baby an even greater financial burden.

While the challenges now may be somewhat different, the tools for overcoming them are the same as those used by previous generations of women litigation and legislation. Hirshman writes that back in the early 1970s O’Connor told students at Arizona State University that “if women wanted the world to change … they would have to use their electoral power more wisely and run for public office.” Kym Worthy did just that. The result, a world in which more serial rapists are caught and punished, is a better world for both women and men.
Analyzing Analytics

It's one of the hottest trends in the public sector, but it's not easy to succeed with data.

The Chicago Police Department thought it had a fail-proof strategy for keeping a lid on violent crime: a heat map of the 400 individuals most likely to break the law. The index of violent individuals was the result of a predictive analytics program that used a mathematical algorithm to sift through crime data. It worked much like the analytics programs Netflix or Amazon use to predict a person’s next movie rental or book purchase.

But the algorithm ran into a firestorm of controversy in late 2013 when a Chicago Tribune article told the story of a man on the list who had no criminal arrests. While the police defended the tool, critics said it was nothing more than racial profiling. They compared it to a bad version of Minority Report, the popular sci-fi film about police who predict crimes before they happen.

Chicago’s experience demonstrates both the promise and limitations of analytics in government. The public sector is already using it at all levels: The U.S. Border Patrol uses it to figure out how best to allocate resources along the border with Mexico. States use it to stop fraud in Medicaid and tax returns. Local governments use analytics to determine which buildings may have code violations, or to predict possible traffic and transit disruptions before they happen.

But despite all the successful implementations of analytics, many such projects actually fail. According to IT research firm Gartner, more than half of all projects aren't completed within budget or on time, or they fail to deliver the expected results. Like other types of IT projects, an analytics initiative can fail for a variety of factors, big and small. But several key reasons stand out.

First, there are misconceptions about analytics. It’s not a technology project that should be run by the IT department, though it will need input from CIOs and their staff to manage the databases and networks that underpin it. It’s also not about data. Rather, it’s a way to predict future strategies and support decision-making. That’s why the right stakeholders need to be involved.

Second, analytic projects fail when the data quality is inferior. Bad data creates poor results. Lack of data sharing can also hobble the best planned analytics project. While there are technical barriers to data sharing, too often the problem is an unwillingness to share between agencies or departments. The result is turf battles that erode when one agency wants to protect the data they’ve collected.

Third, states and localities suffer from a talent shortage when it comes to finding people who can successfully run an analytics project in the public sector. The field of analytics is still relatively new, so the pool of skilled analytics experts is shallow. To improve a public service, you need analysts with domain knowledge, says Jennifer Bachner, director of the master of science in government analytics program at Johns Hopkins University. “This is essential to identifying and measuring outcomes that matter.”

Last, measuring the impact of analytics in government is far more complex than in the private sector. As the Chicago Police Department found out, analytics can lead to messy results. The mathematician who created the algorithm for the heat map of likely criminals said the data did not use any racial or negative bias about minority groups. But that’s not how the results were viewed by others.

Finding a correlation between two sets of data and predicting an outcome works fine in the private sector, but, as Bachner points out, government policy-makers need to identify where they can intervene in a policy to make it better. “That’s hard to do and requires more substantive knowledge,” she says. “Improving a government program requires policymakers to make changes that lead to desired outcomes. This kind of challenge is about identifying causal relationships, not just correlations.”

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Special districts spend more public money than all city governments combined, much of it raised through borrowing in the municipal bond market. But proposed new regulations from the Internal Revenue Service could make it harder for special districts to borrow that money tax-free. And that could be very expensive for states and localities.

All totaled, the Census Bureau counts 39,000 special-purpose district governments, which are usually created to address—and raise revenue for—specific functions, such as airports, libraries, wastewater, mosquito control and so on. They exist separately from general-purpose governments, and may cross the borders of cities, counties and states.

In order to issue tax-exempt bonds, an entity has to meet the definition of a municipality. In many ways, special districts do not. They aren't like traditional state or city entities at all. As creatures of the state, special-purpose districts have governing boards as determined by state law. But those boards may be appointed by public officials or by private entities. Or they may be elected by property owners within the special district—even though there may be only one or two residents, or in some cases, zero residents, to participate in a board election. While most special-purpose districts have employees, some don’t, distinguishing them from every other kind of government in the country.

So if these entities don't resemble traditional state or local governments, why should they be allowed to borrow in the same tax-exempt way? That's just what the IRS wants to know. In February, the agency proposed regulations that would more clearly define the difference between a municipality and a special district. It may seem like a fine point, but in fact there's big money at stake. Special districts could see a nearly 30 percent increase in the costs of borrowing, which could work out to about $700 billion. It could be prohibitive enough to force many special districts out of existence.

Up until now, the IRS has defined a political subdivision—that is, any entity that’s allowed to issue municipal tax-free bonds—by using a three-prong test. If an entity is authorized by the state to exercise at least one of three sovereign powers—the power of taxation, the power of eminent domain, or police power—then it qualifies to issue bonds tax free.

Under the proposed rule, those old tests of sovereign power still apply. But the new regulations would add another criterion: An entity must serve a governmental purpose and be governmentally controlled. That means that in order for a district to issue tax-free bonds, it must be controlled either by a general-purpose state or local government or by an electorate established by state or local law.

Defining Districts

A new definition of ‘special district’ could have big taxing consequences.

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This September, Cincinnati will debut its new streetcar. The 3.6-mile-long system will run a loop through downtown and the city’s Over-the-Rhine neighborhood. It will be the first time streetcars have carried passengers in Cincinnati since 1951. At one time, the city had a streetcar system that ran over 200 miles and carried 100 million passengers a year at its peak. Built to accommodate a growing population in the mid-19th century, the electric system ran smoothly but for one problem: It didn’t have enough power to get up and down the city’s hills. The solution was four cable-operated inclined railways that worked like elevators. Streetcars drove onto a platform and were simply carried up and down the hills. Today, the inclines are long gone. All that remains are some stone piers and steps. Ideas for what to do with the ruins have been batted around, including converting them into a park with a serpentine walking path or building an aerial gondola. —David Kidd
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