GOVERNING

THE STATES AND LOCALITIES

November 2014

Steel town Turnaround

Inside Pittsburgh's Push For the Future

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PHOTO AND COVER PHOTO ILLUSTRATION BY DAVID KIDD

An engineer walks across the surface of the world's largest radio telescope in Green Bank, W.Va.

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The New, New Mayors

There remains a generalized belief among too many public management gurus, pundits and policy analysts that the problem with big cities is the chokehold that unions have on politicians. They cling to the old cliché that the liberal Democrats who govern nearly all of America's big cities are spendthrifts in the thrall of organized labor.

Really? Apparently Rahm Emanuel, the mayor of Chicago, and Chuck Reed, the mayor of San Jose, Calif., didn't get the memo. Both are Democrats, and both have been in bruising fights with public employee unions. The fights were over employee benefit costs that the mayors thought were unsustainable.

You could argue that Emanuel and Reed are sort of an anomaly, "new Democrats" who are fiscally conscientious but not particularly friendly to labor. Maybe that's true. But if so, then some of the liberal activist mayors who were elected in big cities last year might be called "new, new Democrats," both pro-labor and fiscally responsible. Boston Mayor Marty Walsh grew up in the labor movement. But in a recent telephone conversation, Walsh's focus was on the second triple-A bond rating that the city received not long ago. He said it was important for him to retain that rating even if it meant going against some of his other priorities.

Mark Funkhouser, Publisher

In this month's cover feature on Pittsburgh Mayor Bill Peduto, Alan Greenblatt reports that Peduto is "helping to reshape Pittsburgh into an assertively liberal city." But this September, Peduto proposed a budget that includes a two-year salary freeze for city employees and would make them pay more for health care. Pittsburgh is officially recognized by the state as financially distressed, and the Peduto administration wants the city to retain that classification. Moody's, which recently raised the city's bond rating, noted that "keeping the city in the state's program for financially distressed communities ... gives it a better opportunity to control union costs and deal with other budget factors."

A government weakened by bad finances isn't going to be of much use as a tool for carrying out the aggressive agendas these mayors have set for themselves. I think that Peduto and Walsh and the other new, new Democrats recognize that it's not enough for your heart to be in the right place—you've got to make the math work as well.

The ratings agencies—cold-blooded beasts concerned only with a city's ability to cover its debts—are paying attention. Maybe more of those management gurus and pundits should as well.

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DAVID KIDD

Fracking's Financial Winners

In his September Public Money column "Fracking's Financial Losers," Frank Shafroth wrote that while the federal government and states were profiting from shale gas drilling, localities were not. Instead, municipalities were getting stuck with all the problems and enjoying none of the benefits. Not true, wrote in several readers from Pennsylvania.

[The column] misses a golden opportunity to highlight how Pennsylvania has addressed this issue. In 2012, Gov. Tom Corbett signed legislation that made Pennsylvania the first state in the nation to levy a "local impact fee" on shale producers. This fee, which can be as high as $60,000 per well annually, is assessed for up to 15 years of a well's life. The dollars collected are then distributed under a state formula that was negotiated by the governor, General Assembly and Pennsylvania's local government associations. Pennsylvania's approach, which demonstrates an unprecedented collaboration between local governments and state leaders, is both unique and effective, and has been widely praised by Pennsylvania's local elected officials.

—Patrick Henderson, Deputy Chief of Staff & Energy Executive, Office of Governor Tom Corbett

I would like to clarify that Pennsylvania's local governments, particularly our member townships, are by no means "financial losers" in the Marcellus Shale drilling. On the contrary, drilling has generated well over $600 million to date, 60 percent of which has been returned to those counties and municipalities that are directly impacted for local use. The state also distributes some of its 40 percent to all counties, including those outside the Marcellus region, for local road and environmental projects. So, as much as 75 percent of the impact fee money goes to local governments. Many of our townships in the Marcellus Shale have seen their budgets stabilized and substantially increased to help offset the costs associated with this economic development opportunity. Contrary to [other places], Pennsylvania's municipalities are winners in the Marcellus Shale.

—David M. Sanko, Executive Director, Pennsylvania State Association of Township Supervisors

A Gun Control Update

In the September feature "Beyond Gun Control," we ran a U.S. map detailing state gun laws. Just after the issue went to press in August, Massachusetts Gov. Deval Patrick signed a major gun law that heightened restrictions in several ways. We've updated the map to reflect this change online at governing.com/guncontrol.

You cite our organization as the source for the map showing which states have enacted gun laws since Newtown, Conn. We posted this data on our website on May 2, 2014, and have not updated it since that time; therefore, it does not reflect that Massachusetts enacted a major gun law in August. The law was a tremendous effort and makes Massachusetts the first state to both provide law enforcement discretion for the issuance of long gun permits, and provides a real-time Web portal for private sellers to verify the validity of a potential buyer's firearms license, among other things. It is one of the important and significant state legislative responses to Newtown.

— Laura Cutilletta, Senior Staff Attorney, Law Center to Prevent Gun Violence

Clearing the Air

Scott Beyer's September Urban Notebook "Thin Air" asked, "Why don't more cities sell air rights?"

Neighborhood opposition. I doubt you will find many, if any, populations that would allow a city to sell commercial space above a school. You would have opponents clamoring about sweetheart deals, safety of the children below and the noise of the school activities from tenants above. You would be placing government in direct competition with the private sector, which at this point in time is unacceptable to a large number of voters.

—Kevin P. on Governing.com

Cities could also transfer the rights. That was the case with Grand Central Terminal in New York. But zoning via the Landmarks Preservation Law of 1965 prevented Penn Central from building up.

—Gladwyn on Governing.com

Correction: Our October story on Frayser High School, "Pass Fail" by John Buntin, described Bobby White and Kimberly Clark as "co-principals." In fact, White is the founder and CEO of Frayser Community Schools and the executive director of Martin Luther King Jr. College Preparatory High School; Clark is the principal of that school. The school's name was recently changed from Frayser High.

Freedom of Information/Public Records Request

Part I: I hereby request to: X Inspect ___Copy the following records:
(please be specific and include names, dates, keywords, and name of record type where possible).

Please provide all Everton City and Police Department social networking content from May of 2012 regarding special notices and street closures related to the Everton Memorial Day parade

Part II: What format do you request? X Electronic ___Paper

Part III: Name of individual(s) requesting information: John A. Citizen

Address: 1076 Freedom Way City: Everton State: TX Zip: 75996

Phone: (210) 867-5309 Email: jpublic1@gmail.com

REQUEST FOR SOCIAL MEDIA RECORDS

For Internal Office Use Only

Date Request Received: July 1, 2014 Request Status: Pending

Notes: Staff has invested more than ten hours scrolling through social media pages and collecting stored screenshots from department hard drives. Citizen comments no longer available, City Attorney issued subpoena to social network – response still pending after four weeks.

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13 County of Sacramento, CA
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45 City of Chicago, IL
46 Lower Merion School District (PA)
47 State of Delaware Fleet Services
48 Cobb County, GA
49 City of Temple, TX
50 City of Durham, NC

GOVERNING INSTITUTE

Issue Brief

Five Steps to Combating Income Tax Refund Fraud

What every agency should look for when detecting tax refund fraud based on identity theft

Billions of dollars issued in fraudulent tax refunds at the state and federal levels siphon millions of dollars from important public assistance programs. In fact, according to the Treasury Inspector General for Tax Administration, the number of identified fraudulent tax returns has increased by 40 percent from 2011 to 2012, which equates to an increase of more than $4 billion.[1]

Despite widespread government crackdowns, fraudsters are finding new and creative ways to defraud the government and legitimate taxpayers. For example, some individuals and groups acquire personally identifiable information (PII) from the deceased, dumpster dive, hack financial systems, buy information from someone not filing a return or otherwise steal it from legitimate sources such as a doctor's office. This PII is then used to fill out tax returns, add fraudulent income information and request false deductions.

According to a May 2014 Governing Institute research study of 129 state and local government officials, 43 percent of respondents cited identity theft as the biggest challenge their agency faces regarding tax return fraud.[2] Nationwide, stealing identities and filing for tax refunds is one of the fastest-growing nonviolent criminal activities. These activities burden government agencies and rob taxpayers by preventing returns from reaching the right people.

ALMOST HALF of state and local government survey respondents cite identity theft as the No.1 challenge their agency faces regarding tax return fraud.

But MORE THAN HALF of those surveyed also said their agency has not budgeted for any type of fraud initiative.

Source: Governing Institute Tax Return Analysis Platform Survey, May 2014

An Age-Old Problem

While revenue offices have existing tax return review protocols in place, tax fraud continues to rise. Unfortunately, simply relying on business rules based on past behaviors and conducting internal database checks do not stem the tide of tax fraud. By relying on singular customer information categories such as public records and demographic data, many agencies struggle to stop fraudsters. Furthermore, because identity thieves often use legitimate taxpayer information to commit crimes, revenue offices may have to wait until the legitimate taxpayer files before detecting a duplicate filing under the same name and Social Security number.

It's time for a multifaceted approach to detect tax refund fraud, where agencies augment current review processes with third-party data and analytics to detect the highest possible number of fraudulent returns. Even as some revenue agencies adopt antifraud techniques such as issuing each taxpayer a unique personal identification number, thieves often circumvent these controls. This is not only ineffective in reducing fraud, waste and abuse, but it gives agencies a false sense of security. With more than half (53 percent) of respondents to the Governing Institute survey indicating their agency has not budgeted for any type of fraud initiative, revenue agencies must incorporate easy-to-implement and cost-effective strategies that show an immediate return on investment and continue to pay for themselves over time by preventing tax fraud.

A New Approach

Agencies can strengthen their verification processes by augmenting existing systems with a risk-based authentication process that focuses on the following:

ALMOST HALF of agencies surveyed rely on manual review to identify and flag potentially risky or fraudulent tax returns.

HOWEVER, 36 percent of respondents cited lack of staff as the biggest challenge to detect fraud.

Source: Governing Institute Tax Return Analysis Platform Survey, May 2014

1. Identity proofing

According to the Governing Institute survey, nearly 50 percent of respondents rely on manual review to identify and flag potentially risky or fraudulent tax returns. Yet 36 percent of respondents cited lack of staff as the biggest challenge to detect fraud.

With tax fraud resources at a premium, revenue agencies must utilize new fraud detection techniques to improve results and manage costs. Consequently, an increasing number of revenue agencies are exploring outsourcing for their identity proofing activities. Comprehensive identity proofing involves a multifaceted approach that not only includes existing internal database checks and the use of business rules, but also provides access to unique data sets and analytics that strengthen the identity proofing process.

When using third-party data to authenticate a tax filer and ensure refunds reach only the legitimate taxpayer, agencies must consider the veracity of the source data used in the identity proofing process. Most authentication protocols are based on aggregation of public records data to verify the elements associated with identity. However, public records can contain errors and information reported is not independently verified before use. Additionally, because public records comprise aggregated data from a variety of sources, the profile of the consumer is not based on any long-standing relationship. Rather, the profile relies on the ability to follow name and address changes throughout a consumer's lifetime to justify the connections to the identity being authenticated.

Because of this, tax revenue offices should consider a vendor that has a long-standing relationship with a consumer and that relies on the information collected and verified over years of that relationship to sustain its core business. Credit reporting agencies rely on their need to authenticate consumers accurately on a daily basis as part of mitigating risk for billions of dollars' worth of customer transactions.

Using information compiled on a legitimate consumer over years of financial transactions provides the most accurate data available on the attributes of that legitimate consumer and increases the ability for agencies to detect red flags. By combining credit history attributes and historical applications with traditional information categories such as public record assets, a third-party provider can match information it knows to be accurate with the PII a filer submits.

When identity theft forms the basis of fraud, fraudsters attempt to use stolen credentials in as many financially beneficial transactions as possible before someone detects the identity theft. However, credit reporting agencies are already collecting information to detect all kinds of financial fraud that may be occurring with stolen identity credentials. Having access to millions of financial and credit transactions for customers who are applying for credit cards or lines of credit allows for fraud detection in the use of identity credentials outside of the tax submission process.

2. A focus on where the refund is going

While practices such as refunding money through direct deposit and debit cards create convenience for the consumer, fraudsters can exploit these processes as well. Once a refund is directly deposited into a bank account, an individual can withdraw it instantly. Once money is withdrawn, the account can be closed and the money is no longer traceable. Similarly, if revenue agencies place refunds on a debit card, the card can be used immediately without traceable transactions.

Because of this, a highly effective tax refund fraud detection practice is to focus on where refunds are delivered. It should raise a red flag if the same address or bank account receives multiple refunds. While one address or bank account might receive refunds for up to four individuals, agencies should investigate

any more than this. However, 49 percent of Governing Institute survey respondents said they do not determine how many refunds are deposited to the same bank account.

Revenue agencies should also employ a process that can automatically match the name of the filer to the owner of the deposit account. If the filer has no association with the deposit account, further investigation is warranted.

INDIVIDUALS WHO commit tax fraud often perpetuate multiple financial crimes using the same device.

HOWEVER, revenue agencies rarely recognize and evaluate devices. Only 16 percent of survey respondents screen devices to evaluate and verify a tax return.

Source: Governing Institute Tax Return Analysis Platform Survey, May 2014

3. Device intelligence

More than 80 percent of tax filings occur online and that number is increasing. While many tax fraud detection protocols focus on authenticating information on the application itself, virtually no attention is given to evaluating the device used to submit that information. Typically, individuals committing tax fraud will use the same device when engaging in other fraudulent online activity, such as applying for credit or opening accounts to gain information. However, while individuals who commit tax fraud often perpetuate multiple financial crimes using the same device, revenue agencies rarely take the time to recognize and analyze devices. In fact, in the Governing Institute survey, a mere 16 percent of respondents said their agency screens devices to evaluate and verify a tax return.

Beyond device identification and reputation, the key is to enable further investigation of the device against multiple and past events to link cooperating criminal enterprises and predict and guard against future events. By analyzing the devices submitting tax returns, agencies can not only examine a device's compatibility with the user, but also use the device to link seemingly unrelated activities to a common impersonator. In addition, device-based assessment adds another level of screening when identities are stolen. Because device assessment looks for malice rather than mere anomaly, false positives are typically low, leading to significant improvement in both detection and productivity. For example, one online aggregator that deployed intelligence was able to handle triple the volume of transactions with half the staff and still reduce fraud by 50 percent.

Finally, since fraudsters consistently attempt to make their Web movements untraceable, it is critical agencies employ a device intelligence protocol that does not simply rely on cookies or proprietary software and that lets them view content and applications on the Web to gather intelligence on devices.

4. Automation of authentication on returns that need further investigation

Selecting the right third-party provider with the required data and analytics is crucial. This provider should not only have experience working with state and federal government agencies, but should have a fraud detection platform that is easy to implement and that does not require additional time or resources on top of the existing tax fraud detection process.

Every tax fraud detection process is intended to flag suspect returns for further follow-up. However, that additional follow-up may include a high degree of manual work, and, while legitimate fraudulent returns will be detected, the process will invariably flag false positives. It is essential that these suspect returns and false positives, while reviewed thoroughly, are examined as quickly and efficiently as possible.

As a complement to the traditional identity proofing process that utilizes various data sets, business rules and analytics, revenue offices should do further authentication via the Web. For example, the agency can direct the filer to a government website and ask him or her to answer a series of questions to further authenticate and receive his or her refund. Most fraudsters, even if such a request were to reach them, will not respond because they will not want further scrutiny. Challenge-response question technology is used to formulate questions that only a true taxpayer would know, sourcing from both public records and financial data, and adjusting questions depending on previous answers. The process is entirely automated, quick to implement and can be used to authenticate the device accessing the website in real time.

5. Mitigation services

While not part of the tax return fraud detection process, revenue offices should consider offering possible victims of tax refund fraud access to services that will protect their identities in future transactions. For example, offering individuals flagged as potential victims access to an identity theft detection service can ensure they are alerted automatically if a fraudster attempts to open a line of credit or apply for a credit card using their personal information. As a result, agencies can outpace criminals by proactively detecting, avoiding and managing fraud activity on behalf of their constituents.

If executed correctly, the integration of third-party data and analytics should ensure the continued quick turnaround for legitimate refund release while simultaneously providing increased confidence that refunds are being provided to the legitimate taxpayer.

Revenue offices need to process returns and provide refunds as quickly as possible. In fact, most tax returns are processed and refunds released within a few days or weeks. To maintain this quick turnaround, any addition to the existing tax fraud detection process should not add significant time to an agency's current tax return review process.

Revenue agencies cannot afford to completely overhaul their existing verification systems and processes either. Instead, they need a service that can complement their current tax return evaluation process. An easy-to-implement platform should fit seamlessly into any existing tax return evaluation process, adding little or no time to the existing process. Whether offered as a standalone product or one customized to integrate with existing processes, it also should provide batch scrubs that can be completed within 24 to 48 hours. Moreover, Web-based authentication and device proofing should be implemented together with minimal setup time and minimum impact on current process timelines. If executed correctly, the integration of third-party data and analytics should ensure the continued quick turnaround for legitimate refund release while simultaneously providing increased confidence that refunds are being delivered to the legitimate taxpayer.

The same assurances apply to security. The Governing Institute survey indicates that 56 percent of respondents consider security in the decision-making process when determining whether to share tax return data with a third party. However, with the right third-party provider, the security of the information provided is already paramount, especially among organizations that work with sensitive financial and credit information daily and take great measures to secure the information itself and access to it.

A Platform for Protection

With identity theft reaching unprecedented levels, government agencies need new technologies and processes in place to stay one step ahead of fraudsters. In a world where most transactions are conducted in virtual anonymity, it is difficult — but not impossible — to keep pace with technological advances and the accompanying pitfalls. A combination of existing business rules based on authentication processes and risk-based authentication techniques provided through third-party data and analytics services creates a multifaceted approach to income tax refund fraud detection, which enables revenue agencies to further increase the number of fraudulent returns detected.

Endnotes

1. www.treasury.gov/tigta/auditreports/2012reports/201240119fr.pdf
2. All survey data from Governing Institute "Tax Return Analysis Platform" Survey, May 2014, unless otherwise noted

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In the play "City Council Meeting," local officials often find themselves participating.

DAVID A. BROWN/DABPHOTO

With 'City Council,' the Play's the Thing

AARON LANDSMAN figured it would be boring. After all, he was being dragged to a city council meeting.

But something unexpected happened at the session that night in Portland, Ore. A man dumped a pile of needles and vials onto a table, offering a quick illustration of how dangerous a park near his home was. He wanted it cleaned up.

That gesture gave Landsman an idea. After attending hearings in several cities, he stitched together the most dramatic moments into a play called "City Council Meeting" that has played in cities such as New York, San Francisco and Keene, N.H. "In the most dry, banal meeting," he says, "there'd be a moment that was theatrical and moving."

What helps amp up the drama is the fact that audience members perform the play. In some cases, local officials and activists have participated, occasionally finding themselves forced to collaborate with individuals who are their political enemies in real life. As in debate class, role-playing the part of their adversaries offered new sympathy—or at least a flicker of understanding—for opposing viewpoints. The play is a mix of real-life arguments heard elsewhere about, say, drainage, the homeless and tree planting, along with a local issue that Landsman picks in collaboration with the theatrical companies that have staged the work.

That mix of issues helps inform the audience about the complicated nature of politics, says Marcelino Quiñónez, a school board member who participated in the production in Tempe, Ariz. "The play proves that if you're a single-issue candidate, you're really going to have a hard time," he says. "As a person aspiring to run for office, it forced me to look deeper into the issues that really resonate with our community members."

Not only has the play helped inform politicians, it's now being adapted to teach high school students about the ins and outs of local politics—not just the range of issues and conflicting players, but the hoops involved in trying to get things done or even just trying to make your voice heard. "What the piece does is lay bare some of the alienating procedures and rules," Landsman says. "We would love for this to provoke people to go to more meetings."

Still, a standard city council meeting might seem dull by contrast. That was the impression left by Colin Dabkowski, an arts critic with *The Buffalo News.* Last year, he reviewed an actual school board meeting as if it were "a piece of pop-up theater," concluding that it lacked the heft associated with Shakespeare, Beckett or Mamet. "The show included about three hours of audience participation, in which members of the audience gave eloquent and often extremely moving speeches to the assembled troupe, who gave no substantive responses," he wrote.

—Alan Greenblatt

The Memphis Bus Riders Union believes access to transit is a civil right.

THOMAS R MACHNITZKI

Occupy the Bus

THE MEMPHIS BUS RIDERS Union isn't really a union. It's not a group of employees; it doesn't engage in collective bargaining; there aren't any dues. But the group of grassroots volunteers has nonetheless begun to influence Memphis transit policy in a very real way.

Born out of the Occupy movement, the organization first started showing up at Memphis Area Transit Authority (MATA) board meetings nearly three years ago. The agency was caught off guard. "When we got to the board meeting, they didn't know how to accommodate us," says Bennett Foster, one of the group's organizers. The activists initially had to email the agency ahead of time to get an agenda; then they had to send another message to let officials know they wanted to speak. And they were only allowed to speak at the conclusion of the meeting, too late to influence any votes taken.

But the relationship has since improved. Earlier this year, Memphis Mayor A.C. Wharton appointed one of the group's leaders, Shelia Williams, to the MATA board. Williams is a college student and a single parent who relies on the bus to get around the city. Her appointment signals how far the Memphis Bus Riders Union has come, from an outside group of agitators to an accepted political player that has found common ground with city officials, environmentalists, bus drivers and even MATA itself.

Memphis, the nation's poorest large urban area, has a very long way to go to achieve the union's vision of access to transit as a civil right. The transit system in particular has suffered years of hard times. Decades of white flight and suburban sprawl have left poor neighborhoods cut off from the parts of the city that are bringing in new jobs. "Neighborhoods spread out more and more, and transit couldn't keep up," Foster says. "The trend has been cutting routes, not building new routes."

Many of the major employment centers are in the suburbs east of the city, but most of MATA's bus routes go to and from downtown. That means passengers in north and south Memphis—where most of the union's members live—must switch buses downtown. But some buses stop running as early as 6 p.m., leaving workers stranded downtown after a late shift, or preventing them from going to work in the first place.

The union has spent its first few years trying to stave off further service cuts. MATA has lost $3 million a year in government funding over the last two years. Meanwhile pension payments and other expenses have continued to rise. Since the start of the recession, the agency has cut 30 percent of its service and reduced its number of employees by one-fifth. This year, Wharton proposed restoring some funding for the agency, but it's not enough to prevent fare hikes or even more service cuts.

So the union and the transit agency are looking for other sources of income. One idea is to have college and university students pay for bus passes as part of their student fees. They would get an individual discount, but the overall funding for the agency would go up because it would get so many new passholders. A harder sell would be to get funding from the Tennessee communities that surround Memphis but don't currently help pay for transit.

In the meantime, the union is working with local employers to encourage them to locate more jobs on existing transit routes. "We can create jobs, but if people can't get to them, it's really only helping a certain percentage of the population," Foster says. "It's not going to address the problems of poverty and joblessness in Memphis if we don't create an infrastructure for people to get to those jobs, the ones who need them the most."

—Daniel C. Vock

TRANSFORMING TRANSIT

How Public-Private Operating Partnerships Can Reinvent and Reinvigorate Government Public Transportation Services

City and county transit agencies are being challenged to deliver more and improved services without additional public funding. Many segments of the public want better transit options — both regular and occasional users of public transportation alike. They include commuters seeking alternatives to roads choked with traffic, "millennials" and "boomers" who are returning to downtown areas and who want to live without a car or drive their cars less frequently, and people who want convenient public transportation to concerts or sporting events.

Transit agencies need new solutions that offer more frequent and convenient bus, rail and paratransit services; greater operating efficiency; and faster, more visible returns on invested public funds. Yet many are facing pension shortfalls, upward pressure on wages and healthcare costs, and insufficient funding from federal/state governments. In fact, many transit agencies have fallen into a downward spiral. It looks like this: Budgets are tight so they cut services and raise fares, which in turn reduces ridership and fare revenue, resulting in added pressure on the public budget. In response, public managers are then forced to cut even more services and raise fares, further eroding public support. Asking taxpayers for money when the services they are getting are poor or declining is a hard sell in any community.

These harsh realities are creating a new openness to innovative partnership models between the public and private sectors. Public Private Operating Partnerships (PPOP) represent one such model. This structure combines private sector management expertise with public sector oversight and policy development administered by a public transit authority board. The PPOP model appropriately aligns responsibility and risk between the public and private sectors, and builds on each sector's primary strengths.

Results include impressive improvements in transit quality and quantity at far less cost to local governments. Transdev (which recently changed its name from Veolia Transportation) has pioneered this new model not only in New Orleans, LA, but also in Nassau County, NY (Long Island), which is the United States' largest privately operated transit system. The PPOP model, as proven by Transdev's operations,

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A PPOP model appropriately aligns responsibility and risk between the public and private sectors, resulting in impressive improvements in transit quality and quantity at far less cost to local governments.

CASE STUDY: NEW ORLEANS, LA

The ruin visited upon New Orleans during and after Hurricane Katrina in August 2005 is well documented. But aside from the flooded streets, lack of electricity and widespread evacuation, there was another element that contributed to the city's sudden standstill: a broken transportation system.

The city's Regional Transit Authority (RTA) buses, streetcars and facilities were severely damaged. Many RTA personnel did not return after the storm, and without passengers, system revenues took an enormous hit. In a city where 120,000 citizens had no access to a car prior to the storm, a crippled transit system simply compounded the public crisis. While pre-Katrina numbers showed an average of 124,000 riders per week, only 11,709 riders per week were counted in January 2006 — 9 percent of pre-storm ridership.[1]

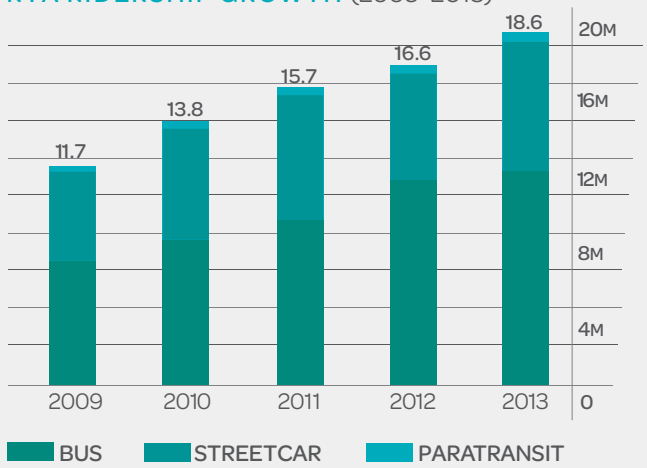
RTA struggled to fully re-establish its services in the first years after Katrina, and achieved many key milestones, but resources were scarce. The RTA Board reached out to Transdev for its expertise, approving a PPOP in 2009. The result was an extraordinary 10-year commitment to upgrade public transportation in New Orleans as a pillar of the city's recovery — the first agreement of its kind in the United States.

As the first order of business, the Transdev management team engaged in a full discovery phase to assess conditions before developing and deploying large-scale planning and budgets. Since 2009, in partnership with the RTA Board of Directors, they:

- Hired all 534 RTA employees, and trained and motivated them to produce 69 percent fewer workers' compensation claims, 73 percent fewer OSHA lost work days and 31 percent fewer accidents
- Helped RTA freeze its unsustainable pension plan and added a union-approved 401K plan
- Reduced operating costs while increasing ridership by 60 percent and total miles by 33 percent
- Maximized grant opportunities to obtain a new fleet of buses
- Trained staff and raised quality standards in every aspect of the business
- Re-routed bus lines to align with new neighborhood footprints when residents resettled
- Dramatically improved maintenance productivity (225 percent increase in miles between bus breakdowns)
- Greatly improved on-time performance in bus, streetcar and paratransit
- Implemented 220 new bus shelters, 2,200 new bus stop signs and new fare boxes
- Decreased customer complaints by 66 percent in the first year
- Implemented a comprehensive social media program to listen to and respond to customer issues in real time
- Improved intermodality across the area by synchronizing bus timetables with other transit in nearby parishes
- Implemented (and will continue to implement) expanded bus service in 2014

FIGURE 1

RTA RIDERSHIP GROWTH (2009-2013)



Ridership growth in New Orleans is among the highest in the U.S. — an astounding 60 percent increase from 2009 to 2013, which is more than twice the population increase of 25 percent in the same time period (see Figure 1).

And the beloved streetcar system is being expanded by the city, the RTA Board and Transdev. Transdev provided grant writing and government advisory consultation that secured a $45 million U.S. Department of Transportation stimulus grant for phase one of the streetcar expansion, and helped achieve a $75 million bond to further expand in phase two. For city residents, these are welcome, morale-boosting symbols of New Orleans' amazing renewal.

The new Loyola streetcar line is the first phase of the RTA's streetcar expansion program. It began operation in January 2013 — just in time to accommodate thousands of football fans in town for Super Bowl XLVII. Approximately $2.7 billion in new development (condominiums, apartments, retail, etc.) has occurred along the new streetcar line on Loyola Avenue. The second phase of the major streetcar expansion begins in early 2015 along North Rampart Street through the French Quarter. Three more future expansions are planned following the completion of these projects.

Today, New Orleans' transit system is thriving and on healthy financial footing, with service quality, safety, on-time performance and efficiency of operations at high levels — and a shared vision for further growth of transit into more neighborhoods.

RTA Board of Commissioners Member and former Chairwoman Barbara C. Major says, "With the RTA-Transdev relationship, we have experienced rapid progress in restoring the greatness of the RTA system. Transdev built upon the accomplishments of the RTA team following Katrina, and advanced our efforts further, with speed, strong operational improvements in every area, and astute financial management. I would recommend Transdev for its integrity and attention to detail and its ability to be a positive catalyst for change for any system looking to improve its performance."

The PPOP model reinvents and expands the historical relationship between transit agencies and the private sector. Roles between the public and private partners are redefined to build on what each partner does best.

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transforms the downward spiral into a growth spiral. Incentives are appropriately aligned: The private partner is incentivized to reduce costs and improve efficiencies, which means the authority can afford more services, buses and routes. This in turn generates more riders, resulting in more ridership revenue and the ability to afford more services.

The PPOP model has been used for decades in European public transportation, and Transdev has adapted it to the United States. Transdev is a global company operating transit in over 20 countries, including extensive operations in the U.S. and Canada.

PPOPs Build on the Respective Strengths of the Public and Private Sectors

Many U.S. cities today — including Boston, San Diego, Denver, Las Vegas, Seattle, Los Angeles, San Francisco, Houston, Austin, Phoenix, Washington, D.C., and more — contract a portion of their transit service to the private sector. There is a long history of cities using competitive contracting to improve quality and reduce operating costs, enabling them to reinvest the savings in expanded services and infrastructure. There is also a significant body of evidence that validates the effectiveness of the private sector in improving safety, fleet maintenance and cost control.[2]

The PPOP model reinvents and expands the historical relationship between transit agencies and the private sector. Roles between the public and private partners are redefined to exploit what each partner does best.

In a PPOP, the public sector partner maintains responsibility for policy-making and continues to own all public assets, facilities and infrastructure. The public agency's board is responsible for transportation policy, including setting fares and service levels; defining budget levels; allocating tax revenue; establishing short- and long-term service priorities; and approving long-term capital plans, spending priorities and service changes.

The private sector partner is responsible for policy implementation. It takes on the managerial and operating responsibilities of the transit agency in an expanded role, which includes general management, service planning, scheduling, marketing, purchasing, grants administration, customer service, community outreach, IT, HR, labor relations, legal and finance. It brings its processes, systems, technology, training programs and expertise from operating transit around the world. The private sector partner prepares and manages the annual budget and is responsible to achieve designated milestones and goals. It also serves as a technical advisor to the public authority.

Because the private sector partner can coordinate all operating decisions and draw upon the economies of scale of its entire corporation, as well as apply best practices from hundreds of transit locations across the world, it can significantly lower operating costs, improve service quality and increase operating efficiency. Even more impressive is the speed by which results can be achieved.

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CASE STUDY: NASSAU COUNTY, NY

In early 2011, the New York Metropolitan Transit Authority (MTA) informed Nassau County (Long Island), NY, that because of budgetary challenges, it would have to eliminate half of the routes for Long Island's bus system. This came at a time when labor relations were at an all-time low, with most members not seeing wage increases in many years. All of this would have meant cutting 27 bus routes, greatly reducing paratransit services and laying off hundreds of transit employees.

Agency leadership had already raised fares by 50 percent, eliminated 13 bus routes and narrowed the paratransit service area, hoping to ward off such Draconian measures. But short of making even deeper cuts, Nassau County was faced with an additional $26 million demand from MTA to continue services.

Believing that none of these were acceptable options, Nassau County instead sent out an RFP for a private partner, expressing ambitious goals. It wanted to expand routes and dramatically improve the quality of the passenger experience — while cutting overhead and balancing the budget.

Among its RFP competitors, Transdev best demonstrated the ability to hit all those targets and more. A PPOP contract commenced in January 2012. Within two years, the company had dramatically reduced the system's operating cost per hour and elevated its performance and public profile through the following initiatives:

- A new name, Nassau Inter-County Express (NICE), and new branding were immediately introduced.
- Efficient technologies and practices were implemented that reduced hourly operating costs by 23 percent.
- A strong alliance with the union was established, a new 5-year labor agreement was started and 958 employees were on-boarded (including all TWU #252 members who applied) — wages increased by 3 percent per year.
- Safety training was revamped, and "SmartDrive" video systems were implemented in buses that record and analyze driver practices — accidents fell by almost 10 percent in a year.
- A new website, mobile site and social media program to communicate with passengers were created; a comprehensive new IT platform and GPS system will launch by the end of 2014.
- Transdev funded the purchase of 14 paratransit vans that improved service through increased dependability.
- Bus routes were redesigned and a new express service was started that shortens ride times.
- Customer satisfaction and quality of paratransit service were greatly enhanced.
- Operational savings of $43 million less than MTA's projection were achieved in the first year. Figure 2 shows the operating cost per revenue hour for the prior operator (MTA) versus Transdev/NICE, and shows that NICE has 20 to 25 percent more service on the street than would have been possible with the prior operator's cost structure. Figure 3 shows the decrease in customer complaints in 2014 versus 2013.

In 2014, the Transdev team launched a new mobile ticketing app so that passengers can buy and store tickets in their smartphones — an innovation available in only a handful of transit systems in the U.S. and years ahead of any other New York metro area operator.

NICE now has a smoother road ahead. Transdev helped Nassau County avoid deep service reductions, and each month makes measurable improvements in operational and service performance.

Edward P. Mangano, County Executive of Nassau County, says: "Transdev was able to save us over $26 million a year while improving service quality. They redesigned the service, created a new brand identity, transitioned a 1,000 employee operation over New Year's Day, improved on-time performance and reduced customer complaints."

FIGURE 2

OPERATING COST TREND

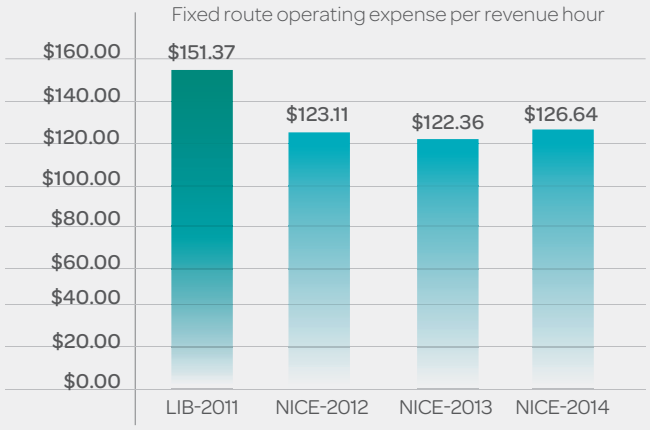
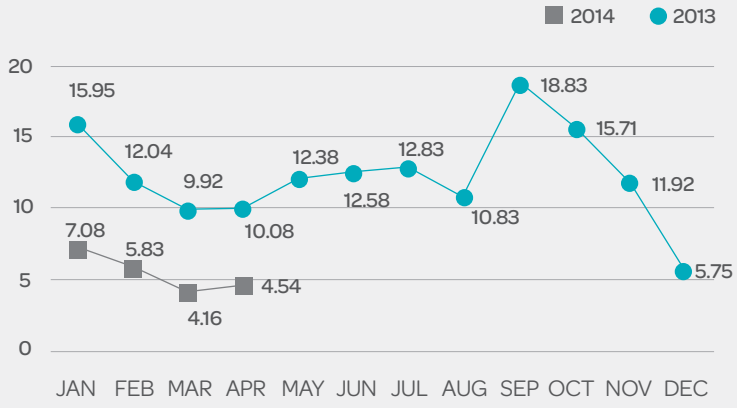


FIGURE 3

COMPLAINTS PER 100K PASSENGER TRIPS



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Risks and Rewards are Structured to Achieve Results

The PPOP model appropriately aligns risks and rewards between the partners. It is structured to ensure a natural alignment between public policy and private sector performance.

In a PPOP model, the private partner controls the items that affect its ability to perform and achieve the goals of the public transit authority board. The private partner has the latitude to implement cost-saving innovations, technology and business processes, but is equally accountable for quality and performance metrics. It therefore owns the operating risk and reaps the rewards when risks are mitigated and well managed. The result is a natural alignment between the two sectors, focused on achieving the agency's goals, improving service quality and encouraging innovation.

Following are examples of how each party is vested in the other's success because risk is aligned with responsibility.

Both public and private partners are committed to building ridership and improving the customer experience. Both partners are motivated to provide high-quality service because of a shared concern for their reputation. The public sector partner also wants to achieve the mobility goals of the mayor and City Council and the benefits that well-managed transit brings to the economic health of any area. The private sector partner in turn is measured by rigorous and transparent quality measurements defined in the operating agreement, which create a strong incentive to ensure high-quality service that both keeps current customers and attracts new riders. Also, the private partner operates in a competitive environment and its contract renewal is dependent on the quality of the services it provides.

Both partners are incentivized to reduce operating costs, without compromising quality. Since the private partner is paid per service hour, it is highly motivated to find ways to increase service.

In a PPOP model, both the public and private partners are committed to building ridership and improving the customer experience.

This runs contrary to some public opinion that private partners make their money by "cutting service." Quite the opposite is true — adding service makes money. Private partners have a built-in incentive to reduce their costs and therefore their rates, so the public board can afford to purchase more hours. However, they cannot cut quality, or ridership will suffer, fare revenue will drop and service hours will be cut. Because of this, the private partner is compelled to focus on efficiencies and quality, and manage the inevitable tradeoffs well.

Both partners put safety first. The public partner's first concern, above all, is the safety of its citizens. The private partner bears the economic consequences of poor safety performance in insurance claims costs and receives the benefits of excellence. This compels the private sector company to train drivers well, promote safe driving and encourage responsible behaviors throughout the organization.

In each of the previously mentioned examples, the PPOP model creates market incentives to achieve public policy objectives. In this model, market forces provide a natural incentive for the private partner to:

- Attract the best talent in order to achieve better results
- Maintain productive working relationships with labor to ensure an engaged, stable workforce
- Draw upon its corporate technical talent on an as-needed basis to avoid creating a bloated (and expensive) local organization structure
- Meet objectives of the public transit authority board in order to comply with the contract
- Implement technology to increase efficiency
- Speed up implementation by applying private procurement practices for contractually obligated purchases rather than slower public procurement processes
- Provide digital technology and apps for ticketing and next bus arrival info — as these conveniences attract new riders
- Reach out to the community to communicate plans and design programs and services that will have meaningful impact

All of the factors mentioned previously make the private partner a true change agent when introduced into a traditional transit-based operating environment. Transdev's experience demonstrates that major changes can be made at a speed unlikely to be achieved in a traditional governance model.

Tracking Transportation Needs Today

The burgeoning growth of urban hubs and public demand for well-designed, expanded mass transportation isn't tomorrow's concern, it's today's reality — one that requires a timely, pragmatic governmental response.

Contracting with Transdev can streamline management structures, increase efficiencies, balance budgets and minimize overhead. It can reduce operational costs and help prevent fare/tax increases — all vital goals for any public transit authority.

But the cost savings are only part of the picture, because optimizing service is historically what garners increased ridership — and optimizing service is Transdev's specialty. Its unique approach can redefine a transit agency's approach to customer service, operational performance, safety, reliability, environmental sustainability and innovation — providing the highest-quality transportation services available.

For public transit authorities struggling with skyrocketing costs and performance issues, the status quo is simply not sustainable. A PPOP with Transdev is a growth proposition that means not just survival, but transformation.

Endnotes

1. www.brookings.edu/metro/pubs/2006_katrinaindex.pdf
2. L.E.K. Analysis of FTA National Transit Database, 2013, showed significantly higher performance in safety and fleet maintenance by the private sector, compared to the public sector. The same is true for overall cost and cost control over time.

The burgeoning growth of urban hubs and public demand for well-designed, expanded mass transportation isn't tomorrow's concern, it's today's reality — one that requires a timely, pragmatic governmental response.

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FLICKR/U.S. DEPARTMENT OF AGRICULTURE

NEW EFFORTS TIE FOOD STAMPS TO JOBS

EIGHTEEN YEARS AGO, congressional welfare reform overhauled the system of federal poverty assistance, in part by attaching a new work requirement for families receiving federal aid. Now changes are under way that will make employment a higher priority for food stamp recipients as well.

More than 46 million low-income Americans receive food stamps, known today as the Supplemental Nutrition Assistance Program, or SNAP. Since the recession, the program's growth in both participation and cost has led some members of Congress to argue that the U.S. Department of Agriculture isn't doing enough to compel people to find work and leave public assistance.

The agriculture department does offer states money for programs aimed at increasing employment and earnings among SNAP recipients, but it hasn't tracked whether the programs actually result in people getting jobs or better salaries. In the most recent farm bill, Congress called for new reporting requirements so that states have some idea of whether their programs work. The same bill also set aside $200 million for up to 10 state pilot projects to experiment with workforce strategies, along with a third-party evaluation to test which approaches are most effective. The agriculture department gave about $78 million last year for states to offer basic workforce services to SNAP recipients, often in the form of job search assistance.

Meanwhile there's other money—and lots of it—that states are currently missing out on when it comes to workforce benefits for SNAP recipients. States can collect millions in federal matching funds to pay for items intended to help SNAP recipients find and keep jobs, things like tuition fees, school textbooks, clothes for interview uniforms, child care and transportation. But most states don't apply for the match. Out of the $206 million in federal matching funds spent in 2013, five states accounted for almost 80 percent of the money: California, Illinois, New Jersey, New York and Washington state. "The fact that so few states take advantage of this is a problem," U.S. Agriculture Secretary Tom Vilsack said at a House committee hearing in September. "This is a personal focus of mine."

One reason for the lack of states' interest is because the funds are set up as a 50-50 split: States would still have to pay half the cost of SNAP work development expenses, and they can't use the match to reduce their own spending on programs.

But the bigger problem is lack of awareness, Vilsack said. States simply don't know they could have access to these federal dollars. That's why Vilsack, himself a former two-term Iowa governor, has been calling governors in an effort to convince more states to leverage these federal matching funds. States, he said, "really need to hear from the governor, 'You know what, we need to do a better job of this.'"

—J.B. Wogan

THE BREAKDOWN

$3M

Amount approved in September by the city of Miami Beach to purchase cameras for law enforcement officers and building and fire inspectors. In the wake of the August shooting of an unarmed teenager in Ferguson, Mo., more than a dozen cities have decided to equip officers with body cameras.

1 in 3

Chance that a newspaper has a full- or part-time statehouse reporter. Only 14 percent of local TV news stations have a statehouse reporter.

$39.8B

Tax revenues lost by the states in 2011 from corporations and wealthy individuals sheltering money in foreign tax havens. California, Illinois, New Jersey, New York and Pennsylvania were the top five states that lost the most in corporate tax revenue.

20%

Decline in state spending on transportation (compared to a 4 percent decline in federal spending) between 2002 and 2011.

SOURCES: *THE NEW YORK TIMES*, PEW RESEARCH CENTER, U.S. PIRG, PEW CHARITABLE TRUSTS; IMAGE: SHUTTERSTOCK.COM

Where Walking to School Is the Norm

A residential street in Lakewood, Ohio

FLICKR/JOSHUA ROTHHAAS

IN 1969, half of American schoolchildren walked or rode their bikes to school. These days, relatively few do. Just 13 percent of kids walked or biked to school in 2009.

But there's one Ohio community that has steadfastly resisted that change. In the town of Lakewood, almost everyone still walks to school. That's because Lakewood doesn't have any school buses—and it never has.

There are a few reasons why Lakewood may be the nation's unofficial walk-to-school capital. Density, for one. The town was incorporated in 1910 as an inner-ring streetcar suburb of Cleveland. Lakewood grew up with walkable, densely populated neighborhoods. Today the city of 52,000 has 9,000 residents per square mile, which, according to city planner Bryce Sylvester, makes it the most densely populated place between Chicago and New York City.

As Lakewood grew, the city opted against setting up a school bus system, focusing instead on building schools to fit within the community. Most of the schools are multistory buildings on relatively small lots, making them easier to incorporate into residential neighborhoods. As the facilities aged over the years, officials chose to restore and upgrade the existing structures, rather than build sprawling new single-story campuses.

As a result, most everybody walks to school. "That's just normal here," says schools spokeswoman Christine Gordillo. As an upshot, kids in Lakewood naturally get more exercise. "My friend has a son who doesn't play any sports," says Gordillo. He's a relatively sedentary student, she says, but "that walking to and from school, that's his exercise." (The city takes walking very seriously: In the winter, one middle school opens to adults so they can walk for exercise even when temperatures plunge below zero.)

In a country where one-third of children are overweight or obese—and where nearly a quarter of all students get no physical activity during the school day—walkable schools could have definite positive health effects. Some communities have implemented "walking bus" programs to encourage more students to hit the sidewalk each morning. The concept, in which volunteer parents lead walking groups that pick up specific kids at specific times every day, is still relatively rare. But it's been instituted in a handful of communities from Palo Alto, Calif., to the Boston suburbs. Chicago, where 90 percent of the city's public school students walk to school, has had a walking bus program since 1997. Speaking about Knoxville, Tenn., last year, first lady Michelle Obama praised that city's walking school bus plan. "I've heard more and more of this kind of walking school bus happening all over the country—so that kids can get exercise on the way to school, kind of like we did when we were growing up."

In Lakewood, there's another benefit to having everyone walk: The city saves a fortune on school buses. When Lakewood does need to provide transportation for students—for field trips, out-of-town games and so on—it contracts with the nearby town of Olmsted Falls. But all told, the Lakewood school district spends about $500,000 a year on transportation, about $1 million less than comparable school districts, according to schools treasurer Kent Zeman. That's money it can use for other things, including the slightly higher costs of maintaining those smaller, neighborhood-oriented schools. As Zeman puts it, "If you're going to spend extra money, I'd rather it be on a teacher than a bus."

—Daniel Luzer

By Alan Ehrenhalt

Will Arkansas Go Wet?

After eight decades, the state may vote on whether or not to end Prohibition.

This has been a hectic political season in Arkansas. There have been close, hotly contested elections for governor and U.S. senator. All of the most sensitive questions facing the country have been playing out in TV ads hitting every corner of the state. But the most intriguing issue in Arkansas this year hasn't been immigration, or schools, or the use of military force in the Middle East. The most intriguing issue has been Prohibition.

Women protesting against Prohibition. More than 80 years later, Arkansas may vote on the issue.

APIMAGES.COM

More than 80 years after Prohibition formally ended at the national level, it is alive and well in 37 of 75 Arkansas counties, perhaps the most extreme example of dry power left in the United States. A number of these counties have loopholes under which a few restaurants serve mixed drinks, and some have granted wet status to individual municipalities, but the fact remains that in nearly half the counties in Arkansas, it is illegal for merchants to sell beer or wine over the counter.

Dry forces managed to keep referendums to change the system off the ballot in several highly publicized county campaigns earlier this year. Now, however, they face the prospect of an even more threatening challenge: a ballot measure that would turn the entire state wet in one dramatic move.

Many of the state's liquor laws date back to the 1940s, when tens of thousands of male citizens were away at war and a disproportionately female electorate took advantage of the opportunity to cast an anti-alcohol vote. Most of the laws enacted in those years remain on the books, not because they command widespread public support, but because the state legislature has made them extremely difficult to repeal. Any proposal seeking to overturn a Prohibition law needs signatures of 38 percent of a county's registered voters in order to qualify for a place on the ballot.

In the past few years, despite this obstacle, several counties around the state have succeeded in obtaining the requisite number of signatures and bringing Prohibition to a public vote. Clark County, in the southern part of the state, voted itself wet in 2010. Two years later, and rather more conspicuously, Benton County, home to the global headquarters of Walmart, made a statement to both wet and dry forces by casting a decisive vote in favor of abolishing the county's Prohibition law.

That vote was no coincidence. Walmart, which has made clear its desire to add to its profits with expanded alcohol sales, badly wanted to make some of those sales in its home county. Wet forces spent $660,657 obtaining petition signatures and canvassing for votes. Roughly half a million dollars in donations for this effort came from Tom and Steuart Walton, grandsons of the company's founder, Sam Walton. The votes in Clark and Benton counties seemed to make one thing very apparent. For those seeking to turn a county wet, the petition signatures were the major hurdle. Once qualified for the ballot, pro-wet referendums would be difficult to stop.

Those events set the stage for a 2014 campaign year in which pro-wet forces have been emboldened to mount the same kind of effort in several other parts of the state. And they wasted little time in doing so. By spring, a coalition of wet forces had announced plans to seek an anti-Prohibition vote in three more counties—Craighead, Faulkner and Saline.

All of those made sense. Craighead, on the edge of the Mississippi Delta, is the home of Arkansas State University and a likely source of wet votes. Saline and Faulkner are rapidly growing and suburbanizing counties on the edge of Pulaski County (Little Rock), the largest and most urbanized jurisdiction in the state. The

wet coalition invested about $1 million in the drive for signatures alone.

In July, however, the wet forces conceded that they simply couldn't obtain enough signatures in Craighead and Faulkner counties. They appeared to make it over the threshold in Saline, and prepared for a vote there, but in early September a local judge invalidated 159 of the petitions, temporarily removing the issue from the ballot pending a resolution by the Arkansas Supreme Court.

All in all, it was a disappointing summer for wet activists, who may have judged overall public sentiment correctly, but underestimated the difficulty of moving into new counties and persuading 38 percent of the voters to sign up with them.

It's clear who the major players are in this contest. Lined up in favor of a wet vote are Walmart and the state's major grocery retailers, led by the Kum & Go convenience stores. Arrayed against them on the dry side are the state's licensed liquor dealers, especially those who operate just outside the borders of dry counties. Residents of dry counties like Saline and Faulkner who want a six-pack of beer have to purchase it from a wet county liquor store just across the county line. It was these county line liquor dealers who provided most of the organized opposition to the three-county petition drive this spring.

It's often assumed that the remnants of Prohibition in Arkansas and nearby Southern states are supported by a network of Baptist preachers and other religious fundamentalists who want to keep alcohol out of their counties strictly on moral grounds. But the names on the rosters of the dry pressure groups aren't primarily those of clergymen. They belong to the ranks of wet county liquor dealers who would stand to lose the most if they are stripped of their monopoly over dry county customers.

Does it sound odd to you that the key backers of Prohibition in Arkansas are liquor sellers? It does to me too. But in Arkansas, it's pretty much taken for granted. If Walmart loses this fight, it loses a tiny piece of its potential business. But if Saline County goes wet, a liquor store located just outside the county gives up a substantial share of its livelihood. And it can be counted on to spend a substantial amount of money to prevent that from happening.

The disappointing result for the wet side in the early skirmishes might have put the issue to rest for the balance of the year. But it didn't, almost entirely because of the cleverness of David Couch, a maverick Little Rock lawyer who led a campaign to legalize medical marijuana in 2012. Couch noticed that an anti-Prohibition ballot drive in a single medium-sized Arkansas county might require 25,000-30,000 signatures. That's why many of them fail. But a ballot measure to amend the state constitution requires only about 78,000 signatures. The whole state is easier to organize than a single county.

So Couch generated a statewide petition drive for what he calls the Arkansas Alcoholic Beverage Amendment, which provides that counties may regulate the sale of liquor, but not prevent it from being sold. Backed by the grocery and convenience store lobby, he raised $200,000 and crossed the signature threshold with plenty to spare. That put the issue of statewide Prohibition on the November ballot for a single up-or-down vote.

Couch argues that wet counties are actually safer places than dry ones, because their residents don't drive for miles outside the county, buy alcohol and then consume it on the way back home. He cites a Syracuse University study, conducted in 2001, that found a decline in traffic accidents of 4 to 5 percent a year in counties that switch from dry to wet. He also mentions research conducted at the University of Arkansas claiming that beer sales alone in 33 newly wet counties could create more than 8,000 jobs.

And like previous wet activists, Couch tells residents of dry counties that they should be collecting sales tax on liquor purchases for their own use—not sending the money across county lines for deposit in wet county coffers.

The dry side makes a simpler argument that it has been using in the liquor debate for decades. It insists that legal alcohol chills the moral climate of any jurisdiction that sells it, and that counties turning wet acquire a general sleaziness that is difficult to overcome. "Robberies, assaults and rapes have all increased in wet counties," an eastern Arkansas preacher told a reporter earlier this year. "Batesville is a nice, clean place. I've seen the other counties that are wet and what they turn into."

Other dry side proponents argue against the amendment based on a principle of devolution: The state shouldn't force its will on the counties that prefer the status quo. "I think we should respect the rights of people in these counties to decide for themselves," says Jerry Cox, president of the Arkansas Family Council, who opposes the amendment.

Given the fact that more than 60 percent of Arkansans reside in counties that are currently wet, it seems a reasonable bet that Couch, Walmart and the grocers will prevail in a straight-line vote.

A survey conducted this summer by the nonpartisan group Public Policy Polling reported a statewide result of 52 percent for the wet side and 40 percent for the dry side. But Couch remains wary. "Arkansas is a small state," he says. "The liquor lobby is very powerful. They have prepared for this battle for a long time."

Indeed, as I write this, weeks before the election, it's not really safe to predict anything. The dry forces have challenged the wet petitions in the state Supreme Court, claiming that they were submitted three days late, on July 7 instead of July 4. Couch claims that the state has frequently granted petitioners extra time when the deadline falls on a holiday.

If the court agrees with Couch, it may well be that Arkansas' century-old argument over the legality of selling alcohol will come to a sudden and dramatic end. If the court disagrees and throws out the petitions, the whole show is likely to take place one more time in 2016 in a conflict that has become part of the enduring culture of an entire state. **G**

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By Peter A. Harkness

Crazy Quilt Federalism

Innovation is happening in a lot of places, just in different ways.

There is a lack of uniformity among the states on how to deal with today's issues.

We launched *Governing* magazine 27 years ago in the belief that most of the innovation and energy in American government, both in policy-making and management, was occurring at the state and local levels, not in Washington.

Just four months before our first issue rolled off the press, John Herbers, a reporter for *The New York Times* and one of *Governing*'s first columnists, wrote a long analysis in the *Times* about how the structure of governance was changing.

"The idea of levels of government—with the federal government supreme, as it was for half a century—is fading," he wrote. The "return to a more federalist system is central to the substantial changes in domestic government under the Reagan administration—changes that may well be deeper and more permanent than generally acknowledged. At the same time, it is clear that much of the change has no direct connection to policies or leadership from Washington." What was emerging, he noted, was being called by scholars a "fend-for-yourself" system.

The only part of Herbers' analysis I would dispute is the Reagan administration reference, because more than a decade before Reagan's election, President Richard Nixon had proposed a "New Federalism" and passed a revenue-sharing program that lasted 14 years, until Reagan replaced it with block grants in 1987. Nixon's popular Community Development Block Grant program, though diminished, still exists today.

The Nixon brand of federalism was aimed at making the large central bureaucracies smaller and more efficient. Reagan's brand was designed to slim down the central government and spend resources more efficiently by funneling them through the states. Most every president since Reagan, with the possible exception of George W. Bush (known for his "shift-and-shaft," more coercive brand of federalism), basically has favored the power-sharing path with the states and increasingly the localities. It probably didn't hurt that former governors occupied the White House in 28 of the 32 years from the end of the Nixon/Ford administration to the election of President Obama.

So what kind of federalism do we have today? We know two things: First, the Great Recession gave regions, states and locals a collective body blow from which most have only recently recovered. After all, when state, county and city leaders are making massive cuts in education, health care and infrastructure, it's harder to be innovative. Second, Washington has reached a level of dysfunction that would have seemed almost unimaginable not that long ago.

So for lack of a better slogan, I nominate "crazy quilt federalism" as the best descriptor of what we are seeing today. Though there is more uniformity in what local governments are doing, that is not true for the states. How you define innovation very much depends on your ideology—a disease that has escaped the Capital Beltway to state capitols around the country.

Just look at health care. Roughly half the states have to some degree accepted the Affordable Care Act and expanded Medicaid, meaning that the 45 million uninsured citizens are increasingly con-

centrated in those states that have not. Pennsylvania was the latest to sign on in August, and it appears that another five or six will soon do the same, with negotiated modifications to appease conservatives. Another nine states have joined a proposed interstate Health Care Compact that would allow them to use federal block grants to design and operate their own health-care programs.

On education, there is general agreement that the existing federal education statute, No Child Left Behind, needs a major overhaul. In the words of Education Secretary Arne Duncan, the program "created an artificial goal of proficiency that encouraged states to set low standards to make it easier for students to reach the goal."

Reformers had thought they were on the right track with the adoption of the Common Core State Standards developed by governors and their education directors. Originally adopted by 46 states, support in both legislatures and the public has eroded significantly. Legislatures in at least a dozen states have inserted themselves into the process of setting standards, much to the horror of the National School Boards Association. Some of this smacks of politics: Louisiana Gov. Bobby Jindal unsuccessfully tried to withdraw his state from the Common Core even though he had been an avid supporter.

Then there is environmental regulation, particularly as it relates to the politically toxic issue of climate change. The contrast between those states and localities that are opposed to taking action and those that are sprinting well ahead of the feds in plans for cutting carbon emissions is perhaps the most pronounced of any issue.

In these and a number of other policy areas, though, it would be a mistake to think that state and local innovation can be viewed solely through a blue versus red prism. Progress is being made in a lot of places one might not have predicted, just in different ways. That's the crazy quilt of state and local governance. G

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By Louis Jacobson

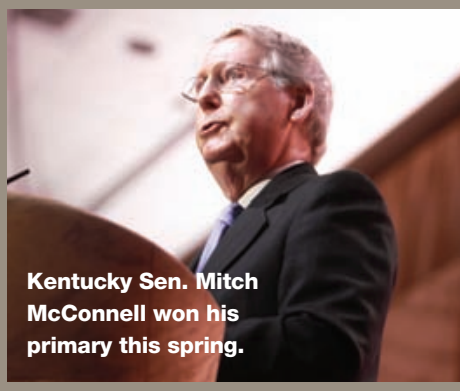
The Missing Tea Party

The group was absent from many governors races.

Much ink has been spilled analyzing the civil war within the Republican Party—the one between the establishment and the Tea Party. While the differences between the two wings are sometimes as much about style as substance, the impact on U.S. Senate primaries has been one of this year's major political stories.

Six of the 12 Republican Senate incumbents up for re-election faced noteworthy primary competition from their right flank. All of them were backed by the party's establishment wing, and to GOP leaders' great relief, each won renomination.

But there was a dog that didn't bark, and that was that there were hardly any Tea Party challenges to Republican governors this year. All told, 19 Republican governors are up for re-election, but only two—in Idaho and Wyoming—faced anything approaching a serious primary challenge from their right, and neither of those challengers defeated the incumbent. That's just 11 percent of GOP gubernatorial incumbents drawing a primary challenge from the right, compared to fully half of U.S. Senate incumbents. Why?



Kentucky Sen. Mitch McConnell won his primary this spring.

FLICKR/GAGE SKIDMORE

In a few cases, the incumbent Republican governor escaped a challenge either by being iconic, such as four-term Iowa Gov. Terry Branstad, or widely popular, such as Nevada Gov. Brian Sandoval. Or they represent purple-to-blue states where a Republican further to the right would be a nonstarter with most voters. These states include Pennsylvania, Michigan, New Mexico, Ohio and Wisconsin.

In most of the cases, the governor was already quite conservative to start with, leaving little room to a challenger on his or her right. Governors in this category include Florida's Rick Scott, Kansas' Sam Brownback, Maine's Paul LePage, South Carolina's Nikki Haley and others.

In Kansas, Brownback has "acted both in policy and political terms completely in line with Tea Party goals," says University of Kansas political scientist Burdett Loomis. "His tax cuts and small government initiatives fit their agenda well," leaving no room to take him on in a primary.

But perhaps the most fundamental reason that Republican governors haven't faced primary challenges from their right is that state races are different from federal races. They often turn on different types of issues, such as education and infrastructure, that are more technocratic in nature and aren't coherent enough to package into a red-meat national agenda. Meanwhile, state political climates tend to vary too much from each other for a national political force to coalesce around them.

Adam Brandon, executive vice president of FreedomWorks, one of the best known groups seeking to organize the Tea Party nationally, says that for many in the movement, it comes down to practicalities. "We have limited resources, and we already know the rules for federal elections," Brandon says. "I'm not saying we wouldn't dream to get involved [in gubernatorial races], but you have to walk before you can run." G

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By Chris Kardish

Why Rejecting Medicaid Isn't Easy

The need to fund safety-net hospitals puts expansion on the table in some states.

Louisiana—with its parishes, its Continental system of laws and its Cajun-inflected way of life—has always been unique among American states. But there's another distinction that makes Louisiana different: It's the only state that has for centuries maintained a network of public teaching hospitals to treat the poor and uninsured.

Now that system could be in trouble, thanks to recent state decisions and federal changes to the way safety-net hospitals are funded. As a result, Louisiana officials must figure out if they can maintain their safety net and still refuse federal Medicaid money.

Facing a budget gap, Louisiana Gov. Bobby Jindal privatized the state's public hospitals.

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It's a challenge the 22 other states that haven't expanded Medicaid will likely encounter in the coming years.

Faced with a major budget gap in 2012, Gov. Bobby Jindal moved to privatize nearly all 10 of the state-run hospitals, which receive most of their funding from the federal government through the Disportionate Share Hospital (DSH) program. Today, more than a year into the experiment, the plan has certainly seen some clear successes. Patient wait times, for instance, have dropped dramatically. But the change has led to some unanticipated consequences as well. Privatization resulted in the closure of two hospitals, and instead of heading to any of the other now public-private facilities for care, uninsured patients started visiting private "nonpartner" facilities that don't receive any DSH compensation.

The problem is that Louisiana's pool of DSH funding goes almost exclusively to the now public-private hospitals. That's causing short-term headaches as more nonpartner private hospitals take on indigent patients who previously went to now-shuttered public facilities. In one case, a hospital nearly closed its emergency room until the state offered $18 million in aid. But the long-term situation is what most worries critics in Louisiana and across the U.S.

The DSH program is scheduled for $18 billion in long-term cuts beginning in 2016. Federal lawmakers decided to phase out the program after Congress passed the Affordable Care Act; with more low-income patients covered by Medicaid, they figured, the DSH program would no longer be needed. But when the Supreme Court ruled that states can't be required to expand Medicaid, the problem became much more complicated.

Some critics wonder how Louisiana—with the threat of future cuts and a budget deficit that could top $1 billion—could possibly maintain its system without embracing at least some form of expanded Medicaid.

Louisiana's problem may be uniquely tough because DSH funding is concentrated among a few places and the state receives a whole lot of it because so many people are uninsured. But safety-net hospitals in other states face similar problems, especially in the absence of Medicaid expansion. In Georgia, for example, Elbert County is considering a tax increase to keep its safety-net hospitals alive. In Wyoming, state analyses of potential budget savings and complaints from hospitals of losing $200 million a year in uncompensated care are moving officials in the direction of expansion.

Louisiana officials argue immediate fears are overblown. Jeff Reynolds, undersecretary for the Louisiana Department of Health and Hospitals, says the surge of uncompensated care in nonpartner hospitals seems to be receding as patients adjust to the new system. Although the state is exploring more permanent solutions for private hospitals that are still serving a large number of uninsured patients, the impact of DSH cuts is expected to be low in the early years, Reynolds says, because reductions will reflect the number of uninsured patients that remain in each state.

Still, by 2020 total DSH spending will have fallen to half its historical level, dealing a major blow to any state that's dependent on that money. In fact, cuts to DSH spending will add up to a $350 million shortfall between 2018 and 2020, according to the Public Affairs Research Council, a nonpartisan think tank based in Baton Rouge.

There are signs officials in Louisiana, at least, are recognizing that. The top two Republicans vying to replace Jindal have both said they'd accept Medicaid expansion with some conditions. G

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By Elizabeth Daigneau

A Solar Eclipse

Renewables are growing so fast that utilities are struggling to keep up.

Over the past five years, solar has soared. Today, it is one of the fastest-growing industries in the U.S. Installed solar capacity since 2010 has increased a whopping 418 percent. It beat out natural gas in terms of new capacity in the first half of this year, and more than half a million homes and businesses now generate solar energy—that's enough to power 3.2 million homes.

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But as more Americans go solar, utilities are seeing red. At issue is something called "net metering," and it's eating into utilities' profits. Net-metering policies were designed to encourage homeowners and other entities to put solar panels on their roofs or wind turbines in their backyards by enabling them to connect to the grid and then allowing them (in most cases) to sell any excess electricity they produce back to the utility. But with renewables slowly making up more of the energy pie, utilities are selling less and less electricity. "As people buy less, there is less revenue," Steve Corneli, NRG Energy's senior vice president of sustainability, policy and strategy, said at the SXSW Eco conference in Austin in October. "The more this happens, the less attractive energy-efficient technologies look to utilities. So utilities are pushing back."

The problem with net metering for some utilities is equity, says Jocelyn Durkay, a policy associate on energy with the National Conference of State Legislatures. Non-rooftop customers—or clients that aren't generating their own power—are essentially paying more for electricity than net-metering customers because net-metering customers are using the grid infrastructure to sell power back, but not actually helping pay to maintain it. This inequity is forcing states to revisit their net-metering policies.

Forty-four states and the District of Columbia have some sort of net-metering law. So far, each state is dealing with the debate differently. In Wisconsin, for instance, utilities this summer increased the price to connect to their grid. Oklahoma utilities have created a new rate class for distributed generation customers (those that generate their own power onsite). Arizona wants to tax households that lease solar panels. And California moved last year to ensure that regardless of how the rules may change in the future, net-metering customers would be protected.

But none of these approaches compare to New York's proposal. More than a year ago, Gov. Andrew Cuomo directed his energy czar, Richard Kauffman, to transform utility regulation in the state to meet the needs of a more distributed, consumer-focused energy system. "The existing ratemaking structure falls far short of the pace of technology development that defines many parts of our economy," Audrey Zibelman, commissioner of the New York Public Service Commission, said in a press release. "By fundamentally restructuring the way utilities and energy companies sell electricity, New York can maximize the utilization of resources, and reduce the need for new infrastructure through expanded demand management, energy efficiency, renewable energy, distributed generation and energy storage programs."

Under New York's Reforming the Energy Vision initiative, utilities will actively manage and coordinate a wide range of distributed resources, such as microgrids, wind turbines and solar panels. It is a big change for an industry that's changed little in a hundred years. "Distributed generation will ultimately win," says NRG's Corneli, "but it will play out slowly, and state by state." G

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BROKE

Still feeling the effects of an expensive pothole season? Taxpayers deserve affordable, sustainable, pothole-free roads, but the existing selection process favors high-maintenance, oil-dependent, pothole-friendly roads. FHWA-recommended life-cycle cost analysis can help, but only when real costs are considered. Recent research indicates that asphalt costs are underestimated by an average of 95%. Let's stop the annual breaking of the bank. Visit Portland Cement Association's website at **www.think-harder.org/broke**.

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By Aaron M. Renn

Cutting to Invest

Before cities can spend, they need to resist the urge to borrow.

There's a debate raging about whether governments should spend more money on economic development and infrastructure, or whether they should cut spending to bring finances under control, a strategy often dubbed "austerity" by critics.

In reality, the two are inseparable. Until you have a firm handle on your finances, you can't afford to invest on any sort of sustainable basis.

This is the logic underpinning what Bruce Katz at the Brookings Institution calls "cut to invest." That is, there's no new magic pot of money arriving, so everyone from the federal government to cities needs to make some cuts in order to free up cash to spend on higher-priority items.

An unlikely poster child for this philosophy is the small industrial city of Kokomo, Ind. With a population of 57,000 about 45 miles north of Indianapolis, Kokomo made national news as the center of the auto industry collapse, even prompting a visit from President Obama. At its bleakest moment, Kokomo's unemployment rate hit 20 percent and it faced a near-cataclysmic fiscal crisis when bankrupt Chrysler, the city's largest employer, didn't pay its property tax bill.

Fortunately for Kokomo, its plants survived the auto bankruptcies and it weathered the crisis. But the city determined never to return to business as usual; rather, Mayor Greg Goodnight and other leaders embarked on a program of change involving both fiscal restructuring and major investment.

A history of fiscal prudence on the part of past city leadership helped. Foremost, the city had no non-utility debt. It was able to further bolster its tax base by annexing seven square miles—including new freeway interchanges—and 11,000 people from Howard County. But while expanding physically and in population, the city shrank its government payrolls by 20 percent, going from 521 employees to 417. This was done in a variety of ways, including adopting something as simple as single-side-of-the-street garbage collection, which won a Bright Ideas award from Harvard's Ash Center, to more controversial fire department layoffs.

The focus on efficiency has continued as tax revenues recovered, freeing up cash for investment. New spending included reengineering every downtown street from one-way back to two-way, removing all stoplights from the core of downtown, building a high-quality trail system, investing in a $1 million renovation of city hall, creating a new fareless bus system, and erecting a new mixed-use downtown parking garage that includes apartments, a YMCA and two new fire stations—all funded with cash and no debt. Its only borrowing was for a new municipal baseball stadium.

When Chrysler failed to pay its property tax bill, it sent Kokomo, Ind., into a fiscal crisis.

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Kokomo can spend money on these items because it took care of fiscal business. Not all debt is bad, but in this case, by mostly resisting the urge to borrow, Kokomo will retain the ability to invest well into the future by not encumbering future cash flow. As a small industrial city, Kokomo still has challenges to be sure, but it appears to be on the right track.

Other cities are in different stages of this process. Consider Los Angeles, which is also making national news, this time for its crumbling infrastructure. *The New York Times* reported that it faces more than $8 billion in needed repairs just to

bring its worst roads, sidewalks and water lines up to par.

Why can't Los Angeles afford to invest in infrastructure? Because it allowed its budget to get out of control. Some blame this on the city's fear of raising taxes, but L.A. is hardly a low-tax haven. Instead, as a report issued earlier by City Administrative Officer Miguel Santana notes, while revenues are anticipated to grow 4.4 percent—faster than national GDP—expenditures have been growing at an even faster rate.

Nevertheless, some progress has been made in Los Angeles. The city's workforce is down 14 percent from peak levels. New pension tiers have been introduced for newly hired workers, and labor negotiators agreed to new employee contributions to pensions and health care. The city has also started rebuilding its reserves.

Los Angeles is certainly far from having solved its fiscal problems, though. Most of these changes were done with the city's back to the wall. It needs to find a way to continue down the path of fiscal responsibility, which means establishing and maintaining control of the budget over the long term, most critically when the immediate crisis passes and there's a cyclical upswing. That's when cities, and states for that matter, often reverse course on fiscal discipline and take out the shovel, digging even deeper holes by granting things such as politically popular but fiscally unsustainable pension promises. Instead, any fiscal improvement either should be banked or devoted to the most important of civic needs, like basic infrastructure fixes and improvements. This won't be easy in a city with such powerful unions. But fixing the budget to enable the investments and maintenance needed to keep L.A. competitive is critical.

So as unlikely a poster child for long-term fiscal sustainability as it may be, Kokomo stands as an example of what long-range and responsible political leadership can mean for the future vibrancy of a city. The city of Los Angeles—and a host of others—could learn a lot from it. G

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By Scott Beyer

On the Skids

Los Angeles County seeks to reverse its longtime homeless problem.

It isn't easy being homeless anywhere, but it seems especially tough in Los Angeles. Despite the dizzying array of services, Los Angeles County is America's homeless capital, with more than 52,000 unsheltered individuals sleeping on its streets nightly—many of them settling inside the dangerous downtown tent city of Skid Row.

Now, a collection of public and private groups wants to end homelessness in the region, and it wants to do it with a digital program first tested in Skid Row in 2013. The "coordinated entry system," a one-stop website for homeless individuals, will essentially link the homeless to the county's many social services. The L.A. Housing Authority, the Chamber of Commerce and others have put aside $213 million to pay for the new site as well as for housing vouchers.

The computerized system, which will be operated by the Home for Good program of the local United Way, is in response to disorganization within L.A. County's social services bureaucracy. Currently, the county has a patchwork of soup kitchens, shelters and supportive housing groups, many of which compete with one another for funds and, as a result, seldom communicate. This has led, says Home for Good Director Christine Marge, to a fight for aid that rewards the "survival of the fittest." But worse, she says, the chaos has ended up being particularly burdensome on homeless individuals with addictions or mental illnesses.

Many of L.A. County's homeless settle in the tent city of Skid Row.

FLICKR/MATTHEW LOGELIN

The coordinated entry system is meant to streamline those individuals' path to help. Under the program, case managers will seek out the homeless and evaluate their mental and physical health. They'll enter this data into the portal, which will determine where individuals should go based on their needs and the availability within those given agencies. The worst-off—those who most often visit emergency rooms or end up in jails, for example—will be first in line for permanent housing. Others will qualify for transitional housing that includes counseling, and still others, mainly those who are mentally fit but may be experiencing economic hardship, will receive private-market housing assistance. In other words, the system will aim to digitally define and address the wildly diverse needs within the 10-million-person county.

The system's countywide expansion comes thanks to added support from the U.S. Department of Veterans Affairs. Piggybacking off the success of the Skid Row pilot, it will follow the "housing first" model, which has been shown to successfully keep the chronically homeless out of jails, shelters and hospitals. Los Angeles County's most entrenched street dwellers, according to the *Los Angeles Times*, make up one-quarter of its roughly 52,000 homeless people but consume 75 percent of its homeless financial resources. (Official homeless counts include not only people living on the streets, but also people in shelters and in uninhabitable places like cars.) By moving those individuals to permanent housing, the county hopes to end homelessness in the region by 2016. G

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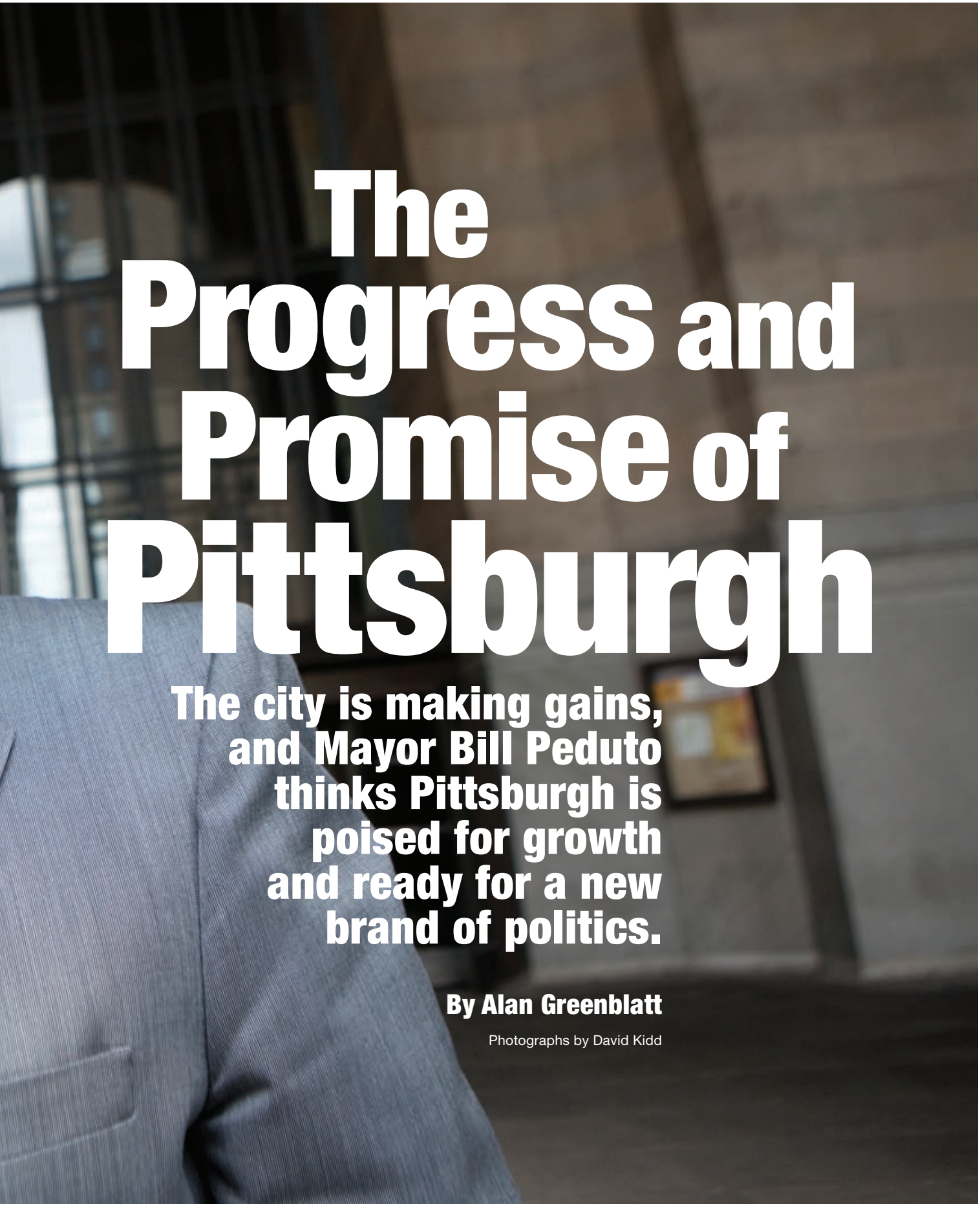
Peduto is one of a crop of liberal big-city mayors elected last year.



The Progress and Promise of Pittsburgh

The city is making gains, and Mayor Bill Peduto thinks Pittsburgh is poised for growth and ready for a new brand of politics.

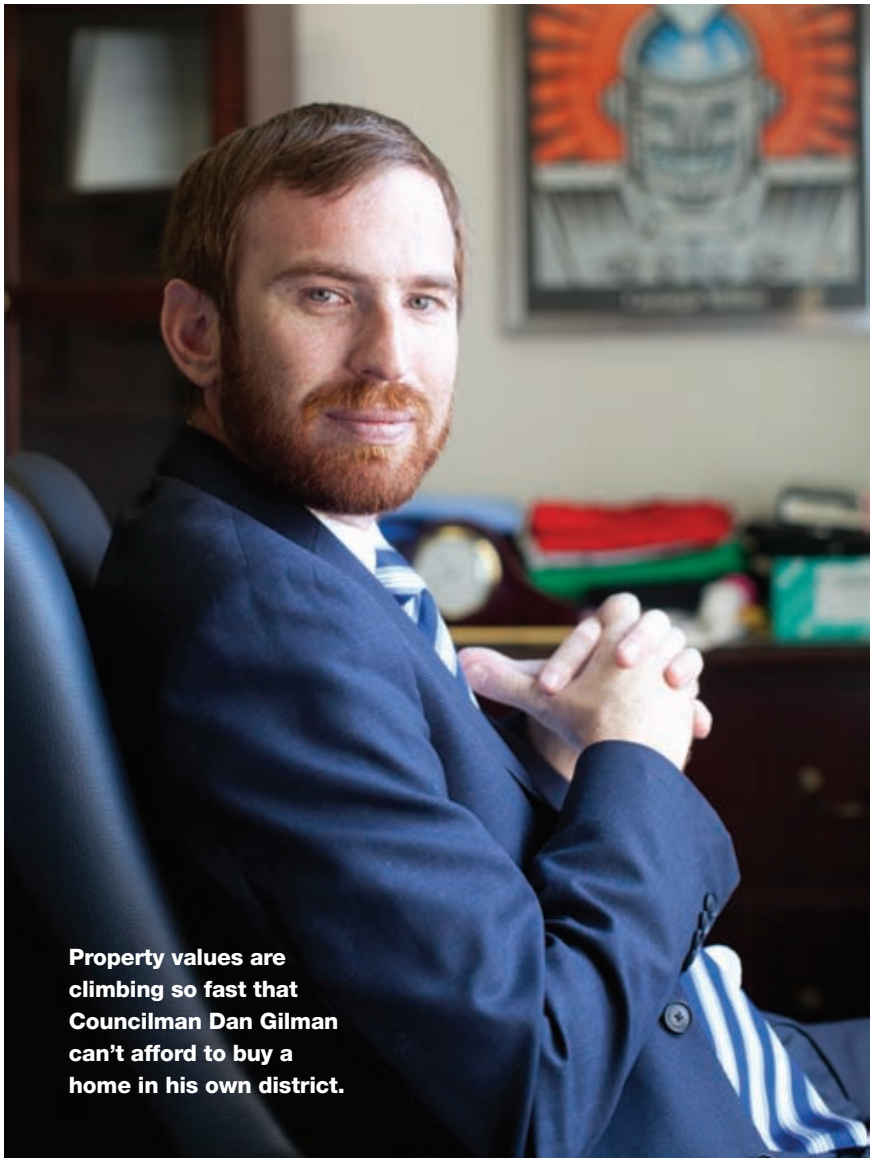
By Alan Greenblatt

Photographs by David Kidd

Dan Gilman has a good story to tell. The district he represents on the Pittsburgh City Council is thriving, with half a billion dollars' worth of new construction in the works and tech companies from Apple and Google on down expanding their operations. Over the past decade, the district's population has grown by 10 percent, with newcomers under 35 not only helping to end the city's long population decline, but also bringing its median age down lower than the nation's as a whole for the first time in decades. Property values are climbing so fast that Gilman can't afford to buy a home in his own district. "I love my landlords," he joked recently to a crowd at a fundraiser.

But what allowed Gilman to pack a big basement room with developers, bankers and lawyers a full three years ahead of his next election was not simply that his district is prospering. He is known to have a close and valuable friendship with Pittsburgh's man of the hour, Bill Peduto, who was elected mayor last year after serving on the city council for more than a decade. The city has changed markedly over that time—growing younger and more prosperous, and more liberal as well. Pittsburgh has been a Democratic city as long as anyone can remember, but it was a union town full of Democrats with a conservative streak, especially on social issues. Now Peduto is helping to reshape Pittsburgh into an assertively liberal city, one whose leaders talk about green energy, inequality and economic justice.

At first, Peduto was a lonely liberal reformer on the city council—representing the East End district that Gilman now serves (Gilman was Peduto's top aide). Pittsburgh still operated largely on machine principles, with jobs in public works and city contracts disproportionately offered to cronies of the mayor and his circle. Most of the important decisions seemed to be made by the same group of about 40 powerful individuals and institutions. Over the past dozen years or so, though, Peduto has helped to form new coalitions among unions, religious leaders, and environmental and community groups. They became the foot soldiers that helped elect a majority of his allies to the council and laid the groundwork for Peduto himself to get elected mayor on his third attempt. "While it's been a Democratic city for generations, it's now a new kind of Democratic," says Rich Fitzgerald, the Allegheny County executive and a Peduto ally. "Bill certainly is a mayor who represents that new Pittsburgh, that city that's emerging of millennials, that's different than the Pittsburgh of 20 or 30 years ago."



Property values are climbing so fast that Councilman Dan Gilman can't afford to buy a home in his own district.

In fact, Peduto represents something that's happening on a national scale. He was part of a large class of liberal activists elected mayor in big cities last year—Bill de Blasio in New York most famously, but also Ed Murray in Seattle, Marty Walsh in Boston and Betsy Hodges in Minneapolis, among others. They all ran successfully on similar platforms, promising to address issues such as income disparities, environmental sustainability and early childhood education.

It wasn't coordinated, but it wasn't an accident either. Nearly all big-city mayors are Democrats these days. The new group is not only liberal but also eager to test out ideas that have no chance to play out in Washington. They reflect the changing population of big cities and the interests of those new city dwellers. They're helping to make urban America not just reliably Democratic but also a hotbed of liberal experiment.

Next month, Peduto hopes to win a grant from the White House in order to make pre-kindergarten education more readily available throughout the city. President Obama himself concluded that

attempting to get Congress to pass an ambitious pre-K initiative would prove futile, and that it would be more worthwhile finding a dozen mayors ready to expand early childhood education in their cities. That's a perfect fit with the goals of Peduto and the rest of the cohort of new progressive mayors.

"The Progressive Era didn't start in Washington," Peduto says, referring to the great burst of political reform and government activism around the dawn of the 20th century. "It started in city halls in the 1880s and 1890s, and it's coming back through city halls again. I'm proud to be a part of that movement."

In some ways, Peduto's selling job is harder than that of his colleagues in places like Boston or Seattle, simply because Pittsburgh remains bound to its past in ways that don't hold in cities that have been growing for a longer period. It's still not uncommon in Pittsburgh for multiple generations of families to live within a block or so of one another. Residents have a habit of referring to places by what they used to be. "If you go to Macy's, which used to be Kaufmann's, then you're right in the center of the city," says a woman offering directions downtown.

Peduto chats with residents of his hometown of Scott Township, Pa., before accepting a proclamation in his honor.
Below: Shaking off the image of a dirty, smoky steel town.

Peduto is the first mayor of Pittsburgh in more than 100 years who wasn't born within the city limits, but he's no outsider. After crossing the Monongahela River on a recent evening, and driving a few miles to his hometown of Scott Township to accept a proclamation in his honor, he reminded town commissioners that his great-uncle had designed the building they meet in and that his uncle had served as Scott's police chief. He bragged about hitting his first home run on the ball field next door to the town hall. "I remember where I was when Roberto Clemente died," Peduto said, recalling the Pirates legend who was killed in a plane crash in 1972. "I was at David Goldberg's house and Mrs. Goldberg came down the stairs crying."

A lot of Pittsburghers of his generation—Peduto turned 50 the day before Halloween—decided they had to get out. There just weren't enough jobs. At its trough during the 1980s, Pittsburgh had a higher unemployment rate than Detroit has today and more debt than New York when it went bust. Its population, which was nearly 700,000 in the 1950s, slipped to barely 300,000 a half-century later. And as its native sons and daughters left in search of greater opportunity elsewhere, Allegheny County found itself with the second-highest proportion of elderly residents of any large county in the nation. "We started out as an older place, but really it was the out-migration of the younger folks who took their families and their future families away with them," says Chris Briem, a regional economist at the University of Pittsburgh.

But for all its problems, Pittsburgh retained real strengths. The city was quick to turn to an "eds and meds" economic strategy. The steel mills and coke works were closed, but their central role in the economy was taken up by hospitals employing thousands. Universities such as Pitt and Carnegie Mellon not only thrived but helped incubate tech businesses. Pittsburgh has as much foundation money per capita as any city that isn't home to Bill Gates. The city and its private and nonprofit partners cleaned up the riverfronts, built new parks and helped attract big companies like American Eagle Outfitters back into the city.

Pittsburgh is truly bearing the fruits of those investments at the start of the Peduto era. Huge commercial and residential developments are under way in parts of town where there had been little economic action for decades. The former industrial area of Lawrenceville is a good example. It's loaded with bou-

In spite of all the recent success, a quarter of Pittsburgh's residents are living in poverty. Officially considered a "financially distressed" city, it devotes a significant portion of its annual budget to paying down old debt.

tiques, fusion restaurants and coffee shops, and boasts the first single-screen movie theater built in an urban environment anywhere in the country in the past generation. The number of people ages 18 to 24 in Pittsburgh grew by 17 percent between 2000 and 2010. The young people who used to move away after high school or after college are now staying. They're being joined by out-of-state transplants attracted by the rivers and the hills, by the city's old-school charm and neighborhood feel, and, mainly, by the increasingly healthy job market. One of his opponents in the mayoral election last year was shocked by the results of a baseline poll that showed 25 percent of the likely voters in the Democratic primary held advanced degrees. One recent Cleveland State University study showed that Pittsburgh ranked third in the nation in its percentage of 25- to 34-year-old residents with advanced or professional degrees, higher than Austin, Chicago or Seattle. This is no longer the city of the stereotypical blue-haired lady living in a row house. "Cities like Pittsburgh and Cincinnati were just struggling to survive," says Tom Murphy, who served as Pittsburgh's mayor for a dozen years until 2006. "Now we can lift our heads up and say, 'How do we spread the wealth?'"

Indeed, that may be Peduto's biggest challenge. While parts of the city have become magnets for people priced out of more expensive places along the Eastern Seaboard, a quarter of its residents are still living in poverty. Some neighborhoods are growing fast, but others are well into their sixth or seventh straight decade of decline. Even as the city becomes a jolly playground for Ph.D.s, it has to worry like other cities about how to find jobs for those who never made it past high school. Peduto's installation of bike lanes downtown was in keeping with his eco- and transit-friendly vision for the city, but the project has become a target for people who say he is spending money on luxuries at a time when many areas need serious help. "We concentrate on the fact that this city has all of a sudden become attractive to outsiders," says state Rep. Jake Wheatley, one of Peduto's challengers in the mayor's race last year. "All throughout this city, you have people—black and white and other—who are struggling."

The city government itself still isn't out of the woods. A decade ago, Pittsburgh was so strapped for cash that it was forced to cut essential services such as parks and police, and had its finances taken over by the state. A sizable chunk of its annual budget goes to paying down old debt, and it's considered officially a "financially distressed" city, with the state government having to sign off on its budgets. In September, Peduto proposed a budget that would impose a two-year salary freeze on city employees and make them pay more for their health care. He also wants to raise property taxes, and is negotiating voluntary contributions in lieu of a tax from the city's major charitable and nonprofit organizations.

Despite very real limits on municipal finances, Peduto is doing what he can to make sure the city as a whole benefits from its booming real estate market. He recently helped broker a deal

Newcomers are bringing Pittsburgh's median age down lower than the nation's as a whole for the first time in decades. Below: Renovated century-old industrial sites are now a draw for many people looking to locate in the city.

with the Pittsburgh Penguins hockey team that ended years of squabbling over what to do with a 28-acre parcel where the team used to play. Peduto approved the largest tax increment financing district in the city's history, set to raise at least $22 million over 20 years for redevelopment projects on the parcel, which is located near the Uptown and Hill districts. The Penguins' development alone will create 220 units of affordable housing (out of 1,100 that are planned), while setting aside 30 percent of the development business for minority-owned firms and 15 percent for women. These set-aside numbers weren't as high as some residents of the Hill District wanted, but they represented records for the city. The entire approach was a far cry from the original construction of the arena, which destroyed hundreds of homes and cut out the economic heart of the area. "Bill's challenge is not whether there's going to be enough jobs and wealth, but whether that wealth is going to benefit working-class neighborhoods of Pittsburgh," says Gabe Morgan, a vice president and state director of the Service Employees International Union. "Unlike a lot of mayors, he views that as a central challenge."

Peduto has a long list of other mega-developments about to come online. In addition, he has constructed a wish list of ambitious projects that include county-wide light rail, a completely revamped sewer system, and higher wages for the thousands of Pittsburghers working for large health and insurance nonprofits. In order to accomplish all this, however, Peduto has fewer tools at his disposal than some mayors. He doesn't control his city's schools, and transit is largely under the jurisdiction of Allegheny County. In order to address the systemic problems of the city, Peduto knows he has to turn to a wide

Roberto Clemente was a childhood hero of the mayor, who often visits a local museum dedicated to the ballplayer.

assortment of partners. But with all the help he needs—from developers, the county, the state, the federal government, corporations and the major nonprofits—he knows he can only ask for so much. "It's sort of like the old cookie jar—you can only get one cookie from the cookie jar," Peduto says. "You're not going to get everything you want, but if you can prioritize what it is that you need, you can probably have some success."

In certain ways, Peduto can't help but look good as Pittsburgh's mayor. Not only is the city thriving, but Peduto's openness—his monthly town halls and his constant presence on social media—stands in stark contrast to the image of his predecessor. Luke Ravenstahl unexpectedly became mayor at age 26 with the death of Bob O'Connor eight years ago. By the time Ravenstahl left office in 2013, he was essentially missing in action, under federal investigation and rarely spotted in the city-county building. "It changes a community when you have an administration under investigation and the police chief arrested," says Grant Oliphant, the president of Heinz Endowments. (Former Police Chief Nathan Harper was sentenced in February for theft and fraud.)

Oliphant has worked in and around politics long enough to have developed a healthy amount of cynicism, but he says Peduto won him over by talking about the need to uproot what he saw as endemic corruption and patronage in the mayor's office. A lot of the existing mayoral appointments didn't have job descriptions, or had been tailored to fit the last person hired. As a result, Peduto let anyone who wanted to work on his administration serve on transition committees and then essentially outsourced the vetting of agency directors and assistant directors to foundations and search firms. "He said, 'If I can trade power for talent, that's good,'" Oliphant recalls.

While he is attempting to lay out an ambitious agenda for change, Peduto knows that when he appears before the public he's a lot more likely to hear questions about trash pickup, snowplowing and potholes. That's why he's been at pains to streamline city functions and get the government into better working shape. When Peduto took office, the Bureau of Building Inspection didn't even have email. The agency has taken what seem like incredibly simple steps, such as putting computers on everyone's desk and supplying inspectors with cellphones. An agency that simply hadn't kept up with the times is now trying to implement bigger changes, creating a database that would allow its vast stores of records and property information to be available to all the other city departments that could use such access. It's a relatively small fix, but it's a good example of the way Peduto's administration is trying to modernize creaky functions. "Right now, the Pittsburgh market is really hot and the developments will come," says Natalia Rudiak, a member of the city council. "But what our residents are really focused on is better response times to 311 and seeing our roads and bridges fixed."

Peduto made his reputation on the city council by pushing for more openness in government, working on bills concerned with no-bid contracts, lobbyist disclosure and campaign finance rules. Over time, he took on broader policy fights, helping to pass Pittsburgh's first clean air and water laws in generations, as well as legislation setting a prevailing wage floor for certain classes of workers. Those initiatives helped build the army of political newcomers that eventually gave Peduto majority support on the council, as well as ensuring his own election as mayor by expanding his base beyond the affluent East End.

All of this wind at his back gives Peduto the chance to put a pretty strong stamp on a city that is already rethinking its own image and ambitions. The government itself may finally be getting closer to escaping from state financial control, and construction cranes are going up in neighborhoods that hadn't seen them for decades. People from outside the city who still imagine it as some kind of smoky wasteland would be shocked by the extent of its recovery from its long years as the buckle of the Rust Belt.

"What our residents are really focused on is better response times to 311," says Councilwoman Rudiak, "and seeing our roads and bridges fixed."

But the most important change may be that Pittsburgh—a city that hasn't had to deal with growth issues for decades—is now awash with newcomers and eager investors. Longtime residents had lost the habit of looking toward the future with hope. That's something they're just starting to regain. "I never thought, growing up here, being born and raised here, choosing to live and die here—I never thought that I would live in a city that would be a boomtown," Peduto says. "I always thought it would be how well do we manage decline." G

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Watchdog Radio's Benjamin Yount broadcasts from a former hair salon 35 miles from the Illinois Capitol.

A Capitol Slant

A growing share of statehouse reporting comes from groups with an ax to grind.

By Daniel C. Vock

Photographs by Kristen Schmid

The talk radio segment started with the opening guitar riffs of Guns N' Roses' "Paradise City." Then, over the first drumbeats of the 1987 rock anthem, came the deep, resonant voice of a male announcer, "Holding government accountable for how they spend our money, it's Illinois Watchdog Radio: Watching the statehouse and cities across the state."

Finally, host Benjamin Yount took the microphone. He playfully mimicked the driving sounds of the Guns N' Roses guitar for a few seconds before launching in with his name, a Twitter handle and a number to text. Then, with a cadence common on conservative talk shows—rapid succession of escalating questions, dramatic pauses and a tone of incredulity—he got down to business.

The business for this particular mid-September segment, which was broadcast by several downstate Illinois stations, was a discussion of who deserved to be treated as legitimate media. The conversation celebrated a legal victory for a conservative Illinois blog, but Yount quickly turned to questioning long-held assumptions about journalism itself.

Yount, who has been an Illinois statehouse reporter for eight years, mentioned the many press passes hanging on his studio wall, 35 miles from the state Capitol in Springfield. He wondered why citizen journalists, including those who are advocates of one cause or another, should be treated differently than traditional journalists who see themselves as objective. "What is it going to take to legally erase that line? Should there be a line?" he asked, his indignation rising. "Should legally we recognize the difference between someone who is media and someone who is just an angry mom, an angry grandparent, the average taxpayer?"

For seasoned reporters, the idea that anyone off the street can do what they do is tough to take. But Yount is far from alone in pushing the idea that we need to re-examine who is qualified to cover state government. In fact, blurring the lines around what is considered legitimate media is a major emphasis of his employer and institutions like it.

Despite his many credentials, Yount questions whether reporters should get special treatment.

The group he works for, the Franklin Center for Government and Public Integrity, is deploying reporters to cover state and local governments around the country. Its ultimate ambition is to have bureaus in every state. But they aren't news bureaus in the way many traditional journalists understand them. They are being paid to cover government from an unabashedly ideological perspective.

The Franklin Center has been one of the top recipients of money from groups tied to the conservative billionaire Koch brothers. It grew from zero outlets to 30 in its first year in 2009. By its second year, it claimed outposts in 41 states.

The initial sites varied widely in their approach. Some covered events in a relatively straightforward fashion; others made little effort to conceal their ideological bent. After some shake-ups and streamlining, most of the sites that didn't become financially self-sufficient now appear under the Watchdog banner.

Other groups, many tied to Koch-funded conservative think tanks, are trying their hand at mixing advocacy and journalism at the state level as well. Like Franklin's Watchdog, they offer a steady diet of articles and reports on conservatives' go-to issues, including excessive government spending, union abuses, the virtues of school choice and the folly of overregulation.

On one Watchdog Radio segment, Yount interviewed an expert from the

Mercatus Center, an anti-regulatory think tank, to discuss whether federal unemployment data is needed at all. His co-host talked with a scholar from the Manhattan Institute, another conservative group, about the dangers of unfunded pension liability in the states. Both of these institutions are funded by Koch-related groups, a fact that wasn't mentioned in the segment.

Watchdog's Illinois site draws stories from Yount and from the Illinois News Network, which is based at yet another conservative think tank, the Illinois Policy Institute. Its stories are almost always critical of the way the state operates. In September, they included a profile of an Illinois lawmaker who moved away to Texas; an explanation of why declining unemployment numbers in Illinois weren't as good as they seemed; and an exploration of how much rent the state pays for Springfield residences for statewide officeholders ($72,420 a year).

In a state run by Democrats, the downbeat assessments reinforce Republican messages that Illinois is not just broke but broken. Even in states run by Republicans, though, Franklin's Watchdog sites rarely paint government in a positive light.

Of course, there's a marked difference in the way Democrats and Republicans view the news media. A September Gallup poll found 71 percent of Republicans thought the media was too liberal. Democrats, on the other hand, were only slightly more likely to say the media was too conservative than too liberal. Half of Dems thought the media was "just about right."

These attitudes give conservative organizations an opening to try to win new readers and listeners and reshape state-level press coverage. In a study of statehouse reporters released this summer, the Pew Research Center found 33 ideological outlets with state capitol reporters across the country. All but one of those outlets were conservative.

Franklin Center President Jason Stverak says the center focused on state government because of the "vacuum of content" brought on by the dwindling mainstream press corps. "We saw rapid expansion of government at both the state and federal level over the past six years," he says. "Who's going to watch how that money is being spent?"

Stverak says Watchdog sites write critically of both Republican and Democratic officeholders. New Jersey Watchdog has written several stories about the refusal of Republican Gov. Chris Christie's administration to release the governor's travel records and about its involvement in helping public officials collect bigger pensions. Watchdog complains that Christie's office "blacklisted" it by not sending it press advisories.

In Texas, where every elected statewide official is a Republican, the Watchdog site took sides in an internecine power struggle at the University of Texas. It reported that state legislators helped their friends get into the university's law school despite low test scores, and went after the university president for being too cozy with state legislators. The site also defended the president's chief critic on the Board of Regents.

But Watchdog relishes the chance to go after Democrats. In last year's contest for governor of Virginia, that state's Watchdog site raised ethical and legal questions about an electric car company founded by Democratic candidate Terry McAuliffe. The site's coverage provoked an $85 million libel lawsuit by the car company, claiming Watchdog's stories scared off investors. The suit was dismissed, and McAuliffe won the election.

What is clear is that, when Watchdog sinks its teeth into a story, it doesn't let go. The series on the University of Texas is up to 30 installments. An investigation called "Wisconsin's Secret War," which challenges prosecutors' handling of a secret probe into Republican Gov. Scott Walker and conservative groups allied with him, has posted more than 120 stories. An exploration of ways to privatize education has reached 129 parts.

Illinois has lost more statehouse newspaper reporters than any other state since 2009.

Critics on the left are quick to question the claims of Franklin and the Watchdog network that they produce reliable journalism. "This assembly line of politics, policy and news is unprecedented in American history," says Fred Clarkson, a senior fellow at the liberal think tank Political Research Associates. "They are a corrupt enterprise using the façade of journalism to carry out a political agenda." Clarkson questions whether the new outlets ought to be considered journalism at all, because they are closely aligned with or sometimes are part of advocacy organizations.

Clarkson's group spends much of its time documenting and criticizing the activities of these organizations. The group focuses on the links among the Franklin Center; the organization of conservative think tanks known as the State Policy Network; and other conservative groups, such as the American Legislative Exchange Council (ALEC).

Much of the funding for each, as of 2012, can be traced back to Donors Trust and Donors Capital, two secretive nonprofit organizations with ties to Charles and David Koch. The Franklin Center alone received nearly $9.5 million from the two groups in 2012, or more than 80 percent of its annual budget.

In addition to that, groups linked to the Koch brothers spread around another $2.7 million to conservative think tanks in 31

states to fund "journalism operations." The Mackinac Center for Public Policy in Michigan received the largest sum. It has hired four reporters to produce *Michigan Capitol Confidential*, which it calls "the news source for Michigan residents who want an alternative to 'bigger government' remedies in policy debates."

Grow Missouri, a conservative group backed by retired financial executive Rex Sinquefield, tried unsuccessfully to hire Alex Stuckey, a statehouse reporter from the *St. Louis Post-Dispatch*, to write "bylined, or no byline if preferred, articles" for its blog. The email solicitation, which Stuckey shared on Twitter, said the group did not want to create "politically charged content."

What difference has all this money and effort made? It is hard to tell. The ideological press operations have only a few reporters, at most, in each state. They certainly haven't supplanted traditional media. Sometimes it is hard to tell how much of a following they have even among conservative legislators. Linda Upmeyer, the Republican majority leader in the Iowa House, chairs the ALEC board of directors. When it comes to digital news outlets, she says that "if the information out there is generally reflective of our constituents, then we are very interested." But then she adds that "oftentimes, we find there's something different at the heart of it, that there's a reason the information is there, and perhaps it is more lobbying than information."

Amanda Vinicky is the Capitol bureau chief for Illinois Public Radio. She and the rest of the statehouse press corps were recently moved to the basement.

Stverak, the president of the Franklin Center, says the group's success ultimately depends on the quality of its stories. "You can have all the money in the world and you can have all the backing in the world," he says, "but at the end of the day, if what you produce is not credible journalism, over time you are not going to be followed, you are not going to be accepted as news, you are not going to be accepted as journalists."

The growth of the ideological press corps has forced established journalists, political leaders and the public to confront the questions Yount raises about who, exactly, ought to be treated and trusted as members of the media. What's the proper way to treat new media reporters who have a clear political ideology? What if they are also employees of lobbying organizations funded by some of the biggest political donors in the country?

The questions take on an even greater urgency as the traditional outlets that once supplied statehouse news offer less and less of it.

After decades of erosion in newspaper coverage of state capitols, the bottom fell out between 2003 and 2009. Print publications were already reeling from huge, Internet-triggered losses in subscribers and advertising dollars when the Great Recession delivered another crushing blow to their business models. Reporters assigned to distant posts, whether in foreign countries or in state capitols, were among the first to be dumped. By 2009, nearly one in four full-time newspaper reporter positions in the country's statehouses had been eliminated. Since then, the numbers have declined another 12 percent.

The Pew Research Center, which released the latest count of statehouse reporters in July, found 17 reporters who work full-time from state capitols for "ideological" outlets, such as the Franklin Center's sites. Another 36 reporters with similar connections pitch in part-time or when the legislature is in session. That amounts to only 2 percent of full-time statehouse reporters. But it means the ideological outlets now have a presence in nearly every state capitol.

To get a sense of how the once-bright lines between advocacy and journalism are fading, it's helpful to look at the variety of new players covering state government in Illinois, the state that has lost the largest number of statehouse newspaper reporters since 2009.

Yount, the reporter for the Franklin Center's Illinois Watchdog site, has a press pass and a cramped desk in one of the capitol's basement press areas. But because he is not focused on the day-to-day action, he often works from a bigger office in Lincoln, a half-hour drive away. He is included in Pew's tally as a member

of the statehouse press corps.

Scott Reeder and Brady Cremeens are not. They both work for Illinois News Network. Their stories and columns appear on Watchdog.org and in various newspapers around the state, most of them too small to be able to afford a subscription to The Associated Press.

Reeder once worked in the statehouse pressroom, reporting for a chain of small newspapers. In fact, he says, the main difference between his work then and his work now is that he has more readers now. Both the Illinois House and Senate, though, denied him access to the chambers' press boxes, because of his connection to the Illinois Policy Institute, an organization that lobbies at the Capitol. They don't want to give lobbyists front-row seats at the General Assembly.

Reeder and the think tank sued the legislative leaders for access, but lost in federal court in April. The judge raised questions about the motives for the denial of credentials, but ruled that officers of the legislature were protected by legislative immunity. The case is now on appeal.

The Better Government Association also was denied credentials because of its lobbying activities. The group, formed to expose corruption in Prohibition-era Chicago, recently stepped up its coverage of state government in Springfield. The organization was blocked from the press box because it lobbies legislators to strengthen transparency laws, eliminate obscure local government bodies and improve the criminal justice system.

Robert Reed, the Better Government Association's director of investigations and programming, says the denial won't stop the group from covering Springfield. "We don't need credentials to do what we do," he says, noting that there are plenty of ways to talk to legislators outside their chambers. "It's not an issue for us. It does not delegitimize us in any way, shape or form."

Meanwhile, another ambitious project, called Reboot Illinois, has surfaced with the goal of combining journalism and advocacy on state issues. Headed by Madeleine Doubek, former executive editor of the *Daily Herald,* a major suburban newspaper, the project is described by Doubek as "a digital journalism site with an editorial page and an act-up button."

Doubek says she wants to reach angry, disenchanted Illinoisans who have tuned out all of the bad news about state government. Reboot uses online tools to help visitors contact their legislators, plus social media tie-ins and regional events to encourage active citizenship. The site promotes its own opinions and prepopulates messages to legislators, but readers are free to substitute the text with their own.

Reboot Illinois, now funded by wealthy backers, has another major goal, which is to turn a profit. It operates out of the Chicago area and has not sought press credentials at the state capitol.

Nationally, the idea of viewpoint journalism funded by advocacy groups is nothing new. *Mother Jones,* the leftist magazine that unearthed the video of Mitt Romney's infamous "47 percent" comment in 2012, has been run by the Foundation for National Progress since 1976.

The libertarian *Reason* magazine, which was founded in 1968, is produced by the Reason Foundation, which received more than $557,000 in 2012 from the same secretive donors that bankroll the Franklin Center.

The recent emergence of more outlets that "foreground their bias or disposition," says Nick Gillespie, a longtime editor at the Reason Foundation, is a reminder of an earlier era of journalism, when newspapers were so partisan their names often carried party labels such as the *Arkansas Democrat*, *Waterbury Republican* or the *Quincy Herald-Whig.*

"Every great reporter that I know has a clear point of view," Gillespie says. "The difference is, some of them show it and some of them don't." G

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Legal marijuana packaged for sale in Washington state

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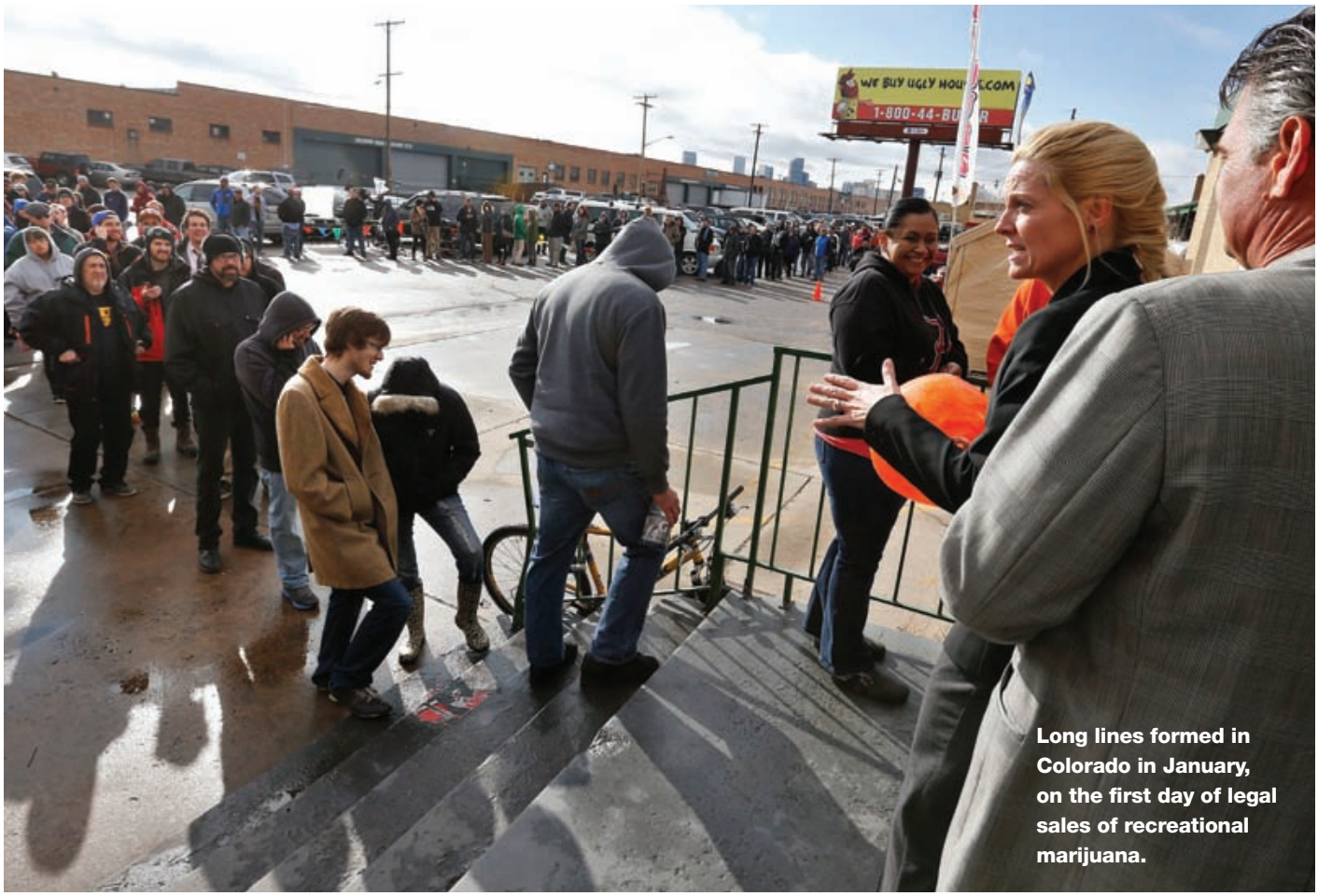
BUYERS & SELLERS

States that legalize marijuana are struggling to regulate the market for it. But there is another option: States could sell the pot themselves.

By John Buntin



Long lines formed in Colorado in January, on the first day of legal sales of recreational marijuana.

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For a growing number of states, the notion of marijuana legalization isn't a question of if, but when. Since 1996, some 23 states have legalized medical marijuana. In 2012, voters in Colorado and Washington went even further, passing ballot initiatives that made their states the first in the country to legalize the cultivation, sale and possession of small amounts of marijuana for recreational use. Oregon and Washington, D.C., seem certain to follow suit this month. The Vermont Legislature is expected to take up the question of marijuana legalization next year; voters in California will almost certainly consider a legalization ballot measure in 2016. In short, the question of how states should regulate marijuana is already at hand.

Regulating cannabis like alcohol could be a problem.

Regulating marijuana is hard. No country in the world (including the Netherlands) has ever created a working, legal market for the production, sale and use of recreational marijuana. Forced to develop something new, regulators in this country have generally turned to something old—the licensing model used to regulate the alcohol industry.

That's a problem, say many observers.

"It is amazing to me as a scientist to watch the marijuana policy debate evolve," says Alexander Wagenaar, an epidemiologist at the University of Florida College of Medicine and one of the nation's leading experts on post-Prohibition alcohol regulation. "We have 50 years of research on the regulation of alcohol, and we have all the research and experience of regulating tobacco as well." And all of it, says Wagenaar, suggests that creating a commercial marijuana industry whose profits depend on expanding consumption is a bad idea.

Among experts, two fears in particular stand out. The first has to do with how a for-profit cannabis industry will market marijuana. The second revolves around the fear that profits will lead to political power—power that will lead to weaker regulations and expanded consumption. "We are going to have a shift of power from the cannabis movement to the cannabis lobby," predicts University of California, Los Angeles' Mark Kleiman, one of the nation's foremost drug policy experts and the architect of Washington state's regulatory system. "I am not hopeful about the political economy of this."

It might seem premature to talk about problems with regulatory structures that are practically newborns. Washington state didn't open its first legal retail store until July, largely because it was building an entirely new regulatory system from scratch. Colorado, which permitted existing medical marijuana dispensaries to convert, moved more quickly. Sales there got under way at the beginning of the year.

But concerns like Kleiman's, about the ways a legal marijuana industry might evolve over time, are not hypothetical. They reflect state experiences regulating another decriminalized drug—alcohol— in the years following Prohibition. States enacted a patchwork of regulations on alcohol sales, with wildly different approaches from state to state and even from one county to the next (see "Will Arkansas Go Wet?," page 14). Eventually most states settled on a licensing system whereby a state liquor control board regulated a for-profit alcohol industry divided between suppliers, wholesalers, distributors and retailers, an industry taxed at the state and federal level. This worked well—at first. Over time, however, the alcohol lobby found ways to aggressively market its product while reducing taxes. Today, public health experts say that state and federal taxes offset only a small fraction of the damages caused by alcohol-related injuries, deaths and illnesses.

But what if there were another way? What if states that choose to legalize marijuana didn't set up a commercial marketplace for it? What if, instead, they adopted another model, one that was developed by associates of John D. Rockefeller and the National Municipal League in 1933 and adopted by some 15 states after Prohibition's repeal, and one that's regarded by public health experts as the gold standard for substance abuse control?

What if states sold pot themselves?

If the idea of governments selling cannabis directly to consumers seems outlandish, consider the model of the state ABC store. After the 21st Amendment ended Prohibition, some states, such as Pennsylvania, Utah and Washington, monopolized sales of all types of alcohol. Other states, such as Alabama, New Hampshire, North Carolina and Virginia, monopolized only the sale of spirits. Countries with the most serious alcoholism problems, such as Sweden, Finland and Russia, have taken a similar approach in an effort to curb consumption. Public health experts say it works. "To have the market for marijuana be totally controlled by a state agency that has a mandate to protect public health and safety—basically, a system that would be run by the health department and not the revenue department—that would really change the dynamics and incentives," says Florida's Wagenaar. "We have the tools and experience. We need to do this better."

With the election of Franklin Delano Roosevelt in 1932, it was clear that Prohibition would end. The question was what would replace it.

Policymakers did not want to return to the *status quo ante*, when brewer-controlled saloons promoted excessive drinking. Prior to Prohibition, the average American consumed 2.6 gallons of pure alcohol a year—the equivalent of 520 bottles of beer. That number fell by 70 percent in the first years of Prohibition (before rebounding somewhat in the 1920s). But how to avoid it? On this, the 21st Amendment repealing Prohibition was silent. It simply repealed Prohibition at the national level and, by prohibiting the import of alcohol into states in violation of state

Washington and Colorado legalized recreational marijuana in 2012; Oregon and Washington, D.C., likely will this month.

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One Colorado study found that people who smoke marijuana 21 times a month or more account for 87 percent of the state's total legal marjiuana consumption.

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law, recognized states' power to regulate alcohol as they saw fit. So states developed their own solutions.

The most common response was to set up a structured market with separate retailers, wholesalers, brewers and distillers who in turn were licensed and regulated by a state alcohol control board. This was a successful strategy initially. When the 21st Amendment was ratified, states imposed a whole raft of regulations on what had previously been an underground, unregulated industry. Age limits, Sunday "blue laws," rules governing location (not near schools, churches or hospitals), and a whole host of other regulations were enacted. The other ingredient was excise taxes. As the country plunged into the Great Depression, both the federal and state governments craved the revenues that would come from legalizing and taxing alcohol.

This is basically the approach Colorado and Washington have taken with marijuana as well. In Washington, the state liquor control board has responsibility for licensing and regulating marijuana. In Colorado, that job falls to a special division of the state revenue department. Both states have created extensive licensing and regulatory requirements for growers, distributors and retail sales outlets. Both have also sought to raise revenue while limiting consumption by imposing high excise taxes. According to the Tax Foundation, Colorado collects a 15 percent tax based on the average wholesale market price of marijuana; a 10 percent state tax on retail marijuana sales; and a state sales tax of 2.9 percent. Localities can also impose their own taxes. Denver, for instance, tacks on its own 3.5 percent sales tax. As a result, the effective tax rate on marijuana in Denver is around 28 percent—less than the 31 percent tax on cigarettes, more than the 8 percent excise tax on alcohol. Washington has an even higher tax rate on legal marijuana—around 44 percent.

But there's an inherent problem with for-profit systems: the desire for profits. Consumption patterns for alcohol and marijuana share some notable similarities. One is that the heaviest users consume the most product. The top 20 percent of drinkers account for 85 percent of total alcohol consumption. Likewise, a small percentage of heavy smokers account for most marijuana consumption. A study conducted by the Colorado Department of Revenue's Marijuana Policy Group found that people who smoke or ingest marijuana 21 times a month or more account for 87 percent of the state's total legal marijuana consumption. Say what they will about responsible or moderate use, both the alcohol industry and the emerging marijuana industry depend on excessive, immoderate use for their profits. And the experience of states licensing the alcohol industry suggests two things. The first is that businesses are good at increasing their profits. That means aggressively advertising and marketing their products. The second is that growing profits bring political power.

Since the end of Prohibition, the American liquor industry has become ever more concentrated. Today, just two companies—Anheuser-Busch InBev and MillerCoors—control 80 percent of the beer market. With large profits come political power. It's not

just the brewers. The National Beer Wholesalers Association has long been a major donor, and the Wine and Spirits Wholesalers of America is quickly catching up. At the state level, beer distributors, retailers and wholesalers are perhaps even more politically important. Over the long run, these forces have been effective in gradually reducing the legal burdens imposed on them. Since 1950, the effective tax rate on beer has fallen by half; the tax on liquor has fallen even more dramatically. The federal excise tax hasn't risen since 1991. The result is a level of taxation that does not remotely cover the cost alcohol imposes on society. In 2006, researchers calculated that the total cost of alcohol abuse was about $130 billion. Yet in 2012, the federal excise tax brought less than $10 billion into the federal treasury.

Of course the legal and medical marijuana market is a minnow compared to the whale that is the alcohol industry. Is it really reasonable to worry that the political clout of "Big Pot" could undermine reasonable state regulations? In the short term, no. Regulators in Washington state say they expect considerable turnover in the industry during its fledgling years.

"Colorado, when they first established their medical marijuana system several years ago, they saw a 50 percent failure rate," says Washington State Liquor Control Board spokesman Brian Smith. "We expect that same sort of dynamic as things play out in the market here."

Whether it's marijuana or alcohol, there's one problem with for-profit systems: the desire for profits.

Once winners emerge, however, the market will mature and the dynamics will change. "Over time, if you have private companies involved, they will try to create brand loyalty," says Beau Kilmer, a senior policy researcher at the Rand Corporation who is part of a group developing marijuana legalization options for lawmakers in Vermont to consider. "Advertising and marketing are really going to matter at that point."

All of which comes back to the idea of direct state sales of marijuana. A system of state-run cannabis stores would enjoy significant advantages over the commercial systems that state ballot initiatives have been creating. States would be able to directly control prices and, by extension, consumption and revenue. Governments would also be able to better control advertising. States such as Washington have tried to do that, promulgating regulations on signage and cannabis edibles (which can be particularly dangerous due to the potential to ingest large amounts of THC quickly) and banning marketing to children. But thanks to the U.S. Supreme Court's expansive view of corporate free speech, there's only so much state regulators can do. They can't, for example, do what Uruguay is doing. The Latin American country is currently in the process of establishing a largely noncommercial legal marijuana market. "Uruguay is just going to ban advertising," says Kilmer. "In the United States, it's much more difficult. That's not to say the folks in Washington and Colorado aren't working hard to put limits on advertising. They are. But with the commercial free speech doctrine, they are not going to be able to ban that. That very much is an issue, especially in states that allow for-profit companies, especially over time."

To be sure, state monopolies aren't perfect. They can be hard to set up. They can be unpopular with consumers. They're also unpopular with their private-sector counterparts. That makes them vulnerable to privatization efforts. States such as Alabama, Idaho, Iowa, Maine and Montana have chosen to privatize state-owned liquor stores. In every case, the net results of such transitions have been bad from a public health standpoint. According to a review published in *The American Journal of Preventive Medicine* in 2012, the privatization of state-owned monopolies "lead to more outlets, longer hours of operation, increased promotions, and, importantly, increased sales and use."

There's another problem with the state-store approach—selling marijuana is a felony under federal law. Back in 2010, when Colorado was considering legalization, the federal government intimated that state officials could be considered participants in a criminal project. Since then, the Justice Department has clarified that it will not pursue operators in states that have chosen to legalize marijuana and have put "strong and effective regulatory and enforcement systems" in place. For states to sell marijuana directly, however, there would certainly need to be changes. The most straightforward way to accommodate state monopolies would be to change the federal Controlled Substances Act. However, UCLA's Kleiman has also suggested that states could enter into a contractual arrangement with the U.S. Department of Justice that might provide for a tightly controlled state system.

Establishing state-operated cannabis outlets probably isn't going to happen anytime soon. Public support for legal marijuana, which has risen steadily since the 1960s, could decline. The federal government's tolerance of legalization experiments could change too. But the point is that states have myriad options between marijuana bans and a legal retail marketplace. "There is a tremendous amount of policy space between Prohibition and the standard, commercial model that has been adopted in Colorado and Washington," says Kilmer. Washington, D.C.'s legalization proposal, which would permit small-scale home cultivation for personal use, is one such alternative. Uruguay's proposed system of home cultivation, co-ops and pharmacy sales could be another. But instead of exploring those alternatives, says Kilmer, "it's kind of like we've gone from one extreme to another." G

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Late

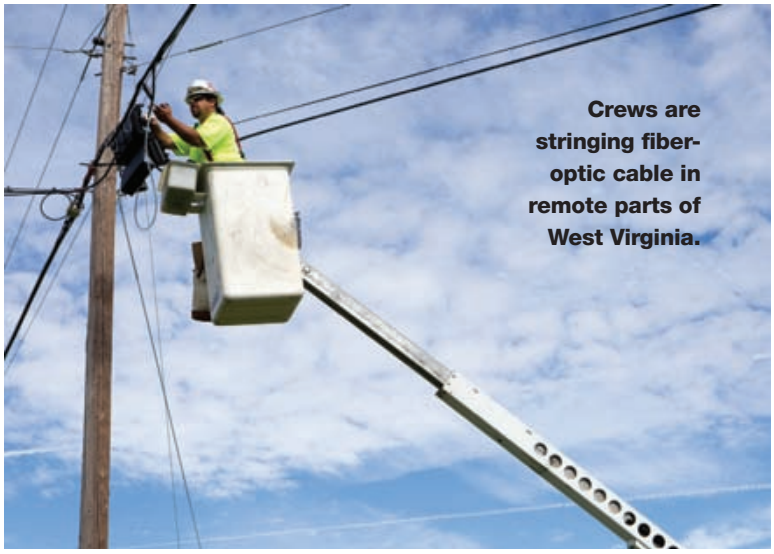
Green Bank, W.Va., resident Alfred Ervine watches a technician hook up his new Internet and TV service.

Adopters

Broadband is starting to reach the nation's remotest areas. Getting people to use it is a whole other story.

By Mike Maciag

Photographs by David Kidd



Crews are stringing fiber-optic cable in remote parts of West Virginia.

Green Bank, W.Va., is not the sort of place where one would expect to find high-speed Internet. Surrounded by rocky terrain, the hamlet of fewer than 200 people lies on the edge of the Allegheny Mountains. Cellphone service is unavailable for miles and radio transmission is strictly limited to avoid interference with a federal astronomical observatory nearby. It's a place where residents can, quite literally, live off the grid.

Even so, the grid is coming. Over the past year, crews have been laying the groundwork for broadband service that will better connect Green Bank to the rest of the world. A local telecom has wired the area with fiber-optic cable, sometimes dodging black bears in order to dig lines in the ground along steep mountainsides. Residents are finally getting high-speed Internet.

But how many will use it?

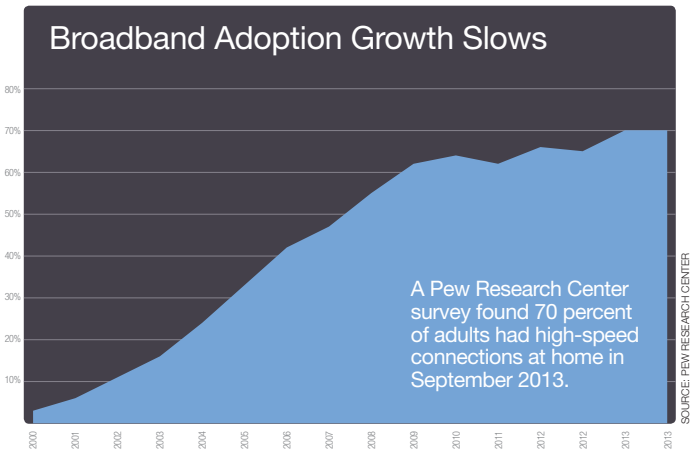
Even as broadband infrastructure has spread across much of rural America in the past few years, often funded by the federal stimulus program of 2009, potential customers have been slow to adopt the technology. Some don't have a computer, or they lack digital literacy. For others, it's too expensive. Then there are those who've learned to live without the Internet and just don't think it's relevant to their lives. The older and poorer they are, the harder it is to get them online. "A lot of people had great expectations for the investments and infrastructure," says John Horrigan, who has researched broadband for the Federal Communications Commission (FCC) and various think tanks. "They're going to have a rude awakening in a couple years if they don't see people using the services as much as they hoped for."

For homes without an Internet connection, the largest barrier to adoption is that people just don't feel they need it. A *Governing* analysis of microdata from the Census Bureau's 2012 Current Population Survey shows that nearly 53 percent of U.S. householders without Internet service of any kind cited a lack of interest or need as the main reason for nonadoption. Another segment of the population remains stuck at slower speeds, mostly in remote areas where it's costly to deploy service. About 8.5 percent of Americans lack access to connections that the FCC considers to be broadband.

Connecting the remaining broadband nonadopters, experts say, will be the most difficult. The review of data shows adoption rates outside of metro areas remain remarkably low, with less than half of select demographic groups having home broadband access. Just 49 percent of rural householders with no college education had adopted the service, while only 46 percent of rural householders age 65 and older had done so.

Lower-income families connect at notably lower rates. Of households outside metro areas with incomes below $25,000, just 41 percent had broadband, while half of those in metro areas had subscribed. Connected Nation, a nonprofit advocating for broadband expansion, estimates that 39 percent of nonadopters would sign up for broadband service if it were offered at a lower price point.

The overall pace of U.S. broadband adoption has slowed somewhat after a long period of rapid growth. About 70 percent of Americans reported broadband connections at home in the latest Pew Research Center survey last fall, up slightly from 64 percent from 2010. But as the service extends to the rural reaches where it hasn't existed before, it's much harder to sustain.



While Green Bank's fiber network is new, the campaign to install it has been going on for several years. Miriam Hedrick, a representative for Spruce Knob Seneca Rocks Telephone, began going door to door in 2012 to sell residents on the prospect of high-speed service. The telephone cooperative received a federal grant to pay for the construction of a fiber network in Green Bank and six other towns.

Building out the high-speed network was no easy job. The rocky terrain made burying lines difficult. The fact that the area lies within the National Radio Quiet Zone complicated matters since the workers couldn't use wireless signals that would interfere with the Green Bank Telescope. Vickie Colaw, the company's general manager, estimates it may have cost $5,000 to $10,000 to

Breaking Down the Broadband Divide

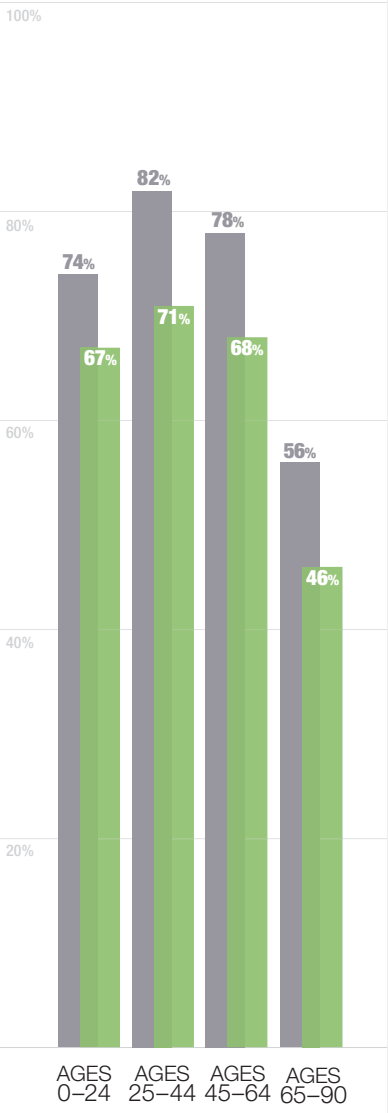
OLDER, POORER and other select groups of American households continue to subscribe to broadband Internet at remarkably low rates. Outside of metro areas, these demographic divides are even more apparent.

Home Broadband Adoption

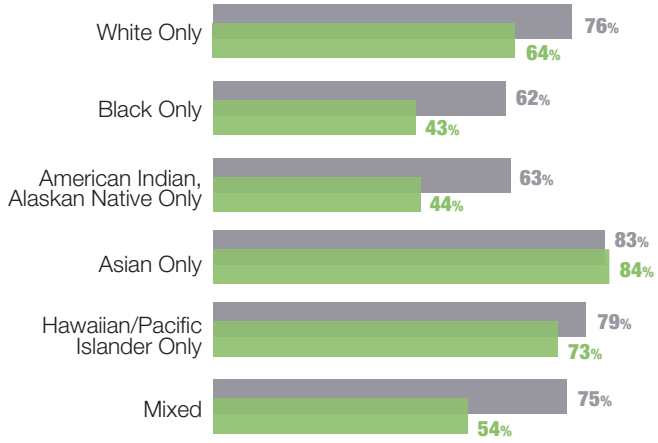
METRO HOUSEHOLDS

NONMETRO HOUSEHOLDS

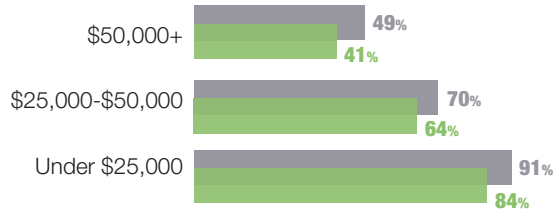
Age

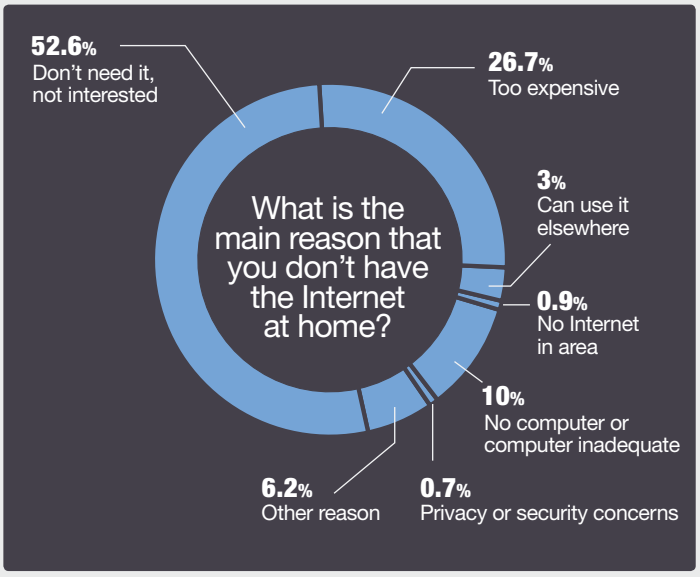


Race

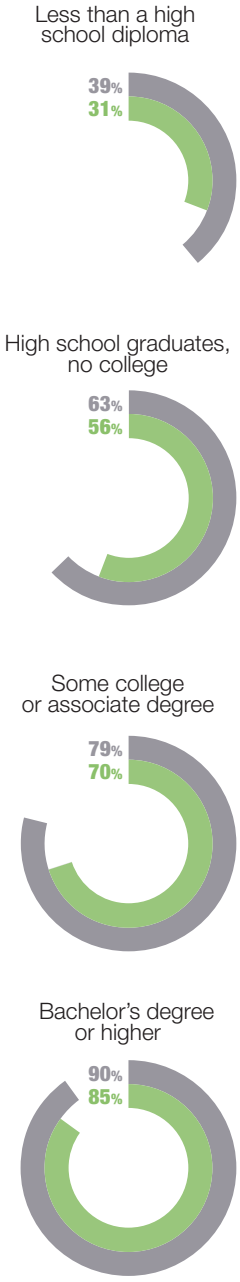


Family Income



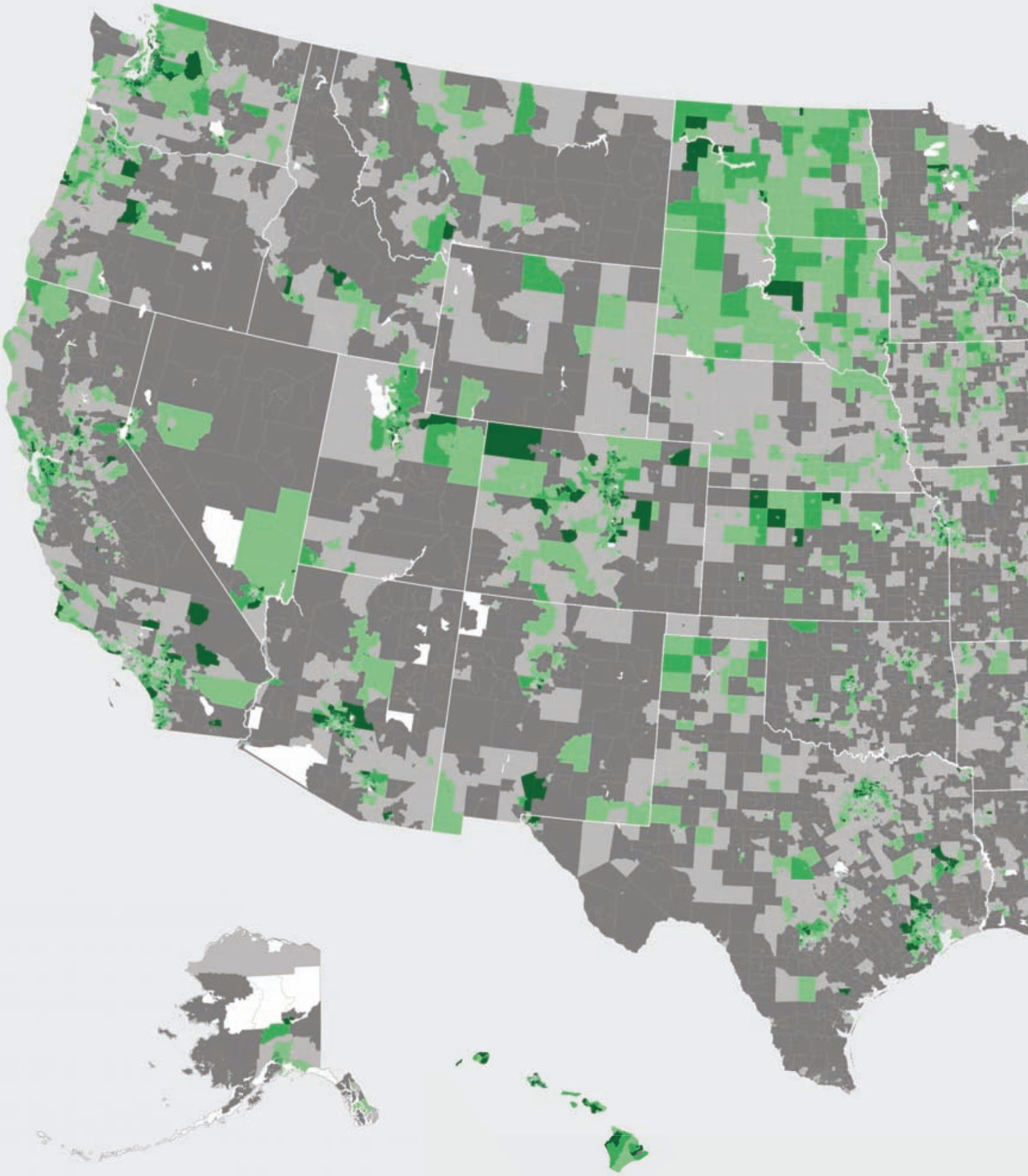


Education Attainment

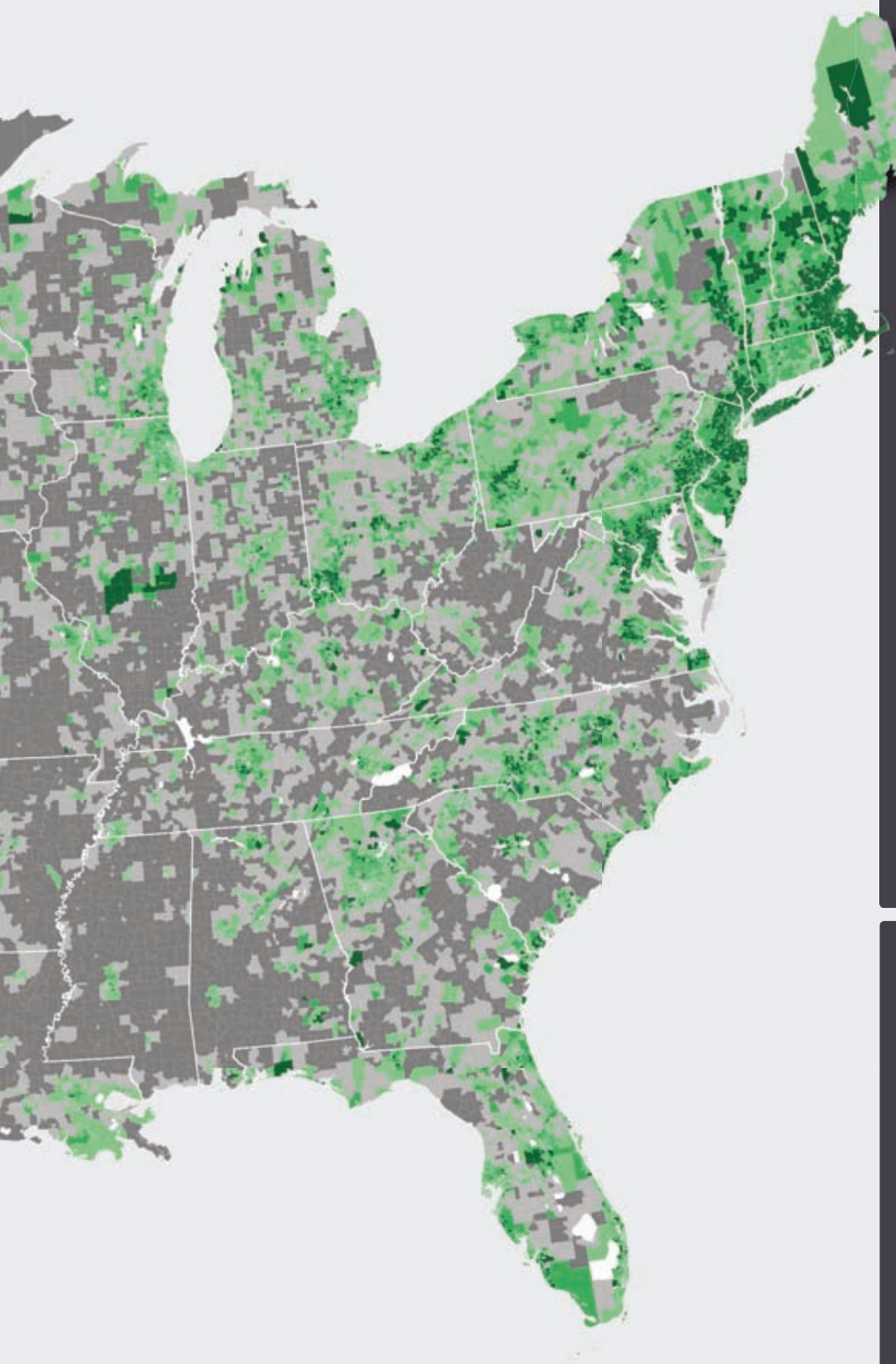


NOTE: Results shown for householders age 25 and up.

TO ILLUSTRATE the state of broadband adoption, *Governing* analyzed October 2012 microdata for the Census Bureau's computer and Internet use supplement to the Current Population Survey. Householders who reported having cable modem, DSL, fiber, mobile broadband or satellite Internet service were considered broadband users. The actual connection speeds for these services, which are not collected in the Current Population Survey, can vary greatly.



(Un) Connected Nation



THE NUMBER OF HOUSEHOLDS with broadband Internet continues to climb, but adoption remains low in many regions of the country.

Data reported to the Federal Communications Commission, current as of June 2013, tallied about 65 million fixed residential connections with download speeds of at least 3 megabits per second and upload speeds of at least 768 kilobits per second. That's fast enough to stream low-quality videos but too slow for some other activities, such as video conferencing.

Nationwide, there were about 54 connections per 100 households meeting this speed threshold. Massachusetts and New Jersey have the highest rates, with 79 fixed connections per 100 households. Adoption is lowest in Mississippi, along with other rural areas of the South and Great Plains.

This map shows adoption rates for all Census tracts.

Broadband Connections per 1,000 Households

- **ZERO OR DATA UNAVAILABLE**
- **0-200**
- **> 200-400**
- **> 400-600**
- **> 600-800**
- **> 800**

NOTE: Measures fixed residential connections of at least 3 Mbps downstream and 768 kbps upstream. All connection types except terrestrial mobile wireless are included.

View an interactive broadband adoption map at governing.com/broadbandmap

deploy Internet to some of the most isolated residences. "It's a unique situation and not your run-of-the-mill installation by any stretch," she says.

As in other rural areas, many of the telecom's potential customers are older residents who tend to connect at lower rates. The median age in surrounding Pocahontas County is 47.5 years, about 10 years older than the national median. "A lot of the seniors we see coming in don't even imagine all the ways they could use the Internet," says Vicky Terry, the county library system's director.

Some parts of rural America are connected to the Internet, but not in a way that is useful to them. A legacy provider in Pocahontas County offers low-grade DSL and dial-up service, but slow speeds and poor reliability limit its effectiveness. This is a source of great frustration for some locals, particularly business owners. "The Internet issue has been constant and persistent every year," says David Fleming, the president of the Pocahontas County Commission.

Ed Krueger oversees a computer lab in the back of a fire station. "With slow speeds, people get frustrated really quick when they try to play a video."

Fleming started an online forum for residents to report download and upload speeds on the obsolete DSL system. The owner of Murphy's Body & Repair Shop says his bids for online auto auctions don't go through fast enough, so he frequently gives up. The only nearby option for Green Bank residents without any home access was the local library, which was also plagued by slow DSL service. Now that will change.

As in other remote areas, the economic implications of high-speed Internet in Green Bank are huge. Jobs remain scarce, with much of the area's economy tied to logging or tourism. Once teenagers go off to college, few jobs exist to lure them back. Fleming says some residents might start second careers or launch Internet-based businesses if high-speed connections were more available throughout the county. "There's a lot of entrepreneurial spirit here, but people need the Internet to do it," he says.

In the past few years, West Virginia has seen some novel approaches in providing help to communities whose residents either couldn't or wouldn't subscribe to high-speed service. A nonprofit used stimulus funding to pay for more than 60 computer labs housed around the state in volunteer fire and rescue stations. Paid and volunteer lab mentors led classes in online genealogy research, GIS tracking and other subjects.

Ed Krueger ran a lab in Cass, an old logging town just south of Green Bank. Longtime residents who had never used a computer before stopped by, but some didn't seem too interested after an initial visit. "The general population that's been here forever could take it or leave it," Krueger says. "The younger people and those who moved in from someplace else miss their Internet and cellphone."

Now federal funding has expired, and only locations with volunteer mentors maintain open lab hours. Many of the labs now serve as classrooms for firefighters and first responders taking online training courses.

Nationally, enhancing digital literacy has served as a key component in the effort to increase adoption of high-speed service. In a 2013 Pew survey, about a third of offline adults reported they weren't online primarily because of usability concerns, such as a lack of skills or finding the Internet too frustrating. Some telecoms and nonprofit groups have responded by providing training sessions and refurbished computers.

In many remote areas around the country, as in West Virginia, it's the small, independent telecoms that are largely driving broadband adoption. Large companies often balk at the high costs of broadband deployment in sparsely populated rural areas. Talking to residents directly is generally more effective than offering impersonal promotions, says Rod Bowar, president of the Kennebec Telephone Company in central South Dakota. The company, like some other rural telecoms, holds classes with a focus on how the Internet can help customers in their everyday lives. Ranchers in South Dakota, for example, use streaming video to monitor cattle in their barns.

Many of the rural broadband buildouts have benefited from federal stimulus money. Spruce Knob Seneca Rocks Telephone in Green Bank received a grant from the federal Broadband Technology Opportunities Program to cover construction costs (although it did not receive funding for capital improvements or personnel).

All told, the federal government's National Telecommunications and Information Administration (NTIA) awarded a total of $4.4 billion in stimulus funds for broadband connection over a period of several years. The vast majority of the federal grant money went toward infrastructure investment. A much smaller

Mike Holstine of the observatory: "We have been working to get increased Internet speeds for 14 years."

sum—$249 million—paid for digital literacy and other adoption projects, while another program awarded money for states to track data on broadband speeds and availability. According to NTIA, federal assistance was responsible for a total of 730,000 new broadband subscribers.

Dee Davis, president of the Center for Rural Strategies, says the federal grants were not sufficient to deal with the problem of limited Internet use in rural areas. "It was money well spent," he says, "but it was not enough money to change the dynamics."

The FCC has moved to modernize Lifeline, a federal program providing discounts on phone service, to include funding for broadband adoption. The agency launched a pilot program last year to study how funds might be directed to increase adoption. Fourteen selected pilot projects offer varying service discounts to eligible low-income consumers. The enrollment numbers from the pilot are expected to help determine how the agency structures future subsidies.

Those pushing efforts to speed up investment in infrastructure and adoption argue broadband shouldn't be viewed as merely a luxury item or a way to watch Netflix. "We haven't fully imagined what the Internet can do in rural communities," Davis says. "We've thought of it more as a away to connect culturally and socially."

In Green Bank, the benefits of high-speed Internet are just starting to be realized. Staff at the nearby National Radio Astronomy Observatory previously had to transport hard drives with raw data to West Virginia University in Morgantown a couple of times each week. Now, thanks to a state grant, they're able to stream data with a 10-gigabit connection in real time. "We have been working to get increased Internet speeds in the county for 14 years," says Mike Holstine, the observatory's business manager. "The fact that we have added providers is a huge boon to the connectivity of the community." **G**

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PHOTO ILLUSTRATION BY HEATHER WHISENHUNT/SHUTTERSTOCK.COM/DAVID KIDD

WHERE THE WILD THINGS ARE

As bears, cougars and other predatory animals range closer to cities, wildlife agencies are rethinking how best to keep both people and animals safe.

By Tom Arrandale

Most days, cougar No. AF126 stays close to her 3-month-old kitten in her den in the Flatiron Mountains near Boulder, Colo. But when dusk falls, she eases silently down foothill trails and out onto Colorado's High Plains. There, in the dark of the night, she'll hunt mule deer, raccoons, skunks and other prey to sustain herself and her offspring.

One hot September morning, Colorado Parks and Wildlife Department biologist Mat Alldredge trekked up a faint wildlife trail to find where AF126 had been secluding herself and her cub. The startled cougars bounded away when Alldredge, a biology tech and a ranger from Boulder's Open Space and Mountain Parks suddenly stopped close to the fallen logs and brush where the cougars had been secreted. The men stayed just long enough to set up a remote camera to record the cougars' comings and goings.

Seattle officials in 2009 had to briefly close Discovery Park, the city's largest park, to capture a cougar.

APIMAGES.COM

AF126's den doesn't lie in remote mountains or untrammeled forest wilderness. Rather, her site commands a sweeping view eastward across a landscape dotted with buildings, highways and power plants. The cougar's den, barely two miles from Boulder's city limits, sits in the rocky terrain that the city bought years ago as an open preserve for all its citizens.

Since 2007, Alldredge has tracked more than a hundred cougars within a 2,800-square-kilometer area along the Rocky Mountain Front Range. With help from county and city open space rangers, Alldredge has put tracking collars on each of the animals and has monitored their dens and kill sites. He has followed male lions searching for mates as far north as Wyoming and as far south as New Mexico.

What he's learned from his local tracking is that, come dusk, female cougars like AF126 don't limit themselves to the rocky façade looming over Boulder. They prowl down stream corridors, cross Boulder's city line and wander into prosperous, tree-shaded neighborhoods. "A lot of the time they'll go in there and utilize human-populated areas for food when people are asleep and it's quiet," Alldredge says. "Generally, nobody notices they're doing it."

Boulder is not the only city where wild and potentially dangerous carnivores now live, breed and raise their cubs close by. Western and Eastern cities alike have their hands full with black bears that venture into urban places; just last month a black bear cub was mysteriously found dead in New York City's Central Park. Mountain lions, also known as cougars, pumas or painters, were once confined to Western high country but have been moving in recent years to hunt prey close to heavily populated, urbanized communities such as Los Angeles; Portland, Ore.; and Tucson, Ariz. Mountain lions have spread eastward from the Rockies to establish breeding populations in South Dakota, Nebraska, Iowa and Missouri. One lion was shot by Chicago police; another killed by traffic in the Connecticut suburbs of New York City. Every year, frightened residents report sighting cougars in unexpected places. Winchester, Mass., 10 miles north of Boston, sent out warnings last winter after large footprints were found in a snowbank. Biologists decided they were made by a coyote or large dog. "Mountain lions are our Sasquatch of the East," says Thomas French, assistant director for Massachusetts' natural heritage program.

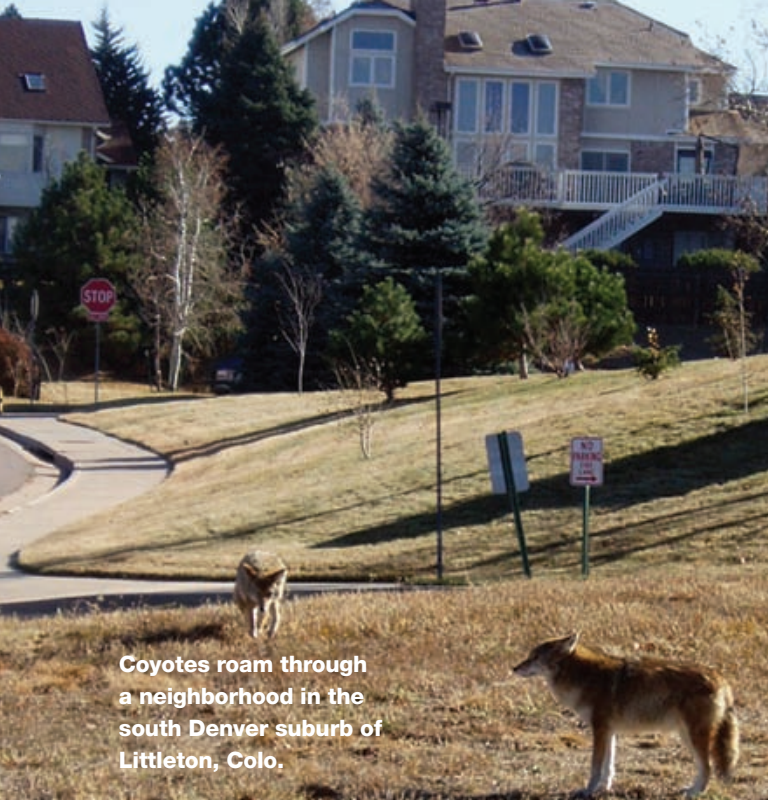
In fact, the U.S. Fish and Wildlife Service recently declared the Eastern cougar population extinct. But French thinks that in another decade or two, Western mountain lions could be breeding in New York's Adirondack State Park and eventually in less isolated regions where forests have reclaimed farm fields.

In Western states, once in a while cougars have frightened and sometimes threatened hikers, mountain bikers and children as they play in wooded parks and suburban neighborhoods. They've scaled backyard fences to snatch household cats. Horrified pet owners have woken up in the morning to find the mangled remains of beloved poodles, retrievers and German shepherds. Sometimes, homeowners find a partly consumed deer carcass that a lion has cached in their backyards. A decade ago, one male mountain lion jumped two different mountain bicyclists on the same day near Los Angeles.

The attacks put state wildlife departments on the spot for failing to keep dangerous animals away from people. Court decisions going back to the 1800s give state governments the responsibility for managing wild species as trustees for the public. For the most part, state game commissions and agencies have served the needs of the hunters and fishermen who pay for licenses that provide 90 percent of the agencies' revenues. As one consequence, wildlife agencies have been quick to expand hunting seasons on mountain lions, wolves and bears so they'll take fewer deer, elk, moose and bighorn sheep that provide hunters with big-game trophies.

Wildlife officials have also been quick to dispatch with predators spotted near populated areas. But that's changing. "In the early days, if a bear or lion came into town, we just dealt with it" by shooting the intruder, says Boulder Area Wildlife Manager Larry Rogstad, a 35-year game department veteran. Now, when a cougar or bear wanders into a backyard, game wardens walk a hazier line. "We're pulled between people who perceive great danger and others who think it's great to have bears and lions around," Rogstad says.

In short, state wildlife agencies and local governments are being forced to rethink how they manage wildlife for the greater good of all citizens. "Very few states," says Jim Halfpenny, a renowned cougar tracker, "have recognized that the future of wildlife management is going to be at the interface of animals and people." Boulder, with its nearby population of cougars and black bears, has become the proving ground for balancing the presence of carnivore species with human safety.



Coyotes roam through a neighborhood in the south Denver suburb of Littleton, Colo.

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Twenty-five years ago, mountain lions began showing up on Boulder's outskirts. Boulder County wildlife specialists and Halfpenny, then a University of Colorado researcher, worried that the lions were getting uncomfortably close to people. In the 1990s, three lion attacks frightened Colorado's Front Range region: A few miles south of Boulder along Interstate 70, a cougar severely mauled an 18-year-old athlete running a trail behind his high school. Another lion left a 10-year-old boy dead as he hiked in Rocky Mountain National Park northwest of the city. And a cougar was suspected of killing a 3-year-old child who vanished from a wilderness trail near Fort Collins with no trace, except for shoes and clothing found four years later.

There have been no further fatal encounters. But cougars have settled just outside Boulder, preying on ample mule deer herds in a city surrounded by expansive wildlife habitat. To protect their mountain views, voters in 1959 imposed a "blue line" that bars city water service in nearby foothills. Since 1967, they've willingly paid special sales taxes to buy more than 43,000 acres of timbered foothills and valley grasslands that now encircle the developed area. All times of year, residents venture up and across 145 miles of trails, undeterred that a cougar could be watching them from a tree or rocky ledge, or from underneath nearby brush.

When a lion is known to be around, rangers post signs warning hikers to keep children and dogs close by. If a cougar makes a kill of another animal along a trail, rangers drag the carcass 100 meters away to keep people out of danger. "Lions have always been part of the backdrop," says Heather Swanson, a senior ecologist for Boulder's Open Space and Mountain Parks.

One morning three years ago, City Councilwoman Lisa Morzel, who lives in north Boulder, stood looking out from her window as a 2-year-old lioness napped in her backyard. Earlier Morzel had had her son bring their two dogs inside. She watched as the cougar, who was wearing a wildlife agency collar, stood up, stretched, crossed Morzel's flagstone patio and jumped some fences. As it turned out, the cougar had cached a deer fawn carcass a block away; that afternoon Kristin Cannon, the state's district game warden, shot the lion with a tranquilizer dart and moved her out of town. "My backyard is in a riparian corridor," Morzel says. "We're living where bears and cougars have always been."

Even closer to downtown Boulder, there are cougar sightings once a week or so. This August startled residents found one female napping beneath low-growing juniper bushes in a manicured backyard. Since 2009, Cannon has helped tranquilize lions inside Boulder's city limits nearly 20 times and moved them back into the mountains.

In Cannon's first months on the job, one big male cougar "got very good at hunting dogs when their owners let them out at night," she surmises. In a heated public meeting, grieving pet owners and alarmed parents berated Cannon and other officials for not alerting them that lions were roaming their neighborhoods. Just as with wild prey, when a lion kills a dog "we see that as behaving very naturally," she says. But Cannon realized she and the rest of the wildlife team had to do a better job of keeping people informed.

A biology and environmental studies major in college, Cannon spends two-thirds of her time checking fishing licenses, scouting for poachers, and counting elk and deer. But she also puts in hours educating urban residents about bears and lions. She cautions parents to watch their children closely, especially when wildlife is most active at dawn and dusk. She urges homeowners to keep dogs inside or build fully enclosed runs so lions can't ambush family pets. She has also explained why state game wardens won't track and kill a lion that takes pets but has never threatened people.

In another decade or two, Western mountain lions could be breeding in New York's Adirondack State Park and eventually in less isolated regions where forests have reclaimed farm fields.

Cougars are not the only wildlife issue in Boulder. Bears, like lions, follow stream corridors down into town, consuming insects, small animals and berries on native bushes. Some wander into Boulder neighborhoods, discovering easier pickings by raiding bird feeders, breaking into homes and overturning fully loaded trashcans that residents put out for pickup. "Bears tend to be in closer proximity to people than lions," Cannon says. "It's their diverse diet. It's their strength. It's just the nature of bears."

Keeping bears at bay depends in part on people's behavior—on educating residents to keep food and garbage away from the reach of bears. "I'm not aware that any state has this worked out satisfactorily," says Daniel J. Decker, who researches human dimensions of wildlife policy at Cornell University. "It only takes one person in a neighborhood to create a food-conditioned bear, and that will mean issues for everyone."

Colorado's policy is to give bears one chance to stay away—by relocating them. But once they return, "at some point we have to do something," Cannon says.

Separate from the state, Boulder has drafted its own plans to keep bears and cougars out of trouble. The city hired Valerie Matheson, a former open space ranger, as its first urban wildlife coordinator. This fall, Matheson organized volunteers to pick fruit in the yards of ill or elderly homeowners so bears won't be attracted to the crop. She also partnered with Cannon and the advocacy group Boulder Bear Coalition to convince the city council to mandate that residents close to the foothills buy fortified "bear-proof" containers for putting trash out for collection. Eventually, the rule will apply across the city, although Matheson says it will be tough to enforce for commercial trash and university student apartments.

When bears see people, their natural escape response is to climb a tree, sometimes with cubs in tow. Should that happen, Cannon calls on volunteers to stand watch and notify wardens when the bears appear ready to leave. A treed bear usually draws a crowd, and Cannon uses the opportunity to conduct impromptu seminars on bears while keeping onlookers a safe distance away.

That said, Boulder writer Marc Bekoff, a professor emeritus in evolutionary biology, faults Colorado game managers for "some really egregious cases when they killed bears that really hadn't done anything." Bekoff, who writes the Animal Emotions column for *Psychology Today*, discovered a bear peering through a bedroom skylight after scaling his mountain house rooftop. Boulder doesn't go far enough "to put the onus on people," he says. "It's OK to be a little inconvenienced for wildlife."

To help wildlife officials develop effective management programs, Colorado Parks and Wildlife has committed about $300,000 a year to fund Alldredge's lion research. Under his guidance, Colorado State University students have deployed 131 remote cameras to investigate how housing density in urban neighborhoods influences where lions go looking for prey. There are two more years to go, but the results could give state and local wildlife managers better information on how to keep cougars from endangering people.

For instance, Alldredge has learned that most Boulder female lions have established themselves in comfortable territories, and they're adjusting to life with human neighbors. There's no point in killing those females, since other lions would quickly take over their territories. "These are the cats you want in here, even if they slip up once in a while," Alldredge says. "If they're taken out, new lions would just come in, and in many cases they'd cause more trouble."

Rather than try to drive the predators out, state and local leaders are trying to find a way for people to coexist with them as peaceably as possible. "We can't reduce the risks to zero," says Boulder Mayor Matt Appelbaum. "And we really don't want to do that. We need to learn to live with lions on their turf." **G**

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I. Percent Paid and/or Requested Circulation	80.46%	77.83%
Requested and Paid Electronic Copies	5774	14788
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Elizabeth Daigneau, Managing Editor

GRAYING PRISONS

Aging inmates are driving up state corrections costs.

Nearly 10 percent of inmates housed in California state prisons were age 50 or older in 2003. About a decade later, that percentage has doubled. Thanks to an aging prison population and a 2011 prison realignment bill that sent lower-level and typically younger offenders to county jails, about 21 percent of the total state prison population today is over age 50.

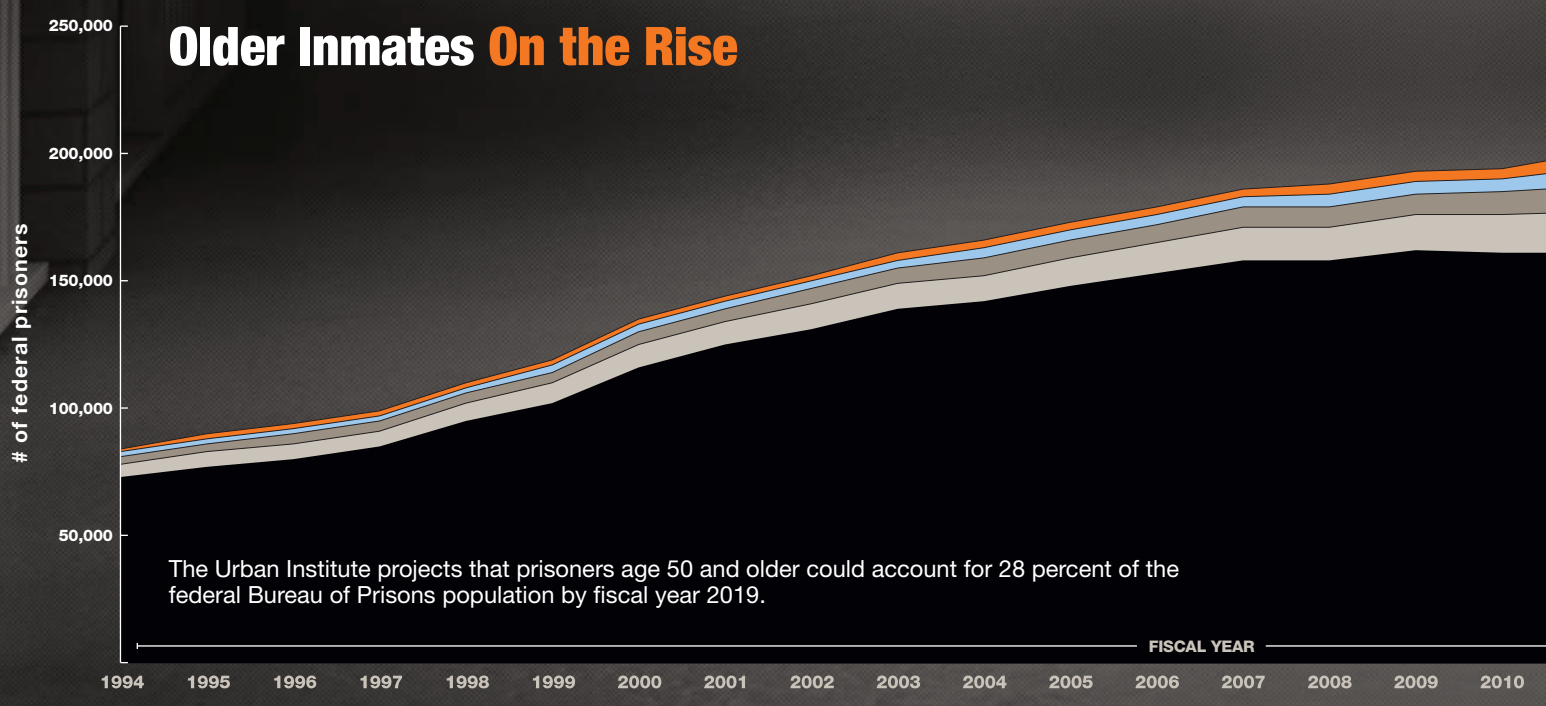
While the circumstances in California are unique, the predicament is not. As baby boomers age nationally, America's prison population is graying. What's less understood, though, is the full extent of the demands an older prison population will place on corrections systems and just how much it will end up costing.

A recent Urban Institute analysis suggests that it could carry significant fiscal consequences for states in the years to come. Compared to the general population, older prisoners experience accelerated aging due to substance abuse or other unhealthy lifestyle choices. Older prisoners also require, according to the report, more time from guards for their daily routines and chores. "Despite being a small percentage of the total inmate population, the implications are quite large," says Bryce Peterson, an Urban Institute research associate. He adds that "policies and different intervention strategies should focus on a larger group of older inmates and not just those close to death or severely ill."

One program in a few California state prisons that could be expanded to help older prisoners, for example, allows inmates to volunteer their time to aid fellow prisoners who are developmentally disabled or mentally ill. The volunteers, known as "gold coats" for the gold smocks they wear, assist inmates with daily tasks, such as dressing or filling out paperwork. As part of the program, they receive training and regularly meet with prison health staff.

Programs like this are needed as California's older prison population is set to grow exponentially, particularly given many inmates' lengthy sentences. About 5,400 are either on death row or facing life in prison without parole, and another 26,000 are sentenced to life with the possibility of parole. That's about a quarter of the state's current prison population. "When you incarcerate people when they're older, you're doing so at a significant cost when in some cases a person's ability to harm the general public is greatly diminished," says Joyce Hayhoe, director of legislation and communications for the California Correctional Health Care Receivership.

Nationwide, state prison populations peaked in 2009 and have since declined slightly. According to the latest federal statistics, prisoners under federal jurisdiction also fell nearly 1 percent in 2013—the first annual decline since 1980. The reversal is largely attributable to sentencing and other reforms, but the policy shift occurred fairly recently. The growing



The Urban Institute projects that prisoners age 50 and older could account for 28 percent of the federal Bureau of Prisons population by fiscal year 2019.

By Mike Maciag

population of older prisoners who remain incarcerated can be traced back to stricter sentencing laws and parole and probation reforms that began in the late 1970s.

Efforts specifically aimed at reducing aging prison populations remain fairly limited, but Peterson says more states are studying compassionate release programs. In 2011, California implemented a parole program for individuals permanently medically incapacitated to the point where they required 24-hour care. Until that program, there had been a few extreme cases of aging California prisoners in comas being guarded and kept alive through breathing and feeding tubes at acute care facilities at a cost of nearly $1 million a year.

At least 15 states provide some form of early release for geriatric inmates. But a Vera Institute of Justice report found those provisions were rarely used, in part attributable to restrictive eligibility criteria, political considerations, and long referral and review processes.

It's hard to say just how much older prisoners will end up costing states. At least 16 states mandate the use of specialized corrections impact statements to help lawmakers understand how various criminal justice proposals affect prison populations and associated costs.

The Urban Institute report calls for better data for both estimating prisoner operating costs and identifying the point at which added prison time no longer reduces the probability of recidivism. Another recommendation from the report suggests developing a screening tool to assist corrections officers in identifying symptoms of impairment among older prisoners. **G**

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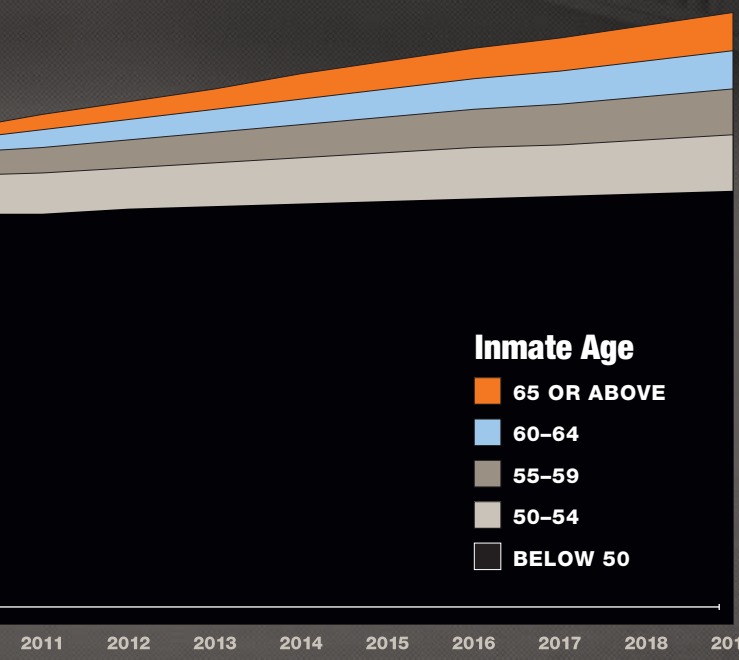
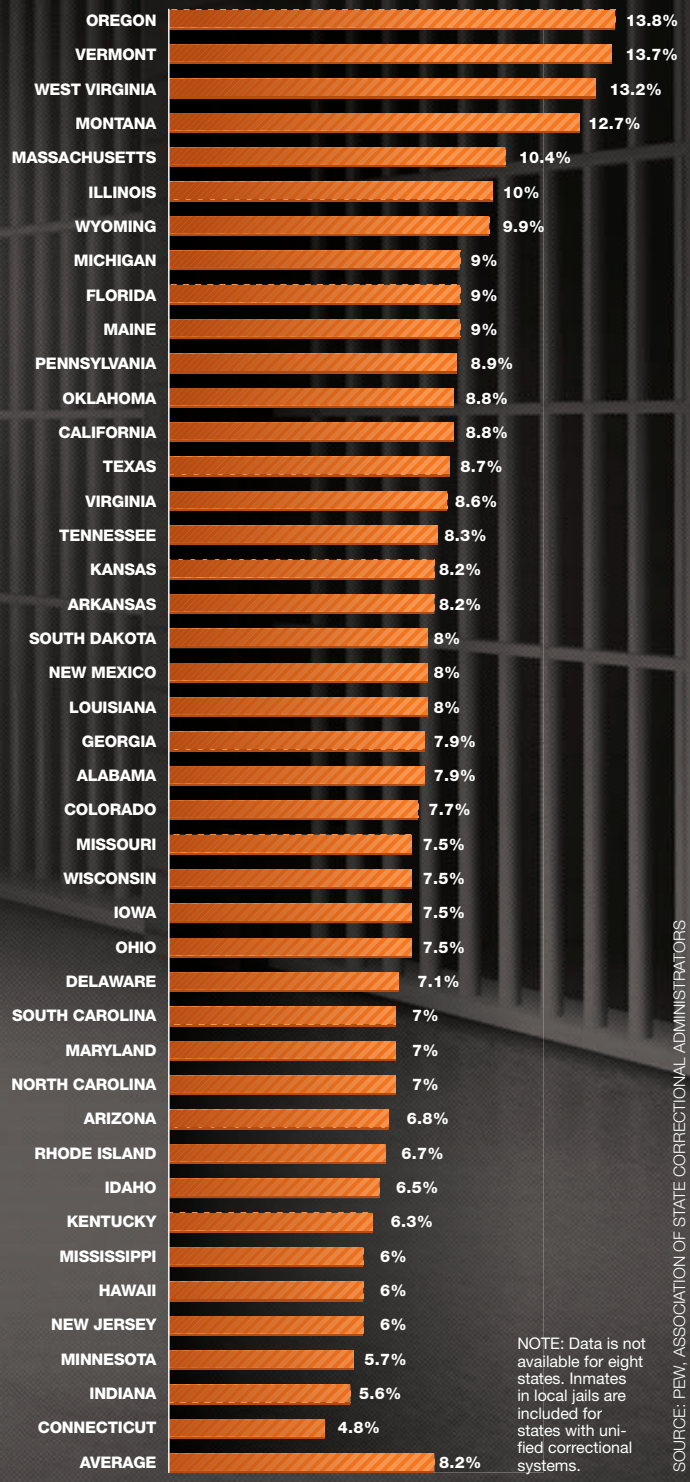


SOURCE: URBAN INSTITUTE ANALYSIS OF BUREAU OF JUSTICE STATISTICS DATA

Aging Inmates By State

State corrections departments' share of pretrial and sentenced inmates that were age 55 and older in fiscal 2011.



NOTE: Data is not available for eight states. Inmates in local jails are included for states with unified correctional systems.

SOURCE: PEW, ASSOCIATION OF STATE CORRECTIONAL ADMINISTRATORS

By Katherine Barrett and Richard Greene

Grading the Workforce

Evaluating employees is tricky. Are performance measures the answer?

One of the hardest things for state and local governments to do is evaluate employees. Though assessments can be used to help decide whether an employee gets a raise or not, this isn't customary practice. Assessments are used to help managers and employees improve an agency's performance and to assist in retaining productive employees. But for governments with so-called pay-for-performance systems, high marks on an evaluation can translate into giving an employee a bonus, a raise or a promotion.

Developing and using robust personnel performance measures can be critical. "Turnover is so high and training costs are so significant that there's a big advantage to those who can select, train and retain productive employees," says Michael Brink, senior director at the firm Huron Consulting Group. Unfortunately, once you start evaluating individual employees—and particularly when those evaluations are tied to that person's salary—there's always the possibility that the men and women whose future is tied to those assessments are going to think the system is unfair. As one state human resources official told us, the three biggest employee issues in her state are "skepticism, uncertainty and fear."

This is a significant issue. If employees don't think their evaluations are fair, they're far less likely to be motivated by them. As in, "Nothing I do makes a difference in my evaluation—so why try?"

It's also critical that the managers involved in the process have faith in the evaluation system, since they rely on the assessment when they make promotion or compensation decisions. Often, though, managers find that the evaluation system they are required to use doesn't meet the needs for the particular employees he or she is overseeing. "If you were a carpenter," says Howard Risher, editor of *Compensation & Benefits Review,* "and someone designed a new hammer for you, but never asked what kind of hammer you needed, it would fail" to work for the task at hand.

Tennessee, which has had a history of troubled efforts in evaluating its employees, has been rolling out a new iteration of its system. Until the 1980s, Tennessee had so-called merit pay on its books, but the state discovered that managers weren't using that system to achieve the intended results. "We heard stories about people who were going to the manager and saying, 'I haven't had a merit increase for a while,' and the manager would just say 'yes,'" recalls Danielle Barnes, general counsel of the Tennessee Department of Human Resources (DOHR).

As a result of this kind of misuse and abuse, the state stopped funding its merit pay program in the mid-1980s. Little progress was made in rebooting the system until 2012. That's when one of the governor's initiatives, the Tennessee Excellence Accountability and Management Act, surfaced.

A primary part of this new effort is to avoid grading employees on a one-size-fits-all checklist for all agencies. When DOHR started to implement the new initiative, "people wanted us to give them a book with all of their goals in them," Barnes says. DOHR's answer to that request, she says, was, "You all have to come up with your own because we don't know your business."

That sounds like a sensible start. Consider the difference, say, between a prison guard and a nurse. The kind of "bedside manner" required in one job is dramatically different than what is required in the other profession.

One of the struggles Tennessee continues to face is dealing with people who meet the listed criteria but have a bad attitude. That attitude can easily drag down the capacity of co-workers to meet their targets. "That can be a big issue," Barnes says. "They're ignoring our core values." But, she notes, the state wasn't even measuring core values at the time. Now, it's focused on making sure that agencies inform their employees—through counseling and coaching—what the core values are. But the state still hasn't figured out a way to follow up on the issue.

There have been signs of a significant shift in the way that states and cities are setting up criteria to evaluate their employees. It's almost a reversal of current thinking. That is, for a number of years now, program measurement has moved in the direction of relying on outcomes or results. The idea of looking at the amount of work done as a primary measure has been critiqued and discarded by many as a secondary effort.

However, since it can be enormously difficult to gauge the quality of an indi-

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vidual employee's work, the trend in a growing number of places has been to go back to the old-fashioned way and look at quantitative indicators. In explaining the reasoning behind this approach, James Honchar, deputy secretary for human resources in Pennsylvania, says that "simplicity for me would be those standards that insulate the employees from any subjectivity of the evaluator." The standard, he says "has to be objective. If an employee has to produce five widgets a day, he either produces them or he doesn't. Employees really buy into it if they are being measured by something that's quantitative and real."

That doesn't mean Honchar and others who follow this logic discard the notion that employees must do *quality* as well as *quantity* work. But when it comes to public-sector employees in the real world, measuring quality can be extremely difficult. Frequently it is contingent on the opinions of the supervisor. So, although it is undoubtedly important to consider quality, it's a whole lot less problematic when you focus on quantity—and move up from there. G

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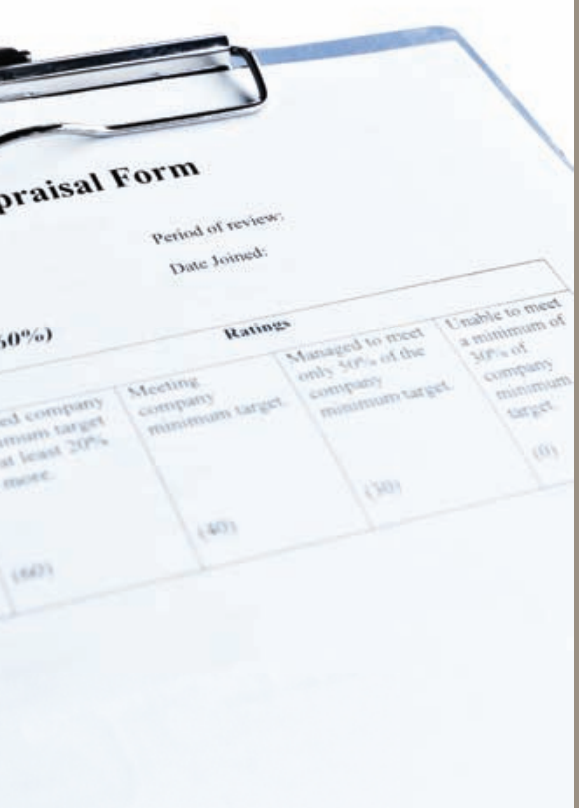

By Mark Funkhouser

How Government Can 'Move the Needle'

Today's performance management tools set larger goals.

I once had a police chief tell me that there was nothing that he and his department could do about overall crime or citizen safety. He wasn't alone in his thinking. When I started working in performance auditing decades ago, getting government organizations to accept responsibility, even for outcomes directly related to their own missions, was difficult. It was seen as unfair, for example, to hold an employment training agency accountable for its graduates getting jobs because so many other social and economic factors contributed to that outcome.

In the last few years, however, things have changed. I now hear agency directors and elected executives talking about "moving the needle on population-level outcomes," such as reducing the incidence of childhood obesity or, more broadly, increasing the overall health of a community.

New York Police Commissioner Bill Bratton implemented CompStat in the 1990s.

FLICKR/POLICY EXCHANGE

It all started with the late Jack Maple. In a new book, *The PerformanceStat Potential,* Robert Behn describes how in the early 1990s Maple, then a lieutenant with the New York City transit police, scrawled out on a napkin the basic outlines of what became CompStat, a strategy of using computerized data to predict and prevent crime.

When Bill Bratton became New York City's police commissioner in 1994, he promised that the police department would reduce crime by 40 percent in three years using the CompStat methods. People said Bratton was crazy, but when he, Maple and the NYPD succeeded, it opened the way for a powerful new way of thinking about government performance. Now county executives, mayors and governors everywhere are hiring people like Theresa Reno-Weber, chief of performance and technology for Louisville Mayor Greg Fischer. "If you're not talking about population outcomes, what are you talking about?" says Reno-Weber.

This new way of looking at government performance focuses on the government executive's role not only as a manager but also as a community leader. An example in Louisville is "55,000 Degrees," an effort to increase the number of working-age adults with college degrees by that number by 2020 to support economic development. Fischer has this as one of his strategic goals, and he chairs the board of the community organization guiding the effort with support from Reno-Weber's office.

As Louisville's approach suggests, improving population outcomes requires ever-broader cooperation and sharing of data among organizations. The data sharing has to be very sophisticated, allowing agencies, nonprofits and individuals to see the information they need without running afoul of privacy rights. As Beth Simone Noveck, a professor at New York University and former U.S. chief deputy technology officer, has written, we need to be able to use technology to allow organizations to work *with* people rather than *for* people.

Increasingly, mayors and governors are on board with that, and the old ways of thinking about what a government agency can and can't do don't cut it anymore. Behn writes that Bratton used to tell mayors: "If you have a police chief who can't get crime down, get yourself a new police chief." G

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By Tod Newcombe

Eyes in the Sky

Drones are taking off, but the policies regulating their use remain grounded.

Filmmaking is about to get a lot more, well, aerial. The Federal Aviation Administration (FAA) recently approved waivers that will let Hollywood use drones for filming. The idea is to create more dazzling films at less cost and with greater safety.

Hollywood, of course, isn't the only industry hoping to use the pilotless planes and helicopters. Farmers want to use them to check on crops; energy companies want to fly them to inspect oil and gas pipelines; real estate agents want to shoot aerial footage of homes for sale; and retail companies, such as Amazon, want to use drones to deliver packages. Even state and local governments want in on the action. Public officials are looking to expand drone use beyond just law enforcement to housing inspections, for example, and search and rescue operations.

The demand for drones has surged as the costs have dropped and the capabilities have increased. Refinements in sophisticated location systems, better communications software and lightweight, miniaturized parts have made drones more beneficial than ever. But as drones have taken off in popularity, so has the controversy surrounding their use. Proponents say the new technology could benefit a range of industries and services. Opponents fear the devices could put our safety and privacy at risk. There's a lot to consider, but here's what public officials should know.

To start, commercial drones are not military drones. "We are not talking about the multimillion-dollar Predator drones flown by the Air Force," says Gregory McNeal, a law professor at Pepperdine University. "Many drones are made of foam and weigh less than two pounds."

Furthermore, McNeal says, it's going to take the FAA some time to issue rules governing the safe use of domestic drones. Yes, it just issued a waiver for Hollywood, but that took four years. Besides, the rules are rather stringent. For instance, the drones can only be flown on movie sets closed to the public, the equipment must be inspected before each flight, they can't fly higher than 400 feet, they must be operated by a technician with a pilot's license and the FAA must be notified in advance of filming. As it stands, the agency still has an additional 45 requests for exemptions to sort through. McNeal believes it could take up to 18 months for the FAA to finalize how drones could be used. Meanwhile, other countries, most notably Canada and Australia, already have regulations in place that allow companies to test drone technology.

Another concern for state and local officials is privacy. This year alone, 36 states have introduced legislation to protect individuals' privacy on some level. Just four of those laws, however, were enacted. Overall, domestic drone laws have been passed in 13 states, according to the American Civil Liberties Union. Most of the bills require law enforcement to get a probable cause warrant before using a drone in an investigation.

Lately, states are trying to tackle more challenging issues, such as what to do with information that is collected incidentally during lawful drone use, how long law enforcement can keep drone-collected data and how to handle government access to information collected by third-party drones. The International Association of Chiefs of Police (IACP) has issued recommended guidelines for agencies that cover everything from community engagement and system requirements to operational procedures and image retention. The IACP has also issued model policies aimed at balancing protection of the civil rights and liberties of individuals so as not to harm community trust.

But even the IACP admits getting it right could be difficult, warning police departments that a new technology sometimes presents so many challenges that the problems could outweigh the good it brings to a community. G

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By Frank Shafroth

Containing Fire Costs

The tab for running fire departments is steep—and tipping toward unaffordable.

Volunteers are increasingly unable to assume rising firefighting costs.

FLICKR/TIGER SCHMITTENDORF

Firefighting is expensive. In the past 30 years, the costs for key pieces of equipment have jumped more than fivefold. And that's the least of it. The time and training to become a certified firefighter have increased. Volunteers, who make up roughly 70 percent of fire department personnel, not only pay for their own training but also face additional indirect costs, such as temporary lodging, lost time at work and medical expenses. Not surprisingly, a growing number of localities are confronting a significant decline in volunteer firefighters.

A recent report from Pennsylvania, where 96 percent of all fire companies are fully staffed by volunteers, spells out the problem. The state's 72,000 volunteer firefighters provide services with an estimated annual tax savings value of $6 billion. But those savings and systems, as the report notes, "are creating increasingly serious challenges," including a decline in the number of active volunteer firefighters (down from 152,000 in 1985 to 72,000 today); difficulties in funding, with volunteers spending 60 percent or more of their available hours on fundraising activities; and unnecessary and inefficient duplication of firefighting equipment.

Pennsylvania may have the highest percentage of volunteer firefighters but most states have similar problems, particularly in nonurban areas. Nationally volunteers or paid on-call firefighters predominate in fire departments that protect fewer than 25,000 people.

The question for state and local leaders is how do they protect these systems and help pay for the rising costs volunteer firefighters are increasingly unable or unwilling to assume?

In Florida, Minnesota, New Mexico and a few other places, the state offers stipends to volunteers to cover time spent training, the cost of travel and overnight or on-call services. In New York, the state grants volunteer firefighters property tax abatements, income tax credits and $50,000 in death benefits if they die in the line of duty. Most states allow volunteer departments to provide workers' compensation, often through state-run programs. Increasingly, there is pressure to define volunteer firefighters as public employees and offer them public pensions and post-retirement health-care benefits.

Then there's Texas, where 75 percent of the firefighters are volunteers. Throughout the state, financing of fire departments varies widely. Some tiny departments make do with bake sales and fish fries; larger ones find funding through agreements with their municipality or county. Some departments raise the money to pay for their fire needs by adding (unconstitutionally in most cases) a fee onto water bills. But with increasing frequency, Texans are funding emergency services through a special taxing district—an emergency services district (ESD) that can levy property and sales taxes. The trend is so pronounced that special districts in the Lone Star State collect almost as much property tax revenue as cities.

Depending on how urban the area is, the district might create paid departments and/or give funds to volunteer departments. This, in turn, is creating governance quandaries over taxing, especially when cities expand into heretofore "rural" areas. If a city annexes into an ESD and leaves the special district in place, the ESD gets to keep its share of local sales taxes. If a city annexes into an ESD and dissolves the district in that area, the city has to pay cash for any ESD assets serving the area.

Pennsylvania's report recommended regionalization of fire services by adding a technical assistance unit in the State Fire Commissioner's Office, which would be the lead agency for the system. Instead of hundreds of tiny different municipalities having their own forces, one large fire force in a region would serve all the communities within its bounds. That might prove to be a far more effective and financially sound way to respond to the next 911 call. G

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Last Look

DAVID KIDD

One hundred miles north of Manhattan, just off the New York State Thruway in Kingston, N.Y., sit four stone houses, one on each corner at the intersection of Crown and John streets. It is said that the Four Corners, as it's known, is the only remaining pre-revolutionary intersection in the nation. The oldest of the four buildings was erected in the mid-1600s, two were constructed in 1754 and the last one was built 240 years ago in 1774. Three years later, though, they all went up in flames. In 1777, the New York state constitution was ratified just two blocks away, and Kingston became the first capital of New York. In retaliation, the British burned the city to the ground, but Kingston and its Four Corners were rebuilt the following spring. Since then, the structures have been home, at various times, to several doctors, a school, a gallows, the Underground Railroad, a butcher shop, restaurants and a Sears appliance store. Three of the buildings are privately owned. The fourth, the Matthewis Persen House, is a museum, and has been the property of Ulster County since 1914. Nowadays, any fighting that takes place is simply a reenactment of the burning of Kingston or the occasional skirmish between historic preservationists and those with commercial interests. **—David Kidd**