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Couples with kids are having a harder and harder time finding affordable homes in urban areas. Should cities care?
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Our Inverting Cities

The central idea of Alan Ehrenhalt’s 2012 book The Great Inversion and the Future of the American City is expressed in the title: the concept of a major demographic flip. He wrote that the changes happening in many cities are routinely described as gentrification are actually more complex and more profound in their consequences.

Ehrenhalt, a Governing senior editor, may have been among the first to recognize that the typical pattern of development of American cities in the latter half of the 20th century—with minorities and the poor living in the urban core and a whiter, wealthier population in the suburbs—was an aberration. Historically, the normal pattern is to have the most affluent population living closest to the center of the city. And that’s the pattern we’re returning to today. As Ehrenhalt writes, “The problem for major cities in the coming decade will not be finding people who want to live in the center. It will be finding places to accommodate them.”

His prescience is evident in Mike Maciag’s cover story this month on the increasing shortage of affordable housing in many of America’s big cities. (That’s just one of the consequences of the great inversion. Not long ago, Governing convened a dozen big-city chief financial officers, and I was surprised by the main topic they wanted to discuss: rapidly growing homelessness. Recent Census data showed that between 2000 and 2012, renters’ incomes declined by 13 percent even as median gross rents climbed by 6 percent. It seems clear that the increases in homelessness that the CFOs are seeing are the result of economic dislocation related in part to the great inversion.)

As Maciag writes, several mayors, including Bill de Blasio in New York and Marty Walsh in Boston, have set out ambitious goals to increase the availability of affordable housing through the use of development incentives, tax credits, inclusionary zoning and similar tools. Those efforts are worthwhile, but it seems to me that there are real limits to what governments can do. Transit is a clearer fit for government action. Let people live where they can afford to live but give them access to all that the city has to offer.

Ehrenhalt writes that where millennials want to live “is the demographic question that will determine the face of metropolitan America in the next twenty years.” I think they will want to live in metropolitan areas with cities and close-in suburbs that are vibrant, lively, safe for children and made affordable by excellent transit.
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When managing security in an all-IP network, it helps to see the big picture.

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Do We Need Diversity?
Mike Maciag's September Behind the Numbers feature, "Diversity in Blue," looked at the lack of diversity in police departments across the country. Minority groups remain underrepresented, to varying degrees, in nearly all the 269 local law enforcement agencies reviewed. Maciag also examined agencies' efforts to recruit more minorities. Several readers wondered, however, if too much emphasis was being placed on diversity.

I've facilitated numerous police-community workshops in several diverse Pennsylvania cities, and I've often heard minority community members say minority officers treat them as poorly as white officers do. So while a diverse police department is certainly an admirable goal, I suggest it's equally important for officers of all races to engage in community policing and practice procedural justice.

—Ashley on Governing.com

I am interested in the research that demonstrates that diversity is the key to change. I've seen some conjecture, but few empirical outcomes. Are we not putting too much [emphasis] on race and gender, and not enough on behavior? When police and community work collaboratively, positive change occurs. Police do need to change! Citizens do need to change! But some sweeping "more diversity" [call doesn't address] the root cause. It's the interaction that is very relevant to this discussion. I will relay a story about my own situation. I am currently serving as interim city manager in my community, which also happens to be my hometown. Over the course of the summer, I had time to contemplate whether I wanted to apply for the position. It was one of the hardest decisions that I ever had to make and in the end I decided that the time was not right for me personally to pursue the position and I publicly announced that I would not be a candidate. The "13 percent" pressure weighed heavily on me and I knew that my decision would be a disappointment to some. However, I was grateful that many supported my personal decision. I am also proud to have recently moderated a session on the subject entitled "Why it's Good to be Number 2."

—Diane Stoddard on Governing.com

Just a Pretty Face
We featured Baltimore's playful bus stop in September's Last Look, Architects of the bus stop, which spells out "B-U-S" in wood and steel, claim it is not only fun but also functional and accessible. One reader disagreed.

As a public administrator and bus rider of three-plus decades, I was simultaneously struck by how cool and how utterly useless Baltimore's stylish bus stop turned out. The look is great, but riders can't see the bus, and the driver can't see customers. I promise you that no bus driver will stop there if no rider is visible. I'd also bet that riders in wheelchairs would wonder why the artist didn't ramp the "B"—a "few inches" is the difference between accessibility and not. This is a good reminder that things are not right for me personally to pursue the position and I publicly announced that I would not be a candidate. The "13 percent" pressure weighed heavily on me and I knew that my decision would be a disappointment to some. However, I was grateful that many supported my personal decision. I am also proud to have recently moderated a session on the subject entitled "Why it's Good to be Number 2."

—Diane Stoddard on Governing.com

Correction: In the August feature "Turning the Bluegrass Red," staff writer Alan Greenblatt reported that Kentucky gubernatorial candidate Matt Bevin won the GOP nomination for governor by 82 votes. Actually, it was 83 votes. As they say, every vote counts.
At their June meeting, the U.S. Conference of Mayors recognized Hattiesburg, Mississippi, with the 2015 City Livability Award. One of Mississippi’s oldest and fastest growing cities, the “Hub City” traces its roots back to 1882. It’s a city proud of its rich heritage, eager to preserve its past even as it looks to the future, creating opportunities to attract and foster strong partnerships that garner life-changing initiatives.

HATTIESBURG, MISSISSIPPI, ACHIEVES SUCCESS THROUGH PARTNERSHIPS

When Hattiesburg Mayor Johnny DuPree took office in 2001, he was inspired to enhance the educational opportunities, employment rates and health of the community he was elected to lead, including the health of its aging infrastructure. His vision for the city also encouraged strong partnerships — the kind of partnerships that care for individuals and foster a safe, growing community — partnerships made with organizations and individuals “who believe in inclusiveness and are forward-thinking.” Mayor DuPree found such a partner in Johnson Controls and the 200 employees who work at its Hattiesburg Plant.

Investing in infrastructure

Working with the city, Johnson Controls conducted an energy audit of the city’s infrastructure and facilities. The audit identified areas of improvement that could be self-funded through energy savings. These improvement measures include lighting and water system upgrades, the installation of energy management control systems, HVAC equipment replacement and the installation of solar shades and a solar photovoltaic system. It’s an investment in infrastructure that projects close to $10.5 million in savings over a 15-year implementation period.

Investing in people

In the meantime, Johnson Controls employees will continue doing what they’ve been doing since the company established its presence in 2005 — investing in the people of Hattiesburg. Through a volunteer program called Blue Sky Involve, employees are helping promote leadership development and environmental stewardship as they volunteer in and make contributions to worthy community organizations and schools, among them the March of Dimes, Earl Travillion Schools, Habitat for Humanity, Carpenters Helpers and Watchdog Dads. It’s an ongoing partnership that reinforces Mayor DuPree’s commitment to his community and the belief that “every individual should have access to the tools they need to succeed.”

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When the Chinese stock market took a plunge in late August, it triggered a 1,000-point drop over just a few hours in the U.S. stock market. It also triggered worries about whether the sell-off was a sign of a slowing economy. The response from many economists was that the market was simply due for a “correction” and that the figures that really matter to the economy—job growth and unemployment—should remain unaffected.

So far, that’s held true. But the fact is, economic forecasting is an extremely inexact science. Most of the time, economists tend to predict fiscal growth well. But when it comes to crucial pivots in the economy—the major downturns and upswings—they’re dead wrong almost every time.

In the last recession, it took the Survey of Professional Forecasters nearly a year to start adjusting their jobs forecasts downward after the economy began to turn in 2008. The discrepancy was so big, in fact, that the group’s year-ahead employment forecast predicted there would be 7 million more people employed in mid-2009 than was actually the case. Budget forecasting has never been easy, but these days it’s getting even harder. Revenue forecasting has gotten harder for U.S. economists.

As global market forces have become more volatile, revenue forecasting has gotten harder for U.S. economists. Governments. The foundation of all budgets is the forecast of how much the state will earn that year in revenues. When forecasters miss a downturn, lawmakers have to cut spending mid-year to balance the budget. So how can economists better predict downturns? Sinclair thinks that more economists should focus solely on predicting major turns in the economy. But there just isn’t much incentive for economists to work only on recessions, which tend to happen about once every six years.

Tennert says forecasters should also track unemployment claims in their state because they provide a better real-time indication of the jobs economy. A big help, she adds, is getting out in the field and talking with a region’s business leaders about what they are seeing in the economy.

State forecasters usually build a small cushion into their revenue forecasts, but budget offices and policymakers also need to develop other cushions—rainy day funds, for example—in case of a downturn. “It would be nice if you got to under-forecast by 10 percent so when you get to a downturn everyone’s OK,” Tennert says. “But when you have these really critical needs at play, you just can’t be in that situation.”

— Liz Farmer

November 2015 | GOVERNING
In Oregon, Women Take the Lead

VAL HOYLE BECAME majority leader of the Oregon House just three years after joining the chamber. That’s pretty impressive, but it might be less important than the fact she has been succeeded by another woman. Hoyle stepped down as leader this summer to concentrate on a race for secretary of state and was replaced by Rep. Jennifer Williamson. “My being there was not an anomaly,” Hoyle says.

Indeed, Williamson is one of four women holding top legislative leadership posts in Oregon. That’s a record only Colorado currently can match. In addition, three women hold statewide office in Oregon, including Gov. Kate Brown. Competent women, Hoyle says, “bring a different style and a different set of priorities.”

Political scientists have long sought explanations as to why women have traditionally won more power in Western states than in the rest of the country. Some like to cite history: “The first women legislators were elected in Colorado and Utah,” says Debbie Walsh, director of the Center for American Women and Politics at Rutgers University. “There is a culture of men and women working side by side.”

Hoyle herself talks about the “pioneer spirit” that afforded women necessary roles along the Oregon Trail. But she also suggests a more recent and practical explanation. Once women started getting elected to office in Oregon back in the 1970s and 1980s, they did their best to bring other women along behind them, establishing an ongoing political action committee that funds women candidates and a “campaign school” to recruit and train them. “We’ve set up an infrastructure on the Democratic side,” Hoyle says.

That seems to be necessary. Women often require more cajoling than men to seek office. Studies have shown that women with the same résumés as their male counterparts are less likely to give it a go. Hoyle offers a case in point. When her local representative announced he was stepping down in 2009, Hoyle looked all around to find someone who might succeed him. It took considerable prodding from other women to convince Hoyle to pursue it herself. “We’ve seen that when we get one or two women in, they bring the others in,” says Andrea Dew Steele, president of Emerge America, a San Francisco-based nonprofit that trains women to run for office in Oregon and more than a dozen other states. “You get a couple of women in and they are your best recruiters.”

Women make up 31 percent of Oregon legislators, as opposed to 24 percent nationwide. They caucus regularly when the legislature is in session. They have helped to push legislation that appears to be of specific concern to women, such as a pair of bills this summer that expanded access to birth control, as well as other major efforts that include background checks on private gun sales and the state’s first-in-the-nation automatic voter registration system.

“Women prioritize different public policy issues, simply because we see them in a different light,” says House Speaker Tina Kotek. “Policies to ensure more workers can earn sick days and to raise the minimum wage were at the forefront of the conversation because the women in power have had first-hand experience with those topics and how they impact people’s lives.”

Kotek’s counterpart to the south, California Assembly Speaker Toni Atkins, will be replaced next year by Anthony Rendon. Most of the other women legislators being forced out by term limits in California have already endorsed men to succeed them. That could happen anywhere, but as Hoyle’s career shows, it’s less likely to happen in Oregon.

—Alan Greenblatt
REMEMBER DRIVER’S ED? It might be the one class teenagers are excited about, because it gets them one step closer to mobility and freedom. From a public policy point of view, however, driver’s education is meant to convert adolescents into safer, more capable drivers. But in a number of states, lawmakers have grown skeptical that it’s effectively serving this function.

The latest battleground is North Carolina, where the state Senate sought to zero out funding for the program this year. Driving is not a skill you can learn in a classroom, complained state Sen. Dan Soucek, who charged that the Department of Public Instruction “has completely failed” when it comes to providing standardized and worthwhile courses.

It was a big turnabout for the state, which until a few years ago was one of the last to provide driver’s ed at no cost to students. (There’s now a $65 fee.) But other states over the past decade have also given up on driver’s ed. Safety advocates say this only increases risk. “The fact is that in areas where driver education has died, more teens have died,” says James Aubrey Solomon of the National Safety Council.

There’s no question that beginning drivers can be a menace to society. According to a recent study from the AAA Foundation, 371,645 people were injured and 2,927 were killed in 2013 in crashes that involved teen drivers—and two-thirds of the victims were individuals other than the teen driver. “Other states that have deleted their programs are seeing their collision and death rates climb,” says Connie Sessums, who runs the driver’s ed program in Charlotte, “and now they’re scrambling to get their programs back in place.”

Still, not everyone agrees that driver’s ed is a panacea. It may be “counterintuitive,” says Ann McCaffrey, of the Insurance Institute for Highway Safety, but driver’s ed programs don’t do much to cut down on risk. They do a good job familiarizing kids with the rules of the road, but they’re not so great at achieving the underlying goal: instructing kids on how to get from Point A to Point B without presenting a danger to themselves or others. “In terms of keeping them safe,” she says, “studies have not found that these programs reduce crashes.”

In North Carolina finished its over-turnabout in September, funding was restored for two years. Legislators called for a study to look for ways to lower costs and possibly privatize some instruction. Advocates of driver’s ed say that opposition from state senators may have less to do with their doubts about the efficacy of driver’s ed than its cost. “This seems to be much more of a squabble over finances than one of either education or safety,” says Rob Foss of the University of North Carolina Highway Safety Research Center. “To my knowledge, nobody at our center has been consulted on anything having to do with driver’s ed, or young drivers more generally.” — Alan Greenblatt

THE BREAKDOWN

1 in 8
Portion of jobless people in Florida who got unemployment benefits between June 2014 and June 2015, which is the lowest rate in America.

The state has made it harder to qualify for unemployment insurance in recent years.

$130
Price of a small vial of medical marijuana in Minnesota, more than double the cost of a similar product in Colorado, which has led some patients to buy the drug illegally (and cheaper) instead.

75%
Increase in the number of newborns, toddlers and preschoolers in Vermont’s custody over the past 18 months as the state cracked down on parents addicted to heroin.

$0
Primary campaign funds spent by Robert Gray, a Mississippi truck driver who in August won the Democratic nomination for governor of his state. Gray didn’t even bother voting for himself and hadn’t even informed his mother, who lives with him, that he was running. His primary win underscores the degree to which Democrats have given up trying to win statewide offices in much of the South.
A Vision of the City as Startup

IN HIS NEW BOOK Start-Up City, Gabe Klein distills the lessons he’s learned about urban innovation in the public and private sectors. He draws on his experience leading the city transportation departments of Washington, D.C., and Chicago, and as an executive at the private rideshare company Zipcar and at a food truck venture. Klein spoke with Governing about his book and the lessons for local leaders around the country. This interview has been edited for clarity and brevity.

In the book, you talk a lot about not just getting projects done, but getting them done in a hurry. Why is that so important?

There are so many plans that get shelved because of political issues, because of lack of funding, because of a poor rollout to the community. One of the things that was surprising to me, coming out of the private sector, was the amount of back and forth. Often, you have a shrill minority that would fight a project, and the politicians would capitulate. I think the more time you let something sit, the more opposition gathers.

I try to really inspire people and say, “Look, it can be done.” Government can be more efficient. Government can say yes instead of no. It can empower people within the government and outside of government to make positive change on our streets.

You worked for two dynamic mayors. What can other political leaders learn from Mayor Adrian Fenty of Washington, D.C., and Mayor Rahm Emanuel of Chicago?

These two mayors, like me, were a bit entrepreneurial and they didn’t instantly say no to new ideas. They would listen. They didn’t have a lot of preconceived notions of what was good and bad. Some of that was that they were more open to collaboration with lots of stakeholders, including the private sector. They also both delegated. They did not micromanage. That’s important if you want good people to work for you.

Both of these guys were very open to experimentation. They were OK if you fell down. I was able to help prove that the public is open to piloting and to experimentation, too.

How do you instill that approach within agencies if you’re a day-to-day manager and not the mayor or the director of transportation?

Success breeds success. It doesn’t matter how big the issue is or how big your department is if you’re able to experiment and try new things, and then show success.

I tried to break some of the management theory stuff into easy, doable stuff. It’s really about repetition and embedding some of these management basics in your day to day.

If you do that, you basically collaborate with your staff. You’re open to their ideas. You try their ideas. You work together as a team to improve upon the ideas that don’t work until you get to a process or program or service that really works. You remove ego from the situation by saying we’re all going to make sure this gets better. It’s not disparaging anybody to say we always have to be improving this service.

You mention Uber quite a bit in the book. You also praise “social entrepreneurs” that promote social good along with their own profits.

Do you think Uber is a good model of a “social entrepreneur”?

No. I respect Uber from the standpoint of their ability to make change and their “won’t take no” attitude. The innovation is impressive. Where I dock them a lot of points is their ability to work for the greater good and to partner with government.

Where I think Uber is really important, though, is in sending a message to government that you can’t work at this glacial pace. You have to be more open to change.

You’ve predicted that autonomous vehicles will be the biggest change for cities in the next 50 years. How should cities prepare?

The first thing is to educate ourselves as to what’s coming, how soon and the potential effect on cities. This is going to happen. This is going to displace the need for car ownership, which is positive. It’s going to negates the need for a lot of parking in cities. There are opportunities to forge different priorities. We remake our cities around the automobile. [Now] we’re talking about reallocating space back to people and away from cars. We’re also talking about the opportunity to make our streets safer.

—Daniel C. Vock

Read an excerpt of Gabe Klein’s new book at governing.com/startupcity
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For most of my adult life, I have clung to some unorthodox beliefs about government and economics that most economists and public policy experts don’t much care for. I sometimes think that talking about these subjects to specialists is like waving a red flag in front of a bull. Nevertheless, I am tempted to try one more time.

I think that, contrary to what many of us want to believe, most public policy decisions are best described as transfers of wealth or other forms of value from one party to another. Somebody wins and somebody loses. Most of the time, it’s misleading to talk in terms of “costs” or “savings.” It’s legitimate to tally up all the transfers and decide that a policy choice was wise or foolish, fair or unfair. Some transfers are clearly in the public interest. But we shouldn’t ignore the fact that there are victories and defeats on both sides of almost any ledger, even if they don’t come out 50/50.

At the moment, this may be clearest when it comes to health care. As its costs have spiraled seemingly out of control, governments at all levels have looked for ways to spend less money. They have called for an end to extended hospital stays, for example, and set up incentives for doctors to order fewer tests. Both of these may be intelligent policy decisions. But ultimately they are transfers, from doctors or hospitals to other players in the game, sometimes to Medicaid patients, sometimes in very tiny increments to taxpayers as a whole. When doctors stop conducting tests in borderline situations, they aren’t just “saving” money. They are being forced to take money out of their pockets and give it to someone else. That’s one reason we haven’t saved all that much up to now.

Something similar happens in the use of energy. Nearly every month, when I open up my gas bill, I find a message from the gas company telling me how I can reduce my energy costs. I don’t know how sincere they are or how many of their customers pay attention to the message. But I do know, as they do, that in many cases energy conservation costs them money. If enough people take drastic measures to lower their utility costs, the utility can find itself in serious financial trouble.

This is actually happening for some local water utilities. Water usage drops to the point where the utility no longer has enough money to maintain and modernize its equipment. Wall Street rating agencies downgrade the utility’s bonds. Management raises prices, which leads to more conservation, which leads to a further loss of revenue. Taxpayers save money, at least initially, by using less water, but they lose money when their rates go up. Any analysis that doesn’t look at both sides of this transfer isn’t telling the real story.

There is nothing new about this form of economic myopia. A quarter-century ago, the United States was experiencing the pain of the savings and loan collapse. Over a period of almost a decade, for a variety of complex reasons, 1,043 of the nation’s 3,234 savings and loan associations failed, and the crisis had to be resolved by the federal government at enormous cost to taxpayers.

How much did it cost? That number is...
When I try to explain these ideas about costs, savings and transfers, people sometimes bring up the economists’ notion of “dead weight losses”—events that seem to bring no tangible benefit to any person or interest involved. What about, for example, traffic jams? The consulting firms INRIX and the Centre for Economics & Business Research reported in 2014 that traffic congestion had cost the American people $24 billion in the preceding year and said that if the problem isn’t solved, the direct and indirect costs will rise to $386 billion a year by 2030.

Direct costs refer to wasted time and fuel; indirect costs are those that businesses pass along to consumers. Well, if about the extra pay the truck drivers and messengers get for spending all those hours in traffic? What about the additional employees who have jobs because of the longer trips that need to be made? I’m not in favor of traffic jams any more than 1 am of smoking, but counting up the delays and slapping a simple numerical cost on them doesn’t capture all the effects on the economy.

Or, to take a truly difficult one, let’s think for a minute about Hurricane Katrina. We all know that Katrina was a profound tragedy in many ways: more than 1,800 lives lost, 300,000 homes destroyed, entire sections of New Orleans reduced to waterlogged rubble. A common estimate places the total damage at $150 billion. Another puts it at $250 billion, allowing for disrupted energy production and a decline in national economic productivity.

Did Hurricane Katrina benefit anyone? It may be in poor taste even to raise that question. But it’s also a matter of record that the federal government provided more than $100 billion in aid to the stricken communities, that thousands of people were put to work on rebuilding and reclamation, and that some economic players, such as the manufactured-home industry, ended up with a windfall. No sane person would argue that Katrina was a net plus for the economy or society. But no one number can be an accurate reflection of the myriad transfers and redistributions that any natural catastrophe leaves in its wake.

Finally there is the notion of waste. Candidates at every level of government run for office promising to get rid of it. They talk as if it’s a line item in the budget that they can just pencil out. But a moment’s reflection ought to convince us that, practically speaking, there is no such thing as government waste. Every dollar a government spends, even on bridges to nowhere, represents a claim made successfully by an identifiable person, institution or interest group. They may be undeserving claimants. The benefit they receive may be an unwise distribution of public resources. But to the recipient, it is a benefit worth fighting for and lobbying to protect. There are no spending programs without beneficiaries. As Emanuel Cleaver, the congressman and former mayor of Kansas City, Mo., once put it, “All that fat belongs to somebody.”

If I’m right, and words like “cost,” “saving” and “waste” are misleading concepts at best, then why are they embedded so deeply in our public discourse? The short answer is that they fit snugly into the toolbox of politicians and advocates at every point on the spectrum. It’s politically helpful to supporters of Obamacare to look at transfers involving the health-care system and tout them as savings. It’s helpful to advocates of more spending on roads to study traffic delays and come up with a figure purporting to represent the exact amount of money congestion costs. It’s more difficult and less satisfying in all these cases to examine the larger network of transfers and redistributions and identify outcomes in a balanced way.

Beyond that, most of us want to believe in the existence of win-win situations. Economists use the concept of efficiency to describe two-sided transactions in which both sides are better off than if the deal hadn’t been made. I understand that exchanges such as these take place in the real world every day. But it isn’t the best way to describe most of the things governments do. We’d be more honest if we talked less about costs and savings and more about winners and losers.
The Gun Epidemic

It’s up to states and localities to lead a broad societal effort to address firearms.

As a young man, I never thought twice about using guns. In my mid-teens, I got rifle training from the National Rifle Association in a highly organized, professional program that stressed safety above all else. In the military, the weaponry saved me from terminal boredom. I fired M-16 assault rifles, an M-60 machine gun, a .45 revolver and even a bazooka. It was fun. Later, on my first-ever day of hunting, I shot a deer as it ran by me in the West Virginia woods. I had to shoot it again as it lay writhing on the forest floor. It was then that I realized that I’m not a gun guy, and I never fired a gun again.

Now we face the perplexing question of what to do about the flood of firearms coursing through our society—a question made more difficult by last month’s shooting at an Oregon community college. The simple and obvious remedy is to outlaw them, but the Second Amendment—or its current interpretation—makes that impossible. We could pass federal laws making it harder for people to get guns if they are not licensed and carefully screened, but that’s not going to happen either.

The only answer I see at this point is far from perfect, but at least it’s a start: States, cities and counties can begin weaving together a patchwork of restrictions that someday may result in a pattern of policy. Some governments already have acted, others are considering it. But the problem is that firearms are like candy or soda pop, or even drugs. If you can’t purchase what you want close by, you can just cross a jurisdictional line and buy it someplace else.

My hometown of Washington, D.C., faces that predicament. The guns that are ubiquitous in many of our neighborhoods pour in from neighboring Virginia and other states that do not have strong restrictions. And the courts are no help. A federal appeals court in D.C. recently struck down a city law prohibiting residents from purchasing more than one gun per month and requiring that they be re-registered every three years. Virginia repealed a similar requirement three years ago, and Gov. Terry McAuliffe has been unable to revive it.

The consequences of what we have done—and failed to do—are stunning. On one recent night in D.C., 10 people were shot, two of whom died. Over the same weekend, 34 firearms were seized. Police Chief Cathy Lanier expressed her frustration to The Washington Post: “It’s like they are freaking dropping out of the sky.”

The same thing is happening in Chicago, another city that has tight restrictions but is surrounded by states with weak or nonexistent laws. Guns from outside the city account for the vast majority of firearms plaguing Chicago.

The rate of murders involving guns is rising in many of the nation’s cities. Unpredictably, Milwaukee has seen the greatest surge in the past year, followed by St. Louis, Baltimore and Washington. Those increases follow many years of improvement, so one can debate whether this is a blip or the beginning of a dangerous trend. In the longer view, though, the magnitude of the carnage is almost unfathomable. According to federal statistics, the
number of people killed by guns in the U.S. over just the past quarter-century exceeds that of Americans who have died in combat in all of the nation’s wars. A total of 836,290 civilians were killed by guns during those 25 years, compared to 656,397 troops killed in battle since 1776.

In the wake of the shooting at Umpqua Community College in Roseburg, Ore., in October, President Obama lamented that mass killings have become “routine.” Following the church massacre in June in Charleston, S.C., he told NPR that he didn’t foresee any real action against gun violence “until the American public feels a sufficient sense of urgency and they say to themselves, this is not normal.”

For a time, it appeared that public opinion was moving toward increased gun regulation. A Pew survey from eight years ago found that 60 percent of those polled advocated increased control, while only 32 percent said it was more important to protect gun rights. But in a more recent Pew survey, perhaps as a reaction to the recent surge in homicides, the numbers were reversed, with 52 percent favoring gun rights compared to 38 percent who wanted increased controls.

So what to do? In the absence of stricter national gun control laws, states and localities will have to reform both laws controlling firearms, and perhaps together some loose national pattern of systems, addressing why we lose track of so many violent criminals, allowing them to remain free when it’s clear that they are serious threats.

But if states and localities can weave together some loose national pattern of laws controlling firearms, then they also must focus on broader societal problems—mental illness, the booming drug market and, most challenging, how they can change the course of the lives of young men living in poverty with little hope and no direction. The latter will not happen just because of new gun regulations, but as part of an ambitious and innovative public effort. We not only have to get guns off the streets; we also have to decrease the number of people who want to use them.

Change is coming to Seattle. This month, residents may well elect a majority of new members to the city council. That’s thanks to a charter amendment voters approved two years ago that ended the century-old system of electing all city council members at-large. Instead, all nine seats are up for grabs on Nov. 3. Seven members will be elected by district, and two will remain at-large.

The new approach has already shaken things up: A field of four dozen candidates ran in the August primary—the largest the city has seen in memory. “In the primaries, of the top vote-getters, five were women, four were people of color and only two were older than 60,” says Liz Berry, president of the National Women’s Political Caucus of Washington. “This is not a city of 60-year-old white men, and that’s what our council looks like now.”

In addition to being new and more diverse, the council may also be more liberal. What has already been a progressive body is likely to shift further left on issues such as equity and gentrification. “The council will be a little more leftist, or potentially a lot more leftist,” says Eugene Wasserman, president of the North Seattle Industrial Association.

In normal circumstances, just one or two new people are added to a governing body that includes veterans who have hung around for a decade or more. Business continues as usual, with the isolated newcomers told to sit down and shut up. That dynamic won’t apply this time around, with so many new faces arriving en masse. Three incumbents opted not to run for re-election, a fourth was defeated in August, and one or two remain vulnerable.

But a whole crop of newbies who feel they’ve won a mandate can make some collective rookie mistakes. That happened in 2013 after Minneapolis voters elected a majority of new members who then tried to impose a massively unpopular building moratorium in several hot neighborhoods. Austin, Texas, underwent a shift in governance structure similar to Seattle last year. More than two dozen new members were elected to the city council. That’s thanks to a charter amendment voters approved two years ago that ended the century-old system of electing all city council members at-large. Instead, all nine seats are up for grabs on Nov. 3. Seven members will be elected by district, and two will remain at-large.

The New Seattle

Next year’s city council will look a lot different.

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The Calming of Incarcerated Minds

There’s renewed interest in meditation programs for prison inmates.

Back in the 1970s, thousands of inmates in such forbidding maximum security prisons as California’s San Quentin and Folsom were introduced to meditation. The positive psychological impact on those prisoners was documented in a number of studies. But enthusiasm for prison meditation programs eventually died down as private funding faltered and a more punitive approach to prison management took hold.

Now there’s a resurgence of interest in meditation programs for both adult and juvenile offenders. It can be chalked up, in part, to the rebirth of New Age thinking. In mainstream culture, all the meditative disciplines, from “mindfulness” to Transcendental Meditation, or TM, to the ancient Buddhist technique of Vipassana, are being inundated with new disciples. But a larger part of the push to reintroduce meditation to the incarcerated can be traced to results.

A recent study at two prisons in Oregon spells it out. The study, financed by the David Lynch Foundation, which promotes TM, and with the cooperation of the Oregon Department of Corrections (ODOC), looked at 180 inmates at two prisons in Salem—one a maximum security facility and the other minimum security. The inmates, who volunteered to participate, were randomly divided into two groups and given a battery of psychological tests. One group learned TM, meditating twice a day for 20 minutes. The other group was given standard mental health care. The inmates were tested again four months later. The results were significant: Among the meditating inmates, there was a marked reduction in psychological distress, anxiety, depression, and anger and hostility. The tests also revealed improved vigor and an increase in inmates’ sense of spiritual well-being. For the inmates who had received standard care, there was little change. “If we could create an environment of healing,” says Tom O’Connor, director of research for ODOC and a co-author of the study, “the public could save a great deal of money and we could create a better society, a more humane prison and a much more effective prison.”

While it wasn’t part of the research study, some prison staff members were also invited to learn TM. The feedback was positive. Melanie Merrius, a psychiatric mental health nurse practitioner, says meditation “changed my life in a powerfully positive way.” She thinks that making the program available to staff could reduce stress-related illnesses and deaths among employees.

Most of the prison meditation programs so far have been implemented at adult facilities, but now they’re also being extended to juvenile centers. Sam Himeleinstein, a behavioral health clinician at the Alameda County, Calif., Juvenile Justice Center, has published studies on the effect of meditation on troubled youth. He finds that youngsters are receptive to the techniques as long as meditation is approached as a joint venture. The benefits he sees with the young people he’s worked with are improvements in self-regulation, anger management and emotional intelligence. “They’re able to calm themselves down,” he says. “They’re not as likely to get into fights.”

There aren’t numbers on how many juvenile facilities have adopted meditation programs, but anecdotally, Himelstein says, he sees growth. “I get calls all the time. A few weeks ago a colleague called about bringing meditation to a juvenile hall in Akron, Ohio.” A prison meditation program in the progressive San Francisco Bay Area is one thing. But Akron’s interest may be a real sign of spreading acceptance.

Meditation is taught to prisoners in Beaumont, Texas.
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Driving Electric

Will 2015 turn out to have been the year of the municipal electric fleet?

The Los Angeles Police Department has a Tesla now. It also has a new BMW i3. While those two electric cars are enough to make most people green with envy, it’s just the beginning for the City of Angels. This September, Mayor Eric Garcetti announced that 160 electric vehicles (EVs) and 128 plug-in hybrids would be leased to the city’s fleet as part of a larger effort to become “the most sustainable city in America.”

While the cars won’t all be Teslas and BMWs, they’ll at least be green, according to Garcetti. In addition to helping keep the city’s infamous smog at bay, the EVs will also save taxpayers about 40 percent in operating costs. “When we laid out our sustainable city plan ... we promised that 50 percent of the new city fleet vehicles purchased each year would be EV by 2017,” Garcetti told The Los Angeles Times. “We’re fulfilling that promise ahead of schedule.”

The 288 vehicles make up half the city’s fleet, but Los Angeles has a longer-term goal of making its fleet 80 percent electric by 2025. Of course, Los Angeles is not the only big city this year to announce plans to lease electric vehicles. In August, Atlanta got approval for part of its fleet to go electric under a pilot project. It will lease 15 EVs and 35 plug-in hybrids. The two cities join a handful of others in the last few years that have announced plans to add EVs to their fleets, including Houston, Indianapolis and New York City.

It may be too early to answer that question, but several factors seem to indicate that 2015 may be the turning point for EV adoption by municipal fleets. For one thing, lots of cities have made carbon-reduction commitments, and EVs are one way to help meet those goals. Another factor is cost. Indianapolis, for example, is expecting to save $8.7 million, compared to current expenses, by going electric.

It’s true that EVs cost more upfront, but they have a fraction of the moving parts that gasoline vehicles have, which means no oil changes and other maintenance requirements. As a result, they only need to be serviced once or twice a year. EVs also guard against rising fuel prices.

But moving to an all-electric fleet isn’t easy. Despite falling prices, the higher initial costs of EVs can be prohibitive. Some municipal fleets have made them more affordable by taking advantage of a $7,500 federal tax credit available for electric cars. Atlanta and Indianapolis, for instance, are working with a company called Vision Fleet, which monetizes the tax credit by buying the cars and then leasing them to the city.

Further, if fleets are decentralized, it’s even harder to change over vehicles, as a city would have to go department by department or centralize operations. And finally, temperament is an issue. “You’re really changing things up when you bring an electric vehicle into a fleet,” says Diamond. “You are talking about a new type of vehicle with a new type of propulsion system. It’s about educating the workforce—the maintenance workers and users.”

Despite these barriers, more cities will undoubtedly be incorporating EVs in the years to come. “Fleet managers want to manage their fleets in the most cost-effective ways for their cities,” says Diamond. “They’re looking to be leaders in innovation and to build a profile of being attractive to young people and businesses. EVs provide a lot of those things.”

Email edaigneau@governing.com
Freedom of Information/Public Records Request

Part I: I hereby request to:  ___ 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?  ___ Electronic ___ Paper

Part III: Name of individual(s) requesting information:  ___ John P. ___
Address: 2746 Freedom Way  City: Everton  State: OR  Zip: 97414
Phone: (210) 847-5304  Email: jpublic@ymail.com

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. Usty Attorney issued subpoena to social network – response still pending after four weeks.

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What Is the Real American Dream?

In our nostalgia for the postwar era, we ignore some things that weren’t so good.

How we see the present depends a lot on how we see the past.” This observation from Dane Stangler, the nonprofit Kauffman Foundation’s vice president for research and policy, was one of his summary points at a recent discussion on how to boost declining rates of entrepreneurship in America and, more broadly, the engine of broad-based socioeconomic mobility and job creation.

The key question, as Stangler suggests, is this: What is the baseline we should be comparing today to? Many people look back with nostalgia at a golden postwar era from 1945 to 1965, when the modern American middle class was built, and suggest that those kinds of economic conditions are what we should be trying to reproduce.

But how should we really look at that period? Is it a model of what a modern and just society should produce? Or is it an anomaly, or even undesirable in some ways?

In the aftermath of World War II, Europe’s and Japan’s industrial bases were destroyed. Most of the rest of the world was underdeveloped. The Cold War divided the developed world into rival blocs that had little to do with one another. International trade was already difficult due to complex regulations and high tariffs that varied from country to country, as well as limited transportation and logistics capabilities. Just making an international telephone call was very expensive.

The result was that the United States—with a huge domestic market, the world’s most advanced economy and a status as the last man standing after the war—was set to enjoy a period in which it ruled the economic roost without effective competition.

Today, Europe and Japan are fully modernized economies. Much of the former Third World has dramatically developed its economic status. The end of the Cold War meant a new global trade regime of simpler rules and lower tariffs. Containerization, overnight air freight and information technology have made international logistics a snap. Even international telephone calls are now basically free. This has produced a very distinct competitive landscape for the United States. It’s a different world. And many people bemoan that difference. Some see the strong unions and high tax rates of that era as key to equitable distribution. Others miss the sexual mores and family law regime that produced mostly stable nuclear families.

Yet there are plenty of things to hate about that bygone era, such as the lack of real environmental protection laws and regulations, a massive investment in automobile infrastructure and suburbanization, and highly restricted immigration. And of course things weren’t so good if you were black and living in a world of legally enforced segregation. It isn’t possible to simply cherry-pick out a few things we like, transplant them to today’s very different environment and believe they’ll produce similar results.

There are many distinct embedded notions of goodness in that vision of the 1950s, ranging from high economic...
growth and rising living standards, to upward social mobility and a more equal distribution of income, to perceived high levels of social cohesion and functioning politics. One of these, income equality, has taken on a particularly outsized role in the debate today. But thinking back to the 1950s, is income equality really the most important feature of the era? Generally speaking, the defining kinds of equality of that time—the stifling conformity of cookie-cutter subdivisions and men in gray flannel suits—are not things I hear people clamoring to bring back.

I would suggest that what really resonates from that era is the idea of the American Dream and related optimism about the future—that you could have a home of your own and afford to take a real vacation, along with having a sense of security about the future and reason to hope that your children would be able to have a better life than you did.

Today’s version of that dream need not look exactly like that of the 1950s. In our modern, pluralistic society, some may prefer an apartment in the city and a cool bicycle over a car with tailfins parked in front of a suburban Cape Cod home. But these are American Dreams nevertheless.

This means that while income inequality is not unimportant and shouldn’t be ignored, the focus instead should be on growth and opportunity. How do we make the total pie bigger? How do we give everyone a fair chance at grabbing growing opportunity? How can we help people achieve a better life than you did. Hope that your children would be able to have a better life than you did.

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The tragedy is that San Juan has much potential. Like Miami, it has an active port, warm weather, unique neighborhoods and an educated, bilingual population. It’s primed to be a commercial hot spot between the U.S. and Latin America. Instead, the population is declining. Becoming a dynamic hub will require government reform, via taxation to raise revenue and cut costs. Instead, the Legislature raised sales taxes to 11.5 percent, which is the highest in the U.S. and costly for a city with median incomes of $22,734.

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San Juan has long had lower living standards than mainland U.S. cities. But it’s particularly struggled since 2006, when Puerto Rico began its near-decade recession. That year, the U.S. ended the territory’s special tax breaks, and it was later hit hard by the banking and housing crises. Compounding this has been corruption and excessive bureaucracy. About 31 percent of the island’s population is government employed, another 3 percent collects from the Employees Retirement System and, before cuts in recent years, nearly 70 percent of the budget went to salaries and benefits. Puerto Rico has $72 billion in debt and $35 billion owed in unfunded pensions. Luckily, the city has opportunities to turn its fortunes around.

It’s evident as you exit San Juan’s airport how the fiscal crisis affects everyday barriques, as Puerto Ricans commonly refer to themselves. I’d planned to take a public bus rather than a cab to my hotel, but people at the nearest stop said they’d been waiting an hour and didn’t know when one would come—a frequent problem in this dense but transit-starved city. Other signs of service failure abounded: Empty buildings caked in graffiti are everywhere. Streets, parks and beachfronts are in poor shape, especially in working-class barrios like La Perla, a slum that sits along prime coastline. Inflated electricity costs mean many lack air conditioning, and dozens of schools have closed.

But most notable was the water situation. Puerto Rico hasn’t had money to maintain infrastructure, meaning dams aren’t properly dredged nor pipes repaired. This has prevented the island from preparing for a recent drought, and now there are regular cutoffs across San Juan.

In perhaps the ultimate sign of how inefficient governance hurts real people, residents must pay high taxes for these subpar services. Amid the debt crisis, Puerto Rico’s Legislature raised sales taxes to 11.5 percent, which is the highest in the U.S. and costly for a city with median incomes of $22,734.

The tragedy is that San Juan has much potential. Like Miami, it has an active port, warm weather, unique neighborhoods and an educated, bilingual population. It’s primed to be a commercial hot spot between the U.S. and Latin America. Instead, the population is declining. Becoming a dynamic hub will require government reform, via streamlined bureaucracy and reduced debt. Some of this can be done locally, by better using revenue from San Juan’s 1 percent sales tax and whopping 8.33 percent property tax. But just as Puerto Rico’s actions are dictated by U.S. policy, the island’s municipalities are burdened by the state, which runs many public utilities, including traditionally local services like transit. So San Juan can only do so much, making it crucial that the territory improve these inefficient public authorities and shed pension debt.

Email BigCitySparkplug@gmail.com
No Room in the City

In many urban centers, families are finding themselves priced out of the market for housing large enough to accommodate them.

BY MIKE MACIAG

Boston's classic triple-decker homes have long been an affordable choice for middle-class families. Now that's changing.
For more than a century, Boston’s iconic triple-deckers have served as inexpensive housing for families of modest means striving to secure a place in the middle class. One of these triple-deckers is currently home to Gosia Tomaszewska, who lives with her husband and 1-year-old daughter on the bottom floor of a house in the Brighton neighborhood. She loves it there and would like to stay. But the family is running out of room, and they’re having trouble finding a place that meets their needs.

Just about everywhere, Tomaszewska and her husband hold a conversation about whether they’ll have to move. “We’re in limbo,” she says. “Ideally we’d like to stay in the neighborhood, but I don’t think it’s realistic.” As recently as a year ago, Boston real estate brokers were still able to find properties matching the family’s criteria. These days, Tomaszewska says, there is scarcely anything in their price range.

For the typical triple-decker unit, sale prices have soared 85 percent since 2009, according to the Dukakis Center for Urban and Regional Policy at Northeastern University. Many families can’t afford to rent either, as a large share of the cheaper units have been snapped up by college students and unmarried millennials living in groups.

Housing costs are climbing rapidly in neighborhoods all over Boston, and city living is now an idea that’s out of reach for many young families who would otherwise prefer to remain. “As the core has become strong, the economy is attracting lots of young people,” says Barry Bluestone, the Dukakis Center’s director. “It’s been driving up home prices, and a portion of working families have had to relocate.” It’s not just Boston. Other pricey cities have experienced similar consequences of high housing costs.

Governing compiled data gauging the extent to which middle-income family-sized housing is available in the nation’s 25 largest cities. For each city, we calculated the amount that families earning the local median family income could afford to spend on housing and utilities without exceeding the standard 30 percent of their earnings. Data provided by the real estate website Trulia depicts a wide affordability gap between the hottest urban centers and the rest of the country. In the top 10 most expensive cities, an average of just 17 percent of all home listings have three or more bedrooms and are affordable. That compares to a much higher 63 percent of listings in other cities. The outlook isn’t any better for families who rent. On average, more than half (52 percent) of renters in all cities reviewed already spend more than 30 percent of household income on gross rent costs, according to the latest Census estimates, and only a small fraction of rentals are big enough to accommodate larger families.

Booming cities such as Boston have served as magnets for millennials in recent years. Countless surveys suggest that this demographic prefers living in cities to distant suburbs. But whether they can afford to raise families in these cities is a fundamentally different question. “It’s great that we’re having urban revival, but at the same time; we need to be very cognizant and cautious of what it means for our children and the kinds of cities we’re creating,” says Chrystal Kornegay, underseretary in the Massachusetts Department of Housing and Community Development.

The housing crunch isn’t the same everywhere. The fact that inflation-adjusted incomes remain flat, though, has complicated matters even in areas where costs aren’t quite as high. In Boston, median listed rents have increased at an annual rate of 13.2 percent since 2010, while incomes have risen by only 2.4 percent annually, according to a city housing report. In addition, some young professional families who might otherwise be in the market to buy a home or rent in the city are saddled with student loan debt. Nationally, student loan debt jumped 84 percent between 2008 and 2014, according to the credit firm Experian, and research has shown that individuals with student loan debt are less likely to own homes.

As living in Boston has become difficult for middle-income families with children, city leaders have responded, outlining a series of ambitious goals to make housing more affordable. While past efforts have focused on low-income affordable housing, policymakers in Boston and elsewhere are taking a newfound interest in middle-class families who are priced out of cities. “We’re talking,” Kornegay says, “about new tools and ideas to help families that we haven’t traditionally been helping before.”
tant, Kornegay says, that developers not break up four- and five-bedroom properties into smaller apartments, since homes of that size are no longer being built.

Steven Cohen, who heads a Boston real estate firm, sees a few different scenarios playing out. Families can reside in a city core if they’re willing to make do with a tiny space. Alternatively, they can acquire more space by accepting a longer commute from a relatively close-in neighborhood or, in some cases, save money by moving to a less desirable neighborhood with a higher crime rate. But many opt for the more distant suburbs. In the Boston area, families’ searches for affordable housing have played a role in reshaping places like Jamaica Plain, an ethnically diverse community that was a bargain a decade ago but now is more difficult to afford. Meanwhile, formerly troubled suburbs such as Chelsea and Everett have experienced the arrival of residents moving out of the city in search of more affordable housing.

Barriers to finding a home are steepest for families at the lower end of the middle-income range. These families may be eligible for federal housing assistance in the form of vouchers or tax credits. However, with limited funding, they’re unlikely to receive any assistance once they earn more than 50 percent of an area’s median income. The Trulia listings data indicates an especially bleak outlook for this segment of prospective homeowners. Households earning 75 percent of median family income who pay 30 percent of income on housing can afford less than half of the homes with two or more bedrooms in the majority of reviewed cities, and fewer than 1 in 5 homes in nine of the 25 cities.

Families burdened with high housing costs can’t spend as much money on food, health care and other basic necessities. City dwellers can find more affordable options by forgoing larger spaces, but they risk adverse health consequences. Research has linked overcrowding—commonly defined as more than two persons per bedroom—to greater risk of injury, higher infection rates, depression and various child development problems.

Dr. Megan Sando, who researches this issue for the Boston-based Children’s Health Watch, says she’s increasingly seeing families moving more than twice per year—another form of housing insecurity—while overcrowding remains “stubbornly high.” About one-third of low-income families with children under age 4 who visit Boston Medical Center’s emergency department experience overcrowding in their homes, according to her research.

In part because of differences in the housing stock, the population of children varies greatly from city to city. A more 15 percent of households have children under 18 in San Francisco, the lowest share in any large city, according to 2014 Census estimates. Seattle and Washington, D.C., report similarly low numbers of kids. Stroller sightings are more common in cities such as Charlotte, N.C., and Milwaukee, where children reside in about a third of all households. As one would expect, families in more densely populated cities with pricer housing tend to have fewer children.

Some cities are actively seeking to boost the stock of affordable family-sized units. But it’s not easy to do. Much of the strongest demand for central city housing right now is in the rental market, as homeowner-ship rates have dropped to historic lows, driving up rents. The National Multifamily Housing Council (NMHC) estimates this year will be the first since the 2008 economic downturn when enough rental units (300,000 to 400,000) are built to keep up with the higher demand. But relatively few of those new units are large enough to accommodate a family of four.

Building in sought-after urban cores poses challenges for developers. For one, land acquisition typically accounts for 20 to 25 percent of project costs in urban areas, compared to just 10 percent in the suburbs, according to NMHC’s Dave Brousseau. Labor expenses also tend to run higher in the city. With demand for smaller-size rentals as high as it currently is, there’s not much incentive for developers to build anything but studios, one-bedroom and a limited number of two-bedroom units. Data compiled for Governing by the real estate analysis firm Axiometrics.
How Cities’ Family Housing Stacks Up

Finding housing that’s affordable and big enough for a family is far more difficult in some cities than others. To gauge each city’s housing stock, we first calculated the home values that families could afford when spending no more than the standard limit of 30 percent of income on housing expenses—including monthly mortgage payments for a 30-year, fixed-rate mortgage, along with property taxes, utilities and property insurance costs. We calculated two different home values: One for a household making the area median family income, and another for a family making 75 percent of that income. The bars below show the share of a city’s total home listings that are both affordable for our two families and have two or more bedrooms. The data, current as of September, were provided to Governing by the real estate website Trulia, which compiles data from multiple listing services, brokers and agents.

See additional housing data for each city at governing.com/housingreport

<table>
<thead>
<tr>
<th>City</th>
<th>Share of City’s Total Home Listings</th>
<th>Sanchez Family:</th>
<th>Jones Family:</th>
</tr>
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<tbody>
<tr>
<td>Austin, TX</td>
<td></td>
<td>$319,988</td>
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<td>Boston, MA</td>
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Meet the Sanchez Family
The Sanchezes have two children, and they’re looking for a three-bedroom home. As a household, the Sanchezes earn the area median family income, and they don’t want to spend more than 30 percent of their income on housing expenses. That limits the available options: In Austin, for example, 32 percent of all listed properties are both affordable to them and have three or more bedrooms.

Meet the Jones Family
The Jones family also has two kids. But the Joneses earn less than the Sanchezes—75 percent of the area median family income. That means they’re still middle class, but they likely aren’t receiving any public assistance. Only a tenth of homes listed in Austin were affordable and large enough to accommodate the family with two or more bedrooms.
### NO ROOM IN THE CITY

<table>
<thead>
<tr>
<th>City</th>
<th>Sanchez Family Income</th>
<th>Jones Family Income</th>
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<tr>
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<td>Indianapolis, IN</td>
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<td>Jacksonville, FL</td>
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<tr>
<td>Los Angeles, CA</td>
<td>$253,109</td>
<td>$151,099</td>
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<tr>
<td>Memphis, TN</td>
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<td>$173,950</td>
</tr>
<tr>
<td>Nashville, TN</td>
<td>$328,241</td>
<td>$219,203</td>
</tr>
<tr>
<td>New York, NY</td>
<td>$251,238</td>
<td>$148,007</td>
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<tr>
<td>Philadelphia, PA</td>
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</tr>
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<td>Phoenix, AZ</td>
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<td>San Antonio, TX</td>
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<td>San Diego, CA</td>
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<td>San Francisco, CA</td>
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<tr>
<td>Seattle, WA</td>
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<tr>
<td>Washington, DC</td>
<td>$565,674</td>
<td>$388,740</td>
</tr>
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</table>

**Sanchez Family Data:**
- Houston, TX: $299,425
- Indianapolis, IN: $306,148
- Jacksonville, FL: $299,982
- Los Angeles, CA: $253,109
- Memphis, TN: $267,957
- Nashville, TN: $328,241
- New York, NY: $251,238
- Philadelphia, PA: $415,955
- Phoenix, AZ: $317,735
- San Antonio, TX: $272,923
- San Diego, CA: $329,207
- San Francisco, CA: $452,762
- San Jose, CA: $498,546
- Seattle, WA: $423,686
- Washington, DC: $565,674

**Jones Family Data:**
- Houston, TX: $187,098
- Indianapolis, IN: $243,119
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- Phoenix, AZ: $213,931
- San Antonio, TX: $170,203
- San Diego, CA: $219,893
- San Francisco, CA: $287,590
- San Jose, CA: $326,261
- Seattle, WA: $278,564
- Washington, DC: $388,740

**Data Sources and Methodology:**
For each city, the maximum affordable home value was computed for families spending the standard 30 percent of income on housing expenses. Incomes were based on HUD's 2015 median family incomes for cities' metro areas. The cost calculation assumed a 20 percent down payment and a 30-year fixed-rate mortgage at an annual rate of 4.08 percent, based on the Bankrate.com national average. Housing expenses factor in metro area owner-occupied unit median costs for electricity, gas, water, and property insurance as reported in the Census Bureau's 2013 American Housing Survey, along with city median real estate taxes from the Census Bureau's 2013 American Community Survey. National estimates were used for areas without data. Trulia provided Governing with real estate listings data based on the calculated home values for each city. The Trulia data includes all properties with the exception of mobile or manufactured homes, multifamily homes, houseboats, farms, and investment properties. Data current as of September reflects at least 5,500 home listings per city.
indicates that, on average, only 5 percent of market-rate rentals in larger cities have three or more bedrooms.

Inclusionary zoning ordinances require or encourage developers to include affordable housing units in new residential developments. These laws have not, however, incorporated requirements for larger units with more bedrooms. Alan Mallach, a senior fellow at the Center for Community Progress, says adding such a provision is legally feasible. But it wouldn’t ensure that families, rather than groups of single individuals, end up living in a unit. Taking the extra step of mandating the types of occupants would go beyond what’s generally considered possible, Mallach says. A more likely path is one that encourages the development of family housing via tax credits or abatements.

Still, incentivizing developments for middle-income families creates a political and ethical dilemma for cities. Keeping families within the city limits yields numerous benefits. On the other hand, low-income families living in poor housing conditions are more in need of scarce resources. “There’s a compelling argument to do both,” Mallach says. “You want to help people in need, but also want to move cities in a stronger direction economically.”

In Boston, city leaders are pursuing a number of strategies to help the city and state solve this issue. Mayor Marty Walsh outlined a long-term housing stabilization plan tied to a fixed percentage of the development’s annual gross income that increases over time. This was key to securing lenders to underwrite the development. “If we didn’t have it, we wouldn’t be able to do the deal,” says Ted Lubitz, who oversees the project for the real estate firm Related Beal.

While the project—built on deed-restricted land—can’t be replicated in its entirety, the attention to working families could serve as a model for future developments. “A lot of developers are reactionary and will wait for things to come out and plan within the rules given to them,” Lubitz says. “We need to impress upon the development community that they need to be more proactive to help the city and state solve this issue.”

Bluestone of the Dukakis Center has proposed another novel idea for freeing up more family-sized housing—what he calls “millennial villages.” These apartment complexes would house students and young professionals, incorporating a range of different-sized residential units, shared common spaces and ground-floor retail establishments. By moving to one of these villages, young singles would free up larger units elsewhere for families seeking to stay in the city.

Regardless of how cities address the challenges of housing affordability, they’ll need partners. “Everyone recognizes that keeping families in a city is a desirable outcome,” Boston’s Dillon says. “[But] keeping a population in a city doesn’t just happen; it takes a lot of planning, hard work and partnerships.”

Email mmaciag@governing.com

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**Climbing Rent Costs:** National average rents have grown steadily in recent years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. Rents</th>
<th>Year</th>
<th>Avg. Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.3%</td>
<td>2001</td>
<td>4.5%</td>
</tr>
<tr>
<td>2002</td>
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<td>4.9%</td>
</tr>
<tr>
<td>2004</td>
<td>5.2%</td>
<td>2005</td>
<td>5.1%</td>
</tr>
<tr>
<td>2006</td>
<td>5.0%</td>
<td>2007</td>
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</tr>
<tr>
<td>2008</td>
<td>2.5%</td>
<td>2009</td>
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</tr>
<tr>
<td>2010</td>
<td>1.4%</td>
<td>2011</td>
<td>1.3%</td>
</tr>
<tr>
<td>2012</td>
<td>1.1%</td>
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<tr>
<td>2014</td>
<td>0.8%</td>
<td>2015</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Figures represent annual changes in average effective rent values, not adjusted for inflation. SOURCE: AXIOMETRICS DATA
The solution to housing discrimination starts with you. If you have been trying to buy or rent a house or apartment and you believe your rights have been violated, contact HUD or your local fair housing center. The Fair Housing Act prohibits housing discrimination because of race, color, sex, religion, national origin, familial status or disability.

Fair Housing Is Your Right. Use It.

Visit [www.hud.gov/fairhousing](http://www.hud.gov/fairhousing) or call the HUD Hotline 1-800-669-9777 (English/Español) 1-800-927-9275 (TTY)

A public service message from the U.S. Department of Housing and Urban Development in partnership with the National Fair Housing Alliance. The federal Fair Housing Act prohibits discrimination because of race, color, religion, national origin, sex, familial status or disability. For more information, visit [www.hud.gov/fairhousing](http://www.hud.gov/fairhousing).
American policing has a problem. Fifteen months after the shooting of Michael Brown in Ferguson, Mo., a majority of blacks and Latinos believe law enforcement operates unfairly. Subsequent cases of apparent police abuse—Eric Garner in Staten Island and Freddie Gray in Baltimore, among others—have reinforced this impression, deepening mistrust.

At the same time that public confidence in police is falling, violent crime in many big cities has been rising. In the first nine months of 2015, homicide rates in the nation’s 60 largest cities were up by 16 percent, according to a statistical analysis conducted by Fivethirtyeight.com. High-profile slayings of police officers in the late summer and early fall contributed to the general sense of alarm and fear.

This combination of rising crime and a growing mistrust of police is a crisis that mayors, police chiefs and elected officials alike are struggling to respond to. Tactics such as “hot spot” policing that flood high-crime areas with police officers have been proven to reduce crime; however, they can also antagonize the communities they are meant to protect. In this difficult climate, what’s a big-city police chief to do?

Charles Ramsey has an answer. The Philadelphia police commissioner, who last month announced he will retire in January, is familiar with the difficulty of reducing crime while building trust. At the age of 65, he may be America’s most universally respected police chief. This reflects, in part, Ramsey’s breadth of experience: 29 years working his way up the chain of command in Chicago, eight years as police chief in Washington, D.C., and eight years at the helm in Philadelphia.

Equally important is his passion for the profession and his care for his officers. In Ramsey’s office in Philadelphia, seven officer portraits occupy a position of prominence on the wall behind his desk. They are the officers who have been killed on the job since he became commissioner. Ramsey can recite the details of every single killing with encyclopedic precision—date, time, circumstances, survivors.

There are other reasons behind the respect that Ramsey commands. “His word is good,” says Laurie Robinson, the longtime head of the U.S.
Justice Department’s Office of Justice Programs. “He is savvy. There is just a direct honesty about him.” It also helps, she adds, that “he has a tremendously good sense of humor.”

It was not surprising, then, that last year President Obama tapped Ramsey to take on the current challenges of policing by co-chairing, along with Robinson, his Task Force on 21st Century Policing. By accepting the position and helping craft a blueprint for change, Ramsey has put an emphatic exclamation point on his career—and has taken a big chance. The task force’s final report, issued in May, includes ideas that challenge some of his profession’s most cherished tenets. In particular, it calls for moving oversight of alleged police wrongdoing out of police departments and even local prosecutors’ offices, vesting it instead in outside agencies or task forces. Ramsey has also promoted a promising, yet unproven approach known as procedural fairness as a means of strengthening police-community relations. He has endorsed radical changes to how police departments operate internally and questioned their current focus on intelligence gathering. “We got away from some of the basic things we were doing in the 1990s and 2000s, community policing primarily,” says Ramsey. “We got very focused on data-driven policing.”

Ramsey adds that the focus on data-driven policing is not necessarily bad, but at the same time, “you have to be able to maintain close contacts with certain people, but also understand how fragile those relationships really are.”

Ramsey isn’t a blame-the-police kind of guy. “Why wouldn’t there be an issue of race and policing when there’s a problem with race in America?” Like many other big-city police chiefs, Ramsey has struggled this past year with rising crime. He has tangled with activists from the Black Lives Matter movement, praising its potential while criticizing elements that he believes are not prepared to have a constructive conversation. The fact that he speaks from a position of respect within the profession makes his message all the more important. But at a time when many big-city police departments are struggling to deal with spikes in violent crime and charges of racism, of a weakening in the bond of trust between the public and the police, is Ramsey the right messenger? Will his prescription for policing be one his fellow police chiefs are prepared to take? How strong is the evidence that reforms advocated by the Task Force on 21st Century Policing will really work?

To an unusual extent, Ramsey finds himself wrestling with the same issues at the end of his career that he contended with at its beginning.

Ramsey grew up in the Englewood neighborhood of Chicago, an area that was at that time—the early 1950s—a diverse, densely populated one that was just beginning to attract African-American residents. As white families moved out, the percentage of African-Americans soared from 11 percent in 1950 to 68 percent in 1960. Construction on the Dan Ryan Expressway cut a swath of destruction through the neighborhood. But to the young Charles Ramsey, Englewood was just a normal neighborhood. “People tried to take care of their property. The kids I played with weren’t in gangs, or anything like that,” he recalls.
POLICING THE POLICE

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Still, danger was nearby. One evening, a friend of Ramsey's older brother was stopped on his way home by a group of kids. Recognizing that they were actually gang members, the friend ran but was overtaken and stabbed. Ramsey heard the commotion. "I saw them put Tony [the friend who was killed] on a stretcher," Ramsey says. "He took that last gasp, I remember, because now I know what it means." Ramsey was 15.

Ramsey grew up planning to be someone who could do something about such situations. He wanted to be a doctor. But first, he had to save up the tuition, so he took a job bagging groceries. One of the cashiers had a brother who was a cop. The cop got to know Ramsey and another fellow grocery clerk.

One day the officer suggested that the two young men sign up for the city's police cadet program. They would get training, tuition for college and a paycheck—all in exchange for agreeing to work flexible hours with the police.

His friend signed up, but Ramsey was dubious. The year was 1968. That summer police officers had clashed with protesters at the Democratic National Convention in what some called "a police riot." The Rev. Jesse Jackson had described Chicago Mayor Richard J. Daley as a fascist; groups such as the Chicago-based Nation of Islam were ridiculing the early civil rights movement's emphasis on nonviolence. Ramsey remembers asking his friend why he wanted to be a policeman. "He looked at me and said, 'What do you have against the police?'"

Ramsey thought about it. He liked the police officer he'd gotten to know bagging groceries. So he signed up. Three years later, he exited the cadet program with a college degree and an assignment as an officer with the Chicago Police Department (CPD).

He loved the action—the adrenaline that came from making a good "pinch." But it was one incident in particular that pushed him to think seriously about his future as a beat cop. One night, he and his partner had been called to the scene of a homicide involving a local drug dealer. The dealer was long dead. Two "wagon men"—older officers, both big guys, smoking cigars—arrived and went upstairs to the top floor of the flat to retrieve the body. Ramsey watched them struggle down the stairs, panting heavily, lit cigars pointing straight up to the night sky, and thought: Those guys could be headed to the morgue soon too; that's not who I want to become.

Ramsey signed up to take the sergeant's exam the next day. His timing was good. After decades of effectively being segregated, the CPD was moving ahead to true integration. During the 1970s, the department embraced putting black and white officers in the same cars ("salt and peppers," they were called) and deploying female officers to patrol.

Ramsey rose quickly. He made sergeant in 1977, lieutenant in 1984, became commander of a district and then of the narcotics division. When Superintendent LeRoy Martin announced he was stepping down in 1992, Ramsey applied for the top job. At the time, homicides were rising sharply; the mayor had announced his interest in responding by creating a community policing program. As a result, the application included a number of questions about police-community relations. "It didn't take a mental giant to figure out that you needed to answer the questions in a way that would be consistent with the direction that they were taking the department," Ramsey says.

So he read every book he could about community policing. His applications and essays were good enough to put him into the final four. He didn't get the job, though. Instead, he was tapped to be the project manager for the city's new community policing program, the Chicago Alternative Policing Strategy (CAPS).

The program's goal was ambitious—it sought to create partnerships between police officers, community members and other city personnel to identify neighborhood issues that contributed to crime and solve them. At first officers were skeptical. "They'd say, 'Oh, you're not going to have an impact on crime. Oh, this is not real police work,'" Ramsey recalls. To make it work, he joined forces with an unusual new recruit to the Illinois Department of Corrections: research and planning deputy director Nola Joyce. Joyce has worked with Ramsey in every job he's held since.
CAPS was a success. A 2002 evaluation found modest improvements in community engagement, more positive perceptions of the police and decreases in crime compared to non-CAPS beats. Ramsey was promoted first to deputy chief and then to deputy commissioner. When Superintendent Matt Rodriquez announced he was stepping down in 1997, most observers expected that Ramsey would get the top job. Instead, it went to a colleague, Terry Hillard. The next day, Ramsey got a call from a headhunter asking if he’d be interested in applying for a position as chief of police in Washington, D.C. The nation’s capital was on edge over a federal consent decree, which was looking for a new chief to turn around the troubled police department. Two board members flew to Chicago to talk with Ramsey. That spring, Ramsey moved to Washington and took the job. His family stayed in Chicago. “I didn’t know if I’d succeed,” he says.

Washington and its police department were a mess. “It was a very dysfunctional, underresourced and demoralized department,” recalls Joyce, who moved to D.C. when Ramsey did. “I’ve never worked in a Third World country, but it had to be something like that.”

Ramsey and his team, together with the federal oversight board and, later, Mayor Anthony Williams, upgraded the training program, equipment and facilities. A Ramsey approach became evident: Be direct. Insist on high standards. Broadcast the search for talent. Seek outside viewpoints.

His tenure was not without its controversies. One of the largest arose after the city’s police department arrested hundreds of protesters and bystanders during the 2002 meeting of the World Bank. The department eventually had to pay out more than $20 million in damages for the arrests. Still, when Ramsey resigned in 2006, Washington, D.C., was by all accounts a safer city with a more professional police department. He retired to near universal acclaim.

At first, Ramsey did the kinds of things retired big-city police chiefs do. He consulted on security arrangements in Iraq and worked with police professional organizations, serving five years as the head of the Police Executive Research Forum and the Major City Chiefs Association—the first time a police chief has held both positions simultaneously. He missed being a chief though. In 2007, newly elected Philadelphia Mayor Michael Nutter called Ramsey to ask if he’d be interested in pursuing the position of commissioner.

Philadelphia in 2007 had a serious crime problem—gun homicides were rising, threatening the city’s fragile urban resurgence. During his mayoral campaign, Nutter had called for a more aggressive police presence in areas afflicted by gun violence. By increasing the likelihood that youths with guns would be stopped by the police, Nutter hoped to dissuade them from carrying guns in the first place. Philadelphia wasn’t the only city in which an African-American mayor was proposing to address violent crime by more aggressive stop-and-frisk policing. Cleveland was experiencing the same problems. After offering him the job as Philadelphia’s top cop, Nutter asked Ramsey to produce an aggressive plan similar to Cleveland’s. Ramsey countered with a different strategy. The Philadelphia Police Department was over-specialized, Ramsey informed the new mayor. Ramsey proposed putting more cops in the highest crime areas at the right times, but as patrol officers, not special tactical units. Nutter endorsed the plan.

Ramsey not only expanded the number of officers walking the beats on foot patrols, he did so in a characteristically astute way. He structured a series of experiments to see not only if foot patrols succeeded in reducing crime and improving perceptions of the police and public safety, but also what aspects of the tactic worked. A single randomized experiment is unusual in the public safety world. A series of experiments, says Temple University professor Jerry Ratcliffe, who conducted the evaluation, is virtually unprecedented. That’s where Ramsey’s experience and confidence came into play. As Ratcliffe explains, the police chief’s job is a high-stress one with a lot of turnover. “Some police chiefs see themselves as vulnerable if they are seen as using scarce police resources to further some esoteric study from a university?” But without such studies, the policing field can never truly determine what works. Ramsey, Ratcliffe says, “understands that and is willing to take risks in order to learn what works.”

As crime and homicides—including assaults on police officers—fell sharply between 2007 and 2013, Ramsey faced a different and increasingly acute problem. Police shootings of civilians, high to begin with, were rising. Between 2007 and 2014, Philadelphia police officers were involved in 394 police shootings—an average of 49 a year. This was way above the norm. During the same period and with roughly five times as many officers, for instance, the New York City Police Department had a lower number of officers involved in “adversarial shootings.” The Philadelphia Police Department was at risk of becoming a target for a U.S. Justice Department investigation and possibly a federal consent decree.

Ramsey addressed the issue in his distinctly forthright manner. Instead of waiting for the feds to target him, he went to the U.S. Department of Justice’s Office of Community Oriented Policing Services (COPS) for help in conducting an investigation. Its report, dubbed the Collaborative Reform Initiative, identified 19 recommendations the department could undertake to improve training and procedures. Ramsey immediately pledged to implement “each and every one.”

Ramsey’s experience working with the feds on the problem of police shootings prepared him for the president’s call to action: co-chairing the Task Force on 21st Century Policing—an assignment that he could use to spread his ideas about how to resolve the challenges of policing today. Although the reform efforts of a previous generation were put in place to prevent political interference in police departments, Ramsey had found that some of them hamstrung efforts to upgrade to modern-day policing practices. The president’s task force offered him and the other members—police chiefs, a union representative, academics and activists—a chance to propose a new paradigm for 21st-century policing.

From the beginning, Ramsey and co-chair Robinson of the
To discipline their own just as attorneys and doctors did. That is, policing deserved the recognition and autonomy of other professions. But here was Ramsey arguing that policing was different, particularly when it came to a police officer’s right to take the life of a fellow citizen.

Ramsay’s most radical suggestion, though, is his own. It involves consulting communities about the intensity of law enforcement they want and levels of crime they are willing to accept. Ramsey notes that many of the so-called “broken windows” of the 1990s have been fixed. “The squeegee man is gone. ‘The punshers at least are no longer aggressive. Some of the abandoned properties have been renovated,” he says, ticking off some of the accomplishments. But the question he raises is whether policing knows what to do now that the “broken windows” are fixed. “Have we adjusted our tactics, our strategies?” he asks. “Have we gone into community-building or at least maintenance mode? As we start to pull back, can communities take care of themselves?”

The answer, says Ramsey, has generally been no. Instead, police departments aspired to push crime down further, without regard to consulting local communities about the tactics they are willing to accept in pursuit of this goal. “No one wants to have a discussion about what is an acceptable level,” he notes. “It isn’t getting down to zero.”

Crime in Philadelphia certainly isn’t headed toward zero this year. Compared to the same time period in 2014, homicides in Philadelphia were up slightly for the first nine months of 2016. Ramsey’s department has embraced the ideas of legitimacy and procedural justice. Yet, Deputy Commissioner Joyce Adams admits that she has her doubts about whether building up the perception that police operate fairly will really reduce crime. “For the last eight-plus years, policing has been pushed, and I think rightfully so, to make decisions based on evidence—evidence-based programming, evidence-based decision-making, analytics and so forth,” she notes. “Now, all of a sudden, we’re told we ought to be doing x, y and z. I’m not saying it’s not a good idea, but where is the evidence?”

For his part, Ramsey insists that American police departments must take building legitimacy seriously. Both communities and police departments suffer from the tensions between the two. To neutralize that, Ramsey says, “We have to work together to establish relationships and trust.”

Although high-crime communities have a role to play in creating a secure environment, police “have to conduct themselves over and above what is expected of other people,” Ramsey says. “That is because the responsibility we have is over and above that of other people.”

Whether Ramsey can persuade his fellow chiefs to accept procedural fairness and transparent management as important tools in fighting crime may be the biggest test of his credibility yet. But then, Charles Ramsey has always liked a challenge. “Crisis,” he says, “is what causes change to happen.”

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ILLINOIS GOV. BRUCE RAUNER PROMISED TO “SHAKE UP SPRINGFIELD.” NOW HE AND LAWMAKERS ARE LOCKED IN A SHOWDOWN.

BY DANIEL C. VOCK
FACE-OFF

or a man in the throes of a bitter struggle that will define his nascent governorship and possibly change the course of Illinois history. Gov. Bruce Rauner looked remarkably relaxed. He was in a friendly crowd, a roomful of Chicago tech leaders at a cocktail party on a September evening. The 58-year-old Republican does not seem to crave attention the way politicians often do, but he’s confident in the spotlight. If he sticks out at all, it is for his height and his ostentatious displays of frugality. He wore a navy suit with gold buttons that looked like something that could have been pulled from the back of the closet. As he walked in, the governor casually introduced himself to a few guests. Mostly, though, he stuck to small groups. He listened more than he talked, holding his hands behind his back. At six feet, eight inches tall, the governor towered over the crowd, but most people there didn’t even notice him enter.

When Rauner took the stage at dinner, however, the raucous audience of nearly 700 people greeted him with whoops and hollers. These were business leaders, after all, and Rauner was one of them. He ticked off his bona fides for the crowd, mentioning his 32 years investing in or starting 450 companies—something most of those present already knew. Rauner didn’t elaborate much on his success, but that’s no secret either. His net worth, a spokesman once said, is “in the mid-nine figures,” or somewhere in the neighborhood of $500 million. Rauner himself told a reporter he wasn’t just in the top 1 percent of Americans financially, but in the top 1 percent of the 1 percent. Certainly he’s one of the richest people in Illinois. Now that he’s governor, Rauner accepts only a $1 salary and opted out of a pension. Given Illinois’ awful fiscal shape, that’s a positive symbol to many residents. “We have a lot of challenges with the state of Illinois. We’ve got a financial mess,” Rauner told the crowd. “We can’t just cut our way out of our problems. We can’t tax our way out of our problems. The key to our success, to solve our problems in Illinois, is growth.”

Rauner is the first governor in Illinois history with no prior government experience. While most of the state’s chief executives spent decades climbing the political ladder, Rauner’s outlook is defined by his time in the upper echelons of business. He knows what it’s like to reshape organizations, and he’s used to winning. That background made him an attractive candidate last year, when he unseated an unpopular Democrat with a promise to “shake up Springfield.” But the turnaround that the governor wants hasn’t gotten off the ground. The political gamesmanship and financial mismanagement that are synonymous with Illinois state government have only increased since Rauner’s inauguration. And there’s no sign they’ll end anytime soon, either.

While Rauner’s top legislative priorities have stalled, his election has still had a profound effect on Illinois politics. The first Republican governor in a dozen years, Rauner meets regularly with the House and Senate Republican caucuses on strategy and policy. He has invited them over for beers at the governor’s mansion. That high-level attention has lifted the spirits of Republican leaders. There is very little daylight, if any, between the business community, which Todd Maisch, president and CEO of the Illinois Chamber of Commerce, says is no accident. “In my opinion,” Maisch says, “we consider Rauner part of the business community. There is very little daylight, if any, between the governor and us.” Maisch points out that no legislation the group or a man in the throes of a bitter struggle that will define his nascent governorship and possibly change the course of Illinois history. Gov. Bruce Rauner looked remarkably relaxed. He was in a friendly crowd, a roomful of Chicago tech leaders at a cocktail party on a September evening. The 58-year-old Republican does not seem to crave attention the way politicians often do, but he’s confident in the spotlight. If he sticks out at all, it is for his height and his ostentatious displays of frugality. He wore a navy suit with gold buttons that looked like something that could have been pulled from the back of the closet. As he walked in, the governor casually introduced himself to a few guests. Mostly, though, he stuck to small groups. He listened more than he talked, holding his hands behind his back. At six feet, eight inches tall, the governor towered over the crowd, but most people there didn’t even notice him enter.

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The governor has also raised an unprecedented amount of campaign money in the first year of his term. He and a few other wealthy Chicago businessmen anted up $34 million, or 10 times what Democrats have on hand, to spend on legislative races and other political activities as needed. Rauner used that money to give all the GOP lawmakers thousands of dollars for their campaigns and to launch TV ads against House Speaker Michael Madigan, one of his chief Democratic adversaries. He promised to keep sending checks to Republican legislators every six months so they could compete with campaign funds controlled by Madigan, the head of the state’s “Democratic Party.” Rauner said in a radio interview. “I am supporting members of my caucus, members of my party.” Illinois Republicans may be short on numbers, but with an undisputed leader, they are much more unified, organized and upbeat than they have been in years.

And Rauner is a different kind of Republican governor from what Springfield is used to. Those Republicans occupied the governor’s mansion in the 26 years prior to 2003, and like Rauner, those Republicans had to cope with Madigan and Democratic majorities in the legislature. But those previous GOP executives wanted to reach a deal with legislators, one that they could tout to their supporters. Rauner, who declined interview requests for this article, seems more comfortable with a take-it-or-leave-it approach to negotiation. He hasn’t called a bipartisan meeting of all of the top legislative leaders—normally the forum in which deals on high-priority legislation are hammered out—since late spring.

That fact is even more startling because the state still does not have a budget for the fiscal year that started in July.

“We probably have a different approach,” says former Illinois Gov. Jim Edgar, a Republican. “I was a creature of state government. I worked my way up the ranks. I was very concerned about a budget because you have to have that to manage state government. He comes from the private sector where some of these business issues are a high priority to him. He’s entitled to his approach. But if I were governor right now, my priority would be to get a budget. These other things he might have to put off and wait to do another day.”

These “other things” Edgar is referring to are business-friendly measures. This year’s stand-off has stretched on for months because Rauner wants the legislature to pass these measures before he will sign off on the budget, which almost certainly will include some sort of tax increase. His proposals include restrictions on workers’ compensation, curbs on civil lawsuits, a freeze on local property taxes and limits on collective bargaining for government employees. The governor also wants the legislature to send voters a constitutional amendment to impose legislative term limits and another ballot measure to leave redistricting to a citizen panel, rather than keeping it in the hands of lawmakers.

Many of the ideas come straight from the playbook of the business community, which Todd Maisch, president and CEO of the Illinois Chamber of Commerce, says is no accident. “In my opinion,” Maisch says, “we consider Rauner part of the business community. There is very little daylight, if any, between the governor and us.” Maisch points out that no legislation the group
has opposed has become law under Rauner. “The vast majority in the business community,” he says, “believe that, if there was a time for marked departure from the status quo, that time is now. Somebody from the outside is most likely to achieve that change.”

But Democrats have refused to budge. They see little reason to do so. Rauner’s proposals would hurt Democratic legislators and their key constituencies, especially organized labor. “It was almost as if he said, ‘Vote against your core principles, and for your reward, I’ll let you pass a tax increase,’” says Senate President John Cullerton, a Chicago Democrat. “Democrats like to spend money, but we don’t like to raise taxes any more than Republicans do. So this was dramatically backwards. This idea of holding the budget hostage didn’t work.”

Republicans, of course, see things differently. Rep. Jim Durkin, the House Republican leader, says Democrats should have “learned their lesson” from passing a budget last year with a $1.5 billion deficit, which Rauner had to address as soon as he became governor. The revenue shortfall in this year’s budget has the same root cause, the expiration of a temporary income tax last January. But Democrats this year sent the governor a budget without major cuts or an increase in revenue. “They sent him a $4 billion unbalanced budget, and they’re trying to say it’s his fault. It’s absurd,” Durkin says. “Democrats are unwilling to negotiate. They’ve walked away from the negotiation table.”

The temporary tax increase Democrats passed four years ago did not help the state economy and did not address Illinois’ recurring budget problems, Durkin says, because the new revenue went entirely to cover steeply rising pension payments. “They sold a tax increase under false pretenses. Now they want a tax increase, no strings attached. Neither the public nor I are going to let that happen,” he says. “Our votes are not going to be taken for granted anymore.”

Rauner, though, seems more interested in curbing the power of labor unions than in passing a state budget. He has often tied budget and labor issues together. For example, the governor insisted that any freeze on local property taxes include restrictions on collective bargaining for local government employees. He threatened to veto a proposal by his personal friend, Mayor Rahm Emanuel of Chicago, that would have softened the blow of property tax increases there, because labor-related changes were not included.

The Republican governor’s fervent stance against unions has transformed labor rights into a partisan issue in a state where unions traditionally have had allies on both sides of the aisle. Unions still predominantly support Democratic candidates, but Republican areas downstate have considerable pockets of unionized teachers, university workers, prison guards and other state employees. In fact, Rauner nearly lost the Republican primary for governor last year to a candidate backed by unions.

“He’s obsessed with unions, absolutely obsessed,” says Cullerton. “He hates unions with a passion. He believes that unions are the cause of all problems in government, local and state. The fact of the matter is, one of the reasons we have higher salaries in Illinois is because of unions. We have a higher minimum wage, because we think the middle class should make some money.”

In his first state of the state address, Rauner called for letting local governments limit the topics their employees could address during collective bargaining; allowing localities to institute union-busting “right-to-work” zones for all employers; and barring unions from contributing to political campaigns. “Our agenda must be about empowerment, about empowering the people of Illinois to control their futures,” he said.
A few weeks later, Rauner went a step further. He issued an executive order barring state agencies from collecting agency fees—the “fair-share” fees nonunion employees pay to unions to cover the cost of collective bargaining—from state workers. That effort is now tied up in court, and Rauner is no longer a party to the case. But the move showed that the governor was eager to take on unions in a very direct way. He called the fees a “criti
cal cog in the corrupt bargain that is crushing taxpayers,” saying they helped finance union-friendly wage and pension packages that contributed to the state’s massive debt. A ban on agency fees could enable more employees to join labor unions. In the two years after Wisconsin enacted similar changes for teachers, membership in those unions dropped 30 percent.

The governor has also pushed forward with his idea for local “empowerment zones,” which would essentially allow sections of the state to enact their own right-to-work laws. After the Democratic attorney general said the empowerment zones would be illegal, Rauner exhorted local officials to pass resolutions encouraging state lawmakers to allow them. While a few localities adopted those resolutions, the move largely backfired. At the same time, the Illinois chapter of the American Fed
eration of State, County and Municipal Employees—the union representing the largest share of Illinois state workers—and their Democratic allies backed a bill that would give them the upper
hand while negotiating with Rauner. Under the bill, if the two sides could not reach a deal, an arbitrator would pick either the governor’s or the union’s last offer. Rauner vetoed the bill. The Senate override the veto, but, thanks to an absent Demo
crat, labor unions came up just shy of overriding it in the House and the bill died.

The tight consumed Springfield for weeks this summer, and Rauner walked away victorious with his veto sustained. Still, the whole affair did nothing to change state law or address the state’s most serious problems. While it was going on, lawmakers made no progress in developing a budget.

The current budget stalemate, the longest in Illinois his
tory, has been an invisible crisis to most of the state’s resi
dents. But it is starting to take its toll. When Rauner addressed the tech crowd in September, he spoke about promoting the University of Illinois at Urbana
Champaign, especially its vaunted engineering and computer sci
ence programs, to bring tech jobs to Chicago. But the governor did not mention that the state was not currently making its promised payments to the university or any of Illinois’ other public univer
sities, because of the budget standoff.

Passing a balanced budget on time has become an increasingly difficult feat in Springfield. The state’s finances have been in a tail
spin, with a few short reprieves, for the last 15 years. During that time, Illinois has had to contend not only with the two recessions, but also with the decline and fall of new-impressionist Gov. Rod Blagojevich, sharply escalating pension payments; a mountain of unpaid bills; and short-term taxing and borrowing schemes that always seemed to delay tough decisions until after the next elec
tion. Not surprisingly, Illinois has the worst bond ratings of any state in the country.

This year’s budget negotiations promised to be especially tricky, even before Rauner tied them to labor issues. The biggest new financial pressure comes from the expiration of the temporary tax hike in January, which dropped the rate on personal income from 5 percent to 3.75 percent. In his gubernatorial campaign last year, Rauner denounced the idea of extending the tax further. For their part, Democrats took no action and let the tax die, as scheduled, before Rauner took office.

Neither the governor nor Democrats have laid out a balanced budget plan for this year. Rauner’s blueprint included up-front savings of $2 billion from pension reforms that were ultimately struck down by the Illinois Supreme Court. Democrats candidly admit their budget plan, which Rauner vetoed, did not make up for the lost revenues. The only thing the two sides did agree on was to increase education funding. So schools are getting more money, even though the state doesn’t have any new money to give them.

The budget crisis has not yet led to a full-scale government shutdown, the way it has in recent years in Michigan and Min
nesota. In fact, 90 percent of state programs continue to be funded through a variety of legislative and court interventions. State employees are still receiving paychecks. Schools are getting their state aid. Bondholders are still receiving interest payments. But the 10 percent of state government that has no money flowing includes college scholarships, after-school programs, treatment for mental illness and support for homeless people. Those services, many of them provided by nonprofit contrac
tors, are all in jeopardy as the providers decide whether to keep offering them and hope for state reimbursement later, or to stop providing the help.

What’s more, the government on autopilot does not have enough fuel—that is, tax revenue—to make it to the end of the fiscal year. At its current pace, Illinois is on track to spend 84 bil
lion more than it takes in by next summer, and that’s on top of the growing stack of unpaid bills the state already has, which, at press time, stood at $6.5 billion. Last month, Illinois announced it would have to delay a November payment of $560 million to pension funds, and may have to delay a similar payment in December if no deal is reached. Many in Springfield worry that, without a budget deal, the state won’t be able to keep enough cash on hand throughout the year to pay its employees, schools or bondholders.

Even seasoned political observers can’t predict when Rauner and the legislature will come to terms, or what might finally prompt them to do so. “I’m completely baffl ed,” says Edgar, the former governor. “I really thought in early June they would [compromise], declare a victory, get a budget and go home. It didn’t happen. Unfortunately, I think everybody dug in a little deeper.”

Whenever the standoff ends, the celebration will likely be muted, and attention will turn almost immediately to next year’s legislative elections. “The reality is there is going to be no parade and no reward for anyone with the state of Illinois who does what is necessary to stabilize their state finances,” says Laurence Msall, president of The Civic Federation in Chicago. “The reward is that the state of Illinois will continue to operate.”

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Welcome to JOBS INC.

Several states have decided the way to juice up economic development is to turn it over to a corporation outside the government bureaucracy.

By Alan Greenblatt
Arma, Ohio, could use some help. The Cleveland suburb is still recovering from a plague of foreclosures, and deep cuts in state aid have made it difficult to keep the local budget in order. General Motors remains the city’s largest employer, but it long ago shuttered a 750,000-square-foot powertrain and transmission plant in the heart of the city’s industrial section. Under the circumstances, Parma officials were more than delighted when they heard a trucking company called Pitt Ohio was interested in expanding its operations, hiring hundreds of people and taking over a good-sized chunk of disused GM property.

Working with JobsOhio, the state’s economic development corporation, city officials put together a package of incentives that convinced the firm to consolidate truck terminal operations at the Parma site. Construction is just getting underway on a 23-acre complex where Pitt Ohio will eventually employ 240 workers. Parma Mayor Tim DeGeeter hails the facility as the city’s largest job creation project in a decade. “JobsOhio was a very helpful intermediary with the Ohio Department of Transportation, so we could get a [$180,000] grant,” says Shelley Collins, an economic development officer for the city.

It’s the sort of thing that makes for a great press release. Out on the presidential campaign trail, Gov. John Kasich loves nothing more than touting the number of jobs created in Ohio since he took office in 2011. Overhauling the state’s economic development effort is central to his claim. One of his earliest acts in office was abolishing the state Department of Development and handing its functions over to JobsOhio, a private nonprofit.

Putting the chamber of commerce or other private groups in charge of economic development has long been common at the local level and has been tried in some states, but just over the past few years it has gained popularity in states with Republican administrations, including Arizona, Indiana, Iowa and Wisconsin. Illinois and Oklahoma are also considering a similar move. “If the goal is marketing and engaging with business relocation entities, there’s an intuitive belief that the private sector can do that more effectively than a government agency,” says Leonard Gilroy, director of government reform at the libertarian Reason Foundation.

JobsOhio, which works on roughly 250 projects a year, has brought in big deals for the state, involving the likes of Amazon, General Electric and Fuyao, a Chinese automotive and industrial glass company. The private development corporation gets money from the state’s wholesale liquor profits. It works with state agencies, but it doesn’t answer to any of them. John Minor, the president of JobsOhio, says the company has been more proactive in seeking out-of-state deals than the old state-run effort, and can plan across a longer time frame. “When a CEO or board of directors can talk with someone and speak more peer to peer, someone who understands their business, that makes a difference,” he says.

People who work in economic development are boosters by nature. They have to be. But while JobsOhio is happy to brag about its success stories, it’s also come under lots of criticism. Along with other privatized economic development agencies, the nonprofit has been accused of favoritism and sweetheart deals. Critics have pounced on these problems as proof that the privatizing approach is just a scheme to funnel more money to campaign contributors. “We think it’s a recipe for mischief, if not corruption,” says Greg LeRoy, executive director of Good Jobs First, a liberal policy center that has published several studies pointing out problems with the privatization model.

Of course, commerce departments and other public agencies have been guilty of incompetence and malfeasance as well. Perhaps the most notorious example in recent years involves 38 Studios, a video game company founded by former Boston Red Sox
star Curt Schilling, which went bust after receiving a $75 million loan from the state of Rhode Island. Economic development is run by a quasi-private agency, but “all the evidence points to political interference,” says John Marion, executive director of Rhode Island Common Cause. At the same time, purely public agencies continue to be responsible for some of the biggest scores in development, including Nevada’s billion-dollar deal with Tesla last year to build a ginormous battery factory outside Reno. This points to what may be the fundamental problem with the whole privatization push: There’s no proof that this approach works any better—or really all that much differently—than old-fashioned development agencies. The type of arrangement that Parma made with Pitt Ohio—offering up payroll tax breaks at the local level, getting the state to kick in funds to help ease traffic in and out of the site—has happened countless times courtesy of public agencies.

Once a state goes down a certain path, it’s impossible to prove what would have happened if instead it went down another. But the reality is that a change in governance structure doesn’t eliminate the challenges inherent in economic development work, such as ensuring transparency or designing sanctions with real teeth if companies fail to keep their job creation promises. “It’s not a silver bullet,” Gilroy says. “The challenges are inherent to the overall project of economic development, as opposed to whether the entity’s public or private.”

Go down the list and every apparent advantage of privatization seems to have an equal and opposite downside as well. Proponents claim that private economic development corporations are more responsive, but looser rules open up the possibility that they’ll cut corners in dubious ways. And they may not be more nimble at all, since new entities add their own layers of bureaucracy to the mix. The privatized entities typically are more flexible when it comes to managing their own personnel, but there have already been examples of staff being grossly overpaid as a result.

In short, while it might make sense to give development officials a leash longer than is the norm for government work, that approach offers no guarantee of success. “There is no evidence that privatizing economic development either helps or hurts economic development,” Timothy Bartik, an economist at the W.E. Upjohn Institute for Employment Research, says flatly. There are, however, potential pitfalls. Putting private-sector actors in charge of deciding which private companies receive government funds has created situations that suggest foxes are guarding the henhouse. In 2013, JobsOhio had to return more than $8 million to the state after media outlets and the state auditor raised questions about public funds the nonprofit had received without the legislature’s knowledge. Its board of directors, picked by Kasich, includes a number of the governor’s donors or their employees. Also in 2013, the Ohio Ethics Commission found that more than a third of the JobsOhio officials senior enough to have to file financial disclosure forms had received interests in the activities we need to verify the accuracy of information submitted by businesses.”

JobsOhio is now shielded by law from most investigations by the state auditor. Kasich and legislative leaders concluded that JobsOhio is a private enterprise and the auditor shouldn’t be undermining its work. Minor insists that transparency remains a front-and-center concern, with the details of concluded deals shared publicly on the JobsOhio website. “We are probably one of the more heavily regulated nonprofits I know of, in terms of the activities we need to report to the state,” Minor says. “We have a policy that every project has to go through a conflict-of-interest review.”

Other states have had some eyebrow-raise difficulties in this regard. Last year, auditors from the U.S. Treasury Department found problems with a company hired by Indiana’s privatized economic development corporation to manage millions of state and federal investment dollars. That company had improperly given $500,000 in federal funds to a startup managed by its own chairman. An audit this spring of the Wisconsin Economic Development Corp. (WEDC), created by Gov. Scott Walker in 2011, found that the partially privatized agency “did not require grant and loan recipients to submit information showing that jobs were actually created or retained” and “awarded tax credits without attempting to verify the accuracy of information submitted by businesses.”

The public-private economic development entity in Wisconsin has handed out a total of $124 million in state grants, tax cred-
its and loans without a formal staff review. Much of its largesse has gone to Walker campaign contributors. In the fiscal year that ended in June, WEDC expended $246 million on incentive deals—a 57 percent jump over the previous year—"yet those awards are expected to create or retain almost 6,000 fewer jobs and result in $400 million less in capital investment" than the previous year’s totals, according to The Wisconsin State Journal. It’s the sort of thing that generates awful press. “The WEDC has been rife with corruption and cronyism,” says Matthew Rothschild, executive director of Wisconsin Democracy Campaign, a watchdog group in Madison. “It has failed to do basic due diligence on some of these loans, and this combination of cronyism and ineptitude has cost the taxpayers millions and millions of dollars.”

The moral of every privatization story seems to be that, while it can sometimes be effective to outsource projects and services, good contract management by public officials remains a necessity. Every deal is a negotiation. It can obviously present a problem when taxpayer dollars are at stake yet no one at the table truly represents the public.

Putting scandal aside, it’s difficult to tease out how much any formal economic development effort actually helps move forward a state’s economy, which is inevitably far larger and more complicated than the relatively small corner involving companies receiving incentive packages. The newly privatized agencies cite numerous success stories, but all of these have taken place within the context of state economies that have been growing anyway. Minor, the JobsOhio president, readily concedes that his job of selling Ohio depends on a host of factors outside his control, including infrastructure, access to markets and the state’s tax and regulatory policy.

Privatization does have some demonstrable upsides. Because privatized economic development corporations or public-private partnerships receive exemptions from normal civil service rules, they have more flexibility in creating or eliminating job positions as needs arise and fade away. Being able to redeploy resources outside the sphere of the legislative process is a definite advantage, says Ken Poole, CEO of the Center for Regional Economic Competitiveness, an economic strategy consulting firm. At the same time, he notes that setting up a new entity can be disruptive, taking time to develop both capital and an internal pool of talented workers. “They do need to have the skills and capacity that come from a government background,” Poole says. “Private companies do not have the same things like sunshine laws and procurement laws, procedures that are required under state law.”

Privatization advocates claim their method allows economic development corporations to “move at the speed of business,” as Gov. Kasich likes to say. They don’t have to sit around waiting for the legislature to approve project funding as part of the state budget. But sometimes their ability to act fast is based on bypassing safeguards designed to keep things on the up and up.

And even when deals are completely kosher, they can go bad. Betting on a company to prosper and provide promised jobs is just that: a bet. Giving money to a company because it promises to invest and create jobs is inherently speculative. The economy can sour or there can be honest misjudgments about what the marketplace actually wants. It’s the nature of the field to overpromise and overpromote. And the whole question of whether economic development packages are effective is always going to be harder to measure than many other government functions. “This is different because this is much more subjective,” says Illinois state Rep. Jack Franks. “With a Medicaid contract you can ask, ‘Did you take people off the rolls who weren’t supposed to be there?’ With this, there’s no objective criteria.”

In August, the U.S. Governmental Accounting Standards Board issued its final guidance on a rule that for the first time will require states and localities to disclose information about the tax breaks they give businesses. That could help. Evaluating economic development programs has always been problematic. It’s easy to point to anecdotal successes or failures, but hard to get a sense of the bigger picture.
In part, that’s because the economy itself is so complex. A set of tax breaks might be useful to a company, but its fortunes are determined more by customer taste and whether the economy as a whole is growing or slipping into recession. Logistics and labor ultimately matter more to the bottom line than some savings on taxes. No control group studies exist to show that a state or region’s economic development strategy and expenditures have been more effective than those of its neighbors. “A lot of the incentives being used, particularly tax expenditures, are designed in ways that are wasteful,” says Bartik, the Upjohn Institute economist.

For that reason, there’s always a chorus of voices calling for states and localities to quit their poaching and get out of the incentives game. The argument is that they’re just being suckered by corporations looking for tax incentives to do what they’d been planning to do anyway, playing neighboring or similar jurisdictions off one another. “This is the darkest side of federalism as it applies to economic development,” says LeRoy of Good Jobs First. “Companies are totally in the catbird seat in their ability to whipsaw state government.”

No matter how much economists might hate the tax incentives game, however, cities, counties and states will continue to play it. No one government will be able to resist looking to land employers this way unless all governments stop. Unilateral disarmament will not happen. If anything, the reverse is true. States have ramped up their efforts at smokestack chasing in recent years, partly in response to the recession and long, slow recovery, but also because of the intense desire among political actors to be able to claim credit for job creation.

That may be one reason privatization has caught on in so many states in recent years. Desperate to make deals, state governments are willing to try something different. The competition is tough, after all. Public officials love talking about job creation and flourishing businesses, but the plain fact is that there are fewer relocation and expansion opportunities than there used to be. According to data from Conway, a corporate expansion consulting firm, the number of new facilities and expansions in the U.S. was plunging even prior to the last recession. That number has ticked up a bit in recent years, but remains nearly 50 percent below the 1997 total. There are fewer big buffalo to hunt these days.

So it’s inevitable that politicians will keep their eyes on the next ribbon-cutting opportunity. As a state legislator, Parma Mayor DeGeeter voted against the creation of JobsOhio, out of concern about transparency. Now, however, he is grateful to have the privatized corporation’s help. “As a mayor, you want to create jobs, you want to be pro-business,” he says. “That’s your tax base.”

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Dennis Hoaphy, who is a quadriplegic, says Massachusetts’ new model has provided him with better care.
Dennis Heaphy has been a quadriplegic for more than 30 years. But life has recently improved for the 53-year-old Boston resident. That’s because Heaphy was among the first enrollees in an ambitious experiment in Massachusetts that seeks to better coordinate health services for “dual eligibles,” those residents who qualify for both Medicare and Medicaid coverage. After signing up for the program in 2013, Heaphy received a care assessment, resulting in a new bed, a new mattress and a wheelchair that now enables him to take his rat terrier, Vinnie, outside for daily walks. Heaphy also gets massages and acupuncture, which help with his breathing. In November 2014, he had surgery to remove a bone infection, which under previous insurance plans would have required him to recuperate in a nursing facility. Under the demonstration insurance plan, however, health aides visited him daily while he recovered from the surgery in his own home. “My health plan had the flexibility to put its dollars toward keeping me at home, rather than in a skilled nursing facility,” says Heaphy, who is also a health policy analyst for a disability advocates group. “My care is good.”

The experiment in Massachusetts is part of a broad attempt going on right now in a dozen states to change how they provide care to elderly and disabled adults while working to reduce the ballooning costs of services. Under the Affordable Care Act (ACA), states since 2011 have had the option of adopting one of several experimental managed care models under what’s called the “Financial Alignment Initiative.” Managed by the Centers for Medicare and Medicaid Services (CMS), the initiative aims to reduce costs and better coordinate care for the nation’s 10.7 million dual eligibles.

It’s a patient population that’s among the most expensive to treat. In 2009, dual eligibles represented 19 percent of those enrolled in Medicare but accounted for 34 percent of costs, according to CMS. About 14 percent of Medicaid enrollees were dual eligible, but they represented 35 percent of costs. Some 60

SOME STATES ARE MERGING COVERAGE FOR PATIENTS WHO QUALIFY FOR BOTH MEDICAID AND MEDICARE. IT’S A BOLD EXPERIMENT THAT’S OFF TO A ROCKY START.
percent of dual eligibles have chronic conditions like diabetes and high blood pressure; 40 percent have been diagnosed with a mental illness; and 22 percent live in an institutional setting, such as a nursing home.

The intertwined thicket of Medicare and Medicaid services can seem hopelessly confusing. Medicare, the federal insurance program for people 65 and older or disabled, pays for prescription drugs, hospital services and short-term nursing home stays. Medicaid, the federal health program for low-income individuals, pays for nursing home care after 90 days, home-based care services, limited transportation to doctors’ appointments, dental care, and Medicare premiums and co-pays. The uncoordinated coverage can lead to dual-eligible patients’ being volleyed back and forth. Nursing home patients with chronic conditions, for example, may be sent to the hospital frequently because Medicare will foot the bill for hospital stays. (As much as 40 percent of repeat hospitalizations of nursing home residents could have been prevented if they had been treated properly in the nursing home, according to a 2010 report from the Medicare Payment Advisory Commission.)

Care for this group of patients is already extremely expensive, and the disjointed nature of the two programs has meant billions in unnecessary medical bills for taxpayers.

The current ACA experiment represents the biggest effort so far to change the way dual eligibles are cared for and compensated. It’s a sweeping initiative that comes at a crucial time when states are trying to move the needle on health-care spending. But rollout of the demonstrations has been rocky, characterized by false starts, coverage gaps and higher-than-expected costs. Still, policymakers are hoping that this may finally be the right way to cut costs and improve care for some of the nation’s most vulnerable citizens.

States and the federal government have been trying to get a handle on dual-eligible care for decades. One of the earliest models, the Program of All-Inclusive Care for the Elderly, known as PACE, was launched in 1990. In the program, about 30,000 dual eligibles who are 55 and older get social support and health care at an adult day-care center. The program has successfully reduced hospitalizations of its members by about 30 percent. But PACE has proved difficult to replicate on a large scale because it relies on multiple providers servicing a day-care center, which is expensive and complicated to run.

Some states have also launched their own efforts to link coverage for their Medicaid and Medicare patients. Tennessee, for example, in 2010 created the CHOICES program to help seniors and younger adults with a disability on Medicaid to stay in their homes if they needed skilled nursing care. The initiative was integrated into Tennessee’s statewide managed Medicaid program, and it was considered a model. But the state has since tightened eligibility requirements, reducing the number of beneficiaries who have access to the program.

The current ACA dual-eligible demonstration is the largest joint federal-state effort to be tried nationwide. Since 2013, 12 states—California, Colorado, Illinois, Massachusetts, Michigan, Minnesota, New York, Ohio, South Carolina, Texas, Virginia and Washington—have all adopted a demonstration model and are now caring for about 450,000 dual eligibles. Rhode Island will become the 13th state early next year. Unlike previous efforts, such as PACE, which used day-care centers as a focal point for delivering services, the new ACA initiative is focused on providing care wherever a person lives. That means a beneficiary may get care at a community center, in her home or through her physician. CMS also imposed specific consumer protection measures for states to follow, such as requiring the hiring of an ombudsman to oversee dual-eligible care.

The pilot programs differ from place to place. In nine of the participating states, the federal and state governments pay insurers a set fee to manage care for enrolled patients. Colorado and Washington are experimenting with a managed fee-for-service model and will be reimbursed a portion of savings from the federal government. In Minnesota, the state and federal governments are working together to achieve further savings from an existing state-managed care model. The different state models all share the same basic idea: provide dual eligibles with a single insurance plan that covers all their medical needs. But the short history of these latest efforts has been anything but smooth.

One big problem has been getting people enrolled in the plans. In California, for example, about 46 percent of dual eligibles opted out of joining the demonstration, while in Virginia just 44 percent enrolled. In New York, 8,303 people have enrolled in a plan, out of a potential 124,000 patients. Part of the enrollment challenge has been communication. Health insurance plans automatically enrolled dual-eligible individuals in the new coordinated plans, but also gave them the option to opt out and return to their old plan. People were confused by the change and concerned they might be losing coverage, says Tim Engelhardt, director of CMS’ Federal Coordinated Health Care Office. In some cases, he says, doctors and providers of long-term care services even advised patients to opt out of the new plans. “We had pockets of resistance-california.gov. Jerry Brown has said he will terminate his state’s dual-eligible experiment if it doesn’t begin showing cost savings by next fiscal year.”
Rhode Island Health and Human Services Secretary Elizabeth Roberts says her state has learned from others’ mistakes and will be better prepared when it launches its dual-eligible experiment early next year.

Many patients who did enroll in the new plans experienced problems as well. In California, Massachusetts and Ohio, enrollees reported delays in care and difficulty in getting prescriptions filled. Some patients lost their home health aides because the state plans initially failed to reimburse those workers for their time on the clock. Glitches in Virginia’s system meant that some nursing homes didn’t get paid for a short period of time. And states have lagged on patient assessments: One of the promises of the new plans was that every new beneficiary would receive an initial medical assessment and then an individualized care plan through a care coordinator. So far, more than 200,000—roughly half—have received them, as states have instead spent time building a network of providers.

Perhaps most troublesome is that there have been signs that the demonstrations are costing more than they’re saving. In Massachusetts, the three insurance plans participating in the demonstration lost a combined $54 million in the first 18 months of the program, according to the state; this August, one of those plans terminated with Medicaid long-term services, because Rhode Island shifted all of those beneficiaries to a Neighborhood Health managed care plan in 2013. Through that process, the state has already developed many of the relationships with long-term care service providers it needs to make coordinated care work. Further, the information technology networks have already been built with providers, so Roberts doesn’t anticipate IT issues after enrollment has begun.

Rhode Island is also working closely with consumer advocate organizations to develop a strategy for reaching out to patients and explaining to them the benefits of enrolling in the demonstration. And those groups are helping anticipate potential problems that may arise, based on consumers’ experiences in other states. But everyone will be watching closely. “The idea of integrating Medicare and Medicaid into a single benefit program makes a lot of sense,” says Virginia Burke, president and CEO of the Rhode Island Health Care Association, which represents the state’s skilled nursing homes. But, she adds, “it have a lot of trepidation given what has happened in other states.”

Email bara.vaida@gmail.com

November 2015 | GOVERNING 55
Problem Solver

Far and Away
Thrive counties have much higher
erates of long-distance migrants.

If people are willing to move long
distances to an area, it's a good sign that
things are going well.

New migration data published by
the Internal Revenue Service, based on
tax returns filed in 2013 and 2014, shows
where Americans are moving to or from
at the county level. We've identified the
top migration flows occurring over more
than 200 miles.

Nationally, domestic migration rates
remain near historic lows, and when
Americans do move, they generally stay
within a metropolitan region. But some
of the nation's most populated counties
attract large numbers of people from far
away each year. For example, more than
9,800 people moved from Los Angeles
County, Calif., to Clark County, Nev. (Las
Vegas)—the top year-over-year migration
flow over a long distance—while about
5,700 moved in the opposite direction.

As one would expect, areas of the Sun
Belt welcome the most residents from far
away. Travis County, Texas, where the
thriving city of Austin is located, recorded
by far the highest net domestic in-migra-
tion—regardless of distance—of any
county nationally. About three-quarters
of its new residents relocated from more
than 200 miles away, with many coming
from Chicago, Detroit and parts of Florida.

Determining which individuals are
making such moves is key to understand-
ing what may be taking place within a
region. "If there's a net long-distance
migration of those with high incomes, it's
generally a sign of a vibrant economy," says
Mark Ellis, who researches internal migra-
tion at the University of Washington. On
the other hand, if a large proportion of a
given locality's residents opt to move long
distances away, it could signal a problem
with the local labor market.

Overall domestic migration rates have
been declining for decades. Research
published by professor Thomas Cooke
of the University of Connecticut shows
that the recent economic downturn
accounted for 63 percent of the decline
between 1999 and 2009. While migration
historically plummets during recessions
and rebounds as the economy recovers,
some additional factors may be at play
this time around. In the past, a new job
typically meant that an entire family
would relocate. Ellis points out that this
move isn't as automatic now that more
employees can work remotely thanks to
the Internet and cheaper airfare. In addi-
tion, the economy is less tied to manufac-
turing in much of the country, eliminating
the incentive to move. Then there's the
aging of baby boomers, as older Ameri-
cans tend to migrate at lower rates.

Some of the more recent indicators,
however, suggest domestic migration
may start to pick back up. Homeowner-
ship has fallen sharply in recent years and
household sizes are getting smaller, both
of which could result in greater mobility.
A stronger economy could also go a long
way in leading Americans to pack their
bags and start new lives elsewhere.

Email mmaciag@governing.com
See detailed migration data for each county
at governing.com/counymigration
About the Data

This map shows the top 20 county migration flows occurring over at least 200 miles. Data is based on IRS individual income tax returns filed between 2013 and 2014. Tax exemptions claimed were used to approximate numbers of residents moving to or from a county. Distances were estimated using the straight line distance from the center of one county to another.
When states and cities try to reform a major element of their management systems, obstacles can often prove insurmountable. Politics get in the way or agency managers block or slow down action—particularly when they’re never brought in in the first place.

That doesn’t mean reforms aren’t possible. One example stands out: Tennessee’s civil service reform. We thought important lessons could be learned from that experience, and so we turned to Rebecca Hunter, commissioner of the Tennessee Department of Human Resources, to give us the lowdown.

Her voice rang with pride as she took us through the steps in a process that has transformed the state’s civil service system. Her tone was well-deserved, especially when we considered the way the state’s personnel system had worked a few years ago.

Back then, Tennessee’s human resources officials had to cope with an abject state system. Managers were limited to hiring only when they advertised for jobs. They then gave applicants a test that was scored on what Hunter calls an “antiquated system.” Managers had to hire from the pool of people who got the top five scores, which might or might not have had any correlation to the skills necessary for the open job. What’s more, the whole system was based on seniority instead of performance. So, when it came time to make a promotion, managers could only select one of the three most senior candidates rather than the person with the best knowledge, skill or competencies.

Gov. Bill Haslam, who assumed office in 2011, appointed Hunter to a newly formed Department of Human Resources, and encouraged her to take on these issues. Three big efforts were initiated to give the state the tools and guidance it needed to make real change. The first started at the top: The governor asked all the agency heads to do a top-to-bottom review of their human resources processes, including asking whether reforms were needed and if so, if they were being done as effectively as possible. “Every cabinet member said we have to do something about our HR practices,” Hunter says. “To have all 23 of these men and women agree about the same thing was pretty huge.”

Step two involved the commissioner of finance, who sent out a survey to all executive branch agencies asking for their recommendations to make state government more effective and efficient. This is a particularly important element for any government that seeks to make significant change. All too often, reforms come exclusively from the top down, and managers have a strong sense that the people making the mandates don’t understand what their agency really needs.

Third, and along very much the same lines, Hunter and the state’s lieutenant governor joined forces and went on a statewide listening tour, asking managers for ideas about how to recruit and retain the best talent. On the tour, Hunter was wary that some of the people she was talking with might hold back on the unvarnished truth out of concern of offending her. “I’d say, ‘I’m new. You won’t hurt my feelings.’”

Over and over again, state officials told Hunter that the same people kept
showing up on their list of applicants—they were people the managers had seen before and knew weren’t good candidates for the organization.

This was the groundwork that led to the Tennessee Excellence, Accountability and Management Act, which turned things around dramatically. The state initiated a new hiring process that stopped depending on ineffective tests and turned instead to a requirement that agencies clarify the knowledge, skills and competencies each position requires.

Hand in hand with that came an overhaul of the state’s performance evaluation system. Today, Tennessee has established performance outcomes for each job that are specific, measurable, achievable, relevant and time-sensitive. The acronym is very nice. These are the state’s SMART goals.

Even better, in case of layoffs, job performance overtook seniority in decisions about who would keep a job and who wouldn’t.

The new law enabled the HR department to promise agencies that they would get applicants with the appropriate qualifications. This had a side effect that proved to be a bit problematic. Instead of getting five applicants from which to pick, suddenly there was the potential of hundreds. Using performance measures, the state developed tools to filter the list down from the “qualified people” to the “most qualified people.”

Beyond the reform itself, the other notion to be learned from Tennessee is this: It’s not enough to change laws and processes and then sit back and hope everything works out for the best. The lack of oversight can turn—and has turned—many a seemingly worthwhile reform sour.

In Tennessee, Hunter says her office wants to know what the performance evaluations look like. “We’ve been reading through these and seeing how they’ve evolved,” she reports. “Each year they’re evolving.”

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Slacking on Cybersecurity

An audit finds California’s efforts are woefully inadequate. And that’s the good news.

Hackers in the past year have broken into computer systems at the White House, the State Department, the Pentagon, the Internal Revenue Service and the Office of Personnel Management. The carnage doesn’t stop at the federal level, either. Both South Carolina and Utah were victims in 2012 of major data breaches that compromised personal data stored on government computers. But if you think that these increasingly frequent and expensive breaches, hacks and data leaks have led to the public sector being more prepared, you would be wrong. Public-sector technology is more vulnerable than ever.

At least that’s the word from an August report released by the California state auditor that has state CIOs nationwide talking note. The report revealed that California’s cybersecurity efforts are riddled with so many problems that information could be badly compromised in the event of a cyberattack. It criticized the state’s cybersecurity programs.

To remedy the situation, the auditor recommended that the state legislature enact statutory changes that would mandate that its technology department undertake a more rigorous security assessment of the state’s information assets and shore up funding for cybersecurity. The state IT department has agreed with the auditor’s report and pledged to increase oversight. Meanwhile, legislation has been introduced requiring the IT department to conduct security assessments of all state agencies at least once every two years. But the state Department of Finance has warned that such a requirement would be costly, an argument that has stymied expansion of cybersecurity programs in other states as well.

Mark Weatherford, a former chief information security officer in both federal and state government and now a principal with the Chernoff Group, a firm that specializes in information security, says CIOs in many states have been requesting more cybersecurity funding for years to no avail. “Lawmakers don’t want to spend money on something that is invisible; they can’t visualize the damage, so they won’t fund what’s required,” he says.

In a 2014 study of the cybersecurity problem, the National Association of State Chief Information Officers reported a small uptick in security spending at the state level, thanks in part to the slowly improving budget situation. But the report went on to say “budgets are still not sufficient to fully implement effective cybersecurity programs.”

Funding, of course, is not the only remedy. The decentralized way that technology is managed, especially at the state level where individual agencies are often responsible for running their own computer systems, is also a problem. State and local governments instead need to have just one agency handling technology and, thus, security. A centralized cybersecurity strategy, says Weatherford, is far more effective than multiple ones managed by individual agencies.

However, there are a couple of hurdles states and localities will first have to overcome before they can implement any of these changes. The biggest is that many of today’s hackers are sophisticated, state-run organizations based in autocratic regimes such as China, North Korea and Russia. “Government agencies are being outmatched when it comes to fighting the bad guys,” says Weatherford.

But before we can even begin to confront that problem, we have to get over our own inertia. Changing the status quo in state and local government isn’t easy. Despite the growing list of data breaches in government, the problem remains largely off the radar for many public officials. “Lawmakers need to see that this is a critical issue, which they need to embrace,” says Weatherford. “This is not an IT problem, it’s a leadership problem.”

Email newcombe@governing.com

By Tod Newcombe

CIOs in many states have been requesting more cybersecurity funding for years to no avail. ‘Lawmakers don’t want to spend money on something that is invisible,’ says former CISO Mark Weatherford.”
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Elizabeth Daigneau, Managing Editor

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**November 2015 | GOVERNING**
The commuter tax is a tricky one. Many big cities struggle with meeting the needs of thousands of workers who flood downtown every day and then head home to the suburbs (where they’re actually taxed) at night. But other places struggle with the exact opposite problem: capturing revenue from residents who live in the city but commute out to the ‘burbs to work. When residents work in suburbs, the whole city misses out on essential revenue—in many places the city income tax is the largest single source of revenue. Two variations on the reverse-commute hurdles—one in Michigan and the other in Kansas—show just how complicated the issue can be.

In Michigan, Detroit levies a tax on outward-bound commuters, but only 15 percent of them actually pay the self-reported tax. The loss adds up, because 62 percent of Detroit residents commute out to the suburbs, according to the nonprofit Citizens Research Council of Michigan. This summer, state lawmakers looked at options that would help the Motor City collect the tax. One idea was to require suburban employers to withhold city income taxes and then turn them over to Detroit. That would take the burden off Detroit residents to figure out how to report and pay their taxes, and it would boost revenue for the city. But a reverse-commuter tax itself, which is also levied in 21 other cities in Michigan, may discourage residents from living in urban centers, say critics like Eric Lupher, president of the Citizens Research Council of Michigan. Most of Michigan municipalities are “trying to revitalize themselves and be attractive in getting people to move there,” he told Crain’s Detroit Business. This kind of tax might be a disincentive.

Things get even thornier when commuters cross state lines. That’s a big issue in Kansas, where lots of state residents cross the border every day to work in Kansas City, Mo. Those commuters must pay a 1 percent earnings tax to the Missouri city. But now that may prove to be a big revenue loss for the state of Kansas. Why? Because of a U.S. Supreme Court ruling earlier this year that said states must provide full credit to a resident for any income taxes paid to other states. Otherwise, that part of that resident’s income is essentially being double-taxed.

The court case had to do with Maryland. But the Kansas Department of Revenue has determined that it applies there as well. Any Kansas resident who pays a tax in Missouri should be allowed to claim that tax against their Kansas bill. What’s more, the August ruling by the revenue department said that commuters can apply for a rebate for each of the past three years. That might be a modest refund for those commuters, but it could be devastating to Kansas’ revenue. Paying just one year’s worth of refunds could mean $36 million in costs to the state, which is already struggling with a budget shortfall. “This has the potential,” says Kansas state Rep. Kathy Wolfe Moore, “to make an already disastrous financial situation much worse.”

Remember when I said the commuter tax was complicated? I rest my case. And as cities become bigger hubs of residents—and as those residents commute farther afield for work—it’s not an issue that’s going away. 

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In a city famous for its network of streetcars and bike lanes, there is another way to get from point A to point B. That is, if point A is Portland’s South Waterfront and point B is Oregon Health and Science University. Both are connected by the Portland Aerial Tram, a Swiss-built system of three cables and two cars named Jean and Walt, after former students. The university, which is the city’s largest employer, needed a convenient and efficient way to transport people between its two campuses. A trip by car can take 45 minutes, but the tram ride lasts just four. The tramway opened to the public in 2007 and is one of only two aerial commuter trams in the U.S.—the other is New York City’s Roosevelt Island Tramway. Not to be confused with gondolas, which have cabins suspended from a continuously circulating cable, aerial trams simply shuttle back and forth on cables. Recently gondolas have been discussed in Seattle and Washington, D.C., among other places. So far, though, the proposals are just pie in the sky.

—David Kidd

More photos of the tram at governing.com/lastlook
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