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October 2014

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School Reform's Silos

Everything is connected. This is so widely recognized that the need to “break down the silos” is virtually an article of faith among public managers, consultants and others working to improve governmental outcomes. Except, that is, in education, where both the reform advocates and those who resist their prescriptions for transforming public schools are firmly perched in their ideological silos.

It's no secret that most of the country's worst performing public schools are in the poorest neighborhoods. Still, as Karin Chenoweth demonstrated in a series of books beginning with *“It's Being Done”: Academic Success in Unexpected Schools*, some traditional public schools have “overcome the barriers of poverty and racial isolation” to produce students whose achievement levels equal or exceed those of middle-class white schools. But the fact is that these results are exceptional and, indeed, unexpected. How to expand the number of these schools—to bring the outcomes they produce to scale—is a growing controversy.

On one side are today's crop of reformers who argue that poverty is just an excuse offered by the education establishment, including the teachers unions, for poor educational achievement and that the right mix of bold leadership, high standards, rigorous assessment and accountability can turn these schools around.

On the other side are defenders of traditional schools who believe that the reform efforts currently in vogue are destroying public education while enabling policymakers to ignore poverty, institutional racism and their consequences.

The truth is we can't wait until we've cured poverty before we try to do a better job of educating low-income children, but neither should we ignore the circumstances of the communities to which those schools belong. The school impacts the neighborhood and the neighborhood impacts the school. While exceptions, of course, can be found, the fact is that you generally can't fix one without fixing the other.

This is a tough issue that we want to help state and local officials understand and come to grips with. John Buntin's cover story in this issue is the first of a yearlong series on Tennessee's ambitious state-led school turnaround effort. Throughout this school year, we'll use Tennessee's experience as a lens through which to explore the positions staked out by these opposing sides and the important territory in between those positions.

In the end, there is no excuse for not giving poor kids the same kind of schools we give to the children of the better-off. And their academic success should not be unexpected.



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Traffic Patterns

In our August issue, data editor Mike Maciag analyzed accident locations for 22,000 pedestrians killed between 2008 and 2012 and found that poorer neighborhoods have disproportionately higher rates of pedestrian deaths. In the article “Mean Streets,” he examined how some communities in Florida and Georgia were dealing with the issue, which included community outreach and reengineering roadway design.

I’ve been to several sessions at conferences on the topic of arterial traffic calming over the years and the consensus seems to be that there is little that actually is effective without reducing roadway capacity, which can be a challenging policy question to deal with. That said, replacement of traffic signals with roundabouts can improve pedestrian crossing opportunities where traffic is forced to slow down. But marking crosswalks without additional treatments or reducing speed limits without altering the roadway geometry are common knee-jerk responses that are bound to raise false expectations and only increase collision rates.

—Richard A. Perez, City Traffic Engineer, Federal Way, Wash.

As a national sales manager, I’ve driven some 60,000 miles a year and through some of the most impoverished cities across America. The universal truth is that many in those impoverished communities think nothing of trotting across busy

streets in the heaviest of traffic conditions. I’ve witnessed people racing across streets forcing motorists to swerve dangerously out of their way while an overpass is a mere 20 feet up the block. We don’t need to spend billions to reconfigure traffic patterns, add more barriers or signs. We need people to learn respect for the law and respect for each other.

—R U SERIOUS on *Governing.com*

Pedestrian safety is a combined effort. First and foremost, pedestrians need to pay attention when crossing the street and cross only at crosswalks when safe to do so. Drivers need to follow the speed limit, stop before turning at a corner with a red light, and be cognizant that pedestrians have a habit of not crossing at the crosswalk. And government needs to provide the traffic regulatory mechanisms [necessary] to provide safety for pedestrians.

—Scott Webber on *Governing.com*

A Sidewalk Debate

In his August Economic Engines column “The Death or Life of a Sidewalk Ballet,” Alex Marshall asked if the days of kids playing on the sidewalks and of business proprietors holding keys for nearby residents in New York City was a thing of the past. Like Jane Jacobs in a 1961 book, he wondered if “elevator apartments,” among other things, were partly to blame for the change.

Some of this strikes me as a bit overstated. Even in high-rise neighborhoods like

Hell’s Kitchen, the overwhelming majority of buildings are walk-ups. So elevator buildings are not a particularly plausible scapegoat.

Similarly, Manhattan may have more national chains than it did 50 years ago, but it seems to me that Manhattan still has far more small local stores than other American cities. It seems to me more likely that children are spending more time inside with their computers, or that urban parents (like suburban parents) are following the trend toward overscheduling their children.

—Michael Lewyn
Kansas City, Mo.

I think you’re right, that part of the problem is what I call “the mallification of New York.” It’s not like they’re going to hold your spare keys or take your packages from the UPS guy at an Ann Taylor.

—Amy Alkon
Venice, Calif.

A Real Centrist?

Zach Patton’s August feature “Man in the Middle” profiled Colorado Gov. John Hickenlooper and his efforts to govern from the political center. But several readers wrote in to question whether the governor was truly a centrist.

Yeah, not sure declaring Denver a sanctuary city for illegals and repeatedly suggesting that Colorado as a whole is “friendly” to illegals is all that moderate or centrist. And the list could go on for a long, long time. I don’t know that being far left on half the issues and kind of right on the other half makes one a centrist.

—Greg Lauer on *Governing.com*

Correction: Zach Patton’s profile of Colorado Gov. John Hickenlooper (“Man in the Middle,” August 2014) indicated that House Speaker Mark Ferrandino stepped down in July to become the chief financial officer for Denver Public Schools. In fact, while Ferrandino did join DPS in July, he did not step down as speaker and will serve the remainder of his current term.



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Outside In

IN 2006, when the Republican State Leadership Committee was still a relatively obscure independent spending group with a good record of electing conservatives to state-level offices, the organization spent \$20 million nationally. Four years later, the group spent about \$30 million and was instrumental in flipping 22 state legislatures to GOP control. This election, the group expects to spend more than \$37 million—and to gain even more state legislatures, says president Matt Walter. “We have within our sights a supermajority within our majority, 66 of 99 chambers, which would be a modern Republican high.” They’re currently at 60.

The Republican State Leadership Committee (RSLC) is one of many national groups now vying for influence in state and local races, along with labor unions and organizations like Americans for Prosperity, the advocacy arm of billionaire conservatives Charles and David Koch. There’s no precise figure for how much outside influence in these races has accelerated, but as the rise of RSLC indicates, it’s been quite significant.

The influx of outside spending is the result of multiple factors, including the Supreme Court’s Citizens United decision and later rulings that have invalidated many state campaign contribution laws. But there’s also a growing sense among donors and activists that the best way to influence policy isn’t in idle, gridlocked Washington. It’s in statehouses and city halls.

This November, Democrats hope to chip away at Republican legislative majorities. But analysts are giving the 2014 advantage to the GOP, which is not only looking to bring Iowa under unified Republican control but also to win majorities in states with some Democratic control (Kentucky, Maine, New Hampshire) or dominant Democratic control (California, Colorado, Oregon).

The rise of this kind of spending has done more than nudge election results and flip state chambers, opponents say. Outside money has made campaigns nastier. It’s far easier to sling mud from 2,000 miles away,



Outside spending is increasingly shaping state and local elections.

Full coverage of this year’s races at governing.com/elections

and the attack ads funded by national groups have become more viscerally negative. In a recent race for county sheriff in Maine, for example, voters heard a steady stream of radio ads faulting the incumbent for a mistake by an employee that led to an inmate sneaking out of her cell to have sex with another prisoner. The ads were paid for by a Florida man supporting the challenger.

RSLC in particular has taken flak for its work in North Carolina, where vulnerable Democrats were targeted with mailers in past years that have been criticized as playing to racial fears. The group has attracted less attention this year, although many in the state roundly criticized an RSLC-funded group for a May primary ad against a North Carolina Supreme Court justice that claims she “sides with child predators,” based on a 2010 dissent she wrote. One state politics reporter called it “perhaps the most despicable political advertisement ever aired in the state.”

Sometimes outside spending, which can’t be coordinated with official campaigns,

can cause candidates headaches by taking control of messaging out of their hands. One Kentucky Democrat, for example, in 2012 received more than \$100,000 in outside help in his bid to oust a Republican incumbent. But the ads run by those out-of-state groups were debunked by local press as distortions; the candidate they were supposedly helping wound up losing the election.

National groups say they’re merely providing more information in races that typically generate little interest. That’s good for democracy, they say. Still, many observers say outside spending will continue to result in increasingly negative state and local campaigns. “What I do know from our analysis of political TV ads in 2014 is that the majority of noncandidate ads are negative,” says Ben Wieder, a data reporter for the Center for Public Integrity. “While candidate ads still far outnumber noncandidate ads, the growing role of noncandidate spending in down-ballot races should mean more negative races.”

—Chris Kardish

In Plan to Fight Poverty, A Lesson from Nebraska

ON JULY 24, Wisconsin Rep. Paul Ryan announced in a speech at the American Enterprise Institute his plan to combat poverty. He would consolidate federal assistance plans into block grants for the states, and every poor person would get a dedicated social worker to help create a personal plan to get out of poverty (see “Reinventing the War on Poverty,” page 16). While the Republican congressman’s speech was short on financial details, the idea received praise from both the left and right. Reihan Salam wrote at

low-income residents to social workers to help them plan for the future and achieve economic stability. Caseworkers were well trained—requirements generally included a master’s degree and several years of experience. And the caseloads were kept low, with each social worker focused on just 12 to 18 clients.

“If they said they were having problems at home we made them show us,” says Marilyn Fox, a University of Nebraska extension educator who helped implement the program. Many of the clients didn’t have cars or dependable child care, so caseworkers would meet with them in their houses. They taught the basics of consumer finance, as well as parenting skills like how to cook family meals or how to get a library card. “These were little goals,” says Fox. “Then we’d come back to reinforce them and do follow up.” Goal-setting was central to the program. “If we can make good decisions at home, we can make good decisions at work.”

For some participants, the results were extraordinary. Among the hardest-to-employ population, those people with multiple barriers to employment, 46 percent of the program participants were able to get jobs. (That’s compared to 29 percent among those who did not receive the personal care of a dedicated caseworker.) In the final six months of the program, participants earned an average of \$548 per month—56 percent higher than for those without the assistance.

But the program also cost a lot of money, some \$7,400 a year per person. And the jobs participants found were fairly low-paying positions. Only 20 percent of people were employed in jobs that paid more than \$8 an hour. Clients

were still receiving extensive social services. According to a 2009 evaluation by Mathematica Policy Research, the program’s “benefits did not outweigh its costs. ... Services to the very hard to employ resulted in costs to society that exceeded benefits by close to \$5,000.”

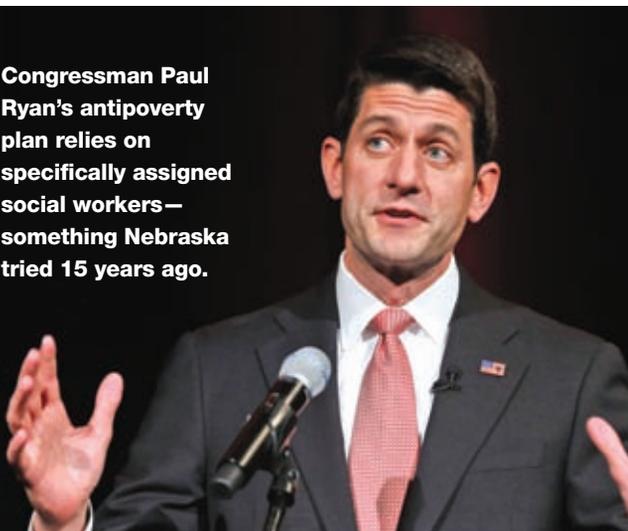
What’s more, for clients who didn’t face multiple barriers to success—people who were relatively healthy, had graduated from high school and had been receiving federal Temporary Assistance for Needy Families (TANF) funds for less than a year—the program didn’t seem to make any difference at all, says Alicia Meckstroth, a researcher on the Mathematica evaluation. Building Nebraska Families, she says, “did not have any impact at all as far as employment or job retention.”

Nebraska shuttered the program in 2006. The federal Deficit Reduction Act of 2005 reclassified what state programs qualified for TANF dollars; Building Nebraska Families’ home visits and life-skills education would no longer be eligible. Unwilling to shoulder the high costs on its own, the state ended the program. “There was no value judgment that it wasn’t effective,” says Betty Toelle, who was a program manager at the Nebraska Department of Health and Human Services at that time. “It was just that it was a really expensive program.”

Nebraska’s experience suggests that Ryan’s social-worker approach to tackling poverty could be extremely effective—particularly for the slice of the low-income population that needs employment help the most—but only if Congress is willing to invest heavily in the plan. That would be a very tough sell in Washington, especially among Ryan’s own GOP colleagues. As Nebraska’s Fox puts it, “It seemed like a very expensive program, and we’re just a very conservative state.”

—Daniel Luzer

Congressman Paul Ryan’s antipoverty plan relies on specifically assigned social workers—something Nebraska tried 15 years ago.



Slate that “having smart, dedicated caseworkers working on behalf of people who are down on their luck ... could help save time and money later.”

It could. But it probably won’t. Those who are interested in the feasibility of such a policy ought to take a look at Nebraska, which tried this exact strategy for a decade. What Nebraska found was that the approach seemed to work—but it was incredibly expensive.

Jointly run by the University of Nebraska and the state health and human services department, Building Nebraska Families operated for a decade beginning in 1997. Using funds from President Bill Clinton’s welfare reform initiative, the state assigned many

Mayor Adam O'Neal walked from his town of Belhaven, N.C., to Washington, D.C.



POLITICS: THE ART OF THE WALKABLE?

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WHEN BELHAVEN, N.C., Mayor Adam O'Neal walked 273 miles to Washington, D.C., in July to bring attention to the plight of rural hospitals, he was only the latest in a long history of ambulatory pols to pound the pavement. From Missouri Gov. "Walkin' Joe" Teasdale to Illinois' aptly named Dan Walker, public perambulation has become a permanent political ploy. Even President Obama this spring donned his walking shoes for an afternoon constitutional (with video cameras in tow) to the nearby Department of the Interior for a meeting.

But just how effective are these attention-seeking strolls? It depends on the context. O'Neal, who was objecting to his local hospital's closure after North Carolina did not expand Medicaid, didn't get his hospital reopened the moment he arrived on foot in D.C. But he did elicit national news coverage on the plight of rural areas' access to health care. "That's the big goal," says Matthew Eshbaugh-Soha, a political science professor at the University of North Texas. "It's a catchy way for people to get their message out."

Oftentimes, that message is simply, "I'm one of you." But the tactic can backfire.

During former President Jimmy Carter's inauguration in 1977, he got out of his limo and insisted on walking with his procession down Pennsylvania Avenue. That man-of-the-people image is what he campaigned on, but it became hard to maintain in office, during events like the energy crisis and the Iran hostage crisis. "Symbolically, he raised his expectations," Eshbaugh-Soha says. "Then he found out in office he couldn't be as transparent as he wanted."

On the other hand—er, foot—former Tennessee Gov. Lamar Alexander credits his 1,000-mile walk across the state in 1978 with winning him the gubernatorial election that year. It was Alexander's second bid for the governor's mansion; in the 1974 campaign, his year-and-a-half in the Nixon White House haunted him and he was cast as a Washington insider. Four years later, he donned a red-and-black plaid shirt and hiking boots and took six months to walk across the state, shaking hands and bunking with local supporters all along the way.

Before Alexander, there was Missouri's Teasdale, who earned his "Walkin' Joe" nickname schlepping door to door during the

1972 gubernatorial campaign. He lost that election, but the moniker stuck and Teasdale was elected four years later. In Illinois, former Gov. Dan Walker has said that voters remember him far more for his 1,200-mile campaigning trek across the southern half of the state in 1971 than for anything he ever did in office.

Of course the public walk is a political gimmick, and it runs the risk of coming off as an overly staged stunt. When done right, though, political promenading can tap into voters' nostalgia, says Alabama-based political consultant David Mowery. "It's, 'My daddy walked to school,' or 'My granddaddy was a farmer,'" he says. "It's that man of the people thing. That's sort of how we all like to see ourselves."

What really matters is what happens once the walk is over, says Brad Warthen, a former reporter who covered Alexander's 1978 campaign. "People look back on Alexander and say he delivered on what he said he was going to be. He governed as he said he would," Warthen says. "So even in retrospect, it doesn't look phony."

—Liz Farmer

25.6%

Share of homeless people living on American streets that the U.S. Department of Housing and Urban Development characterizes as “severely mentally ill.”

100

Number of streets in Providence, R.I., that share part of their name with others (like Grand Street, Grand View Street and Grand Broadway), spurring the city to rename some streets to reduce confusion for police officers and firefighters.



22

Top speed, in miles per hour, that fish will travel through the “salmon cannon,” a pneumatic tube that Washington state Fish and Wildlife officials hope will help salmon surmount hydroelectric dams as they swim upstream to spawn. The state is currently testing a 150-foot cannon but could eventually utilize devices that are much longer.

20%

Proportion of this year’s students in California’s public universities that are from out of state, a record high that has resulted in an extra \$400 million in state revenue.

SOURCES: WASHINGTON POST; PROVIDENCE JOURNAL; THE VERGE; LOS ANGELES TIMES



Somerset, Ky., has what may be the nation’s only city-run retail gas station.

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Fuel City

EVERYONE COMPLAINS about high gasoline prices. One southeastern Kentucky town this summer decided to do something about it. In June, the town of Somerset opened what could be the nation’s first city-run retail gas station. “The public is very concerned about cost,” says Mayor Eddie Girdler. “We wanted to see if we could force competition into this field.”

Municipalities are used to selling water and electricity; Girdler says that selling fuel was just a minor addition to city services. Somerset already had a fueling center for its own municipal fleet and for vehicles owned by other local governments. Drivers whose cars ran on compressed natural gas could fill up as well. Converting the facility to a retail operation cost the city about \$75,000, out of an annual budget that runs close to \$64 million.

Somerset doesn’t plan to profit from the new enterprise; the fuel center is only meant to break even. That allows the city to charge less at the pump and, officials hope, to drive down prices at nearby private filling stations. So far, it seems to be

working. Midway through its second month of operation, the city station and other gas stations in Somerset had prices that were almost 20 cents below the state average.

Of course, customers get what they pay for. The public facility lacks amenities like snacks or repair services. And there are no higher octane fuel options, just regular unleaded gas.

Girdler, a Republican, says the city’s foray into retail gas sales is a way to help foster competition. But business groups say it actually interferes with the free market. “You have competition that is also taxing you,” says Jeff Lenard, a spokesman for the National Association of Convenience Stores. “It is anything but a level playing field.”

State Sen. Chris Girdler, a distant cousin of the mayor, wants to put in place a state law that would stop cities from selling gas and other retail products. “It’s unfortunate,” he says. “It’s expanding government’s footprint into an area beyond its traditional role.”

—J.B. Wogan



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By Alan Ehrenhalt

Goodbye Gayborhood?

Gay ghettos may be a thing of the past. Some fear that's bad for cities.

Twenty years ago, I had a long, candid conversation with Timuel Black, one of the lions of the civil rights movement in Chicago, a man whose activist career dates all the way back to his youth in the 1940s.

Strange as it may seem, I found myself thinking of Tim Black as I read a new book about Chicago by Amin Ghaziani, a sociologist who was educated at Northwestern University and now teaches in Canada. Ghaziani's book deals with gays,

unthinkable just a short time ago. At the same time, 2014 is a year in which the media has ramped up its reporting on a phenomenon to which it had paid relatively little attention before: the decline of cohesive gay enclaves in some of the country's largest cities.

In Chicago, whose Boystown neighborhood on the North Side was the nation's first gay village officially recognized by city government, a local website recently published an article that began "Goodbye gayborhood. Hello strollers." The gist of the article, which made liberal use of research by Ghaziani, suggested that gays weren't so much fleeing Boystown as being replaced by young straights with small children. The annual gay pride parade down the streets of Boystown has reached the point where, in the words of one gay participant, "There were more straight people than gay people."

The Seattle Times ran a story in July under the headline "Is Seattle's 'gayborhood' vanishing?" The story focused on Capitol Hill, Seattle's recognized gay village, and noted that between 2000 and 2012, the number of same-sex households citywide had increased by 52 percent. In Capitol Hill, however, it declined by 23 percent. "We're everywhere in Seattle now," one former resident told the *Times*.

In truth, debate over the future of gayborhoods has been going on within gay circles for at least two decades. As far back as 1994, the editor of *Out Magazine*, James Collard, wrote in *The New York Times* that a "post-gay" generation was emerging—a cohort of same-sex couples and singles that felt secure almost anywhere and had no preference for living in an all-gay or mostly gay enclave. "The New Jerusalem gay people have been striving for all these years," Collard wrote, "won't be found in a gay-only ghetto, but in a world where we are free, equal and safe to live our lives."



Chicago's Boystown neighborhood

We were discussing the challenges and opportunities that black people had dealt with in the years since segregation, when all of a sudden Black sighed and said something that startled me. "You know," he said, "sometimes I think we made a mistake leaving the ghetto."

He didn't mean that literally. But he was lamenting the disappearance of all the black-run institutions that gave the city's segregated black neighborhoods an atmosphere of security and autonomy in the face of widespread poverty and discrimination. He was talking about black-owned bars and cafés, close-knit community churches, social clubs, gambling joints, and insurance and mortuary businesses that brought energy to neighborhood life but disappeared almost overnight once the invisible walls of the ghetto came down in the 1960s.

not African-Americans. Titled *There Goes the Gayborhood?*, it expresses some of the same ambivalence in dealing with the state and local laws and changing norms that have induced Chicago's gay population to move into districts all over the city, leaving behind the places that had earned the nickname of "gayborhoods" in the preceding two or three decades. "The entire city is now a place where gays and straights blend together," Ghaziani writes. "Ironically, however, we risk wiping queer sexualities, cultures and communities off the map."

Historians writing years from now will likely see 2014 as a landmark year in the campaign by gay Americans for equal rights. It is a year in which laws against same-sex marriage have been overturned in state after state, affording gay couples legal protections that seemed all but

That may have been a minority position within the gay community in 1994; it seems to have become the conventional wisdom in 2014. As the co-chairman of the GLBT Historical Society of Northern California told Ghaziani, “We don’t need the Castro anymore because San Francisco is our Castro.”

In 2004, the British sociologist Alan Collins proposed a four-stage model for the rise and fall of gay neighborhoods. First, there is the Pre-condition: the existence of a marginalized area of town characterized by low property values and rental costs. Then comes Emergence, the stage in which gay bars proliferate at a rapid rate and there is a significant increase in the gay male customer base. Third is the period of Expansion, in which the residential population increases and a gay service sector develops, including health clubs, lifestyle accessory stores, bookstores and cafés, among other establishments. Finally there is the period of Integration, where clubs and restaurants turn mainstream, the area begins to attract young and straight professionals as residents, new apartment buildings begin to sprout up, and most of the early gay colonizers move away.

Collins’ model works pretty well as a description of what has taken place in several big-city gayborhoods over the last couple of decades. One measure is a decline in the number of gay bars. Thirty years ago, these bars were about the only practical means for gays to find partners or just simple social contact. The Internet changed that. Having lost the role they previously played, some gay bars have survived largely as tourist attractions or gathering spots for visitors from distant neighborhoods in the city. In 2007, *The Boston Globe* reported that of 16 gay bars operating in Boston and Cambridge in 1994, a majority had closed. “As gay bars vanish,” the *Globe* writer commented, “so go bookstores, diners and all kinds of other spaces.”

The shifting population of gayborhoods has led to some friction between gay community leaders and business associations that believe the time has come for a rebranding of the product. Philadelphia,

for example, has long supported efforts to attract visitors to the small piece of territory on the outskirts of Center City known locally as “Gayborhood.” It installed rainbow-colored street markers on some of the commercial thoroughfares.

But several years ago, merchants in the area changed the name of their commercial district from “Gayborhood” to “Midtown Village,” on the grounds that Gayborhood was no longer demographically accurate. The Philadelphia Convention and Visitors Bureau made the change on the maps it distributed around the city. Longtime gay residents complained about the decision, enlisted the help of the mayor’s LGBT liaison, and a compromise decision was made to call the community Gayborhood/Midtown Village.

Why, given the obvious advantages of an increasingly tolerant urban society, would a sociologist such as Ghaziani feel nostalgic for the gayborhood system that prevailed in the 1990s? The answer, it seems to me, recalls the reasons why Timuel Black mourned the loss of the black ghetto on Chicago’s South Side. Ghaziani laments the disappearance of close-knit communities where gays dominated commercial and neighborhood life and where residents achieved a sense of belonging and ownership impossible to duplicate when the population becomes dispersed.

Ghaziani worries over two changes in particular. One is the loss of a refuge for lonely newcomers from other cities and for teenagers seeking to escape a hostile hometown environment. He quotes one of his interviewees: “Someone who has been kicked out of their home because they’re gay, they’re 16 years old, they need [a place where they can get organized help]. If they don’t have it or if it doesn’t really exist anymore because that’s no longer a gay neighborhood, what’s this kid going to do?” A city without a gay refuge, Ghaziani believes, is a city that has lost something vital to the gay community.

The other important issue for Ghaziani is history. He argues that young gays

growing up in the dispersed demographics of the current era will end up ignorant of the struggle over gay rights that took place in the years before they were born or came of age.

One might respond that plenty of monuments to gay history exist in the cities with large gay populations. Chicago spent \$3.2 million to install rainbow-colored pylons on the Boystown commercial strip along Halsted Street. Those pylons will long serve as a tangible symbol of Boystown in its heyday. In San Francisco, where the Castro District has lost much of its character as a gayborhood, an LGBT museum opened in 2011, the first of its kind in the United States. The Stonewall Inn in New York’s Greenwich Village, site of an iconic battle between gays and police in 1969, is now in the National Register of Historic Places.

In the end, Ghaziani believes, gayborhoods won’t so much disappear as morph into something different: smaller clusters of gay residents gathering together in neighborhoods all over the city. He notes the decision by many former Boystown residents to regroup in Andersonville, an old Swedish-American community just to the north. Ghaziani calls clusters like this “gay archipelagos,” places where “gays and lesbians can take the tone of the primary gayborhood, which they have set, and creatively reattach it to many of the places where they are moving.”

That may prove to be wishful thinking. The momentum of dispersal may be more powerful than the lure of nostalgia in an era of increasing tolerance and a climate of legal equality. But Ghaziani isn’t ready to concede. He proclaims his confidence that gay neighborhoods have a future in American cities, even if that future looks much different from the recent past. Whether or not he is right, he is echoing sentiments that have been expressed by a long series of minority groups as they have moved away from the “old neighborhood” and into a new reality of assimilation in American urban life. **G**

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President Lyndon B. Johnson on his "War on Poverty" tour in Kentucky in 1964.

Reinventing the War on Poverty

Rep. Paul Ryan wants to take antipoverty programs in a new direction.

In a truly stunning speech this summer, former Republican vice presidential candidate Rep. Paul Ryan of Wisconsin declared war on the "War on Poverty." The strategy he offered up is fascinating and thoughtful, and it captures just how much the nation has changed since Lyndon B. Johnson first declared that war 50 years ago.

The plan Ryan proposed gives states the option of combining up to 11 federal grant programs, including food stamps, welfare and housing aid, into a single block grant (see "In Plan to Fight Poverty, A Lesson from Nebraska," page 10). States would be given a lot of flexibility in figuring out how best to spend the money; their only objective would be getting clients from welfare to work. The feds, in return, would pledge not to cut funding.

The deal, however, isn't entirely strings-free. Under Ryan's plan, four conditions would have to be met. First, all money would have to be spent on people in need. States couldn't shift federal funds to highways or prisons. Second, the states would hold program recipients accountable through work requirements and time limits for aid. Third, states would have to use at least two service providers for case management, which would require at least one nongovernmental organization to work with government agencies on the front lines. And fourth, states would have to use a "neutral third party" to measure progress through "key metrics."

Not surprisingly, Democrats are deeply suspicious of Ryan's war. The plan, after all, comes from someone who said back in 2012 that "we don't want to turn the safety net into a hammock

that lulls able-bodied people to lives of dependency and complacency." Critics have warned that earlier block grants, particularly during the Reagan years, have baited the states with promises of more flexibility only to be slashed and, in some cases, eliminated completely. The Brookings Institution's Ron Haskins, however, called the plan "a bipartisan proposal very few Republicans would have the courage" to make and that some might not "have the sense to support."

Johnson's original war on poverty was top-down, based on assumptions that the states didn't have the financial ability, management capacity or political will to tackle poverty. Johnson believed the states, enmeshed in desegregation battles, weren't capable of leading. But the 1996 welfare reform act—a halfway step toward Ryan's plan—put the states in a prime role to run the program's operations. Ryan now proposes to complete what the 1996 act started, by pushing the states to the front and the feds to the rear guard. His proposal puts him in welfare's no-man's-land, between liberals who fear that it's a trick to slash federal support and conservatives, like Republican Sen. Marco Rubio of Florida, who want to go even further, forcing block grants on the states in exchange for less money.

There are two big questions at the core of Ryan's proposal. The first asks just how much should we spend on national programs to help the able-bodied poor to become self-sufficient. On that, we ought to take Ryan at his word that his program is not a stalking horse for budget cuts. And we need to trust that the states will not juggle funds to cut overall aid for the poor.



We Can Get There From Here: Helping Employees Navigate Retirement Planning

There is good news and bad news to consider in the landscape of public sector worker retirement readiness. Ask any group of public sector employees if they have access to an employer-based retirement plan, and virtually all would say “yes.”¹ Ask them if they are very confident or somewhat confident that they will have enough money to retire comfortably, and less than three out of four say “yes.” To make matters worse, only 15 percent are very confident they will have enough money to take care of medical expenses during retirement.² The task of improving those numbers is a mission of public sector employers. Fulfilling their mission has never been easy, but decades of experience have produced best practices that can benefit employees and their portfolios. This paper discusses those best practices.

Big Market, Big Challenges

State and local government employees comprise 14 percent of the U.S. workforce, or more than 19 million people.³ The over 3,000 public retirement systems that serve them have a combined \$4 trillion in assets. It’s an enormous market that encompasses workers in public safety, education, health care and more. One concern they share is the high value they place on job security, health insurance and retirement benefits.⁴ Public sector agencies have long provided defined benefit (DB) plans, and three-quarters of public sector employees expect DB plans to be a major source of retirement income.⁵

The 2007-2009 Great Recession upended economic security worldwide — including public sector retirement in the United States. The combination of losses in the value of pension fund investments, reduced tax revenues, and, in some cases, state and local government agencies not paying the appropriate full contributions, has resulted in a variety of changes to most public pension plans, including benefit reductions and increased contributions, particularly for new hires.

In trying to meet their obligations, state and local leaders are increasingly incorporating elements of defined contribution (DC) plans into their retirement benefits. This pension reform shifted the responsibility and risk of investment management to employees — and it has proven to be a difficult shift to navigate. Understandably, most workers are not investment managers and require the advice and guidance of financial professionals to help them achieve a secure retirement.

Defined contribution plans have not been immune from the challenges being faced by defined benefit plans. Public sector DC plans have also struggled with negative impacts during the Great Recession with large market losses to participant accounts and the continuation of market uncertainty and volatility. There has never been a time where the risks of

achieving retirement security for public employees in an affordable and sustainable way have been greater.

Against this backdrop, state and local government policy makers and plan administrators are taking concrete steps to adapt and transform their DC retirement programs to face these retirement security challenges. “The time when state and local governments can treat these 457(b), 401(k), 401(a) and 403(b) plans as just another voluntary employee benefit has ended. Tens of thousands of plans have been on auto-pilot for years,” says Roderick Crane, managing director with TIAA-CREF Government Market. “Many have not been actively administered, especially smaller ones.” TIAA-CREF promotes the importance of actively managing plans to improve outcomes for public sector agencies and their employees.

Laying the Foundation for Wise Retirement Planning

Retirement plan sponsors need to foster knowledge and awareness by communicating effectively. Emphasizing retirement readiness is one key approach. Participants face hard decisions, and “they shouldn’t just hope for the best,” Crane says. Sponsors can begin by showing employees how important it is to plan for retirement — and to stress retirement readiness in the process.

The Need for Retirement Readiness

EMPLOYEES SHOULD
REPLACE BETWEEN

70%-90%

OF THEIR INCOME TO LIVE
COMFORTABLY IN RETIREMENT.

However,

1/3 OF PUBLIC SECTOR EMPLOYEES
THINK THEY WILL
NEED TO REPLACE **60%**
LESS THAN

50% HAVE NOT
CALCULATED
HOW MUCH THEY NEED TO SAVE
FOR A COMFORTABLE RETIREMENT.

Among retirement experts, the industry standard is that employees need to replace between 70 and 90 percent of their income to live comfortably in retirement. However, one-third of public sector employees think they will need to replace less than 60 percent⁶ and 50 percent have not calculated how much they need to save for a comfortable retirement.⁷ There is a clear need for better retirement readiness so employees understand they will need to replace more of their income.

The sponsors of public sector retirement plans should take these key steps to help employees prepare for retirement readiness:

Encourage enrollment and adequate contribution levels.

“Remove hurdles and perceived hurdles. Simplify the process for enrollment, including enrollment forms,” says Wendy Dominguez, president and cofounder of Innovest Portfolio Solutions, an independent financial services firm in Denver that has been offering financial consulting services to municipalities, companies and individuals since 1996. Both she and Crane urge plan sponsors to institute automatic enrollment, which might require some states to change existing wage garnishment laws to allow, and automatic escalation, in which employees’ contributions increase automatically at predetermined dates. “Automatic features are not widespread but almost all of our public sector clients are talking about it,” Dominguez says, because “they remove the burden from the participant’s shoulders.”

Provide advice that drives action and outcomes. “Provide participants with useful steps, not just a risk questionnaire and ‘good luck,’” says Crane. TIAA-CREF uses its Plan Outcome Assessment tool to quantify a plan’s retirement readiness based on employee salary, savings and asset allocation. “You’ve got to measure it to manage it,” Crane says. Rick Rodgers, vice president and director with Innovest Portfolio Solutions, also recommends performing a gap analysis that reveals the difference between what employees are on track to accumulate in retirement savings and what they’ll actually need. “It’s extremely powerful,” Rodgers says, in prompting employees to make more informed decisions.

Customize communication and education for each individual’s situation and goals. The pool of public sector employees is remarkably diverse — teachers, police officers, sanitation workers, scientists and more. Each group may target retirement age, for example, based on the physical stresses of the job. “Know your audience,” says Crane, since targeting messages boosts participation and saving. “You must do some analysis of the group and customize the material, approach and methodology for their unique demographics and behavior characteristics,” says Rodgers.

Set benchmarks for success and monitor progress toward achieving them. Innovest Portfolio Solutions advisors work with plan sponsors to analyze factors ranging from the number of

investment options to the governance structure of committees, and research comparable government entities. “How does participation in my plan compare to other cities and districts?” Dominguez says her clients often ask. “Benchmarking is a great data source,” she says. TIAA-CREF creates benchmarks for its clients and has seen a “network effect” in which agencies use peer group data to tailor information for employee groups. Rodgers adds that the analysis needs to be ongoing. “The most successful programs have written annual plans that identify strengths and weaknesses. Monitor the results and revise as needed,” he says.

68% OF THOSE WHO TOOK ADVANTAGE OF TIAA-CREF’S ADVICE OFFERING CHOSE TO EITHER SAVE MORE, REVISIT THEIR PORTFOLIO ALLOCATION OR REBALANCE THEIR PORTFOLIO.⁸

Communicate clearly and through multiple channels.

Simple, understandable language is essential. Crane says all communications from plan sponsors to employees should be accessible, streamlined and translated into other languages as needed. Just as important as simplifying language is using several channels to reach plan participants. With some employees relying on tablets in the field and others occasionally reading print newsletters, plan sponsors need to use a variety of methods to reach participants. Email, podcasts and in-person meetings are just some of the ways to reach employees about planning for retirement.

Moving Beyond Guidance to Provide Valuable Investment Advice

It is important for plan sponsors to move beyond guidance, which offers information to educate plan participants about retirement concepts. Even more valuable is advice, or recommendations to equip participants to make allocation decisions. “Advice is the next step beyond communicating that the plan exists. You must create knowledge and awareness, because retirement decisions are hard,” Crane says. Offered together, guidance and advice provide a strong foundation for employees as they learn about planning for retirement and choose how to invest for their future.

Advice needs to be professional and unbiased. Enlisting an independent fiduciary ensures plan sponsors meet federal regulatory requirements for what constitutes “advice” and that employees receive impartial information.

Best Practices for Seeking Best Results

Retirement plan sponsors in the public sector can benefit from decades of industry experience. The points below summarize the essential steps plan sponsors can take to get the most out of their funds and to help promote better outcomes for their employees.

1 Design a plan that builds a strong foundation for the plan’s structure and services.

- Monitor your plan to ensure it is still meeting its goals in the face of internal and external changes.
- Implement proven plan design features such as strategic default services — auto enrollment and auto increase — to drive participation, contributions and improved outcomes.

2 Offer investments that provide participants with lifetime income.

- Structure your investment menu with a diverse range of options that are easy for participants to understand.
- Limit the number of investment options to keep participants from being overwhelmed by choice.
- Consider an annuity option to permit at least some portion of the participant’s assets to be used to provide lifetime income.

3 Increase employee engagement with a focus on outcomes-based education and advice.

- Provide targeted, action-oriented communications to increase engagement.
- Focus advice and guidance on both accumulating savings and generating income.
- Use technology to enhance the employee experience and participation.
- Work with a provider that will take on the fiduciary responsibility for advice, rather than provide simple guidance, and that is committed to achieving retirement readiness.

4 Offer plan management that helps mitigate fiduciary risk, drives efficiency and maximizes value.

- Follow fiduciary best practices to manage your plan in the best interest of your participants, and seek the support of a trusted provider and/or consultant to guide and evaluate your efforts.
- Control costs through improved operational efficiency in partnership with your provider.
- Consider appropriate plan consolidation and moving toward a sole recordkeeping model for lowest cost and highest value.
- Assess the “reasonableness” of your plan fees relative to the value, to provide positive outcomes and retirement readiness.
- Benchmark an “all-in” fee for the plan for more informed decision making and comparison.

Source: www.tiaa-cref.org/public/pdf/prepared_for_a_lifetime.pdf

AMONG ACTIVE PLAN PARTICIPANTS
46% THAT TOOK
ADVANTAGE OF
TIAA-CREF ADVICE,
INCREASED THEIR SAVINGS RATE.



Source: www.tiaa-cref.org/public/pdf/C12309_The_value_of_advice_in_a_retirement_plan1.pdf⁹

If the provider you choose for advice and education services is prepared to take fiduciary responsibility for the advice, that provider is legally obligated to act in the participants' best interest, and is accountable for selecting an independent advisor who gives unbiased recommendations that are appropriate for each individual. It's important to note this is not the case for providers giving only guidance.

There are key elements of advice that mirror the steps cited previously in preparing for retirement readiness. The advice must be actionable, focused on future and unbiased recommendations, augmented by personalized guidance and focused on the importance of lifetime income.

Rodgers has observed the shift toward a focus on lifetime income. Advice used to be more investment-focused, he says, and employees would ask how to choose among aggressive or conservative funds. "Now they ask, 'How do I know if I'm saving enough, and how do I turn that into income?'" he says. They are focusing on long-term goals.

With the advent of independent fiduciaries offering advice, investment menus are less complex and more understandable. "It's not DIY investing anymore," he says. "Most individuals don't want to do it themselves. They want professionals to handle it."

Public Sector Retirement Expertise: TIAA-CREF

With so many factors to consider, how do plan sponsors take the first steps? TIAA-CREF brings the experience and

expertise to help plan sponsors succeed in a complex changing environment. Founded almost 100 years ago to provide lifelong retirement security for those who serve others, TIAA-CREF has more than \$162 billion in assets that represents nearly 45 percent of public sector DC retirement space.¹⁰

TIAA-CREF strongly believes that informed employees are equipped to understand their retirement needs and make wise choices to meet them. And TIAA-CREF professionals understand that planning for retirement is one aspect of a host of investment choices employees make. That's why budgeting, insurance, taxes, health care and homeownership are part of the menu of advice and guidance that TIAA-CREF offers. Working with plan participants to meet changing life circumstances is a cornerstone of its work.

Putting It All Together

Retirement planning is complex, but plan sponsors can simplify the process and the choices for their employees. Careful, consistent, concise communication is the way to start. With retirement readiness as a goal, plan sponsors can enlist impartial professionals to provide actionable advice that positions employees to understand what they'll need to retire comfortably and maximize the benefits available to them.

Endnotes:

1. TIAA-CREF 2014 Retirement Confidence Survey of the State and Local Government Workforce
2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.
6. TIAA-CREF 2012 Retirement Confidence Survey of the State and Local Government Workforce
7. Ibid.
8. Based on survey of all participants that received TIAA-CREF's pension advice in 2011 across all channels (FCG, Wealth and AIS) and delivery methods (phone and in-person). N=146,848.
9. Based on TIAA-CREF proprietary research, 2010-2012. In 2010, the average annual contribution of premium paying participants who took advantage of our Advice offering was \$11,900 prior to the session and \$13,700 after the session, representing an increase of 15%. Hypothetically, over a 30-year period, the additional accumulation at retirement will be \$204,388. This assumes end-of-month contributions, 6% annual rate of return and 3% annual premium increase rate.
10. TIAA-CREF Institutional data, as of March 31, 2014.

To learn more about TIAA-CREF, visit: www.tiaa-cref.org/govplans

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The second question is more interesting but much tougher: How best can we make these programs work? The last 50 years of Johnson's war, Ryan concluded, had produced programs that were fragmented, expensive, inflexible and ineffective, and they trapped the poor in a long pattern of dependence on government. He says he wants to help the poor escape welfare by tailoring strategies for each individual, ensuring competition in providing services and focusing on accountability for results.

The first goal has deep roots, but the challenge of weaving together different programmatic strands to craft a safety net for each individual has plagued the War on Poverty since the beginning. Ryan's hope is that solutions will work better if they're built from the bottom up.

The second goal builds on 50 years of experience. One of the hidden pieces of Johnson's war was the creation of a vast network of nonprofit organizations funded by federal programs, so there's lots of room for competition in service provision. In fact, much of the governmental safety net is now woven with nongovernmental yarn. The trick has always been overseeing this net well, and that will be even more important in Ryan's war.

The third goal is probably the toughest to achieve. There's no such thing as a truly "neutral third party," and the clash over the program's metrics will be fierce. But Ryan clearly means to pick a fight and to slug it out over what strategies produce which results. Building the safety net into a web of evidence is Ryan's biggest fight for the future.

There's much to like in Ryan's war. In crafting his plan, though, he's picked battles with so many key players that it might be impossible to get enough votes to pass the plan. That's too bad. If the program were passed, it would certainly be the center of fierce battle, but we'd also be far more likely to end up fighting over the right things in trying to win the nation's long-running war on poverty. **G**

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Whither the GOP Mayors?

Fewer and fewer Republicans are running big cities.

Is the Republican mayor an endangered species? Saying so for sure would be futile, but they are certainly rare in America's biggest cities these days. Of the nation's 35 most populous cities, 28 have Democratic mayors and 22 have had them for a very long time.

More strikingly, of the 13 big cities that were led by a Republican mayor at some point in the 21st century, just five still have one. Indianapolis, which consists of both a city and a county, has elected Republican mayors for 36 out of the last 48 years. Miami, another city-county hybrid, has elected numerous Republicans thanks in part to a longstanding Republican lean among Cuban-Americans. The other three are Fort Worth, Oklahoma City and San Diego.

Observers offer several explanations, but the main one is that the Republican Party's national brand is considered toxic for voters in diverse, socially liberal cities and suburbs. "The rhetoric I read on the national level worries me," says Indianapolis Mayor Greg Ballard, a Republican. "As more and more people move to cities, much of our national rhetoric is almost geared toward alienating those populations."



Indianapolis Mayor
Greg Ballard

So how are certain Republicans overcoming rising partisan polarization and getting themselves elected mayor?

GOP mayors and experts interviewed for this article offered four tips:

- **Take advantage of good fortune.** Kevin Faulconer succeeded San Diego Democrat Bob Filner after he resigned amid a sexual harassment scandal. It also worked for Ballard in Indianapolis; he was little-known in 2007 when he launched his first mayoral bid but rode a wave of opposition to new taxes imposed under two-term Democratic Mayor Bart Peterson.
- **Promote issues supported beyond the traditional GOP base.** Oklahoma City's Mick Cornett has been a leader in fighting obesity, while Robert Cluck of Arlington, Texas, "holds some positions on the environment left of most Texas Republicans," says Mark P. Jones, a Rice University political scientist. Reno, Nev., Mayor Bob Cashell favors same-sex marriage and medical marijuana. "The city lifestyle is increasingly attractive to more and more people," says Ballard. This requires a focus on "bike lanes, trails, sustainability, and the artistic, cultural and sports components sought by urban dwellers. These are areas in which Republicans are traditionally weak, but if you want to be a mayor in a large city, you must also focus on these areas."
- **Focus on competence, not ideology.** This sounds like moldy old advice, but for mayors it's particularly important since so much of their job involves ensuring the smooth functioning of basic services, from policing to trash pickup to fixing potholes. "My constituents really don't care as much about my party affiliation as they do about efficient and caring governance and stewardship," says Albuquerque Mayor Richard Berry.
- **Work your butt off.** Ballard "loves getting out into the neighborhoods," says one political observer in Indianapolis. "He drives his staff crazy by insisting that they schedule all this stuff for him." **G**

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Restraints with Restraint

A recent court decision puts states on alert to improve mental health care.

Emergency rooms have become a place of last resort for the mentally ill. With increased demand on proper mental health facilities, the practice known as psychiatric boarding—temporarily holding mentally ill patients in hospital ERs until beds become available at certified treatment centers—has become a serious problem nationwide. Now, it’s an unconstitutional one in Washington state.

Last year, 10 patients in Pierce County, Wash., sued to end their involuntary detention on the grounds they were not being held at appropriate treatment facilities. During a preliminary hearing before a mental health commissioner, experts testified that patients held in hospitals commonly receive little or no mental health care. It is testimony backed up by a 2008 report from the U.S. Department of Health and Human Services that found that boarding “often creates an environment in which a psychiatric patient slowly deteriorates.”



FLICKR/YANA BUHRER TAVANIER

Many states have laws authorizing the involuntary detention of people who pose a risk to themselves or others. Many of these states also regularly lack the space to place individuals in certified facilities. As a result, patients are held for days—in some cases literally strapped to beds—in emergency departments at acute-care hospitals until a bed opens up.

Psychiatric boarding has few defenders, even among health officials in Washington state. Still, state officials argued before the court that there’s little they can do about the problem without more money to boost preventive services or the number of beds at certified facilities. Washington’s high court didn’t agree, though,

citing both U.S. Supreme Court and 9th Circuit Appeals Court rulings that said psychiatric boarding violates a patient’s basic right to “receive such individual treatment as will give each of them a realistic opportunity to be cured or to improve his or her mental condition.”

It’s a decision that could resonate nationally. Exact state-by-state figures aren’t available, but about half of all states admit to boarding patients, according to a 2013 survey by the health data firm NRI. In King County, Wash., boarding grew fivefold between 2009 and 2012, from 425 patients to 2,160. *The Seattle Times* found last year that the state cut 250 psychiatric beds and more than \$100 million in funding for programs aimed at reducing detentions over the past six years. Nationally, states cut \$1.6 billion from mental health budgets between 2009 and 2011.

Jim Vollendroff, mental health director of King County, is pushing to divert more involuntarily committed patients to other forms of treatment and is also advocating for more beds to be paid for in part with the help of Medicaid money. But that latter option comes with major restrictions, which mental health officials blame as one culprit in institutional shortages, in particular any restrictions involving paying for drug treatment.

While the ruling has heartened some in the mental health advocacy community, Robert Bernstein, executive director of the Bazelon Center for Mental Health Law, cautions against states simply providing more beds, which he argues often proves to be a more expensive and less effective alternative to quality community-based care. “Psychiatric hospitals need to be a part of the overall array of services, but it’s only part,” Bernstein says. States must also focus on more comprehensive community care, he says.

Unfortunately, about a quarter of emergency department medical directors say their areas lack the community-based services that Bernstein argues are crucial to treating mental health issues—services that include mobile crisis units, case management teams that actively connect patients to services they need and clinics that also provide primary care.

In Delaware, state officials are providing those community services as part of a federal court settlement. It’s a possible model for other states grappling with the potential consequences of the Washington ruling. Delaware has poured about \$12 million of additional money into mental health over the past three years. Since 2011 the average daily number of patients in the state’s psychiatric hospital has fallen 30 percent, and its hospital readmissions among people discharged to community care last year were well below the national average. **G**

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Keeping the Lights On

Microgrids are gaining in popularity as severe weather becomes more common.



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Three years ago this month, a giant snowstorm knocked out power to Wesleyan University in Middletown, Conn., for the first time that anyone could remember. The rare Halloween nor'easter dumped as much as 20 inches of snow in some parts of the state, weighing down tree branches that had yet to shed their leaves and pulling down power lines. It was the first of a series of extreme winter storms to hit Connecticut. Just two years later, another nor'easter would dump 40 inches in Hamden, a mere 20 miles north of Wesleyan.

But should another freak snowstorm hit this winter, Wesleyan officials are ready. The college of 3,200 students, with help from the state, recently installed a microgrid, which will allow it to keep the lights on at its facilities even if the surrounding community loses power. It is a concept that is gaining popularity across the country, especially in the storm-savaged Northeast, as communities try to improve their resilience. Officials in Maryland, Massachusetts and New York have also launched initiatives to support the creation of microgrids. "When we talk about microgrids, it's a wicked hot topic. It's going to be in the dictionary next year as a new word, like 'Twitter,'" says Alan Rubacha, director of Wesleyan University's physical plant. "But it's existed for a long time."

Indeed, microgrids go back to the dawn of the electric age in the 1880s, when Thomas Edison was working on what was essentially a microgrid, a self-contained system for generating and distributing power. Until now, they've most commonly been used on college campuses and at military installations. But as severe

weather is becoming more common, the shortcomings of a large grid system are more apparent. "When you have a major snowstorm, the branches fall on the above-ground power lines and the whole thing breaks down. When you have flooding, you have problems. When you have wind, you have problems," says Niek Veraart, a consultant who worked with communities after Superstorm Sandy.

Microgrids, he says, can minimize the impact of blackouts by connecting key facilities such as hospitals, police stations, emergency shelters, gas stations and communications centers to reliable sources of power. That's why Connecticut Gov. Dannel Malloy pushed for a microgrid pilot program in a 2012 law that authorized \$18 million to fund nine community projects. Now he is planning for a second round of

microgrid grants, worth another \$15 million. "Our statewide program is a national model and others are looking to Connecticut's program as an example of how to increase resiliency and protect residents, commerce and vital services even when the power goes out," Malloy said.

Meanwhile, several other states have introduced their own microgrid initiatives:

- New York state is offering \$40 million in prize money for the creation of 10 microgrids. That is an addition to the \$10 million each the state is paying Nassau and Suffolk counties on Long Island to build microgrids.
- Massachusetts set aside \$40 million to help municipalities improve the dependability of their electric grids, and it will allow them to use that money to build microgrids.
- A Maryland gubernatorial task force has recommended the creation of utility-owned microgrids, along with third-party systems created by local governments and private developers.
- New Jersey has been working with the federal government to promote microgrids. The state's transit agency partnered with the U.S. Department of Energy and Sandia National Laboratories to develop a microgrid for the transit system using railroad rights-of-way. The state also directed federal disaster money to help municipalities improve their electric grids, including the establishment of microgrids. **G**

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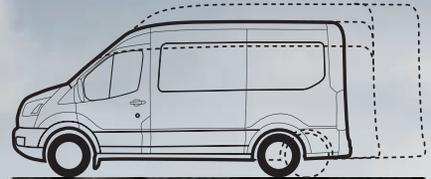
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By Alex Marshall



Free Ways

It's OK to make some things free, or nearly so. It's not just nice, it's good economics.

People should pay their own way. It's a maxim that many Americans hold near and dear. It grows out of our traditions of self-reliance and individual initiative. It's such a strong belief, that it's even seeped into the rules we apply to infrastructure projects.

By this logic, a road, bridge, airport, museum or subway should support itself through its user fees, fares or tolls. If it doesn't, it's a freeloader, like a welfare recipient having to be "subsidized" by the community at large.

While we may hold this to be a self-evident truth, there's a problem: It doesn't jibe with some basic rules of economics.

Back in the dark ages of the late 1970s, at Carnegie Mellon University in Pittsburgh, my professor in Economics 101 said the ideal price for crossing a bridge built at public expense was zero, provided it had capacity. Setting as low a price as possible means that more people will cross it, and thus the cost per person per crossing will be the lowest, compared to the cost of constructing and operating the bridge. A private company would maximize revenues, but government should maximize usage, he said. That way the public, who paid for the bridge, got the most for its money. This principle, he said, should be applied to all public goods.

The idea surprised me at the time, because usually economists preach the virtues of profit and the efficiencies of the private marketplace. Yet here was an expert saying "free" made sense, and was actually more efficient.

We've forgotten this, if we ever knew it. Evidence of this is everywhere. California, Texas, Virginia and other states are experimenting with having private companies build toll roads, with the high tolls paying for some of the capital or operating costs. The Federal Highway Administration, under President Obama, has asked that tolls be allowed on the Interstate Highway System, something prohibited on these "freeways" in the initial legislation. Commentators have argued that subways and other types of mass transit should pay their own way through higher fares. And in New York City, populist Mayor Bill de Blasio has rejected direct public funding for the popular but cash-poor public bike program, forcing it to raise the cost of its annual passes.

To the extent that any of these "fee-for-use" schemes are implemented, they will invariably reduce use and thus overall social and economic benefit. Yet this economic proof is barely ever discussed. This isn't to say we should never charge a toll or a fare, particularly when there is more

demand than supply. But we shouldn't forget the principle: The price of public goods should be kept low in order to increase use.

This principle should be remembered as we witness (and one hopes, try to manage) significant changes in how we get around and how we pay for transportation. On the horizon are fleets of driverless cars and taxis, more public bike systems, and highways and automobiles with wireless transponders that allow direct congestion pricing on toll roads. A number of states have tinkered with the latter concept, as they watch revenues from gas taxes steadily shrink as a percentage of total road costs.

Brendan O'Flaherty, author of the textbook *City Economics* and an expert on transportation pricing, confirmed my decades-old memories. Using a bus, bridge or subway should be free if there is space or capacity. This isn't about socialism, it's about getting maximum use of public resources. The idea of a project paying for its capital and operating costs through direct user fees just leads to inefficient use. "For something that really is a public good, that is nonrivalrous and has no externalities, the price should be zero," O'Flaherty says. "In general the price should be no higher than the marginal

social cost of use, which is approximately nothing, except for pollution and wear and tear on the road.”

We can see this radical principle at work on the 6 million miles or so of our streets and highways. The vast majority—I’d bet 99 percent—we’re free to use, whenever we like, at no direct cost. A variety of taxes pay about 95 percent of the almost \$200 billion spent annually to maintain our highway system. The gas tax, which is still just a tax, pays only about 40 percent of this. Meanwhile, tolls, which are true user fees, pay only about 5 percent of the cost of roads, according to national highway statistics.

When we move from the domain of transportation, we see the principle at work in an institution generally supported by the entire bandwidth of political opinion: public libraries. We don’t pay for libraries through check-out fees on books. Instead, we allow nearly unlimited use of all the books—for free, paid for through general taxes. If we did require user fees to pay for libraries, the institution would shrink to a small room harboring a handful of dogeared bestsellers.

Can we remember this principle when it comes to roads and subways, museums, national parks and historical sites? Quality of life expands—as well as economic growth—when the price of public goods, particularly transportation, is kept low. When roads, buses, subways or public bikes are free—or nearly so—people will head for a new lunch spot or take the family to the park. And they usually do this “off-peak,” when capacity is the highest. We put a lot of money into public museums and national parks. Why not maximize their use?

None of this means that public institutions shouldn’t be run efficiently. It also doesn’t rule out agencies acting like capitalists in indirect ways, like developing land directly around stations or highways or operating a museum shop. But we shouldn’t forget there are public values, even in economics, which differ from those applied to private business. **G**

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Discouraging Density

Some federal policies still heavily promote single-family homes.

After decades of suburban flight, the city is king again. Economists view it as essential for sparking innovation and growth. Environmentalists consider it key to getting people out of their automobiles. And urbanites, many of whom suffered through decades of decline in their cities, view it as a symbol of long-anticipated revitalization.

But a key part of cities—their density—hasn’t always been encouraged by the government, particularly not at the federal level. In fact, many of today’s land use policies hail from the post-World War II era, when planners thought that decentralizing cities would generate middle-class prosperity. This led to policies that directly encouraged sprawl. But perhaps the most pronounced set of policies against density are those pushed by the Federal Housing Administration (FHA).

Since its 1934 inception, the FHA has insured mortgages for more than 34 million properties, facilitating mass homeownership over several generations. But only 47,205 of these plans have been for multifamily projects. This is due to longtime provisions that make it harder for condos to get FHA certification. As late as 2012, 90 percent of a condo’s units had to be owner-occupied and only 25 percent of its space could be for businesses.

Two years ago, some of these provisions were loosened. The owner-occupancy requirements were reduced to 50 percent, and the maximum space allowed for businesses increased to 35 percent. But these reforms still aren’t particularly friendly to condo construction. For example, the 35 percent cap on business space discourages development that often features ground-level retail beneath several residential stories. The owner-occupancy requirements also rule out many condos altogether, namely in expensive markets that rely heavily on tenancy and outside investment. Finally, a provision that forces condo owners to renew their certification every two years is a lengthy and expensive process not required for single-family homes.

These policies mean that, although practically every single-family home can be FHA-insured, only 10 percent of condo projects nationwide qualify. This makes condos less affordable, since prospective buyers seeking private financing without FHA backing face higher borrowing costs and typically must make 20 percent down payments rather than the 3.5 percent typically required of FHA-backed mortgages.

The FHA’s strictness toward condos stems from the assumption that they carry greater foreclosure risks. But this concern is unfounded, according to the National Association of Realtors, which lobbies for easing condo standards. In 2013, the organization sent a letter claiming that delinquency for recent condo projects was substantially lower than for FHA-insured mortgages. By unnecessarily discriminating against condos, says spokeswoman Megan Booth, the FHA squelches a viable homeownership option. “Condos,” she says, are “often the most affordable homeownership in the community.” These policies, she continues, discourage high-rise, mixed-use buildings at a time when so many federal policies promote density. **G**

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“Slightly more than one-tenth of all mortgages insured by the Federal Housing Administration since 1934 have been for multifamily homes.”





A Year at Frayser High

Part 1 of an ongoing series

PASS FAIL

Tennessee has launched the nation's most ambitious effort to fix failed schools. What happens in Memphis reveals the power—and limits—of education reform. By John Buntin

**Bobby White,
co-principal of
Frayser High School
in Memphis**

PHOTOGRAPHS BY BRANDON DILL

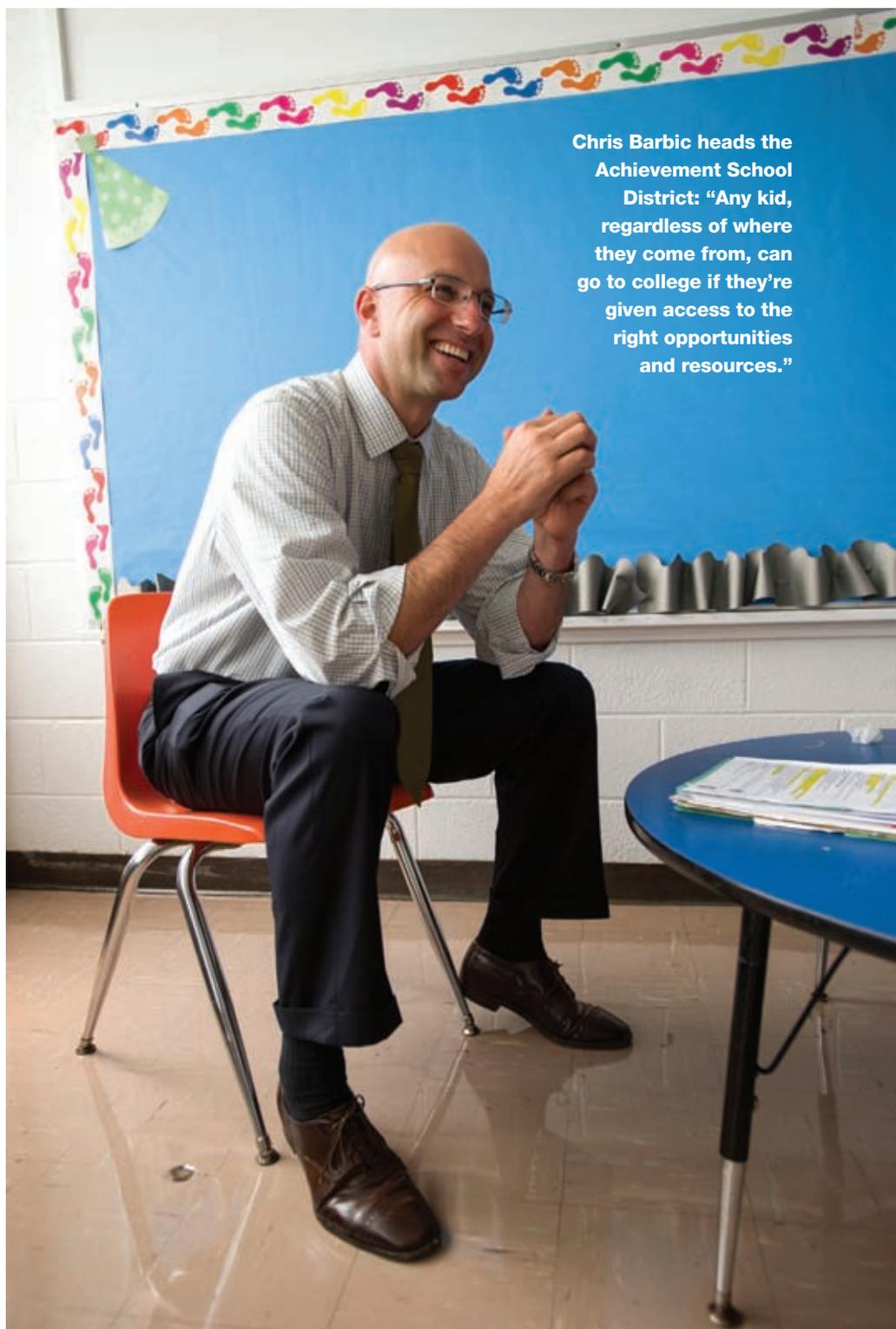
The tension around the conference table was palpable. Principals and educators from half a dozen schools in the north Memphis neighborhood of Frayser were meeting a week before the start of the 2014-2015 school year. Sitting at the head of the table was Bobby White, the co-principal of Frayser High School. For the past year, the group had been convening as part of a federally funded effort to rejuvenate the neighborhood, an enclave of 50,000 residents, almost all of them African-American, that has long been one of state's poorest. The group around the table was supposed to be working on the education component of the plan. So far, there had been more talk than work. The purpose of today's meeting, said White, was to develop an action agenda. "We've been meeting for almost a year," he noted. "It's time for us to stop talking and start acting."

But when Bob Nardo, the sole white principal in the room, proposed the group set a big goal involving the whole neighborhood, Stephanie Love, a Frayser resident who was running for the Shelby County Board of Education, said she didn't think that was realistic. There was, she said, a trust issue that had to be acknowledged, an elephant in the room that no one wanted to talk about. The problem, she said, was the state Achievement School District (ASD). "Shelby County Schools is scared of what ASD is going to do. ASD is scared to say, 'OK, we may not be what we need to be.'"

Indeed, Tennessee's Achievement School District is at the heart of just about every conversation on improving education in Memphis right now. That's because in recent years, public schools in Memphis have answered to one of two masters. One is the Shelby County school board; the other is the state ASD, which has the statutory right to take over schools whose test scores place them in the bottom 5 percent of performers statewide. It exercised that right in Memphis, where the state now runs or oversees 22 schools. Twelve of Frayser's 14 public schools, including Frayser High School,

fell into that bottom 5 percent. As a result, most of the people at the table, including White, report to the ASD. Most, but not all.

Sitting to White's left was Kimberly Adams, the principal of Westside Elementary School. Her school reports to Shelby County, and while she appreciated the help that the group around the table had given her in the past (notably in retaining her school's pre-K program), she worried about ASD encroachment. That's why, when one of the participants suggested that the group around the table could collaborate on a brochure that would inform neighborhood parents of their educational options,



Chris Barbic heads the Achievement School District: "Any kid, regardless of where they come from, can go to college if they're given access to the right opportunities and resources."

Adams objected. She didn't want nearby ASD schools picking off her students and threatening her school's well-being. "I want my kids to be with me," she said. "I want to make sure our doors stay open, our teachers stay employed, and my teachers get educated by teachers that I know are qualified to educate them in our district in this neighborhood and who understand what our kids are going through."

"I know that my teachers can do that," she said pointedly. As for the ASD, well, that was a different story.

"I appreciate your willingness to say what other people are thinking," said Nardo, of her challenge to the ASD. As the meeting broke up, it became clear that there would be no approval of action the group could take—not even on a brochure.

Welcome to the skirmishes on the front line of what may be the nation's most significant experiment in taking over low-performance public schools. Tennessee's Achievement School District is a story *Governing* is covering with a level of ambition suitable to its subject. Over the course of the coming school year, we'll be following state and local leaders, parents and children, teachers and school administrators, social workers and police officers, community activists and politicians, through what is shaping up to be education reform's most critical year. We hope to move beyond the policy briefs and backgrounders that so often marshal facts behind an opinion that is already firmly held. Instead, we will explore ambiguities and reframe questions as we follow the implementation of a state policy that was crafted to make a difference in its citizen's lives, particularly those who live in poor, urban neighborhoods.

The stakes could not be higher. At issue is nothing less than one of the country's most pressing questions: In a nation where Democrats and Republicans alike say they want to provide "equal opportunity," can failing schools be transformed into successful schools in short order and on a large scale? If not, have the nostrums of the education reform movement distracted politicians, public officials and the public from the real challenge—the problems of poverty, segregation, crime and family structure?

The practice of states taking over struggling urban schools isn't new. New Jersey moved first, in 1989; Kentucky followed its example the following year. During the mid-1990s, states seized control of urban school districts more than a dozen times, including high-profile interventions in Baltimore, Chicago and Cleveland.

State takeovers got a further boost in 2001 with the passage of the No Child Left Behind Act, which directed states to take action against school districts that failed to make "adequate yearly progress" for three years in a row. Despite such provisions, however, only 3 percent of schools designated as failing were actually subjected to state takeovers, according to a study by the nonpartisan Rand Corporation. When states did act, they often did little more than replace teachers and bring in a new principal. One percent of "failing" schools underwent a deeper change—they were converted to charter school status. But for the most part, the scope of changes made by states was fairly limited.

Then came Hurricane Katrina. In 2005, the Category 3 hurricane swept through New Orleans, devastating the city as well

as its school system. The state of Louisiana stepped in and placed the city's schools under the supervision of the Recovery School District (RSD). The RSD transformed all of New Orleans' public schools into charter schools, giving them the kind of autonomy (to hire and fire staff, manage budgets and select curricula) that education reformers had long clamored for. During the RSD's first year, only 23 percent of students tested proficient or above in English and math. Five years later, fully half of students did—even though the share of students that qualified for free federal meals, a common indicator of poverty, had increased.

New Orleans' RSD and its results served as a powerful inspiration to a cadre of education reformers. Several states—Michigan and Virginia, among them—created state turnaround districts that were inspired by the RSD. None, however, went as far as Tennessee.

In 2009, President Obama announced plans to provide funds for education reform as part of the stimulus package. States could compete for grants by enacting comprehensive education reforms. The competition was dubbed "Race to the Top." States were scored by how completely they adopted a variety of measures favored by the administration and Secretary of Education Arne Duncan. Among those measures were loosening restrictions on the growth of charter schools, tying teacher evaluations to student achievement scores, adopting the Common Core (what students should know at the end of each grade) and addressing the lowest performing 5 percent of schools. Duncan placed particular emphasis on the final measure. "For a turnaround to succeed," he declared at the unveiling of Race to the Top, "you have to change the school culture. We want transformation, not tinkering."

Tennessee and its governor at the time, Democrat Phil Bredesen, decided to step up to the challenge. To distinguish its Race to the Top application, the Volunteer State proposed to create a state school district, the Achievement School District, that would have the authority to take over the bottom 5 percent of schools, as measured by statewide assessment tests.

Tennessee won one of the largest Race to the Top grants: \$500 million, to be spent over four years. The task of implementing it fell to Bredesen's successor, Republican Bill Haslam. Haslam embraced the challenge. To head the state education department, he hired one of the stars of the education reform movement, Kevin Huffman, a Teach for America alumnus and executive. To run the ASD, Huffman went after another education reform luminary, Chris Barbic, the founder of the acclaimed YES Prep network of charter schools in Houston. Barbic soon set a bold goal for the ASD. In five years' time, it would move the bottom 5 percent of schools as measured by student achievement scores into the top quarter. The message was clear: Sweeping education reform in Tennessee was *on*.

This is Barbic's third year as the head of the Achievement School District. Today, the ASD runs or oversees 23 schools. All but one are located in Memphis, in poor, predominantly African-American neighborhoods such as Frayser. To date, the ASD has shown little evidence of dramatic improvements. Most of the schools the ASD took over began with low levels of proficiency in reading and math. Although the ASD has made some improvements in raising the math proficiency of African-American



Bobby White grew up in Frayser. Over the past 20 years, the neighborhood has seen its crime and poverty rates surge.

students, English/language arts proficiency has barely moved. This is the year, Barbic acknowledges, when the dial has to jump.

Nowhere is the challenge more acute than at Frayser High School. To lead the turnaround effort there, Barbic hasn't hired one of the prestigious national charter school operators, such as the Knowledge is Power Program or KIPP. Instead, he's turned to Bobby White. A year ago, White's charter organization, Frayser Community Schools, got the go-ahead to take over Frayser High School, beginning in the 2014-2015 school year. It is the group's first and only school. Frayser High, says Barbic, "is probably the toughest turnaround job in Tennessee."

Despite the broad policy implications of Tennessee's attempt to overhaul its failed public schools, this is also a very personal story. It began more than a decade ago, in a barrio in Houston's Second Ward. That is where Barbic first developed the turnaround playbook that he is now attempting to apply to Tennessee.

Barbic, a 42-year-old with glasses, a shaved head and an intense but amiable manner, didn't set out to be an educator. As an undergraduate at Vanderbilt University in Nashville, he majored in English and human development. He considered a stint in the Peace Corps but decided to apply to Teach for America instead. His application was accepted and Barbic was assigned to The Rusk School, an elementary school on the east side of Houston.

Rusk's demographics were challenging. Half of the student body were the children of Latino immigrants, most of whom had received, at best, an elementary school education. The other half were African-American children living in the nearby Star of Hope Mission, a homeless shelter. The year before Barbic arrived, the

state of Texas identified Rusk as its worst performing school. The state's response had been to replace its principal and most of its teachers. Barbic and another Teach for America member were assigned to teach sixth-grade reading, with very little guidance on how to do it. "The principal gave us autonomy to do things the way we wanted, to structure the class the way we wanted, run the schedule the way we wanted," says Barbic. It took him some time to figure out how to control the classroom and even longer to become an effective teacher—"the kids came with huge challenges," he says—but Barbic thrived on the combination of responsibility and autonomy.

"Looking back, having a principal who says, 'Hey, I trust you. I'm going to hold you accountable for results, but you do it the way you want,' informed a lot of my initial thinking on giving power to the people closest to the kids," he says. By the end of his first year, Barbic knew he would make his career in education. As he gained competence and experience, he also became concerned about what happened to his students after they left

Rusk and moved on to the local middle school. Many of them dropped by Rusk to tell Barbic how awful their middle school was. So in 1998 Barbic applied for and won a charter from the state to open a small middle and high school on an empty parking lot. He called it the YES College Preparatory School.

To say that YES Prep was successful would be an understatement. In its second year, operating out of modular units, YES Prep was designated as the top performing high school in the state. The following year, its first class of seniors graduated. Every student was accepted to a four-year college or university; 86 percent were the first member of their families to go to college. By 2003, YES Prep was adding campuses across Houston and amassing accolades. During YES's first eight years, every single high school senior was accepted into a four-year college.

In 2012, the year after Barbic's departure, the Edythe and Eli Broad Foundation named YES Prep Public Schools the most outstanding charter school operator in the nation. Remarkably, its closest competitor may have been the charter school network founded by Barbic's Teach for America roommates—KIPP, which operates 141 schools and serves more than 50,000 students nationwide.

For Barbic, the experience of establishing and building YES provided a crash course in management, leadership and systems design. In time he developed a theory about what makes turnarounds work. "It's the school leader. It's teacher talent. It's a common vision. It's everyone rallied around that vision, and then it's the support and the systems to make the vision a reality," he says. "It's giving people the freedom to make the decisions that matter most, giving the ones that are closest to kids resources and holding them accountable."

Barbic's record made him a hot commodity in the education reform world. Soon after Gov. Haslam was sworn into office in early 2011, a headhunting firm working for the state contacted him about the position of superintendent of the ASD. "I said, 'I'm not going to talk to anybody until I know who the commissioner is,'" Barbic recalls.

When Haslam announced that the state education commissioner would be Kevin Huffman, Barbic was sold. Huffman had been a Teach for America volunteer in Houston before going back to law school and then returning to the group as its executive. The fact that Huffman was taking a leadership role in Tennessee, a state that had won one of the biggest Race to the Top awards, virtually guaranteed that the Volunteer State would be at the leading edge of education reform.

In April 2011, Barbic moved to Nashville. He began building a team and crunching numbers to identify which of the state's schools fell into the bottom 5 percent. Most were in Memphis. One neighborhood in Memphis in particular stood out: Frayser.

Frayser was first settled by Italian immigrants in the 1820s. After the Second World War, what had previously been a hamlet in the gentle hills of north Memphis had become a fast-growing blue-collar neighborhood of 50,000 residents. Factories stretched along Taylor Avenue, just a few blocks east of the Mississippi River. Companies such as Firestone, International Harvester, Ford and Kimberly-Clark offered thousands of jobs to men in the area, mainly white men. In 1949, Frayser High School, a sprawling three-story, Art Deco structure, was built. By the 1960s, Frayser and its plentiful jobs had drawn a handful of African-American families, among them the parents of Bobby White.

White's father had been a musician. Although White was born in Memphis, the family moved to Los Angeles when he was 4 years old. White's father had some success there—he played with Stevie Wonder on his first album. But in 1981 the family moved back to Memphis, and White's father took a job in Frayser with Ford. White went to elementary and middle school there, but by then Frayser's identity was changing. The big factories lining



White himself attended Frayser High. Now, as co-principal, he says the school has a leader "who's from here, who understands people, who understands the culture."

Taylor Avenue were shutting down. White families moved further out; black families began to move in, drawn to the ranch houses sheltered by big mature trees and to affordable apartments in the two- or three-story apartment units that dotted the landscape.

When White matriculated at Frayser High in 1986, it was still predominantly white, but there was a sense that things were going wrong. White was a bright student. A teacher pulled his father aside to suggest that Frayser High “was not the school for your son.” But White lived in the neighborhood and his father wanted him to walk to school, so to Frayser High he went. Soon thereafter, things got much worse in the neighborhood. During the 1990s, Memphis began demolishing its public housing units. Those uprooted residents took their Section 8 housing vouchers and looked for places where they could afford an apartment. For many families, the search led to Frayser.

As the Frayser community shifted from being home to blue-collar workers to housing poor Section 8 recipients, its per-person income plummeted. In 1970, median income in Frayser had been 10 percent higher than the metro Memphis average. By 2010, the average family was earning \$11,850 a year, placing half the area’s residents below the federal poverty line. Crime has surged. Three of Memphis’s five most dangerous “hot spots” are located in Frayser, as are the Vice Lords and other gangs. The feel of the neighborhood has also changed in more subtly destructive ways. People “move here, they have their voucher, they pay their rent, [but] because the schools are so poor, they don’t want to stay,” White says. Once the family starts doing better, they move out, he notes, “so you’re never able to create stability, where you begin to build a type of pride up that you would have in a community.”

Barbic was not deterred by Frayser’s challenges. He’d spent his career working in an environment of the sort that critics of education reform said made it impossible for students to learn. His experience taught him that they could. “Any kid, regardless of where they come from, can go to college if they’re given access to the right opportunities and resources,” he says. “It’s just that simple.”

Barbic’s first impulse was to bring the best charter school operators he could to Tennessee. This reflected his belief that the traditional school board/superintendent governance mode was broken—too big and clunky to help schools get better faster. However, following the path of New Orleans and moving to an all charter system wasn’t feasible, for a number of reasons. Many Memphis residents, particularly in African-American neighbor-

hoods, were deeply skeptical of charter schools. African-American parents frequently note that “charter schools” are a prescription most frequently written for their children, not the children in wealthy white neighborhoods whose kids tend to attend traditional public schools.

There was another reason not to rely entirely on charter schools: It would have taken too long. Tennessee was already off to a slow start with Race to the Top implementation. Moreover, the U.S. Department of Education made it clear that it wanted to see the ASD running at least some schools directly. Frayser was an obvious place to start. As a result, Barbic held one of his first forums about the ASD in Memphis at Frayser High School.



Frayser High, says Chris Barbic, “is probably the toughest turnaround job in Tennessee.”

A small number of concerned parents and educators came out, among them White, who was then the principal of Westside Middle School in Frayser. When he became principal, the school’s proficiency was in the single digits—close to 1 and 2 percent. By 2011, under White’s guidance, proficiency levels had risen into the mid-20s. It was a dramatic improvement, but Westside was still in the lowest 5 percent of performers by student test score. White was dismayed to learn that the ASD planned to take over his school. So when the principal of Frayser High asked him to come to Barbic’s forum meeting, White readily agreed. He arrived as a skeptic, if not a critic. He never expected that he would soon emerge as the linchpin of Barbic’s plans for the neighborhood.

White, age 42, was a fierce partisan of Frayser. He knew the challenges it presented. He'd grown up there after all, dropped out of college, felt the pull of the streets and at his lowest point found himself living in a homeless shelter with a profoundly deaf daughter at the age of 19. But he'd also gotten through it, finishing his degree and landing a good job at the General Services Administration. Then he'd gone back to teach. It had been a hard transition and there were days he thought seriously of quitting. But eventually he realized that his job wasn't just to teach lessons; it also was to make connections and build relationships. "There's value in everyone," says White. "Celebrate who they are, celebrate their parents, celebrate where they come from and then build on it."

At the forum in Frayser High's auditorium, White made some remarks and ended up sitting near Barbic. The two men talked and the following day, Barbic called White to follow up. Barbic explained what the ASD hoped to do about Frayser's plight. "He totally got it at once," recalls Barbic.

White offered Barbic something he needed—local knowledge and local credibility. So Barbic reached out. "Come take a trip with me," he told White. "I want you to see something." That something was YES Prep's "Signing Day." The event took place at the 18,000-seat Toyota Center in downtown Houston. "There was nothing there but black and brown students" up on the stage, recalls White. Instead of the principal calling names, each student walked up and said his name, his graduation year and then, pulling out a hat and putting it on, announced what college he would be going to. The announcements went on and on. Every single one of YES Prep's 500 students was headed to college.

White recalls Barbic leaning over and saying, "We can do this in Memphis, better yet, we can do it Frayser. Are you in?" On offer was a job with the ASD.

"Hell yeah, I'm in, man, are you kidding?" White replied. "I'm crying like a little baby right there."

The hopeful feelings didn't last. Joining the ASD meant leaving the Memphis city school system, which was in the midst of a tumultuous merger with Shelby County Schools. Not only did White have to give up things like seniority and union representation, he also had to give up many of his friends. "I have people who don't speak to me at the grocery store anymore," says White. "I've become the enemy. Chris will get mad at me for saying it, but at the end of the day, people are saying, 'You've been this champion for your people. You've been a grassroots leader, and now, all of the sudden, you're with the white folks now.' It hurt."

One of the rumors sweeping through Frayser the summer before the 2014-2015 school year was that White was a white man from California who was coming in to take over a school whose student body was entirely African-American.

Things were not going particularly well for the ASD either. One of the most serious early problems occurred in the Binghampton section of Memphis. In 2012, the ASD and Shelby County Schools announced that in the fall Lester Elementary School would be converted to a charter school by Cornerstone Preparatory School.

But when students arrived at the new school, they found that the previous, predominantly African-American staff of teachers was gone. Instead, they found a cadre of teachers that was young and predominantly white. Efforts to impose structure chafed. At a December meeting, one girl told the assembled parents that her teacher refused to let her use the restroom or get her fresh clothes when she wet her pants. *The Commercial Appeal* newspaper broke the story, igniting a firestorm of criticism. (A subsequent audit found no evidence of abuse.)

White grasped the problem. When he himself had returned to teaching, he was intent on imposing middle-class values on his kids, but had gotten his head handed to him. "There are some great things that Teach for America and brand-new teachers from the Memphis Teachers Residency bring to the table, some wonderful things, but the one thing that most of them lack is cultural competency," White says. "Structure, systems and processes without cultural competencies and building relationships—it turns into slavery. That's what it can feel like."

It was precisely that kind of nuanced understanding of how to interact with kids that made White valuable to the ASD. But White didn't like being a district-level administrator. He missed hands-on turnaround work. Barbic suggested another way forward. Form a community group, get the qualifications to operate charter schools and come to the ASD with a charter request. The achievement district has the power to charter schools for 10 years. If White could show what he could do with a school like Frayser High, Barbic told him, then White and his charter school group might be able to open other charter schools as well. It was an enticing prospect.

Community suspicions of charter schools were never going away, says White, but neither were charter schools and education reform. The smart thing to do, he says, was to "take advantage of the opportunity, as opposed to shunning it." As he saw the challenge, Frayser High could "have someone who's from here, who understands people, who understands the culture," and who offers a team that is "excellent at what they do, and serve with pride, passion, intellect and professionalism on a daily basis." Could that, White asks, "get students where they need to be? We won't know if we don't try?"

So with Barbic's help, White secured a fellowship in the Tennessee Charter Incubator, a yearlong training program, and formed Frayser Community Schools. Last fall, the ASD gave his group the responsibility for running Frayser High School.

There is just one catch. White has to turn around one of the state's most troubled high schools. Most charter schools start small—with a class or two. They carefully nurture a culture of respect, excellence and high expectations and then gradually add students so as not to dilute that culture. Frayser High would be something else entirely. It is a takeover of an existing school, an existing culture and a school zoned for students from one of Memphis' poorest neighborhoods.

Barbic is giving the hardest turnaround job in the state to, arguably, the least experienced school operator. But, Barbic says, "This is a bet on Bobby." **G**

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The Verdict

San Jose has gone further than other big cities in reducing pension costs. Next month's election will deliver the final word on that political gamble.

By J.B. Wogan

San Jose, Calif., Mayor
Chuck Reed



Measure B, which cut benefits for new hires, was passed in 2012 with 69 percent of the vote.

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Local government isn't what it once was in San Jose. In 2001, California's third-largest city employed almost 7,500 full-time workers. After 10 consecutive years of spending cuts caused by budget deficits, the number is closer to 5,400. The public library system has lost more than a quarter of its staff, forcing branches to cut operations back from six days a week to four. The parks department has closed all but 11 of its 54 community centers. Public safety has taken a hit, too. The city has 300 fewer police officers and 200 fewer firefighters than a decade ago.

The obvious culprit is the Great Recession, which took its toll on city revenues. But in San Jose, the recession isn't the biggest fiscal problem. Pensions are. San Jose's pension costs currently take up more than 20 percent of the city's general fund, up from 6 percent in 2001. (The national average for big cities is estimated at about 12 percent.) For much of the last decade, San Jose's pension deficit created a depressing cycle in which total city spending rose each year despite annual service cuts. It hasn't mattered that the public workforce has shrunk by 28 percent because the average cost of each remaining employee has grown by 85 percent due to the city's commitments to retirees.

Chuck Reed, the city's Democratic mayor, has been focused on pension problems ever since he first took office in 2007. In 2010, he announced that San Jose had reached a point of "services insolvency" and called for some of the most drastic changes to retiree benefits anywhere in the country. "I wish I had started sooner," he says, "but it's hard to convince people to do something before a crisis."

In 2012, holding together a Democratic majority on the city council, Reed abandoned negotiation with public employee unions and pushed through a pension-cutting ballot measure. Voters approved the referendum with 69 percent of the vote. Two years later, Reed says he has no regrets about the decision, but concedes that "there's a price to pay, especially if you're a Democrat." The passage of the pension measure angered union leaders

and prompted the local Democratic Party to question Reed's party loyalty. Now, as he prepares to leave office after two terms, they have an opportunity to hold one last referendum on the mayor and his pension tactics.

In November, voters will elect a new mayor and three city council members—just enough turnover to threaten the benefit cuts that were enacted in 2012. A group of labor-backed candidates who survived the June primary say they'll unravel core elements of the pension measure if voters give them a chance.

The vote on pensions in San Jose will have far-reaching implications in California and beyond. Recently, state and local governments throughout the country have had to contend with unaffordable benefits granted to employees in flush economic times. The majority of places aren't in as bad shape as San Jose, but a February review of state public pension systems by the Brookings Institution found that most hadn't kept up with payments, leaving a nationwide funding gap of \$2.7 trillion. "The political incentives to push funding responsibilities on to future generations were too tempting to withstand," the authors of the review wrote.

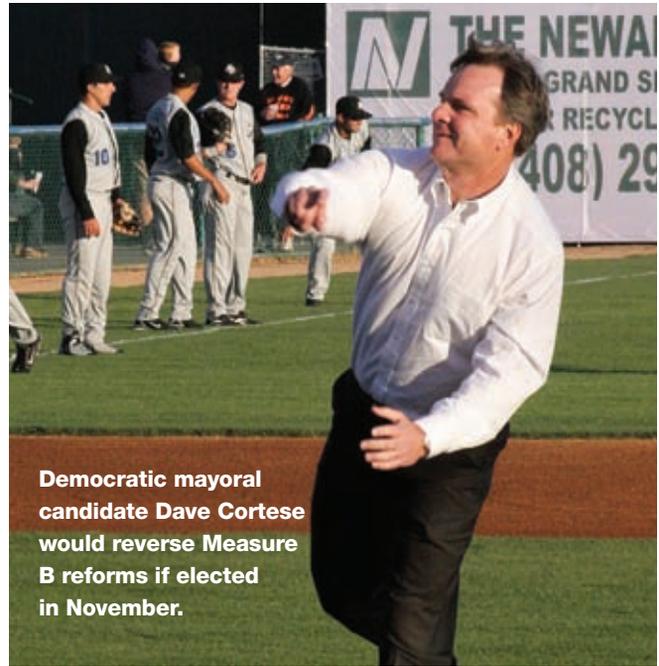
The San Jose mayoral election will shed some light on what happens to elected leaders who are determined to do something about underfunded pensions. It will also test whether Democrats who have long relied on organized labor to win office can risk the political fallout of cutting a prized union benefit in order to protect basic city services.

Some of San Jose's pension problems can be traced to decisions by the state of California. During Silicon Valley's dot-com boom in the late 1990s, the California Legislature and then-Gov. Gray Davis enacted a law that lowered the retirement age for all state workers and elevated the maximum possible benefit for state public safety workers. Under the new law, a retired highway patrol officer as young as 50 could collect a lifetime of annual payments equal to 90 percent of his final year's salary.



City Councilman Sam Liccardo, a Democrat, hopes to succeed Mayor Reed.

Flickr/TOM CLIFTON



Democratic mayoral candidate Dave Cortese would reverse Measure B reforms if elected in November.

Flickr/TOM CLIFTON

Legislators believed the state could afford to pay more expensive retirement benefits because they used optimistic forecasts of how much their pension fund investments would yield in returns each year. “They thought the stock market would keep going up forever,” Reed told a state commission in 2010. “It’s the greatest financial blunder in the history of California.” The legislature’s decision applied only to state workers, but it put pressure on local leaders to make similar offers to their employees. San Jose and other large cities felt they had to grant similar benefits or risk losing their best workers to jurisdictions with better retirement packages.

To be sure, factors outside city officials’ direct control also contributed to San Jose’s difficulty in keeping up with the rising cost of pensions. Retirees are living longer and collecting extra years of payments as a result. Revenue from property taxes and sales taxes fell far short of projections during the recession as real estate values dropped and residents had less money to spend. Nonetheless, many who have followed San Jose’s pension controversy agree that the onus mostly rests on political leaders who spruced up benefits for public employees during an economic boom without anticipating what would happen if the economy tanked in the future. “The employees who receive the benefits did nothing wrong,” says David Crane, a pensions researcher at Stanford University. “Politicians who curry favor make these promises and then can’t fund them.”

The package that Mayor Reed steered through in 2012, known simply as Measure B, sought to save money by reducing the city’s obligation to spend on retirement benefits for both new and current employees. The part that has already gone into effect targets new hires, delaying their age of retirement, limiting cost-of-living increases and forcing them to cover half of the annual pension costs—up from the 25 percent workers had previously been paying.

A number of jurisdictions at the state and local level have cut the benefits of future hires. The boldness of the San Jose plan

lay in its reduction in benefits for current workers as well. That is where the bulk of the projected \$68 million in annual savings was expected to come from. But a county judge ruled in February that the city couldn’t reduce its obligation to pay retirement benefits to current employees because the benefits amounted to a contractual right promised at the point of hiring.

Reed and a narrow majority on the current council want to bring the case before the state Supreme Court, where it is believed they would have a chance to win. The slate of labor-backed challengers running for council seats this year would prefer to settle out of court with the unions. The vote next month will determine whether the next mayor and council decide to continue pressing the pension reform case or forgo some of the biggest savings embedded in Measure B.

After work on a Tuesday night in August, labor’s preferred candidate for mayor of San Jose walked into a room packed with new campaign volunteers. “We’ve already changed the entire dynamic of this election,” Dave Cortese told them. “We’re going to get swept into office with all of you because it’s your city hall.”

Cortese is running as an outsider challenging the city’s political power structure. It’s an unlikely role considering he has held elected office for the past 14 years, first as a San Jose city councilman and currently as a member of the Santa Clara County Board of Supervisors. He has a long business résumé that includes time as a lawyer, real estate manager and restaurant owner. Yet he has become the champion of public librarians, city electricians and cops who feel alienated by the political establishment and want a change in city hall leadership.

In June, Cortese finished first with 34 percent of the vote in an open primary that pitted him against four incumbent council members who supported Measure B. Cortese is a long-time critic of the measure. His opponent for mayor next month is one of its architects, Councilman Sam Liccardo.

Both are pro-transit, anti-sprawl Democrats and the grandsons of Italian immigrants, but their endorsements suggest different flavors of liberalism. Cortese has won the backing of just about every public employee union in the metro area, plus that of five former San Jose police chiefs. Liccardo counts among his supporters three of the last four mayors, the chamber of commerce and more than 50 CEOs from local businesses.

Cortese interprets his first-place finish in the primary to mean that voters have undergone a change of heart since Measure B passed. By his rationale, voters were more likely to favor cuts to public employee benefits in the years immediately after the Great Recession, when layoffs, pay freezes and furloughs were felt in the private sector as well. Today, with unemployment in the San Jose metro area down to 5.5 percent, Cortese believes the electorate will be more sympathetic to public workers who saw their benefits rolled back during the economic slump.

Cortese is also trying to tie Reed's budget and pension cutbacks to public safety problems in the city. Residents have voiced frustration over slow police response times and the lack of a burglaries investigation unit. Both were budget cut casualties.

Before the recession, the city had about 1,400 patrol officers—already a lean operation for a million residents—but now there are fewer than 1,000. Citizens want more cops on the street, but the police department is shedding officers and struggling to replace them. Case in point: The first class of police cadets hired after the passage of Measure B will graduate this fall. Of the original 50 cadets, only 13 remain. Many have either resigned or left for other departments. “You’re not in a bubble,” Cortese says. “It’s a basic business principle. You can’t offer your employees consistently less than everybody else.”

It’s impossible to discern how much pension reform has to do with police departures, especially since the biggest changes haven’t gone into effect due to court battles. But even Measure B’s most fervent champions admit that San Jose offers lower pay and benefits than neighboring jurisdictions. Liccardo says he’d like to slowly restore the value of benefits lost under Measure B, but to give them in the form of salary boosts, not long-term retirement funds. To that end, the council passed a 10 percent pay increase for cops last year and Liccardo says he is looking for other ways to build back the police force.

Any recruitment efforts, however, will be in spite of the disgruntled Police Officers’ Association. Jim Unland, president of the union, says that since Measure B passed, “there’s no one to work with over at City Hall” and his group has turned to campaign tactics in the hopes that by defeating council members who defied the union, they can re-establish some influence. The Police Officers’ Association already singled out Councilman Pete Constant, a former cop who supports Measure B, by calling him a traitor and kicking him off the union’s board of directors. “They completely turned against me,” Constant says.

The union has also rejected several olive branches from the council, including an offer to pay more to Spanish-speaking officers and to those who earn advanced degrees. Most recently, the council considered asking voters to approve a specialized sales tax for public safety services, but the union rallied enough opposition to keep it off the November ballot. At this point, the union appears

to be focused on a significant electoral victory rather than fighting for incremental concessions that Liccardo could tout as proof of his goodwill toward the aggrieved public workers.

The battle over Measure B is often portrayed as unions resisting all cuts to worker benefits, but Unland says that’s not accurate. In the failed labor negotiations in 2012, both the police and fire unions offered concessions that look similar to the changes now in place for new hires—they just wouldn’t budge on revising benefit packages for current employees.

Police officers recognize that pensions pose a financial problem to the city, Unland says, but they object to Measure B as the solution. Any cuts to retirement benefits, he says, should have been the result of labor negotiations. Instead, he argues, Reed, Liccardo and most of the council made changes to pay and benefits without the typical compromises that come from negotiating with workers.

It’s possible to explain Reed, Liccardo and other Measure B-supporting Democrats in San Jose as having turned against the principles of their party, and some critics do make this accusation. “They’re Democrats in registration only,” says Steve Preminger, chair of the Santa Clara County Democratic Party.

But Liccardo insists that pension reform has to become part of the Democratic agenda. Measure B represented the least painful way to preserve and restore core city services, he says, from paving roads to housing the homeless. Yes, retirement benefits will be worse for city workers going forward, but that sacrifice was the lesser of two evils. Liccardo sees the upcoming election as a choice between prioritizing employee benefits or city services. “I think the future of the Democratic Party hangs in the balance,” he says. “Democrats believe that government can be a force of good, but if you’ve got crippling debt, it renders government ineffectual.”

Although Liccardo finished second to Cortese in this summer’s primary, the numbers give him some reasons to be optimistic. Liccardo and other mayoral candidates who ran on a pro-Measure B platform collectively won 62 percent of the primary vote. Meanwhile, the city’s overall financial health has improved, allowing four new libraries to open, 900 streetlights to be turned on and 76 firefighters to keep their jobs after funding from a federal grant expired. Following a decade of neglected infrastructure maintenance, the city is also spending \$16 million this year on paving roads. The restoration of services and staffing is partially due to Measure B: The portion of the law dealing with new hires, which survived a court challenge, began saving the city an estimated \$20 million a year, starting in 2014.

While Liccardo works to convince voters that he deserves credit for the city’s incipient turnaround, Reed is already making plans to expand his pension crusade after he leaves office at the end of the year. He and three other California mayors want to place an initiative on the 2016 statewide ballot that would change the state constitution to give cities greater latitude in controlling pension costs. Until state law changes, he says, the risk of lawsuits is too great for smaller cities to deal with those costs. **G**

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The Durhals of Detroit: Rep. Fred Durhal Jr., right, has served as a Michigan state representative since 2002. His son, Fred III, is now running to replace his term-limited father.

SCOTT STEWART

All in the Family

Political dynasties have helped shape state and local governments for generations.

Fred Durhal III has spent most of his 30 years immersed in Michigan politics. His father was chief of staff to U.S. Rep. Barbara-Rose Collins in the 1990s, and family dinners with Collins were part of the routine. Since 2002, the elder Durhal has served on and off as an elected representative in the Michigan House, and his son has spent the past several years by his side in Lansing as a campaign worker and then a legislative aide. Father and son would sit together in committee meetings and on the House floor. Rep. Durhal would explain to his son the workings of the legislature and why the appropriations committee was the most important in the Capitol. Today, Durhal III will occasionally slip into calling his father “Rep.”

But going into politics wasn't always the plan for Durhal III. He played trombone in high school and spent some time studying with the Detroit Sym-

By Dylan Scott

phony Orchestra. “Like everybody, you kind of run away from what your parents do,” he says, “away from the family business.”

And his father never intended to groom a political heir. “I didn’t want my kids to be politicians. It can be a rough life,” says Rep. Durhal, who acknowledges that the rigors of political life contributed to his divorce from his sons’ mother while they were still young. “It can take away from your ability to spend time with family like you really want to. There is a sacrifice that you make.”

Nonetheless, Durhal III was eventually drawn to the idea of running for office himself. “I got the political fever,” he says. Five years ago, he announced to his father that he wanted to run to replace him once he was term-limited out in 2014. Since then, the legislative education from father to son has intensified. Occasionally, they’ll squabble over a vote taken by the older Durhal, who has been known to retort, “I’m the Rep. right now.” But if next month’s election goes as anticipated—the elder Durhal won by huge margins in his three campaigns—there will soon be another member of the family who will go by “Rep.”

The Durhals of Detroit are a budding political dynasty, but the tradition is almost as old as American democracy itself. From the Adamses, the Roosevelts and the Tafts, to the Kennedys, the Bushes and the Clintons, American politics is a forest filled with intricate family trees. This year’s elections are no different. In Louisiana, U.S. Sen. Mary Landrieu—daughter of former New Orleans Mayor Moon Landrieu and sister of current Mayor Mitch Landrieu, who was re-elected earlier this year—is running for a fourth term. In Georgia, the Democratic gubernatorial candidate is Jason Carter, grandson of President Jimmy Carter.

It’s hard to pin down just how many dynasties exist in American politics. In 1989, a professor at the University of Southwestern Louisiana estimated that one-fourth of state and parish officials had another relative in office. In a 2010 analysis of Congress, Harvard University’s Brian Feinstein concluded that 12 percent of U.S. House candidates from 1994 to 2006 were members of a political dynasty.

Obviously, political scions have some built-in advantages, mainly name recognition and the ability to tap into an established

From the Adamses, the Roosevelts and the Tafts, to the Kennedys, the Bushes and the Clintons, American politics is a forest filled with intricate family trees.

fundraising network. That can give them a leg up on opponents who aren’t as connected. In his analysis, Feinstein pegged a “brand name advantage” as the most important attribute that gave dynastic candidates a better chance of political success, particularly in the primary stage, which is arguably the biggest hurdle for new candidates. “Think of the early stages of a race, when people are

thinking about whether to run,” says Dartmouth College’s Brendan Nyhan, who has written about political dynasties for *The New York Times*. “The prospect of taking on a dynastic candidate, who has insider connections, who has the ability to at least potentially have donors that other candidates might not be able to access, and who has other kinds of credibility and resources to draw on—I think that matters.”

Of course, name recognition may not always work completely in a candidate’s favor: The prospect of a 2016 Bush-Clinton presidential face-off, for example, tends to elicit more groans than cheers. As even Barbara Bush said last year about the prospect of a White House bid from her son Jeb, the former Florida governor, “There are a lot of great families. ... There are other people out there that are very qualified and we’ve had enough Bushes.”

Most members of a political family, however, will say it’s not about connections or fundraising or name recognition. It’s just in their blood. “We’re not trying to start a dynasty,” Rep. Durhal says. “But what I am trying to do is to ensure we have good representation out there. I know I was a good representative, and I want to make sure that that kind of service continues down the line. And if it’s my sons doing it, a father could not be more proud.”



One of the oldest and most established dynasties in local politics is the Sullivan family of Cambridge, Mass. Michael Sullivan was first elected to the Cambridge City Council in 1993 and today serves as the clerk of courts for Middlesex County. His political lineage goes back for the better part of a century: There’s been a Sullivan in office in the Cambridge area since 1936, a nearly 80-year span of continuous public service.

Sullivan assumed the seat vacated by his father, Walter, a three-time mayor and former state legislator. Walter had followed his older brother Edward, who in turn had inherited the seat from their father, the patriarch of the Sullivan political clan, Michael “Mickey the Dude” Sullivan. They spread themselves around too. When Michael left the city council to run for county clerk of courts in 2007, he was running to replace his uncle Edward, who had been clerk for nearly 50 years after leaving the city council in 1960 and being replaced by his brother, Michael’s father Walter.

Michael Sullivan never knew any other life. His father was elected to city council the year Michael was born. His childhood was spent standing alongside his dad in civic parades and running into city hall to ask his father for ice cream money. “I didn’t think anything about it. It was just my dad, it was just what he did,” says Sullivan, who is now running to be Middlesex County district attorney. “My dad always taught us that it was important to give back and the difference you can make in making government work. It became a family tradition that I fell in love with.”

Sullivan says his father never pressured him to enter public life, and he plans to take the same approach with his two sons, 14 and 15. But the rumblings of another generation of Sullivans in public office have already started. Sullivan’s sons already ask on occasion how old they would have to be run a campaign, Sullivan



The Sullivans of Cambridge: The area in and around Cambridge, Mass., has been represented by a member of the Sullivan family for nearly 80 years. Michael Sullivan, right (with his father Walter, center, and his uncle Edward, left), is currently the clerk of courts for Middlesex County.



WISCONSIN HISTORICAL SOCIETY

The La Follettes of Wisconsin: Robert M. La Follette Sr., standing at right, served as governor and, later, as a U.S. senator representing Wisconsin. His son Robert Jr., standing in center, would also serve as a senator; his other son Philip, seated on ground, would go on to become a three-term governor.

says, joking that “maybe one of them will be the youngest Sullivan elected.”

He balks at the idea that familial rule is somehow aristocratic or anti-democratic. Being part of a political dynasty can actually be a hindrance, he says. “It means you have to work harder. There’s always some presumption that you’re just another political family. You have to work harder than anyone else [to show that] there’s merit to what I’m doing, that it wasn’t just based upon my family tradition. It was in my own right.”

That’s a mentality that resonates with Durhal III as he canvasses his father’s legislative district in Michigan this fall. “Our dad always told us, ‘Be your own man,’” he says. “It helped me to be able to go out and say, ‘These are my ideas on, say, education.’

Not to say anything bad about [my father]. But these are my ideas. As good of a public servant as my dad is, I want to be a hundred times better than that.”

Political dynasties aren’t always as linear as the Durhals or the Sullivans. When Barbara Roberts first arrived in the Oregon Senate to work as her husband Frank’s legislative assistant in 1975, Frank’s second ex-wife Betty was already in her second term as a state senator. Meanwhile Mary Wendy Roberts, Frank’s daughter from his first marriage, was over in the House. Over the next two decades, the Robertses would serve as state legislators, labor commissioners, agency

heads and state Supreme Court justices. Barbara was elected governor in 1990 after stints as a state representative and secretary of state.

“People always got confused about who was related to who,” she says. “We probably should have put out a flow chart.” She recalls colleagues in the statehouse sometimes mistakenly calling her “Betty,” confusing her with the second Mrs. Roberts. There were other, more delicate downsides as well. After they shared Frank’s terminal cancer diagnosis with the public in 1993, during her term as governor, Roberts remembers a constant stream of colleagues and strangers asking how the family was doing. They meant well, she says, but it was a lot to bear. “I couldn’t get away from it. It was always right there.” If the Robertses didn’t have myriad connections to state government, she says, “maybe I wouldn’t have had to answer that question 50 or 80 or 100 times a day.”

Then there are cases in which family connections are even more tenuous. Doug La Follette has served as Wisconsin’s secretary of state on and off for the last 40 years, so voters presumably know who he is by now. But when he was first launching his political career with a congressional race in 1970, one of the biggest questions he got was how exactly he was related to the Wisconsin La Folletes, a family that had produced a state attorney general as well as three governors, including Robert “Fighting Bob” La Follette, who also served as a U.S. senator

from 1906 to 1925 and was the 1924 Progressive Party presidential candidate.

Doug La Follette’s relation was relatively distant. His great-grandfather was Fighting Bob’s uncle. But he readily admits that the family name helped give him his start in politics. “Because my name was so connected to politics in Wisconsin, some people said, ‘Well, gee, you should run for office,’” he says. “People would assume that. They’d ask, ‘Are you a cousin, or a nephew, or what?’”

His political opponents tried to make hay out of the loose family ties. La Follette twice had to produce a birth certificate to counter attacks that he was not a “real” La Follette. Still, he says that while his surname was an asset, he never intentionally traded on it.

Back in Detroit, the Durhal family is already looking beyond Fred III’s presumptive win next month. Brian, Fred III’s younger brother, approached their father at a campaign event in August at Wayne Community College, where Brian is still a student. “Dad,” he said, “I think I want to do this too.”

The outgoing Rep. Durhal told his younger son to finish college first and then they’d talk. “I told him, ‘You have the background to help you get there. Finish school. By the time you do that, Fred’s time will have come and gone, and we’ll look at running you next.’” **G**

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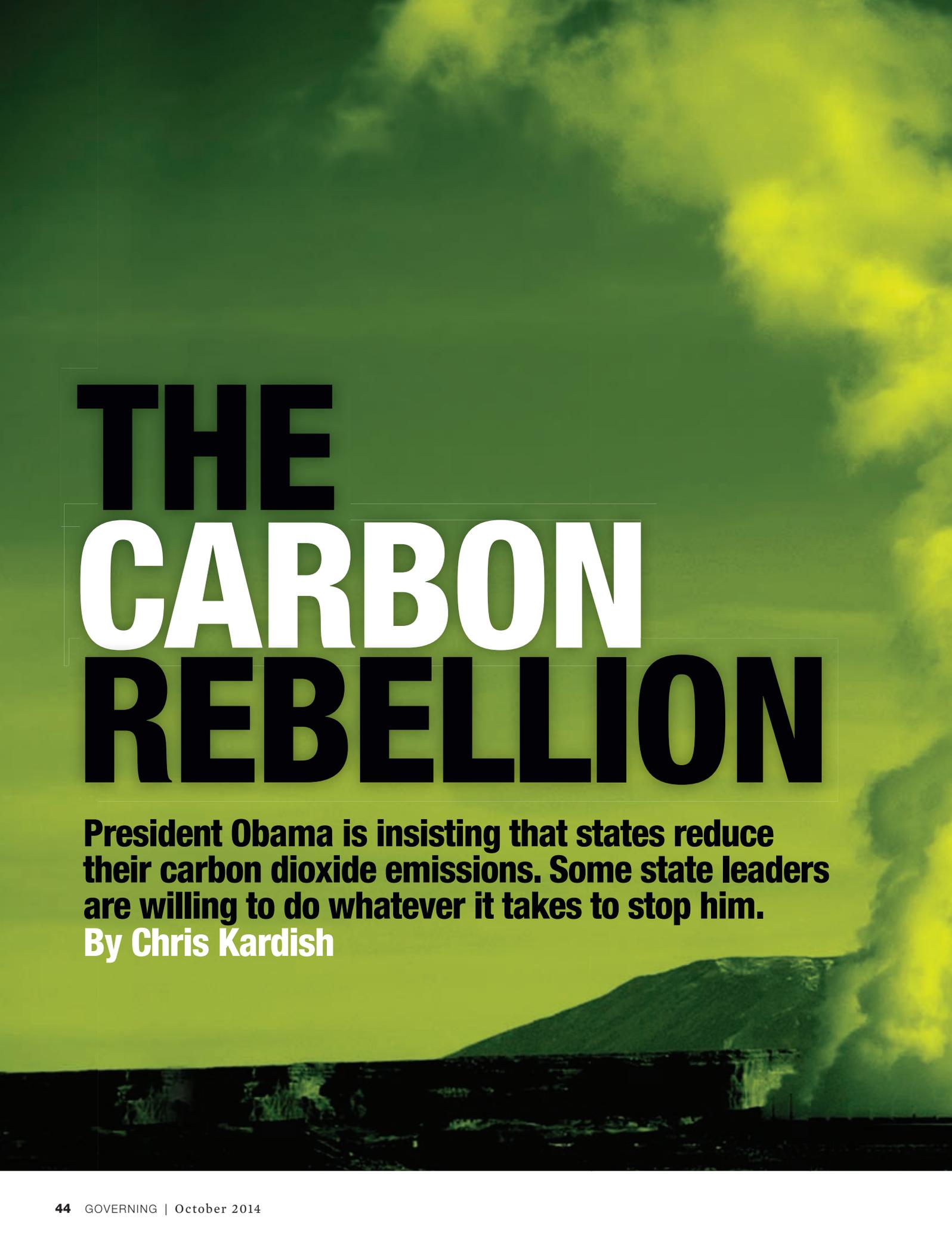
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THE CARBON REBELLION

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By Chris Kardish



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Outcries against federal overreach and job-killing regulation. Lawsuits aimed at preventing a bold domestic initiative from ever taking shape. Bills in legislatures asserting state supremacy over federal law. Refusal by some to participate altogether.

It sounds like the campaign against the Affordable Care Act. But it's a different Obama policy—the one demanding substantial nationwide reductions in the level of carbon dioxide (CO₂) emissions—that has elicited this reaction. In June, the Environmental Protection Agency (EPA) announced new rules mandating that CO₂ levels fall below 2005 amounts by the year 2030. This would force states into major regulatory overhauls, spur large-scale shifts toward cleaner natural gas and potentially lead to the outright closure of some coal plants. The result in some states could be a significant economic disruption.

That's why states are airing grievances privately and publicly as the EPA takes comments on the proposed rules and the individual state reduction targets it establishes. It's why legislatures are passing bills and resolutions announcing their opposition to the rules. It's why some states are setting guidelines that undermine reduction targets in an effort to mitigate economic pain. And it's why states are suing the EPA even before the rules become final next summer.

For many state regulators, the amount of work needed to meet reduction proposals means they'll have to start planning immediately, even before the rules are final. CO₂ reduction targets

Die-hard opposition is a riskier enterprise on this issue than on the Affordable Care Act.

range from 72 percent in Washington state to 11 percent in North Dakota, depending on what the EPA thinks states can reasonably achieve through fuel-switching, improved efficiency and reduced demand among consumers. In some cases, state environmental regulators will be crafting these plans while the state's attorney general sues to stop the provisions.

As with the Affordable Care Act, the legal arguments bubbling up from conservative circles stress philosophical opposition to expanded federal control and charge violation of statutory power. But die-hard opposition is a riskier enterprise on this issue than on Obamacare. If the challenge falls short, and courts uphold the new rules, defiance will trigger an even more burdensome federal plan, the details of which EPA officials have left unclear. Would a substantial number of states ignore this threat and refuse to cooperate even if they lose in court? The answer is likely no. Some states will want to back down rather than set in motion the tougher brand of federal mandates. Other factors will also come

into play, from the economic boon many states will receive from increased reliance on natural gas over coal, to political pressure from utilities to avoid unpredictability. There may be a strong ideological resistance to the rules, but the chances of a unified political front are less likely than in the health-care battle.

Still, that doesn't reduce the noise level very much. If anything, the volume will continue to rise before the contentious issue is finally settled.

Arizona has become a front line in the debate. Currently, it's the state that stands in staunchest opposition to the proposed EPA rules. Back in 2010, conservative state lawmakers, sensing new emissions regulations were in the offing, passed a law forbidding state environmental officials from adopting any plan to regulate greenhouse gas emissions. Rep. Debbie Lesko, a Republican, typifies the anti-regulation stance of many Arizona legislators. Any new emissions rules, she believes, would send utility rates skyrocketing. In fact Lesko, who is the state chair of the American Legislative Exchange Council, the national limited-government coalition of lawmakers and lobbyists, says more states should follow Arizona's lead in banning CO₂ regulations. "A bunch of states should band together," Lesko says, "and do the same type of legislation to forbid their agencies from getting involved with a state implementation plan, because my reaction, again, is that if enough states join together there will be so much momentum that either Congress will have to stop this or it will just be impossible for the federal government to implement a plan."

Others in the state disagree. Rep. Frank Pratt, a Republican who chairs the natural resources committee in the state House, says he wants to rework the 2010 law next year, but he acknowledges there are vocal contingents in the state, both conservative and liberal, that will push in different directions. "We've got the extreme far right, we think there may be some opposition there," he says. "We've got a Democratic side that's kind of in sympathy with the Sierra Club. It's going to have to be a stakeholder process, and we just have to start somewhere on it. But we certainly have to respond [to the EPA]."

Today the general feeling in Arizona seems to be that federal regulations would be bad—but barring the state from preparing for them would be worse. At a legislative hearing in June, officials from the Arizona Department of Environmental Quality complained about the EPA's 52 percent reduction target, but also said lawmakers would need to change state law during the upcoming 2015 session or risk missing the federal deadlines.

There's also a grudging acceptance of the rules by many Arizona utilities, which fear being hamstrung by lawmakers refusing to comply with the feds. Not all utilities have responded the same way, of course; those that are more heavily dependent on coal can be expected to fight harder against the new power plant rules. But by and large, there's a recognition that ignoring Washington altogether could be problematic. Tucson Electric Power, for example, has coal-fired generators but also has staked a place as a leader in renewable sources, such as solar energy. The company may not love the new regulations, but its lobbyist, Larry Lucero, urged the legislature to change the state

law so his company has the flexibility to comply with the EPA in the most cost-effective way. The state, he says, “needs to have its handcuffs removed.”

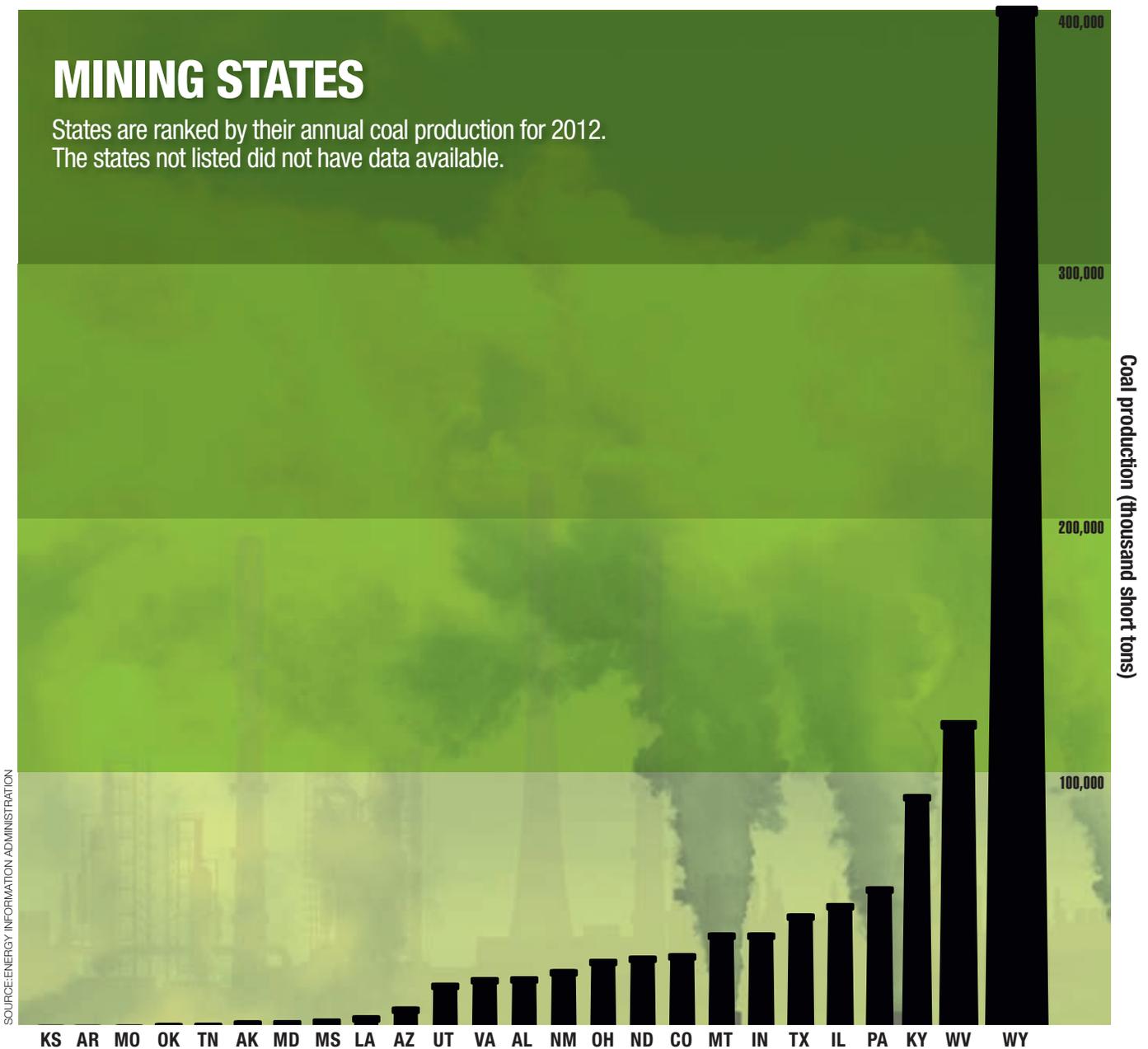
What exactly would a federal implementation plan look like? The EPA hasn’t said, but one attorney who has extensive experience with the agency says “the logic just screams cap and trade.” The reason: Cap and trade—a system that would limit emissions to a certain overall rate, but would allow utilities and other energy producers to exchange emission permits up to that point—is far simpler to administer after initial setup than a system of individual quotas. It is also more easily enforceable from a legal standpoint. “You want a plan [for a system] that will basically run itself but take you where you want to go,” says Bill Pedersen, a lawyer

noted for his mastery of the Clean Air Act, which gives the EPA authority to regulate emissions. “Cap and trade fits that description to a T.”

At the moment, 12 states are challenging the preliminary EPA rules. The roster includes a few surprises. Texas, for example, a major coal producer and frequent litigator against a variety of federal rules, might have been expected to join the protests, but hasn’t officially done so. Texas’ railroad commissioner has said the state will ultimately mount a legal challenge, but Texas, a state that prides itself on how often it sues the EPA, didn’t join others in the suit filed in August, and didn’t file a brief of support for another suit filed in June by an Ohio-based coal company. Unlike many other states, Texas also didn’t pass a resolution or bill addressing

MINING STATES

States are ranked by their annual coal production for 2012. The states not listed did not have data available.



SOURCE: ENERGY INFORMATION ADMINISTRATION

the new rules either before or directly after they were announced. Bill Cobb, a senior counsel to the state's attorney general who has litigated against other federal environmental initiatives, says that while he "appreciates the sentiment" of lawmakers who want to fight, that kind of defiance "would be wholly ineffectual," leading instead to a forced federal plan.

Part of Cobb's skepticism about legislative defiance stems from a stand against the EPA that Texas recently walked back. When the EPA started requiring permits for new sources of greenhouse gas emissions in 2010 (the recent proposed rules apply to existing sources), the agency deferred to state and local authorities to carry the policy out. Texas refused, which led the EPA to take over. Bottlenecks ensued, businesses complained and last year Texas lawmakers quietly assumed authority over permitting. "They said, 'If it's going to be regulated, we want it here,'" Cobb says. "There's a question then of how well the strategy worked if they're doing what EPA wanted them to do in the first instance."

But there is another possible reason why Texas has been lukewarm when it comes to fighting the EPA on carbon dioxide. The state is far and away the country's largest producer of natural gas, which is expected to edge out coal as the nation's most common source of fuel for power plants by 2030. States will have to accelerate their switch to gas and other sources if they want to meet the EPA reduction targets, because coal generates so much more carbon dioxide. That means many will be buying their fuel from Texas, which produces two and a half times the amount of natural gas a year as the next highest state, Louisiana. A report from the Center for Strategic and International Studies found that the southwestern region of the U.S. as a whole stands to gain \$16.7 billion in annual coal and gas production revenue under the new EPA rules, even after accounting for any increases in household and business energy costs. That is not counting a boost to renewable sources of energy, where Texas is also a leader in wind and solar generation.

The dynamics are a bit more complicated in Pennsylvania, which is the third largest producer of natural gas but also ranks fourth in coal production. State Rep. Pam Snyder, who hails from the coal-producing southwestern part of the state, introduced a bill requiring state regulators to get the legislature's approval before submitting any plan to the EPA. But her bill met opposition from environmentalists, some utilities, nuclear energy companies and others who feared that leaving too much authority with a fractious legislature was a recipe for inaction, virtually assuring a federal implementation plan.

The bill allows the legislature to shut down a plan if it doesn't adequately protect coal. But Snyder added an amendment that offers a little wiggle room: If legislators fail to act on a resubmitted plan, regulators could move ahead on their own. She says she agreed to a compromise because a federal plan would likely take broad strokes without minimizing the damage to coal producers.

A similar attitude of caution prevails in influential quarters of West Virginia, another major coal producer that strongly disputes the feasibility of the EPA's reduction targets. Unlike Pennsylvania, West Virginia is already suing. But that suit didn't come at the direction of Gov. Earl Ray Tomblin, who, in the words of a spokes-

woman, "continues to work with the West Virginia Department of Environmental Protection to explore other opportunities to urge the EPA to develop reasonable standards that balance the environment and economic opportunity."

State environmental officials aim to at least amend the EPA's 20 percent reduction target for West Virginia because they believe the EPA overestimated the state's capacity to switch to other forms of energy and improve existing efficiency. Litigation doesn't change the job of state regulators, but it casts uncertainty over their task, given the timetable to put together a plan, says Tom Clarke, the top aide to the state's environmental secretary. "We'll have to determine how our state legislation affects our ability to comply with the federal rule," he says, "and we'll be doing that in an environment in which the uncertainty of litigation—I don't know if it prohibits us from implementing anything, but it certainly impacts the whole picture."

Like at least eight other states, West Virginia has passed legislation directing state regulators to develop a plan with careful consideration paid to economic impacts. And as in many of those states, the bill that ultimately made it into law was softened in tone, adding language ordering state regulators to adopt additional measures designed to meet the EPA's new guidelines. The only major coal-producing state that has maintained a hard line is Kentucky, which is forbidding state regulators from requiring power plants to switch fuels to lower emissions.

This virtually assures that state regulators won't be able to meet the state's target, environmentalists argue. "Because these bills could have potentially increased the costs of complying, in all of the states except for Kentucky they were significantly weakened to make it look like states were rejecting EPA's standards without actually rejecting them," says Aliya Haq of the Natural Resources Defense Council's climate and clean air program.

In some cases, the attitude of defiance is softening after complaints from utilities, environmentalists and other lawmakers. A Senate bill in Virginia filed six months before the EPA made its announcement would have prevented environmental regulators from requiring utilities to switch fuels, a particularly prohibitive measure mirroring the one in Kentucky. Fifteen days later a new version of the bill dropped that language and tilted future analysis a bit more toward new sources of energy. The bill's sponsor, Sen. Bill Carrico, who represents Virginia's southwestern coal country, says the state's largest utility, Dominion Virginia Power, opposed the initial bill. Shortly after the EPA announced its proposed rules, the utility was touting its "diverse fuel mix."

Dominion's opposition was certainly a factor in the change, Carrico says, but so was the state's political balance and input from others. Carrico said he could abide making concessions, but couldn't accept a federal plan that he fears would sink a meat cleaver into the coal industry instead of a scalpel.

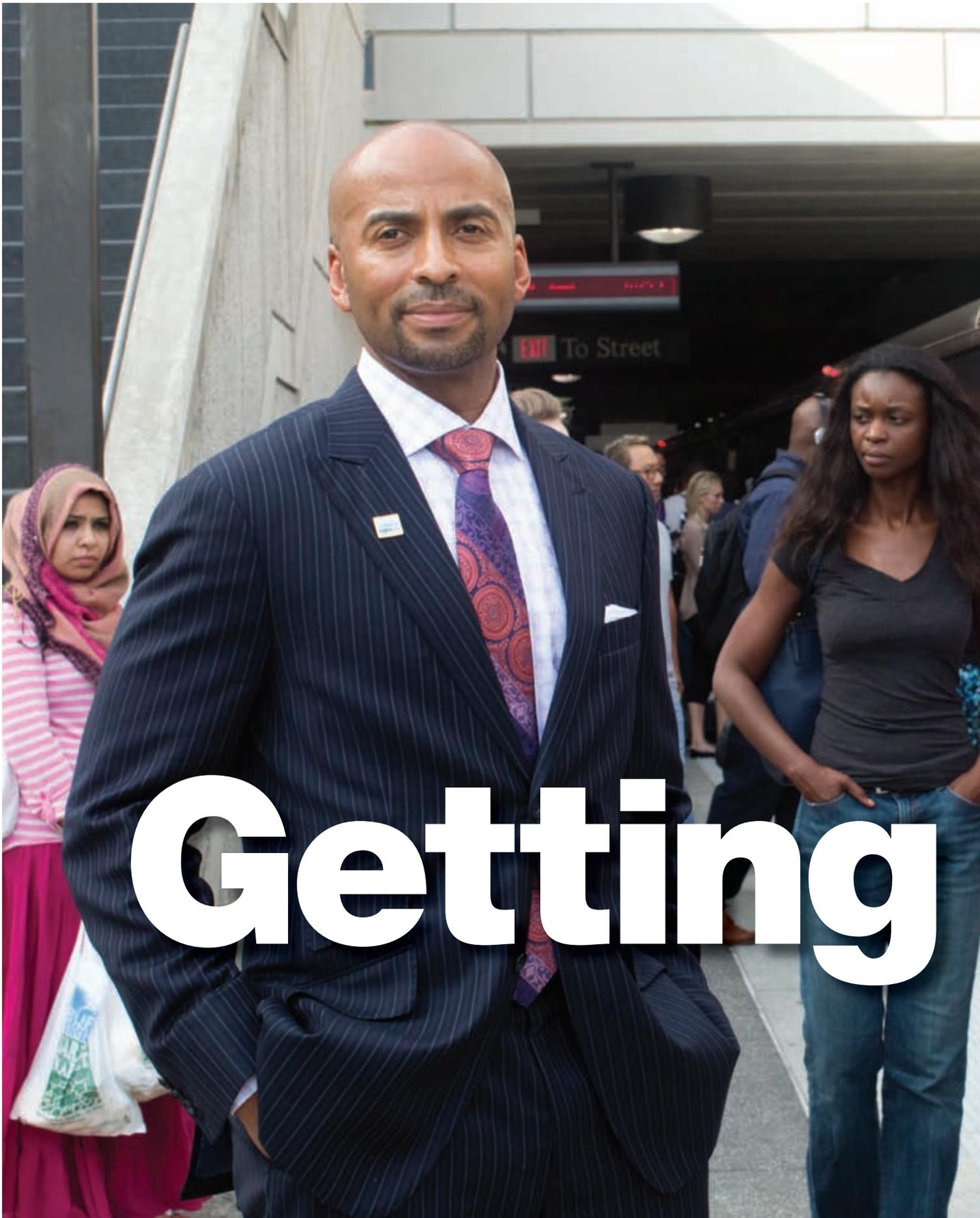
"We stand a better chance of putting together our own plan," he says. "[The EPA] may not like our plan, but if we can get together a legitimate plan that meets the criteria they're putting forward, then I feel we have a good shot." **G**

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PERPETUAL

The asphalt industry calls it Perpetual Pavement, but Perpetual Payment might be closer to the truth. That's because traditional life-cycle cost analysis (LCCA) doesn't consider the real costs of paving materials. Recently, using FHWA methodology, research found that typical LCCAs can underestimate asphalt costs by an average of 95%. Fed up with Perpetual Payment? Visit www.think-harder.org/perpetual.





**Keith Parker
took over one
of the most
beleaguered
and least
loved transit
systems in
America—
and almost
instantly
reversed its
course.**

There

By Daniel C. Vock

Photographs by David Kidd

Keith Parker had run large-scale transit operations in Charlotte and San Antonio, but he realized from the start that Atlanta would be his toughest assignment yet.

The beleaguered Metropolitan Atlanta Rapid Transit Authority (MARTA) is the ninth-largest enterprise of its kind in the country. But ever since its beginnings in the early 1970s, it has been ensnared in racial, regional and partisan acrimony. Georgia's state legislators have never been shy to criticize or to micromanage the agency, which they have denounced as inefficient and unreliable. Originally envisioned as a five-county system, MARTA has never been able to expand beyond its initial two counties in the center of the Atlanta metropolis.

Much of MARTA's problem has always been its unorthodox funding mechanism. Most of the nation's public transit agencies get about a quarter of their income from state funds, but MARTA doesn't get any operating money at all from the state of Georgia. Its budget is heavily dependent on local sales taxes, leaving the system especially vulnerable to economic downturns. During the Great Recession, MARTA took a cleaver to its operating expenses. A third of its bus routes were eliminated. Wait times between trains hit 15 minutes. Bathrooms in most stations were closed. Along with reduced services, passengers saw fares rise more than 40 percent. Customers were incensed. Ridership dropped by a sixth in the four years before Parker arrived.

"Many people in the transit industry view the MARTA job as the most complex one in the entire industry," Parker told Atlanta reporters shortly after being named the agency's general manager and CEO in October 2012. "I don't disagree."

That was two months before Parker officially started the job. Once he moved in, he would discover MARTA's problems were even deeper than he had imagined. Still, he dug in and has pleasantly surprised some of the agency's most persistent critics.

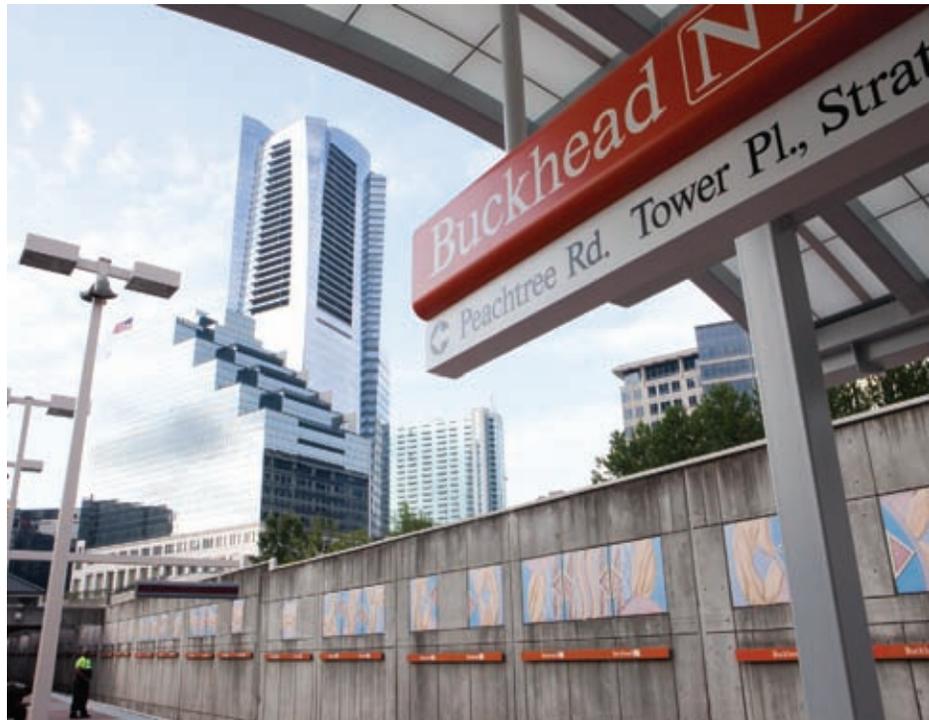
Parker wasn't the first MARTA manager to promise an improvement in the agency's fortunes, but most of the previous efforts had ended in disappointment. Parker's predecessor, Beverly Scott, who now leads Boston's transit agency, said one of the reasons she took the Atlanta job was that she believed MARTA and the region were on the cusp of a turnaround. The recession chilled any thoughts of recovery, and Scott spent most of her five-year tenure just trying to keep the agency afloat. Still, Scott and the MARTA board did commission an audit by the consulting firm KPMG that identified many ways the agency could shore up its bottom line. Parker and the board have used that audit as an owner's manual in setting about to overhaul the agency.

Unlike most of his MARTA predecessors, Parker has been helped by economic and demographic changes. The city of

Atlanta has been attracting more affluent residents, many of them drawn to walkable neighborhoods with good access to transit. Commercial construction is finally restarting after the slump of the recession, and many of the new projects are near MARTA lines. State Farm, for example, just broke ground for a major new campus that includes a 26-story tower linking directly to the agency's Dunwoody station.

Atlanta Mayor Kasim Reed has championed the reintroduction of streetcars to the city. The first streetcar line, which follows a nearly three-mile route through downtown and adjoining neighborhoods, is scheduled to start running by the end of the year. Plans call for it to eventually link up with the new BeltLine, a string of parks and trails that will someday encircle the city. While the city has taken the lead in developing the high-profile streetcar system, MARTA has been playing a role as well.

But for all the favorable outside news, community leaders say the biggest factor in MARTA's transformation is Keith Parker. "The reality is that a different general manager might not be delivering the results we are now seeing," says state Rep. Mike Jacobs, a Republican who chairs the legislature's MARTA oversight committee.



MARTA is trying to encourage mixed-use development near its stations.

Parker came to Atlanta with a history of making big improvements while operating across party lines. In San Antonio, working in a Democratic city in a Republican state, he oversaw huge growth in bus ridership. In Charlotte, where he presided over the installation of a much-heralded light rail system, Parker worked with two mayors: Pat McCrory, now the Republican governor of North Carolina, and Anthony Foxx, a Democrat who is now President Obama's transportation secretary.

He used those experiences to help resuscitate MARTA's bad image. When he introduced himself to the Atlanta media at his initial press conference, Parker let Atlanta residents know he was looking for a house near a MARTA rail station. Parker, who is 48 years old, appears frequently on Atlanta TV, in ads and in the news. With his shaved head and closely cropped goatee, he is easily recognizable. He's also easy to spot on the train, which he takes several times a day, to work and back and to meetings in between.

In his first few days on the job, he searched on Google for stories about MARTA over the previous six months. "I couldn't find

a single positive article about the agency—whether it's TV, newsprint, whatever," he says. "Just nothing positive. Overwhelmingly negative. Including my hiring." His near-unanimous selection was under scrutiny because of open-meeting concerns. "Even that turned into just a negative story for MARTA," Parker recalls. "So I viewed that as a major thing to work through: how we change the image of the agency."

Early on, he quickly became aware of just how bad MARTA's finances really were. The chief financial officer showed Parker a chart with budget projections for the next several years. For the current year, the chart included an anticipated deficit of \$25 million to \$33 million. It showed similar-sized deficits every year for the foreseeable future. The agency kept dipping into its reserves to bail out annual budgets. Only twice in the last 15 years had it ended up in the black. As of 2012, MARTA was down to \$120 million in reserves. In other words, in four or five years, the agency would be financially insolvent.

Parker listened to all the suggestions he could on how to save money, in small or large amounts. The KPMG audit said the agency spent too much on human resources, so Parker asked the department how to cut costs. Employees suggested switching to electronic pay stubs instead of paper ones. The change made MARTA employees happy, and it saved \$250,000 a year.

More important from a fiscal standpoint, Parker slashed the agency's use of outside technology consultants and brought the work in-house. That saved \$14 million a year. He pushed for the conversion of the remaining 30 percent of the bus fleet that ran on diesel to natural gas. Natural gas costs roughly a quarter as much

as diesel, so the switch saved \$5 million a year. All told, rather than losing as much as \$33 million his first year, as projected, MARTA closed the books with a \$9 million surplus.

Parker made sure the Wall Street rating agencies were paying attention. He visited New York to tout the agency's accomplishments, and, shortly afterward, Moody's upgraded MARTA's credit rating. That, in turn, helped MARTA save \$4.2 million on a bond offering.

As MARTA found savings, it worked to lure customers back to the system with better service. Ridership was and is an enormous problem for the transit system. Only 3 percent of commuters in the Atlanta region used public transportation in 2011. MARTA ridership declined by more than 4 percent a year for the four years prior to Parker's arrival, even as transit systems in other cities were gaining customers.



MARTA ridership has declined over the past five years.



When he took the job as CEO, Parker quickly became aware of MARTA's bad public image, troubled finances and rocky relationship with the state legislature.

Parker managed to reduce the wait times between trains from 15 minutes to 10 minutes. He hired bus drivers and reopened bathrooms. Last year, MARTA gave bonuses to employees who had not had a raise in seven years. In Parker's first year, the agency still lost ridership, but the drop was much smaller, 0.3 percent.

Some of the changes under Parker, though, have involved much more substantial long-term investment. There is a push to start five new transit-oriented development projects on MARTA land by the end of 2014. The idea is to transform the area around existing rail stations. Developers would replace surface parking lots with mixed-use projects featuring residences, restaurants, retail shops and office space. MARTA would lease, rather than sell, the land, which would give it another stream of income. These projects have the potential to benefit the neighborhoods and draw more riders to MARTA.

Other experiments involve smaller issues but ones highly visible to anybody who rides the system. The agency has tried to attract customers by addressing their concerns about safety. Most of the safety complaints involve relatively small nuisances that make the experience of riding MARTA uncomfortable, like persistent panhandlers asking for money, passengers blasting their music or rowdy teens fighting with one another. So Parker started what he calls a "no knucklehead behavior" campaign (its official title is "Ride With Respect"). The agency began cracking down last November on passengers who violated its new code of conduct. It added police officers and had them wear bright yellow clothes to make them more visible. So far, some 1,000 passengers have been suspended—some for a few days, others permanently.

MARTA aired TV ads promoting the effort to change its image. In the ads, rapper Ludacris says he likes to play his music loud—but not on MARTA light rail and buses. Comedian Jeff Foxworthy cracks that he likes the system better, now that some of his cousins aren't allowed to ride.

All of these efforts have led some state officials to see the transit agency in a different light. In the early months, despite MARTA's mounting deficits, Parker asked for very little from state officials. He did not seek a financial bailout. He only asked that state officials not pass any onerous new laws that could tie the agency's hands as it tried to prove its merit.

This was all a refreshing change for Jacobs, the Republican chairman of the state oversight panel. Historically, MARTA's relationship with the state legislature had been a rocky one. Jacobs

recalls MARTA and its union, under Parker's predecessor, painting a third of its buses and trains with red X's to signify the cuts MARTA would have to make if the state refused to help. The public shaming, Jacobs says, was "exactly the wrong approach to take with the legislature." Parker has avoided those kinds of tactics. "Those two approaches are very different," Jacobs says. "One was a bomb-throwing approach that was accompanied by no substantive changes in MARTA's operations. The other is a very personal type that is accompanied by substantive changes. What's not to like?"

From the beginning, though, transit advocates wanted Parker to put pressure on state legislators to support the agency, but the transit chief thought that was poor strategy. "It's like we'd be begging," he says. He urged them to wait until the agency got its own



Parker rides MARTA's trains to get to work and meetings.



The city is reintroducing streetcars and plans to open the first new line by the end of this year.

house in order first. “Then, when we go and talk to [legislators], it’s not asking for money, it’s asking for investment, because we are a strong group, worthy of investment. It’s a whole different conversation than going in with a position of total weakness.”

A year after Parker’s appointment, Jacobs wrote an op-ed column for *The Atlanta Journal-Constitution* admitting that he had been wrong to protest the selection. Parker is the fifth MARTA general manager Jacobs has worked with in 10 years as its legislative watchdog. “The legislature and MARTA, a state-created

ers to impose a 1-cent sales tax and join MARTA. Transit backers are optimistic the measure will prevail at the polls next month; a nonbinding referendum on essentially the same question in 2010 received 70 percent support.

If the ballot measure passes, MARTA would begin bus service next spring and start work on the Atlanta region’s first commuter rail line (or some other high-capacity option). In addition to bringing thousands of new riders and millions more dollars into the MARTA system, the effort could show other communi-

ties that the transit system is equipped to handle further expansions in the future. “Clayton County is important in its own right, but it’s also important because this is our first expansion opportunity in a generation,” says Parker. “We want to send a real clear message to our other potential partners that, you join us, you’re going to get a great value for your money.”

“It’s huge from our perspective,” agrees Doug Hooker, executive director of the Atlanta Regional Commission. “I think we will look back to the time that Clayton County had the referendum on accepting MARTA and say, ‘That was the moment that really began to have the region rethink its relationship with MARTA.’”

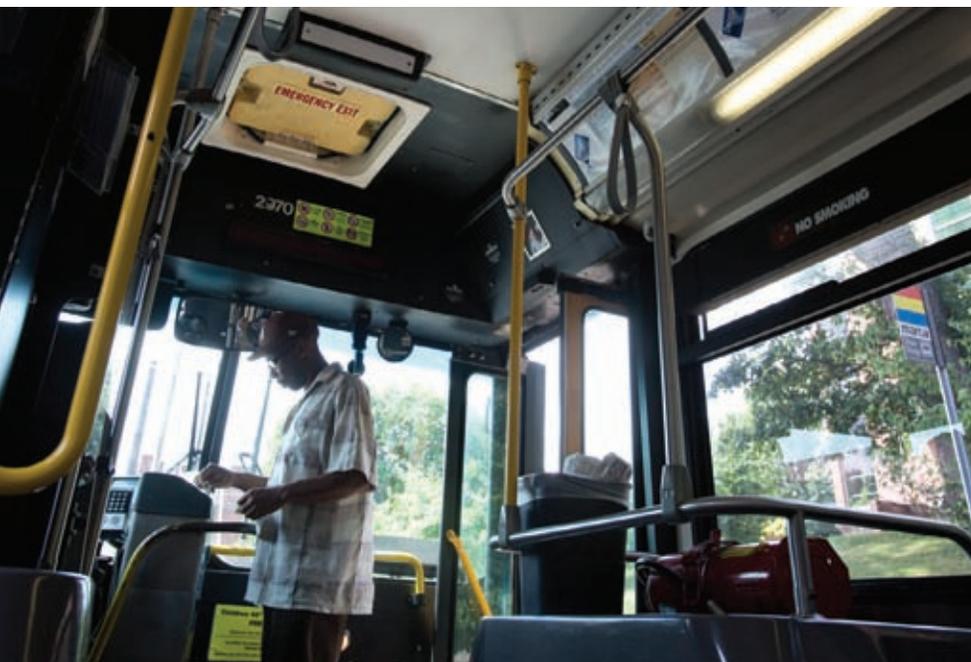
Meaningful regional cooperation is still a long distance away. Cobb and Gwinnett counties, two giant suburban areas originally included in designs for MARTA, show no signs of wanting to join. In fact, when the Atlanta Braves announced last year they would build a new baseball stadium in Cobb County, the team and local officials

pointedly did not include any plans to make the stadium accessible by any kind of transit. Several more suburban counties lie beyond MARTA’s intended footprint, further complicating efforts to build a regional transit system.

MARTA faces significant challenges on its own, too. State financial support looms as elusive as ever, and ridership, while leveling off, has yet to increase after the recession.

Still, MARTA and Parker have plenty of ambitious plans for the future. There are three major route expansions on the drawing board, waiting for the money and the political consensus to make them a reality. Area transit agencies, including MARTA, are working to integrate their systems so passengers would barely notice when they move from one agency’s vehicles to another’s. And there are still plenty of skeptics to win over.

“We’re doing really good things,” says MARTA Board Chairman Robert Ashe III. “But that’s a justification to do more of it, not an excuse to take our foot off the gas pedal. A friend of mine in the military likes to say your reward for taking this hill is that you get to take a few more hills. That’s the reward Mr. Parker’s going to get.” **G**



Only 3 percent of Atlanta-area commuters use public transportation.

authority, historically have had a chilly relationship,” Jacobs wrote. “Listen closely, however, and you will hear the dripping of thawing ice.”

The thaw goes well beyond rhetoric. In the past, Jacobs has pressed MARTA to privatize some of its services, something the agency didn’t want to be forced to do. This year Jacobs pushed successfully for changes that MARTA wanted: a temporary reprieve from restrictions on how it can spend sales tax revenues; clearance to enter into public-private partnerships more easily; and permission to fine, rather than just suspend, customers who violate its rules. The legislation also cleared the way for a potential expansion, the first in the agency’s history, to the suburbs of Clayton County, south of Atlanta.

The only public transportation in Clayton right now is a single MARTA rail stop at Hartsfield-Jackson Atlanta International Airport. The county commission disbanded its bus transit agency in 2010 because the money for the system ran dry. That decision led to a political backlash, and pro-transit commissioners took control.

This summer, the commissioners in Clayton agreed to ask vot-

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Problem Solver

THE VANISHING VOTER

Turnout in big-city elections has plummeted.

Just over one-fifth of registered voters cast their ballots in the Los Angeles primary and runoff elections that ushered in Mayor Eric Garcetti last year. In New York, Bill de Blasio won a landslide election that saw the lowest voter turnout since at least the 1950s. More recently, just over a quarter of voters showed up for the District of Columbia's hotly contested mayoral primary—the lowest turnout in more than 30 years.

Voter turnout for local elections, typically held in off-cycle years, has historically lagged behind that of state and federal races, but recent results suggest it's getting even worse.

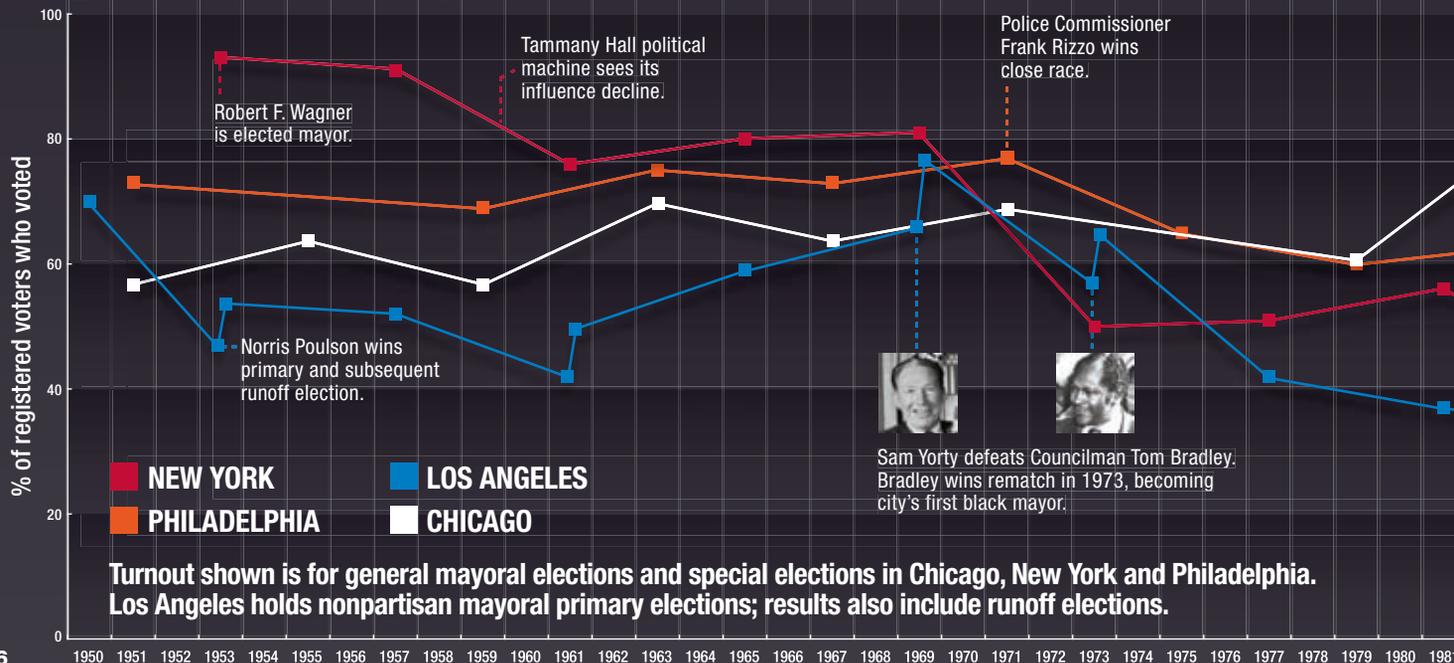
Researchers at the University of Wisconsin-Madison provided *Governing* with elections data covering 144 larger U.S. cities, confirming a steady decline in voter turnout in odd-numbered years over the previous decade. In 2001, an average of 26.6 percent of cities' voting-age population cast ballots, but less than 21 percent did so in 2011. Aaron Weinschenk, who studies voting at the university, says it's possible that turnout in municipal elections could drop even lower. "I wonder if the negativity surrounding government in general is seeping into local government," he says, "and polluting politics at all levels."

If local turnout doesn't improve, the implications could extend beyond simply the ballot box. Low-turnout elections typically aren't representative of the electorate as a whole. They tend to be dominated by whiter, more-affluent and older voters. Recent research has found these elections contribute to poorer outcomes for minorities, including unequal public spending.

Not that long ago political machines would routinely mobilize a healthy cadre of big-city voters with often predictable results. Later during the 1960s and 1970s, more than two-thirds of registered voters cast ballots in Los Angeles, New York and elsewhere when power shifted to racial and ethnic minorities. But now, voter participation typically hovers around historic lows in big cities, which has prompted officials to explore ways to get more people out to the polls.

In Los Angeles, officials created an elections reform commission after the city's dismal turnout in 2013. Commission Chairman Fernando Guerra, who directs a research center at Loyola Marymount University in L.A., attributes the city's declining turnout rates to a lack of partisan competition from Republican candidates and

MAYORAL ELECTIONS AND VOTER APATHY



By Mike Maciag

a diminishing racial divide. “No longer is a Latino running for mayor a major challenge to the status quo,” he says. Municipal candidates may hold different views on a few issues, but when they’re of similar backgrounds and political leanings, the differences appear less stark to voters.

One of the recommendations is to have local elections coincide with national ones. Realigning election dates has, by far, the greatest potential to reverse low-turnout trends, says Weinschenk. His research indicates that shifting mayoral elections to presidential years results in an 18.5 percentage point jump in turnout, while changing to a midterm election yields an 8.7 percentage point increase.

Even-year elections also save taxpayers money. The Maryland General Assembly voted to delay Baltimore’s next local election by one year, lining it up with the 2016 presidential election, which will save the city an estimated \$3.7 million.

Still, most localities are hesitant to move their municipal elections. The top concern is that local races will receive less voter and media attention when they appear on crowded ballots. Holding elections in off-years also allows elections

offices to try out new procedures and better train staff. But Los Angeles’ Guerra doesn’t think those are good enough reasons not to make the shift. “It’s not right to define voters as informed or uninformed,” he says. “Whatever system leads to the greatest number of voters participating is the one we should implement.”

Other recommendations of the Los Angeles commission include improving voter registration outreach, creating a network of early voting locations, promoting voting by mail, and using shopping centers and other nontraditional locations as polling places. A separate panel also recently recommended that the city council study offering cash prizes to randomly selected voters, the legality of which is a bit murky.

Of course, cities’ turnout rates vary greatly. Only about 11 percent of registered voters cast ballots in the most recent mayoral elections in Fort Worth and Dallas, both of which held competitive open-seat contests. By comparison, 44 percent of those registered voted in San Diego’s special mayoral election earlier this year.

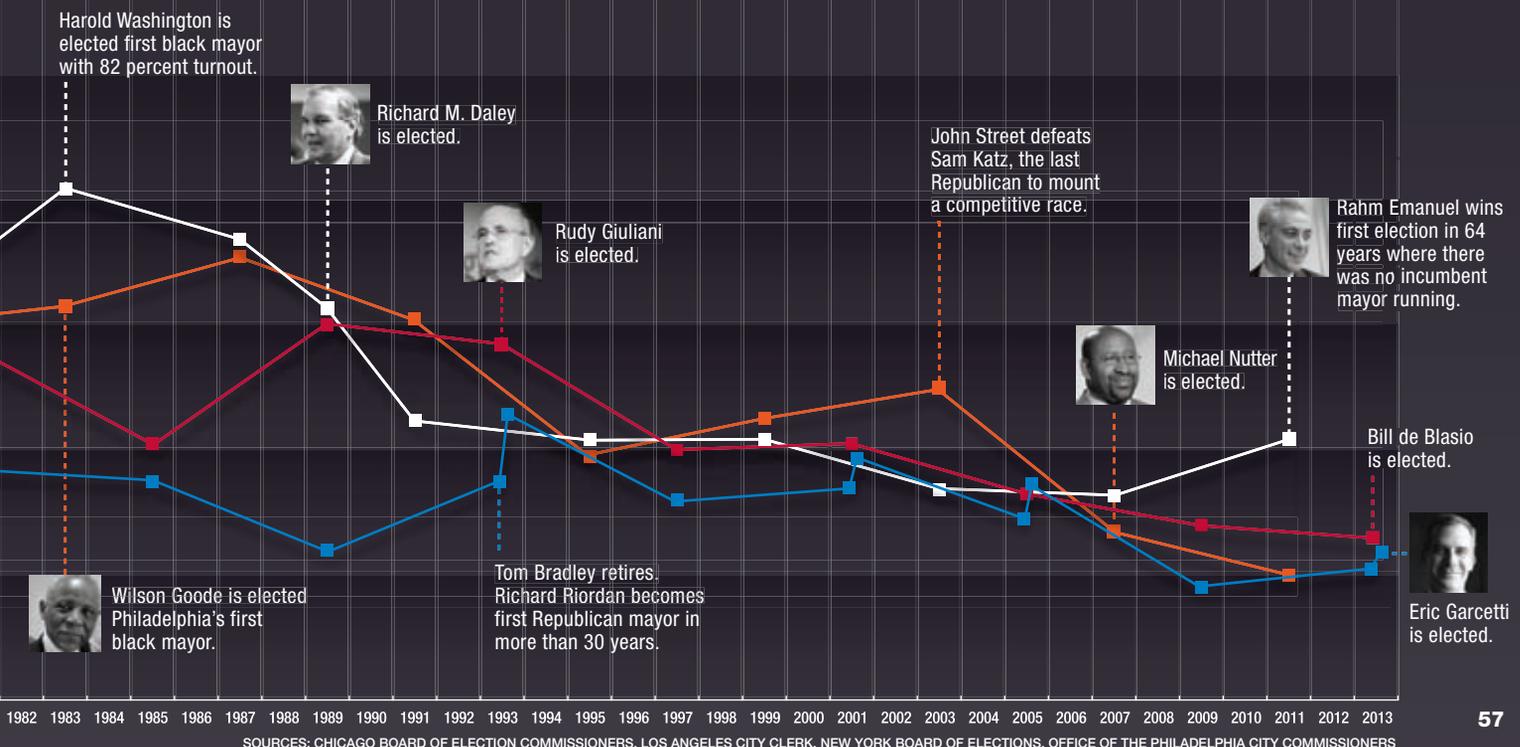
The reasons for these disparities are numerous, but research suggests partisan

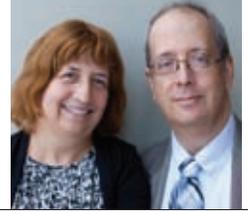
local elections experience higher turnout rates, as do elections in localities with “strong mayor” forms of government. Furthermore, overall municipal election turnout drops as the size of a city increases. “[Smaller communities] tend to have a greater sense of advocacy and that their input actually matters,” says Eric Oliver, a University of Chicago professor who has written a book on local elections. Differences in voter turnout in local and higher-level races aren’t nearly as great in many other countries. In fact, voters in France and Japan typically participate at greater rates in municipal elections than in national ones.

Interestingly, Gallup surveys indicate voters trust local government more than the state or federal levels. Motivating them to participate in municipal elections is an inherently difficult task. But while governments can’t instill voters with enthusiasm, Oliver says they can make it easier for citizens to find information and remove barriers preventing people from voting, fostering a stronger, more representative government. **G**

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By Katherine Barrett and Richard Greene

Consolidation Wars

Merging small school districts makes sense. Try telling that to the schools.



KLAUS MENHARDT

No great surprise here: A recent audit in New Jersey recommended that the state move forward with school district consolidation efforts. While New Jersey has already merged several school districts, it still has some 545 of them, more than many other states, even states with larger populations. What's more, a remarkable 144 of New Jersey's districts are made up of only one school.

State Auditor Stephen Eells points out the inefficiency of having one K-6 school handle all the administrative costs of running a school district. According to Eells, if that school were to join with a couple of other K-6s, a K-8 and maybe even a high school, the schools could eliminate duplicative administrative jobs, merge administrative tasks like payroll, and purchase commodities at lower rates thanks to the benefits of buying in bulk.

New Jersey's auditor is hardly alone in his thinking. Throughout the country there was a great wave of school district consolidation in the 1970s and 1980s. Generally speaking, this consolidation

consisted of bringing multiple small school districts together under a single set of administrators. Sometimes, but not always, individual schools were closed in the process. Although the trend slowed down over the years, there appear to be a growing number of states revisiting this managerial move—and with good reason.

The benefits of school consolidation go beyond fiscal savings. There are educational improvements. Four districts with one small high school apiece may not have the resources to provide, say, a dedicated music teacher. But if the four districts are unified, then it can quickly become affordable to hire one itinerant music teacher. Languages are another good example. Are there enough potential Latin students to offer that language in one school in one district? Maybe not. But over a broader terrain, Latin may become an affordable way to serve those students who want to translate *e pluribus unum* (for the non-Latin learners among us, that's "out of many, one").

This sounds appealing. But pulling together four or five school districts into

one can be met with the same difficulty as assembling a 1,000-piece jigsaw puzzle. In New Jersey, for example, a law was passed in 2007 that required executive county superintendents to submit consolidation plans for all K-12 districts by March 2010. The plans were submitted to the commissioner of education and that office identified 30 feasibility studies that needed to be done, potentially eliminating 104 districts. "But each report said there was no funding available to do the studies," says Eells, so the process stalled.

Maybe there really wasn't enough funding. But in New Jersey and other states, there are lots of reasons why school districts resist consolidation, notwithstanding the potential benefits. In Iowa, when district consolidation leads to the closing of schools, "there's been a struggle," says Jeff Berger, deputy director of the Iowa Department of Education, "with our rural communities wanting to keep the pulse of the town alive."

Consider high school sports teams. In many parts of the country, the high school football team and its rivalry with the next



town over are very much at the heart of the town's sense of self. If that sounds silly to urban dwellers, then they've never gone to public school in a sports-crazy community where the highlight of the year is the homecoming game against the neighboring town.

There is also the issue of autonomy, which is seen as a potent pull toward maintaining the status quo. In areas where smaller districts are merged with larger ones, the smaller school districts are concerned that their level of representation in the superintendent's office will almost certainly wane.

How legislatures craft bills about consolidation can play a huge role in the success of the effort. One state that didn't do so well is Maine. In 2007, the legislature passed a law requiring small districts to regionalize under threat of penalty in those districts that did not comply.

"There was a lot of resistance, even immediately," says Janet Fairman, associate research professor at the University of Maine. Moreover, efforts to ease the path toward regionalization included creating new jobs for occupants of duplicated positions. That meant that the fiscal benefits weren't nearly as large as anticipated and couldn't be translated into additional educational opportunities.

Maine's law kept being amended every year. Exceptions and exemptions were made as schools argued that it was unreasonable for them to regionalize. Finally, in 2012, the state kept the law intact but removed the penalties. The result: A number of the school consolidations that had taken place are now shedding members who would rather be out on their own than part of one family.

Maine may have made some mistakes in basing compliance on the potential for punitive measures, rather than convincing people of the benefits. But at the end of the day, the problems were the same as those likely to be confronted in other states that try to consolidate schools. "What it came down to is control," Fairman says. "Many really didn't want to give that up." **G**

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Government and the 'Quartet Effect'

Improving productivity isn't always about reducing head count.

In the foreword to David Dodd's *The Complete Annotated Grateful Dead Lyrics*, Robert Hunter, the band's "lyricist in residence," wrote that the song "Uncle John's Band" represented "the first lyric I wrote with the aid of that newfangled gadget, the cassette tape recorder. I taped the band playing the arrangement and was able to score lyrics at leisure rather than scratch away hurriedly at rehearsals, waiting for particular sections to come around again."

What Hunter was describing, of course, was an improvement in productivity resulting from the application of new technology. Productivity is usually measured in terms of the labor cost per unit of production, and in most cases improvement is achieved by using new technology to reduce head count. For instance, a steel mill that once employed 10,000 workers produces the same tonnage with only a thousand employees, bank tellers are replaced by ATMs and elevator operators become a thing of the past. But in Hunter's application of new technology, no one's position was eliminated. It's an example of what has been called "the quartet effect" at work.

When you reduce the head count of a musical quartet, you have not improved its productivity. If what you wanted was the music of a quartet, you have destroyed the product. The technology Hunter employed is the kind that, rather than eliminating jobs, allows existing staff to make better use of their time and gives them the opportunity to create higher-quality products.

How is this relevant to government? For most local governments, public safety constitutes the largest single category of expenditures, typically accounting for about 60 percent of total costs. For states and for some local governments, education is the dominant cost category. But it's important to remember that within these areas, personnel costs—the salaries and benefits of police officers, firefighters and school teachers—are the real cost drivers. Personnel costs typically represent 80 percent or more of the total cost of a police department, for example. Few would argue that taking cops off the streets or teachers out of classrooms improves productivity.

In general, it's true that the best way for governments to control costs is to use collaboration and technology to reduce employee head count. Governments that deliver good value for taxpayer money will have fewer employees, and those workers will be better paid, better trained, better equipped and better managed. But an important part of good management is figuring out when the quartet effect applies—knowing not only which types of positions should be eliminated but also when to use technology to improve the use of time by those employees whose positions ought not to be eliminated.

"Uncle John's Band" was first performed on Dec. 4, 1969, near the beginning of a 30-year run for a band that had an indelible effect on American music. A state, city or county administration that wants to achieve a similar record of impact and sustainability should be quick to adopt labor-saving technology. But it also should be careful to discern when the quartet effect applies and the elimination of positions would destroy the very product it is trying to create. **G**

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A good manager can discern when the elimination of positions will destroy a product.



By Tod Newcombe

Beyond the Breach

With cyberattacks increasing, is it time for a national disclosure law?

When hackers made their way past hardware giant Home Depot's security system last month, gaining access to credit card information for up to 60 million customers, it was considered the mother of all data breaches. But it's only the latest in a growing series of hacking scandals. Between 2005 and 2014, there have been 4,695 breaches exposing 633 million records, according to the nonprofit Identity Theft Resource Center. The average cost of a breach to an organization is estimated at \$3.5 million.

With no national data breach disclosure law on the books, retailers such as Home Depot, Target and Neiman Marcus (which were both victims of massive breaches last year) are forced to adhere to a patchwork of 47 state laws. Those laws vary in terms of who must comply, what defines personal information, what constitutes a breach and who must be notified. It's led to a growing chorus of critics who say it's time for a national standard.

While such a law won't stop data breaches, a national law on disclosure could simplify the policies that companies must follow when reporting the theft of

personal information. "A properly defined data breach notification standard would go a long way to guide organizations on how to address cyberthreats in their risk management policies," testified Kevin Richards, senior vice president for federal government affairs at TechAmerica, an association for technology vendors, last year before the House Energy and Commerce Subcommittee. Richards further testified that the national law would be particularly helpful for smaller businesses that work across state lines, but "cannot afford teams of lawyers to navigate 47 data breach standards should something bad happen."

More recently, U.S. Attorney General Eric Holder said a national breach law "would enable law enforcement to better investigate these crimes and to hold compromised entities accountable when they fail to keep sensitive information safe." It would empower individuals to protect themselves, he said, while also avoiding placing unnecessary burdens on businesses that act responsibly.

Congress has tried and repeatedly failed to pass a national notification law. Currently, the federal government

regulates data security as it relates to health care and banking, but not other industries, including retail, where the largest breaches have occurred. There is legislation pending on Capitol Hill: Sens. Tom Carper of Delaware and Roy Blunt of Missouri introduced a bill known as the Data Security Act that would require companies to notify federal agencies and individuals of any breach that affects more than 5,000 customers.

But state attorneys general have raised concerns about a national law. Connecticut Attorney General George Jepsen has said that while he would welcome a comprehensive national law, he's worried that the feds could reduce the number and effectiveness of regulators at the state level who fight data breaches. Maryland Attorney General Douglas Gansler also says federal legislation would be helpful, "but it should not preempt state enforcement. Any federal standards should be a floor, not a ceiling, allowing states to enact stricter standards."

That thinking reflects the National Conference of State Legislatures' (NCSL) position on a national disclosure law. While not opposed to a baseline federal notification standard, states should have the authority to adopt standards that provide consumers with additional protection and notification, says James Ward, NCSL's committee director for state-federal relations. "NCSL also supports state financial regulators and attorneys general to enforce any new federal data security breach notification standards." Should Congress decide to preempt state law, he adds, it should only affect laws that are inconsistent with the federal standard and it should preserve state laws that apply to entities that may be excluded from the federal act. **G**



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Open Space and the City

Seattle is ushering in a new future for its parks with an old financing model.

Seattle produces some of the finest brewed coffee in the country, and some of the top software. Even its long mild winters are among the best in the world. But if you ask Seattleites what gives them the greatest civic pride, many will point to their world-class city parks. Seattle's leaders often use parks in the same sentence with words like "community identity," "bridging generations" and "social justice."

That's why it's so encouraging that Seattle voters recently reconceived how they'll pay for them. Like Amazon with online retailing or Costco with big-box stores, Seattle might be out ahead with yet another disruptive trend for its citizens.

Let me start with some basics. "General" and "essential" are synonyms in the traditional lexicon of local public finance. Essential local services like police, fire, libraries and parks are funded with general property and sales taxes. These services are so important that everyone pays, regardless of how much or little they use them. The revenues flow into the city's general fund, where local elected officials decide how to spend them. Essential services are, by definition, high priorities in the general fund budget.

Of course, there are exceptions. In rural areas, for instance, it's often cheaper to spread the costs of fire protection over a wide geographic area. In that case, it's

appropriate to levy a special property tax that covers multiple cities. The opposite is also true. Essential infrastructure that mostly benefits a particular group of properties is a good candidate for a special assessment where only the owners of the affected properties pay the tax. In these cases, it makes sense to pay for essential services with special revenues rather than general revenues.

Seattle has turned this logic inside out. In a recent election, voters approved the creation of a new metropolitan parks district. There's nothing special about this district or its services. Its geographic boundaries match the city of Seattle's. The city council will serve as the district's governing body. The only difference—and it's a crucial one—is that the taxes it collects will bypass the general fund and go directly to parks. Cities such as Chicago, Washington, D.C., and even nearby Tacoma have funded parks this way for decades. Seattle voters seem to think this throwback model is the only way to protect this essential service from the political machinations of the general fund.

Some parks advocates have called this a huge win. No more cutting maintenance on parks facilities during recessions. No more choosing between parks and police. New parks that have lived on the drawing board for years can now come to life. Property owners can literally see what

they get for part of their property tax dollar. These are all good things.

Other things aren't so positive. When money comes from the general fund, taxpayers can take their concerns directly to the city council. If they don't like the council's answer, they can vote to replace a member. When the money comes from a special levy, like the one that now funds part of Seattle's parks, residents can vote to end that levy. In the special district model, the lines of accountability aren't so clear. Voters' only direct recourse may be to dissolve or restructure the district with a separate future ballot initiative.

The biggest concern is that under this new model, access to stable revenues might be controlled not by policymakers, but by the ability to organize a get-out-the-vote initiative. Some worry this could leave many citizens, especially the poor, out of the mix. So far that's not the case, but critics worry about the possibilities.

It's easy to see why advocates for parks—and other essential services—might want to pursue this model. As general fund resources become harder to find, why not take the case for essential services directly to the voters? If Seattle is a bellwether for things to come, we'll need to fundamentally rethink much of what we know about local public finance. **G**

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Reconstructed wetlands at Seattle's Magnuson Park





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Last Look



DAVID KIDD

On a typical day more than 7,000 pedestrians cross the Brooklyn Bridge. Increasingly some of these visitors are leaving something behind. For the past couple of years, people have taken to scribbling their names on small locks, fastening them to the bridge and then tossing the keys into the river, all in the name of love. These “love locks” are intended to symbolize the enduring attachment of the attachers. Instead, it’s causing New York City officials some heartache. So far this year, the city has removed more than 10,000 locks, which has eaten into the bridge’s maintenance budget. The Brooklyn Bridge, however, isn’t the only place targeted by love lockers. The practice is thought to have started in Paris about six years ago and has since spread to spans around the world. In June, a section of railing on the Pont des Arts Bridge in Paris collapsed under the weight of thousands of padlocks. Now Parisian and New York City authorities alike are asking lovers to limit themselves to taking selfies and tweeting using #lovewithoutlocks. “We know it’s a romantic gesture,” NYC Department of Transportation Commissioner Polly Trottenberg told a local TV station, “but it’s not good for our bridges.” Good or not, it seems the battle is just beginning. This summer people expanded the list of things they attach to New York’s iconic bridge to headphones, hairbands and ribbons. —David Kidd

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