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April 2019

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THEIR PLAYLIST.

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Publisher Mark Funkhouser

Executive Editor Zach Patton

Managing Editor Elizabeth Daigneau

Senior Editors Alan Ehrenhalt, John Martin

Chief Copy Editor Miriam Jones

Copy Editors Kate Albrecht, Lauren Harrison

Staff Writers J. Brian Charles, Liz Farmer, Alan Greenblatt,

Mattie Quinn, Daniel C. Vock, Graham Vyse

Correspondent John Buntin

Contributing Editor Penelope Lemov

Columnists Katherine Barrett & Richard Greene, Scott Beyer,

Mark Funkhouser, Nicole Gelinas, Peter A. Harkness,

Donald F. Kettl, Anne Kim, Justin Marlowe,

Alex Marshall, Pete Saunders

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Data Editor, Governing.com Mike Maciag

Web Producer and Writer, Governing.com Candice Norwood

Chief Content Officer Paul W. Taylor

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Photo Editor David Kidd

Graphic Designer Kale Mendonca

Production Director Stephan Widmaier

Founder & Publisher Emeritus Peter A. Harkness

Advertising 202-862-8802

Associate Publishers Shelley Ballard, Kim Frame, Stacy Ward-Probst

Strategic Account Director Paige Helling

Chief Customer Success Officer Arlene Boeger

Office Manager Alina Grant

Marketing/Classified advertising@governing.com

e.Republic Inc.

CEO Dennis McKenna

President Cathilea Robinett

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CFO Paul Harney

CAO Lisa Harney

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IF YOUR CITY USES THESE



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A neighborhood in Springfield, Ill., one of the cities included in *Governing's* "Segregated in the Heartland" report

"Going on the Urban Politics syllabus."

—Emily M. Farris, an assistant professor of political science at Texas Christian University, tweeted of February's special report "Segregated in the Heartland."

The four-part series looking at segregation in Illinois by Daniel C. Vock, J. Brian Charles and Mike Maciag has also made it onto a University of Pennsylvania professor's syllabus.

POST-AMAZON, IS THERE STILL OPPORTUNITY IN LONG ISLAND CITY?

In February, J. Brian Charles wrote in the feature "In the Zone" about so-called opportunity zones, which were created as part of the 2017 federal tax overhaul. There are 8,700 of these zones scattered across the country, and one of them is in Long Island City, Queens, in New York, where Amazon was going to locate one of its two new headquarters.

For many backers of opportunity zones, Amazon's decision in late February to abandon its plans in Long Island City was welcome news. As Charles wrote in his feature, many people questioned the area's participation. If the neighborhood was attractive enough for the tech giant, they wondered, then why did it need help from a federal investment program for distressed areas? Under the program, if private investors plow money into these economically distressed neighborhoods, they can shield portions of their capital gains tax liability.

With the Amazon move off the table, Timothy Weaver, an urban policy professor at the State University of New York at Albany, suggests the opportunity zone plan, at least in Long Island City, can move forward on its merits.

"I certainly think the HQ2 saga has been an unfortunate distraction at the expense of the thousands of needy communities nationwide that stand to benefit from thoughtful opportunity zone implementation," says John Lettieri, the president and chief executive officer of the Economic Innovation Group, the think tank that helped draft the opportunity zone language in the 2017 tax plan.

Neither Lettieri nor Weaver will speculate on whether Amazon's exit will have an impact on investment in the Long Island City opportunity zone. The program is still new, and the rules governing it are subject to change. Market conditions are always in flux, Lettieri says.

There's No Rebuilding Riddle

In his February column "The Riddle of Rebuilding," Donald F. Kettl looked at the financial challenges of rebuilding in the wake of a natural disaster. Following several insurance and reinsurance company failures and the fact that "tight state budgets won't be able to cover what insurance companies don't," he concluded with several daunting questions that confronted policymakers. Among those questions are whether homeowners should be allowed to rebuild in harm's way and what standards insurers will insist on to minimize future claims.

Your article should have been titled, "There Is No Riddle for Rebuilding." Let's demand a proactive approach of prevention instead of being reactive. There should be no building in these areas unless the builder/owner assumes full responsibility for putting themselves and their property in harm's way. That means stringent building codes, no risking of the lives and resources of our emergency rescue services, and no bailouts after the fact.

—Tom Lovell, *Lee's Summit, Mo.*

Probably less than 10 percent of planning, zoning and disaster mitigation officials in the government even understand what reinsurance is and think the problem is not a risk calculus, but a political one. Until that changes, as my hero Gilbert White pointed out, "If false insurance risk gets ahead of real disaster mitigation understanding, the problem will get a lot worse."

—Pete Baston, *Denver*

NOMINATE AN OFFICIAL

Take a moment to tell us about an outstanding state, city or county leader who has shown true courage, innovation, creativity and excellence in his or her job. Submit your nominations at governing.com/poy.



PUBLIC OFFICIALS of the YEAR 2019

Correction

In the February Observer item "Seattle's 'Great Expectations,'" we misspelled the Downtown Seattle Association's Don Blakeney's name.

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Politics + Policy + Point of View

Observer

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More and more Americans
are renting apartments
instead of buying homes.



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THE BREAKDOWN

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The size of a gas tax increase that would be required to meet the 10-year shortfall in the budget of the Ohio Transportation Department.

No.1

Corruption ranking for Chicago and Los Angeles, based on the number of federal corruption convictions from 1976 to 2016. Local politicians are currently under investigation in both cities.

7-11%

The pay raise that Denver teachers reportedly negotiated after they went on strike for three days in February.

21

The number of New Mexico counties that have passed resolutions declaring they will not ask their sheriffs to enforce a package of gun control laws passed by the state legislature, including a proposal to require background checks for people purchasing weapons.



This new park in the Fitzgerald neighborhood opened last summer.

FITZGERALD REVITALIZATION PROJECT

Can Detroit's Turnaround Go Beyond Downtown?

Since Detroit entered into the nation's largest municipal bankruptcy back in 2013, the city has been heralded as an unexpected comeback story, attracting billions of dollars worth of investment. But nearly all of that money and development has been concentrated in and around downtown. That's left residents who occupy more than 100 square miles in the rest of the city wondering when it will be their turn for a comeback.

Mayor Mike Duggan says that day is near. Last year, he pledged to spend \$130 million over the next five years on parks, streetscapes and development in 60 different neighborhoods. He got a big boost in December, when seven companies pledged \$5 million each to the city's strategic neighborhood fund. "We're starting to see development through the corridor of all these different areas," Duggan said.

The city's neighborhoods can use a lot of help. Detroit's median income remains half that of Michigan as a whole. More than a third of the city's residents—and more than half of its children—live in poverty. It's been estimated that Detroit is pocked by 30,000 abandoned homes and as many as 90,000 vacant lots. One project meant to be a showcase for neighborhood revitalization, a pledge to rehab or build more than 200 homes in the Fitzgerald area in the city's north-

west, fell 12 months behind schedule barely a year after it was announced. City officials say there's a learning curve involved in making development happen in areas that haven't seen much investment for decades.

One problem, as is so often the case, is financing. The few homes in Fitzgerald on which work was completed cost far more to rehab than their ultimate selling price. The city had to make up shortfalls left under federal grant programs. The fact that the mayor is raising money from private companies to shore up his neighborhood fund is problematic, says Sarah Reckhow, a political scientist at Michigan State University. It was one thing for philanthropic groups to play a major role in the "grand bargain" that staved off deep pension cuts and a fire sale of masterpieces from the Detroit Institute of Arts. Reclaiming neighborhoods is a more complex and more difficult task, not a one-off crisis remedy. "If we can't pay for infrastructure with tax dollars," Reckhow says, "maybe we need to look at the tax structure."

That's a fair point. But Duggan recognizes that for Detroit to be able to rebuild its tax base, it has to invest in itself. His effort to extend investment beyond downtown is clearly going to run into some bumps. Still, it's an important attempt to find an antidote for areas in despair. —Alan Greenblatt

NEWSOM'S HOUSING FIGHT

Not many governors decide to sue a city in their state within a few weeks of taking office.

Gavin Newsom, the new Democratic governor of California, however, did just that, signaling his seriousness about addressing the state's chronic but worsening housing shortage.

Under a 2017 state law, California cities and counties are required to include, as part of their long-term plans, a "housing element for the preservation, improvement and development of housing." About 10 percent of the cities in the state have failed to do so. With his lawsuit, Newsom went after the biggest of these, Huntington Beach in Orange County, south of Los Angeles.

Housing activists are delighted. California has passed any number of robust housing laws over the years, but very little has been done in terms of enforcement. In addition to the lawsuit, Newsom has threatened to withhold transportation dollars from cities that fail to play by the required development rules. "If there's no sticks, then these laws don't mean anything, which has been the tradition around these state laws," says Laura Clark, who directs YIMBY Action, a San Francisco group that pushes for more housing construction. "The local jurisdictions just ignore them and there's no consequences."

Newsom has continued to pound at the idea that lack of action will now have real consequences. He called out noncompliant cities in his State of the State address and has been meeting with local officials to make sure they're ready to get with the program. Huntington Beach officials have, of course, complained about the lawsuit, describing its contentions as factually inaccurate. Other cities on Newsom's list of scofflaws point to extenuating circumstances that prevent them from acting, such as a shortage of



California Gov.
Gavin Newsom

land available for development due to industrial contamination.

For the most part, however, mayors recognize that the governor has the upper hand. They are looking for ways to collaborate with him, if only to avoid lawsuits. And Newsom suggests that he has no interest in suing localities that are acting in good faith. Cities may have any number of reasons not to be in compliance with the housing element requirement, says Carolyn Coleman, executive director of the League of California Cities, but they share the goal of getting more housing built. "We applaud the thought of having a governor who wants to partner with cities to address a challenge that we identified several years ago," she says.


In addition to sticks, Newsom is dangling big carrots in front of localities. His first budget request includes more than \$2 billion for housing and homeless programs, with a sizable share intended to assist local governments with planning. "He's put a lot of money in the budget for affordable housing, for planning money for cities and reward money for cities that are meeting their housing goals," says state Sen. Scott Wiener.

Wiener notes that the vast majority

of California cities do have housing plans in place, yet many of them fall short of meeting those goals. Housing costs continue to rise, in part due to strong job growth and the state's off-the-charts construction costs, but also because high-demand locations often seem to go out of their way to block new multiunit projects.

A proposed apartment building in San Francisco's gentrifying Mission District has been held up for more than a year, first out of concern for the possible loss of an old laundromat that might be granted historic status and more recently for fear the building will cast shadows on a school playground. Much more modest developments have been held up or rejected in other crowded cities.

When Newsom set a campaign goal of building 3.5 million additional units over the next seven years, even cheerleaders for more housing wondered whether such an astronomical number could possibly amount to more than just campaign puffery. The odds are that Newsom will fall far short of reaching such a goal, but his lawsuit and his desire to devote serious dollars to housing suggest that the state might finally see real progress. —Alan Greenblatt



Baltimore Mayor Catherine Pugh is one of a growing number of officials who have run for local office after serving in the state legislature.

Going Local

It's traditional for state legislators to reach for Congress or statewide office as their next rung up the ladder. But now some of them are deciding they can accomplish more in local office. This year, sitting state legislators are running for mayor in Dallas, Indianapolis and Nashville, among other cities.

Being mayor of a big city always holds a certain appeal. Generally, the mayor takes home a good salary, unlike most part-time state legislators. And, after years crafting budgets and policy at the state capitol, it's a nice change to execute and manage programs, says Jane Campbell, a former Ohio legislator who later served as mayor of Cleveland. "After a period of time saying this is what they should do, you're ready to carry things out," she says.

These days, running for mayor may hold an added appeal that federal office doesn't, suggests Michael Berkman, a Penn State political scientist. Polarization and gridlock in Congress are increasingly frustrating the ambitions of individual lawmakers who want to chart a productive policy course. Most cities, by contrast, are healthier economically than they were a generation ago, and they've proven to be a hotbed for policy

innovations in recent years, particularly among progressives. "There's a pull toward cities right now because you can do things in a way that you couldn't before," Berkman says, "while there's a push away from Congress, in that it's not very interesting or fun."

Most big cities are under Democratic control now, which is one reason they appeal to Democrats who find themselves trapped in seemingly unending minority status in red state legislatures. One example is Eric Johnson, a Texas state representative who is leaving that job to run for mayor of Dallas. "It's unlikely that his party is going to get back in the majority in the Texas House anytime soon," Rice University political scientist Mark P. Jones says. "As mayor, he would have a very nice platform from which to propose initiatives and impact public policy."

Not all legislators eyeing city hall are seeking to escape minority status. Baltimore Mayor Catherine Pugh was majority leader of the Maryland Senate when she ran for her current post. Jim Merritt hasn't served in the minority during his entire 28-year career in the Indiana Senate—he's now part of a 40-10 GOP majority—but

he's giving up his power and seniority to run for mayor of Indianapolis.

Merritt recognizes he faces an uphill climb in his race against Joe Hogsett, a well-funded incumbent in an increasingly Democratic city, but he says he feels "something of a duty" to try. The city has broken its record for homicides four years in a row. "I grew up in Indianapolis," he says. "That's not the city I grew up in."

The idea of becoming mayor of your own hometown has a pull even for politicians who already hold positions that on paper, at least, appear more powerful. Paul Brodeur chairs the Joint Labor Committee in the Massachusetts House, but he's preparing a run for mayor of Melrose, a city outside Boston with a population of just 27,000. Brodeur, who says he didn't necessarily have a "huge ambition" to make a career in politics, has nonetheless done just that. He started out on the Melrose Board of Aldermen before winning a seat in the legislature in 2010. Now, he's ready to come back to city hall. Echoing Berkman's observation, Brodeur says he's found his visits to Washington stultifying, with the "partisanship getting a little unproductive." —Alan Greenblatt

Taxes Two-Step

It can be fun for state officials to impose a tax cut or tax cap on other levels of government. It's less fun when they're partially responsible for making up the revenue loss.

That's the dilemma Texas lawmakers are facing. State law allows local property tax revenues to rise by 8 percent a year. If they grow more, voters can call for an election to roll them back. Average property tax collections come pretty close to reaching that level most years, due mainly to appraisals, not rate hikes.

GOP Gov. Greg Abbott has made property tax relief one of his top priorities. The idea has gained serious momentum. During their last session, the Senate and House couldn't agree on an appropriate level for a local property tax cap. The two chambers started this year's session on the same page, calling for a 2.5 percent cap on annual property tax collections on existing properties. Exceeding that figure would trigger an automatic popular vote, forcing local officials to justify increased revenues to their constituents.

State and local officials have been engaged in a rhetorical war about which level of government is most responsible for fiscal problems. Abbott likes to point out examples of excessive or needless

local spending, such as the \$316,000-per-year lease Dallas holds on a mostly unused parking lot. City and county officials counter that much of their spending is driven by unfunded state mandates.

But the big problem state lawmakers face is the reality that half of the property tax collections in the state belong to school districts. There's tremendous pressure on those districts to come up with more dollars, and they maintain that the quality of their education will be severely diminished if their supply of property tax dollars is cut short.

Back in 2006, the state limited local property tax rates to \$1 per \$100,000 in value. Lawmakers assured schools that they wouldn't be affected, promising to make up the difference by expanding the business franchise tax. That tax consistently underperformed, however. The state ended up cutting public school funding by \$5.4 billion in 2011. Not surprisingly, schools are wary about seeing their own funding sources cut if they can't be certain the state will come through. "We're not opposed to caps fundamentally," says Dax Gonzalez, communications manager for the Texas Association of School Boards, "as long as they're coupled with some sustainable funding from the state."

Where can the state find the money? Raising taxes is clearly a no-go in Texas, particularly when the overarching goal is to provide tax relief. Transferring money from other programs, such as health care, would make the whole arrangement more complicated. Tapping the state's huge rainy day fund is a potential option. Perhaps lawmakers will go for a combo of all three—surplus funds, some fee increases and some program funding transfers.

Or it might end up being easier to exempt school districts from the new property tax cap altogether, which would certainly limit its effect. But then, lawmakers have already shown themselves willing to carve out large parts of the state from the proposed new cap. The first version to pass out of a Senate committee did not apply to entities with less than \$15 million in combined sales and property tax revenue. That's not a lot, but it would be enough to exempt 154 of the state's 254 counties and 1,082 of its 1,222 cities.

It's possible that taxes will end up being capped only in large cities and counties, most of which are now governed by Democrats. Surely a coincidence in this reddest of state governments. —Alan Greenblatt

Schoolchildren in
Austin, Texas





Cities in the Sky

Can ‘vertical villages’ satisfy every human need? We may soon find out.

There are mixed-use projects sprouting up all over the country, but so far at least, there is nothing quite like Crosstown Concourse in Memphis, Tenn. It is designed to be a self-contained community—“a vertical urban village”—in a single high-rise building a few blocks north of downtown.

Within the 14 stories of an old Sears warehouse, it is possible—or soon will be possible—for a resident to see a doctor, fill a prescription, buy groceries, go to the bank, obtain child care, visit an art exhibition, go to the theater, sample a craft beer, practice woodworking or exercise at a YMCA. If you have children, they can attend a charter school without going outside. All of this in a project that, in addition to private money, has received substantial funding from both the city of Memphis and surrounding Shelby County.

The developers of Crosstown Concourse love to talk about its self-sufficiency. “You don’t have to leave the building if you don’t want to,” one of them said recently. It sounds like hyperbole, but some of the residents say the same thing. “I have to make myself go out sometimes,” one of them told my *Governing* colleague Scott Beyer, whose excellent blog post on Crosstown Concourse led me to look into the subject.

There’s no doubt that the place is interesting. But it does raise the question of whether this is what we would wish the next wave of urbanism to be like.

It seems pretty clear that there is such a thing as a high-rise community. Think about the Upper West Side of Manhattan, for example. Apartment and condo dwellers there live in the same buildings for decades, managing to befriend each other and



Crosstown Concourse in Memphis

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share a common bond with the support staff they see every day. The community they achieve also seems bound up with the retail commerce that clusters densely on the streets below. On those Manhattan streets, it’s possible to satisfy virtually all of one’s daily needs without walking more than a block or two. In a sense, it’s an indoor/outdoor relative of Crosstown Concourse. But if these Manhattan villagers were confined to the corridors of their apartment buildings, would life have the same pleasant coziness? I’m not so sure.

Still, we may be moving in that direction, a little bit at a time. As mixed-use projects take shape in and around every big city in the country, they seem to be concentrating more and more functions in more and more compact spaces.

Any number of cities can serve as examples. The Gateway project in Minneapolis is going to have 530,000 feet of office space on 16 floors, plentiful retail opportunities, 280 luxury hotel rooms and 22 condominiums. Developers in Denver are working on a 1,000-foot skyscraper in the middle

of downtown with condos, restaurants, a hotel and shops. CalPERS, the huge California public pension fund, wants to put up a 30-story tower in Sacramento with—sorry to repeat myself—a full range of apartments, shops and offices.

Will you be able to get a haircut or buy a Phillips-head screwdriver in these buildings? I don't know; probably not. But I think they all signify a trend in which mixed use is coming to mean not just a couple of uses but many under a single giant roof.

As fanciful as it might seem, the vertical village has some attractive selling points. It's another step away from the rigid single-use zoning that characterized virtually all American cities for the last hundred years. It imposes the density that New Urbanist thinkers have been dreaming about for a generation, if perhaps in exaggerated form. It certainly promises to take cars off the street.

It's also a little bit scary.

Urban thinkers have been pondering the relationship between tall buildings and community since the invention of elevators made skyscraper life a reality more than a century ago. The legendary architect and urban planner Le Corbusier thought the ideal city—the Radiant City, as he called it—would be composed of huge skyscrapers with living and working units, surrounded by parkland and accessible only by automobiles. He thought the high-rises of Manhattan were too small and too close together, and proposed tearing many of them down to create more parks. He thought this was a way to foster civic well-being. I don't know why.

What I do know is that the high-rise projects that took their inspiration from Le Corbusier were destroyers of community, not creators of it. Brasilia, the Brazilian capital built in the 1950s on the basis of Corbusian ideas, turned out to be a flop when it came to human sociability. It consisted of elegant skyscrapers with no place for people to congregate or even converse. For the most part, it still doesn't have them. Much more tragic were the high-rise public housing clusters that became a fixture of mid-century urban life in America. Pruitt-Igoe in St. Louis, Cabrini-Green in Chicago

and their counterparts all over America were the antithesis of community.

One can object that mid-20th-century skyscraper urbanism was only tangentially related to the vertical village because it didn't have much appreciation for mixed uses. Le Corbusier paid lip service to the idea, but the architects and planners who took after him essentially designed modernist residential boxes, physically separated from any form of traditional neighborhood. Not only was there no commercial life inside a place like Cabrini-Green, there was none anywhere near it.

But a few experiments in high-rise urbanism did make some effort at mixed-use principles. The best-known was Detroit's Renaissance Center, built around a 73-story hotel on a podium with a shopping mall, cafés, banks and brokerage offices. When it opened in 1977, it was described proudly by its promoters as a "city within a city." What it turned out to be was a fortress within a city. Tenants could conduct their daily lives inside the center, but they were also cut off from the larger community and even from the streets and sidewalks around them. The Renaissance Center has since been modified to create more contact with the outside world, but few would defend it today as an icon of urban community. It is vertical, but it's no village.

But what if there really were a skyscraper that residents never needed to leave? We don't have any specimens of that in real life. We have a good one in fiction, though: It happens to be a dystopia.

Steven Millhauser won a Pulitzer Prize in 1997 for his novel *Martin Dressler*, about an entrepreneur who builds a 30-story hotel that is meant to exceed the variety of ordinary existence. It was "more than a hotel," Millhauser wrote. "It was a complete and self-sufficient world. The actual city was not merely inferior, but superfluous."

Visitors and tenants emerged from their elevators on one floor to find themselves in a wooded pseudo-countryside. Another floor evoked a mountainside, with caves as lodging units. A temple featured young women in tunics reciting poetry 24 hours a day. A "pleasure park" was bathed in artificial moonlight.

I'm probably not revealing anything shocking when I tell you that the Hotel Cosmo was a spectacular failure; Dressler goes bankrupt in the end. It's all a fantasy, of course. But I remember finishing the novel with a shudder and a sense of relief that nobody could possibly try anything like that in real life.

Certainly the developers of Crosstown Concourse wouldn't imagine it in their wildest dreams. Still, there are legitimate questions about just what sensible limits of mixed-use development might be. Those questions don't have much to do with dystopian visions, as compelling as those visions can be. They have to do with ferreting out the most important things that the emerging mixed-use constituency actually wants.

First on the list, I would argue, is walkability. The growing cohort of urban millennials seems to have a deep-seated desire to stroll from place to place as they go about their daily routines. A vertical village is walkable in a way—you don't need a car to get from the lobby to the third floor—but it isn't the walkability that Manhattan's Upper West Side or Back Bay in Boston or Rittenhouse Square in Philadelphia or even South Lake Union in Seattle are able to provide.

Beyond walkability, there's the appeal of simply being outside. Among the present roster of mixed-use developments, it's the ones with a prominent outdoor component that are doing best, even in places with uncomfortable summers, such as Houston, or frigid winters, like Milwaukee. The big downtown malls located entirely indoors, even the most carefully planned among them, are having trouble.

All of this tells us something about what the mixed-use future may be, or perhaps should be. I think we ought to experiment with vertical villages. We ought to develop more places like Crosstown Concourse and see what their potential is. Personally, I'll be interested in checking them out. We just need to keep in mind that there are two sides to the coin. **G**

Email aehrenhalt@governing.com



The Geography of Health Care

Medicare for All” is already a flashpoint in the 2020 presidential campaign. But as big as this fight will be, an even bigger issue lurks in its shadow. The health insurance that Americans pay for and receive is a function of where they live, and that could become even more true in the months and years ahead.

Shortly before Inauguration Day in 2017, President Trump tweeted out a warning: “People must remember that Obamacare just doesn’t work, and it is not affordable—116 percent increases.” He was talking about Arizona.

His claim was true only in part. The figure Trump quoted was the increase for a 27-year-old in a mid-range “silver” plan. But it wasn’t the case all over the state. Blue Cross Blue Shield of Arizona increased its rates by 51 percent, not a small number, but nothing like 116. In the Phoenix area, rates offered by Ambetter, another insurance company, increased 74.5 percent.

The next year proved to be an entirely different story. The cost of a silver plan for a 27-year-old Arizonan increased just by one dollar, and the overall cost in the state was very close to the national average. Moreover, the increases there weren’t ones that most people actually paid, because federal subsidies covered the bulk of the cost.

These issues are so arcane that engaging in a serious debate is difficult for anyone but a sophisticated health-care



economist. Almost half of all Americans, a poll by the Kaiser Family Foundation found, do not know the difference between Medicare’s coverage for the elderly and Medicaid’s support for the poor. When asked about Medicare for All, three-fourths of Americans like the idea of allowing people to buy health insurance through Medicare or Medicaid, but their support plummets when they hear some of the arguments against it.

Assertions both for and against broader care are abundant right now, on all sides of the ideological spectrum. Broad sides that fit into 280-character Twitter feeds are handy for politicians and especially for candidates. But when these claims collide with the staggering intricacy of managing the health insurance system, the rhetoric melts in the heat of mind-numbing complexity.

In Arizona, the big premium swings in the last couple of years came largely from mistakes by insurers. Some companies low-balled their prices to gain market share. They signed up lots of people only

to see their customers’ needs end up far greater than expected. That jolted rates upward and drove some of those companies out of business. Some new insurers jumped in to snap up the business and suffered the same fate.

This scared many insurers out of the game, and in some parts of the state, such as Pinal County in suburban Phoenix, no insurers wanted to write policies at all. Only one of the state’s counties, Pima, ended up with more than one insurer for 2017, and that essentially meant no competition for prices. The state’s insurance markets eventually stabilized, but only after Arizona had become a poster child for Obamacare gone wrong. Experts in the field reminded critics that it took years, and several rounds of administrative amendment, to get the Social Security program right. But few have been listening to those cautionary notes.

There are big price differences from one place to the next. Consider Minneapolis and

What you pay out of pocket depends largely on your address.

Milwaukee, which have similar populations, similar hospital systems and similar health-care costs. In 2019, Affordable Care Act (ACA) premiums for a silver plan in Milwaukee are \$563, compared with \$300 in Minneapolis. Rates in Minneapolis fell 8 percent in the past year, while they stayed about the same in Milwaukee.

Those differences might seem surprising. But Minnesota expanded Medicaid coverage as part of the ACA, and Wisconsin did not. States such as Minnesota that have taken part in Medicaid expansion have tended to have lower premiums, and more of the uninsured have been brought into the health-care system.

In Wisconsin, the failure to expand Medicaid has meant higher costs for state government.

That's resulted in a befuddling tug-of-war over who has it right, and only two things are certain. One is that how much individuals pay depends on their place of residence. The other is that this system is so complicated, and so decentralized, that educating the public is almost impossible.

As a result, partisans retreat to their corners and fling tweets at each other. Liberals call for a bigger federal role in providing health care. When confronted with what that would mean, many voters blanch. Conservatives call the liberals' plans a strategy for socialism, and they favor pushing government out of the health-care business. But with health-care costs accounting for more than one-fourth of the federal budget, that's not an option.

This is shaping up to be a pivotal—and nasty—debate for the 2020 campaign. It's a difficult issue to debate, though, because we've made it so complex. And it's so complex because for a long time the feds have found it easier to push tough decisions down to the states. That's why the health care citizens get increasingly depends on their address. For an issue as fundamental as health care, those differences are a prescription for tearing even deeper rifts in the country. **G**

Email kettl@austin.utexas.edu

Smaller Tax Refunds, Big Hit on States

A lot of Americans saw bigger paychecks last year thanks to the 2017 federal tax overhaul. But those same people are also seeing smaller tax refunds this season. The IRS has estimated that about 4.5 million people who used to get a tax refund won't get one at all this year; another 4.5 million will be getting a much smaller refund than they're accustomed to.

For states, this will impact how they collect back taxes and fees. Thanks to the Treasury Offset Program, states can intercept federal tax refunds if that taxpayer owes the state money. States typically recover about \$3 billion a year in income tax debts, unemployment insurance debts, child support, and other overdue payments by intercepting federal tax refunds and other federal payments. With fewer tax refunds coming in this year, states will have to rely on other, more cumbersome means of recovering taxpayer debts, such as seizing property. The U.S. Treasury can still intercept other federal payments—like paychecks or benefit payments—on states' behalf. —Liz Farmer

No Money for Criminal Justice Reform

In December, President Trump signed the First Step Act, a criminal justice law that mirrors sentencing reform and prisoner reentry policies that have been adopted by a majority of states over the past decade. It was a rare example of federal bipartisanship in action, and the president highlighted its passage at length during his State of the Union address this year.

Despite all that, the law has already run into one big problem. The \$333 billion, thousand-page spending bill that Trump signed in February contains zero money to support the new law. It may simply have

been an oversight as the spending package primarily copied-and-pasted language that Congress had approved last year, long before the First Step Act had passed.

Still, including the modest sums of money called for by the legislation—a mere \$75 million per year to implement the law's provisions—"should have been a no-brainer," says Sarah Anderson, federal affairs manager for FreedomWorks, a conservative group that backed the law. "It's unacceptable that the funding wasn't included in the appropriations package." —Alan Greenblatt

Clean Water Fight Heads to High Court

The U.S. Supreme Court agreed earlier this year to review a Hawaii case about clean water regulations, which is good news for the 18 states and many local governments that want the lower court's ruling in that case overturned. The dispute is over the scope of the federal Clean Water Act, the 1972 environmental law that imposes tight restrictions on pollution that enters lakes, rivers, oceans and other navigable waters. It says, for example, that no one can dump pollution from a "point source," such as a pipe, into navigable waters without a permit.

Problems arise when officials try to draw the boundaries of what the federal government can and cannot regulate. The Hawaii case centers on a wastewater treatment plant in western Maui that disposes of up to 5 million gallons of treated wastewater every day by injecting it into underground wells. Much of that water leaks into springs beneath the Pacific Ocean half a mile away. Lower courts determined that Maui County, which operates the plant, violated the Clean Water Act because it did not have a permit for point-source pollution. A slew of states and local governments took Maui's side when the county appealed to the U.S. Supreme Court. If the U.S. Court of Appeals' decision stands, they argued, it would add new burdens to local governments. The high court will likely hear the case in its next term, which begins in October. The case is *County of Maui, Hawaii v. Hawai'i Wildlife Fund*. —Daniel C. Vock



Climate First Responders

Cities are on the front lines of extreme weather.

The divisiveness surrounding climate change at our various levels of government has made meaningful progress hard. As a result, we may be quickly approaching the point where reversing the effects of climate change is futile and where, instead, finding ways to adapt to its myriad impacts is the new goal.

Whatever you may think about climate change, it's bound to have a huge economic impact. The Green New Deal, the economic stimulus plan that was introduced in the newly elected Democratic Congress, has elements of the policies and programs that will be necessary to transition our economy. But two things currently hinder the Green New Deal's ability to move forward. First, it's extremely broad in scope, more wish list than actual policy. Second, it doesn't deal with the fact that states, counties and cities will need to find their own specific solutions to the challenges imposed by climate change.

There's a clear role for states and localities in the areas where they already have considerable policy influence: transportation and land use. Transportation, a significant portion of state fiscal outlays, accounts for the largest share of greenhouse gas emissions in the U.S. We've already benefited tremendously from an extended era of cheap fuel and transportation. But what happens when those costs skyrocket? Will a simple transition to electric vehicles be enough to stem the tide? Or will we have to come to grips with the ways in which we travel?

This leads to impacts on land use, which cities and counties largely control. Our nation has been reliant for decades on an urban form that prioritizes land consumption. Are we ready for a transition to land uses that lead to more density and travel reductions to lower greenhouse gas emissions? Relatedly, where increased

precipitation becomes the norm, stormwater storage and management will be paramount. Can we develop communities that make storage an integral part of how we live? The same holds for areas that become drought-stricken as a result of climate change. Can they find ways to extend water infrastructure to thirsty cities?

A report looking at counties by the Brookings Institution found that climate-related costs would not impact all parts of the nation equally. Researchers estimate that by 2080 climate-related costs could increase by 10 percent to 30 percent in counties throughout the South, mostly located along the Gulf Coast. The northern tier of the nation, meanwhile, could actually see climate-related costs fall by as much as 13 percent.

Brookings has given some thought to possible strategies, which include better aligning the location of jobs, housing and services to reduce driving; reducing urban development on environmentally risky land; and improving land use policy and overall governance to save money and lives.

The fact is, climate change will hit everyone hard, but cities will be the first responders when it comes to adaptation.

Coastal cities will be dealing with sea rise and erosion, while interior cities will be faced with greater amounts of precipitation in some areas and intensifying drought in others. The necessary policy choices will be critical. The demands on local infrastructure will only increase. How will cities respond?

Resiliency, in my opinion, is the name of the game. Density and transit are often presented as lifestyle options that cities can elect to choose. But with climate change, they may become integral features of effective adaptation. More land may have to be given over to stormwater retention and detention, and smaller lot sizes and an expanded range of housing options may be the only solution. Localities and companies in drought-stricken areas may lead the way in innovation and technology to produce water, or to transfer water from wetter locations to drier ones.

Over the last 30 years we've seen significant and unprecedented revitalization in our large cities. But as we enter the 2020s, we'll see if cities can make the changes necessary to adapt and thrive in a world impacted by climate change. **G**

Email psaunders1128@gmail.com



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An aerial photograph of Chicago, showing the city skyline in the background, a multi-lane highway with traffic in the middle ground, and a large body of water (Lake Michigan) in the foreground. The text "Creating Better Communities." is overlaid on the bottom right of the image.

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The Rise in Renters

What does the tilt toward apartment living mean for cities?

Like many cities, Allentown, Pa., has experienced a slow but seismic shift in its housing market in recent decades. New apartment complexes keep popping up while developers convert vacant industrial facilities into rental housing. Meanwhile, construction of single-family homes has ground to a near halt. Since 2000, the city's renter population has grown by 46 percent, while the number of residents in owner-occupied units has declined 12 percent.

The city, now majority-renter, epitomizes what's occurred elsewhere as a greater proportion of Americans opt to forgo—or at least delay—homeownership. This carries numerous ramifications for localities, from renters' different demands for services to the way they interact with government. While small upticks in renting rarely provoke major consequences, long-term shifts can reshape cities in a number of ways.

Governing reviewed Census data covering the period since 2000 for all cities with at least 100,000 residents. We found a median increase in the renter population of 31 percent. Many of the jurisdictions with the steepest increases were in rapidly developing areas in Arizona, Florida and Texas. Over the same period, the number of owner-occupied dwellings also rose, but only by a median of 7 percent.

The rental influx hasn't only been confined to booming areas. Fifty-three cities, including distressed ones like Allentown, added more than 10,000 renters and lost homeowners. Philadelphia provides one of the starkest examples. Its owner-occupied residences have dropped by about 100,000 since the start of the century, while the city's large cohort of young adults and supply of new apartments has increased the renter population by 30 percent. Similar

shifts have taken place in Akron, Ohio; Glendale, Ariz.; and Memphis, Tenn. Of all the cities losing owner-occupied units, all but eight still added renters. In several New Jersey cities just outside New York, about 7 out of 10 residents rent, and their numbers are climbing.

A confluence of several factors is behind renting's steady ascent. Among them are young Americans delaying home purchases; steep prices that remain out of reach for many; and an expansion of the rental housing market. In Allentown, a large supply of affordable rental units is attracting low-income families, including thousands of evacuees from Puerto Rico. At the same time, a mix of millennials and empty nesters with higher incomes is moving into newer units.

Renters require a different set of resources than homeowners. Allentown employs 15 dedicated staff to inspect each unit once every five years and respond to multiple disruptive conduct reports daily. They often encounter absentee landlords from New Jersey and New York who purchased homes as investment properties. "With so many transients coming in and out of these properties, it doesn't maintain a stable neighborhood," says Leonard Lightner, the city's director of community and economic development.

An analysis of New York City 311 call data published in the journal *Urban Affairs Review* found that, when other variables are controlled for, neighborhoods with more renters had higher rates of graffiti and noise complaints. Homeowners, meanwhile, requested slightly more "government goods," such as street repairs and waste collection.

Renters and homeowners tend to hold different expectations for public services. Renters in most cities generally view their

service delivery less favorably than do homeowners, according to the National Research Center Inc., which conducts citizen satisfaction surveys.

It's possible for a substantial shift toward renting to impact a city's finances as well. Renters generally do not add to the tax base as much as homeowners, although this can depend on how taxes are structured. An Urban Institute analysis found renters were more likely to struggle in paying for basic needs. Renters in dense areas are also less likely to own cars than residents of single-family homes.

A large body of research has further linked homeownership with civic participation. Some of this has to do with residential tenure, as homeowners remain in neighborhoods longer and have a chance to put down deeper roots. But research from Georgetown University sociologist Brian McCabe finds that even after accounting for residential stability, homeowners are 1.62 times more likely to vote in local elections than renters, and are more likely to join civic and neighborhood groups. "A lot of voting is about having a sense of belonging," he says. "Homeowners identify more with a place."

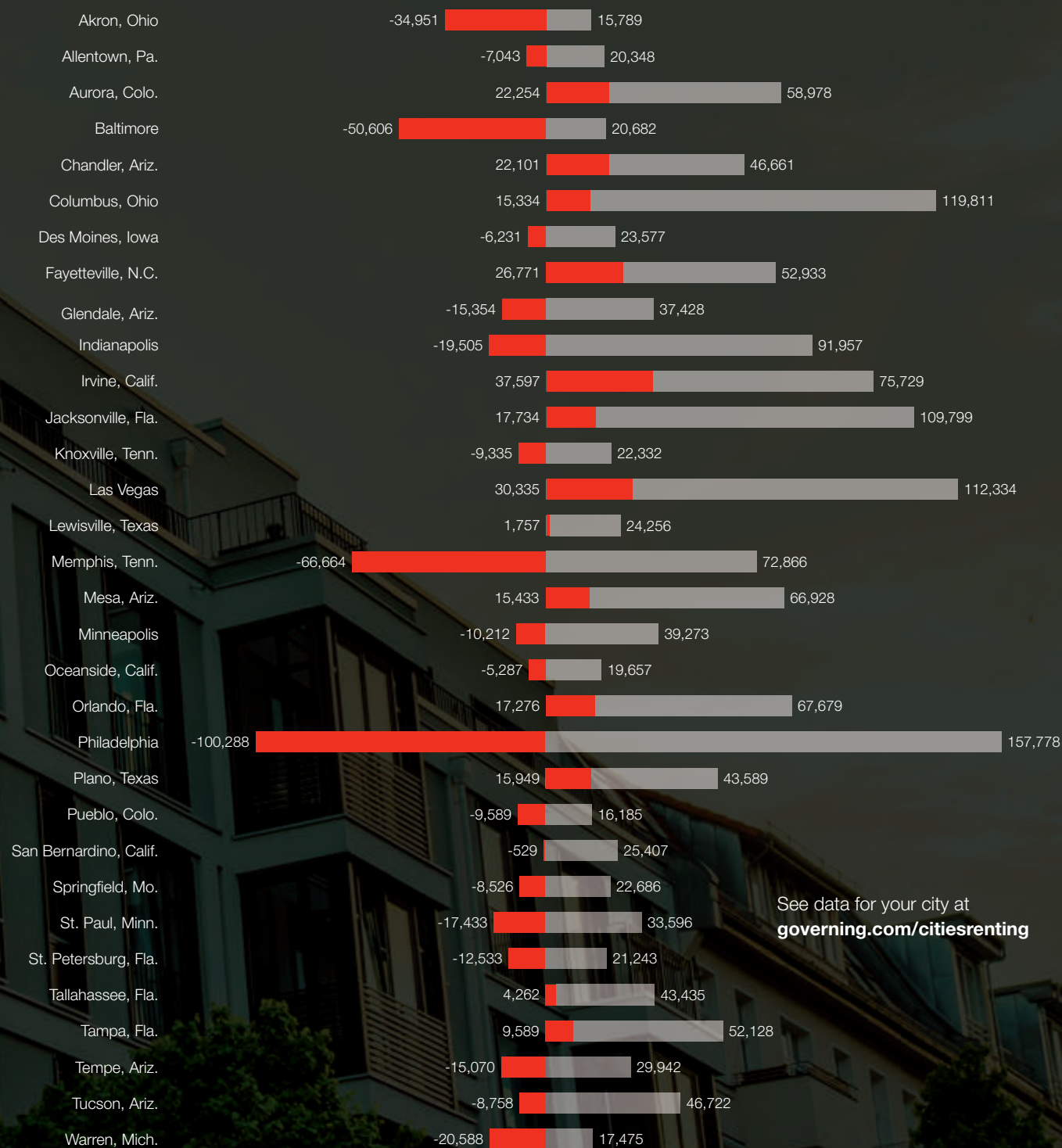
This doesn't all mean that a shift to renting is bad for cities. The National League of Cities' James Brooks says they must engage renters differently than homeowners. He recommends, for example, that city programs reach out to renters in the neighborhoods where they live, rather than requiring them to come to city hall. "Places are stable and safe because they're engaged and the neighbors know one another," Brooks says. "They collaborate together and look out for one another, whether they own or rent." **G**

Email mmaciag@governing.com

RENTAL MARKETS

These cities have experienced substantial increases in renters between 2000-2017, while also losing or gaining far fewer owner-occupied residents.

Rent Change
Owner-Occupied Change



See data for your city at
governing.com/citiesrenting

2000-2017 Population Change

SOURCE: GOVERNING CALCULATIONS OF 2017 5-YEAR AMERICAN COMMUNITY SURVEY, 2000 CENSUS DATA

THE POWER OF THE PULPIT

Evangelical influence
isn't eroding in
American politics.
It's adjusting.

By John Buntin



In the summer of 2016, Robert Jones, head of the Public Religion Research Institute, published a book called *The End of White Christian America*. It argued that changing demographics were making the white Christian population gradually wither away. White Catholics were aging. The mainline white denominations—Methodists, Lutherans and Episcopalians—had shrunk to a fraction of their former size. Most strikingly, Jones continued, evangelical Christians were on the verge of irrelevance. “White Christian America will be survived by significant numbers of its descendants,” Jones allowed. But these survivors, especially in the evangelical camp, would face a stark choice: fight divisive rearguard actions doomed to failure; disengage and withdraw; or resign themselves to a more liberal multicultural future.

Four months later was the 2016 presidential election. White evangelicals turned out in force, and some 80 percent cast their vote for the Republican candidate, Donald Trump. Evangelicals made up about a quarter of total voters—as they have in every national election since 2008. A demonstration of irrelevance it definitely was not.

Nevertheless, in the months that followed, the national media returned to the narrative that traditional evangelicalism’s political influence was coming to an end. This time, the argument went, the issue was generational. “Many young evangelicals are more diverse, less nationalistic and more heterodox in their views than older generations,” declared a writer for *The New Yorker* after she visited a hip, multiethnic evangelical church in Philadelphia, where she found congregants who supported Black Lives Matter, immigration reform and universal health care, and where the focus was on reducing abortion, not overturning *Roe v. Wade*. Two months later, *The New York Times Magazine* published a similar piece, claiming that young evangelicals “were questioning the typical ties between evangelicalism and Republican politics.”

Three weeks after the *Times* story ran, evangelical voters turned out for the 2018 midterm elections. Exit polls showed that 75 percent cast their ballots for Republican candidates. That number includes evangelicals of all ages, but surveys taken shortly before the election showed that 78 percent of white evangelicals ages 18 to 29 identified as Republican. “Did we see white evangelicals moving toward the middle of the political spectrum in 2018? Clearly no,” says Ryan Burge, a political scientist at Eastern Illinois University (and a Baptist minister). “White evangelicals are more Republican now than they were two years ago.”

For at least two decades, political observers have been predicting the decline of white evangelicals as a political force. It’s not hard to see why. As a share of the national population, their numbers continue to shrink. But there is also evidence that white evangelical voters are becoming a more engaged, if smaller, voting bloc. That seems particularly true in states such as California, Colorado and Oregon, where evangelicals see themselves threatened by a rising tide of “secular” voters.

The Public Religion Research Institute released a study in 2016 that showed a dramatic drop in the white evangelical proportion of the population. According to PRRI’s research, white evangelicals made up 22 percent of the U.S. population in 1988. By 2014, they had fallen to 18 percent of the population. During this same period, the number of whites categorized as religious “nones” (meaning they describe themselves in survey responses as atheists, agnostic or “nothing in particular”) rose from roughly 7 percent of the population in the early 1990s to over 20 percent. These numbers formed the core of Jones’ argument: “White Protestant Christians—both mainline and evangelical—are aging and quickly losing ground as a proportion of the population.”

It was a dramatic finding. And parts of it were indisputable. Whites as a percentage of the overall population have declined. That’s naturally made white Protestants a smaller part of the overall population too. But there were nuances. The percentage of Americans identifying as evangelical (white and non-white) was 23.8 percent in 2016. That’s down from 29.6 percent in 1988 but not too far below the 25.6 percent who identified as evangelical in 1976.

White evangelicals might indeed lose political power in the long run. But in the short run, their influence may actually be rising. Consider another figure: Between 2000 and 2010, the most recent years for which county-level data from the U.S. Census is available, the percentage of evangelicals rose in 45 states. How can this be possible?

There are two reasons, says Burge at Eastern Illinois. The most important is the increase in Latino evangelicals. That growth accounts for large increases in Arizona, Florida, Maryland and Ohio during this period. Another factor may be geographic sorting. “Feminist atheists don’t want to live in Mansfield, Ohio,” says Burge. “They want to go live in D.C. or New

York or Philadelphia or Chicago.” That makes the evangelical presence—and influence—larger in the small-town and rural areas where evangelicals are actually an increasing share of the population. As less-religious young people leave rural areas, these places become older, whiter and more evangelical. That, in turn, is making politics in many states more polarized, and frequently gives the remaining evangelicals additional clout.

Observers
keep predicting
the decline of
evangelicals as a
political force. But
they may actually
be getting stronger.



Miracle Hill Ministries, which provides child placement services in part of South Carolina, receives government funds but only works with Protestant Christian families.

RELIGIOUS NEWS

There's another trend that appears to be spurring white evangelicals to get more engaged in politics—the rising number of religious “nones.”

Consider Colorado, perhaps the most polarized state in the nation. It has long had a significant evangelical presence. Colorado Springs is the home of Focus on the Family, the global evangelical ministry founded by James Dobson in 1977. In 2016, a quarter of the state identified as evangelical. Since the 1990s, however, the state has experienced a huge increase in the number of religiously unaffiliated residents. Some 37 percent of Coloradans now identify as religious “nones.” This group is almost as reliably Democratic as evangelicals are reliably Republican. The surge in “nones,” along with the growth of Denver and Boulder, has painted much of Colorado purple. One might expect that politicians in this situation would moderate their stances in order to try to attract crossover voters. However, a study published last year found the opposite. Instead of competing for moderates (of whom there were few), candidates instead took more extreme positions in order to turn out their base, either on the evangelical or the non-religious side of the spectrum.

It's not just Colorado. Nevada, Oregon and Washington have seen even bigger increases in “nones.” More than 40 percent of voters in those states describe themselves as religiously unaffiliated. All of these states have also seen big increases in white evangelical engagement. “I think evangelicals are more inspired to engage,” says Paul Djupe, a political scientist at Denison University, “when they are

surrounded by a greater proportion of ‘nones’ or a greater sense of cultural threat.”

In short, young white evangelicals aren't moving to the left. They are as reliably partisan as their grandparents. Demographic change will not render their concerns unimportant. And the fastest growing group of evangelicals—Latinos—shares many of the larger group's conservative concerns. Their preferences will only become more important in the years to come. Understanding evangelical voters and the issues that motivate them is an important survival skill for officeholders and candidates—and not just in the Bible Belt.

One area where all of this is playing out right now is the issue of “religious freedom,” as it is invariably described by Republicans and evangelicals. Indeed, it's fast becoming an issue of paramount concern to evangelical voters.

The idea of religious liberty has deep roots in American history. The first sentence of the First Amendment to the U.S. Constitution defends it. The idea of protecting religious liberty also has a track record of bipartisan support. Twenty-six years ago, Congress overwhelmingly passed the Religious Freedom Restoration Act, which carved out broad protections for the exercise of religion. Its lead sponsor was a young Democratic congressman who is now the Senate minority leader, Charles Schumer.

But in recent years, evangelicals' push for broader religious freedom rights has run into a countervailing force: LGBT demands for protection. Groups such as the American Civil Liberties Union (ACLU) say evangelicals are insisting on the right to discriminate against LGBT people. In 2015, the U.S. Supreme Court legalized gay marriage with its ruling in the case of *Obergefell v. Hodges*. The 5-4 decision was a setback for Christian legal advocacy groups, and also led to a change in emphasis. After *Obergefell*, references to "religious liberty" among evangelicals began to spike.

Since that landmark case, Christian legal advocacy groups such as the American Center for Law and Justice and the Alliance Defending Freedom (ADF) have attempted to use the courts to expand protections for religious freedom. Perhaps the most well-known victory in this area was last year's Supreme Court ruling in favor of a Colorado baker who refused to create a wedding cake for a gay couple. But religious freedom advocates have been active in many other cases. In Arizona, the ADF has defended a stationery store's refusal to create wedding invitations for a transgender woman. In Michigan, it's defended a funeral home operator who fired a trans employee. Christian legal defense groups have also encouraged states to pass legislation expanding the scope of religious liberty.

The Trump administration has strongly supported these efforts. Earlier this year, the U.S. Department of Health and Human Services (HHS) granted a waiver request from South Carolina that allowed a Christian social services organization in Greenville, S.C., one that received government funds, to continue matching children only with foster parents who are Protestant Christians. This effectively overturned a nondiscrimination policy issued by HHS in the final days of the Obama administration. "This is probably the issue where evangelical institutions feel the most threatened," says Dan Darling of the Southern Baptist Convention's Ethics and Religious Liberty Commission. "The question is a really serious one: Will Christian institutions be allowed to continue to hold to orthodoxy and still operate in the public square?"

Meanwhile, LGBT civil rights groups such as the Human Rights Campaign have helped turn back most of the efforts to fight same-sex marriage or restrict the activities of transgender individuals. Last year, Massachusetts approved a voter initiative to expand LGBT rights. In New Hampshire, Republican Gov. Chris Sununu signed legislation that expanded housing and nondiscrimination law to protect transgender people. Five states—Delaware, Hawaii, Maryland, New Hampshire and Washington—last year passed new protections against the practice of so-called gay conversion therapy, bringing the total number of states with such laws or regulations to 15, including the District of Columbia. This year began with New York passing a

Courts in recent years have taken up more cases involving the question of "religious freedom."

strong nondiscrimination bill as well as legislation to prohibit conversion therapy, along with executive orders by new governors in Kansas, Ohio, Michigan and Wisconsin protecting LGBT state employees. However, those and other fights are far from over.

According to the Human Rights campaign, fewer than half the states provide any significant legal protections for LGBT residents. Last year 16 states considered but did not pass laws that would have expanded protections. Some newly elected officials, including Kansas state Reps. Susan Ruiz and Brandon Woodward, two of the 244 openly LGBT people elected in 2018, are now trying to change that. Earlier this year, Ruiz and Woodward introduced a measure to expand state nondiscrimination provisions to include sexual orientation and gender identity and expression. The bill is unlikely to make it through the Republican legislature, but Ruiz believes that changing opinions and business support will eventually carry the day. "It's an economic necessity," she says.

A state where the fight is more evenly matched is Texas, which saw its percentage of evangelical residents decline





Latinos are the fastest-growing group of evangelicals. On many issues, such as abortion, they are more conservative than white churchgoers.

DAN PELLETHE SPOKESMAN REVIEW

between 2000 and 2010. Last year, a broad coalition of businesses, universities and civil rights groups beat back efforts in the Texas Legislature to enact a “bathroom bill” that would have prevented transgender people from using the restrooms of their choice. This year, for the first time, the Texas House has an LGBT caucus. Its members have proposed legislation that would update state nondiscrimination laws to cover LGBT Texans, streamline the process for transgender people to update their birth certificates, and prohibit state-licensed health-care providers from performing conversion therapy on minors. Opponents such as the religious advocacy group Christian Values have described this effort as a veiled attempt to #BanTheBible.

Two evangelical organizations that are trying to avoid this kind of divisive fight are the National Association of Evangelicals and the Coalition of Christian Colleges and Universities. Last December, after years of discussion, the boards of both groups agreed to support legislation that would extend the protections of nondiscrimination law to LGBT people in exchange for broad carve-outs for religious organizations that would allow, for example, Christian colleges to hire only Christian instructors. That upset many evangelicals who saw the compromise as something that

would protect institutions but not the rights of individual evangelicals to exercise their faith in their jobs and in public. At issue is a fundamental question: Will courts and legislatures allow evangelicals to act on their faith in their daily life and work? Or will they choose to recognize lesbian, gay, bisexual and transgender people as a protected population, just as legislatures have chosen to protect African-American and disabled persons before?

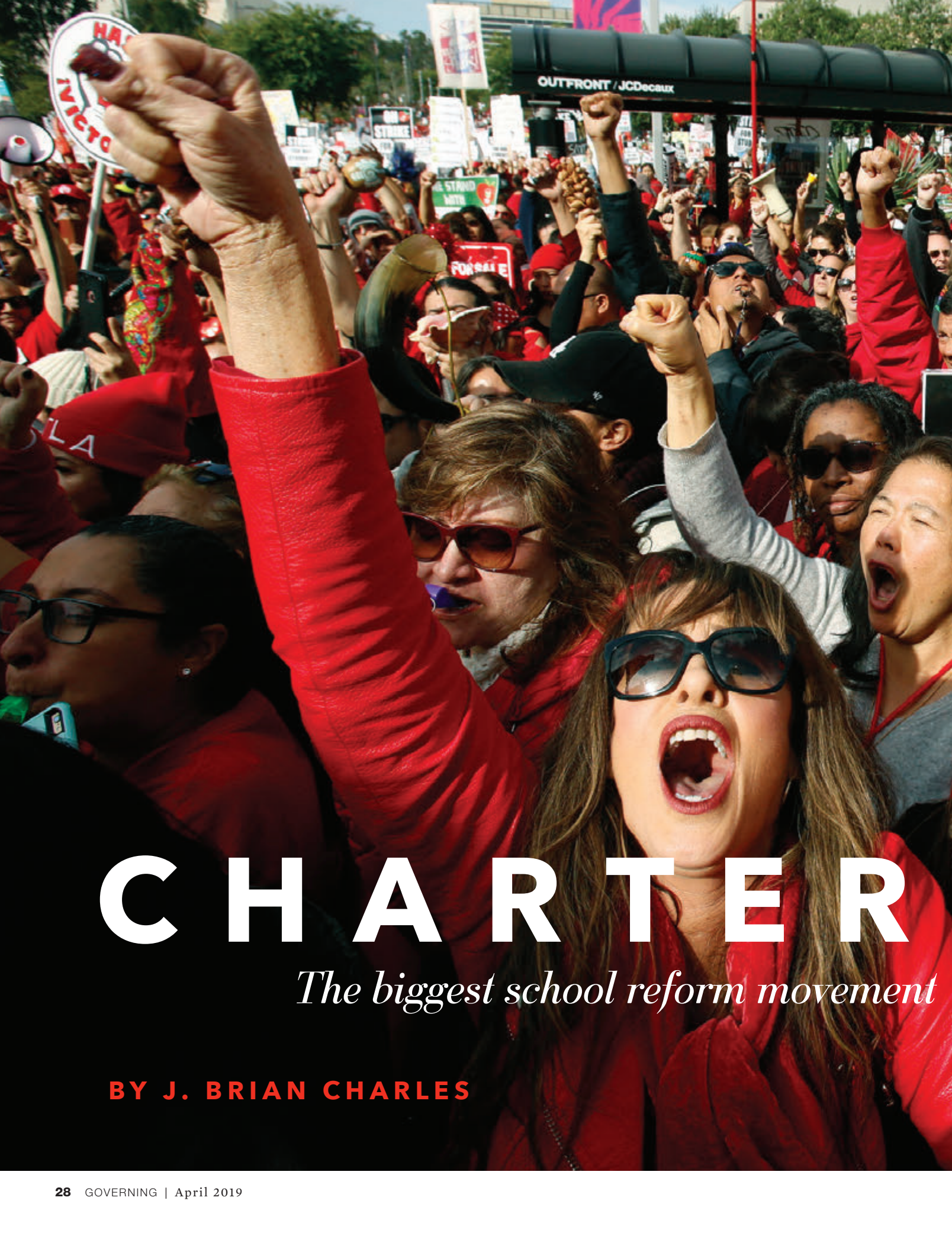
Gay marriage is one of the few issues on which there is an identifiable generation gap among the evangelical population, with younger evangelicals tending to hold more liberal views than their older peers. But on many other issues, young churchgoers are just as conservative as their parents. On the issue of abortion, in fact, millennials may even be more pro-life than older white evangelicals. The overall numbers do not bode particularly well for a more cooperative, less partisan style of politics.

That said, while white evangelicals young and old do have strong Republican allegiances, they are not a monolithic voting bloc. In South Carolina, 60 percent of evangelicals describe themselves as identifying or leaning Republican. In Ohio, that number is closer to 55 percent. But in New York, only 35 percent of evangelicals identify as or lean Republican. Forty-three percent lean or identify as Democrats. In California, a quarter of evangelicals consider themselves “strong Republicans.” Another quarter consider themselves “strong Democrats.” That suggests that in some states, at least, evangelical voters don’t identify exclusively with the GOP.

The growth in the number of Latino evangelicals may eventually scramble loyalties as well. Latino evangelicals as a group have been moving toward the GOP for years. A narrow majority voted for Trump in 2016, and their support for the president remains strong. Rev. Samuel Rodriguez, the head of the National Hispanic Christian Leadership Conference, makes no secret of his distaste for what he sees as the Democratic Party’s recent move to the left. However, Rodriguez says the GOP is also ignoring issues important to Latino voters. “I would like the Republican Party to deal with issues of justice, to talk about poverty alleviation and inequality,” Rodriguez says. Republican rhetoric on immigration is also a problem for Rodriguez and his congregants.

Unlike Jones at PRRI, Rodriguez is confident that both parties will ultimately take note of evangelical preferences due to the pressure of demographics. “Who has more kids? White evangelicals or white atheists?” asks Rodriguez. The answer is clear. White evangelicals as a group have a birth-rate that is 15 percent to 20 percent higher than white people as a whole. Latino evangelicals are having kids at an even higher rate. “We are very *familia* people,” Rodriguez says. “So as Latino evangelicals, we are growing our families. The evangelical influence in the American political reality will not go away in the 21st century. It may actually surprise everyone. It may actually grow.” **G**

Email jbuntin@governing.com



CHARTER

The biggest school reform movement

BY J. BRIAN CHARLES



ANXIETY

in the past decade is taking some hits.

LAST DECEMBER, AFTER TWO YEARS of negotiation that hadn't produced a contract, the United Teachers of Los Angeles took to the streets. Thousands of them marched in their red shirts past the glimmering towers of revitalized downtown Los Angeles. They finished their march at The Broad, a contemporary art museum where union leaders held a rally before dismissing the crowd. Their demands were clear: smaller class sizes and a limit to the explosive growth of charter schools.

The final destination was as deliberate as the demands. The target of their rage was Eli Broad, the billionaire philanthropist who is a modern-day Medici in Los Angeles. He backs the arts. His bid to buy the *Los Angeles Times* was widely supported by locals. And his museum attracts nearly a million visitors a year. But as labor negotiations slowed and then stalled last year, the teachers turned their anger toward the city's civic hero. The reason was simple: Broad is a passionate supporter of charter schools.

California is home to 1,306 charters—more than any other state in the country. And Los Angeles is the state's most fertile ground for these schools. The Los Angeles Unified School District has 277 of them. Control of the nation's second-largest school district rests with its school board, where Broad has wielded influence for years. In the last two election cycles he gave more than \$2 million to school board candidates. After the 2017 campaign—the most expensive school board election in the nation's history—yielded a 4-3 pro-charter majority, Broad's influence over the school district grew even stronger. The board picked as its new school superintendent Austin Beutner, an investment banker with no experience running a school district or even a school, but with close connections to Broad, who had helped Beutner land a job as L.A.'s deputy mayor. Beutner, like Broad, is a charter supporter, having served on the boards of several charter operations.

With the labor dispute in its second year, Beutner pushed a plan to reshape the school system. He proposed forming 32 networks across the district, meant to foster a decentralization of power. Autonomy would be returned to the schools and, by extension, to parents. But to the powerful teachers union in Los Angeles, Beutner's plan was a move toward still more charters and to school privatization. "Decentralization is a common refrain in so-called portfolio districts—like New Orleans, Newark and Detroit—cities that are riddled with a patchwork of privatization schemes that do not improve student outcomes," the union said in a statement released in November. "Clusters of schools compete against each other for resources and support, creating a system of haves and have nots and exacerbating segregation and equity issues."

Beutner's plan galvanized the anti-charter forces. Parents joined teachers on the picket lines, swelling the ranks of those who descended on The Broad museum to roughly 50,000 on the day of the march. "The thing Beutner didn't see," says Randi Weingarten, president of the American Federation of Teachers, the nation's second-largest teachers union, "was the overwhelming support of traditional public schools in Los Angeles."

Mayor Eric Garcetti broke the labor stalemate in January, forging a deal between the union and Beutner. The union got a commitment to the smaller class sizes it had long demanded. And the mayor, who had once called for the expansion of charter schools in Los Angeles, got the school board to vote up-or-down on a

union-backed resolution asking the state to place a cap on charter schools. In short, Garcetti delivered a win for the teachers in a place where the charter movement had won some of its most significant victories. The school board eventually approved the resolution calling for the charter cap in a 5 to 1 vote. In February, state leaders agreed to form a task force to examine the fiscal impact charter schools have on traditional public school funding. The union claims that charters drain resources from regular public schools.

The concessions by the school district didn't happen in a vacuum. From coast to coast, the charter movement has seen its political support declining, especially among progressive Democrats. The movement was defeated badly in Massachusetts in 2016 when voters rejected a ballot initiative to lift a state cap on the number of charters. Last year, in contests for governor in California, Connecticut, Illinois, Michigan and New Mexico, Democratic candidates campaigned openly against charter schools. Tony Thurmond overcame a 2-to-1 fundraising deficit to defeat a charter-backed candidate for state superintendent of public instruction in California. More than \$50 million was raised in that campaign, and the election split Democrats in the state and nationally. In February, newly elected Wisconsin Gov. Tony Evers, a Democrat, put forth a proposal to slow and possibly stop the growth of charter schools in the state. Evers, who spent a decade as the Wisconsin

Previous page:
Educators rallied
in Los Angeles
for smaller class
sizes and a cap
on charters.

This photo:
Teachers hold
signs protesting
Eli Broad and
L.A. Schools
Superintendent
Austin Beutner.



schools superintendent, has proposed a freeze on new independent charters for four years and wants to eliminate a program which allows Milwaukee County officials to transform low-performing schools into charters.

Charter support has also cooled at the local level. According to a report by the National Association of Charter School Authorizers, the opening of new charters has steadily declined since 2013. More than 600 were authorized that year. By 2016, the total number of authorizations had fallen by almost half, and the number of charters authorized by local school boards declined from 357 to 135.

All of this is happening after two decades of support for charter schools from both parties. Presidents George H.W. Bush, Bill Clinton, George W. Bush and Barack Obama all backed the charter school movement, as does President Trump. Republican governors and Democratic mayors have joined forces to give charters a foothold not only in Los Angeles, but also Chicago, New York and New Orleans. They essentially agreed that market-driven reforms, competition and choice were the key to transforming an education system that was failing urban children of color, and that charters were the instrument of transformation. “We used to say education reform was the last bipartisan issue,” says Marc Magee, CEO and founder of 50CAN, an education advocacy group that backs charter schools. Now, he says, “that is increasingly threatened.”



Charter schools grew exponentially under President Obama.



The ironic wrinkle in the charter school story is that the movement's earliest supporters were teachers unions. Albert Shanker, who ran the powerful United Federation of Teachers, representing New York City public school teachers, was one of the early advocates. He and others believed that charter schools, free of the bureaucratic restrictions that plagued traditional schools, would be natural innovators. The innovations that worked would be copied and scaled up. The first charter schools were opened in Minnesota in 1992, and the movement gradually spread across the country in the ensuing decade. “They were launched as a progressive idea intended to save poor kids from failing schools,” says Diane Ravitch, a former U.S. assistant secretary of education who started as an enthusiastic supporter of charters and has become their most prominent critic.

Early charter advocates argued that traditional public school teachers, with tenure and other workplace protections, were change-averse and in many cases complacent. They had bought into the idea, advocates said, that poor kids from poor families with uneducated parents were all but impossible to teach. Once the movement got the backing of reform-minded mayors such as Richard M. Daley in Chicago and Michael Bloomberg in New York, it began to gain traction in urban education. With help from Republican governors and state lawmakers, Bloomberg and Daley wrested control of their school systems from their respective school boards. Other mayors did the same thing. They pushed for more competition and charter expansion, to the displeasure of the unions that had once backed the charter school idea.

But the most important source of momentum was the decision by President George W. Bush to make education reform a centerpiece of his agenda. In 2001, months after being elected, he signed the federal law known as No Child Left Behind. The legislation

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required schools to collect reams of student performance data. States were allowed to close underperforming schools and replace them with charters. By the time President Obama took office in 2009, the charter movement was well underway in cities across the country. Chicago had almost 100, and New Orleans had turned virtually all of its school district over to charter operators in the wake of Hurricane Katrina. Obama picked Arne Duncan, who had run Chicago Public Schools, to head the U.S. Department of Education. His appointment signaled that the new president was doubling down on charter school growth. Ultimately, Duncan's tenure and the Obama administration's own education reform plan, *Race to the Top*, was the turning point for Democrats on charter schools.

Where *No Child Left Behind* collected data and used it to close schools that were falling behind, *Race to the Top* further unleashed market dynamics on public schools. Competition increasingly became the focus. States were given additional federal

on competition, generated fierce pushback from labor and the left. "Competition produces winners and losers in public education," says Weingarten of the American Federation of Teachers. "Our obligation is to all children, so this culture of competition is antithetical."

Meanwhile, Republicans framed *Race to the Top* as another example of the federal government meddling in local education. With pressure from both the left and right, Duncan would eventually give a tearful resignation in 2015. "When you put that much political capital in change," Magee says about Duncan and *Race to the Top*, "there is a natural feeling that you can't maintain the political push." By 2016, the NAACP was calling for a moratorium on new charter schools, and both major-party presidential candidates that year expressed reservations about their growth. The same data collection that helped fuel the rapid expansion of charters in the earlier Obama years became weaponized by the movement's opponents.

William Sampson's 2016 book, *Chicago Charter Schools: The Hype and the Reality*, looked at math and reading scores across the city. It reported that traditional public schools outperformed charter schools in math, science and composite testing (a test of overall knowledge). Charters outperformed traditional schools in one area, third grade math. Sampson also found that charter schools had a lower percentage of special education students, and an abundance of students who moved less often and had fewer absences. In other words, Sampson argued, charter school student bodies were flush with children who would succeed in any school environment.

The research backed what many critics had been saying of charter schools for years: that they were unable or unwilling to meet the needs of children with social, emotional or developmental needs. Charters were accused of pushing out students who didn't meet performance standards, which happened at

Eli Broad is one of the nation's most ardent supporters of charter schools.



funding for adopting performance metrics for teachers and students and creating supports for charter schools. "If you couch it in the context of competition, conservatives will go along with it," says William Sampson, an education policy professor at DePaul University. "Competition satisfied conservatives, extra money satisfied liberals." The move caused Illinois to lift its lid on charter school approvals. Massachusetts adopted policies to allow state takeovers of entire school districts.

Charter school growth under Bush and Obama was exponential. More than 3 million children, about 6 percent of all public school students, now attend a charter school. The growth has been fastest in large urban districts. In Washington, D.C., almost half of the public school students are in charters. One-third of the children in Newark, N.J., attend a charter, up from 10 percent a decade ago. In New York City, 1 in 10 students, roughly 90,000 children, are charter school pupils, four times as many as 10 years ago. The explosive growth in charter schools, and especially the emphasis

one of the nation's most celebrated charter programs, the Harlem Children's Zone. New York's highly touted Success Academy schools do not backfill spots that open when poorly performing children leave after the fourth grade. Success Academy founder Eva Moskowitz claims students who haven't succeeded by the fourth grade would struggle to keep up with the academic rigor of her schools. Critics call this a form of creaming. In Sampson's view, charters that present their own data and point to success are "making a random selection from a biased sample."

Still, the examples of success at charter schools, while anecdotal, are hard to ignore. Recent research from the Stanford Center for Research on Education Outcomes shows that charter schools, especially the large charter networks like Kipp, Success and Yes Prep, all reported small but significant gains in reading and math when compared to their traditional school peers. The same study, which examines slices of the charter industry across the country, shows that larger charter schools improve the outcomes for black

students, especially when compared to those in neighboring traditional public schools. But those students still trail white students in traditional public schools in reading and math.

Despite the inconclusive measures of success, supporters say that without the agitation caused by charter schools, traditional public schools in places such as Chicago and New York would not have been moved to reform in the last 20 years. And while charters may have a direct benefit only to the relatively few children who gain access to them, the hope has always been to force the rest of the system to adopt changes.

When Betsy DeVos became secretary of education under President Trump in 2017, she gave political cover to Democratic opponents of charter schools. DeVos has long been a proponent of charter schools and school vouchers; in her home state of Michigan, she and her family helped fund some of the state's first charter schools. Last year, Democratic candidates for governor in Illinois, Michigan and New Mexico framed their opposition to charters as part of the resistance to Trump. "The election of Trump and appointment of Betsy DeVos clarified that school choice is a right-wing issue pushed by the Waltons, the DeVos family, the Koch brothers and every red state governor," says Ravitch. "If DeVos favors charters, how can they be 'progressive'?"

The Democrats elected governors in California and Connecticut in 2018 who ran on education platforms that contrasted sharply with the views of their Democratic predecessors. In Connecticut, Ned Lamont marked a clear reversal from fellow Democrat Dannel Malloy, a longtime charter advocate who serves on the national board of Democrats for Education Reform, a pro-charter activist group. Lamont was once all-in on Malloy's plan to improve education. In 2012, halfway through Malloy's first term, Lamont wrote an op-ed in the *Stamford Advocate* in which he gave his full support to Malloy's charter expansion. "Connecticut is getting close on groundbreaking education reform efforts," Lamont wrote. "Don't punt now, let's drive for the end zone." But by 2018, Lamont had pivoted away from his earlier position. He claimed charters were taking money away from traditional public schools in a state where education funding has long been tight, especially in the state's poorest districts. As governor, Lamont is promising to focus on helping impoverished schools in Connecticut rather than allowing for more charters.

California elected Democrat Gavin Newsom to replace retiring Democratic Gov. Jerry Brown, who had largely stayed out of the fight over charters. It took hard lobbying efforts to get Brown to sign a bill outlawing for-profit charters in the state. When Newsom ran in 2018, one of his strongest primary challengers was former Los Angeles Mayor Antonio Villaraigosa. Newsom had been close to Broad and to Mayor Bloomberg earlier in his career. But he vowed during his campaign to place a moratorium on the expansion of charter schools, and Broad and Bloomberg put a combined \$5 million behind Villaraigosa, who was strongly in favor of charters. Despite the millions in pro-charter money, Villaraigosa finished third. In his first weeks in office, Newsom signed a bill calling



Education Secretary Betsy DeVos supported numerous charter schools in her home state of Michigan.

for open meetings of charter boards; his predecessors Brown and Arnold Schwarzenegger vetoed similar bills.

Proponents and critics agree that the charter movement is not going away anytime soon. It has been the source of fissures in the Democratic Party, but they are unlikely to lead to a dismantling of the charter establishment. "How many charter school laws have we seen undone in the last five years?" says Andy Smarick, an education policy expert with the American Enterprise Institute, a right-leaning think tank. "There are waves in favor and waves in opposition, but they are small waves."

Critics insist they are not trying to demolish the movement but seeking to return it to its roots. Ravitch and Weingarten believe the sector can still play an important role as a laboratory for innovation. The United Federation of Teachers operates a charter school in New York City, even as the union voices strong opposition to the movement at large. What opponents of rapid charter growth say they want is a reversion to local control. While local school boards have cooled on their support of charters, states and public university systems continue to authorize them. That creates deeper tension over local control, the kind of tension that led to pushback against No Child Left Behind and Race to the Top. "Charter schools should be authorized only by districts and should be required to follow the same laws as public schools," Ravitch says. "They should meet a need that the district can't fill."

Then there's the issue of scale. The success of certain charter schools appears to some as a statistical blip in a sea of data that suggests disadvantaged urban children are still lagging behind their wealthier counterparts. But while charters aren't equipped to take over public education, as even their backers admit, they can augment what is available. And that might be where the movement can be an agent of change without attracting so much criticism, moving away from a focus on growth to a concentration on quality and being a model for educating urban children of color. "If not for charter schools," says charter advocate Magee, "what is the bold plan to change education? Because the status quo is unacceptable. I don't think the solution is to take pressure off the system to help kids." **G**

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**Addicted to drugs? Traveling
in a shopping bag?**



No Questions Asked

Story and Photos
By David Kidd

**with a pet? Carrying all your possessions
One shelter will still be glad to have you.**

David Higgins, homeless for years, is bent over a dark green plastic trash bin, the kind you see curbside in every city and town in America. His eyes are closed and his head almost touches the rim as his fingers reach for something at the bottom. But it isn't trash. It's his own pair of perfectly good running shoes. This particular container is one of 500 numbered bins, arranged in neat rows on a wide area of gravel and concrete. The containers are storage closets for residents of the Courtyard, a homeless resource center in Las Vegas.

Higgins has come back to the Courtyard to collect the last of his possessions. After living at the resource center since August, he recently got a job and his own place to live. "I've had problems with alcohol," he says. "I'm still dealing with it."

The Courtyard is unlike most homeless shelters in the country in several important ways. It allows guests, as they are called, to store their belongings in the bins. It allows them to have pets. It lets couples come in together. Most striking of all, it admits people who show up drunk or high. "You have to allow them to come in with their drugs and alcohol," says Las Vegas Mayor Carolyn Goodman. "But they can't sell it. They can't be buying it. If they're high, we'll help them."

Goodman, like the residents of the Courtyard, knows that denying access to alcoholics and drug addicts can pose problems for people living on the streets. "I had an intoxicated gentleman try to rape me and hit me in the mouth and knocked my two bottom teeth out," says Julia Laymance, a Courtyard resident for the past six months. Kathi Thomas-Gibson, the director of community services for the city, says that "people come here because if they stay on the street they get beat up, mugged and abused. There has to be a safe place so folks can make a decision about what next step to take. If you're out there, you're just in survival mode."

At the Courtyard Homeless Resource Center, there are no beds. Overnight guests, typically around 200 of them, sleep on mats laid along the ground outside. No food is served except on rare special occasions. What the Courtyard does offer is easy access to services that include securing ID cards, getting medical help and finding a job.

Traditional shelters and other places to stay and eat exist not far away. Catholic Charities is across the street. The Salvation Army and the Shade Tree shelter for women and children are also close. They are not competitors to the Courtyard. "Our partners are full every night," says Thomas-Gibson. "There are beds for 500 men across the street. Where do the women go? Where do the people with pets go? Where do same-sex couples go? Same thing for the Salvation Army. They're full. So you add it all together you've got maybe a thousand beds. We've got 6,000 people on the streets."

One thing that draws homeless people to the Courtyard is the policy toward possessions. Most providers will insist that people give up their belongings in order to access services, a meal or a place to sleep for the night. "If everything you own is in two shopping bags ... or however you're trying to maintain a semblance of



The Courtyard provides a safe and sanitary place to stay so that guests can focus on more than just day-to-day existence.



Guests' possessions are kept in 500 locked, numbered bins that are neatly arranged in rows on the Courtyard's property.

your former life, we say you don't have to leave it outside," says Thomas-Gibson. "You can bring it inside."

The Courtyard sits alongside North Las Vegas Boulevard, a half-mile up the road from the Neon Museum, the resting place of the once-glittering signage of the city's storied past. The most prominent feature of the Courtyard is an abandoned three-story motel of the same vintage as the museum, but devoid of any charm. Until the city purchased the property, it was used by a homeless youth center. A vacant church was demolished to make room for the hundreds of storage bins. The steeple was spared and sits alone in a distant corner of the lot.

The empty motel's ground floor is open and paved, presumably once used to keep parked cars out of the elements. The space is now occupied by pallets of bottled water, a kennel and homeless guests seated at picnic tables, reading, talking, sleeping or playing with their pets.

While one side of the abandoned motel is up against Las Vegas Boulevard, the other looks down on an open expanse of dirt and concrete. A few forlorn trees punctuate the otherwise barren space. An open shed protects a few more tables and benches where people stand guard over their phones while charging them. Large red rocks provide seating for those who would rather take their chances with the elements. Beyond the courtyard itself is a tent-covered outdoor basketball court, also with picnic tables. Next door, a former funeral home serves as the shelter's office space and provides storage.

The campus perimeter is ringed with fencing. Guests may come and go, but they must use the one and only entry point. Armed security personnel are always visible everywhere on the property. It's hard to find someone with anything negative to say about the security staff. "They treat you like a human being," says Laymance.

“They joke with you.” Outside the gate, Metro Police routinely stop to question individuals loitering on the street to keep guests from being taken advantage of as they come in and out.

Besides the fence and security personnel, perhaps the most important feature of the Courtyard is a row of 10 Port-a-Potties that are cleaned every day, along with hand-washing stations near the entrance. Goodman says her first order of business upon opening the Courtyard in 2017 was sanitation. “The biggest thing for me were the stupid Port-a-Potties. Safety first and sanitation. They go hand in hand,” she says, slapping the top of her desk. “There are certain basic needs and we have to be able to provide them.”

All of this, the old motel, the converted funeral home offices and the basketball court, will soon be gone, replaced with a brand-new facility with expanded offerings for the homeless. But no matter how inviting the Courtyard may be now, there are still many homeless people who won’t step foot in the Courtyard or any other shelter.

On a chilly late-winter Tuesday, three white vans pull up to a deserted, trash-strewn lot not far from the Courtyard grounds. As they do every day, the vans have brought members of the Multi-Agency Outreach Resource Engagement Team (MORE) to look for people in need. They try to coax them into the Courtyard. If they won’t come in, it is hoped they will at least agree to get help with services. The MORE team always works in tandem with law enforcement officials.

In this lot, a tent city the length of a football field has been set up beside a cement drainage ditch. Train tracks run along the other side. Piles of trash, shopping carts and all manner of debris define individual encampments. It is quiet except for the sounds of small planes buzzing overhead. Stopping at every makeshift dwelling, a Las Vegas city marshal leans in. “Hey, folks inside the tent, we have service providers out here if you want to talk to them.” Sometimes a muffled “no” comes from within, but usually there is silence. Once in a while someone will come out to talk.

Two women in bright green MORE vests ask a disheveled young man some questions while the marshal stands a few yards off to the side. “It sounds like you had a pretty shitty childhood. Have you talked to someone? Maybe a little depression? Anxiety?”

“No, it takes a lot to bring me down.”

“Do you have a learning disability?”

“Dyslexia.”

“Are you currently running from something? Do you have any pets with you?” The women try to convince him to come to the Courtyard, but he won’t. He says he’s at least thinking of spending the night at a conventional shelter, and he eventually agrees to meet them again in the morning.

“You can’t make people take services,” says staffer Jason Arroyo of MORE. “But you can try, try, try.”

To visit the Courtyard headquarters, guests must submit to a search by a security guard in a short hallway adorned with missing person flyers. The largest room is divided into a small number of cramped offices and cubicles, each staffed by someone with a specific responsibility to help obtain IDs, arrange for medical assistance, deal with insurance, get transportation or find a job.



The Courtyard lets couples stay together. Buddy and Krystal have been there for three of the eight months they’ve been married.

In a tiny corner office, case manager Jakki Wells is questioning a guest with a head injury. “Has anybody threatened you or tried to harm you? Have you tried to threaten or hurt anybody in the last year? Have you been attacked or beaten up in the last year? What happened to your head?”

“Don’t touch it. It’s gonna hurt.”

“You fell? Did somebody beat you up?”

“No,” is all he can answer.

“You did, you’ve got a big gash on your head right now. Is there anybody that thinks you owe them money?”

Less than two feet away, another staffer is arranging for a young woman to get a bus ticket home to her mother in Seattle. Every day several guests take advantage of a program offering free rides home. After showing that someone expects them on the other end, they are handed a ticket and a bag lunch and sent on the 20-minute walk to the bus station. “It doesn’t bother me if it’s tonight or tomorrow morning. But I would prefer today,” says the hopeful passenger. “I don’t have any money now because I gambled it all away. Yesterday I slept outside underneath an awning.”

Many of the staff and volunteers at the Courtyard have their own history of homelessness and addiction that helps them identify with the Courtyard’s guests. Wells has been clean for 29 years. “I’m very proud of my own accomplishment,” she says. But her empathy for the homeless and addicted doesn’t mean she’s a push-over. Her expression turns to exasperation if she thinks someone is trying to manipulate her. “They’re not bad people,” she says of the guests. “They’re just in bad situations.”

Although this is the desert, temperatures are close to freezing and a light rain is falling on a February afternoon. Groups of people huddle under blankets at the tables beneath the old motel. Suddenly, the area is bathed in a red glow as heat lamps mounted in the ceiling



Armed personnel are visible everywhere on the property. “They treat you like a human being,” one guest says of the security staff.

are turned on. A chorus of “Thanks, Mark,” goes up, directed at Mark Sommerfeld, manager of the Courtyard’s physical plant. He has turned on the lamps sooner than he was supposed to.

Buddy and Krystal are part of the group thankful for the heat lamps. They have been staying at the Courtyard for three of the eight months they’ve been married. Buddy, 34, says he’s had two heart attacks and is quick to tell you about his dislocated shoulder. L-O-V-E is tattooed across the fingers of one hand and H-A-T-E across the other. “I was a bad drug user,” he says. “Now I smoke weed.” Krystal, 27, is pregnant with twins. They stay here because they can be together at night. “We may sleep on mats,” Buddy says. “But at least I’m not too far from my wife.”

Dogs, cats and birds are welcome to spend the night in the Courtyard’s kennel. There is one more animal in residence this week, but no one who’s seen it can agree what it is. Chipmunk and prairie dog are the most popular guesses. A volunteer from an organization dedicated to helping animals and their owners makes regular appearances to donate pet food, clean pens and help the homeless care for their animals.

Las Vegas and surrounding Clark County have the eighth-largest homeless population among all of the country’s metropolitan areas. Two thirds of the region’s 6,000-plus homeless population are unsheltered. To address the need, the Courtyard sprang from modest beginnings two years ago on vacant land purchased by the city. “When I came here, this place was nothing. It was a mess,” says staffer Steve Rehberger. After the Port-a-Potties were installed, a security staff was added, along with a rented trailer for any interested service providers. Bottled water was handed out during hours of operation, initially 6 a.m. to 6 p.m.

As the project began to take off, says Rehberger, “all the politicians and the mayor came, nonprofits wanted to come and do services—it just turned into a mini courtyard.”

Steve Quackenbush was one of those living on the street at the time and recalls the early days. “Three cases of water, 10 guests. I came over and was just relaxing on a bench and I saw there was trash that needed to be dumped. So I was trying to help out and started dumping trash. I’d come every day.” His enthusiasm for work eventually earned him a paid position.



The MORE team, which always works in tandem with law enforcement, try to convince homeless people to come to the Courtyard.

Will Kight came from similar circumstances, having met Quackenbush at Catholic Charities. "Being part of the homeless population makes it easy to relate," he says. Kight now does public speaking on behalf of the Courtyard. "I want to see it to completion," he says.

The Courtyard is not the only low-barrier facility in the United States. Other cities have their own versions of an alcohol-tolerant one-stop shop for homeless services. The most elaborate and well-established is in San Antonio. Largely funded by a retired oil executive, Haven for Hope has 60 nonprofit partners on its \$100 million, 23-acre campus, which includes open-air sleeping and dormitories for 850 people.

The size and funding model of the San Antonio campus make it difficult to replicate. But delegations from several other cities, including members of the Courtyard team, have made multiple trips to the private, nonprofit facility looking for ideas. "We took our team down to see San Antonio because we knew we were going to adapt elements of what they were doing," says Thomas-Gibson, the city's director of community services. "You can't adopt, pick it up whole and plop it here, but you can adapt certain aspects. The folks who work here needed to see that in action."

Rehberger has commandeered someone's office and is spreading the architect's plans for the new Courtyard across a desk. "We're going to be able to sleep 500 people," he says. "There's

going to be heat and cooling. We're going to have 15 or 16 permanent showers, with bathrooms. No more Port-a-Potties." Plans also call for a large covered dayroom for watching TV, playing games or just staying dry when it rains. There will be new office space for service providers, a kennel and a laundry. The city plans to begin construction on the new facility in the fall.

But all of this is coming at a price. In the past few months, the anticipated cost of building the new facility has almost doubled to \$15 million. "The issue, as with everything in life and everything in government in particular, is how do you fund it?" says Goodman. "Not only how do you fund it but how do you sustain it? There has to be an ongoing stream of income to do all the wonderful things. There is no free. You have to pay for it." But the mayor is mindful of the larger effects of the city's homeless policy. "It does affect all of us," she says. "It affects tourism. It affects business. It affects schools. It affects safety. It affects everything."

In the end, what may be most important is that the Courtyard gives people a chance to focus on moving forward instead of just surviving. "This is a population that has chronic issues and we need to be able to intervene," the mayor says. "If you don't allow them to come in with their [alcohol or drugs] and everything else, they're not coming." **G**

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THE MISSING

*Native American women and girls
have been disappearing for generations.
But no one can say how many.*

BY CANDICE NORWOOD



“Nuna, I’ll be back. I love you.”

Those words are etched in Cissy Strong’s mind when she recalls the last day she saw her younger sister, Rosenda.

Cissy and Rosenda are Native American women who live in southern Washington on the Yakama Indian Reservation. On Oct. 2, 2018, the sisters spoke briefly as Rosenda, 31, got ready to head out with a group of friends. One of those friends picked her up around 7 p.m., and they headed to Legends Casino on the reservation.

Cissy has not heard from her sister since. “She would never not tell me where she is,” Cissy says. Rosenda is loud and social. She likes to go out with friends, but her four children—two boys and two girls—are her world. “They had all her attention,” Cissy says. “She is just a joyful, proud mom.”

After four days of calling hospitals, jails, friends and family, Cissy filed a report with tribal police on the Yakama Reservation. At first there was pushback from the officers. “She’s probably still partying,” Cissy recalls them saying. Several days later, the Yakama police and then the FBI launched a search for Rosenda, yielding many questions but few answers. Cissy still hears whispers around town. Rosenda supposedly left the casino with a friend, but no one knows for sure where she might have gone.

Rosenda’s photo now circulates on webpages and social media groups for other missing Native Americans. In one widely shared post, 13-year-old Marisa Ellison poses for what looks like a school portrait. Her dark brown hair cascades over her shoulders, and a dimple pierces her left cheek. Ellison vanished from her home in Oklahoma last year, a few weeks after Rosenda Strong. The list of missing women and girls goes on, highlighting a

reality that has plagued native communities for generations.

Native American women living on reservations are murdered at alarmingly high rates. In some counties, the number is more than 10 times the national average, according to the Department of Justice. Nationwide, murder is the third-leading cause of death for indigenous women. Thousands more face the threat of violence and assault. “I hear these stories almost every day where native mothers are preparing their daughters for when they’re raped,” says Sarah Deer, a lawyer, activist and professor of gender and sexuality studies at the University of Kansas. “Not ‘if,’ but ‘when.’”

Eighty-four percent of American Native and Alaska Native women have experienced violence in their lifetime, according to a 2016 report from the National Institute of Justice. Of that group, more than half experienced sexual violence. Nearly all of these women were attacked by someone from a different racial group—a rarity for most violent crime victims. A total of 5,656 cases for missing native women or girls had been entered into the FBI’s National Crime Information Center database by the end of 2017, with 633 of those cases still active. That’s 0.7 percent of all active NCIC missing persons cases, a seemingly small share.

But those numbers only tell a fraction of the story. Many native



people choose not to report crimes, a result of long-existing tensions between police and indigenous communities. When a crime is reported, police agencies do not always prioritize missing native cases. What’s more, different police departments have different requirements for how they share case information with national databases like the NCIC. Other inconsistencies with data collection and jurisdictional communication complicate things even further.

The fact is that native women and girls are going missing around North America, and no one knows exactly how many. The problem isn’t new, but federal and state lawmakers have been slow to address it. That’s beginning to change: Bills have been introduced in recent years in Arizona, Minnesota, Montana, New Mexico, North Dakota, South Dakota and Washington state that aim to build tribal relations, collect research, promote transparency and provide resources to law enforcement. But with native communities divided across 50 states, thousands of counties and more than 300 federal reservations, pinpointing a solution will not be an easy thing to do.

Annita Lucchesi, a human trafficking survivor, knows firsthand the dangers native women face in their day-to-day lives. Now a doctoral student with the University of Lethbridge in Canada, Lucchesi was frustrated with the lack of data on women who go missing around the United States and Canada. Four years ago, she decided to start compiling information herself “by any means

50

The number of officers that patrol South Dakota’s **3,500-square-mile** Pine Ridge Reservation, an area that’s larger than Delaware and Rhode Island combined.

Thirteen-year-old Marisa Ellison disappeared from her home in Oklahoma City in October. Her photo is one of many images of missing girls that have been circulated on social media. *Previous page:* On the Blackfeet Indian Reservation in Browning, Mont., Kenny Still Smoking touches the tombstone of his 7-year-old daughter, Monica, who disappeared from school in 1979 and was later found frozen on a mountainside.

necessary.” Canadian news media had already begun discussing missing native cases as a larger national problem. But little of that was happening in the United States. Lucchesi filed Freedom of Information Act requests, waded through news archives and online missing persons databases, reached out to native families, and scoured social media pages looking for cases. Today she operates the largest database specifically targeting missing and murdered indigenous women, girls, transgender individuals and two-spirit people, a traditional third-gender category that’s recognized by many native communities. Her database now includes cases dating back to the 1900s for about 3,500 missing and murdered individuals, but she estimates an additional 20,000 need to be added.

Lucchesi’s research has received widespread news coverage over the last two years, helping to push the conversation about missing natives into the spotlight. “I think the most important thing is that it’s been healing for families to have that sense of validation, to have that sense of finally being heard,” she says. “Because so many families never get the chance to be heard.”

Like many other advocates, Lucchesi says the problem is rooted in systematic racism and colonialism. American Indian and Alaska Native people are not only among the country’s smallest minority populations, but they also have very little legislative representation. Just this year, Democratic Reps. Deb Haaland of New Mexico and Sharice Davids of Kansas were sworn in as the country’s first Native American congresswomen. Of the country’s 7,383 state legislators, only 82 are Native American. For generations, native people have felt erased from society and treated as an

afterthought; that history, say Lucchesi and others, also manifests in the way missing native cases are processed and investigated by law enforcement.

State and local agencies face wide-ranging challenges when it comes to addressing any missing or unidentified persons case. Bodies may sit unidentified for years. Scores of prosecutable homicides go unsolved. Many agencies lack resources, manpower and training in a number of areas. In Native American communities, these shortcomings are even more apparent.

Lucchesi partnered with the Seattle-based Urban Indian Health Institute (UIHI) to release a report last November assessing the “national data crisis” surrounding missing indigenous women and girls. Researchers contacted law enforcement agencies in 71 U.S. cities. Some 48 of them either did not provide data or “provided partial data with significant compromises.” While the report samples a small share of all U.S. cities, UIHI nonetheless provides one of the most comprehensive assessments available of police data collection on Native American cases. Among the challenges highlighted by the report are racial misclassifications of victims. Police in

Fargo, N.D., for example, told researchers their data system defaults to white if a victim’s race is not specified in a missing persons report. In cases from Seattle, victims marked “N” for Negro in the 1960s and ’70s were often misinterpreted to be Native American. Or consider Billings, Mont. The UIHI report identified 17 cases there that were not in law enforcement records, the second highest of the 71 cities after Gallup, N.M. On the whole, natives accounted for 30 percent of Montana’s missing women and girls in July 2017, despite making up just 3 percent of the state’s population.

Racial stereotypes about substance abuse, sex work or criminal history among native people also prompt some law enforcement agencies to take a missing persons report less seriously, researchers say. “There are times when police departments will ask questions that perhaps they don’t ask of white communities,” says Esther Lucero, chief executive officer of the Seattle Indian Health Board, which oversees UIHI. “Are you involved in sex trafficking? Are you a drug user?” All of these questions that begin to change the narrative and shift blame onto the victim.”

When a native person goes missing, one of the fundamental questions is who’s in charge. “Specifically, when you are in Indian Country, jurisdiction gets really weird,” says Caroline LaPorte, senior policy adviser on native affairs at the National Indigenous Women’s Resource Center. “In a lot of these cases, there’s confusion by law enforcement about who is supposed to respond. Is it state law enforcement or Bureau of Indian Affairs law enforcement? Or is it the FBI?”

84%

of American Native and Alaska Native women have experienced violence in their lifetime, according to a 2016 report from the National Institute of Justice. Of that group, **more than half** experienced sexual violence. Nearly all of these women were attacked by someone from a **different racial group**—a rarity for most violent crime victims.

There are approximately 326 reservations under federal jurisdiction. Tribal police are typically the first line of defense for crimes committed on reservations. But there's a catch: A 1978 U.S. Supreme Court decision stripped tribal police and courts of the right to criminally prosecute non-native offenders. The reauthorization of the U.S. Violence Against Women Act in 2013 partially restored these rights, allowing tribes to investigate, prosecute, convict and sentence non-natives in cases of domestic or dating violence. Even with the change, tribal police are underfunded and understaffed. For example, about 50 officers patrol South Dakota's

3,500-square-mile Pine Ridge Reservation, an area that's larger than Delaware and Rhode Island combined. Complicating the issue further are reservations in half a dozen states—Alaska, California, Minnesota, Nebraska, Oregon and Wisconsin—that fall under state jurisdiction, not federal. And what if a resident of a tribal reservation is abducted or murdered off the reservation? Jurisdictional nuances like these can significantly slow down investigations.

The Violence Against Women Act is up for reauthorization again this year. Native

activists want to amend the law to extend tribal criminal jurisdiction of non-natives in cases of child abuse, sex trafficking, rape and murder. That change would help clear up some jurisdictional challenges for much of Indian Country. But more than 70 percent of native people do not live on reservations. For states and localities where most natives live, solutions may come only after governments improve their data.

Washington state Republican Rep. Gina Mosbrucker is one of the lawmakers leading the effort to address that problem. "We knew that there is no number in the state of Washington [on missing native women]. There was no database." The ability to provide hard numbers—even an estimate—can help lawmakers assess how extensive the problem is and where to allocate funding.

The unsolved indigenous cases also highlight broader, more systemic challenges with the way this country handles missing persons reports. States and localities each have their own missing persons databases that differ from the FBI's NCIC database. All of these are also different from the Department of Justice's National Missing and Unidentified Persons System. That database, known

30%

The share of Montana's missing women and girls in July 2017 who were Native American, even though native people make up just **3 percent** of the state's population.



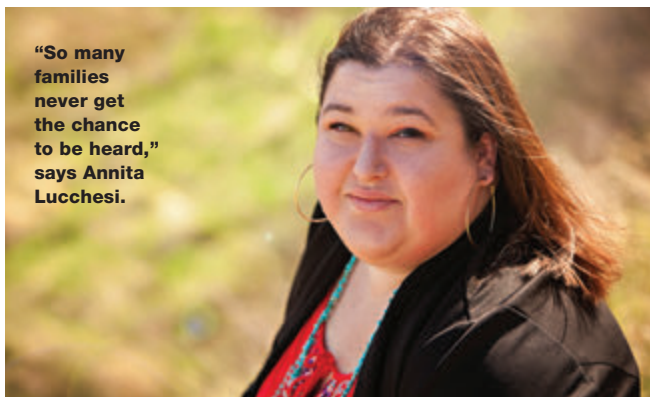
as NamUs, was launched in 2007 as part of an effort to enhance data sharing across jurisdictions and improve access to forensic services to help solve cases.

One significant difference between the NamUs and the NCIC databases is public access. Unlike with NCIC, the general public has the ability to submit information or search for someone directly on NamUs. The submitted profile—verified by the NamUs team—contains details such as physical descriptions, last known whereabouts or the clothing a potential victim was wearing. NamUs staff can also upload and view biometric information such as fingerprints and dental records. A 2016 report from the U.S. Government Accountability Office stated that "in fiscal year 2015, 3,170 long-term missing persons cases were reported to NamUs while 84,401 missing persons records reported to NCIC became long-term cases." It added that "inefficiencies exist in the use of information on missing and unidentified persons primarily because there is no mechanism to share information between the systems."

Part of the challenge for the NamUs team is building awareness about their services among both the public and the police. Many

COURTESY OF THE UNIVERSITY OF LETHBRIDGE

"So many families never get the chance to be heard," says Annita Lucchesi.





JAKE PARRISH, YAKIMA HERALD-REPUBLIC

Roxanne White, center, last May led a march through downtown Toppenish, Wash., on the Yakama Indian Reservation, to bring awareness to the issue of missing and murdered indigenous women.

seeking to improve communication between state, local and tribal authorities to investigate missing persons cases, in addition to tracking just how many cases there are.

Many places are looking to Washington state as a model. Lawmakers in Olympia last year passed legislation championed by Mosbrucker that tasks the Washington State Patrol (WSP) to work with tribes, local law enforcement and the Department of Justice to compile data on missing native women. The measure also directs the WSP to issue a final report, due in June, with recommendations for how to increase resources. The agency hosted meetings with native communities around the state to hear their stories and get a sense of where to begin, says WSP Capt. Monica Alexander. Still, finding concrete numbers for the final report has proven to be difficult. “The only way we can help the legislature see the problem and advocate for funding is to be able to get information,” she says. “It’s been really wonderful meeting people and opening the dialogue, but it’s been really challenging because I don’t feel like I have anything tangible to take back.”

Mosbrucker says she understands the difficulties of gathering comprehensive information, but she is not waiting for the final report to take action. In January, she introduced another bill that would establish two tribal liaison positions for the WSP to build better relations between tribes and law enforcement. It would also establish a task force to develop a “best practices protocol” for police to follow.

Mosbrucker says she hopes to see more from other states. “It’s not a tribal versus non-tribal issue,” she says. “We have to find these people, they’re in every single state—moms and daughters and aunts. We have to find answers and we have to find resources.”

Today on the Yakama Reservation, 200 miles from the Washington Legislature, Rosenda Strong’s family and friends are still searching. It’s been six months since her sister’s disappearance, and Cissy has mixed emotions as law enforcement agencies continue their investigation. Rosenda’s photo still circulates on social media and at local businesses and agencies, but the press coverage has slowed. At this point, Cissy says all she can do is keep sharing her sister’s story, pushing for change and hoping that answers will one day come. **G**

5,712

The number of reports in 2016 of missing American Indian and Alaska Native women and girls, though the U.S. Department of Justice’s federal missing persons database, NamUs, only logged **116 cases**, according to the Urban Indian Health Institute.

law enforcement agencies aren’t even aware that NamUs exists. Only four states—Illinois, Michigan, New York and Tennessee—require law enforcement agencies to enter missing persons records into NamUs. One federal bill, dubbed “Billy’s Law,” would have addressed some of these concerns by combining the NamUs and NCIC databases. Introduced in the U.S. House in 2011, the bill never made it out of committee. “I really wish there was a way that as a state we could mandate all being on the same system,” says Greg Wilking, an officer with the Salt Lake City Police Department. “We have 14 jurisdictions in this valley alone, and we are now trying to move toward a valley-wide [data] system.”

Lawmakers have introduced some pieces of legislation specifically aimed at indigenous cases. Savanna’s Act, first introduced in Congress in 2017, would mandate updated data, standardized law enforcement guidelines, and training for law enforcement agencies in addressing cases of missing and murdered indigenous people. The measure passed the Senate but stalled in the House; it is expected to be reintroduced this year. At the state level, legislation has been introduced in Minnesota, Montana and North Dakota

Email cnorwood@governing.com



**At Globe
Manufacturing in
Pittsfield, N.H.,
workers stitch
protective clothing
for firefighters.**

By Daniel C. Vock

States lucky enough to have lots of jobs face profound questions about the future of their economies.

The Downside of Low Unemployment

New Hampshire is in an enviable economic position. Companies are fleeing the high costs of doing business in and around nearby Boston and setting up shop in New Hampshire's towns and cities instead. Along the state's southern border with Massachusetts and close to the highways leading to New Hampshire's major city of Manchester, pharmaceutical companies, financial firms and tech startups are opening offices and manufacturing facilities. Farther north, other businesses are bringing new life to old New Hampshire mill towns, with operations that make things such as tents, sleeping bags and truck-mounted log loaders.

That's been great news, of course, for the state's workers. New Hampshire's unemployment rate has been under 3 percent for more than three years. It dipped below that threshold in December 2015 and, as of this writing, has held steadily at 2.5 percent, the second-lowest rate in the country—tied with Hawaii and a tad higher than Iowa.

But that low unemployment rate has caused its own set of problems. The big issue is a labor shortage. Companies are having a hard time finding new employees, even if they offer higher wages and benefits. In New Hampshire, the shortage is the result of an aging population, slow migration, and mismatches between the skills companies are looking for and those job applicants possess. "With population growth at a near standstill in comparison to earlier decades, the pipeline of young people entering the labor [market] in large enough numbers to replace those leaving the labor force is unlikely," state officials warned in a workforce analysis last year. "More innovative and creative ways of attracting labor will be needed for the foreseeable future."

New Hampshire isn't the only state where short-term booms have raised uncomfortable questions about the long-term health of

the economy. In 2018, 10 states simultaneously had unemployment rates lower than 3 percent, a phenomenon not matched since the final days of the dot-com bubble in 2000. But in almost every one of those states' capitols, officials are fretting about the health of their economy and the problems that need to be solved, whether it's expanding their workforce, attracting more affordable housing or moving away from the boom-and-bust cycles of oil markets or agricultural industries.

The low levels of unemployment that the country is experiencing right now are extremely rare. As of January, the U.S. unemployment rate stood at 4 percent. Last year, it dipped to 3.7 percent, the lowest it's been since 1969.

Among economists, there's a long-held convention that says that low unemployment rates trigger inflation. The assumption is that, as workers get harder to find, employers will start offering higher wages, and inflation will rise. It's an important theory, known as the Phillips curve, and it has long helped guide the action of Federal Reserve governors and other central bankers as they use interest rates and money supplies to keep economies humming. It also helps explain why long periods of low unemployment are so uncommon.

But low unemployment doesn't seem to be causing high inflation these days, perhaps because many employers have not been increasing pay for their workers as much as economists would expect. Whatever the reason for this, it's created an unusual situation for a handful of well-positioned states. "It's not unnatural for some of these states to have 2 percent unemployment rates," says Adam Kamins, a regional economist for Moody's Analytics. "It's what full employment looks like in some of these places."

Kamins says states with such low jobless rates share one or more features that set them apart from the rest of the country. States with economies that depend heavily on commodities are

“We’ve got numerous jobs that are not being filled.” “Are these openings due to a lack of a skilled workforce?”

faring well. That includes Iowa and Nebraska, which are greatly reliant on agriculture, as well as North Dakota, where oil from the Bakken region is fueling the economy. For New England states, including New Hampshire and Vermont, the low unemployment rate is being pushed by a strong regional economy that crosses state lines but has not led to big growth in labor forces. Booming industries are lifting other states, Kamins says, pointing to tourism in Hawaii, health care in Minnesota, and technology in Idaho and Virginia.

The tight labor markets have driven officials in each of those states to take on persistent problems that contribute to limited workforce growth. In Iowa, Gov. Kim Reynolds has emphasized workforce training, so that workers have the skills they need for jobs as they become open. Iowa already has one of the highest rates of high school graduates of any state in the country, but now it is pursuing a goal of making sure 70 percent of its workforce has education or training beyond high school by 2025.

Early this year, Reynolds highlighted another potential obstacle for attracting workers: a lack of affordable housing in rural communities. “Businesses in rural Iowa are growing and hiring,” she told lawmakers in her Condition of the State address, “but the employees they need won’t make the move if there’s no place for their family to call home.” The governor petitioned legislators to double the amount of workforce housing tax credits that are set aside for rural communities, raising the total to \$10 million.

While Reynolds touted incentives, a few Iowa lawmakers and business leaders backed disincentives for people who collected unemployment insurance. By making it harder to collect unemployment benefits, they hoped, the state could encourage recipients to find a job instead. Their ideas included instituting a one-week waiting period before applicants could receive benefits, narrowing the eligibility for unemployment compensation and penalizing recipients who applied for jobs they did not qualify for in order to keep their benefits. “We’ve got numerous jobs that are not being filled,” state Sen. Jake Chapman, a Republican, told *The Des Moines Register*. “So the question as a policymaker is, are these openings due to a lack of a skilled workforce or a lack of desire to fill those jobs?”

In North Dakota, a commission formed by Gov. Doug Burgum came up with specific actions the state could take to expand its workforce. One called for the state to increase the capacity of its nursing programs, so that there would be more nurses to serve rural areas. Another suggested that the state should make it easier for former prisoners to get jobs. The commission also looked to people attached to the armed forces—spouses and retirees. The state could become more “military friendly” by making it easier for military spouses to get occupational licenses, and it could attract and keep

military personnel and their families in the state by eliminating state income taxes for current and retired military members.

In Hawaii, the high price of housing became a major issue in last year’s race for governor and continues to be a hot topic among state lawmakers. The housing shortage appears to be a main reason that, even though Hawaii has the lowest unemployment rate in the country, its population dropped for each of the last two years, the first back-to-back declines since Hawaii became a state in 1959. The biggest reason for the decline has been people leaving for the mainland. “For many in Hawaii, homeownership has always seemed like a far-fetched dream,” Gov. David Ige, a Democrat, told state legislators. “The high cost of land will always be a significant barrier to making more homes affordable. And on an island with little capacity to expand, demand will always outpace our limited supply. It seems like a no-win situation. Perhaps until now.” Ige wants to allow condo buildings to be built on state-owned property to help alleviate the housing shortage.

Kim Rueben, a senior fellow in the Urban-Brookings Tax Policy Center, says that how states respond to their labor shortages will depend on the nature of their economy and their demographics. But the good economic conditions also give state officials a rare chance to reconsider their economic strategy. “As unemployment is low, states can think about how they’re trying to grow their economy. They can think about what their incentives are and where they’re trying to go.” States, she says, should take a hard look at the kinds of jobs they’re trying to attract and what they want their economy to be based on. For New Hampshire, that could mean reevaluating whether the state’s long-held strategy of relying on low taxes and a low cost of living to attract businesses will be enough to keep its advantage in the years to come.

When Taylor Caswell, the commissioner of New Hampshire’s Department of Business and Economic Affairs, pitches his state to companies looking to expand, he emphasizes that the state’s workforce extends beyond its political borders. The southern part of the state, in particular, is closely tied to the greater Boston region. New Hampshire offers potential companies and workers easy access to the city, but with cheaper real estate than the Boston area, less traffic and no personal income tax.

But the exchange goes both ways. When Caswell drives past the Fidelity Investment offices near the New Hampshire town of Merrimack, “the highway is full of red, white and blue license plates,” he says. “Massachusetts plates.” Caswell points out that there are roughly 80,000 residents from other states working in New Hampshire. At the same time, on any given workday there are 115,000 New Hampshire residents that work in another state.

filled,” says Iowa state Sen. Jake Chapman. workforce or a lack of desire to fill those jobs?”

The workforce that crosses back and forth is one companies find attractive, he says. Workers have high education levels and, unlike in some other areas of the country, more men and women who live there are participating in the workforce.

The situation is different farther north in New Hampshire. The economy isn't quite as robust as in the southern part of the state, but there are encouraging developments. Caswell says officials from Quebec are embarking on a trade mission to New Hampshire, to check out possibilities for expansion into the U.S. market. In fact, one Canadian company, the heavy equipment maker Rotobec, is opening a second New Hampshire location because it can't fill all of its orders for logging, railroad and construction equipment with its existing facilities.

Rotobec is preparing to fill 25 new spots in its new facility in Groveton, a small town in northern New Hampshire. But Dan Gray, the operations manager for its existing Littleton location, says the company isn't having a hard time finding qualified applicants, despite the low unemployment rates in the region. Rotobec offers wages that are \$1 or \$2 per hour more than other companies in the area, and many of the workers in the area are in jobs that don't take advantage of their full skill set. "In this area, people are underemployed," Gray says. "They are still struggling. There aren't as many jobs here as there once was, and the ones that are here are low-paying. A lot of people are hunting for something better."

Caswell says New Hampshire is trying to use its good fortunes to build an economy that will be able to make it through the next slowdown. "Everybody has concerns about the tight labor market," he says. "Our goal right now is to use these times when we have high growth and sustained growth ... to build that sustainability into our economy."

Brian Gottlob, a New Hampshire economist with the firm PolEcon Research, says creating a more durable economy for the state could force its leaders to rethink some of their core assumptions. "We compete with Massachusetts," he says, noting that, on balance, more people from New Hampshire still work in Massachusetts than vice versa. "So one thing companies can do is offer better wages. There's been a belief in New Hampshire for several decades that the cost of living here is so much lower [than in Massachusetts] that they don't have to pay higher wages. But the cost of living advantage has eroded. It's not as big as people believe. Wages have to reflect that."

At the state level, Gottlob says, officials might have to consider spending more money for job training programs, even if it means adding recurring expenses to the state budget or even raising new revenue. "I hear all the time from companies, 'Am I going to be able to get the people I need?'" says Gottlob, who advises businesses. He says executives like the fact that there's no income or sales

tax in the state, "but there's one resource that most businesses can't live without, and that's labor. Brains are the most valuable resource of the 21st century."

That tension surfaced at the Capitol in Concord recently. State Sen. Kevin Cavanaugh, a Democrat, pushed a measure through the upper chamber earlier this year that would triple the state's spending on job training initiatives, using money set aside in the state's unemployment trust fund. His bill would also slightly cut the rate of the unemployment insurance tax that businesses pay into the trust fund, which is used to pay out unemployment benefits. It passed on a party-line vote.

Cavanaugh says the new money would be available for a wide variety of activities, including safety training, professional certification and English-as-a-second-language classes. The training could help expand New Hampshire's workforce, he says. It could help people struggling with recovery from opioid addiction get a job and avoid relapses, or it could help retired factory or mill workers find a new way to make money. "Just because you're retired," he says, "doesn't mean you can't drive a truck." The senator also argues that the job training measure would help the state in times of both low unemployment and high unemployment.

But the plan runs counter to some of the stances the state's Republican governor, Chris Sununu, took during his January inauguration speech. "In New Hampshire, we have made a choice," the governor said. "We don't want businesses making more investment into government. We ask businesses to invest in their employees. And they do."

As he sees it, lowering the cost of doing business through tax relief has allowed businesses to reinvest in their workforce. "That is a key factor in New Hampshire seeing significant wage growth," Sununu says, "because when a business can retain more of its revenue, it is able to increase pay for employees. Tax relief is a reason why more people are working in New Hampshire than ever before."

For now, New Hampshire officials have been able to avoid a confrontation over the best way to keep the economy growing. Low taxes and low regulation are a core part of the New Hampshire identity. The state motto, after all, is "Live free or die." But the state has been able to invest in workforce development even while keeping taxes low during the current uptick in the economy because existing revenues covered the cost. The real test will come when there's a downturn, and tax revenues start to slow.

All of which, Gottlob says, means that state officials need to adjust their outlook. "Legislators," he says, "need to change their perspective from attracting businesses to attracting individuals." **G**

Email dvock@governing.com



CAN SMART CITIES GET SMARTER?

The smart city model has been around for years. But it's got a lot of learning to do.
By Beryl Lipton

The Midwestern metropolis of Columbus, Ohio, is one of the fastest growing in the United States. Like leaders in much of urban America, officials in Columbus are looking for ways to handle the pressures that come with growth and demographic change. When Columbus applied in 2015 for the U.S. Department of Transportation's Smart City Challenge, the only iteration of the contest so far, its vision for what it might do with the \$40 million grant involved, among other things, targeting an aging population; younger residents attracted to already dense neighborhoods; and access to transit and other forms of transportation.

After winning the competition by besting 77 other municipalities facing similar challenges, Columbus could become a leader in the smart city movement, a growing effort to use high-tech solutions to solve urban problems. Part of Columbus' task will be to serve as a model for other areas wanting to attain the promised benefits of advanced data analysis, artificial intelligence and algorithms by bringing them more directly into contact with every city function.

The smart city movement, while conceived of several years ago, is actually just getting underway, and participation is still very much an experiment. The term "smart city" has been in use since the early 1990s, but in the last decade—particularly since the financial crisis of 2008 led governments and businesses to seek greater efficiency at a reduced cost—the idea has begun to gain traction.

Internationally, China, India and Singapore, in particular, have been pushing to upgrade their cities' tech infrastructures.

However, the long-term impact on government efficiency and economic growth remains murky, and there are unanswered questions about privacy, excessive intrusion and data collection on individuals. But that hasn't stopped cities—and tech companies that could benefit from widespread use of their products—from experimenting with the smart city concept.

Columbus, for example, is trying to develop ways to ease travel, looking to provide more options for the first and last mile of residents' trips, employing self-driven vehicles along common routes, coordinating freight vehicles going through the city, and creating a system to identify available parking. For expectant mothers, the city wants to create a system to make health-related transport more convenient and reliable with the goal of lowering the risk of maternal death and infant mortality. The projects are all attempts to improve mobility, thus simplifying commutes and potentially saving lives.

How smart systems get set up can be complicated given the number of parties—governments, product suppliers, public utilities, consumer advocates and residents—who are trying to set goals, designs, needs, and protect privacy and civil liberties. Priorities will differ by city, but whether the focus is on easing traffic jams, making roads safer or improving public safety, there will be new and continuous debates about the most equitable and fiscally responsible ways to proceed.

Products like smart streetlights, which react to ambient lighting levels and the proximity of pedestrians, represent a pretty straightforward first step toward using smart technology for improving city life. They have gained popularity in urban markets for their ability to cut down on energy consumption and costs, in



turn lowering the price of the initial buy-in. According to Navigant Research and other market analysts, it's expected that the use of smart streetlights will grow from about 6.3 million worldwide in 2017 to 73 million by 2026.

"The smart city in 2008 is what AI is today," says Jaana Remes, an economist and partner with the think tank McKinsey Global Institute (MGI), pointing out that smart cities were the "next big thing" 10 years ago but until recently hadn't generated enough experience for meaningful analysis. The smart city movement has begun to grow because improved technology is now in place in many cities and has become more affordable with the growth of wireless internet access and investment in communication networks, which have sped progress in already urban, Wi-Fi-friendly areas. "[G]iven a city's physical and human infrastructure, what can you gain if you add a layer of connective smartphones and sensors that create a flow of continuous, real-time data into apps and electric tools?" Remes says.

Last year, MGI released a report examining 50 cities around the world that are implementing smart city strategies, finding that quality of life improved by as much as 10 percent to 30 percent in systems such as water and energy use to health care. Transit and traffic also showed improvement. "Mobility was clearly the area we've seen the most adoption," Remes says. "Real-time public transit information ... car sharing, bike sharing, lights, information about public transit—all of those things were relatively broadly adopted. Time spent in commute is one of the largest pain points for [residents], especially in large cities."

Addressing traffic issues also can help the local economy. Chicago has estimated that more than \$7 billion drains from the economy because of traffic congestion and inefficiencies in the transit system.

However, while government officials, experts and academics would agree that the main drive behind the smart city movement is to improve quality of life for residents, so far it hasn't proved to be a great economic development strategy; according to the MGI report, that area was one of the least affected by smart city adoption, which more effectively allows people to get to their jobs and live their lives, facilitating economic development but not guaranteeing it.

The Smart Cities Council, a privately funded industry coalition that is promoting smart city initiatives, has awarded multimillion-dollar grants since 2017 to stimulate smart city programs. The council recently released a list of resources for municipalities that emphasize a three-step approach: envision the needs and outcomes, plan how to achieve them, and then implement that plan. "Where most municipalities stumble is the first step, envision," says Chairman Jesse Berst. "They're skipping it or they're not involving enough stakeholders ... and they get partway down the road and they left out a neighborhood or they left out a vulnerable population."

Funding for smart city initiatives is far from secure. In the most recent Smart City Survey by the U.S. Conference of Mayors, the No. 1 reported challenge facing municipalities was "ensuring the city will have the financial resources to sustain a project over time." Market analysts, however, estimate that the global market for smart city initiatives, nonetheless, will be a multitrillion-dollar industry in five years.

The potential financial incentives driving the movement and the ubiquitous involvement of private-sector investment are hard to ignore. Though smart city upgrades may not generate many new jobs for residents themselves, the transition offers plenty of market opportunity for the companies that can secure their positions as suppliers.

No discussion of smart city changes can avoid talk of the private-public partnership, which can both provide financing options but risk compromising individual freedoms for the sake of corporate sponsorship. Many applicants to the Smart Cities Council award said they would supplement their training with public-private investment; however, there's no guarantee that residents will be made proactively aware of the agreements being made in these situations. In Toronto, a waterfront project being conducted by Google-subsidiary Sidewalk Labs is being studied as one model of innovation prompting concerns from privacy advocates over the extent to which data behind smart city efforts will be protected or sold.

As cities, towns and even whole states face increasing pressure to upgrade their services, the smart city mindset will become even more common. "The U.S. smart cities market is at an interesting stage, where there is a lot of activity and many planned projects across the country, focusing on a wide range of city challenges," concluded the U.S. Conference of Mayors report. "The progress of projects in the United States will be watched closely by cities around the world looking for ways to meet similar challenges." **G**

This article first appeared on MuckRock, a transparency nonprofit, as part of its Algorithmic Transparency series. The series is in partnership with the Rutgers Institute for Information Policy & Law.

IoT IN STATE AND LOCAL GOVERNMENT MORE QUESTIONS THAN ANSWERS

DOES IoT INCREASE OR DECREASE SECURITY RISKS?

23% say IoT makes their agency **MORE SECURE.**

BUT

26% say IoT makes their agency **LESS SECURE.**

“The assumption that IoT will make agencies more secure or less secure really depends on how it is used and the related controls that are put in place. IoT is still emerging — and the security and privacy issues regarding it go beyond traditional web security.”

— JOE IANELLO, CIO, CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY, AUSTIN, TEXAS

IS IoT IMPORTANT NOW – OR SOMETHING FOR THE FUTURE?

30% say IoT is a buzzword that **DOESN'T MEAN MUCH YET.**

BUT

42% say they are **ALREADY BUYING** IoT technologies.

“IoT isn’t a ‘thing of the future’ when you consider all of the sensors, meters, communication devices, cameras and even consumer appliances that already are being connected. It’s important to acknowledge the explosion of connected devices and understand that they present opportunity and interject inherent risks.”

— KAREN JACKSON, FORMER SECRETARY OF TECHNOLOGY, COMMONWEALTH OF VIRGINIA

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GOVERNMENT: CHALLENGES?

The **Internet of Things (IoT)** is arriving faster than many government officials realize. The Center for Digital Government surveyed 158 state and local government IT decision-makers to understand how they're approaching IoT. Their answers reflect uncertainty around deploying and securing this promising new technology.

WILL IoT IMPROVE CITIZEN SERVICES?

46% say improving citizen services is the top **DRIVER FOR IoT**. **BUT** Only **16%** perceive IoT as a quality **IMPROVEMENT** to citizen services.

“States are doing significant work with IoT for environmental and infrastructure monitoring, transportation systems and public safety. These efforts benefit citizens, but they aren't the showy front-end applications for IoT that are used in the consumer space, so they tend to not be noticed as much by the public.”

— BOB WOOLLEY, FORMER CHIEF TECHNICAL ARCHITECT, UTAH DEPARTMENT OF TECHNOLOGY SERVICES

ARE AGENCIES INADVERTENTLY CREATING IoT SILOS?

52% say **BUILDING COMMUNITIES OF THE FUTURE** requires the elimination of agency silos. **BUT** Only **4%** are procuring IoT technologies as part of a holistic, **ENTERPRISE-WIDE EFFORT**.

“Current IoT implementations are aimed at solving specific problems, which is typical for new technologies. The challenge now is to find where there needs to be an enterprise approach and create mechanisms for sharing data, infrastructure and costs across agencies.”

— TERI TAKAI, FORMER CIO OF CALIFORNIA, MICHIGAN AND THE U.S. DEPARTMENT OF DEFENSE

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A Multistate Ban on Tax Breaks?



Amazon's decision to cancel plans for a headquarters in New York City has fueled new conversations about tax incentives, and whether states and cities have gone too far in the effort to lure companies by handing out tax giveaways. Indeed, one multistate proposal to end corporate tax incentives—or at least many of them—had already begun circulating before the Amazon news.

The End Corporate Welfare Act has been introduced in several states, including Arizona, Illinois and New York. The bill would essentially call a cease-fire on awarding tax incentives to certain

companies by creating an interstate compact of states that agree to end the practice. Lawmakers in Connecticut, Florida, Massachusetts and New Jersey are also considering introducing such legislation.

But Connecticut state Rep. Josh Elliott, who is behind his state's effort, acknowledges that gaining national traction among states to ban company-specific tax credits is something that will take a decade or more. "I think it's more important right now to start having this conversation than to have specific legislation," he says.

Incentives are particularly attractive to states that don't have highly developed commerce ecosystems like those

in Chicago or New York City. Georgia, for example, has the biggest film tax credit program in the country. Alabama has used tax credits to beef up its auto manufacturing industry.

But states like these, argues New York state Assemblyman Ron Kim, already have natural selling points of lower taxes and a lower cost of living. "If you want real economic growth, you spend that money on infrastructure, on making cities and states better," he says. "We need to build our own talent pool instead of making companies do it for us."

—Liz Farmer

With Amazon out of New York, some lawmakers are floating a multistate ban on corporate tax breaks.

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What Do Constituents Want?

Bar Harbor, Maine, is the gateway to Acadia National Park. Although its year-round population isn't quite 5,500, officials there face big-city complexities in serving a town that caters to tourists. But when dealing with those complexities, they couldn't get citizen feedback. "Nobody was attending our meetings," says Nina St. Germain, engagement coordinator there. "Fewer and fewer people were paying attention when we tried to get citizen input."

To remedy that, Bar Harbor joined a growing number of localities that are going online to get answers from their constituents. You'd think internet polls would be a no-brainer by now, but "over the last five years, there's been a rapid increase in the number of our cities using online surveys," says Brooks Rainwater, senior executive and director of the Center for City Solutions at the National League of Cities.

Using Polco, an online citizen survey company that partners with the National League of Cities, Bar Harbor officials are able to put surveys online so that citizens can respond to key issues as they arise. In the past, St. Germain says, the council could go months without getting an email from someone they hadn't already heard from. With the new system, Bar Harbor is hearing from

people who hadn't engaged previously.

Feedback has been helpful in crafting programs. For example, a Parking Solutions Task Force had put together a plan that voters rejected. By using online surveys, the town was able to focus attention on issues of particular interest to voters, congestion and parking among them. One key sugges-

The online survey also can reach a demographically wide composition of neighborhoods. "We're constantly watching to make sure we have gender equality and geographic representation," says Nick Mastronardi, chief executive officer of Polco. "We hook up our lists of potential online respondents to the voter files.

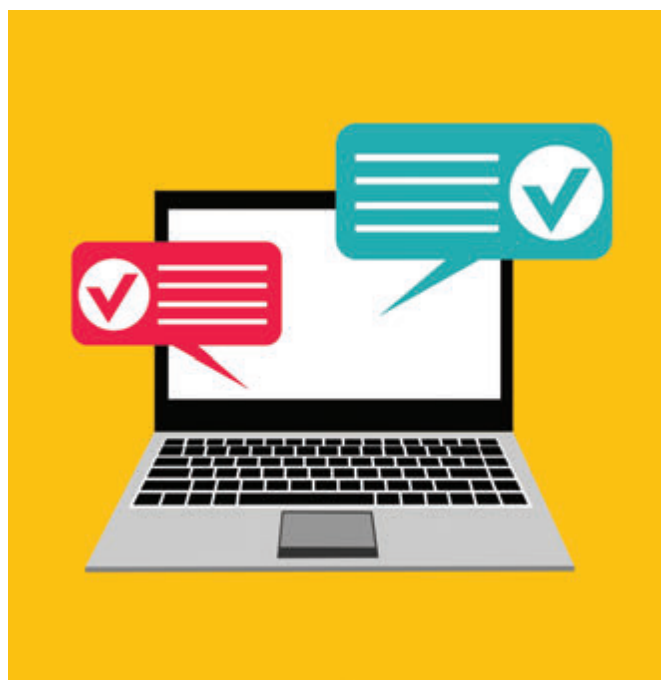
Though we don't share individual-level data, we do use the voter lists to ascertain age, gender and other things like that."

How does a city let its citizens know it wants them to be part of its online surveys? Social media, such as Facebook or Instagram, can reach out and grab potential respondents. But old-fashioned public events such as county fairs also work. In Bryan, requests to respond to online surveys are included in utility bill inserts that go out to all residents of a community.

While the future may hold a variety of alternatives that are superior to online surveying, it's clear that this is a golden moment for this approach. With the plethora of telephone solicitations, citizens are increasingly

less inclined to answer a phone call, no less a phone survey. As for mail, not only can that be more expensive than online surveying, younger Americans tend to not expect anything of significance in their mail boxes—except things they don't want, like bills.

While online surveys are currently a breakthrough answer to eliciting responses from constituents, they won't always be the best approach. The one sure thing about the latest technological tweak is that it will lose its advantages over time. **G**



tion that came back was to use parking meters to free up space, but only to activate the meters during tourist season.

In Bryan, Texas, online surveys were used to decide whether to charge a fee for curbside recycling. Eighty-two percent agreed to a fee, and the change was made.

Online surveys can be an especially effective tool for gathering information from citizens and getting their input on complicated issues fairly quickly. "The biggest advantage over other means of surveying citizens is time," says Jamie Griffin, a Michigan-based consultant with expertise in survey methodology.

Finding out the answer may be as simple as going online.

Email greenebarrett@gmail.com



Beyond Process Improvement

Are we really fixing government, or are we just ‘decorating the fish’?

Every state has an unclaimed property program that returns money, stocks, dividends, utility deposits, insurance proceeds and other valuables to people who have lost track of them. When Terry Brown took over as Virginia’s claims processing manager, the unit had been backlogged for three years and the average time to process a claim was 120 days. Today, there’s no backlog, and the average processing time is less than nine days. The unit did this without more money, more people or new technology.

Brown and her team achieved these process improvement results using business management concepts such as Lean and Six Sigma. Process improvement is a useful tool, and the results achieved by folks like Brown are impressive. But Kristen Cox, executive director of the Utah Governor’s Office of Management and Budget, would argue that it alone isn’t the

solution for all of the complex challenges faced by government.

Cox is a practitioner and advocate of the “theory of constraints,” which looks at the goals and the core problems that prevent systems from achieving their objectives. Cox says that the theory of constraints is more than just process improvement. It “is all about helping people get clear on designing the right policy or service in the first place before even going down the road of process improvement,” she told me recently.

In *Stop Decorating the Fish*, Cox and her co-author, economist Yishai Ashlag, have distilled the essence of the theory of constraints into a cute little fable in which “decorating the fish” stands for doing “the common and ineffective things” that have no real impact on performance. They refer to those actions as “the seductive seven,” and it’s a familiar list: more money,

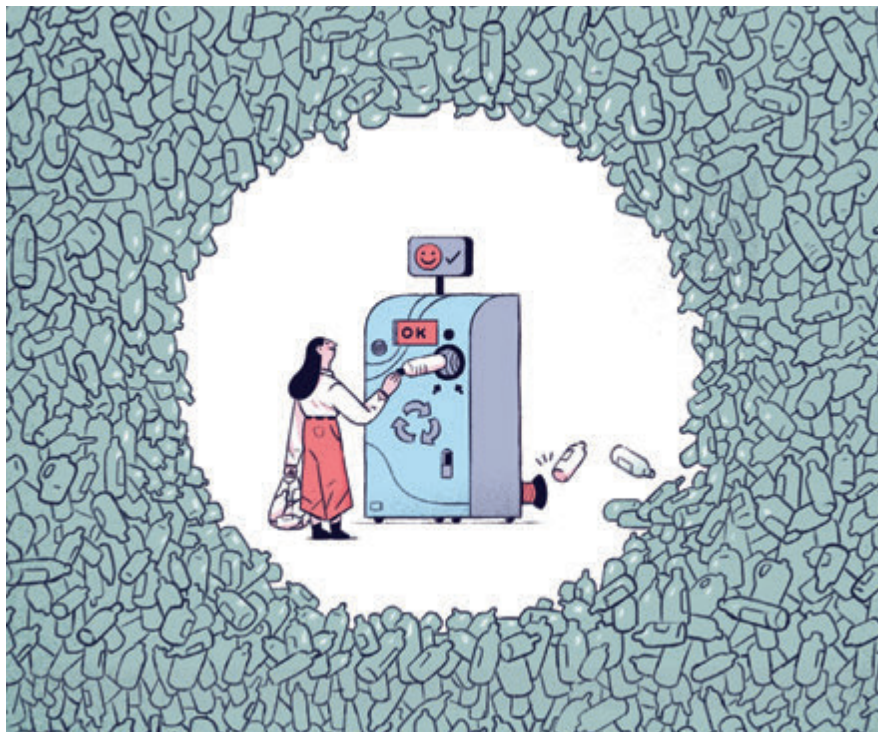
technology, reorganization, training and communication, data, accountability, and strategic planning. “We feel gratified,” they write, “when we successfully launch a new strategic initiative, secure more resources, or stand up a new IT or data analytics platform. But we need to ask, did we substantially move the needle after all of this work?”

From “creating a culture of innovation” to “developing predictive analytics,” Cox and Ashlag line up all of our favorite performance improvement toys and dump cold water on them. But the good news is that what comes out is ideas that can truly allow governments to make dramatic improvements in people’s lives. In case studies from areas as diverse as traffic congestion, government contracting and benefits eligibility determination, they show how to identify the core problem and address it in ways that would significantly improve outcomes.

Given the enormous legacy costs that most governments have, the challenge is to meet the needs of those they serve largely within existing resources. Here, too, Cox and Ashlag’s work is important because a critical piece of their method is to identify those things that governments can *stop* doing so that more resources can be focused on the right things. Capacity isn’t the issue. Cox told me that of the many systems she’s worked with, “I haven’t been in one that didn’t have significant capacity. Meaning, they had all the resources they needed to gain huge improvements.”

The critical question today isn’t about big or small government. It’s about more competent government that’s equal to the needs of those it serves. That’s what I think we’ll get when we put tools like those advocated by Cox and Ashlag into the hands of folks like Brown. **G**

Email mfunkhouser@governing.com



OVADIA BENISHU



Good Rates Gone Bad

There's a moment in Act II of Hamlet where his old college buddies are trying to convince him to look on the bright side. Sure, his dad died and his mom hooked up with his uncle, they argue, but Denmark could be worse off. Hamlet's response is one of William Shakespeare's great lines: "There is nothing either good or bad, but thinking makes it so."

Hamlet meant that our beliefs about our circumstances matter more than anything. In fact, they matter a lot more than what others tell us, even if everyone else might be right. Oddly enough, Hamlet's view offers a cautionary tale about the future of the municipal bond market.

A decade ago, two big developments rocked public finance: the Great Recession and the news that bankers in the Bard's beloved England had conspired to manipulate the ubiquitous London Interbank Offered Rate. Libor is the most common benchmark interest rate index used to make adjustments to variable rate loans. Unsurprisingly, public finance experts focused much more on the recession, but the Libor scandal may ultimately prove more important in the long run.

By early 2008, states and localities had borrowed billions of dollars at variable short-term interest rates. This made sense because short-term rates were far below the long-term rates governments were used to getting. By stringing along a series of short-term bonds, governments could borrow for the long run but pay less to service that long-term debt. Even better,

The decade-old debacle over setting variable interest rates is moving to a new fix.



with an insurance contract known as a floating-to-fixed swap, they could borrow at variable rates and pay lower long-term fixed rates. Prudent public debt managers around the country employed this strategy, especially when it saved money early in the Great Recession.

But they shortly found themselves dragged into scandal because much of that variable rate was pegged to Libor. When bankers held Libor artificially high, governments believed they paid higher short-term rates than they would have otherwise. When rates were held artificially low, floating-to-fixed swaps paid less and governments had to make extra debt service payments out of pocket. Before the dust settled, several big banks paid millions to

settle state and local governments' claims of wrongdoing. State and local leaders across the country vowed to never again venture into the variable rate market, even for bonds tied to other short-term benchmarks.

In the decade since the Libor scandal, the finance industry has worked to develop a better, more transparent benchmark. Last year, it agreed to phase Libor out and instead go with the Secured Overnight Financing Rate (SOFR). Unlike Libor, which was run by the banks and was based on bankers' expected short-term interest rates, SOFR is administered by the New York Federal Reserve and is based on the market prices of very short-term investments. In concept, that makes variable rates less susceptible to manipulation. This is a major move, considering the estimated \$200 trillion in mortgages, credit cards and other assets that are tied to variable interest rates.

It's still early for SOFR. Regulators, investors and academics have generally called it a move in the right direction. But so far just a few large governments and corporations have issued SOFR-referenced debt. That will change. As investors become more comfortable with it, they will look for more SOFR-related investment opportunities. That could mean a chance to revive the moribund market for variable rate municipal debt.

When that happens, states and localities will face a difficult choice. They could stick with beliefs based in Libor-era thinking and conclude that variable rate debt is too good to be true. Or they could bring their thinking into the SOFR era and reconsider the many potential benefits of a prudent variable rate debt management strategy. By then, things will have changed in Denmark. **G**

Email jmarlowe@washington.edu



The Value of the Unforeseen

Curled up in a comfy chair with a cup of tea at my elbow should be the perfect way to dig into a new book on urban planning, history or economics, what for me are “work” books. But sitting alone in a quiet room at home, I tend to fidget, get up and walk around, or, worse, look at my phone every few minutes. Trying to read at the office, surrounded by to-do lists and colleagues popping in, has its own distractions.

Lately I’ve taken a new approach. I often grab my latest tome and head to a nearby New York subway station, get on a train and ride it all the way to the end of the line, reading the entire time. I exit, find an interesting, cheap place for lunch, and read some more. Then I return on the subway, reading the whole way back. I think my new habit works because I’ve long enjoyed reading during my commute anyway, so my mind just drops into its usual routine. The noise, the bumps and the people reassure me rather than disturb me.

A spokesman for the New York City subway says the agency has no problem with my habit, even though, since I’m using my monthly pass, the city earns no extra revenue from it. My reading rides are off-peak, so I’m not taking a weary commuter’s seat. And buying lunch in a different part of town helps spread my impact on the city’s economy.

Clearly, much of our infrastructure can be used for many purposes, not just its intended ones. A friend used to take the bus to lull her fussy baby to sleep. Ramps and curb-cuts designed to be wheelchair-friendly turn out to be good for strollers and bicycles, too. Food trucks transform parking spaces into restaurants. Hikers and cyclists enjoy thousands of miles of abandoned rail lines, and even a bypassed stretch of the Pennsylvania Turnpike.



The best infrastructure adapts to changing needs.

We often use infrastructure in ways not intended. It’s usually a good thing.

Good infrastructure is adaptable, flexible and resilient. So score a point for the New York subway for handling my reading routine so easily. The conventional, two-lane road network scores high here as well. Contemporary Italians drive cars along the Appian Way and other roads that their ancestors rode horses on and marched troops down more than 2,000 years ago. On this side of the Atlantic, modern vehicles swoop along blacktopped roads once occupied by Model T’s and horse-drawn wagons.

Less flexible is the Interstate Highway System. With its broad lanes, controlled access and barriers preventing other paths from crossing at grade, it is built to do just one thing well: move people and cargo as rapidly and safely as possible. Forget about bicycles, pedestrians—or horses.

The sweepstakes winner for unintended uses of infrastructure is, of course, the internet. Designed and launched by the Department of Defense for military and academic communication, now every kind of information is passed around its network while vast quantities of products are bought and sold over its circuits.

When should a new, unintended use be squelched? That depends on where you are. You can legally munch a slice of pizza while riding on a New York subway car, but you can be ticketed for eating french fries on a Washington, D.C., train. Skateboarders clattering down stair railings might be annoying to passersby in some parks; elsewhere, cities may let them slide.

But most of the unintended ways we find to use infrastructure are at worst benign and at best add real value to it. Absent evidence to the contrary, I would say tolerance is better than trying to stamp out creative new uses. **G**

Email alex@rpa.org

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The Vanishing Rural Hospital

There's a rising sense of urgency. More than health care is at stake.

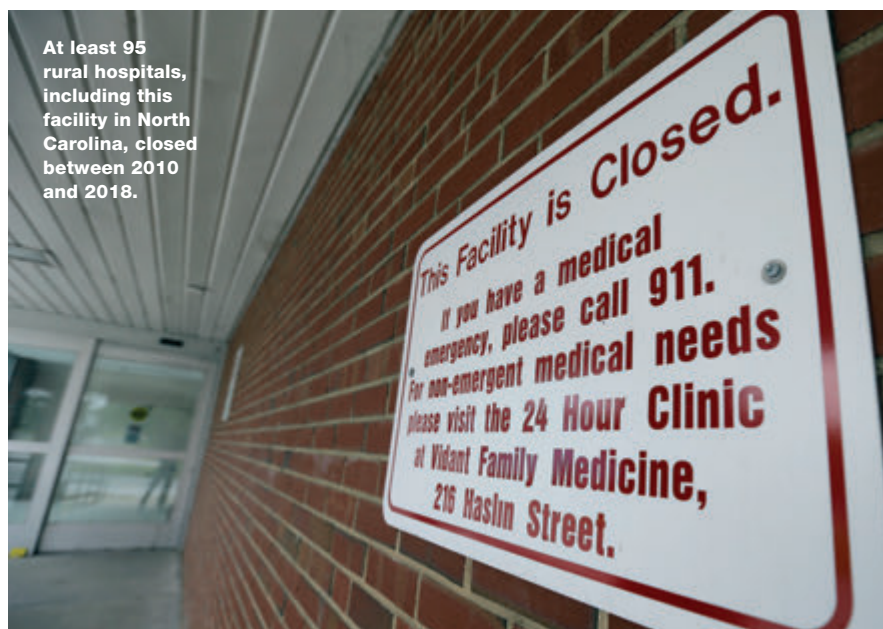
If you live in a rural area, there's a good chance that the nearest hospital is in a precarious financial situation. According to the consulting firm Navigant, at least 21 percent of the nation's rural hospitals are at high risk of closure; iVantage, a health analytics firm, describes 27 percent of the hospitals as "vulnerable." Indeed, at least 95 rural hospitals have closed since 2010, according to the University of North Carolina's Sheps Center for Health Services Research.

The problems are complex and multifaceted. Continued out-migration, low health-care reimbursement rates and increasingly complex health needs in rural America are among the factors contributing to a problem with no easy solutions.

The majority of the closures have occurred in the Southeast, where most of the states that chose not to expand Medicaid eligibility under the Affordable Care Act are clustered. Not only did the states' decision against expanding Medicaid limit the hospitals' revenues, but the federal law also imposed additional fiscal burdens, requiring expensive technology upgrades while imposing new payment limits. Of the three states in the region that did expand Medicaid through 2017, Arkansas, Kentucky and Louisiana, only Kentucky has experienced any rural hospital closures since 2010, with three facilities shuttered since its Medicaid expansion, according to UNC's research.

By contrast, in Texas, which has not expanded Medicaid, 21 rural hospitals have closed since 2013, according to John Henderson, CEO of the Texas Organization of Rural and Community Hospitals. If state lawmakers had chosen to expand the program, it would have made a big difference, Henderson says. "I'm not going to say we would have had zero rural hospital closures, because we still have population problems and issues

At least 95 rural hospitals, including this facility in North Carolina, closed between 2010 and 2018.



around federal sequestration," he says, referring to automatic spending cuts that took effect in 2013. "But when you don't expand Medicaid, those issues snowball."

Henderson says he expects to see more hospitals in rural Texas cut services or close this year. "I've been traveling around the state, and with my 'eyeball test' I'd say 20 to 30 of our 160 rural hospitals are vulnerable," he says.

Where closures have been reversed or averted, the solutions have largely been community driven, says Alan Morgan, CEO of the National Rural Health Association. In Crockett, Texas, for example, a shuttered hospital reopened in 2018 when two Austin-based doctors decided to invest in it. And a hospital outside Waco evaded closure in 2018 when McLennan County voters approved a dedicated property tax to keep the facility afloat. "That was remarkable because the property tax passed in a county that hates taxes," Henderson says. "They knew the alternative was an outcome they couldn't live with."

It's questionable, though, whether such community-by-community action is a practical long-term solution. There aren't many signs of movement in Congress to offer relief, and experts say efforts so far at the state level have left much to be desired. But some of the new governors—both Democrats and Republicans—have declared the issue a legislative priority for 2019. In Texas, for example, there's talk of a higher reimbursement rate for Medicaid patients.

No matter how state policymakers tackle the issue, there is a growing sense of urgency. "When a hospital closes, you see that the community falls down," Henderson says. "Pharmacies close, grocery stores close, companies choose not to locate to a place where their employees won't have access to a hospital."

More is at stake, it seems, than convenient access to the services hospitals provide. **G**

Email mquinn@governing.com

Power Outage

Are more California utility companies doomed to fail?

After two devastating wildfire seasons, California's largest utility is bankrupt—and it might not be the last.

Faced with as much as \$30 billion in liabilities, Pacific Gas & Electric filed in January for bankruptcy protection. Now, S&P Global Ratings is warning that, thanks to extreme weather and weak protections for utilities in the state, more utility upheaval could follow. "Without any regulatory reform, we view it as entirely possible that another electric utility could face a devastating wildfire during the 2019 wildfire season," wrote analysts Gabe Grosberg and Rebecca Ai in late February. "Depending on the magnitude and severity, its board of directors could similarly determine that the best course of action would be to file for a voluntary bankruptcy before year-end 2019."

Grosberg and Ai went on to warn that, absent regulatory changes, S&P could downgrade investor-owned utilities Edison, Southern California Edison and San Diego Gas & Electric before the wildfire season starts this summer.

At issue is a California law known as inverse condemnation, which essentially holds utilities in the state responsible for wildfire damage caused by their equipment—whether the companies acted negligently or not. S&P says the law "creates new risks that were never envisioned when investor-owned utilities were established."

State investigators are looking into whether PG&E equipment ignited the Camp Fire in 2018, the deadliest blaze in state history. The company is also being sued by victims of that fire and of other Northern California fires in 2017. A recent state report found PG&E's equipment was not involved in the deadly 2017 Tubbs Fire. But the state has previously concluded that it did start 18 other, less destructive wildfires that year. As a result, S&P slashed its credit rating in January to junk status.

For their part, utilities in California have been talking to state legislators about amending the law, says Barry Moline, executive director of the California Municipal Utilities Association. But lawmakers are unlikely to change it. "They recognize

the conundrum that if you've done everything right, you still get blamed," he says. "The concern they have is if they change the law, then their constituents who may be damaged won't be made whole after a disaster. And that probably is a stronger driver than the idea of sticking the payments to a utility."

Adding to that financial liability pressure is climate change, which scientists say is creating hotter, drier conditions and fueling larger wildfires. For utilities, the risk is that their equipment could inadvertently spark a fire. "What climate change does," Michael Wara, an expert on energy policy at Stanford University, recently told *The Economist*, "is make the consequences of small errors much greater—greater to the point where they threaten the financial viability of the utility."

Certainly, utilities in other states are facing similar exposure to climate change. Florida and Texas, for example, have been throttled by hurricanes in recent years. However, S&P pointed out that Florida utilities are responsible for recovering the costs of their own assets—not everyone else's. Only Alabama has an inverse condemnation law similar to California's. But it typically doesn't face the same kind of flooding and wildfires that can put utilities on the hook for widespread damages.

Absent regulatory change, Moline says utilities in the state are working to mitigate the potential effects of wildfires in other ways, including land use, forest management, and emergency evacuation and fire response procedures. "This is one of those situations where you can't point a finger at one place and say, 'That's the problem,'" he says. "The best solution will be reached when everybody drops their swords and sits down at the table and decides we all have to contribute to protect the public." **G**

Email lfarmer@governing.com



State investigators are looking into whether PG&E equipment ignited the Camp Fire in 2018, the deadliest blaze in state history.

Last Look



Michael Helfrich, the mayor of York, Pa., lives in one of the oldest homes in town, a 1761 stone house that was once the residence of Thomas Paine. Home to a number of other Revolution-era sites and buildings, York actually bills itself as the first capital of the United States, because it is where the Articles of Confederation were ratified in 1777 while Congress was on the run from British soldiers. Helfrich's home has been restored to look much like it did 250 years ago, albeit with a few modern conveniences: "I was the first one to put actual bathing facilities inside the house in its entire history," he says. The mayor has filled his home with period furniture, books and newspapers. His favorite item in the collection? An original copy of Paine's "American Crisis Number 5," which was written in York, possibly in this very house. —David Kidd

DAVID KIDD



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