

# GOVERNING

THE STATES AND LOCALITIES

February 2019



## SEGREGATED IN THE HEARTLAND

*How local governments  
reinforce the racial divide*



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**ROBERT PATTERSON**

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PHOTO BY AP IMAGES.COM; COVER PHOTO BY DAVID KIDD



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## Does Divestment Work?

In the December feature “Politicizing the Portfolio,” Liz Farmer looked at the issues of social divestment, where an entity sells an asset for either environmental, social or political goals, and ESG investing, where a pension fund considers environmental, social and governance factors alongside financial ones in the investment decision-making process. She explored whether pensions should be investing in divisive issues and whether either approach ultimately fulfills a government’s fiduciary duty to earn a healthy rate of return. One reader wrote in to argue that the former question is moot.

It strikes me as curious that none of those quoted in the story appear to have taken time to distinguish primary from secondary markets. To the extent that activism motivates divestment or ESG investment initiatives, I would think the boards and trustees who authorize investment policy would want to know that their decisions—particularly at the local pension level—have an impact. Plainly put, they don’t. I suppose it’s possible the notoriety associated with CalPERS’ actions can harm the profitability of a company. But simply choosing to direct assets elsewhere, even when doing so means selling equity associated with a dastardly and contemptible company, has no direct impact on the company. The decision is akin to refusing to buy “Made in China” clothing at garage sales.

—Scott Heffner, Gainesville, Fla.

Aren’t all companies controversial to somebody?

—Geoff Statum on Facebook

## Correction

In the January issue’s Table of Contents, we misidentified a photo of the Maryland House of Delegates as the Maryland Senate chamber.

*“It’s an infusion of humanity in an interaction with the public.”*

—Alaska state Rep. Jonathan Kreiss-Tomkins on the state’s decision to replace its mundane hold music with snippets of songs from local bands, including “Feel It Still” by Alaska rock band Portugal. The Man. Kreiss-Tomkins reached out to us about the new program, saying, “*Governing* came to mind as a hub of policy innovation (even the little things like innovation as it relates to hold music) and I wanted to get in touch.”

## BITCOIN GAINS LEGITIMACY

Back in August, Liz Farmer wrote in “Berkeley’s High-Tech Gamble” about the California city’s plans to develop its own bitcoin-like digital currency for buying municipal bonds. The cryptocurrency would give citizens an easier way to purchase muni bonds, which could help the city build affordable housing, rebuild transit systems and support social services.

Since Berkeley’s early 2018 announcement, at least two more governments have decided to give cryptocurrencies a try. Last summer, Seminole County, Fla., began accepting payments in bitcoin for things like license fees and taxes. And in November, Ohio became the first state to allow businesses to pay their taxes in bitcoin.

For both Ohio and Seminole County, accepting bitcoin offers taxpayers an option with a lower fee—1 percent—than those associated with credit cards, where there’s usually a 2 or 3 percent surcharge for payments to the government.

These latest adoptions signal that cryptocurrencies are gaining legitimacy after initially being associated mainly with drug and weapons dealers on the dark web. “The negative stigma is really starting to go away,” said Sean Rolland, director of product for BitPay, which has partnered with both Ohio and Seminole County. “These are not money launderers but real people using this on a regular basis.”

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Announcing the Class of 2019

# WOMEN IN GOVERNMENT

Leadership Program

Joan of Arc, is a national hero of the French. Although historians regard Joan's role as one of many factors in the winning of the complex 100 years war, her presence both as a warrior and spiritual visionary sparked the beginnings of France's rise as a great European power.

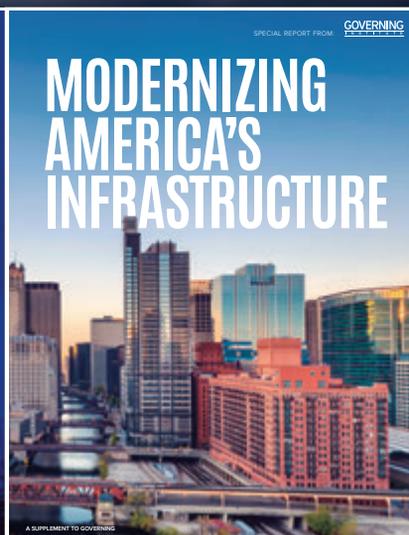
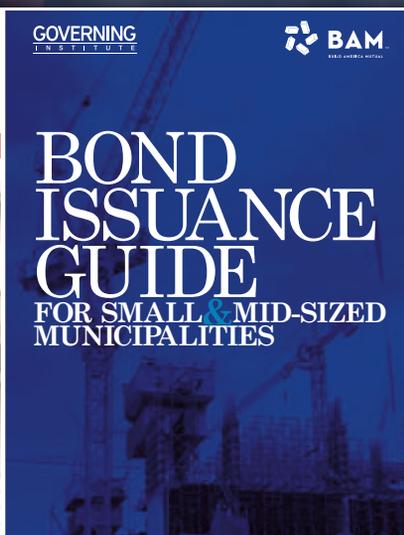
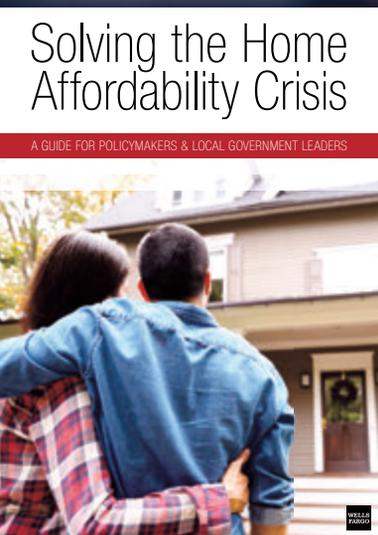
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# Observer

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How will driverless cars change metropolitan life? It's a game of speculation.



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THE BREAKDOWN

\$2<sup>T</sup>

Total state spending for fiscal 2018, a record high. The increase was largely driven by higher income tax revenues that resulted from federal tax changes in December 2017.

24%

The growth in per capita income in Pittsburgh from 2000 to 2016, even as the population was declining by 4 percent.



900+

The number of public safety agencies in the United States that use drones.

67

Gun control laws passed by states in 2018, reversing the recent trend of expanding, rather than restricting, access to firearms.



TOU XIONG CAMPAIGN

# Hmong Breakthrough

**T**ou Xiong describes running for office as almost a natural stage of life. “We got done with college and law school,” he says, “and now we’re in that prime time to run for office.”

Xiong was part of a group of four legislators of Hmong descent elected to the Minnesota House last November, tripling the overall number to six. The House grew more diverse in general, with record numbers of Hispanic, Asian and black legislators, including representatives from Minnesota’s Somali community.

It’s a time-honored tradition that immigrant groups, once they form a big enough population in a city or state, come to flex their political muscles, from the Irish and Italians of the Northeast to Hispanics in the Southwest. For the Hmong people, who came to Minnesota from Southeast Asia as refugees in the 1970s and 1980s, the clout to form a legislative caucus is something they could barely dream about 15 or 20 years ago. “This reflects the maturing of political consciousness in the Hmong population,” says David Schultz, a political scientist at Hamline University in St. Paul. “They’ve gone from being civically involved to now being politically involved. They’ve developed some economic wherewithal, a sufficient stake in the community and a nucleus of voters.”

Older generations of Hmong had to attend to “survival needs,” serving community members almost on a one-to-one basis, says KaYing Yang, program director of the Coalition of Asian American Leaders in St. Paul. Beyond social services, the rising generation of Hmong adults recognizes the need to make policy change as well, she says. “They understand the political system better than the first generation.”

There are more than 60,000 Hmong residents in Minnesota, nearly all of them in the Minneapolis-St. Paul area. But candidates including Xiong sought to appeal to broader groups of voters by campaigning on health care and education. “These candidates did not run as single-issue candidates on a Hmong platform,” says Schultz. Still, Hmong legislators are expected to seek ways of addressing the educational and economic disparities that hold back many members of their community. The portrayal of Asians as the “model minority” has kept some lawmakers from recognizing the struggles among the Hmong.

But there’s no doubt that the arrival of so many Hmong legislators at the Capitol last month offered a moment of pride—even a sense of “validation,” Xiong says, that their parents and grandparents had done the right thing in uprooting their lives and coming to this country. —Alan Greenblatt

SOURCES: NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS; STATELINE, THE NEW YORK TIMES; GIFFORDS LAW CENTER; IMAGE: SHUTTERSTOCK.COM

# SEATTLE'S 'GREAT EXPECTATIONS'

**T**he city of Seattle seems to have everything going for it. It's created a quarter of a million new jobs over the past decade, fueled in large part by one of its biggest employers, Amazon. As a result, the population has grown more than that of any other large city, which sounds like a very good thing. But residents don't seem satisfied with the ability of political leaders to handle the challenges that come with growth.

Growth always presents trials, and Seattle seems to have all of them. The influx of jobs and people has meant that roads, already congested, have backed up even more. Housing prices have skyrocketed, which in turn has exacerbated the serious problem of homelessness. "Mayor [Jenny] Durkan's been dealt a tough hand," says Don Blakeley of the Downtown Seattle Association. "This is a city that has a lot of challenges coming at it and has a lot of needs."

Seattle hasn't reelected a mayor since 2006, and Durkan has received mixed reviews during her first year on the job. She's been given credit for convincing voters to approve a big school levy and has generally gotten her way on budget questions, but she's been slow to make some key appointments and was forced into an embarrassing reversal on a business tax meant to fund homeless

programs, resulting in a compromise that seemed to satisfy no one. Meanwhile, two of the seven council members up for reelection in 2019 decided to bow out. They may soon be joined by a third.

Seattle could be suffering from a "great expectations" effect. The very fact that the city is so prosperous, with new wealth driven by technological innovation, leads people to wonder why solutions to its problems remain so elusive. Just as people used to wonder how the nation could put a man on the moon but not deal with basic domestic problems, Seattle residents wonder why their town can add 250,000 jobs but can't get its act together. "We have a sense that Seattle has become the 'it' city," says Nick Licata, a former council member, "and yet not only have the number of homeless people increased, but in neighborhoods people are seeing more homeless encampments."

As the battle over the homeless tax showed, different constituencies in Seattle are working at cross-purposes. That fight produced a standard division between Amazon and other large businesses worried about paying more taxes—even as they generally agreed something had to be done about homelessness—and advocacy groups concerned with housing availability and costs and gentrification. But there

have also been fights among activist groups. Some of them have lost sight of the big picture, arguing fiercely over small-dollar programs, rather than worrying about larger regional issues. Coalitions sometimes form around topics such as transit, but distrust remains endemic among groups that would seem to have similar goals.

Seattle is only one city within a huge metropolitan region of nearly 4 million people. Internally, the very structure of Seattle government has made it more parochial. Four years ago, most council seats moved from at-large to district representation. Having smaller districts offers the various neighborhoods of the city greater representation, but it has also made council members much more attentive to highly local concerns, sometimes at the expense of the city as a whole.

But solving small problems at the district level would go a long way toward restoring trust in city government. In the meantime, Seattle is suffering from a gap between public expectations and the reality of what can be delivered. "We have the odd situation of having progressive politicians and an outstanding economy," Licata says, "with growing frustration from voters who believe their more mundane concerns are being ignored." —Alan Greenblatt

Fueled in large part by Amazon, Seattle has added 250,000 jobs over the past decade.



## New Day for Tenants

**Harris County, Texas**, which includes Houston, was the most evenly politically divided major county up until 2016. Its presidential contests were close and there were plenty of Republicans elected to local office. That all changed this past November. More than three-quarters of the voters in the county employed the straight-ticket voting method and mostly voted Democratic. As a result, Democrats swept all 59 judicial elections.

The change may be most dramatic in civil court, or at least one section of it. Prior to the election, Republicans held three of the four judgeships in Harris County Civil Court at Law No. 1. Now, they have none. That has made landlords nervous. “One of the things they deal with is eviction,” says Mark Jones, a political scientist at Rice University. “The Republican judges had an almost universal practice of siding with the landlord.”

George Barnstone, the one Democratic judge in the section who served before the election, tends to side with the tenant. He argues that the deck has been stacked against them. “Here in Texas, our landlord-tenant statutes have been drafted and adopted by lawmakers in the pockets of the Texas Association of Realtors, the Houston Association of Realtors and the Houston Apartment Association,” he says.

Now Barnstone has a contingent of colleagues likely to take his side. Rather than evicting tenants who have fallen behind on the rents, this likely means getting landlords to instead agree to a reasonable repayment schedule. By gaining a promise of repayment, the landlords could come away with cash they wouldn't

otherwise receive through a straight eviction. If tenants ultimately vacate the premises, whether voluntarily or by eviction, landlords would be able to bring in new ones. In exchange, tenants could walk away from a bad situation without an eviction judgment on their records, which can severely hinder their chances of finding another place to live.

It all sounds good. But area landlords—wary about criticizing a judge by name—say that Barnstone's approach is hardly a win-win. Tenants may agree to pay back rent, but they are often slow in actually doing so, or fail to put up any money at all. Seeking remedy in repayment cases means that landlords have to start their slow slog through the court system all over again. Some complain that Barnstone acts less like a neutral arbiter and more like a de facto tenants' rights activist. “We appreciate Judge Barnstone's desire to be an advocate for tenants' rights,” says Andy Teas, vice president of public affairs for the Houston Apartment Association. “Like any party to any judicial proceeding, we just want judges to follow the law.”

Barnstone, while noting that he owns rental property himself, certainly sounds like a tenants' advocate. “It's destroying people's lives,” he says of eviction. “If you were trying to create a permanent underclass, this is how you would do it. I'm just trying to level the playing field to be fair.” Perhaps the new Democratic judges won't all feel as strongly as Barnstone does. But he's confident they will. “I recruited them,” he says. “They've all agreed to follow my lead.” —Alan Greenblatt

## ALL THOSE IN FAVOR OF A RAISE, SAY 'AYE'

In policy circles, there's often a desire to come up with grand schemes to address intractable issues. But sometimes things work out better, or at least change is more sustainable, when lawmakers take an incremental approach. Nowhere is that more true than in matters of legislative pay.

Taxpayers are eternally suspicious that elected officials are using government to enrich themselves. For that reason, it's politically thorny for legislators to raise their own salaries, particularly in the majority of states where legislating is at least nominally a part-time business. But it's no easy task even for legislators who work full time.

For that reason, lawmakers often put off raises for themselves. After a number of years have passed, their compensation ends up looking ridiculously low. But closing the gap with private-sector pay in one fell swoop makes voters especially angry. Large percentage increases are portrayed by critics as a form of theft.

About a dozen years ago, Pennsylvania legislators voted themselves an increase of 16 percent or more in their base salaries, rising to 34 percent for top leaders. The political

fallout was swift and severe. Amidst furious opposition, the pay raise was repealed by near-unanimous votes. More than 20 legislators were defeated in the ensuing election, including the top leaders in the state Senate.

At the end of last year, Pennsylvania lawmakers received a raise that was much more modest—1.6 percent—which kicked in automatically, based on increases in the regional cost of living. “There has been no controversy at all about the pay hike,” says Terry Madonna, a political scientist at Franklin & Marshall College in Lancaster, Pa. “It’s the modest amount, more likely than not, that is responsible for the lack of any controversy.”

Meanwhile, in New York, lawmakers engineered a pay increase for themselves in a more roundabout way. As part of last year’s budget, they gave authority over their pay scale to an appointed state commission. New York legislators hadn’t received a raise since 1999. The commission decided they deserved a big one: 63 percent over three years, lifting salaries from \$79,500 to \$130,000.

There are a couple of important strings attached. To earn the raise,

the legislature must approve the state budget on time. Also, outside income will be restricted. Legal and consulting fees paid to lawmakers from private interests have been major sources of the corruption scandals that are part and parcel of the Albany landscape.

Media coverage of the raise has been negative, and at least one group has sued to stop it from going through. There’s a sense that legislators haven’t exactly earned themselves a big raise, since they’ve done so little to clean up their own ethical messes, suggests Blair Horner, executive director of the New York Public Interest Research Group. But punting the decision to a separate commission was a good way to distance themselves from the increase. In a low-paying legislature like the ones in South Dakota or Texas, such an increase would be shocking, but in New York, no one seems especially surprised that lawmakers are getting a big boost in salary.

They also were lucky in their timing. “Having it drop after the election and before the holidays,” Horner says, “is sort of the sweet spot when you get a pay raise.” Maybe even sweeter after two decades without one. —Alan Greenblatt

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After furious opposition, Pennsylvania lawmakers repealed a pay raise they had given themselves.



# Driven to Distraction

How will autonomous vehicles change metropolitan life? It's anybody's guess.

It's normal to have long and passionate debates about the future that technological breakthroughs will bring us. Sometimes the boldest predictions turn out to be right. Other times they miss the mark by quite a bit.

I'm just old enough to remember the futurists who were convinced that television would destroy movies and radio. That didn't happen, of course. Movies continue to be a shaper of our culture, and radio has evolved and survived.

A decade later came the speculation about jet airplanes. Their most enthusiastic boosters foresaw a magical era of speed, safety, comfort and convenience. That was about half right. Jets can take us most places quickly, and their safety record is admirable. But they're less comfortable than ever, and they aren't very convenient unless you live in a big city with a hub airport.

It's fun to debate the impact of technology, and we do it all the time. But I've never seen a technology debate remotely like the one now going on about autonomous vehicles (AVs) and the impact they will have on our urban and suburban lives.

If you believe some urban futurists, AVs will usher in an exciting age for central cities, one in which parking lots and garages will all but disappear, parks and playgrounds will replace them, and the traffic congestion of the present will be a distant memory. If you believe others, the lure of riding in a car without having to drive will give us a whole new generation of exurban sprawl.

I have no idea how soon these vehicles will become ubiquitous. I suspect it will take longer than we think; that's been true with most other technological innovations. But let's drop that question and assume, for the sake of argument, that a day is coming when so-called Level 5 AVs, in which the occupant does nothing whatsoever, will dominate the nation's traffic. With that in

mind, I began looking into what that might do to cities and metropolitan life.

A few things hit me right at the start. The first one is that the most important issue isn't technology—it's ownership. The most optimistic scenarios for the driverless car era implicitly assume that the net result will be a substantial reduction in the number of cars on the road. AVs will be more of a service than a product. People will get used to sharing them on their daily trips, and there won't be much need to own a personal vehicle. Traffic will thin out, the air will be cleaner, and all the unused parking spaces will be available for urban amenities and even housing.

It sounds like a civic paradise. But let's try a couple of thought experiments. What if you're an 82-year-old middle-class retiree, living in a middle-distance suburb, who has just given up driving. You have the option of summoning an AV to your relatively remote location and waiting for it to come, or you can buy a little driverless runabout, keep it at home and just tell it where you want to go. Which would you choose? I think I know. Or suppose you're a newly empty-nested family out in the suburbs that's trying to get along with one car and finding it a little stressful. Wouldn't a second one with no driving responsibilities be kind of tempting? I'm willing to concede that the technology will cut down on ownership by people in or near central cities. But that won't be nearly enough to create the kind of revolution that some urban enthusiasts are talking about.

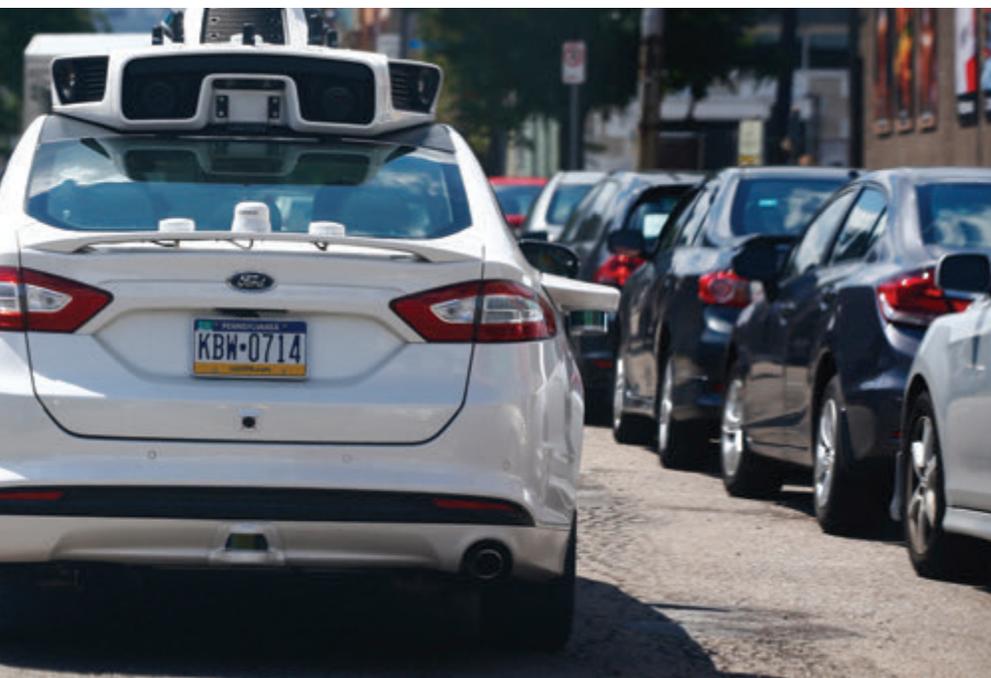
If we switch to AVs without reducing the number of cars, one of two things is likely to happen, neither of them very good. Either the sheer volume of automobiles will require vast amounts of parking, just as it does now, or the parking will go away but the vehicles will wander aimlessly all day through traffic-choked city streets—zombie cars—waiting for the next set of



instructions from their master.

The point is that driverless technology, on its own, isn't going to transform cities or end traffic jams. There will have to be other forces generating the change, new incentives that discourage car ownership and promote shared mobility.

One of these forces needs to be transit, and most important, microtransit. As AVs become cheaper, it might become practical for local governments to purchase and operate large fleets of them, not only in central cities but also in suburbs where residents could dial in a request and have them arrive in a few minutes. When they're not dropping off or picking up passengers, these vehicles could be parked in relatively open suburban territory where congestion wouldn't be a problem. Maybe our octogenarian retiree would be willing to rely on them and refrain from purchasing one for himself. Maybe. But for the process to work, he still has to be persuaded to share a relatively small space with one or more



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strangers. If he insists on traveling alone, that wouldn't be much of a solution.

And no matter how many people are using these AVs, we wouldn't want them shuttling back and forth between city and suburb and cluttering downtown streets. Ideally, they would transport their passengers a relatively short distance to a transit station, where people would transfer to a conventional bus or light rail, leaving the driverless car out in the suburbs where it would do the least damage.

Right now, however, our metropolitan transit systems fall woefully short of meeting that test. Once you get a few miles beyond city limits, as we all know, the transit network, even the bus service, thins out very quickly. To create a holistic transportation system that links microtransit to larger vehicles, we would need to spend a great deal more than we are spending now on expanding and improving service. That's possible, especially if driverless technology brings the cost down, but it

certainly isn't on the horizon at the moment. Without a much greater public commitment to transit in general, it seems safe to predict that our mythical suburbanite would ride his AV straight into the center of the city, adding one more piece to the downtown traffic puzzle.

Unless. Unless we create another significant disincentive for bringing automobiles into city centers, whether they have drivers or not. This brings us to congestion pricing, the strategy that has been promoted tirelessly for decades by Samuel Schwartz, the former New York City traffic commissioner. Schwartz is the author, most recently, of *No One at the Wheel*, the fairest and most comprehensive treatment of the driverless car issue that I have come across. In the book, he takes up the whole history of congestion charges, from their relatively successful implementation in European cities to New York City Mayor Michael Bloomberg's failure to get them approved a decade ago.

Schwartz offers several scenarios for how a congestion driving disincentive might work. It could mean charging a flat fee for entering the crowded center of a big city, as London and several other European cities do. It could involve a fee based on the number of vehicle miles traveled, an idea Oregon has tested. Or it could base a charge on the number of hours driven. Any of these might conceivably help. But in the end, as Schwartz concedes, they all require an effective and efficient transit system. People will restrain themselves from driving downtown only if they have another convenient, frequent and reliable way to get there.

It's only fair, after all this urbanist futurism, to pay a little attention to the opposite argument: that people won't mind 50-mile commutes if they can sit in the back seat and relax. This, too, involves some rather heroic assumptions. For one thing, it depends on how fast AVs are allowed to go. If they are traveling at 100 miles an hour, then yes, long-distance commutes might become more attractive. But if they are observing current speed limits, as they would probably have to do in the beginning, then a 50-mile commute could take longer than it does now. I'm not sure how many commuters would want this. The main beneficiary might be the liquor industry—AVs would likely end up as the equivalent of the bar car on the 5:15 train from New York to Westport in "Mad Men" days. It doesn't strike me as a big step forward.

But let's concede a point and posit that long commutes into and out of the city will one day become pleasant and efficient. This could well mean, as some critics insist, a multiplication of new and distant exurban communities. But it wouldn't mean a revival of 1950s split-level and cul-de-sac suburban enclaves. The millennial generation has already demonstrated its demand for dense and walkable places to live. That's almost certainly going to define the exurbs of the driverless future. Central cities might or might not flourish in a driverless world; urban values would. **G**

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# The Riddle of Rebuilding

**N**ot long after the Camp Fire ravaged Paradise, Calif., in November, the coach of the girls' high school basketball team made a vow. "In my heart of hearts, I know we are going to stick around and help rebuild Paradise and make it a town," Sheila Craft told ESPN. "We are going to rebuild Paradise around sports."

It was a bold promise. The fire destroyed an enormous swath of central California, killing 86 people and burning more than 150,000 acres, an area 10 times the size of Manhattan. When the wildfire was done with Paradise, there wasn't much left of the town of 27,000. The basketball team lost its opening game 56-22 to nearby Chico, but the players were glad to be back on the court.

A more troublesome story lurked behind that game, however. Homeowners trying to recover their losses discovered that a venerable insurance company, Merced Property & Casualty, had closed its doors. Facing claims almost three times greater than its assets of \$23 million, a company that had survived the Great Depression and other calamities could not survive the Camp Fire.

All was not lost. The good news was that the California Insurance Guarantee Association (CIGA) backstopped the company, along with other insurers whose losses exceeded their capital. All states have these organizations, to protect consumers whose insurance companies go broke. The bad news is that state law caps

the benefits CIGA can pay, so no one really knows the extent of the losses property owners will ultimately get hit with.

If there's any refrain that comes out of every big natural disaster, it's this: "We're going to rebuild, bigger and better than ever." And if the U.S. government's national climate assessment in late 2018 is any guide, it's a refrain we're likely to hear more often. "More frequent and intense extreme weather and climate-related events" are more likely, the assessment concluded, and these events "are expected to continue to damage infrastructure, ecosystems and social systems."

But no matter how much people might want to rebuild, they won't be able to if they don't have money to cover their losses. More insurance company failures like Merced Property are inevitable. More hits

on the aid provided by CIGA and similar state insurance guaranty agencies around the country are certain. Tight state budgets simply won't be able to cover what insurance companies don't.

Private insurers have their own strategy for dealing with the problem. They buy "reinsurance" from big multinational giants, such as Munich Reinsurance Company and Swiss Re, mostly unknown to the public but essential to keeping insurers afloat when losses loom. But these companies set standards for what they will reinsure and what premiums they will charge for the coverage, and they aren't about to put themselves at risk for huge losses by making the standards too low.

So we have two big forces pushing back against the rebuild "bigger and better than ever" slogan: stark limits on what the states

**Communities devastated by natural disaster all want to start over. Somebody has to pay for it.**

**The Camp Fire burned more than 150,000 acres, an area 10 times the size of Manhattan.**



will be able to afford, and the certainty that the big private reinsurers will set bright-line limits on what they'll do. Then there's a third problem, which is that many homeowners simply don't buy insurance in the first place. When Hurricane Harvey ravaged Houston, 80 percent of those with damaged homes—100,000 homeowners—didn't have flood coverage.

That leads to cascading questions. Should homeowners be allowed to rebuild in harm's way? What standards will insurers insist on to minimize future claims? If homeowners decide not to buy insurance, will government backstop their losses? If government does provide the backstop, why would people buy private insurance? And if public institutions *are* going to step in, what level should be responsible: local governments, often hit by big losses themselves; state governments, with limited pocketbooks; or the federal government, facing soaring deficits and spiraling disaster losses of its own?

These are daunting questions, and we're reluctant to ask them. In the middle of catastrophic losses, no one wants to hear that government is going to make it even tougher to rebuild.

Local governments are never eager to force tougher regulations on their residents, either. But pressures on the backstoppers—the state guaranty agencies and global reinsurance companies—might give them no choice. Damages are likely to grow and, along with them, risks that the backstoppers will be unwilling to accept.

Some analysts have long argued that relying on market forces would produce the best results—the most efficient outcome with the least amount of government interference. But that, of course, would require homeowners to play by the increasingly tough rules of the private insurance industry—and it would require government to resist the temptation to leap in and help those who decide not to buy insurance.

One way or another, big questions are brewing, and no one will be able to escape answering them. But one thing seems certain: rebuilding “bigger and better than ever” is a refrain whose time is past. **G**

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## Beyond the Gas Tax

With Democrats now in control of the U.S. House, a key lawmaker thinks the timing may be right for a mileage-based tax.

Democratic U.S. Rep. Peter DeFazio, chair of the House Transportation and Infrastructure Committee, has been floating the idea of replacing per-gallon fuel taxes with a nationwide pilot program for a vehicle miles traveled tax. DeFazio's home state of Oregon has worked for more than two decades to develop a workable VMT system. It currently operates a voluntary program where drivers pay 1.5 cents per mile driven instead of the state's 30-cent per gallon fuel tax. The concept has grown more popular as the per-gallon gas tax has become a less reliable source of funding for transportation projects: Cars are more fuel-efficient, and some don't use gasoline at all.

Other states have started experimenting with mileage taxes as well, thanks in part to funding that DeFazio fought to include in the last federal highway bill. But the 2015 highway bill, the main source of federal transportation spending, is set to expire in 2020. DeFazio hopes that deadline, along with President Trump's repeated calls for an infrastructure deal, will make a VMT pilot a reality. —*Daniel C. Vock*



## Net Neutrality Goes Before the Court

More than a year after the Federal Communications Commission (FCC) voted to repeal Obama-era rules regulating the internet, net neutrality will get its day in court.

The lawsuit challenging the repeal was brought by more than 20 state attorneys general. The Washington, D.C., Court of Appeals was set to begin hearing arguments Feb. 1. The 2015 regulations require internet service providers (ISPs), such as Verizon, to treat all online content equally, without slowing or

blocking any websites, especially not for business advantage or monetary gain.

Since the regulations were repealed, several states have adopted their own net neutrality rules. California passed the strictest; its law applies to all ISPs, not just those that have contracts with the state. The Trump administration is suing California, but both parties have agreed to set their legal battle aside until the case being argued against the FCC is resolved. —*Caroline Cournoyer*

## New Rules for Campus Sexual Assault?

Since U.S. Education Secretary Betsy DeVos proposed new guidelines for addressing on-campus sexual misconduct this past fall, several schools have come out against them.

Under the proposed guidelines, schools would only have to respond to a sexual misconduct complaint if an official report was made or if multiple allegations were made against the same person. This is a reversal of the Obama-era guidelines which required schools to respond if they knew or could reasonably be aware of allegations.

Shortly after the guidelines were released, the University of Colorado system announced that it would not follow them, adding that the previous guidelines and the university's own policies better address the issue. Janet Napolitano, president of the University of California and former secretary of Homeland Security, said the university would also ignore the new guidelines. In a December op-ed in *The Washington Post*, she wrote “the proposed rules would significantly diminish schools' responsibilities to respond to complaints.”

DeVos has stated that the new guidance is much fairer to the accused. However, critics say the result could be fewer people coming forward with complaints. Public comment on the proposed guidelines was scheduled to end Jan. 28. —*J. Brian Charles*



# The Rent Is Too Damn Low

High prices aren't the only problem in America's housing crisis.

**E**verybody knows about America's housing affordability crisis, right? Thanks to rampant gentrification and a scarce housing supply, low-income families are being forced out of their neighborhoods in search of a place they can actually afford.

But that's only half of the story. In many places, the problem isn't that housing costs are too high. It's that they're too low. As a report from the Brookings Institution last spring rightly concluded, our country's housing needs are a complex mix of regional issues, not an overarching national affordability crisis. Yes, skyrocketing prices are a problem in certain places, including California and much of the Acela corridor in the Northeast. But elsewhere, notably in the Rust Belt and the Midwest, it's low prices—and the spiral of disinvestment they create—that are displacing residents.

Every city has its own specific story, but there are five general conditions keeping housing prices from appreciating—and keeping people and jobs away—in cities across a wide swath of the middle of the country.

The first is an oversupply of housing. The same mid-century suburban housing boom that fueled the growth of metro areas across the nation impacted the Midwest, too. The problem, however, is that the boom took place at the same time that Rust Belt metro growth began to grind to a halt in the 1960s and '70s. These areas rarely gained the population to substantiate the development.

That led to the second cause: weakened demand. Metros such as Cleveland and Detroit continued to push outward even as their metro populations stagnated.

Very quickly a preference emerged among homebuyers for new housing over old housing, dropping home values in older, established neighborhoods. These neighborhoods, in turn, often lacked the

contemporary amenities that astute homebuyers demanded and therefore became obsolete. That obsolescence led to vacancy. Property owners who believed that they'd never get a return on their investment walked away. It's no coincidence that cities with the highest levels of vacancies read like a list of the lowest-value cities as well.

And finally, the fifth condition is segregation. Most Northern cities pioneered a new segregation tactic as the Great Migration brought hundreds of thousands of African-Americans from the rural

“Every city has its own specific story, but there are five general conditions keeping housing prices from appreciating.”

South to the urban North: neighborhood avoidance. Residents engaging in white flight ceded ground to incoming minorities within urban neighborhoods and never looked back. This further weakened demand, substantially decreasing the number of potential homebuyers viewing homes within some neighborhoods.

Low property values create real challenges for municipalities and their residents. For municipalities, huge drops in value ultimately lead to dramatic losses in property tax revenue. Take Detroit, home of the nation's largest municipal bankruptcy. Detroit's overall property value peaked in the late 1950s at \$45.2 billion, in 2013 dollars. By 1980, its property value stood at \$15 billion, in 2013 dollars, an astonishing 67 percent drop within 25 years.

Buyers and banks enable this downward spiral. Cash purchases often become

the predominant means of buying homes in low-value areas, leading to the ironic outcome that low values incentivize investors flush with cash to buy homes and rent them while making potential low- and middle-income buyers less likely or flat-out unable to buy.

So what can be done? Of course, the most obvious answer is the most elusive: Revitalize the local economy so that people and jobs return and stimulate demand. Rust Belt cities are still waiting for that to work out for them. But three rather counterintuitive ideas could work, even as they challenge the municipal budgets of struggling cities.

One such idea is to invest in infrastructure, facilities and amenities. Improved roads and transit, remodeled schools and parks, and an emphasis on bringing commercial and institutional amenities back to communities can set the table for shifting the low-value paradigm.

Another is to build new housing. Cities should proactively look to contemporize their housing stock, broadening their offerings in housing types, including more rental properties and larger and smaller housing styles.

And finally, roll the dice to incentivize investment. Akron, Ohio, recently announced a citywide program that would offer a 100 percent abatement on added property value for 15 years for applicants seeking to construct new homes or renovate existing ones (\$5,000 or more). It may take bold moves such as this to bring up values.

The Brookings report stated that local governments contributed to the broken nature of their housing markets, and it will be up to them to fix them. That's just as true for low-value metros as for the stratospheric ones. **G**

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Behind the Numbers

# The Black Gender Imbalance

Women far outnumber men in many black neighborhoods. That creates a multitude of problems.

**S**omething is demographically amiss in parts of eastern DeKalb County, just outside of Atlanta. In several predominantly African-American neighborhoods, there are only about three black men for every five black women under age 65. That sort of gender imbalance reflects a number of factors, primarily mass incarceration and high mortality, and it's present in hundreds of communities across the country. Nationally, the Census Bureau

counts 88 black male adults for every 100 black women, while the ratio for whites is a more equal 97 men for every 100 women.

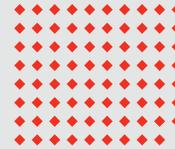
*Governing* reviewed the latest population estimates for all black adults ages 18 to 64 in Census tracts where they totaled at least 2,000. In those neighborhoods, there were only a median of 81 black men for every 100 black women. The imbalance was greatest in 380 neighborhoods, where there were fewer than two adult black men for every three adult black women under

age 65. In contrast to the numbers for adults, Census estimates show that nationally, there are marginally more African-American boys than girls under age 18.

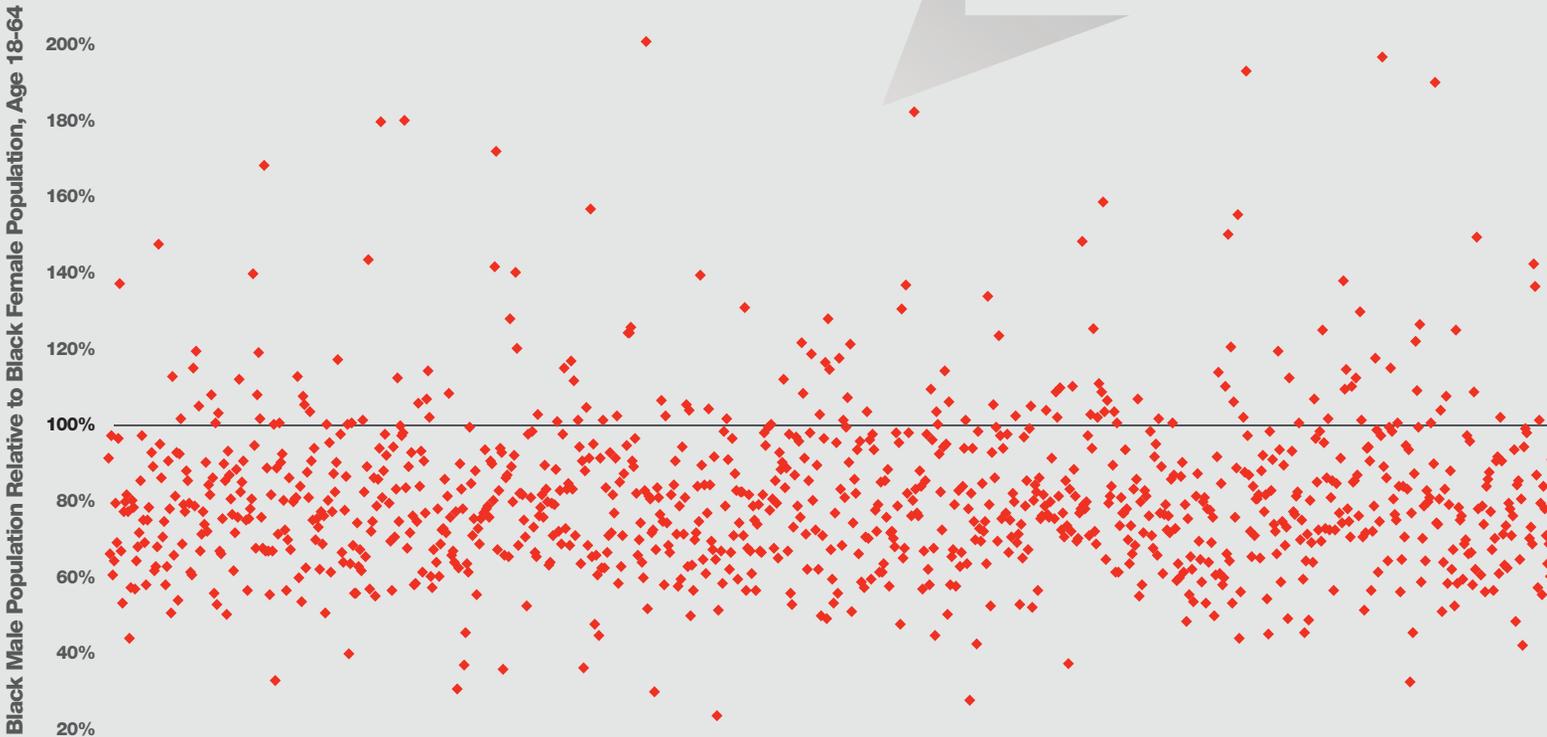
Communities where large numbers of black men appear to have vanished aren't confined to a few regions, but found in states throughout the country. And disparities aren't present just in isolated enclaves, but in many cases span entire small cities. Among these are Calumet City, Ill., and Douglasville, Ga., two suburban

## The Uneven Geography of Black Men

Black women significantly outnumber black men in the vast majority of neighborhoods. The dots represent the number of black men relative to black women under age 65 in Census tracts with sizable black populations.



There were more than twice as many black men as women in 79 tracts, primarily those with prisons, which are not shown below.



jurisdictions with sizable black populations, where there are about two-thirds as many black men as women.

The single biggest driver behind the absence of many black men is mass incarceration. A few academics have held up ratios of black men to women as a proxy for incarceration. Despite recent declines in prison populations, disparities remain massive. African-American males are imprisoned in state and federal facilities at six times the rate of white men, and about 25 times that of black women, according to figures from the Bureau of Justice Statistics.

Black men, underrepresented in the overwhelming majority of neighborhoods, are instead heavily concentrated in relatively few places, and those tend to be home to prisons. We identified 79 such Census tracts with more than twice as many black men as women.

Black men are further subject to high mortality. Homicides drive up rates, along with higher risks of dying from diabetes,

kidney disease and sepsis than other men. In all, the latest average life expectancy at birth for black men, 71.5 years as measured by the Centers for Disease Control and Prevention, trails the expectancy for white men by nearly five years and for black women by more than six years.

But mortality and incarceration rates alone don't explain why so many black men seem to be missing in communities. Alford Young, a sociology professor at the University of Michigan, notes that they frequently lack permanent addresses. Women, particularly those with children, are likely to obtain support services, and thus to get counted, while black men are not and may become homeless. Young also says a subset prefers to be mobile and undocumented, mostly stemming from fears of law enforcement. "It's really a challenge with official counts to make sense of where black men are," he says.

The ramifications of all this are far-reaching. Partners and families of the

"missing men" face a host of negative social and economic consequences, such as a shortage of income and assets. Huge numbers of women have ties to incarcerated family members: One in every 2.5 black women has a family member in prison, more than three times the number for white women, according to a Scholars Strategy Network report. For children, research suggests growing up with an incarcerated parent increases the likelihood of learning disabilities, behavioral problems and other challenges.

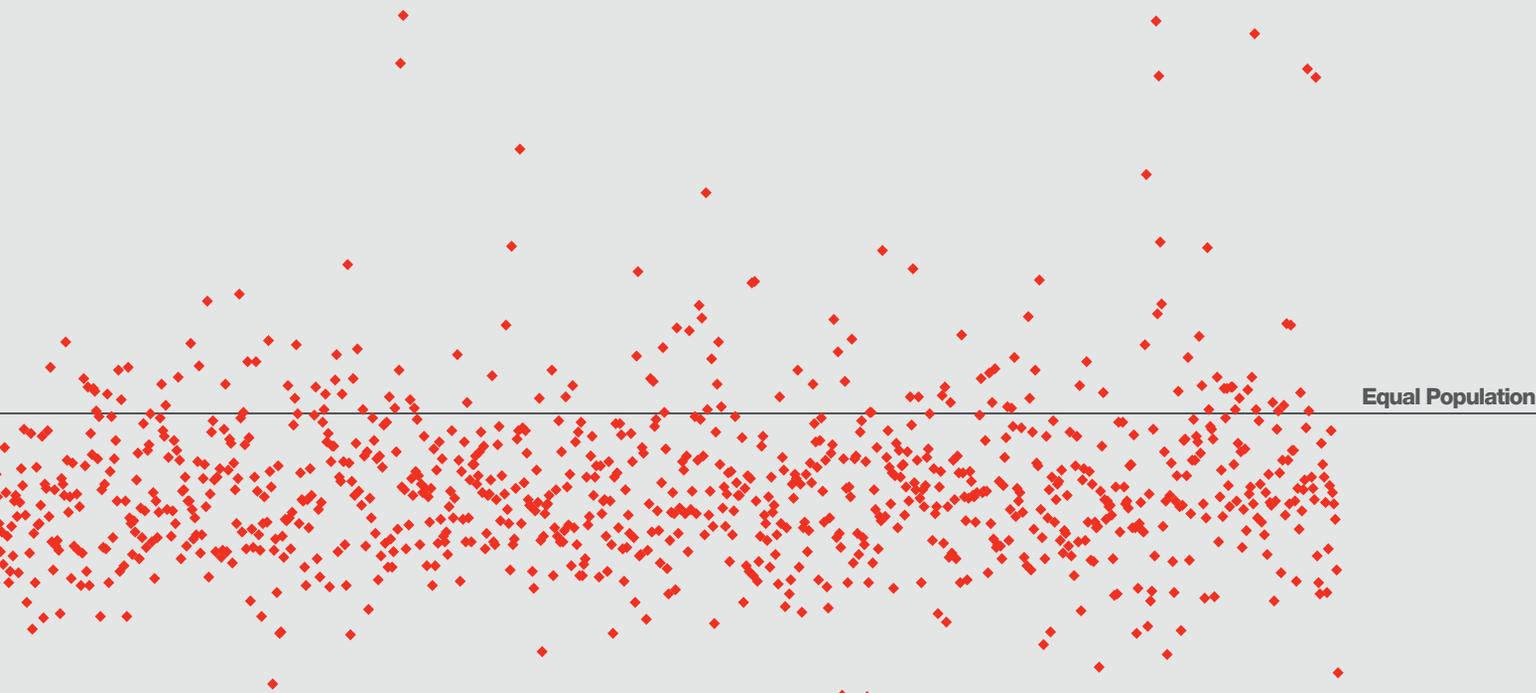
But the consequences of all this extend beyond families. The absence of adult males means fewer constructive relationships for local children and fewer resources for communities in general. "It's not simply large numbers of men not being present around their children or their partners," Young says, "but what it means in a community context to be invisible." **G**

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GOVERNING CALCULATIONS OF CENSUS 2017 5-YEAR AMERICAN COMMUNITY SURVEY DATA

◆ Tract with at least 2,000 black adults

View data for neighborhoods at [governing.com/blackdemographics](http://governing.com/blackdemographics)



SEGREGATED  
IN THE  
**HEARTLAND**

# HOUSES

*In downstate Illinois—and in cities across the country—government policies are keeping racial segregation firmly rooted in place.*

# DIVIDED

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BY DANIEL C. VOCK, J. BRIAN CHARLES AND MIKE MACIAG / PHOTOGRAPHS BY DAVID KIDD





Rockford, Ill.

**I**t didn't take Silas Johnson long after he moved to Springfield, Ill., to identify the border that separates the black section of the city from the white one.

Growing up in Mississippi as the civil rights movement swept through the South, Johnson knew about dividing lines. In the town of Macon, blacks knew to stay on their side of the railroad tracks. "It wasn't something that was taught," he says. "It was just something that was known."

After he graduated high school in 1973, Johnson left the South to join his brother in Springfield, the state capital and former home of Abraham Lincoln. But Johnson soon discovered that race relations in his new home weren't much better than what he'd left behind. Blacks and whites attended separate schools. Blacks were excluded from certain professions.

And just like Macon, Springfield cleaved in two along racial lines, with railroad tracks again marking the split. This time, it was the Norfolk Southern tracks alongside Ninth Street. East of the tracks, the neighborhoods were predominantly black, and many blocks were pockmarked by vacant houses and boarded-up businesses. West of the tracks, the neighborhoods got progressively whiter and wealthier. "I experienced a lot of racism here. It was more covered up than it was open," says Johnson, now 63. "In the South, blacks stayed in certain areas and so did whites. That's the same here now in Springfield."

That pattern persists in cities throughout the state. In fact, according to a new *Governing* investigation, segregation between blacks and whites is worse in most of Illinois' metropolitan areas than in demographically similar areas

Silas Johnson moved to Springfield in the early 1970s. "I experienced a lot of racism here," he says.

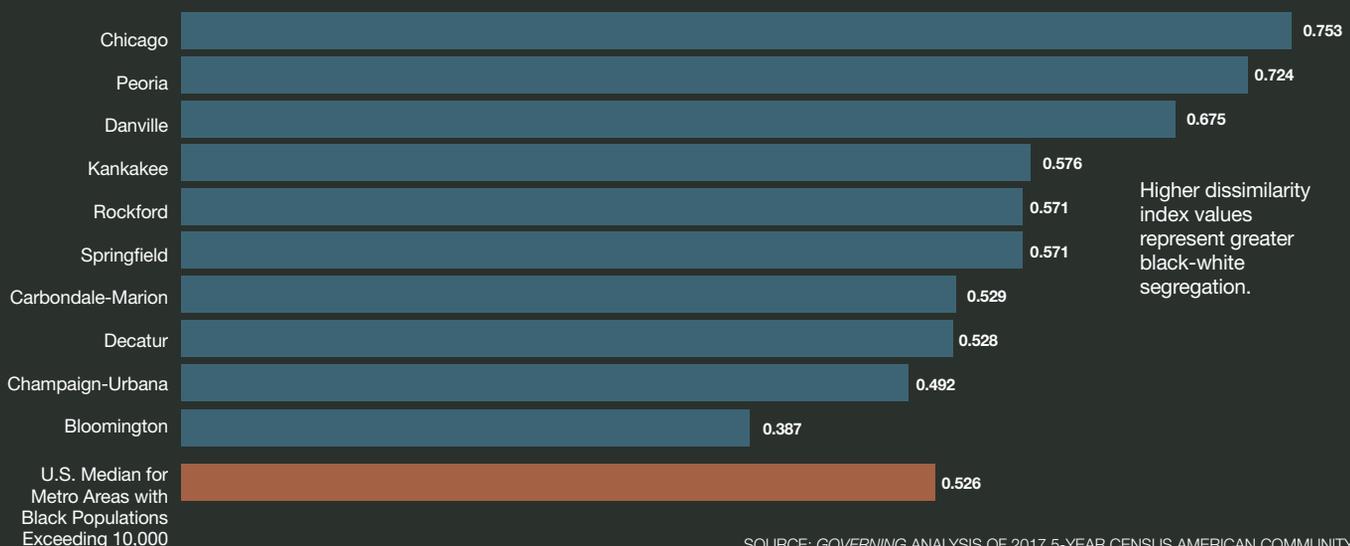


around the country. It's particularly bad in large metro areas, and certainly the Chicago region is the most segregated in Illinois. But the state's smaller cities are also disproportionately segregated.

Springfield may have launched the political careers of Lincoln and Barack Obama, but it is among the worst third of American cities in terms of black-white segregation, according to our analysis of federal data. Both the Springfield and Champaign-Urbana metro areas are more segregated than that of Charlottesville, Va., or the Daphne-Fairhope-Foley area near Mobile, Ala., even though they all have similar populations and percentages of black residents. Peoria—the veritable shorthand for Middle America—is

## HOW SEGREGATION IN ILLINOIS COMPARES NATIONALLY

Nearly all downstate Illinois metro areas have higher black-white segregation than most other areas with black populations exceeding 10,000, as measured by their dissimilarity index. This is also generally true of many other parts of the industrial Midwest.



SOURCE: GOVERNING ANALYSIS OF 2017 5-YEAR CENSUS AMERICAN COMMUNITY SURVEY DATA



the country's sixth most racially divided metro area in terms of blacks and whites. When it comes to schools, we found that the Peoria area is the most segregated in the nation.

The truth is that segregation isn't limited to the South, or to large cities. America's racial divide, in fact, runs right through the Heartland.

*Governing* conducted a six-month investigation into segregation in downstate Illinois, and why and how it has persisted there. We spoke with more than 80 people, including mayors and other city officials, legislators, sociologists, attorneys, school district officials, historians, community activists, housing experts, and both black and white residents. We analyzed 50 years' worth of U.S. Census data for economic and demographic trends, along with both state and federal school enrollment data. We also drew from hundreds of pages of court documents, information obtained through Freedom of Information Act requests, several books and dozens of academic reports.

What emerged was a picture of the way segregation continues to shape and reshape metropolitan areas in Illinois and, indeed, throughout many parts of the country. In these cities, segregation means not just a physical divide, but a huge disparity in resources. White areas of town benefit from more development, better infrastructure and more accommodating government policies.

What's more, we found local governments bear much of the responsibility for creating and maintaining segregated communities. Mayors and other city officials are often focused on immediate concerns, such as balancing tight budgets or attracting economic development. While those are legitimate, pressing issues, the resulting policies can often reinforce segregation. Through unspoken traditions and ingrained attitudes, as well as explicit government actions, city officials are in many ways responsible for maintaining a system that still divides whites and blacks.

When it comes to land use—what gets built where—governments use zoning restrictions to keep out rental housing,

92%

Percentage of East Peoria that is white. Across the river, Peoria proper is just 57 percent white.

For a detailed methodology on this report and much more coverage, including stories on how law enforcement and land use policies reinforce segregation, visit [governing.com/segregated](http://governing.com/segregated)

which attracts blacks and other minorities, from predominantly white areas. They approve new residential subdivisions with strict deed restrictions that make large swaths of communities unaffordable to low-income residents and often explicitly bar any use other than single-family homes. As they restrict where apartments can be built, local governments also play a big role in deciding where public housing and other taxpayer-supported affordable housing projects are located. That often leads to concentrated areas of low-income housing in black neighborhoods. Those changes almost inevitably become permanent, because the income restrictions and other rules that come with public subsidies last for decades.

Public schools are a key factor as well. While segregation in schools is often viewed as a product of the neighborhoods the schools are located in, the truth is much more complicated because schools shape the neighborhoods they serve. In many cases, in fact, they exacerbate segregation by driving white flight to suburban areas. That is especially true in Illinois, because of its proliferation of small school districts. As cities such as Peoria and Springfield stretch beyond their original district borders, white residents flock to the suburban-style schools on their peripheries. Farther-out villages have transformed themselves from farm towns to bedroom communities by luring white families with new subdivisions and the promise of better schools in stand-alone school districts. The net result is that predominantly white suburban districts are flourishing, while urban districts have become increasingly black and suffer from declining tax bases (See "Still Separate After All These Years," page 34).

Finally, residents in predominantly black neighborhoods routinely face more scrutiny from police and other government agencies, which reinforces the patterns of segregation that have already emerged. Government actions such as increased code enforcement, zero tolerance policies for drugs in public housing and disproportionately targeting black neighborhoods for traffic stops result in black residents facing more municipal fines or other minor punishments. Though seemingly small, those infractions, combined with the fact that blacks are far more likely to be arrested and imprisoned than whites, can make it harder for residents to clear their name and qualify for good-paying jobs that require criminal background checks. That barrier to jobs is significant for downstate communities: The Peoria, Decatur, Rockford and Carbondale metropolitan areas were all ranked among the top 10 for highest black unemployment rates in the country in 2017.

Taken together, the policies of local governments have helped divide black and white residents into groups of citizens who are still separate, and still unequal.

## Wrong Side of the Tracks

While people may associate segregation with the Jim Crow-era South, the truth is that the most segregated metropolitan areas today, in terms of where people live, are in the

industrial Midwest and the Northeast, the destinations for most blacks fleeing the South during the Great Migration of the 1900s. The cities of those regions established housing patterns that persist today, especially where economic troubles have made new growth and investment difficult.

Nationally, overall levels of segregation have fallen in recent decades. That's especially true in cities and other small geographic areas, like suburbs or school districts. Blacks and whites are slightly more likely to live in the same neighborhoods than they were in the 1980s.

But that's not the whole story. A more troubling pattern emerges when you widen the scope to look at entire metropolitan areas, focusing not just on individual cities or suburbs but looking at cities and their suburbs together. Instead of moving to different areas of the same city, whites are moving farther away to suburbs and exurbs. That's why, measured at the metro level, progress toward more racially integrated neighborhoods over the past few decades looks decidedly less impressive. In fact, in the metro areas for Peoria, Danville and Champaign-Urbana, the degree of segregation remains roughly as high as it was in 1980.

It's that metro area measure by which the Peoria area ranks as the sixth most segregated in the nation. The St. Louis area, a quarter of which is made up of Illinois residents, comes in 10th. Chicago is the nation's third most segregated metro area.

Sociologists commonly measure segregation by calculating what's known as a dissimilarity index. That shows what percentage of, for example, whites would have to move to black neighborhoods for them to live in a neighborhood that would have the same black-white ratio as the area as a whole. *Governing* calculated that measure to show the degree of segregation both in metro areas and in their schools. In the Peoria area, 72 percent of whites would have to move. Those percentages have fallen nationally for most metro areas, but in Peoria it is essentially the same percentage today as it was 40 years ago.

25%

The rate of black unemployment in the Peoria area, the highest of any area in the country, according to 2017 Census data.

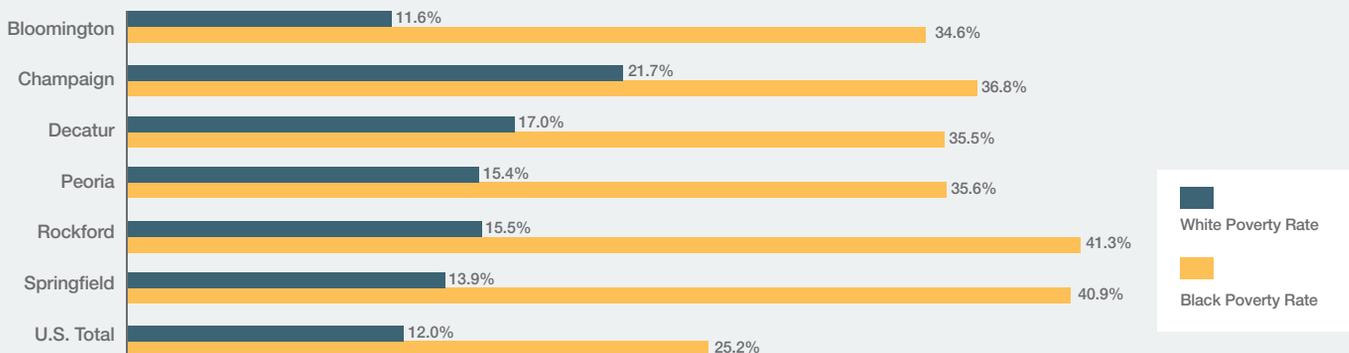


Illinois has several other highly segregated metropolitan areas. Danville, a small city near the Indiana border, is the 12th most segregated place in America with at least 10,000 black residents. Along with Springfield, Kankakee and Rockford are among the worst third. (The *Governing* analysis was confined to segregation between blacks and whites, because the number of Hispanics and Asians living in most downstate Illinois cities is relatively small.)

Segregation is so stark in these communities that it's obvious to the naked eye as you cross the roads, rivers or railroad tracks that symbolically separate white areas of town from black areas. There's the Rock River in Rockford, University Avenue in Champaign, Main Street

## POOR AND BLACK

*In several larger Illinois cities, disparities in poverty rates between blacks and whites are much larger than they are nationally.*



SOURCE: CENSUS 2017 5-YEAR AMERICAN COMMUNITY SURVEY

Note: Estimates subject to margins of error.



in Galesburg, and the Kankakee River and a set of railroad tracks in Kankakee.

In Peoria, the Illinois River is a 900-foot-wide chasm between poverty and prosperity. On one bank is the city of East Peoria, which is 92 percent white, with big-box retail stores including Costco, Target and a Bass Pro Shop just a stone's throw from the river. On the west bank is the city of Peoria itself, just 57 percent white and becoming less so every year. There, the riverfront features the Taft Homes, rows of barracks built after the Korean War that are now used as public housing, despite efforts to replace them. Farther south, one ZIP code on Peoria's southwest side—61605—has become local shorthand for urban blight. It's about 58 percent black, with a poverty rate of 44 percent and an unemployment rate of about 20 percent as of a few years ago.

But perhaps no Illinois city displays its segregation more plainly than the capital of Springfield itself. "You see it when you cross that invisible dividing line," says Teresa Haley, the president of both the Springfield branch and the state chapter of the National Association for the Advancement of Colored People (NAACP).

One way to see it clearly is to drive along South Grand Avenue, a major east-west thoroughfare that cuts across the city. Starting on the East Side, you'll find Springfield's poorest—and most heavily black—neighborhoods. Some blocks contain tidy, modest houses, but many are ramshackle. The streets are poorly lit, and they often lack curbs, sidewalks and gutters. In three East Side neighborhoods, about half the households live in poverty, according to the most recent data. The unemployment rate across those three neighborhoods is 24 percent. Life expectancy in two of the

Springfield is split along racial lines, with these railroad tracks marking the divide.

neighborhoods is 70 years old or below, compared with nearly 79 years nationally. Overall, the five-Census-tract area covering the East Side is 65 percent black, but in some neighborhoods it's as high as 80 percent.

Drive west on South Grand, under the viaduct carrying the Norfolk Southern tracks, and things immediately begin to change. On the largely white West Side, just a mile and a half away, South Grand is covered by a canopy of trees as it makes its way past blocks of stately brick houses, many of them mansions on enormous lots. The street itself narrows and then disappears completely into Washington Park, 150 acres of rustling trees and rolling hills graced with a carillon, a rose garden, fishing ponds and a popular running path. Two golf courses adjoin the park. Also nearby is Leland Grove, a village of 1,500 people surrounded by Springfield. It's an enclave within an enclave, where the median household income is double that of the rest of the city. According to the Census Bureau, the population of Leland Grove is 95 percent white and 1 percent black.

Beyond that, Springfield keeps sprawling west. Residents in new subdivisions can see combines and grain elevators from their driveways. Commercial development has been in hot pursuit: Restaurants, dentists, banks, hair salons and a Walmart have opened up, not to mention the churches, schools and parks that inevitably follow wherever people move. "With Springfield," says Mayor Jim Langfelder, a banker by trade, "everybody wants to go west. They want to go where the numbers are, where the incomes are. With the East Side, though, it's a struggle. You have pockets of development, but there's still a lot more to go."

Of course, many of the symbolic racial borders in Springfield and other cities have been codified in official

ways, with real-world consequences. Perhaps the best-known examples of that are the “redlining” maps first drawn by the federal government during the Great Depression. As part of the New Deal, Congress introduced new federally backed mortgages that were intended to make home loans more affordable for middle-class families for the first time. To keep from losing money on the loans, the federal government hired real estate agents in 239 cities to draw maps designating where the most “creditworthy” residents lived. Areas deemed high-risk were outlined in red. As a rule, the agents drew bright red lines around any minority neighborhoods. Thus, whites were able to buy new homes, build wealth and pass along that wealth to their families. Blacks could not get credit to even maintain or improve their existing properties. Their neighborhoods suffered as banks and businesses fled, buildings deteriorated and outside landlords scooped up the distressed properties so they could rent them out. Those policies have had a long-lasting effect at the individual level as well. To this day, 62 percent of black households in Illinois rent their homes, compared with 27 percent for whites.

The 1968 Fair Housing Act and subsequent federal laws ended legally sanctioned redlining, but the patterns from those maps persist today. One analysis by the National Community Reinvestment Coalition, for example, showed that 100 percent of the highest-rated properties in Rockford remained predominantly white, while 67 percent of the old redlined areas are still predominantly minority areas.

### *The Shadow of History*

Silas Johnson moved to the East Side of Springfield when he arrived in 1973 looking for work. He found jobs as a shoeshiner, a dishwasher and a janitor. In search of something more stable, he applied for several apprenticeships with trade unions. The federal government was ramping

**1/3**

The share of white students that nearly all downstate Illinois urban school districts have lost over the past 15 years.

“There’s been a reluctance from some of the smaller communities to share in the distribution of the people in need,” says Peoria Mayor Jim Ardis.

up its affirmative action policies at the time, so companies needed black workers to qualify for federally funded work.

Johnson managed to take the test for an apprenticeship with the electrician’s union, but was rejected. The Urban League had to sue to get the local union to accept minorities—including Johnson—into its apprenticeship program.

One day, while installing wiring in a stairwell at a new library at a local university, Johnson told a white electrician he was working with about the trouble he’d had getting into the program.

“Oh yeah,” the electrician told him. “I was sitting on the board.”

Johnson asked if he had failed the test.

“No, you didn’t fail. I just voted against you,” Johnson remembers the older electrician saying.

“Why did you vote against me?” Johnson asked.

“I just didn’t like you,” the man said, “because you were black.”

Blatantly racist employment practices like that have a prominent place in Springfield history. So does racial violence.

In August 1908, when blacks made up 3,100 of the city’s 48,000 residents, the town erupted in a race riot. A white mob had gathered at the county jail to try to lynch two black men who had been arrested for unrelated crimes: the rape of a white woman and the murder of a white man. Once the mob learned the sheriff had already snuck the two out of jail, the crowd of some 5,000 people rampaged through the black business district near downtown and torched black homes in a nearby neighborhood. They killed two black men who had nothing to do with the crimes, and then desecrated their bodies.

It took two days for the Illinois state militia to quell the violence. But the news reverberated through the nation. Whites in several other towns, especially in Illinois, followed Springfield’s example and threatened blacks with further violence. Meanwhile, black activists from around the country used the Springfield race riot as a rallying cry that led to the formation of the NAACP.

Blacks eventually returned to Springfield, but violent episodes like that dramatically increased segregation in many cities and towns. “After 1890,” writes sociologist James Loewen in his book *Sundown Towns*, “most whites no longer viewed slavery and racism as the problem—slavery was over, after all, and racial discrimination had been made illegal under the Fourteenth and Fifteenth Amendments. Now African-Americans themselves were seen as the problem, by white northerners and southerners.”

It was during this period, Loewen notes, that towns and cities started to become all-white. Often, whites drove out blacks through violence or the threat of violence. Blacks lived in every county in Illinois in 1890, he points out, but four decades later, six counties had none and 11 more had fewer than 10 black residents.

Illinois was never a slave state, but it nonetheless



imposed harsh restrictions on blacks. It required them to carry papers showing they were legally free. Blacks couldn't vote, sue whites, bear arms, serve in the state militia or gather together in groups of more than three at a time. Lawmakers didn't get rid of those restrictions until 1865.

In the decades following the riots, blacks' rights in Springfield were severely curtailed. As in many other places around the U.S., black residents were kept separate from whites in everything from hospital delivery rooms to graveyards. Schools, hotels, pools, restaurants, skating rinks—they were all segregated.

Worse yet, in 1911, three years after the riots, Springfield voters enacted a new form of city government led by five commissioners who were all elected citywide. It replaced a system in which council members were elected from wards. The new system was ostensibly put in place to clean up corruption in city government. But it also effectively blocked any blacks from being elected to city positions until 1987, and that change only came when a federal judge ruled that the commission system violated the Voting Rights Act.

Frank McNeil was a plaintiff in that lawsuit and one of two black aldermen elected in the subsequent election. It was not a smooth transition. "I was the first guy to get to the table. There was more than a little animus when I got there," he says. "I just came from North Carolina and overturned the system, so for the first three or four years as an alderman I had to fight."

McNeil pushed to get sewer improvements for East Side areas that routinely flooded. He pressed the public housing agency to make sure it wasn't just building its "scattered site" housing on the East Side but distributing it throughout the city. He wondered why the local bus service had a route from the East Side to the mall on the other side of town, but not to the J.C. Penney department store nearby. He tried to get a swimming pool opened on the East Side after the mayor closed it for budget reasons.

Slowly, his relationships on the council improved, and McNeil stayed in the job for 20 years. But in those early days, he says, "everything was a fight."

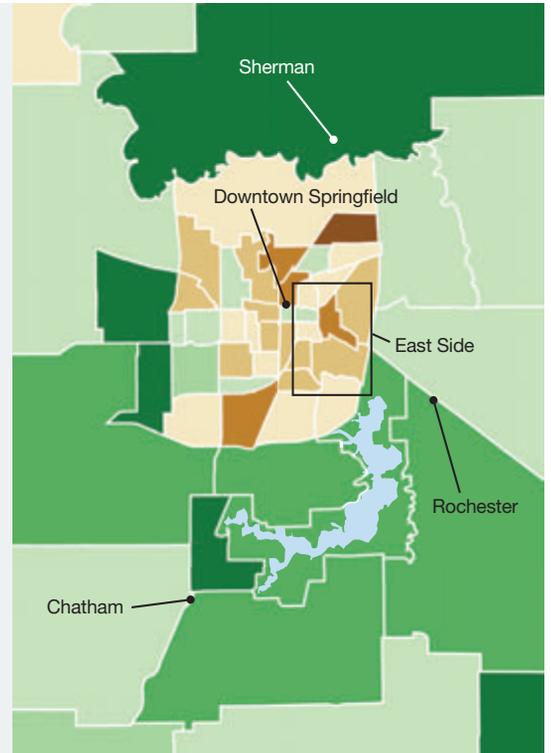
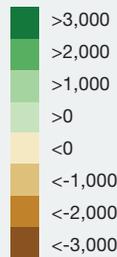
### White Flight Continues

Increasingly, the disparities caused by racial segregation aren't within local jurisdictions but between them. Just look at downstate Illinois schools. The core urban school districts in Bloomington, Champaign, Urbana, Springfield and Decatur—all still predominantly white cities—had majorities of white students in the 2002-2003 school year. Now, none of them do. Over the same period, the share of white students in Rockford Public Schools also dropped, from 48 percent to 30.

Urban districts are losing white students far faster than their metropolitan areas at large. Decatur Public Schools, for example, lost 38 percent of its white students in the last 15 years, but the rest of the metro area only lost 7 percent of its white students. By comparison, the district lost just 11

### 1980-2016 WHITE FLIGHT ACCELERATES

*The white population has steadily declined over the past several decades in Springfield's inner-city neighborhoods, shown as Census tracts, while the surrounding suburbs experienced gains.*



SOURCE: GOVERNING CALCULATIONS OF NON-HISPANIC WHITE POPULATION DATA FROM 2016 AMERICAN COMMUNITY SURVEY, 1980 CENSUS

percent of its black students in the same time frame.

Peoria, again, provides the starkest example. The main school district there has fewer than half of the white students it had 15 years ago, but the decline in white students for all of the other school districts in the metro area was less than 8 percent.

In other words, white flight to suburban areas is drastically altering the makeup even of small metropolitan areas in Illinois. Once-sleepy farm towns are now attracting residents by the hundreds. In a bid that's familiar to suburbanites in bigger metro areas, these hamlets market themselves as both conveniently close to the job centers in nearby cities and as distinct from them. "With excellent schools, a low crime rate and beautiful natural parks, Roscoe is the perfect place for your business, family and home," crows the website of Roscoe, a village of 10,500 people north of Rockford that's close to the Wisconsin border. From 1990 to 2010, the white population there tripled from 2,326 people to 9,544. Meanwhile, the number of black people in the village grew from 13 in 1990 to 325 in 2010. Chatham, a village just south of Springfield, touts the motto "Family, Community, Prosperity." It saw its white population grow by 4,356 people over those two decades, while it added 265 black residents.

The outflow is having a major impact on core cities. Since 1970, the cities of Decatur, Peoria and Rockford lost between 25 and 40 percent of their white residents, while surrounding jurisdictions within the same regions collectively added white residents. At the same time, black

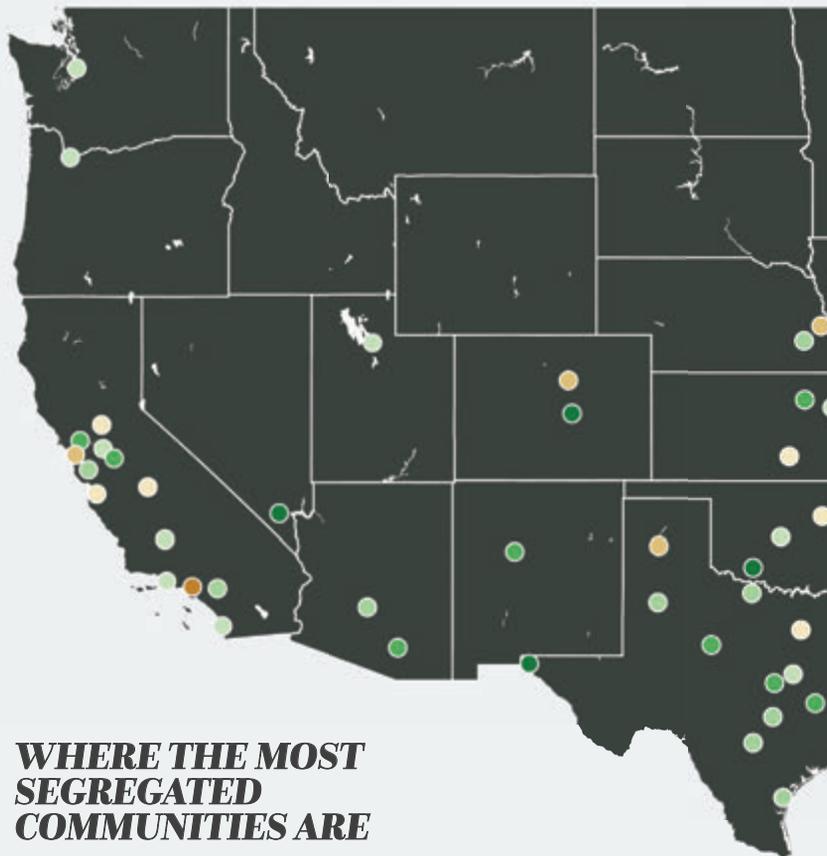
residents are moving into older, traditionally white neighborhoods in many of those cities. In three neighborhoods just north of downtown Peoria, for example, a total of more than 3,400 white residents have moved out since 2000, while the number of black residents increased by nearly 2,000.

The popularity of the farther-out enclaves puts big-city leaders in a bind: They can either compete with the suburbs by annexing new subdivisions and strip malls carved out of farmland, or they can lose that tax base to nearby suburbs that are only too happy to take it off a city's hands.

Dave Koehler, now a Democratic state senator, remembers wrestling with that issue when he served on the Peoria City Council in the 1990s. The only place the city could attract new developments was in an area outside of the jurisdiction of Peoria Public Schools. (In Illinois, school districts are separate entities from municipalities, and their boundaries don't often coincide with city limits.) "It was a concern for some of us, but there was not a lot we could do about it," Koehler says. "We knew we were creating a tax base for [suburban] schools. Peoria's population loss was Washington and Germantown Hills' gain across the river."

The city was able to convince some owners of unincorporated land to agree to annexation by promising to connect them to the city sewer system, but that came with its own costs. "The more infrastructure you build, the more you have to maintain it," says Koehler, who supported the approach at the time. "That's where the city right now is having a hard time, because infrastructure needs, especially in older parts of the city, are pretty high, and you don't have the tax base to [pay for] it."

Meanwhile, local governments in predominantly white areas have made it difficult for many blacks to move to the areas of new development. Very few of the predominantly white suburbs that have sprung up in recent decades allow for apartment-style multifamily units to be built within their borders. The lack of rental choices disproportionately affects black residents, because, again, they are more than twice as likely to rent their home as whites. The housing



## WHERE THE MOST SEGREGATED COMMUNITIES ARE

*Metro areas in the industrial Midwest and Mid-Atlantic tend to have high levels of residential segregation, while it's generally lower in more recently developed parts of the Southern and Western U.S.*

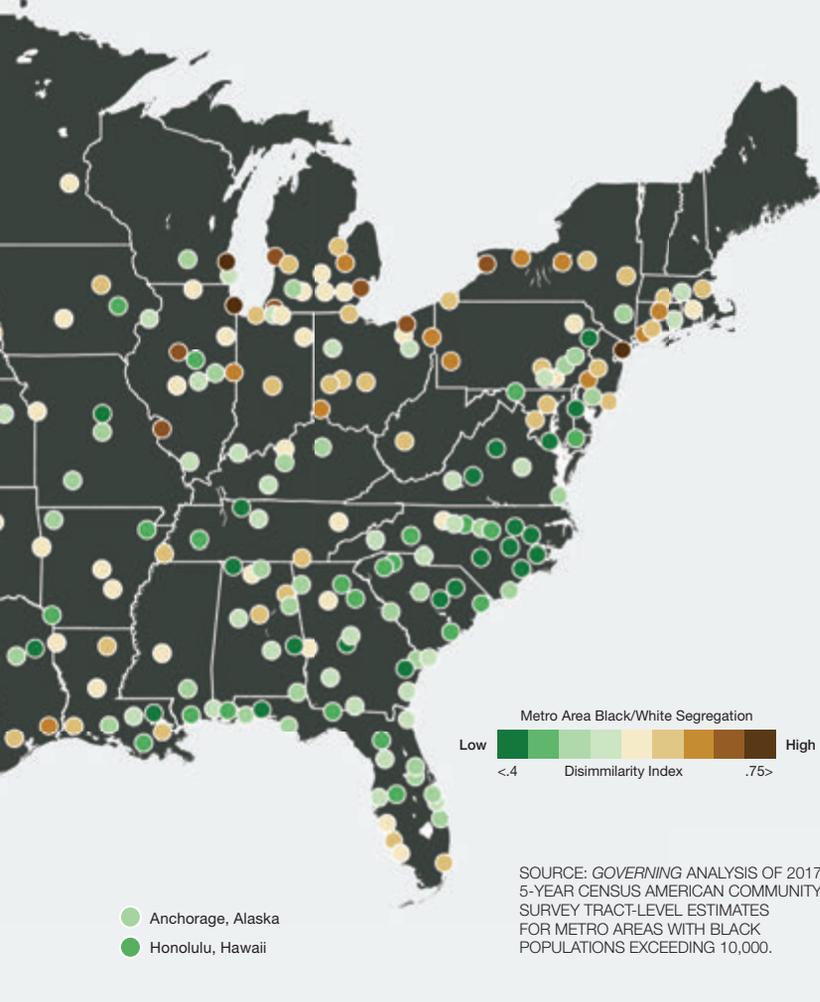
stock determines where they can live. In Tazewell County, just across the river from Peoria, only 1 percent of residents are black. Of those who do live there, nearly all households live in rental units, compared to less than a quarter of whites. Put another way, the Census counts nearly 41,000 white households who live in homes they own, but fewer than 50 for blacks.

Predominantly white areas also regularly fight efforts to build public housing developments near their neighborhoods, even when the goal is to get residents out of much larger housing projects that are dangerous and dilapidated. Four years ago in Peoria, a bitter fight arose after the housing authority began exploring the idea of moving some residents from the Taft Homes along the river to a different location. A few of the suggested sites were in white neighborhoods in the northern part of the city. Some 300 people showed up at one meeting to lambaste the idea. The crowd cheered when a Taft resident said that, given the hostile reaction she saw, she no longer wanted to move to the area. The Peoria Housing Authority quietly shelved the idea, and most of its top administrators have since left.

But Peoria Mayor Jim Ardis says his city still bears a disproportionate share of the responsibility for addressing the needs of low-income people. "There's been a reluctance from some of the smaller communities to share in the distribution of the people in need. It always has the tendency



Dave Koehler struggled with the implications of white flight during the 1990s when he was on the Peoria City Council.



to fall on the big city,” he says. The suburbs, he believes, could stand to add significantly more affordable units than they currently have. “Folks who are in the market for affordable housing options [should] not have to live right in the core part of the city.”

## One Neighborhood at a Time

Bringing affordable housing to Springfield’s East Side is exactly what Silas Johnson is trying to do, and he’s already made a lot of progress.

Johnson made a good living as an electrician. He went to work for the city, and eventually saved up enough money to buy a house. But in 1984, when he was 29, Johnson took on another job, too, as pastor of Calvary Missionary Baptist Church on the far East Side. He saw firsthand what decades of disinvestment had done to the immediate neighborhood around the church. Clutter and tall weeds filled vacant lots. People were dealing drugs across the street, and the houses next door were rundown eyesores.

He knew he needed to act. “In order to control your neighborhood, your area, you need to own stuff around you,” he says. “You can’t wait on everybody else.”

The church started acquiring property, so it could have the trees trimmed, the grass cut and the drug-dealing eliminated. Johnson also created a nonprofit to buy rundown

houses from absentee landlords, fix them up and sell them to neighborhood residents at a low price.

The nonprofit’s original plan had some serious weaknesses. One reason why people hadn’t already been buying homes on the East Side is because they couldn’t get a loan from the bank. Either their credit wasn’t good enough, or the banks didn’t want to invest in an East Side property. One drawback to living in a predominantly black neighborhood is that property doesn’t hold its value well there, because whites generally don’t want to live there, lowering the property’s marketability. The other reason was the homes themselves. Not only were they old, but, because they were old, they tended to be small and crowded onto lots just 40 feet wide. The city of Springfield started mandating that lots be at least 60 feet wide in 1966, but the houses predated that requirement.

So Johnson worked with a developer to come up with a different approach. The nonprofit, Nehemiah Expansion, would build its own single-family houses using the federal low-income housing tax credit. The tax credit allows corporations and other big taxpayers to reduce their taxes by funding affordable housing through credits bought from state agencies. The states then distribute the money they raise to projects on a competitive basis.

What that means is that it costs Nehemiah substantially less to build new housing. The nonprofit also borrows money at low interest rates from the Illinois Housing Development Agency (IHDA), which it pays back using the rent paid by occupants. And the city and other creditors agree to remove the liens they hold against some of the vacant homes, sometimes using the in-kind contribution as a tax write-off.

As for the houses, Nehemiah looks for places it can buy three 40-foot-wide lots next to each other and split them into two 60-foot-wide lots. That’s enough to build one of five models of houses, with anywhere from two bedrooms to four bedrooms, a laundry room and a one-car garage.

But the real impact of the houses comes at the end of 15 years, when they’re permitted to go on the market. The renter in the unit gets first dibs, and he or she only has to pay what Nehemiah owes IHDA, but not the cost covered by the tax credit. The theory is, in other words, that occupants could buy a \$70,000 house for \$50,000. That would give the buyer instant equity, something that’s long been in short supply in black neighborhoods, and signals to the market that homes can sell on the East Side.

Nehemiah has built 80 new homes so far, with plans for more. The first batch of 20 homes will go on sale in about three years. Most of Nehemiah’s renters are black, although several are white. “When we started this project, [this area] was 75 percent rental, 25 percent owner-occupied housing,” Johnson says. “My goal is to reverse that whole trend, to go back to being 75, 80 percent owner-occupied.”

It’s certainly an ambitious goal, considering just a third of people in surrounding neighborhoods own their own homes. But it seems to be one that’s paying off already. For several blocks on the East Side of Springfield, resources available

## Worst 3rd

Where Danville, Kankakee, Peoria, Rockford and Springfield metro areas rank nationally for black-white segregation.

to black residents such as quality housing and perhaps even home equity seem to be slowly building, rather than constantly draining as a result of racial segregation.

### The Government Role

Johnson's Nehemiah project shows how one intensely focused effort can begin making improvements in neighborhoods that have been left behind by segregation. But confronting segregation on any appreciable scale would require sweeping policy changes, a prospect that's all the more difficult because many of the ways that local governments operate are tied to the same forces exacerbating segregation. Even when local officials want to take action, few feel empowered to do much about it.

One clear place to start would be local government consolidations. Illinois had 6,963 units of local government as of 2012, by far the most of any state. That means that cities operate separately from counties, park districts, library districts and, of course, school districts. The fractured structure of local government in Illinois dilutes responsibility for regional problems and pits neighboring jurisdictions against each other as they compete for new residents and their wealth. This limits their ability to reinvest in neglected areas where minorities tend to live. They are, in effect, encouraging white flight.

That's especially true when it comes to schools. Illinois has about 850 school districts, and they come in all shapes and sizes. Some are citywide, covering everything from kindergarten to high school. Others just have one high school, or a single elementary school and junior high. Just south of Peoria's airport stands Limestone Community High School in Bartonville. It is the only school in its district. But it accepts students from eight separate junior high schools, all from different districts.

Politically, though, the idea of widespread consolidation is a nonstarter. Ardis, the Peoria mayor, says he'd prefer to have the five school districts in the city limits consolidated to better serve students, but it's not something he's pushing. "I don't see it ever happening in my lifetime, frankly," he says, "because whoever the state senator or representative

6,963

The units of local government in Illinois, the most of any state, according to the 2012 Census of Governments.

that brought up the idea that they would like to consolidate the schools probably wouldn't be around the next election when it came time to do that. It is what it is."

Another big constraint is city resources. Champaign-Urbana is growing, but many other Illinois metropolitan regions are struggling to keep their economies humming and their budgets balanced. To accomplish both of those goals, city officials are promoting growth at their edges. But the default way of doing that encourages white flight.

That said, there are a number of smaller changes officials are looking at to start addressing the bigger problems.

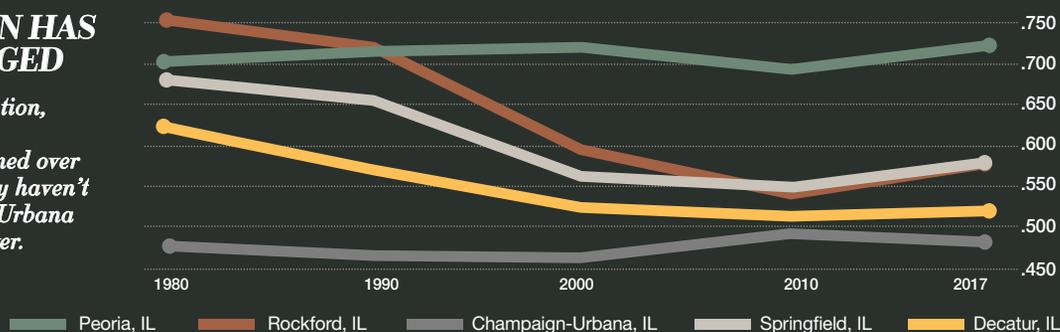
Karen Davis, the former head of Springfield's planning and economic development department, says cities need to develop more expertise, or bring in outside expertise, about how to use federal money and nonprofit resources to revitalize neighborhoods. "You have to seek outside help when you're thinking about neighborhood revitalization and high unemployment rates," says Davis, who now leads the Peoria office for the Local Initiatives Support Corporation, a nonprofit that helps revitalize neighborhoods. "Look to see where models or examples have gone on in other areas like what you're experiencing, be able to be courageous enough to bring them to your area."

Rockford Mayor Tom McNamara, who assumed office in May 2017, says one of the first things he noticed was that women and minorities were not well-represented on city boards and commissions. So one of his first priorities was increasing those levels, and he selected women or minorities for two-thirds of his initial appointments. He is also establishing a human relations committee to help city government on issues of diversity, including in procurement. The mayor is shifting the way capital money is spent in the city; rather than each alderman getting an equal share for his or her district, the city is moving to need-based funding. McNamara points to the efforts by the city to move residents out of high-rise public housing facilities and into smaller facilities instead.

McNamara says he's working on ways to counter federal policies that encourage lower-income residents to rent in higher poverty neighborhoods. And he's working with county officials to better manage blighted properties.

### HOW SEGREGATION HAS (OR HASN'T) CHANGED

Levels of black-white segregation, as measured by the index of dissimilarity, generally declined over the past several decades. They haven't improved in the Champaign-Urbana or Peoria metro areas, however.



SOURCE: GOVERNING ANALYSIS OF 1980-2010 DECENNIAL CENSUS, 2017 5-YEAR AMERICAN COMMUNITY SURVEY DATA



Peoria is the country's sixth most racially divided metro area.

McNamara championed an effort to convince voters to give the city back its home-rule powers, which would have given it more leeway to come up with creative solutions for problems like impoverished neighborhoods, rather than just accepting the options offered by the state. But Rockford voters narrowly defeated that proposal in a March referendum, after real estate agents and anti-tax advocates argued that the city could use those powers to increase taxes on local residents.

Still, McNamara shies away from describing Rockford's segregation problem in the simple geographic terms that many of his constituents do. "The East Side and the West Side is a misnomer now. It's based on old logic and outdated information," he says. "Like any community, we have the vast number of people who really excel and have fantastic neighborhoods. And then we have a pocket of areas that we need a lot of improvement, but they're on both sides of the river."

To a certain degree, he has a point. While most of Rockford's black population lives west of the Rock River, there are majority-black neighborhoods on the East Side, too. They include some of the most notorious housing projects in the city. And the Hispanic population largely lives on the East Side as well.

On the other hand, there's no denying that Rockford, like many of the other regions examined, is sprawling away from the historically black neighborhoods. The more integrated the city core becomes, the more the outlying suburbs boom.

And it underscores perhaps the biggest obstacle to addressing racial segregation in the Heartland: People, particularly public officials, don't like to discuss race, segregation and disparities in candid terms. They may acknowledge, in a broad sense, that their communities are divided and

conditions are unequal. But politicians, especially those who represent large constituencies of white residents, prefer to talk about lifting up all neighborhoods in their jurisdictions rather than specifically correcting injustices of the past, many of them inflicted by local governments themselves.

As part of the 1980s lawsuit over Springfield's form of city government, a lawyer asked then-Commissioner Ossie Langfelder, the current mayor's father, whether Springfield politicians viewed the black community as "an entity that needs to be dealt with."

"Oh, not by me," the elder Langfelder said.

"Why not by you?" the lawyer asked.

"I treat every area of the community the same. I ask every person for their vote," the commissioner responded.

"In your opinion," the lawyer continued, "does the black community in Springfield have any special needs or interests that are different from the white community in Springfield?"

"I don't believe so," Langfelder said.

Larry Golden, a professor at what is now the University of Illinois Springfield, pointed to the exchange in a report he prepared for the court on racial discrimination in Springfield. "In order for there to be responsiveness by the city to the needs of the black population, there must first be a recognition by public officials that there is a 'collective' black population and that they do have special needs," Golden wrote in 1986. "The commissioners," he added, "seem particularly hesitant to accept any existence of institutional racism, for one consequence of accepting such a reality is to institute new policies, laws and practices to counter the discrimination—not just on an individual, but also on a collective level."

Ossie Langfelder became the first mayor elected under the new form of government, and he served eight years from 1987 to 1995. Langfelder's family fled Austria when he was 12 years old to avoid the Nazis' persecution of Jewish people. He cited that experience when, as mayor, he dedicated signs around Springfield that commemorated the 1908 race riot. He also led several projects to improve the East Side of Springfield.

But in an interview this fall, the current mayor, Jim Langfelder, who once said he would be his own administration's diversity officer, sounded much like his father. "I always said I don't see color," he said. "For myself, I don't care what neighborhood you live in. We want it to be safe. Everybody wants decent housing, and everybody wants the amenities. That's what I look at: How do we get to that? Segregation, it's an issue, but if you get to the point where it's safe, and it's a nice neighborhood, everybody is going to want to live there." Even if that premise is true, the historically neglected areas on the East Side of Springfield, like predominantly black sections in towns throughout Illinois and much of the country, would need considerable special attention to ensure that they are all as nice and safe as the city's white neighborhoods. **G**

More stories and data at [governing.com/segregated](http://governing.com/segregated)

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SEGREGATED  
IN THE  
HEARTLAND



# STILL SEPARATE

AFTER ALL THESE



BY J. BRIAN CHARLES, DANIEL C. VOCK AND MIKE MACIAG / PHOTOGRAPHS BY DAVID KIDD

# YEARS

*Despite efforts to integrate, Illinois remains home to some of the most segregated schools in the country.*

**T**he buses keep coming. On a brisk autumn day, one after another pulls up next to the grandstand to let out dozens of students. The kids walk in bunches past the flagpole. A metal sign near the main entrance, glinting in the sun, reads, “Dunlap High School.”

The high school may not look it, but it’s something of an oddity. It’s a typical suburban-style school in a country setting, framed by rolling hills and cornfields. Its enrollment of 1,300 students nearly equals the population of Dunlap, Ill., itself. But the vast majority of its students are not from Dunlap. They’re from Peoria.

The city of Peoria has its own school district, a chronically troubled system with a declining enrollment that serves mostly black students. About 70 percent are low-income. White families have been avoiding the troubles of the inner-city school district by moving to the northern part of town, where they can send their kids to Dunlap instead. As a result, Dunlap’s school system is booming. The number of students enrolled has nearly doubled since the 2002-2003 school year. Nearly two-thirds of Dunlap’s students are white; only 7 percent are black. The Dunlap School District isn’t shy about its enviable position. Until recently, the high school’s website made that clear in bold lettering at the top of its profile page: “The high school graduation rate is 90 percent, and the low-income rate is 10 percent.” (Dunlap school

officials removed the page in October, after *Governing* reporters asked about it.)

The Peoria area, in fact, has the most segregated public schools among black and white students of any metropolitan area in the nation, according to a *Governing* analysis of federal enrollment data. The region’s schools are more divided by race than those in metropolitan Boston, Detroit or Little Rock, all of which have been major battlegrounds in fights over school integration. “It’s been a problem for Peoria for some time that we’ve had these two school systems,” says state Sen. Dave Koehler, a white Democrat from Peoria. “It’s pretty widely known that the code word for the families moving into Peoria ... was that when you saw ‘Dunlap schools,’ that meant ‘a white school system.’”

While the Peoria area stands out, school segregation across metro areas is prevalent throughout Illinois. Eight of the state’s 10 metros ranked among the highest third nationally for black-white school segregation, when considering all metro areas in the country with at least 2,000 black students. And as the Dunlap example shows, segregation in schools doesn’t just occur because of the neighborhoods they are in. The schools themselves can also be a big reason why the neighborhoods in a metro area are so segregated.

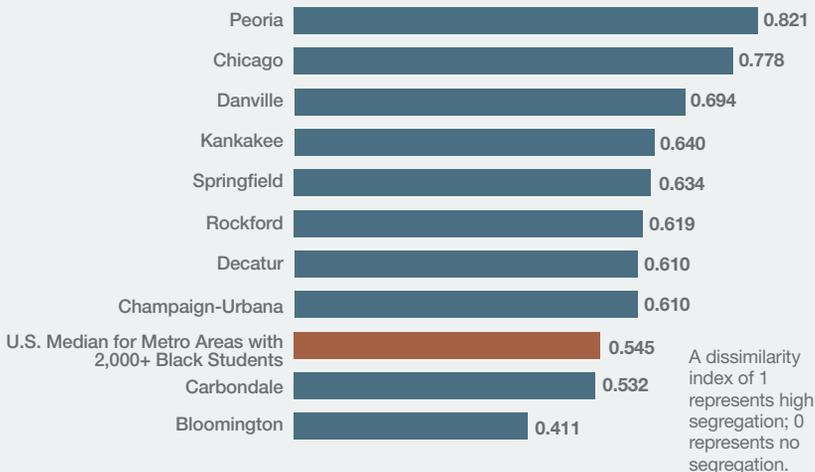
Those are among the findings of a six-month *Governing* investigation into segregation in Illinois. The examination focused on the metro areas of Bloomington-Normal, Champaign-Urbana, Decatur, Peoria, Rockford and Springfield—all places outside the orbit of Chicago or St. Louis with similar-size populations in their urban cores. That investigation found that white flight and growing black populations are drastically changing the student makeup of school districts in midsize cities as well as larger ones. Just 15 years ago, the school districts in Bloomington, Champaign, Decatur, Springfield and Urbana had majority-white student bodies. Now none of them do, despite being majority-white cities.

The investigation also found that segregation within school districts—the type that can set off heated legal battles over busing or school choice—is less stark even in highly segregated cities such as Peoria than the segregation that occurs across metropolitan areas. Furthermore, a major obstacle to integration in Illinois is the state’s highly fractured system of school districts. It has about 850 districts, more than any state other than California or Texas.

The U.S. Supreme Court upended the nation’s educational and legal systems in 1954 when it ruled that “separate but equal” school systems for black and white students were unconstitutional. Six decades later, the ideal of racially integrated schools remains elusive. That is due to local opposition, societal shifts and several of the court’s later decisions, which limited the scope of desegregation efforts. A 1970s U.S. Supreme Court decision, for example, makes it nearly impossible for courts to order desegregation plans that address metropolitan, rather than city, disparities. To integrate schools across district lines, the court

## ILLINOIS SEGREGATED SCHOOLS

*Schools in eight of 10 Illinois metro areas have relatively high segregation, as measured by their dissimilarity index, when numbers of black students and white students in each public school are compared.*



SOURCE: GOVERNING ANALYSIS OF ENROLLMENT DATA FROM THE NATIONAL CENTER FOR EDUCATION STATISTICS, 2015-2016 COMMON CORE

held, judges must find the districts were drawn with racist intent. The differences between one district and the next can be dramatic: In Peoria's school district, only 36 percent of high school graduates in 2016-2017 were prepared to do college work. In Dunlap schools, 79 percent were prepared.

Sociologists use a common measure called a "dissimilarity index" to assess the extent of school integration. It determines the percentage of white students who would have to attend predominantly black schools for the black-white ratio to match the black-white ratio for the area as a whole. It's by this measure that Peoria—when all schools across the metropolitan area are considered—is the most segregated in the country.

Looking at the entire metropolitan area is a way to reveal how racial segregation is occurring. Focusing on individual school districts can be helpful in some cases, but in a state with as many districts as Illinois, it can mask the severity of the problem. For example, Chicago Public Schools has twice the rate of segregation within its own boundaries as Peoria's. Indeed, the school districts in the Peoria area generally don't have high levels of segregation within their own borders. But that's because the school district borders often also follow racial demarcation lines. What matters most is the disparity among neighboring districts.

Take, for example, two grade schools three blocks away from each other in the Peoria area. On the west side

of Knoxville Avenue is Hines Primary School, where just over half of the students are black. Just a few blocks east is Peoria Heights Grade School, which is part of another school district and is two-thirds white.

The far-flung villages in the countryside, such as Dunlap, are booming, primarily by attracting white residents. Their schools reflect this. The Central School District in the town of Washington, on the other side of the Illinois River from Peoria, is actually growing faster than the one in Dunlap; it has more than doubled its student population in the last 15 years. The boom has brought some diversity to the school district, but not much. It has gone from 99 percent to 90 percent white.

Growth like this is especially notable at a time when many school districts are losing students. The core city districts are losing students fastest of all. The Champaign and Urbana school districts, for example, both lost a third of their white students in the last 15 years, but the rest of the metropolitan area in which they are located lost only 11 percent.

Nearly two-thirds of Dunlap High School's students are white; only 7 percent are black.

### *The Courts Thwart Desegregation*

The Champaign school district takes in not only the city it's named for, but also vast swaths of farmland surrounding it. That means it, unlike Peoria, can theoretically harness the growth in the outlying areas to improve its



services in the older parts of town. It has tried to do this, although the effort has been complicated by white flight.

The line dividing blacks from whites in Champaign, while it can be a bit porous, has been and continues to be University Avenue. Black families and black majority schools lie to the north of University, and white families and white majority schools to the south. In the 1940s, black children on the North End were sent to either the cramped Willard School or Lawhead School. White kids in the area were assigned to the all-white Columbia School. The district built a bigger facility, called Booker T. Washington Elementary School, to replace Lawhead in 1952; it became a magnet school during the 1960s in an effort to try to entice white students to the North End. By and large, though, the district remained divided by geography and race.

It took decades and a lawsuit filed against the school system by families and local black activists to alter this arrangement. In 1997, Champaign's school district agreed to a plan under which geography no longer determined the schools that students attended. Instead, families submitted their top elementary school choices, and the district used those choices and the racial balance of each school to determine where students were assigned.

One of the goals of the plan, and a subsequent consent decree that incorporated the plan, was to make sure no schools became "racially identifiable." That is, all the schools would have to have their black and white student populations within 15 percentage points of the district's overall makeup.

Stratton Elementary School, built in 1998 in the North End, has been at the center of those efforts. In the 2002 consent decree, a federal judge designated Stratton as "a special de-segregation school": Its students were 68 percent black, and even many black families in the neighborhood chose to send their children elsewhere. The school district agreed to spend more money on the school, keep its student-to-teacher ratio below 20 to 1 and launch a special recruiting campaign for the school. The initial results were promising. By 2009, 44 percent of Stratton's students were black, and 27 percent were white.

But in 2007, the U.S. Supreme Court found that assignment schemes used by schools in Louisville, Ky., and Seattle



Sharon Desmoulin-Kherat, Peoria's school superintendent, is trying several different tactics to keep kids and families in the district.

were unconstitutional, because they, like Champaign, used race as a factor in assigning students to schools. "The way to stop discrimination on the basis of race is to stop discriminating on the basis of race," Chief Justice John Roberts wrote for the court. The decision meant Champaign had to reconfigure its assignment procedures to use poverty as a proxy for race, and the district is no longer under a consent decree.

Since then, the district has had difficulties maintaining the racial balance in elementary schools.

## DECLINING WHITE ENROLLMENT

*Urban school districts incurred drastic declines in white student enrollment in recent years compared to others in the same surrounding metro areas.*

### City School District

Champaign CUSD 4
Decatur SD 61
Bloomington SD 87
Peoria SD 150
Springfield SD 186
Rockford SD 205
Kankakee SD 111
Danville CCSD 118

### Change in Enrollment Over Past 15 Years

	District Changes in Whites	District Changes in Blacks	Change in Whites for Other Metro Area Districts	Change in Blacks for Other Metro Area Districts
Champaign CUSD 4	-33%	+16%	-16%	+5%
Decatur SD 61	-38%	-11%	-7%	+4%
Bloomington SD 87	-35%	-10%	-9%	+20%
Peoria SD 150	-52%	-17%	-8%	+53%
Springfield SD 186	-33%	+3%	-4%	+111%
Rockford SD 205	-37%	-2%	-19%	+26%
Kankakee SD 111	-27%	-33%	-17%	-10%
Danville CCSD 118	-39%	+4%	-17%	-39%

SOURCE: GOVERNING CALCULATIONS OF 2017-2018, 2002-2003 FALL ENROLLMENT COUNTS, ILLINOIS STATE BOARD OF EDUCATION



Overall, the district is diverse. Thirty-six percent of its students are white, 35 percent are black, 12 percent are Hispanic and 9 percent are Asian. The district has been able to reflect that racial balance in its middle and high schools. But achieving racial balance in elementary schools has proven to be much more difficult because they are smaller and there are more of them. The elementary schools are open to students from across the district, but, in practical terms, they draw heavily from their own neighborhoods.

In 2011, the Champaign district received a \$9.6 million federal grant to assist in balancing the district's elementary schools over five years. The money helped change three existing schools into magnet schools to attract white students to the North End. Stratton became Stratton Academy of the Arts, where K-5 students can put on plays, learn dance or play guitar. But Stratton has had a hard time attracting white students from farther south. Of the 56 families who listed Stratton as their top choice for their students last year, 50 had low enough incomes to qualify for free or reduced lunches. Its students are now 61 percent black and 13 percent white—both numbers well outside the 15 percent threshold the district once used for racially identifiable schools. The problem appears to be getting worse, not better. White students make up slightly less of the student body than they did five years ago.

That's a far different story than in Carrie Busey Elementary School, on the southern edge of the district. Busey is a new school, relocated from southern Champaign and now wedged into a subdivision in the majority-white village of Savoy even farther to the south. Over the last five years, the school's student population has become less black and more white. Whites now make up just above half of the student body, while blacks account for roughly a fifth. Both numbers are far enough from the district average to put Carrie Busey on the cusp of becoming a "racially identifiable" school. Unlike Stratton, it would be racially identifiable as white rather than black.

There are two reasons for Busey's predominantly white student population. First, as part of its placement process, the school gives a preference to students who live within 1.5 miles of the school and can walk there. Second, even white parents who don't live in the neighborhood are disproportionately picking the out-of-the-way school as their top choice, says Angela Smith, assistant superintendent for achievement and equity at Champaign Unit School District 4. "Carrie Busey," Smith says, "is overrepresented in our parents' choices for elementary schools."

Since about 90 percent of incoming kindergarten students are assigned to the school their parents list as their top choice, Busey is getting more white students even as the district as a whole is losing them. The scramble to get into Busey coincides with a big jump in the popularity of Savoy as a place to live. The population there has nearly tripled since 1990. Today, more than 8,500 people live there. Two-thirds are white, 18 percent are Asian and 5 percent are black.

### *The Role of White Flight*

The Peoria Unified School District learned early on the pitfalls of trying to integrate its schools. In 1966, the school board worked with business and community leaders to devise an integration plan. At the time, blacks were concentrated in nine of the district's 39 schools, while whites made up 98 percent or more of the population of 20 schools. Within two years, the district issued an ambitious 103-page desegregation plan, and the integration efforts started in the fall of 1968. By the 1971-1972 school year, the number of Peoria schools deemed "segregated" by the state had dropped from 25 to 10.

But the public—at least, the white public—quickly soured on the plan. It elected a new school board majority that made opposition to the plan part of its campaign platform. Administrators, teachers and even some black parents grew disillusioned, too.

Student enrollment in the district started to drop off quickly, especially for white students. The district lost 2,800 of its 26,700 students between 1968 and 1975. "The problem was straightforward," the U.S. Commission on Civil Rights wrote in 1977. "Minority enrollment in Peoria's schools rose 30 percent between 1968 and 1975 while white enrollment dropped by 19 percent during the same period.

In a changing situation, the district's desegregation efforts had not kept pace."

Meanwhile, three schools came together in 1969 to form the Dunlap Unit School District No. 323. Within seven years, the district had opened a new high school with a heated pool, a new football field, a computer lab, a greenhouse, a band and music room, and a large library. Dunlap High School has been growing ever since. "I have lived in the Peoria area my entire life [48 years] and the demographics of Peoria are well documented," says Scott Dearman, the superintendent of the Dunlap School District. "I see Dunlap as a resource to the Peoria area in that we are expanding cultural diversity to geographic areas within the Peoria metro that were not diverse before."

Dearman says that Dunlap is more racially diverse than other school districts in the area. A fifth of the students are of Asian descent. The Caterpillar corporation and local hospitals help attract families from around the world. According to the district, it has students from 27 countries on five continents. They speak 29 different languages.

But Dawn Bozeman, the only black member of the Dunlap school board, says that diversity only goes so far. She's excited by the number of languages spoken by students, but she's discouraged that so few of the district's teachers are black. "When we [at Dunlap] talk about being diverse," she says, "we are diverse in terms of other school districts in central Illinois."

Most core city districts in Illinois are suffering from declining enrollment.

The Peoria Unified School District, on the other hand, has had to find ways to keep white students coming to its schools, in order to maintain its diversity. By the 1980s, the district was trying a new method of integrating its schools. The plan was to transform a school that had been operating since 1932 into Roosevelt Magnet School, an elementary-level fine arts mecca that would draw kids from all over the city to a predominantly black neighborhood. It was the same basic concept Champaign tried with Stratton. For a time, the Peoria plan worked.

Roosevelt Magnet School "was a shining star of the district for about 12 years," says Superintendent Sharon Desmoulin-Kherat, who once worked as an assistant principal at Roosevelt. "A lot of people bought into the idea, because they had the best orchestra teachers, the best band teachers and the best director. They were able to entice families from all over the city to come and be part of this robust, exciting fine arts curriculum. We had about 50 percent African-Americans and 50 percent white students. It was half neighborhood and half magnet. They integrated well."

In the 1980s and 1990s, students needed to audition to get into Roosevelt and its fine arts programs. The school required students to wear uniforms, so that poor children could show up dressed much the same as their wealthier counterparts. Some of the more affluent parents chipped in to help the poor parents pay the uniform costs.

Koehler, the state senator, was one of the parents who



was sold on Roosevelt. His daughter, Kate Pastucha, who is now a Peoria County board member, started going there when she was in fourth grade. “I loved it,” she says. “Once we got into our seventh- and eighth-grade years, I just really felt like there was this great blending. Everybody was best buds. It didn’t matter if you were from the neighborhood, if you were from up north, or where you were from.”

But eventually, Roosevelt lost its allure. Desmoulin-Kherat likens the situation to a supermarket chain that goes out of fashion: consumer tastes change, and competition grows. In the same way, parents want different things from schools than they did a generation ago, and more schools are offering the type of arts-centric curriculum that once made Roosevelt unique. “We’re back to where we started in terms of the numbers and the segregation,” Desmoulin-Kherat says. “The majority of the kids are African-American kids again. Folks are not coming from other parts of the city, it’s a magnet program that only attracts kids from the neighborhood.” Last year, the district eliminated the application process for Roosevelt, making it a magnet school in name only.

But local activist Rita Ali says part of the reason the Roosevelt experiment ended was the school’s location. “Roosevelt now doesn’t have the draw anymore,” she says. “The neighborhood, 61605, became poorer and blacker.” Now that Roosevelt is a neighborhood school again, the socioeconomic challenges of the surrounding neighborhood show up at the schoolhouse door every morning. The school is 88 percent black, and more than 8 in 10 students qualify for free or reduced lunch, meaning they live below or hover just above the poverty line.

Outside the schoolhouse doors, the situation is tough. More than 40 percent of the residents in the 61605 ZIP code were living in poverty in 2017. Job prospects for black workers are bleak. Peoria as a whole has the highest black unemployment rate of any metropolitan area in the nation.

Conditions in the schools and the neighborhoods feed off each other. The dire economic situation means residents, even black residents, around Roosevelt are leaving the immediate area, even if they stay within the Peoria school district. As the population shifts, it’s harder for the school district to operate the same number of schools on the southwest side. But closing more schools further reduces the number of jobs available locally, which prompts more people to move.

Peoria’s school officials are trying several tactics to keep kids and families in the area. The district has launched an international baccalaureate program at one of its high schools. Desmoulin-Kherat talks about developing better online instruction and offering more services, such as athletics, to home-schooled children in the area.

One of the biggest draws to the district now is the Washington Gifted Middle School for children between fifth and eighth grade. The district evaluates test scores for admission to Washington Gifted. The demographics at the school are almost the exact opposite of those in



“I don’t think people are leaving to escape black people, but I’m calling it ‘unintentional racism,’” says Kate Pastucha, a Peoria County school board member.

For a detailed methodology on this report and more coverage, including stories on how law enforcement and land use policies reinforce segregation, visit [governing.com/segregated](http://governing.com/segregated)

the district at large. Nearly two-thirds of the students at Washington Gifted are white. Less than a quarter are poor enough to qualify for free and reduced lunches, compared to 72 percent of the students in the district as a whole. The school is so popular that parents sometimes pull their kids out of private schools to enroll them at Washington Gifted if they can test in.

Pastucha, the Peoria county board member, sends one of her daughters there and says she thrives in that environment. Pastucha wonders about the fairness of the process. “How is it,” she asks, “that in a majority black school district you all of a sudden skim the cream off the top and it’s majority white?”

But as a public official who went through Peoria’s public schools as a child and sends her own children to them now, Pastucha is disturbed most by the people who move out of the district in search of better schools. “Every time I hear someone else is moving out of the district,” she says, “I feel like they’re giving up. I feel like they’re leaving and saying, ‘Forget that.’”

“I don’t think any of those people are leaving because they’re trying to escape black people, but I’m calling it ‘unintentional racism,’” she adds. “Everybody is making a decision for their family and what’s best for them, but when you add up all these people’s individual decisions, what you get is white people leaving a majority black district.” **G**

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A young man with dark hair and safety glasses is focused on operating a large industrial robotic arm. He is wearing a dark polo shirt. The setting is a factory or workshop with a concrete block wall and overhead fluorescent lighting. Blue cables are visible in the foreground, slightly out of focus.

York Exponential, a robotics firm, hopes the opportunity zone program will help with its expansion.

# In the z

A photograph of a modern industrial factory floor. In the foreground, a robotic arm is positioned over a workbench. The background shows various pieces of machinery, including another robotic arm and a yellow safety barrier. The lighting is bright, with overhead fluorescent lights. The overall scene depicts a high-tech manufacturing environment.

# one

A new federal program may be a boon to distressed cities—if it targets the right ones.

**By J. Brian Charles**

DAVID KIDD

**Y**ork, Pa., grew up making things. The brick smokestacks that break up the skyline are inescapable reminders of its industrial past. Buildings that once housed factories employing hundreds of workers have now been converted into warehouses that employ only a handful of people, at wages that don't come close to rivaling those of their industrial predecessors.

Mayor Michael Helfrich grew up in York. He remembers when middle-class jobs were only a short walk away from the homes of the men and women who produced everything from Pullman cars to Pfaltzgraff dinner plates to York Peppermint Patties. Those companies are gone. Pullman succumbed to competition from Detroit automakers. Hershey's bought the York candy factory and moved production to its own plants, which eventually landed in Mexico in 2009. Pfaltzgraff was purchased in 2005 and its operations moved to China.

But most of the jobs haven't left because of competition or consolidation as much as they've left to escape York's taxes, which are almost three times the rate in surrounding York County. The taxes have led to a vicious cycle—innovation, development and flight—that has persisted for decades. “We used to build wealth in the city of York,” Helfrich says. “In almost 50 years, we have not seen that. Our growth has been, ‘Can you come here and give us some jobs?’ Meanwhile, the wealth was going somewhere else. It wasn't building in York.”

Along with the commercial exodus came an exodus of residents. York's population declined by almost a third from 1950 to 2000. It has since inched back up as families pushed out by rising rents in New York and Philadelphia, or those fleeing crime in Baltimore, have landed in the city. But with unemployment

approaching 9 percent, York is now a place with epidemic levels of poverty. More than one-third of the city's residents live in poverty, a higher rate than in Baltimore or Philadelphia and twice the poverty rate in New York City.

Nonetheless, Helfrich has high hopes that a new federal incentive package might bring business back to York. So-called opportunity zones, an incentive with bipartisan support, were included in the 2017 federal tax law to lure capital from Wall Street to struggling cities and towns across the country. The Economic Innovation Group (EIG), a D.C. think tank launched by Sean Parker, the founder of Napster and former president of Facebook, worked for four years on the incentive, which is meant to fix a problem that has been evident to economists and mayors for years but has eluded a solution.

That problem worsened when the recession officially ended in mid-2009. The ensuing recovery was uneven. The economic expansion was led by a handful of urban hubs, the rock stars of the recovery. Austin, Los Angeles, New York City, San Francisco, Washington, D.C., and their surrounding metro areas were far outpacing most of the country in job growth. From 2010 to 2017, nearly half of the job growth occurred in the nation's largest 20 metro areas. About half of the net increase in business establishments across the country from 2007 to 2016 took place in either D.C. or New York City. A generation ago, the opposite was the case. Job growth in the 1990s was led by rural and suburban counties, not urban centers. What the post-recession economy has favored—an educated workforce, density and an established startup culture—has left places like York far behind. “The rising tide,” says John Lettieri, president and CEO of EIG, “isn't lifting all the boats.”

Lettieri, Parker and their colleagues created a blueprint they hoped would help even out jobs and wealth creation across the



Mayor Michael Helfrich, left, has embraced opportunity zones, thinking the tax breaks under the program will be enough to overcome York's high taxes.

DAVID KIDD

country. Investors had gotten fat on Wall Street bets. Much of their newfound money was sitting idle. If those funds could be shielded from capital gains, EIG theorized, they could be moved off Wall Street and invested in new ventures in other places.

Their idea was to allow investors to reduce their capital gains exposure in exchange for investment in certain low-income Census tracts to be designated as opportunity zones. For a place to qualify as an opportunity zone, at least 20 percent of its residents have to live in poverty, or the earnings of the residents have to be below 80 percent of the area's median income. In return for their money,

newly constructed Queensboro Bridge. When the bank opened in 1927, it was the tallest building in the borough, a title it would hold for 63 years. The surrounding square near the foot of the cantilever bridge was dubbed the Times Square of Queens.

Long Island City's fortunes turned, just as they did in York. The bottling plant closed in 1999. The Bank of Manhattan branch was abandoned. The hands on the tower clock stopped ticking. And the slow and steady economic decline took its toll on the residents. As the factories emptied out, the demographics of the surrounding neighborhood shifted. The neighboring housing project went

## Critics fear that the feverish investment under the opportunity zone program in hot markets will lead to displacement of low-income residents.

investors would be able to reduce the capital gains tax liability on their investment by 10 percent if they left their money in the zone for five years. If they didn't move the money for seven years, they would receive a 15 percent reduction in capital gains taxes. If they kept it there 10 years, they would receive a 15 percent reduction in capital gains taxes *and* escape any liability on gains that came from investment in the zone. Congress bought into the idea. U.S. Treasury Secretary Steven Mnuchin estimated that \$100 billion in capital would move off Wall Street as a result of the program.

Governors were allowed to mark 25 percent of the qualifying Census tracts in their states as opportunity zones. In June, the Treasury Department certified more than 8,700 zones across the United States and Puerto Rico. The exact rules are still being set, but investors needed to have their money in the opportunity zone funds by Dec. 31 to take full advantage of the benefit.

Helfrich pounced on the chance to leverage the tax incentives in opportunity zones, hoping they would be enough to overcome the high taxes in the city. He worked closely with Gov. Tom Wolf, himself a York native, to designate five city Census tracts as opportunity zones. As the deadline approached in December, only a handful of investors showed interest in York's opportunity zones, and most of those weren't large private equity firms from outside the city, but local investors.

York's problem attracting outside investment to its opportunity zones has been even more frustrating considering where capital was moving. An opportunity zone fund targeting Chicago raised \$105 million in 17 hours in November. When Amazon announced it had picked Long Island City, in the New York borough of Queens, as one of two sites to host the company's second headquarters, investment sprinted to the opportunity zone that would be adjacent to the tech giant. Goldman Sachs, for example, announced it was putting \$83 million into a real estate deal nearby.

Like York, Long Island City was once an industrial hub. The red neon Pepsi-Cola sign on the banks of the East River lit up the front of a bottling plant that churned out thousands of sodas each day. In the 1920s, the boom from industry lured the Bank of Manhattan to build a tower in Long Island City at the foot of the

from a mix of white and black working-class people to largely poor residents, according to New York City's own estimates, and almost exclusively black and Latino.

But unlike York, Long Island City has recovered in the last decade. With Manhattan and Brooklyn rents choking the wallets of the city's young professionals, it has become one of the hottest places in the city for renters, especially affluent white renters. From 2010 to 2015, Long Island City was tied for first place among neighborhoods in New York in its influx of white residents. Median home prices went up 51 percent in the last six years. And rents in the neighborhood are the highest in Queens, according to the real estate firm Zillow.

The old Bank of Manhattan tower is slated to be transformed into office and retail space with a luxury apartment complex right next door. Amazon will make an area already attractive to affluent professionals even more attractive. The company is kicking in \$2.5 billion in real estate investment in the neighborhood. But since poverty persists in Long Island City, especially in the housing projects, the area was certified as an opportunity zone in June. The designation allowed Goldman Sachs to cash in on its real estate deal. The company called the timing of its announcement, on the same day as Amazon declared that it would move to Long Island City, a coincidence. And perhaps it was, but analysts see a trend in the actions of major investors. "If you look at the behavior of the real estate industry," says Timothy Weaver, an urban policy assistant professor at the University at Albany, "it is amassing vast amounts of money and directing money to take advantage of the policy." To critics, opportunity zones are threatening to bestow huge grants on communities that don't really need them.

**O**pportunity zones are the latest in a long series of efforts by the federal government to direct investment to impoverished areas. Since the New Deal, the government has been trying to jumpstart economic growth in portions of the country where the economy was faltering. In the 1970s, the Department of Housing and Urban

Development launched Community Development Block Grants and Urban Development Action Grants to revive struggling cities. Those programs were popular with the progressive administrations and congresses that dominated federal politics during that period.

Also in the 1970s, Republicans, led by U.S. Rep. Jack Kemp, began proposing market-driven solutions to the same problems, referring to them most often as enterprise zones. Nearly all of these solutions were based on tax incentives or the loosening of economic regulations. Slightly different versions, under different names, were created and enacted by Democrats in the Clinton and Obama years. But the percentage of Americans living in poverty remained nearly unmoved through all the decades. Equally troubling was the increase in those living in extreme poverty. The number of Americans whose earnings equal less than 50 percent of the federal poverty line has more than doubled in the last 40 years, according to the Census.

Opportunity zones borrows a bit from the playbooks of the previous plans. But there are some significant changes. The market-driven solutions of the last 40 years have been in line with conservative supply-side economic policies. Investment, goes the theory, drives the economy. Cut taxes and investors will use their capital to make more money and, in turn, create jobs. Democrats in the 1980s and 1990s were largely skeptical of supply-side economics. The party insisted that market-driven programs include local hiring and local contracting provisions to make sure jobs were created in the community and the gains made by investors were shared with local businesses. For example, the empowerment zones that were established under the Clinton administration gave businesses a tax credit for hiring employees who lived in the

zones. No such provisions exist in the opportunity zone program, despite backing from some prominent Democrats. Urban policy analysts see the program as an unbridled supply-side program. “It’s almost a purer version of the original vision,” Weaver says. “What happened with the empowerment zones and the enterprise zones is that Congress made compromises that watered them down.”

While companies aren’t required to hire a certain number of local employees, firms must have 70 percent of their tangible assets (property, materials and goods for sale) within the zone, a regulation designed to keep large retailers such as Amazon and Walmart from cashing in on the tax break. Even so, critics still characterize the program as too wide and unrestricted, noting that hot markets such as Chicago, Los Angeles and New York have already shown the most visible successes. Even their poorer neighborhoods are seen as better bets. That’s why Long Island City, not York, Pa., is attracting so much investment. And what critics fear is that the feverish investment in hot markets will lead to displacement of low-income residents. “If these investments are going to be luxury hotels and real estate investments it’s not going to help low-income people,” says Chris Edwards, director of tax policy studies at the Cato Institute. “It’s more likely to displace them.”

When EIG designed opportunity zones, the drafters expected that real estate would be—and in their estimate, should be—the first place for investors in the zones to put their money. Businesses would need offices, and workers would need housing. Gentrification was a concern, so the program included a condition that a developer buying a piece of real estate must make an equal investment in

**Once an old factory warehouse, this building in York now houses apartments.**



DAVID KIDD

improving the property. If developers paid \$1 million for a property in a city, they were required to make \$1 million in improvements.

However, in the rules released by the IRS in October, the value of the land was taken out of the calculation for necessary improvements on a property. So only the structure, if there is one, will be factored into the amount of improvement necessary to qualify under the program. In York, Helfrich is worried that investors might see his city as a place to buy up real estate and not invest in businesses. Developers have long been buying factories in the city and converting them to condominiums and loft apartments. “We are very aware of the potential pitfalls of this program,” Helfrich says. “Our city wants to attract job-providing businesses and discourage those who want to gentrify the neighborhoods in our city.”

Despite the market-driven underpinnings behind opportunity zones, libertarian-leaning conservatives are critical of the plan. For one thing, they insist, allowing governors to pick the areas of investment politicizes the program. The original zone map proposed for York included residential neighborhoods. But a lobbying effort by elected officials convinced the governor to move the zones to commercial areas where city leaders wanted the investment to go.

Another concern is that by lumping cities like Chicago, New York and Washington, D.C., with places such as Akron, Ohio; Clarksdale, Miss.; and York, the program is only encouraging more investment in superstar cities. “If you look in Los Angeles and New York City, many of the places that are labeled opportunity zones are places where investment is already happening,” says Weaver, the urban policy professor. “And investors are going to get tax breaks on investments that were going to happen anyway.”

Not only are the zones in the less attractive markets forced to compete with places such as Long Island City for investment, but the smaller markets are also competing with each other. “There are more than 8,000 Census tracts with the same tax advantage,” says Brett Theodos of the Urban Institute. It’ll be hard for these eager supplicants to distinguish themselves from one another. It would be simpler, he says, to play it safe and invest in Chicago, New York or Seattle.

**T**hen there’s the issue of the Treasury Department rules. One of them states that 50 percent of the gross income generated by a business in a qualified opportunity zone must result from sales made within the zone. That would essentially disqualify all but retail and real estate investment. Lettieri of EIG has been critical of the 50 percent gross revenue rule, saying that if it remains in effect, opportunity zones will fail to spur the kind of economic activity that can revive the areas the program was designed to serve. “The No. 1 outcome we should be driving for here is to support new

businesses,” Lettieri says. “The gross income rule is damaging to businesses unless you are a laundromat or hardware store who doesn’t sell anything online.”

The public comment period for the Treasury rules closed Dec. 14. EIG submitted comments in opposition to the 50 percent rule, but as of publication, it was still in the tax code.

The combined result of all this is that Helfrich is fielding only a handful of calls from outside investors. Still, there is some interest. John McElligott is the founder and CEO of York Exponential, a robotics firm that programs, designs and constructs its robots in York. On the day *Governing* visited the robotics plants, McElligott



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was set to meet with angel investors about the company's expansion. McElligott wants to construct a \$136 million robotics campus on a parcel of land called the Northwest Triangle. Gov. Wolf gave the company \$6 million toward the project, but York Exponential is looking to investors for the rest of the capital to create what the CEO believes will transform York into a tech hub for hardware and manufacturing. "We are not going to be a research and development community," McElligott says. "York is going to be less Facebook and more Ford."

The campus, McElligott hopes, will be the tipping point in York's renaissance. Once the new facility is operating, he believes other firms will come to York to compete either in building robots or building the materials to support his businesses' growth. As the opportunity zone program was being developed, McElligott traveled to Washington, D.C., at least once a month to lobby on behalf of York's interest.

The proposed York Exponential campus won't die if the 50 percent gross revenue rule remains in place. McElligott is confident his investors will stick with his vision whether or not they reap the benefits of a tax break. But that might not be the case for the tech firms Helfrich and McElligott would like to see orbiting the campus when it is complete. "The program under the 50 percent rule encourages you to create a pizza shop," McElligott says. "We are trying to create jobs." McElligott and Helfrich want what they describe as middle-income jobs, not retail or restaurant employment. In 2017, retail paid an average of \$14 an hour, or roughly \$30,000 a year, if the employee worked 40 hours a week and received paid leave, according to the Bureau of Labor Statistics.

Even if the Treasury Department removes the 50 percent rule,

investors will need some handholding if they are to see places such as York as genuinely appealing targets. None will want to lose the gains made on Wall Street in a risky business proposition. "Naturally the capital in this program is going to flow to real estate," says Steve Waters, founder and CEO of SMB Intelligence, a firm that provides local government with data and information on how to grow their small business sectors. "It's only going to flow to businesses if it's directed."

Many potential investors are looking to the Treasury right now to finalize the rules governing the program. "Investors are champing at the bit to invest in opportunity zones," says Rebecca Mitich, a partner with Husch Blackwell, a law firm that specializes in using tax credits to develop real estate. "There are huge New York private equity funds and giant fund managers who are ready to go but still want additional guidance to proceed.

Lettieri believes the rules for the program are not set in stone. He and others expect more rules, perhaps a revision of the 50 percent gross revenue rule, to come in the spring. And even as the real estate activity around opportunity zones has been red hot, at what appears to be the expense of commercial business applicants, Lettieri and other backers of the opportunity zone idea believe business capital will begin to come off the sideline in 2019 as the program is better defined. If that doesn't happen and the zones remain largely a benefit for real estate development, their creators believe they won't reinvigorate communities like York. "Real estate is the floor, not the ceiling," Lettieri says. "If the road ends with real estate, that is a big shortcoming." **G**

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# THE UNION THAT ROARS

In an anti-union era, nurses are proving that organized labor can still be powerful.

**O**n a Tuesday night in mid-November, a week after the midterm elections, several of America's most recognizable politicians on the left joined a national strategy call to talk about "Medicare for All," the vision of single-payer health care gaining traction in the Democratic Party. Vermont Sen. Bernie Sanders was on the line, along with former Ohio state Sen. Nina Turner, who heads Sanders' political group, Our Revolution, and is a regular commentator on CNN.

But the first speaker on the call—the woman who declared it was "time to give this movement some serious muscle"—was neither a well-known elected official nor a prominent media personality. She was Bonnie Castillo, the registered nurse who early in 2018 became the executive director of the 150,000-member National Nurses United (NNU), the largest nurses union in the country.

BY GRAHAM VYSE



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National Nurses United is embarking on a revamped Medicare for All campaign.

Castillo didn't pull any punches. She vowed that NNU would escalate its fight against the "very vicious profit-driven health-care system," standing up for those "denied care in so many manipulative and deceptive ways so that the billionaires and the corporate few can add to their fortunes." She said the fight would require them to do more than "simply rely on the electoral process." It would require organizing all over the country.

NNU isn't new to this fight. Breaking up the for-profit health-care system has been a defining mission of the union since its founding a decade ago. But now the group faces a new challenge. NNU is embarking on a revamped Medicare for All campaign not only at the federal level—where the prospects of success are bleak, at least in the short term—but in states across the country, especially those with Democratic governors, most notably California, Minnesota and New York.

The effort flies in the face of history—no state has ever enacted single-payer by itself. Vermont tried and failed in 2014, when Democratic Gov. Peter Shumlin concluded that state taxpayers couldn't absorb the required revenue increases. In 2017, Anthony Rendon, the Democratic Assembly Speaker of California, generally considered the nation's most thoroughly liberal state, shelved a single-payer proposal. But Castillo remains undeterred. "Where there are state-based efforts and we have the ability to engage, we are going to engage," she says.

Success would require the building of broad coalitions that have proven elusive for the union in the past. It would require exceptional leadership from Castillo following the tenure of longtime Executive Director RoseAnn DeMoro, a transformative but polarizing leader whose hardline approach alienated some other unions and Democratic power players. But should NNU succeed in one or more states, or even take some well-publicized steps toward success, it will likely cement its reputation as a model for organizing, and as a remarkably strong union in an anti-union age.

NNU, which has members in all 50 states, was founded in 2009 when three longstanding state-based unions—the California Nurses Association (CNA), the Maryland-based United American Nurses and the Massachusetts Nurses Association—effectively merged. The California and Massachusetts branches continue to operate as NNU affiliates with 100,000 and 23,000 members, respectively. Through it all, the 116-year-old California group has been the powerhouse; DeMoro led CNA for 17 years before NNU's founding, and she continued to lead the affiliate and the national umbrella group until Castillo took charge of both last year.

NNU's most indisputable success is its remarkable growth. In 2014, *The Atlantic* dubbed the group "The Little Union That Could"—"one of the smallest, but most powerful unions in the country"—and noted that NNU was growing at the same time that other unions across the country were coming close to atrophy. CNA claims to have grown from 17,000 members in 1993 to about 100,000 in 2018. NNU organized 8,000 nurses after it gained national visibility for its early endorsement of Sanders' presidential campaign in 2016. Jane Sanders, the senator's wife, has called NNU "arguably the strongest union in the country."

The California affiliate attracted national attention in 2004, when it took on a fight against Republican Gov. Arnold Schwarzenegger. The union had backed a law requiring minimum

**Bonnie Castillo, NNU's executive director, may be less antagonistic than previous leadership, "but you don't become the head of this massive, powerful union unless you're tough," says Paul Song of Physicians for a National Health Program.**



nurse-to-patient ratios at hospitals; Schwarzenegger sought to roll back the measure. CNA fought hard, waging a massive state-wide campaign with more than 100 public demonstrations against Schwarzenegger at the peak of his popularity. The nurses won.

In 2010, CNA helped defeat Schwarzenegger's would-be Republican successor, former eBay CEO Meg Whitman. The union deployed an elaborate parody campaign that cast Whitman as the rich and entitled aspiring monarch "Queen Meg." The campaign was meant to be funny, one union official said, "but what's not funny is the idea that an ex-Goldman Sachs CEO billionaire can stroll into our state and buy the governorship." Whitman was defeated easily by Democrat Jerry Brown.

Castillo believes her group is uniquely positioned to capture the energy of the present moment, when women are exerting new political power in Washington and at the state level. "This is a predominantly female workforce," Castillo says of NNU, "which I believe has been inspired by the movement of women, whether in #MeToo or the teachers standing up. We are finding that even nurses who are not organized are contacting us and wanting to organize."

Through all these battles, CNA has acquired a reputation for headline-grabbing theatrics, protesting and picketing against Republicans and Democrats alike. At times, the group has taken this strategy to what many consider an extreme: After Rendon tabled the single-payer bill in California, for instance, DeMoro tweeted a graphic of a California grizzly bear with a knife in its back. Rendon's name was clearly visible on the surface of the blade.

DeMoro believed in conflict as a strategy. She saw herself as fighting a class war. A San Francisco columnist once called her



NATIONAL NURSES UNITED

“Mother Teresa with brass knuckles.” She was happy with that. “I don’t know about the Mother Teresa stuff,” she told *Mother Jones*, “but I like the part about the brass knuckles.”

Dr. Paul Song, who sits on the board of Physicians for a National Health Program and favors Medicare for All, expects a slightly less militant style of leadership from Castillo, who previously directed NNU’s nursing practice, its health and safety programs and its disaster relief initiative. DeMoro was “not afraid to offend or piss people off,” he says. “That was just her style. I think Bonnie is also a force to be reckoned with, but her style is different. She’s far less confrontational, but you don’t become the head of this massive, powerful union unless you’re tough.”

One longtime ally of NNU who sounds wary of its new leadership is Ralph Nader, the well-known consumer protection advocate who earned CNA’s endorsement for his Green Party presidential campaign in 2000. Nader took a bus tour with DeMoro pushing for single-payer in California decades ago, and he says “she and her union set the standard for unionism in America.” Nader understands Castillo to be less committed to the expansive vision of social unionism that has been an NNU hallmark. “There’s something lost,” he says, “because the new leader wants to focus on the nurses more—the staffing issue, the pay issue, the benefits issue, the safety issue.”

NNU does have a history of pushing for causes one might not typically associate with nurses, from consumer protection—which caught Nader’s eye—to fighting climate change. But CNA spokesman Charles Idelson flatly rejects the notion that the union is altering its approach. “The amount of social union activism under Bonnie’s leadership is unparalleled, certainly among labor

unions,” he says. “It’s the lifeblood of this organization.” He notes that NNU has been heavily involved in recovery from California’s recent fires, part of the union’s ongoing work on climate change as a public health crisis.

Even if she does bring a new tone to NNU, Castillo is planning continuity on a key issue that sets the group apart from other unions. “What has distinguished us in the past and still distinguishes us is that we do not engage in labor-management partnerships,” she says. “That’s not something that we do or will ever do, because the fundamental alliance with our patients is sacred.”

Not everyone is impressed with NNU’s approach—or with its results. Steve Maviglio, a prominent Democratic consultant in California, says the nurses are the makers of their own misfortune when it comes to issues like single-payer. He calls them “masters of the political publicity stunt” who are ultimately ineffective advocates because they’re so radical. “It’s sort of ‘all or nothing,’ and [the result has been] nothing, because what they advocate never gets enacted. They put on a good show, but when it comes to results, they’re just not there. No one takes them seriously in Sacramento other than if you’re afraid of having people demonstrating.”

Idelson says the consultant’s criticisms are “word for word what the insurance industry would say about us, and what Wall Street would say about us. Trump and Maviglio are in line of this. That’s who he’s parroting.”

But even some of NNU’s allies in the fight for single-payer acknowledge a downside to the union’s approach. On the 2017 single-payer fight in California, says Song, “there are some critics I know who didn’t feel CNA had a really good inside game, meaning there was a great building of the grassroots but there was nobody inside the halls of Sacramento who really had an ear. They have lobbyists. They have political directors in there. But not to the point where they were able to build a real coalition of elected officials inside. I think there’s some truth to those criticisms.”

A new test of the union’s influence in California appears to be on the horizon. NNU endorsed new Democratic Gov. Gavin Newsom, who pledged his support for the concept of single-payer. Some question Newsom’s commitment, but Castillo promises her group will hold him accountable for his pledge. “The leadership of this union is not going to sit it out,” she says. “We’re counting on him being a firm ally on health care as a human right. He can’t be chicken on this one.”

If her rhetoric on this issue is any indication, Castillo won’t be shrinking from the union’s traditional goals, or the hardball tactics they have used in pursuing them. She refuses to believe single-payer at the state level is doomed by definition—that only the federal government can achieve it. She says the primary problem is political will, and she’s steeling herself for more fights with politicians she considers lacking it. “At the end of the day,” Castillo says, “they have to fear us. If they don’t do the right thing, we need someone else in their place.” **G**

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## *With Revenues Soaring, States Plan to Spend*

About a year ago, state budget directors were pumping the brakes on spending amid uncertainty over the economy and how the federal tax overhaul would hit state finances. But after 12 months of revenue growth that has surpassed just about anyone's expectations, states are planning on some of the biggest spending increases since before the Great Recession.

A total of 40 states beat their revenue projections in fiscal 2018, the highest number to do so since 2006, according to a survey in December by the National Association of State Budget Officers. The

spending growth this year is continuing that trend. Just halfway through fiscal 2019, a total of 19 states were reporting that revenues were coming in above target.

Most of the growth states are seeing is from income and sales tax revenues, which is being attributed to a strong economy and high earners opting to file their income taxes early in response to some of the changes enacted in the federal tax overhaul.

But the recent volatility and losses in the stock market could hurt expected income tax gains, which could force cuts. States likely will have to wait until April

to find out whether they will meet their target for this year.

So far, states are using the boon to boost rainy day funds. In fiscal 2019, the funds are expected to total an amount equivalent to 7.3 percent of operating budgets. That's far more savings than in 2008, when states had under 5 percent of their annual operating costs stowed away.

After a volatile spring with teacher protests, K-12 education funding in fiscal 2019 is likely to see the second-largest total increase in funding. Lawmakers have proposed putting an additional \$11 billion in that category. —Liz Farmer

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# The Withering Watchdog

**T**here's little question in our minds that most men and women who work in government are honest, fair and reasonable. The same mindset holds true for Paul M. Nick, past president of the Council of Governmental Ethics Laws. "After 22 years in the business," he tells us, "I can say that the vast majority of public officials want to do the right thing."

Still, to paraphrase an early 20th-century humorist, Finley Peter Dunne, "You trust your mother, but you still cut the cards."

In state and local government, there are a variety of ways to cut the cards to ensure that taxpayer dollars aren't being wasted or spent fraudulently. Among the most important players are inspectors general, performance auditors, evaluators and ethics commissions. Their function is critical. But how well are they able to do their job?

There are, we can tell you, challenges. For starters, these oversight groups are aided by whistleblowers who alert them to violations of the law. But—and this is a big but—while two-thirds of states have statutes protecting whistleblowers, there's still a widespread fear of retribution. That's just the beginning of the hurdles faced by oversight organizations.

Among the 200 state and local inspector general offices in the U.S., capacities and roles vary. In some states there is just one IG office—and that one may be dedicated to Medicaid. Other states have a number of IG offices, notably Florida, which maintains over 30 for different agencies, ranging from transportation to health. Generally speaking, the role of an inspector general is to prevent and eliminate fraud, waste and abuse in government. The IG is typically appointed by either a mayor or a governor.

Part of the challenge here is that when an IG is selected by politicians, there is a potential for conflicts of interest. This possibility turned into a reality in Louisiana.

According to reports from Stephen Street, president of the National Association of Inspectors General and Louisiana's IG in 2012 and again in 2016, legislators were dismayed over an investigation of improprieties on the part of politically popular public officials and tried to defund the IG offices. "They would never admit that was their true motivation," he says. "They claimed it was for budget problems."

Still, the threat of that kind of action can create a chilling effect on the degree to which an oversight office moves forward.

In addition to the fear of being defunded, there is the concern about their findings being ignored. Performance auditors, for example, may find that recommendations they make after auditing an agency are, in effect, invisible. In large part that's because there's little real pressure on city or state leaders to pay attention. The same can be true of evaluators' reports.

One solution is to create the needed pressures. The most obvious way to do this is to engage the public through publicity about audits and evaluations. But that route has its hurdles. Although her city does a great job on that front, Alexandra Fercak, senior management auditor for Portland, Ore., maintains that a big part

## Those who check up on government are facing greater management hurdles.

of the reason her colleagues elsewhere don't get publicity is that they don't want it. "A lot of audit shops have been horrified when I talk about how we push things out to the media," she says. "They think that's just wrong, and that their city council wouldn't like it."

As to ethics commissions, many are formed in the wake of a scandal. These bodies are often stymied by the lack of enough funding to seek out bad players in government. They have to rely on the press to dig up the dirt, and only then can they follow up.

But that's a bit like building a house on a foundation of mud. The number of state and local investigative reporters has declined. That adds to the hurdles state and local government oversight groups face in keeping tabs on their agencies, officials and functions. **G**

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# Achieving Happy Workers

As a Tennessee agency has shown, employee engagement isn't unattainable.

**T**he office of the Tennessee Comptroller of the Treasury audits state and local government entities and is involved in the general financial and administrative oversight of state government. It has some 550 employees. I worked there about 30 years ago and have good memories, but I was still surprised to learn that it had repeatedly won recognition as one of the state's best places to work—not just among public agencies but compared to businesses as well. In a survey conducted under the auspices of the Nashville newspaper *The Tennessean*, the comptroller's office has ranked in the top 10 in the "large company" category for the last three years.

Workplace rankings are essentially ratings of employee engagement, based on worker surveys. I was surprised by the comptroller's ranking not just because it seemed hard to imagine that a bunch of auditors, accountants and finance types would be so happy about their jobs, but also because government agencies generally score considerably worse than businesses on these surveys. Last year, for example, the Partnership for Public Service, a nonprofit that produces an annual ranking of best places to work in the federal government, reported that only 13 federal agencies scored above the average for the private sector.

The growing interest in public-sector employee engagement in recent years is encouraging, given the increasing difficulty governments are having attracting and retaining dedicated workers. Engaged employees are better employees. As management consultant and author Tony Schwartz wrote in the *Harvard Business Review*, more than a hundred studies have found that "the most engaged employees—those who report they're fully invested in their jobs and committed to their employers—are significantly more productive,

drive higher customer satisfaction and outperform those who are less engaged."

*The Tennessean's* rankings are based on employee surveys by Energage, a company that runs about 50 such programs across the country, usually through media partners. One common finding, according to Bob Helbig, Energage's media partnerships director, is that pay and benefits aren't the main factors driving employee engagement. "Instead, belief in the leadership of the organization and in its direction are huge," he says, "and appreciation of employees and meaningfulness matter."

This has real implications for government managers, who generally have less flexibility than businesses to reward employees with raises and bonuses. That's a message that Tennessee Comptroller Justin Wilson understands. When I asked him how his office scored so high on the workplace rankings, he said it was primarily a matter of communication—praising employees when they do a good job and constantly emphasizing the mission of

the office, which is a simple one: "to make government work better." And he recognizes that communication needs to be a two-way street. "Our employees have a lot to say," Wilson says, "and if we listen to them we might learn something."

While engaging employees can be harder for public organizations than for private companies, I would argue that it is more important. When organizational improvement occurs in the public sector, writes Robert J. Lavigna, a former Wisconsin state personnel executive who now directs the Institute for Public Sector Employee Engagement, "customers and stakeholders will be more satisfied with the services they receive. This improved satisfaction leads to more trust in government." And public servants will feel more engaged when they see that their work is trusted. "In other words," Lavigna writes, "a virtuous cycle." Government can't have too many of those. **G**

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# A Taxing Question

What's a fair tax during a recession? Turns out, it may be the most unpopular tax.

**A**ll good things must end. Such is the case, economists tell us, with our roaring, post-recession economy. Goodbye bulls. Hello bears.

A slowing economy means public finance folks are once again asking how local governments can—and should—respond to the next downturn. Fortunately, the 10 years since the start of the Great Recession hold some useful clues that might be helpful this time around, especially about taxes.

One of the oldest questions in public finance is, “What is a fair tax?” Experts answer this question with a long wish list of criteria: A tax should minimally impact how businesses and consumers make investment decisions. It shouldn't cost the government too much to collect. Taxpayers who owe the same amount should pay the same amount. And so forth. There's no uniformly fair tax, but the three main local government taxes—property, sales and income—are fair enough for the thousands of governments that collect them.

But during a recession, “fair” can mean something different. When people are out of work, it's fair for them to expect to pay less taxes. It's also good economics, since consumers with more money to spend can help push the economy out of a recession. But that puts local governments in a quandary. On the one hand, they need to collect enough revenue to deliver basic services.

Unlike the federal government, localities can't borrow their way out of a budget deficit. On the other hand, if local taxes are too high, then local taxpayers suffer and the recession gets worse.

The property tax illustrates this dilemma well. Most consider it equitable, predictable and reasonably transparent. It might be unpopular, but it's one of the fairest local revenues available. But during a recession, those paying a property tax can't do much to reduce their bill. It's not feasible to sell, rent or downsize when you're out of work and property values are down. By contrast, taxpayers can reduce their local sales tax bill by holding off on purchasing that new dishwasher. Their local income tax bill will be reduced if they make less money.

The bottom line here is that the qualities that make the property tax fair in a growing economy make it just as unfair in a recession. By contrast, volatile sales and income taxes are tough to manage in boom times, but they offer taxpayers an off-ramp during recessions. In other words, the conventional wisdom tells us there's a trade-off. No tax is fair in both boom times and recessions.

Or so we thought. A quick review of Census data shows that during the Great Recession, county governments where property taxes are the largest share of local revenues experienced some of the smallest

increases in unemployment relative to other counties. Employment in those counties also recovered much faster after the Great Recession. In other words, the downturn was not nearly as bad in those counties as it was elsewhere. Meanwhile, counties that depend mostly on income taxes suffered much greater increases in unemployment and took much longer to recover.

It turns out that stable, predictable revenue sources helped, rather than hurt, local economies during the Great Recession. Why? One big reason is counties that depend mostly on property taxes also made comparatively small cuts to their local government workforces. Those stable revenues help the spending side of the ledger, and that, in turn, helps to prop up the local economy during a downturn. It's clear that the fairness trade-off is not actually a trade-off.

All this suggests there's no one-size-fits-all local government response to a recession. What's fair, and what's effective, depends in large part on a local government's revenue structure and how that revenue structure shapes and is shaped by the local economy. Local leaders and state policymakers who want to help localities prepare for the next recession should heed this important lesson from the Great Recession. **G**

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# Q&A: Why is There a Public Mandate to Provide a Comprehensive Cybersecurity Plan?



The threat of cyberattacks to infrastructure, systems, data and accounts is a reality. According to an International City/County Management Association nationwide survey of local government cybersecurity practices, 60 percent of respondents report experiencing cyberattacks at least daily.<sup>1</sup> Estimates indicate the annual cost of data breaches will reach \$2.1 trillion globally by 2019.<sup>2</sup> For public agencies expected to protect themselves and their citizens, it is no longer a question of if you will encounter a cyberattack, but when.

In this Q&A with *Government Technology*, Garrett Bell, Managing Director of Government, Higher Education and Not-for-Profit Health Care at MUFG Union Bank, N.A., discusses how government organizations can reduce cybersecurity risks.

**Garrett G. Bell**  
Managing Director  
Government, Higher Education and Not-for-Profit Health Care  
MUFG Union Bank, N.A.

## Q: What types of cybersecurity issues do state and local government leaders face in 2019?

**GB:** As technology becomes smarter and faster, organizations face threats from many different sources. These threats target employees, systems and finances, and can hinder an organization's ability to function.

From a treasury management perspective, one example is how technology has sped up the payments process. While technology has increased payment speed, it is still important for organizations to leverage fraud prevention services that can be easily integrated into their payment processes, such as dual control of payments or Positive Pay.

## Q: What types of organizations are susceptible to cyber fraud?

**GB:** Cyber fraud can affect organizations of all sizes in all industries. Many scams are directed at employees that make payments. For example, a cybercriminal can send a fake email directing an employee to send a payment to a bank account. The account may appear legitimate, but is actually controlled by the cybercriminal. As soon as the funds are transferred, the money is lost.

## Q: Where do some organizations go wrong when it comes to cybersecurity strategy?

**GB:** Many organizations spend the bulk of their cybersecurity funds on prevention, but prevention efforts are fallible and cannot completely avert attacks. A more realistic approach also considers continuity and recovery. An advisable ratio for cybersecurity budgets is to spend 50 percent on

prevention, 30 percent on detection and response, and 20 percent on business continuity and disaster recovery.

## Q: What guidance can you give agencies seeking to reduce cyber risks?

**GB:** The first step is to develop a risk mitigation and response strategy. Begin with a review of IT, assets, physical locations and employee functions to gauge vulnerabilities. Account for sources of potential risks, including those posed by third-party vendors and business partners. Develop a plan to strengthen prevention against cyberattacks, including mandatory vendor security reviews and ongoing employee training that instills a culture of cybersecurity awareness. Implement technologies that help prevent and detect cyberattacks and integrate ongoing cybersecurity reviews.

Next, develop a cyberattack response plan that includes roles and responsibilities and details how the organization will respond to a data or systems breach. Include steps required to mitigate the impact of an attack and communicate with those affected outside the organization. Finally, cyber insurance can also be a good investment because it covers many security incident costs.

## ENDNOTES

1. Cybersecurity 2018 Survey, ICMA, <https://icma.org/documents/cybersecurity-survey-snapshot>
2. "Cyber Crime Costs Projected to Reach \$2 Trillion by 2019," Steve Morgan, Forbes, Jan. 17, 2016, <http://www.forbes.com/sites/stevemorgan/2016/01/17/cyber-crime-costs-projected-to-reach-2-trillion-by-2019/#16be59a43bb0>

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# Do Americans Hate ‘Density’?

It’s a poor word to describe how people occupy our urban spaces.

**S**cience tells us that density equals mass divided by volume. In planning circles, density usually equals the number of homes divided by the amount of land. We aren’t really thinking about the mass of homes—about how much they weigh—but you can see how the scientific term is a pretty good stand-in for what we’re measuring.

Still, despite its utility, I can’t think of a worse word than “density” to describe putting more or fewer people in one place. If density were invited to a party, it would be the unsmiling guy in a dark suit, standing in a corner.

For decades now, as our urban regions have evolved, the density debates have been intense. Planners generally want more density because it dovetails with mass transit, is more environmentally friendly and provides a variety of housing types. Neighborhood activists generally want less. Often, the result is an impasse; nothing happens.

Maybe part of the problem is the word. It doesn’t sound like it has anything to do with people, and it’s certainly not something anyone would want more of. There’s also the problem that, when used as an adjective, its meaning is relative. One person’s dense neighborhood is another person’s sprawl.

Because the word is so unappealing, I’ve been searching for a better one. Despite years of thinking about it, I haven’t come up with one yet. “Crowded” comes to mind. But that’s negative. And it’s also relative. What feels crowded to me won’t to someone else. Another term that comes to mind is “community.” If you have more people in one place, you potentially have more community, meaning more people to get to know, marry or play bridge with. (OK, and also hate, fight with or get annoyed by, but let’s leave that aside for now.)

In Minneapolis, a group caught the



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spirit of this word with its name, Neighbors for More Neighbors. Clever. The group backed a push to allow modestly sized apartment buildings, in this case duplexes and triplexes, in every neighborhood. As is typical, the debate was hugely contentious. Longtime homeowners bristled at potential changes in the character of their neighborhoods. But this time the side wanting more homes won. Late last year, Minneapolis became what is believed to be the first major city in the country to eliminate single-family zoning.

Perhaps it’s a trend. Portland, Ore., long on the vanguard of city planning, is moving forward with what it calls a residential infill project that would allow two-, three- and four-unit apartment buildings—“fourplexes”—in most neighborhoods.

What impact would that have on those neighborhoods? Keep in mind that increasing the number of homes in an area does not necessarily mean an increase in footprint or height. Three 900-square-foot apartments take up roughly the same

amount of space as one 2,700-square-foot single-family home.

The bigger issue in most places is cars. Three 900-square-foot apartments might mean more of them on the street than just a single 2,700-square-foot home. But collectively, more apartments could bring about neighborhood changes that make it easier to live without so many cars. It’s an interesting tension.

Maybe greater density, like falling in love or the pursuit of happiness, is best pursued indirectly. Campaign for more stores and restaurants, better mass transit and lower heating bills, and then say, oh, by the way, we’re going to let more homes be built.

A developer once famously said that Americans hate density and sprawl, which of course is contradictory. But do we really hate density? We love traveling to Paris, one of the densest places on earth. Maybe we just hate the word. **G**

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# Voting for Mental Health

**T**he Affordable Care Act (ACA) was supposed to make mental health care accessible to everyone. The law mandated “parity”—that insurance companies must cover mental health services, including substance abuse treatment, on par with medical and surgical care. But the goal hasn’t been realized. Loopholes in the ACA and other federal laws allowed some plans to limit or exclude mental and behavioral health coverage. Oversight and enforcement of the mandates have been inconsistent. And, of course, millions of Americans remain without health coverage.

So some state and local governments have begun taking matters into their own hands, enacting tax increases to fund mental health services. Seattle, Larimer County, Colo., and California are among jurisdictions that have taken that route; a 2018 report from the RAND Corp. found that the California tax had expanded services to 130,000 young people in Los Angeles County alone.

Among the latest jurisdictions to move in this direction is Denver, where in November voters approved “Caring 4 Denver,” a ballot measure that implements a small sales tax increase, .25 percent, to fund mental health services. It won 68 percent of the vote, and Denver is believed to be the first major city to get a tax increase for mental health services approved through a ballot initiative. It was quickly followed by Baton Rouge, La., whose voters approved a new property tax in December that will fund a psychiatric crisis center.

## Initiatives to improve services are seeing wins at the ballot box.



State Rep. Leslie Herod of Denver spearheaded that city’s campaign. She initially envisioned a proposal that would focus narrowly on stopping the city’s jails from being a de facto public mental health provider. But after talking to more people and traveling around the state, she realized that the city needed a more robust response. “The Denver school district has one of the highest suicide rates in the country,” Herod says. “We don’t have enough funding for therapists in our schools, and our kids are suffering. So while I was thinking this would be mostly about criminal justice reform, once I started listening to the community, I realized it was much bigger than that.”

Herod says she wanted to keep the proposal limited to the city level, rather than pushing for a statewide ballot measure, in part because she believes an initiative like this should start small and local. People tend to care more about helping “friends and family at the local level,” she says.

The tax is expected to raise \$45 million in the first year. “That is an absolute game-changer,” says Carl Clark, president and CEO of the Mental Health Center of

Denver. “Forty-five million dollars is a significant amount of money to create more programs and build more capacity for our existing programs that are working well.”

Aside from the impact on current programs, both Herod and Clark have larger aspirations for putting the revenues from the tax to use. Herod imagines something like a campus housing not only mental health providers but also facilities for detox and treatment for substance abuse—“a place where law enforcement can take people other than a jail.” And Clark imagines revamping a statewide crisis line so it can refer Denver residents to a local provider, since many people experiencing a mental health crisis end up in the emergency room.

Regardless of what the city does with the new revenue, its voters have given mental health advocates hope that they can change the status quo of care, absent any developments from Washington. “I didn’t even allow myself to think about what could be different about our system until Election Night,” Clark says. **G**

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# Electrifying the Valley

A new program will furnish low-income homes with energy-efficient appliances.

**T**wo years ago, the World Health Organization identified the San Joaquin Valley in California, an agricultural area between Los Angeles and San Francisco, as having the nation's worst air pollution. At the time, a reporter from *The Guardian* was sent out to talk to laborers in the region who worked outdoors. To his surprise, most of them shrugged off the news. Several workers recounted suffering from coughs and other health problems, but they had bigger concerns than bad air: feeding their families and paying the rent.

Some metro areas in the San Joaquin Valley rank among the poorest in the state and nation. When asked about possible remedies, one worker interviewed didn't suggest robust pollution reduction measures, but masks and gloves. Nevertheless, by the end of this year California will be embarking on an ambitious project that goes well beyond masks and gloves to reduce the region's pollution.

In December, the state Public Utilities Commission (PUC) voted to approve a new pilot program in 11 disadvantaged communities in the San Joaquin Valley. More than 1,800 homes will have their propane and wood-burning appliances replaced with mainly high-efficiency electric heat pumps, cooktops, washing machines and other energy-efficient upgrades free of cost.

The \$50-million, five-year pilot will put the PUC in compliance with a 2015 California law that mandates that the state connect low-income communities—where propane and wood-burning heating systems contribute significantly to the region's terrible air pollution—to natural gas or electricity. “This pilot program is the initial step,” says Merrian Borgeson, a senior scientist with the climate and clean energy program at the Natural Resources Defense Council (NRDC). “The intention

is to learn what works and what doesn't. If the pilot is successful, it could be rolled out to 170 disadvantaged communities in the region.”

The undertaking is a first in California and likely the nation. There has been nothing this comprehensive to electrify homes in low-income communities, according to Borgeson. Until now, she says, there have been some smaller-scale low-income programs that focus on weatherization and offer some support for electrification. Maine, for instance, has a program for income-eligible homeowners that covers 80 percent of the installation of a ductless heat pump and requires that participants take part in a home energy assessment. California has a low-income weatherization program for multifamily dwellings. “Most weatherization programs install new windows or seal up air ducts,” says Borgeson. “But to do a full change of all equipment in someone's house, I don't know of any program like that.”

The effort comes as the state seeks to reduce greenhouse gas emissions from residential and commercial buildings by 40 percent below 1990 levels by 2030. Homes and buildings are responsible for 25 percent of California's greenhouse gas

emissions, according to a report commissioned by the NRDC last fall. More than half of that pollution is the result of burning gas and propane. The report concludes that if a third of California's buildings switched to clean electric space and water heating technology by 2030, heating emissions would fall by 7 million metric tons per year. That's equivalent to taking 1.5 million cars off the road.

While how much air pollution and greenhouse gas emissions will be cut under the pilot hasn't been estimated, the program is expected to save participating households about \$1,500 in energy costs each year. The initial purpose of the pilot was to save customers money on their energy bills in these disadvantaged communities, says Borgeson. Mandating electric appliances where feasible came in later. “Low-income communities can't always be last in line,” she says. “We need to make energy-efficiency programs work for everyone. If we don't address low-income communities earlier in the process, we're never going to reduce climate and air pollution. We'll never get at the overall problem.” **G**

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The San Joaquin Valley has some of the worst air pollution in the nation.



# Last Look



RYANN FORD PHOTOGRAPHY

There's no denying 20th-century America's love affair with the car. It was the perfect vehicle for Americans' wanderlust, spurring the construction of paved roads along scenic routes across the country. Gas stations sprang up next to major thoroughfares not long after, as did motels and rest stops. Most of the thousands of rest stops erected were unremarkable, meant only to provide a quick place for a meal and a nap. But some were special, built with a nod to their location or the local history. Texas photographer Ryann Ford has documented more than 100 of these remarkable rest stops in her book, *The Last Stop: Vanishing Rest Stops of the American Roadside*. One in particular "pretty much inspired the whole project," she says. Ford had read about the impending demolition of one in Flower Mound, Texas. She drove out to capture it on film before it was gone for good. The shelter's supports were painted to look like the Texas flag and its roof resembled longhorns. It inspired her to document more stops. —David Kidd



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