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THE STATES AND LOCALITIES

March 2017

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Arizona and the return of the establishment GOP

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A defendant confers with lawyers at the Red Hook Community Justice Center in Brooklyn.

PHOTO BY DAVID KIDD
COVER PHOTO BY SHUTTERSTOCK.COM

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The New Old Right

Splintering and fracturing are dominant forces in today's social and political life. Our institutions are eroding, and it's not clear what will replace them. This, of course, is scaring people. In such an environment, the old-school conservatism of traditional values and institutions is extremely valuable. Even liberals should recognize and respect the calming influence that traditional conservatism can have in public life. When people are frightened, it's hard to make progress on the issues of social justice dear to the left.

So in the current political climate we all should cheer any return by some on the right to traditional conservatism. As Alan Greenblatt reports in the cover story, that seems to be happening in Arizona, where Republicans control the governor's office and both chambers of the legislature. Greenblatt quotes House Speaker J.D. Mesnard as saying that there "has been a conscious effort to keep us out of these divisive, controversial issues."

Mark Funkhouser, Publisher

Once such a decision is made, the path becomes a lot clearer for tackling big problems: Shift to the center, find common ground, make a deal, celebrate and move on to other issues. Here again, Arizona is instructive on an issue that bedevils other states. With its public safety pension system in deep financial trouble, Senate leaders created a stakeholder group that included legislators, the governor's office, police and fire unions, and taxpayer groups. In February 2016, the resulting comprehensive pension reform bill, passed by the Senate unanimously and by the House on a 49-10 vote, was signed by Gov. Doug Ducey.

Arizona's approach, Ducey says, is "the path forward for Republicans and conservatism." I suspect that much of his motivation stems from early influences. Ducey's father was a police officer, and Ducey attended a Jesuit high school where service to others and consideration for the vulnerable were key principles.

There is another principle that a Democratic governor, one also steeped in the Jesuit tradition, emphasizes: subsidiarity. California's Jerry Brown defines it as the precept that a central authority should perform only those tasks that cannot be handled effectively at a more immediate or local level. In this respect, Arizona has not been a model, preempting its local governments on everything from plastic bag bans to gun control.

With more people living in urban areas than ever before, local control would seem to be another essential old-school conservative value whose time for revival has come. Without reconciliation with cities, the path forward for Republicans and conservatism is a dead end.

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When Helping Hurts

In the January feature "Faith Healers," Mattie Quinn wrote about the shortage of psychologists and other mental health professionals, particularly in rural areas. One solution has been to train clergy to act as licensed mental health professionals. The article asked, "Should religious leaders help bridge the mental health-care gap?" The question led to a lively debate on our Facebook page.

In theory, the idea is interesting. Clergy who have attended a real seminary already have training to varying degrees in counseling. However, I worry about the evangelical fringe and their definition of counseling. [Remember] aversion therapy?

—Harvey Delery on Facebook

If people go to a faith leader whom they know and trust for counseling, then the faith leader should be trained and equipped to recognize mental health issues and able to direct that person toward appropriate resources.

—Greg Thomas on Facebook

That is a terrible idea. Only licensed professionals should work with mentally ill people. Would you ask a person with cancer to just go to church?

—Lydia Allan on Facebook

Dems' Messaging Problem

In the January article "Democrats' Geography Problem," Alan Greenblatt looked at the party's dwindling numbers in rural areas. "With an overwhelming share of their voters living within a limited number of metropolitan districts," he wrote, "it's hard for them to compete in broad swaths of territory elsewhere. This handicap, which has made the U.S. House into something resembling a fortress for Republicans, is making it increasingly difficult for Democrats to win legislative chambers."

The problem appears to be a lack of ability by Democrats to get the message out about who they really are and what they propose. I lived in rural areas and in metro areas for work. What I noticed was that the overwhelming public discussion on radio was an ongoing assault against anyone who was a "liberal" or "Democrat" or didn't espouse a very hard-line, far-right position. It appears to me that much of the radio—which is a major message forum in rural areas—has for over 20 years been a biased public information source.

—Michael Lary on Governing.com

Too Much Government

In his January Urban Notebook column, "When Local Control Backfires," Scott Beyer argued that NIMBYism is leading to housing shortages. "Fast-growing cities are struggling to accommodate population increases because zoning and other land use regulations can stop housing construction, causing shortages, price inflation and overcrowding," he wrote. "The obvious solution would be to change these regulations, but such efforts often meet resistance from the community." Some readers argued that there were other factors involved.

The issue described in this article isn't one of local control, it's an issue of too much government involvement in what should primarily be determined by a free market.

—S103462 on Governing.com

The California Legislative Analyst's Office issued a landmark report last summer stating exactly this problem. I would [add] court standing, usually enabled through environmental impact laws as a means to delay the process, as an additional level of obstruction.

—Gibarian on Governing.com

This article assumes that people are civically active in the areas where they live. ... They aren't. They'd better start.

—Ron Charette on Facebook

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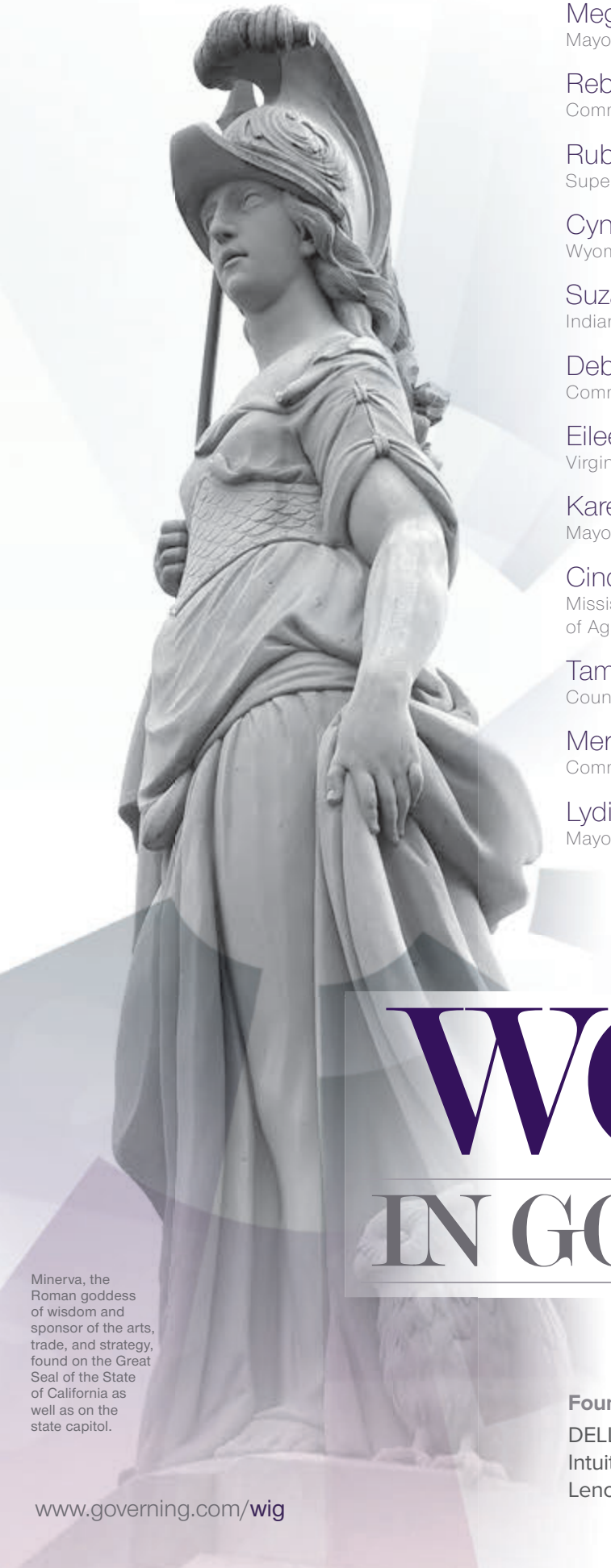

Minerva, the Roman goddess of wisdom and sponsor of the arts, trade, and strategy, found on the Great Seal of the State of California as well as on the state capitol.

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Megan Barry
Mayor, Nashville, Tennessee

Rebecca M. Benally
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Eileen Filler-Corn
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Karen Freeman-Wilson
Mayor, Gary, Indiana

Cindy Hyde-Smith
Mississippi Commissioner of Agriculture & Commerce

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Observer

By Alan Greenblatt

San Francisco's Presidio, George Lucas and the Chicago lakefront

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MUSEUM WARS

IF SOMEONE APPROACHED your city and said he'd like to start a project that was worth a billion dollars and would create hundreds of jobs, you'd probably jump at the chance. A couple of major cities resisted the temptation, but a bigger one finally bit.

George Lucas, the creator and original director of the *Star Wars* films, decided that he wanted to open a museum. It would house some *Star Wars* memorabilia, but also showcase Lucas' extensive art collection, which includes paintings by Norman Rockwell, illustrations from children's books such as *Babar* and *Peter Rabbit*, and works by artists including Keith Haring and R. Crumb.

The museum would provide an estimated 1,500 jobs in construction, as well as 350 permanent staff positions. Its endowment and the value of its collection have been estimated at somewhere north of $1 billion. All of this would come out of Lucas' own pocket. But what sounded like a slam dunk turned into one of the strangest site selection odysseys of recent times.

Lucas, who has spent the bulk of his career in the Bay Area, proposed as long ago as 2009 that San Francisco would be a great home for his museum. The snag turned out to be that he had a particular site in mind, a spot in the Presidio, a former Army base that sits just south of the Golden Gate Bridge and has become part of the national park system.

That caused some trouble. Mayor Ed Lee was all in favor of the museum, but the Presidio is overseen by a federal trust. Although its board is dominated by movers and shakers who live in San Francisco, they looked at things differently than the mayor and other city officials. The board concluded that the museum's proposed design violated height restrictions for the site and it just didn't fit in with the aesthetic of the place. "They did not set out to find a reason to say no to him, but they wanted to be treated as equals," says John King, architecture critic for the *San Francisco Chronicle*. "There was an air—and this includes his supporters, not just Lucas—there was an air of [condescension] that San Francisco would be lucky to have this and the Presidio Trust would be foolish not to let him have the site."

If San Francisco didn't want the museum, Chicago did. Or so it seemed. Lucas also has connections to the Windy City, which is his wife's hometown. And, once again, the mayor was completely on board. But Lucas wanted to build in another sensitive spot, this time along the Lake Michigan lakefront. That triggered lawsuits from a nonprofit group, which had already dragged on for a couple of years when Lucas decided to pull the plug on the project last summer. Mayor Rahm Emanuel complained bitterly that the city had blown a once-in-a-lifetime opportunity.

But Lucas' critics argued that the filmmaker's own approach had again been ham-handed. "Lucas Reaps Bitter Fruits of Arrogance as Chicago Museum Plan Collapses," ran a headline in the *Chicago Tribune*.

Maybe because of his manner, or perhaps because of the intransigence of his critics, Lucas wasn't finding success in giving away a billion-dollar gift. That's when he tried something smart: make cities come to him. Rather than continuing to insist on his own way, he'd let the cities present packages, and then he'd make his choice.

San Francisco was back in the running. It offered Lucas a site on Treasure Island, another decommissioned military facility that sits alongside the Bay Bridge. But in January, the museum announced it was going with a site offered up by Los Angeles in Exposition Park, convenient to bus lines, schools and other museums. Proximity was the main reason museum officials gave for choosing L.A. over its neighbor to the north. But perhaps turning down San Francisco after years of frustration was irresistible.

In any event, Los Angeles Mayor Eric Garcetti was ecstatic to land a prize that had eluded his colleagues. "This is the largest civic gift in American history," he said.

FLUNKING THE BAR

HOW MUCH DO YOU trust lawyers? Do you trust them enough to have them police their own profession?

You might be surprised to learn that three out of four states allow just that, using state bar associations as licensing boards tasked with regulating the conduct of their membership. It's an old tradition, dating back to the 1920s. But in California, the idea's days are numbered.

The State Bar of California has for years faced complaints that it not only failed to crack down hard enough on misbehaving lawyers, but failed to run its regulatory functions efficiently. Last year, State Auditor Elaine Howle released a report complaining that the bar routinely allowed the backlog of misconduct cases to grow into the thousands. She also found that it reduced a backlog of more than 5,000 cases in 2010 by settling a few of them with penalties that were later declared by the state Supreme Court to have been too lenient.

Among other sins, Howle also found that the bar was paying its officers far more than state employees running comparable or even larger agencies. In at least one year, more money was spent on travel and office renovation than was devoted to professional discipline.

The legislature seems to have had enough. Last year, legislators debated a bill that would have blocked the bar association from collecting dues unless it divorced its regulatory functions from its work as a trade association and appointed more non-lawyers to its board of trustees. Thanks to a recent U.S. Supreme Court ruling, licensing bodies can be subject to antitrust complaints if a majority of their board members come from the profession being licensed.

Rather than agreeing on a reform package, the legislature ended up simply refusing to pass the normal yearly bill that allows the bar to collect dues from its members. The state Supreme Court stepped in, giving the bar authority to collect dues on an interim basis. With the handwriting on the wall, the bar association is now working to "deunify" its regulatory and trade association functions on its own.

The kinks are still being worked out, but to the bar's critics, the move is long overdue. How can a private entity regulate practitioners on behalf of the state, while also lobbying the state on behalf of practitioners? "On its face, it's ridiculous," says Robert Fellmeth, a law professor at the University of San Diego. "The state is separate from private interest groups. They're not an agency and they never should have been an agency, or a public entity."

Something is bound to change this year in California. The question now is whether its example will prompt action in any of the three dozen other states that use the bar to regulate its members.

Most lawyers, like most people who practice other professions, are honest. Maybe most of them could be trusted to stand guard over their peers. But there will always be dishonest lawyers happy to take advantage of a system that's rigged in their favor. Somebody from the outside needs to keep watch on them.

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IMAGE CREDIT: REFORM ARCHITECTURE

CITIES BREAK NEW GROUND

WITH ECONOMIC DEVELOPMENT GRANTS

Many cities, counties and other municipalities struggle with decreased revenues, dwindling reserves and increased costs. When an opportunity to do something positive for their communities comes along, they don't always have the necessary funding to support it — even if the project promises to pay off once it comes to fruition.

The Mohawk Harbor and Rivers Casino in Schenectady, N.Y., is an example of a project that could have gone unrealized if it hadn't been for rebates and grant money provided by National Grid to fund key components. With National Grid as a vital partner in economic development, the city of Schenectady transformed a former brownfield site into a vibrant hub that benefits the entire community with new jobs, increased tax revenue and overall economic revival.

Fertile (But Contaminated) Ground

Like many municipalities, Schenectady is reinventing itself as traditional blue-collar jobs disappear, the tax base contracts and former manufacturing sites go unused. The city's Mohawk Harbor and Rivers Casino project is one example of how Schenectady has found creative ways to adapt to change while preserving the best parts of its community.

One of the oldest brownfield sites in the United States, the area is a prime location and close to main thoroughfares for commercial and residential development. Adjacent to the historic Mohawk River, the 60-acre site was spacious enough to accommodate a large-scale mixed-use project. However, with a manufacturing history dating back to the mid-1800s, the site was contaminated by petroleum byproducts. Two major investors designed a plan to transform the site; build a manmade harbor; and develop businesses, homes, hotels and a casino surrounding the harbor. To do so, the city needed funds to pay for the costly remediation of the brownfield. In addition, the existing infrastructure for gas and electricity was outdated, and the site lacked pathways and public spaces that would enhance the commercial viability of businesses and the quality of life for residents.

Unearthing Opportunity

The city recognized the economic benefits that this project would have on the community and wanted to regain momentum. The city sought funding through economic development organizations and programs, and National Grid stepped in to award three economic development grants totaling $1,050,000.

As one of the world's largest investor-owned utility companies,[1] National Grid recognizes that the economic vitality of the communities it serves is not only good for business but also a matter of civic duty. The company takes pride in improving and supporting communities through rebates and grants for both economic development and energy efficiency.

In addition to providing financial resources for such programs, National Grid contributes expertise related to managing large-scale projects and finding cost-effective solutions. City leaders also value the stability, ease and trust that comes from doing business with a reputable, well-established partner like National Grid.

The three grants from National Grid funded brownfield remediation, gas and electric infrastructure upgrades, and pedestrian streetscape revitalization:

- **Brownfield Redevelopment Grant Program.** The need for environmental remediation was a significant and costly barrier to redevelopment. This $300,000 award provided for abatement, demolition, remediation and

other activities required to make the site "shovel ready" for development, allowing the contaminated waterfront parcel to be developed for commercial and mixed use.

- **Urban Center Revitalization Grant Program.** To increase commercial activity and enhance quality of life, the city needed to create a more "people-friendly," walkable downtown area. This $250,000 award covered paving, curbing, sidewalks, landscaping and new energy-efficient lighting. It also included the relocation of utilities underneath the planned roadway corridor to improve the visual aesthetics of the area, enhance reliability (by eliminating weather-related outages) and reduce the city's operating and maintenance expenses.
- **Strategic Economic Development Grant Program.** The development of the casino as a major tourist destination required significant site preparation and infrastructure improvements. This $500,000 award helped cover these costs and allowed the city to create and leverage synergies with the commercial and mixed-use development on adjacent parcels.

Bearing Fruit: Revenue, Jobs and Quality of Life

The National Grid grants allowed the Mohawk Harbor and Rivers Casino project to move forward and were instrumental in the city's economic development. The project represents more than $500 million of new investment in the city of Schenectady, transforming an unused brownfield — a virtual wasteland — into a tourism destination for entertainment, commercial investment and residential living — all overlooking a beautiful harbor.

In late 2016, the Courtyard by Marriott opened, providing lodging and meeting space for conventioneers, business travelers and visitors. Rivers Casino, which opened in February 2017, will generate new tax revenue, create a higher profile for the city, and attract out-of-towners and residents to restaurants and other businesses in the area. It will also create 1,200 jobs. In a city where the supply of blue-collar jobs has steadily dwindled over the years, the introduction of entry-level jobs will be a tremendous boon.

"It is an exciting time for Schenectady and the Capital Region. Rivers Casino and Mohawk Harbor together are a transformative project and it was made possible by vital partnerships, including with National Grid," says Schenectady Mayor Gary McCarthy. "National Grid and other partners made the necessary investments that were a critical element in leveraging this considerable private investment. Working together, we are building a better future for the city and the region, as well as creating an economic development and job creation model for other areas around the nation."

Besides strengthening the local economy, the Mohawk Harbor and Rivers Casino project improves residents' quality of life by providing open spaces, biking and walking pathways, a more vibrant downtown and additional areas for relaxation and recreation. As the waterfront and harbor come to life, new opportunities are presenting themselves and new businesses are breaking ground. By helping to improve the city's resilience and long-term economic growth, National Grid's collaboration with the city of Schenectady and its infusion of funds will continue to bear fruit far into the future.

This piece was developed and written by the Governing Institute Content Studio, with information and input from National Grid.

SUCCESS FACTORS

Partnerships with companies like National Grid can help communities solve growing challenges related to funding, employment and development. Depending on the partnership model they adopt (e.g., city-led, business-led or some version of the two), cities should consider the following success factors, derived from a survey of 2,000 businesses,[2] when exploring partnership opportunities:

- **Agencies and processes are accessible and transparent; it's easy to do business with the city.**
- **Long-term planning is clear and consistent.**
- **Incentives exist for businesses to invest in the city.**
- **The business partner's strategy for interacting with the city is cooperative and unified.**
- **The city has established formal channels for businesses to contribute to the strategic agenda.**
- **Roles and responsibilities of government contacts are well-defined and business partners know who (and how) to contact these individuals.**
- **Both the city and the business cultivate direct personal relationships between business and city leaders.**
- **Projects have measurable goals, clear incentives and mechanisms to enforce accountability for both the city and business.**

1. National Grid website. https://www.nationalgridus.com/Our-Company/. Accessed January 2017.
2. Global Cities Business Alliance. How Cities and Business Can Work Together for Growth. June 2016 https://www.pwc.com/gx/en/psrc/pdf/gcba-cities-business-growth.pdf.

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By:

GOVERNING INSTITUTE

The Virtue of Holdovers

Vermont Gov. Phil Scott

APIMAGES.COM

WHEN NEW GOVERNORS and mayors take office, one of the first things most of them do is install their own people to carry out their wishes. But every now and then, there are exceptions. This year, two new governors—both of whom ran on platforms of change—have surprised their states by deciding to keep many of the same faces in place.

In Vermont, Republican Phil Scott succeeded Democrat Peter Shumlin. Despite the change in party control, Scott chose to retain several of Shumlin's cabinet officials, as well as numerous deputy commissioners. That has caused some grumbling from Republicans who were hoping for a cleaner sweep. "I wanted to see a Republican governor who wanted to make changes," Don Turner, the GOP leader in the state House, complained to *Seven Days,* a weekly Vermont publication, in January.

It's a bit unusual to keep so many holdovers when there's a change in partisan control. It may be even more surprising, however, that Doug Burgum—the latest in a long line of Republican governors in North Dakota—has kept the top staff in his state intact. Burgum decided to retain 11 of the 17 agency heads the governor appoints, despite having campaigned as an outsider who pledged to take on the "good old boys' club" he claimed had been running North Dakota. "He's asking a lot of people who are the status quo to change things," notes Rob Port, editor of the *Say Anything* blog on state politics. "If you were going to change up the good old boys' club in Bismarck, or drain the swamp, as Donald Trump says, why'd you keep the same people?"

Often, new governors are superstitious about contemplating personnel changes until they actually win election, which leaves them a short window for overhauling the entire leadership structure of their state's government. So they may allow some holdovers to stay in place for a while. By and large, however, the higher up you are in one state administration, the less likely you are to be around very long in the next one.

But the reality is that running state departments is challenging work. A new governor and his party may not have a long list of applicants willing and ready to take on the job of running an agency that employs thousands of people—particularly in small states such as North Dakota and Vermont. "Being head of an executive agenda tends to be difficult and challenging, while paying significantly less than jobs requiring similar executive functioning in the private sector," says John Weingart, director of the Rutgers Center on the American Governor.

State cabinet officials have to get down deep in the weeds and really run their departments. They don't hold ministerial jobs where they can just delegate responsibility and give luncheon talks, as can sometimes be the case at the federal level.

That's why it makes sense for even an upstart like Burgum to hire or retain some of the very people he complained about on the campaign trail. "Burgum has to work with a well-entrenched Republican establishment in the state," says Mark Jendrysik, a political scientist at the University of North Dakota. "You can run against the old boys' network, but it doesn't mean the old boys' network disappears immediately."

THE BREAKDOWN

FOUR

The number of states that have no money in their rainy day funds, up from two last year. The four are Illinois, Nevada, New Jersey and North Dakota.

$25k PER MONTH

The fee that California is paying former U.S. Attorney General Eric Holder to advise the legislature on challenges to election law and new federal policies.

65,000

The number of new streetlights Detroit has installed in the past three years, replacing as many as 40,000 (nearly half the city's total) that had stopped working.

$10k

The amount Wisconsin's attorney general spent over a year and a half on commemorative coins with the slogan KAED (Kicking Ass Every Day).

SOURCES: *SACRAMENTO BEE; THE NEW YORK TIMES; MILWAUKEE JOURNAL SENTINEL*; IMAGE: WISCONSIN DEPARTMENT OF JUSTICE

The Capitol in South Carolina

SHUTTERSTOCK.COM

Too Much Tolerance

WE ARE LIVING AT A MOMENT of widespread cynicism about politicians, a time when ordinary voters suspect that the people they elect are rewarding friends and lining their own pockets. That's bad enough. What's worse is when the public comes to tolerate such behavior as part of the status quo. This appears to have happened in South Carolina.

In 2014, Bobby Harrell, who had been the state House speaker, pleaded guilty to six charges of using campaign funds for personal benefit. The following year, former state Sen. Robert Ford pleaded guilty to ethics violations based on misusing campaign funds. Such practices were widespread. In 2015, an investigation by the Center for Public Integrity and the Charleston *Post and Courier* found that dozens of lawmakers had used more than $100 million in campaign funds for questionable purposes over a period of several years.

Now state Rep. Jim Merrill faces 30 counts of soliciting or receiving money from groups with an interest in pending legislation. He has denied the charges. His lawyers, who include a legislator from the other party, called the indictment "flawed" and insisted the private-sector work he was paid for was "completely legal and legitimate."

But for political observers in the state, it was hard to avoid seeing his case against the backdrop of recent convictions. It's widely expected that Merrill's indictment won't be the last. "There probably is going to be at least one more indictment, but there may be more than that," says John Crangle, the head of Common Cause in South Carolina.

Last year, the legislature passed a bill to address problems with reporting private sources of income, but watchdog groups said it contained too many loopholes to have much effect. "They are not the kinds of changes that would make South Carolina lawmakers more accountable to the public," complained the South Carolina Policy Council, a think tank in Columbia that focuses on limited government.

South Carolina isn't the only state to suffer a cluster of corruption cases. New York hasn't completed a session without a legislator being indicted or resigning in disgrace since back in 2002. Still, the unpleasant truth is that despite a history of legislative and executive corruption in South Carolina stretching back many years, the public there has been willing to tolerate and even reward politicians who are operating under legal clouds. Ethics never seem to rise high enough on the public's radar to be a pressing issue in the way that roads and schools always are. "The public doesn't seem very much concerned about it," Crangle concedes. "I've lived here since 1963, and one of the things I've noticed in the general population is a tolerance for abuse of office by people in local and state government."

South Carolina legislators seldom if ever get calls from constituents complaining about the latest ethics scandal, so perhaps it's understandable if they conclude that they can get away with a lot of shady stuff. Practically anything, perhaps—as long as they don't attract the attention of prosecutors.

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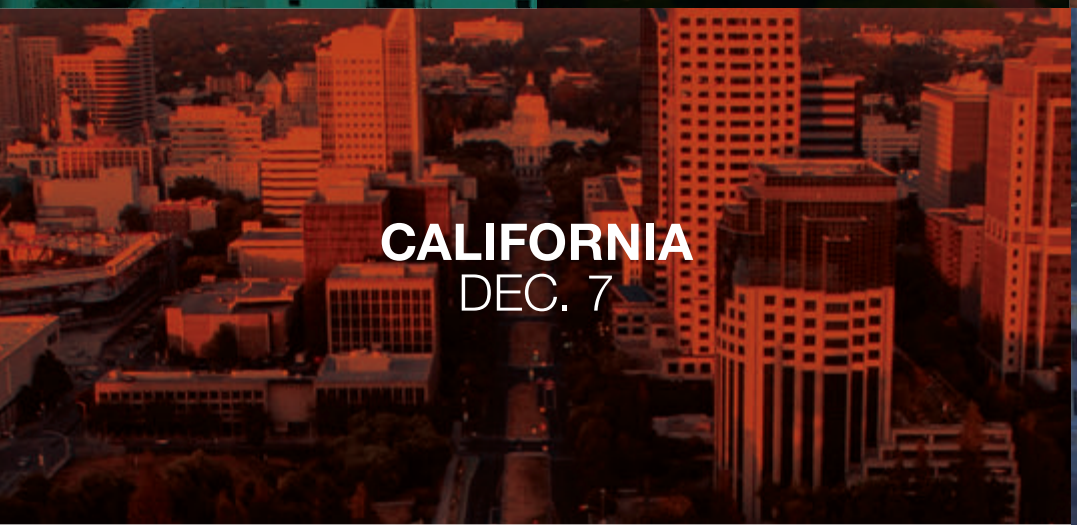

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By Alan Ehrenhalt

The Limits of Café Urbanism

Hip restaurants have helped revive cities. But is the boom fizzling out?

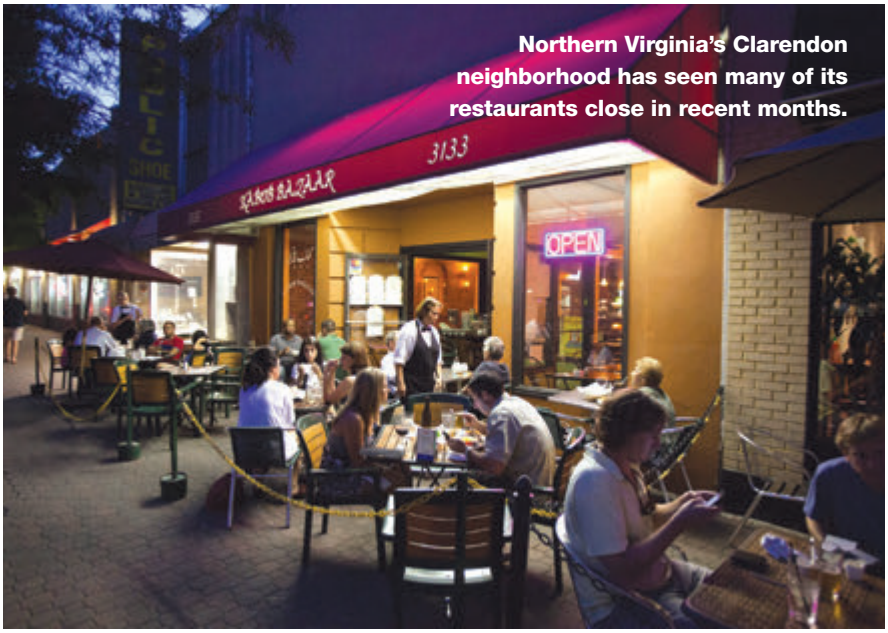
Picture yourself on a bustling commercial street in a hip neighborhood of a newly revived city. You cruise the sidewalk, checking out the businesses that line the glitziest block or two. Here's what you're likely to see: a high-end restaurant with pricey small plates and an ambitious chef; a gourmet pizzeria with locally sourced toppings; an artisanal yogurt shop; a microbrewery; and a coffeehouse. And maybe another coffeehouse.

A thought pops into your head: This isn't a business district, at least not in the old-fashioned sense. This is a food corridor. Scarcely any commerce other than restaurants exists here. What we're talking about is café urbanism.

In many comeback neighborhoods, it's a reasonable estimate that locally owned restaurants are responsible for at least three-quarters of the resurgence. They are a fundamental source of the increased sales and property tax revenue that these rejuvenated areas enjoy. And serious scholars have argued that café urbanism can be an engine for the broader success of the surrounding metropolitan area. Back in 2001, the economist Edward Glaeser and two co-authors studied local economic performance and found that the number of downtown restaurants existing in a metro area was a consistent predictor of population growth. More recently, the transportation researcher Matthew Holian wrote that a boom in a region's city center restaurants could be linked to reduced auto travel and lower greenhouse gas pollution.

While those conclusions may be a bit of a stretch, it seems undeniable that café urbanism has been a genuine blessing for cities that have been able to achieve it. But what if, over the next few years, it starts to peter out?

That may already be happening. In 2016, according to one reputable study, the number of independently owned restaurants in the United States—especially the relatively pricey ones that represent the core of café urbanism—declined by about 3 percent after years of steady growth. The remaining ones were reporting a decline in business from a comparable month in the previous year. "We're seeing more upscale restaurants closing," industry analyst Warren Solocheck told one reporter last fall. Mainstream media sources have begun using the phrase "restaurant recession."



Northern Virginia's Clarendon neighborhood has seen many of its restaurants close in recent months.

DAVID KIDD

The numbers aren't definitive, and they could be misleading. But they jibe ominously well with what's been happening in the place where I live, the Clarendon district of Arlington, Va., just outside Washington, D.C.

Clarendon is a textbook case of the café urbanism phenomenon. Thirty years ago, it was a tired and boring old commercial corridor, the faded downtown of an inner suburb that no longer seemed to need one. Then the restaurants came in, most of them opened by Vietnamese and other Asian immigrants eager to take advantage of depressed storefront rental costs. These establishments proved so unexpectedly successful that by the mid-1990s, Clarendon had become a mecca for eateries of all ethnicities and price ranges. In the first decade of the new century, the balance began to tilt toward white tablecloths and entrepreneurial chefs. Curious visitors began coming to Clarendon from all over the Washington metropolitan area, and tourists began stopping by to check it out.

Five years ago, the few adjoining blocks that make up commercial Clarendon offered adventurous diners a bonanza of intriguing choices: foie gras, sesame seared tuna, charred baby octopus, bison carpaccio. Most of the restaurants seemed to be doing well. A couple of them closed in 2012, but the local consensus was that they were victims of uneven quality or an excess of close-by competition. Most of those remaining seemed to be attracting healthy crowds for dinner on ordinary evenings.

Nobody was predicting what happened in Clarendon in 2016—a wave of failures that amounted to a local restaurant die-off. Within the space of a few months, nearly a dozen major restaurants closed their doors, many of them well liked by reviewers and locally popular, some of them fixtures in the neighborhood going back a decade or more.

The immediate reaction to the die-off was to look for purely local causes. Clarendon had lost a substantial share of its daytime office population to federal staffing cutbacks, depriving some of the restaurants of the lunch trade they needed. Then there was a transportation/density issue: Clarendon isn't especially friendly to automobile traffic, and some proprietors felt there might not be enough people living within walking distance to support a dozen high-end restaurants in a small urbanized space.

But this isn't just happening in Clarendon. It appears to be the case in lots of other demographically similar parts of the country as well.

The fact is that most of the chic independent restaurants that bring excitement to gentrifying neighborhoods have never been especially profitable. According to the National Restaurant Association, a dining establishment that charges the typical customer $25 for a meal may clear a profit of about 4.5 percent on its operations—and that figure does not include the capital costs for construction work on the restaurant or the debt service owed to the lender who financed that work. Given its dicey profit margins, an independent restaurant may need to be crowded most of the time to be financially healthy. Some manage to pull this off, at least in hot neighborhoods of big cities, but a larger number don't achieve it on a sustained basis.

Even restaurants that turn in good numbers at the cash register are getting hit by escalating costs. Places like Arlington have become much more expensive to live in over the past couple of decades, and they have also become more expensive to do business in. Commercial property taxes have risen quite a bit in Clarendon in recent years. It's the landlord who has to pay these taxes, but often it's the restaurant tenant who ends up covering most of the increase in the form of higher rents. "Rents are skyrocketing all over our area," says Kathy Hollinger, who heads the Metropolitan Washington Restaurant Association. "Some of it is becoming alarming. They can't keep laying on these expenses." Or, as food writer Kevin Alexander put it last year, "Your success often ends up pricing you out of the 'hood you helped revitalize."

On top of all that, there's the issue of labor costs. No one disputes that they've been rising pretty substantially in the restaurant business. Labor is estimated to represent about one-third of restaurant expenses. Much of this is minimum-wage labor, at least in the kitchen, but as the minimum wage goes up in much of the country, it becomes an increasing factor in overall costs. This hasn't been an issue in Arlington in past years, but it's an ongoing problem for San Francisco, Seattle and other cities that are seeing dramatic increases in the wages of their least-well-paid workers—partly the result of local minimum-wage mandates. In one survey in San Francisco, a quarter of the restaurants going out of business cited higher wage costs as a reason for their demise. That's not an argument against better pay; it's just a piece of the larger puzzle.

Overall, it's possible to survey the restaurant scene in gentrified America and conclude that nothing terribly worrisome is taking place. Arlington still has more than its share of nice places to eat, and if you look out a little more broadly, at the much larger District of Columbia next door, you see that there's been a virtual explosion of creativity and culinary entrepreneurship that doesn't seem to be ending.

But if you extrapolate from the most recent numbers, it's also possible to envision another scenario for many communities a few years down the road: a combination of a few very expensive "special occasion" restaurants, along with high-profit-margin drinking establishments and low-end pizza-and-burger chains, with a gradual erosion of the more adventuresome, more interesting independent dining places that have been the catalyst for so many reviving neighborhoods. As our societal problems go, I wouldn't argue that this ranks near the top of the list of calamities. But if you're the mayor of a city or suburb that has been reaping the benefits of café urbanism, you might want to ponder whether there's something you can do to prevent the gradual demise of your golden goose.

I'm no expert in restaurant economics. But a few issues seem to stand out as simple common sense. One is the crucial role of rents and leases. Local governments can insulate restaurants against some of the worst depredations of the market by guaranteeing them a chance to renegotiate their rental terms on a fair basis when the lease comes up for renewal. Several cities have done this or contemplated doing it; New York has been debating it for years. Another is licenses and permits. Several of the restaurateurs familiar with the Clarendon situation insist that the county's regulatory strictures have been unhelpfully burdensome. This may or may not be true, but it's something governments probably should be paying more attention to.

Underlying this whole subject is the question of whether café urbanism is a sufficient strategy for sustaining long-term urban revival. It would be encouraging to walk down the street portrayed at the beginning of this column and find, in addition to a cluster of restaurants, a hardware store, a drugstore, a grocery and maybe a clothing store or two. No local government can snap its fingers and lure businesses like these to its commercial streets. Stand-alone hardware stores are, in most of the country, a relic of times past. Groceries come into reviving neighborhoods when the residential population grows large enough to support them. Still, it's worth pointing out that, in the end, the secret ingredient of a sustainable neighborhood comeback is commercial diversity. Cafés are wonderful; in some places, they may not prove to be enough. G

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By Peter A. Harkness

Outposts of Rationality

Our politics isn't all poisonous. You just have to leave Washington to notice that.

It's official: The people who publish the Merriam-Webster dictionary announced in late December that the most searched-for word on its website in 2016 was "surreal." Though the word attracted heavy traffic all year, the big spike in interest came the day after the election. It reflected a country trying to make sense of an outcome "marked by the intense irrational reality of a dream."

Here in Washington, I've been reflecting on what it means for *Governing*'s mission. When we launched this magazine in the latter days of the Reagan administration, our purpose was to document and explain an ongoing significant shift in our federal system—the ascendancy of states and localities—that the national press had largely missed. We debated a bit about the relative importance of states versus cities and counties, but basically we felt we were on the mark.

In the almost three decades *Governing* has been chronicling this story, the landscape has changed considerably. The politics of many states now more closely resemble those of D.C., with rigid ideology and hyperpartisanship dominating an increasing number of legislatures. Moving down the food chain to cities, towns and counties, the search for solutions has tended to be more pragmatic and less ideological. But increasingly, there is friction up and down the system—states at odds with the feds or with their own cities and counties, or both.

Still, there are plenty of surprises. My wife and I spend part of the year in a rural part of northwestern Michigan, about 40 miles west of Traverse City. Six weeks after the 2016 election, commissioners in Traverse City voted unanimously to go completely green—switching over to wind, solar and geothermal energy sources to power all city operations within the next three years. Surrounding Grand Traverse County had just voted Republican, for a presidential candidate who shows no interest in moving away from fossil fuels. But that did not seem to matter.

States are doing some interesting things as well. In late December, Republican Gov. John Kasich of Ohio vetoed a bill passed by the GOP legislature that would have weakened the state's clean energy requirements for power companies. Later this year, the Maryland Legislature is expected to override a gubernatorial veto of a green energy bill similar to the one that passed in Traverse City.

On a wide variety of other issues, states will find themselves at odds with the Trump administration or with their localities. Immigration probably is the most emotional and politically sensitive, health care the most complex and unpredictable, and infrastructure the least partisan and divisive—depending on how it is addressed.

The Democrats will be playing defense, since they only control the governorship and both houses of the legislature in five states—their worst numbers going all the way back to the Civil War. So not surprisingly, they're focused on rebuilding what some insist is a long-neglected political infrastructure. California, now the center of Democratic opposition to Trump among states and localities, has hired former U.S. Attorney General Eric Holder for both legal and political advice on how best to counter the Trump administration and begin rebuilding the party. Holder's top priority will be winning

Places like Traverse City, Mich., are coming together on issues that matter to their citizens.

FLICKR/ANDREW MCFARLANE

more state legislative seats nationally before the next round of redistricting after the election in 2020.

But all of that is just the latest version of an old political story. There is something else going on here. One reason cities, counties and their metro regions have emerged as more serious players in our federal system is their growing ability to attract disparate forces within their communities in common purpose, avoiding all the political potholes that trip up others at the state level.

There's a good example up here in northwestern Michigan, where a group of local residents has formed a grassroots, nonpolitical organization called Advocates for Benzie County, aimed at improving the quality of life in a postindustrial area now propped up by tourists drawn to the Sleeping Bear Dunes park along the coast of Lake Michigan. Its members come from the local Rotary Club, various churches and social service groups, but their goal is well defined: to address the root sources creating various interrelated problems rather than just treating symptoms individually. At least 27 different organizations in the county are trying to address the consequences of poverty, but until now no one has been focusing on a strategy to eliminate it.

Taking this holistic view, the group now convenes community forums, bringing in outside experts, key local employers, various state agencies and others to search for more basic and meaningful solutions. It seems to be catching on, and early this year the local paper, *The Benzie County Record Patriot*, named the group's founder as its Citizen of the Year.

Efforts like this one and its counterparts across the country offer hope for crossing our great partisan divide. They are part of a global trend that urban scholar Bruce Katz of Brookings recently described as a "new localism," in which "cities become the vanguard of problem-solving and social progress in the world, fueled by new norms of growth, governance and finance, and powerful public, private and civic networks." G

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By Alan Greenblatt

Above the Fray

Cooperation has led to more partisan politics.

When it comes to putting big projects together, there's generally much greater cooperation these days at the local level than there was a generation or two ago. Maybe that's one reason why American politics has become so polarized.

That may sound like a leap in logic, but sociologist Josh Pacewicz lays out an intriguing case in his book *Partisans and Partners*. In the old days, politics was used as a tool by local actors concerned with the broader health of the community, he writes, but now that ground has largely been ceded to activists.

Pacewicz, who teaches at Brown University, takes a deep dive into the postwar history of two Midwestern cities. He's given them fake names, but the outlines of their stories will sound familiar. After World War II, their economies were dominated by a small number of family-owned, often unionized factories. Local politics in turn were dominated by those families and union leaders.

> "With today's community leaders focused on economic development and placemaking, ideological activists are left in charge of party politics."

The landscape began to change in the 1970s. For one thing, the federal regulatory approach shifted, allowing more industries to nationalize. Many family-owned companies went away, replaced by firms headquartered elsewhere and run by management less concerned with preserving the health of a given community. At the same time, the federal share of municipal budgets decreased dramatically, forcing community leaders to band together to fight for the scraps.

That created the cooperative culture that now prevails in many places. In order to get grants for, say, a new museum, the local power structure, including the chamber of commerce, developers and nonprofits, has learned to work together, minimizing conflict in order to present a united front to outsiders. This approach has largely made them shy away from partisan politics. They want to keep making deals with other institutions, rather than opening up wounds in political fights. "Those who simultaneously took positions of community leadership and engaged in politics for love of the game are simply gone," Pacewicz writes.

With community leaders now focused on economic development and placemaking, ideological activists are left in charge of party politics. Instead of an emphasis on pragmatic results, local party leaders are now largely motivated by hot-button issues such as abortion, guns and immigration. This has not only impacted the local political scene, but also affected the types of people who can win nomination to Congress or are chosen as delegates to national party conventions.

At the local level, voters witness a culture that puts a premium on cooperation, Pacewicz says. This makes them wonder why federal politicians can't similarly put aside their differences and work out deals that are best for the country as a whole. That inability has led more and more voters to grow frustrated and apathetic, and to register as independents. With politics more partisan, people in the center feel like they have nowhere to go. G

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By Mattie Quinn

How Safe Does a Hospital Need to Be?

Federal penalties can be hardest on the ones that treat the poorest and sickest.

No one who works in health care would dispute the need to keep hospital patients safe. But there's plenty of debate over how best to achieve that and over whether the federal approach is the right one, particularly for hospitals that treat the most vulnerable Americans.

In December, the Centers for Medicare and Medicaid Services (CMS) handed down its list of hospitals that would be penalized in the current fiscal year for patient safety violations. In all, 769 hospitals were dinged for preventable conditions such as blood clots, falls and the presence of antibiotic-resistant germs. The hospitals will have 1 percent of their payments from CMS cut, which for a large hospital can exceed a million dollars.

CMS has another program with even stiffer punishments, penalizing hospitals that have what's considered an excessive number of readmissions within 30 days of hospitalization. In August, CMS announced that nearly 2,600 hospitals would have up to 3 percent of their reimbursements withheld this fiscal year.

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The penalities handed down by CMS are part of the Affordable Care Act. They're meant to motivate hospitals to correct procedures so as to avoid patient safety violations. But the problem with these penalities, some health policy experts say, is that they don't take into account the particular challenges that individual hospitals face. "Most of the penalized hospitals take care of the poorest and sickest," says Ashish Jha, a professor at Harvard University who focuses on patient safety. Jha and others argue that CMS should add a risk adjustment factor. Until then, safety-net and academic-centered hospitals will continue to get slapped with the most penalties.

"We all want patients to be healthy once they leave, but we need to understand that patients in certain areas have a harder time achieving proper health," adds Michael Consuelos, vice president for clinical integration at the Hospital and Healthsystem Association of Pennsylvania. For a struggling rural hospital, reduced payments from CMS "can equal a death spiral," he says.

Providers say that the more thorough reporting required under the CMS patient safety programs also has been a major administrative burden. "We've spent hundreds of thousands of dollars and an enormous amount of time managing the process," says Saul Weingart, chief medical officer at Tufts Medical Center and a National Patient Safety Foundation board member. "It's a lot of combing over doctors' notes, clarifying things written down, trying to determine if it's clinically significant."

Adding to the hospitals' exasperation is the fact that there is little information about whether the penalties have actually improved health outcomes. "We have no real idea if patient safety has gotten better because none of that data has been subject to peer review," says Jha. "We do know that readmissions have fallen, but the problem with that metric is a good chunk of readmissions are often necessary."

Still, hospitals say they do put a lot of effort into addressing issues they're penalized for. The Pennsylvania association, like many state hospital groups, works to facilitate data sharing among hospitals, Consuelos says. "Organizations know what they scored low on, and they do try to really focus in on those areas." And, Tufts' Weingart notes, because the hospital star ratings that CMS releases every year are partially tied to the penalty programs, hospital executives "feel it can be a reputational issue."

All of this is playing out, of course, at a time when the future of the Affordable Care Act and the mandates it imposes are very much up in the air in Washington. These patient safety programs, says Jha, "require a lot of subtlety." That's a quality that few would associate with the debate over the federal health law. G

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[1]Based on $25.73 hourly wage provided by U.S. Bureau of Labor Statistics, August 2016. [2]U.S. Department of Labor, Bureau of Labor Statistics. Economic news release. Table B-3. Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector, seasonally adjusted. http://www.bls.gov/news.release/empsit.t19.htm. Updated September 2, 2016. Accessed October 6, 2016. [3]Molinari NA, Ortega-Sanchez IR, Messonnier ML, et al. The annual impact of seasonal influenza in the US: Measuring disease burden and costs. Vaccine. 2007;25(27):5086-5096 [4]Centers for Disease Control and Prevention (CDC). Clinical signs and symptoms of influenza. http://www.cdc.gov/flu/professionals/acip/clinical.htm Updated May 26, 2016. Accessed August 16, 2016. [5]Keech M, Beardsworth P. The impact of influenza on working days lost: A review of the literature. PharmacoEconomics. 2008;26(11):911-924. [6]Flu prevention. CDC Foundation Website. http://www.cdcfoundation.org/businesspulse/flu-prevention-infographic Accessed September 28, 2016. [7]Nichol KL, Heilly SJD, Greenberg ME, Ehlinger E. Burden of influenza-like illness and effectiveness of influenza vaccination among working adults aged 50–64 years. Clin Infect Dis. 2009;48(3):292-298.

Walgreens

By Elizabeth Daigneau

Bridging the Green Divide

One city revamped its climate action plan to tackle environmental injustice.

Environmental justice is a big issue in government. Studies have repeatedly shown that communities of color are exposed to more air pollution than their white, non-Hispanic counterparts; that landfills, hazardous waste sites and other industrial facilities are most often located in minority communities; and that climate change and water contamination disproportionately affect such neighborhoods.

What's less known is how best to fix these injustices. If you're Portland, Ore., though, you start by simply writing equity into your climate action plan. The progressive city, which was the first to develop a local climate action plan in 1993, is now one of the first to make sure environmental justice is a key component of that plan. And the idea to include it came from Portland's own minority communities.

After releasing its 2009 climate action plan, the city actively sought community feedback from residents. Among the roughly 1,500 comments received, there was one consistent and common thread that stood out: the need for equity. "We realized we needed to address institutional racism," says Desiree Williams-Rajee, equity specialist with the city's Bureau of Planning and Sustainability. "We update our climate action plan every four years and knew that was our opportunity to address it."

So the bureau got straight to work writing economic and racial equity into the plan. It formed a working group and spent the next five years systemically incorporating equity into every aspect of it. In 2015, Portland released its updated climate action plan, which also includes new policies designed to move the city toward a 40 percent reduction in carbon emissions by 2030 and 80 percent by 2050. "To walk the talk, we went through the 2009 plan action by action to see how it impacted communities," says Williams-Rajee. "We asked ourselves, 'Where do you put equity so that it has the most impact?' And the answer was, 'It has to be everywhere.' We really added it throughout the whole plan."

For example, here's a snippet from Portland's 2009 plan and one from its 2015 plan:

- 2009 Objective 3: Collaborate to reduce the role of carbon—including from coal and natural gas sources—in Portland's electricity mix.
- 2015 Objective 3: Collaborate with Portland General Electric, Pacific Power, customers and stakeholders to reduce the carbon content in Portland's electricity mix by 3 percent per year. ... Mitigate potential cost burdens to low-income households principally through efficiency measures that reduce energy use and cost.

Portland's updated plan has gotten a lot of attention from other cities looking to confront environmental injustice. The Urban Sustainability Directors Network, a peer-to-peer group of local government officials, recently sent 20 members to Portland. The city "has really been at the forefront of trying to embrace a focus on equity in their climate action planning," says Ann Wallace, program director of Partners for Places, which is funding an environmental justice initiative in Portland.

While it's still too early to gauge what effect the new climate plan will have on equity, Portland has launched several initiatives. In November, for instance, the city received a grant from Partners for Places that will enable the low-income Cully neighborhood to develop and begin implementing its own community energy plan—one it hopes will not only make the area cleaner and healthier, but will also create economic opportunity for residents and businesses.

Regardless of specific projects, Williams-Rajee says incorporating equity into a planning document is an important step. "The best outcome of this process was the relationships made within these lower-income, minority populations," she says. "Deeper relationships increase the power of these communities and really forces a focus on environmental justice and equity." G

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By Aaron M. Renn

Town and Gown Goes Downscale

Small communities and small colleges are collaborating as never before.

Ripon College is investing in its hometown's Main Street.

FLICKR/HOLLY HAYES

A recent *Wall Street Journal* article documented the increasing trend of liberal arts colleges in small-town America taking a much more active role in trying to build up their communities. The *Journal* highlighted two colleges that share their names with their towns: Albion in Michigan, where the school is giving scholarships to local residents and investing tens of millions of dollars into downtown, and Ripon in Wisconsin, where the college's president has moved his office downtown to Main Street.

This trend made it onto my radar several years ago when I first received an invitation to talk on the subject from another small-town college in Michigan. The invitation surprised me: As a writer on urban economic issues, most of my work had focused on large cities. Still, I am originally from a rural area and have an affection for the people in small towns, even if I don't live in one today. And many of the techniques of civic improvement in these places are derived from urban redevelopment projects, albeit on a smaller scale.

What's been happening with these colleges and their towns is really no different from what has happened in large cities. Globalization, economic change and technology have produced an all-hands-on-deck competitive environment. Just as major corporations, research universities and foundations have engaged in helping to make the bigger cities where they are located succeed, so have the institutions in smaller communities. For many small towns, that means the local college.

A second reason for this shift comes from the changing preferences of today's world. The stand-alone campus, separated from the place where it's located, used to be the preferred form. We see this, for example, in the rise of the suburban office park 30 to 40 years ago. Looking for a bucolic refuge from the world, companies wanted to isolate themselves in the way that colleges long had.

Today that's changed, for companies and colleges alike. People increasingly want to be embedded in and a participant in a dynamic, diverse surrounding. Companies are opening offices in downtowns, and some suburban office parks have fallen on hard times. Colleges are following suit: Chicago's downtown Loop, for example, is now home to what is known as "Loop U," a collection of more than 30 higher education institutions that host more than 60,000 students.

Thus we now see liberal arts colleges investing in the downtowns of the smaller communities where so many of them are based, renovating buildings and moving functions up to and including the president's office. They are sometimes also working to bridge the physical gap between campuses and downtowns. And they are getting involved in initiatives ranging from economic development to educating local residents.

One school I spoke at was Franklin College in Franklin, Ind., a community of about 24,000 in a rural portion of the Indianapolis metro area. Franklin was then in the midst of a debate over a series of proposed community improvements. Some residents favored them, while others thought they were a waste of money. The college wasn't taking a position, but it did help convene a community gathering where I shared some of my thoughts.

Ultimately, Franklin did move forward with investments including improvements to the downtown, new road signs to the town and a major gateway installation at

the interstate highway exit. As it happens, the mayor of Franklin was a graduate of the college, and two of the new businesses that opened downtown were started by its alumni. The college was also involved in luring a life-science firm to the community. B2S Laboratories decided to locate within walking distance of the college to be able to partner more effectively with the school, especially around placing students with the company as interns.

Many of the efforts these colleges are undertaking are still in their early days. But there's a good chance that they will have staying power. Colleges' increasing interest in the communities they anchor is not just a matter of civic altruism. In many cases, the schools face increasing pressures of their own. Between 2009 and 2014, according to *The Wall Street Journal*, 43 percent of the 300 small-town colleges it analyzed suffered declining enrollments. The squeeze has been particularly acute for schools with weak endowments. In 2015, Sweet Briar College in rural Virginia made headlines when it announced plans to close, though this was later rescinded after a public outcry and a number of new donations (and lawsuits).

These small liberal arts schools tend to have very high tuition rates, though because of student financial aid the actual price paid is often well below the posted rate. But with student loan debt levels through the roof and the media filled with anecdotal reports of graduates with large debts and no jobs, prospective students are looking harder than ever at the price-value ratio.

Still, for prospective students who value the intimacy of small colleges and communities, small towns have a lot to offer. The pressures they face are many of the same ones that have been brought to bear on big cities, corporations and big research universities. So let's be hopeful that the same kinds of collaborations that have helped to revive parts of urban America can produce results in the small communities where so many seek out their educations. **G**

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By Scott Beyer

Build, Baby, Build

An upstart pro-housing movement emerges in cities with shortages.

Local control, as I wrote in my last column, can sometimes backfire. America's affordable housing crisis is a prime example. The sensible response to rapid population growth and inflated prices in our cities is to build more housing. But thanks to a "not in my backyard" mentality that is supported by a hyper-local planning model, existing residents are able to resist new construction that promotes density.

To get around this obstacle, land use control has in some cases shifted from localities to states. But a top-down approach isn't very democratic and, as a result, has helped spur a counter, grassroots movement of YIMBYs, or "yes in my backyard" supporters.

As I've discovered while traveling from city to city this last year, YIMBY groups are surfacing in urban areas with high prices and antigrowth political climates. The movement was brought about in part by New York YIMBY, a blog calling for more construction and density in Gotham, and the SF YIMBY Party, a collection of groups that host happy hours, testify at public hearings and pursue other grassroots organizing. Inspired by this momentum, pro-housing ecosystems have also emerged in Austin, Los Angeles, Seattle and elsewhere.

California state Sen. Wiener is a self-described YIMBY.

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Granted, the YIMBY movement is still largely in its infancy—a scattershot collection of blogs, nonprofits, individual activists and civic events (YIMBY groups held their first conference last June in Boulder, Colo.). And its prescriptions vary thanks to the different groups that inevitably come together under its banner, such as construction industry people seeking deregulation aligning with social justice advocates who want tenant protections and affordability set-asides.

Despite their different backgrounds, YIMBYs, who tend to be young and lean liberal, unify around the broad idea of adding more housing. "It's a progressive movement," says Scott Wiener, a California state senator and self-described YIMBY, consisting of "pro-housing activism by the young people who are most impacted by the failure to create enough housing."

This is indeed a movement, and it's slowly gaining political influence. I've come across YIMBY groups who have sponsored political action committees, sued cities for stalling developments and stacked local advocacy groups with their own people, such as when San Francisco YIMBYs tried overhauling the notoriously NIMBYist local Sierra Club.

I've also met YIMBYs that have occupied staff positions in city hall or on their neighborhood councils—people like Wiener. He began in 2010 as the most reliably pro-housing voice on the San Francisco Board of Supervisors. Since getting elected senator last November, Wiener has introduced a by-right housing bill that would allow developers throughout California to build homes without worrying about environmental review, local approval and NIMBYs. He's even brought an SF YIMBY Party member onto his staff.

Wiener is the kind of official who may soon appear in other cities with strong YIMBY activism. But the movement itself remains local and decentralized, suggesting that this might be one solution to the housing crisis that keeps local control in local hands. **G**

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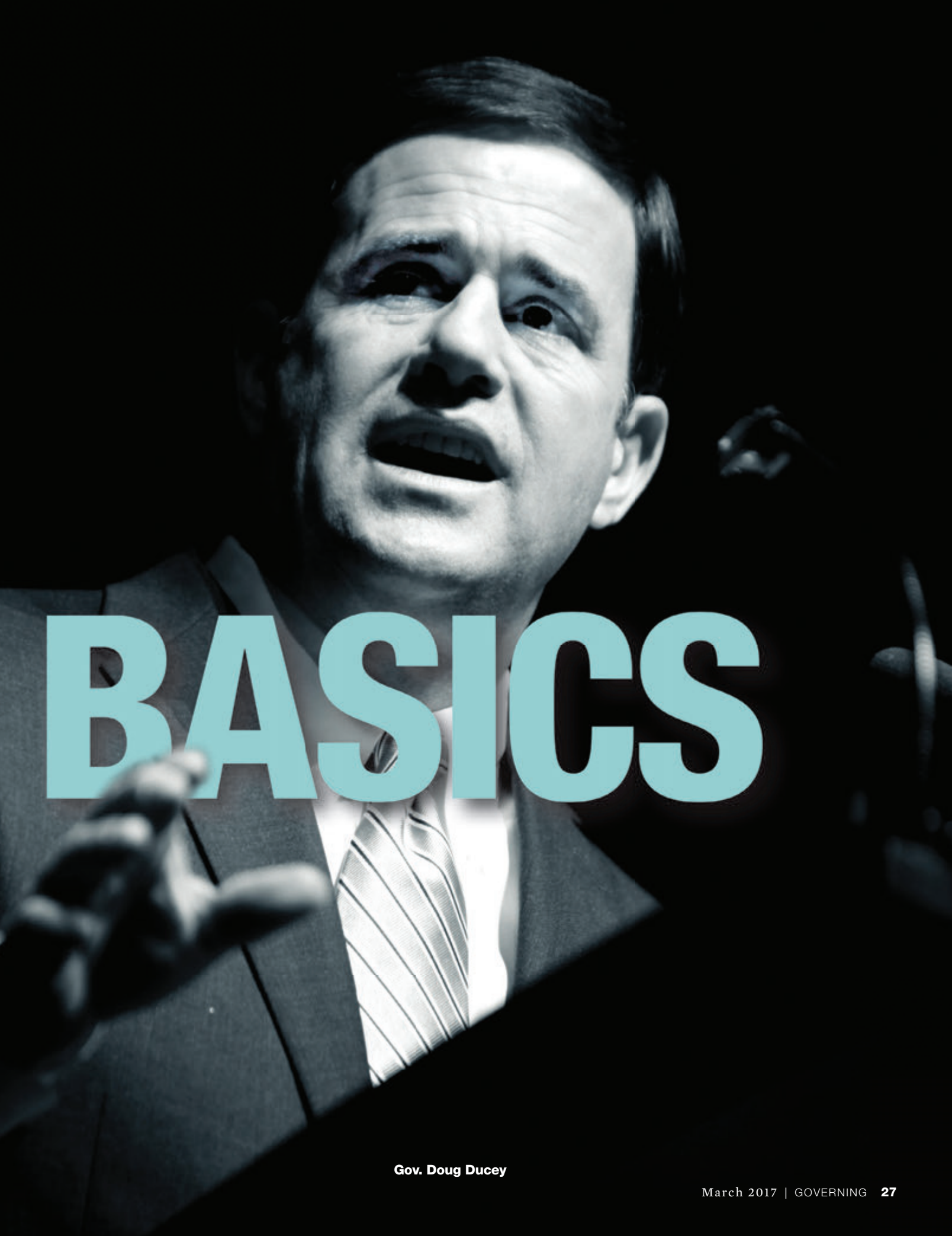
Not long ago, Arizona was the poster child for Tea Party politics. Now the state's Republican leaders are focusing instead on core establishment issues.

BACK TO

BY ALAN GREENBLATT

GAGE SKIDMORE



Gov. Doug Ducey

Over three terms in the Arizona Legislature, J.D. Mesnard has seen lots of controversial legislation pass into law with scarcely any notice. He has also watched as bills that appeared mild or harmless have blown up, bringing the state embarrassing media attention.

It's the latter scenario that Mesnard is seeking to avoid in his new role as speaker of the House. Arizona has repeatedly drawn negative press during debates over matters such as illegal immigration and gay rights. Like other Arizona Republicans, Mesnard believes the national media routinely distort the intent and practical effects of social conservative bills. Nevertheless, he recognizes that having bills portrayed as harsh or intolerant has done no favors for the state. At the moment, he believes, social conflict is too hot to handle. "There has been a conscious effort to keep us out of these divisive, controversial issues," Mesnard says. "We want to have tax cuts and deregulation and make that the narrative about Arizona."

To put it simply, one very red state is cutting back on the red meat.

> "Both policy results and electoral results point to Arizona being a model for conservatives around the country."
>
> —*Jonathan Williams of ALEC*

In Arizona, as in other Republican-dominated states, there have been prolonged battles in recent years that pitted establishment-oriented Republicans—those aligned with the chamber of commerce and large corporations—against GOP legislators backed by the Tea Party and championing hard-line social issues. In Arizona, that battle is over for now. The establishment has won. "The legislature has been more careful about the bills being introduced," says Glenn Hamer, president of the state Chamber of Commerce. "I'm not aware of any mainstream legislators in the state who are eager to move off the road of economic development and education."

Arizona's evolution may be instructive for the country as a whole. Nationally, the Republican Party is entering into a period in which it will be forced to rethink the principles for which it stands. President Trump won office in part by bringing along Democrats who were unhappy with the status quo, but who were also open to his unorthodox approaches to budgeting and trade. It's not clear yet how far his party will go to back up his plans. Especially sensitive at the moment is the president's harsh crackdown on immigration. Even some of the most conservative Republican officeholders in Arizona have no desire to follow him down that road. They have been there before.

Arizona became the flashpoint for the national immigration debate in 2010 with passage of Senate Bill 1070, which required residents to show proof of citizenship if law enforcement officers had reason to suspect they were in the country illegally. Key parts of that legislation were ultimately ruled unconstitutional by the U.S. Supreme Court. Today, most Arizona lawmakers, including the state's two Republican U.S. senators, are favoring a softer approach, or at least a softer tone. "If anything, the immigration issue probably hurt Trump in Arizona," says Victor Riches, president of the Goldwater Institute, a free-market think tank in Phoenix. "I think the bulk of people in Arizona would be happy not to hear of immigration again."

Arizona Republicans have in mind the state's rapidly changing demographics, which have both political and economic resonance. Under GOP Gov. Doug Ducey, the state has stepped up its trade relations with Sonora, the Mexican state to the south. "Arizona's economy can't survive without immigration," says Steven Slivinski of the Center for the Study of Economic Liberty at Arizona State. "Arizona's probably going to stick to conservatism that's opportunity-based, not so much bashing niches in the population."

There's no telling at this point how Trump will fare during his time in office, or what his ultimate impact on the party will be. But it may be possible to start thinking about a post-Tea Party Republicanism. Much of what drove the Tea Party and other conservative activists in recent times came in opposition to President Obama and his policies. Obama is now safely out of office. "There was a lot about the Tea Party movement that was reactionary," Mesnard says, "and the reaction was to Obama."

Arizona is just a single red state among many. But the shift in approach there suggests one potential path for the Republican party as a whole. "They've come out the other side on some of the social issues that are still playing out in other states," says Jonathan Williams, vice president of the American Legislative Exchange Council (ALEC), a conservative group that brings together legislators and business interests and has similarly shifted its focus away from social issues. "Both policy results and electoral results point to Arizona being a model for conservatives around the country."

Arizona has been dominated by Republicans, with few exceptions, for more than half a century. For years, it's been home to a string of polarizing politicians, especially on immigration. Gov. Jan Brewer, who drew national attention when she wagged her finger in Obama's face on an airport tarmac, became a fixture on cable shows, warning about the perils of illegal immigration. She was term-limited out in 2014. State Sen. Russell Pearce, SB 1070's primary sponsor, was recalled from office a year after its passage amid ethics complaints. Most sensationally, Maricopa County Sheriff Joe Arpaio, whose hard line on immigration made him a national figure and a Trump ally, lost his bid for a seventh term last November.

Arpaio's defeat was ascribed by many Republicans to an ongoing FBI investigation, but its symbolic importance was not lost on anyone in Arizona politics. Neither is the fact that voters, on the same ballot, approved a statewide increase in the minimum wage. Or that Trump, while he carried Arizona with a plurality, won by a margin of less than 4 percentage points. In 2012, Republican Mitt Romney carried Arizona by 9 points.

In terms of harsh policies toward immigration, "the country now is living through what we lived through in Arizona," says Petra Falcon, director of the Latino advocacy group Promise Arizona.

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Currently, both chambers of the Arizona Legislature and all the statewide offices are held by Republicans. But the state may not be as red as it looks from the outside. Arizona Republicans believe there's a chance they could lose power in 2018 or 2020, at least in the state Senate, and their fear of the state slowly turning purple helps explain their move back toward the middle and their avoidance of social issues. "Right now, it's the business party," says Doug Berman, a senior research fellow at the Morrison Institute for Public Policy. "Republicans still have a decided advantage, but there's a center of gravity that's moved quite a bit away from Trumpism in Arizona politics."

Democrats have been touting the idea for many years now that the rising share of Latinos in Arizona (currently above 30 percent) will inevitably turn the state blue. It hasn't happened yet. Social conservatives are convinced that many Hispanics are with them on the issues, even if they're put off by the GOP's immigration politics. Still, many other newcomers—notably transplants from California—are more liberal on social issues than Arizona natives. That may be one reason why Ducey, who was hailed as a "conservative reformer" on the cover of *National Review* last year, is happy to have the legislature concentrating on fiscal matters.

Ducey loves to brag about the state's ability to attract and grow businesses and welcome a large and steady influx of newcomers from elsewhere. Like other Arizona politicians, he's learned from experience that having cable news trucks parked at the Capitol complex, covering the latest controversy, can make the state look bad. He wants to keep Arizona "one of the most welcoming states in the country." Toward that end, Ducey has made "the reputation of the state" one of his top three priorities, along with K-12 education and economic growth. "They're not issues that cherry pick or inflame," says Ducey. "They're issues that unite people into broad majorities."

The state's softened approach on social issues shouldn't fool anyone into thinking Arizona's going to become a bastion of moderation anytime soon. This is, after all, the state that just last year declared ideological war on its cities, passing a blanket preemption law that puts state aid to localities at risk if a city or county has any laws on its books that don't align with what the attorney general decides is state policy. Even before that law was enacted, the legislature had preempted local governments on everything from plastic bag bans to gun control. It passed a bill in 2015 taking away local authority to regulate Uber and similar shared economy companies. "Enforcing preemption bills, especially weapons compliance, was very difficult to get through the courts," says state

Secretary of State Michele Reagan says officials concerned with business creation must promote a different image.

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Sen. John Kavanagh, who is sponsoring a bill this year to block municipalities from issuing their own identification cards. "So, we hit them in their pockets."

Arizona has been on the cutting edge of the school choice movement, with a robust scholarship tax credit program and the nation's first education savings accounts. Since the recession, Arizona has made the deepest cuts to higher education, on a percentage basis, of any state in the country. Last year, Ducey signed a bill largely taking the state out of the business of regulating anonymous campaign contributions from nonprofit groups. "We're concerned that will become the model of how to enshrine dark money, in terms of lack of disclosure," says Catie Kelley, an attorney at the Campaign Legal Center in Washington.

Arizona lawmakers have drawn negative attention from national media. Those days appear to be over.

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Aside from its longstanding Republican voting habits, Arizona politics has two structural elements that have made its legislature one of the most conservative in the country. One is term limits; the other, perhaps surprisingly, is public financing of campaigns. Those two features have allowed many free agents, untethered to traditional GOP leaders or the business community, to crash the party and win.

But the tide has shifted. It isn't just the legislative leadership that professes a desire to shy away from bills that court controversy. Many rank-and-file members do as well. The business lobbyists will tell you that. They will also inform you that none of the legislators who were with them on tough votes have been defeated in a recent primary. "In terms of the things Arizona had that were bringing in the trucks from CNN and Al Jazeera, that's really been replaced by a focus on meat-and-potato issues," says Hamer, the chamber of commerce president. "Comedy Central has had to find other states."

While social conservatives such as Kavanagh know that now is not their moment, they are confident they have the votes in hand to respond if a new issue should flare up. The desire to use legislation to respond to perceived threats posed by immigrants, for example, has not completely abated. Last month, state senators introduced a bill that would fine charities that assist refugees who settle in the state. But most of the prominent social issue debates over the past few years have been driven by outside events, such as court decisions on same-sex marriage, the sudden increase of awareness about transgender issues or reports about Planned Parenthood's handling of fetal tissue. "I see my caucus as no less socially conservative than they may have been six or eight years ago," says Steve Yarbrough, the new Senate president. "It's still in our DNA."

Yarbrough sponsored the state's religious freedom act, which national media outlets criticized as opening the door to discrimination against gays. His bill, SB 1062, was vetoed in 2014. In retrospect, that may have signaled the beginning of the state's shift in direction. Yarbrough believes his bill was mischaracterized but knows that it attracted attention in a way the state no longer seeks. He recognizes the current lack of appetite in Arizona for pursuing issues that cause controversy or confrontations. "It's more a difference of where the emphasis is," Yarbrough says.

Arizona's most contentious bills—1070 and 1062—are still referred to around the Capitol that way, solely by their number. Secretary of State Michele Reagan is a former legislator who supported both bills. Nevertheless, she recognizes that their media reception left wounds. "It's almost like you have to retire the number 1070, like a jersey," she says. "It's become so tainted."

Reagan notes that she and her family moved to Arizona years ago because it was a great place to start a business. Last year, the state ranked sixth on the *Chief Executive* magazine list of best business states. There are a lot of misconceptions about Arizona's immigration approach, Reagan says. But, like many other public officials, she recognizes that when outsiders think about Arizona, harsh policies are often what leap first to mind. "It's the job of statewide leaders who care about economic development to dispel the myths," she says.

Hence the effort to concentrate on fiscal matters, with a renewed stress on education and a growing interest in safety-net spending and the costs of mass incarceration. Arizona Republicans are ready to turn the page after years of political upheaval. They've gone back to an old-school approach, concentrating on policies they believe will continue to draw companies, retirees and workers from other states. "It's a winning playbook," Ducey says, "and it's the path forward for Republicans and conservatism." G

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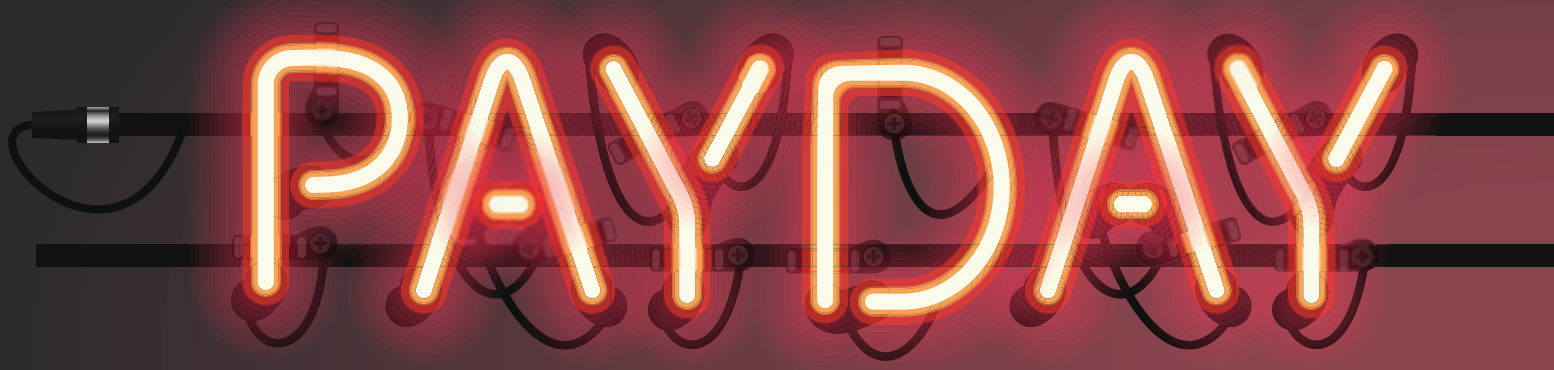


What happens when states shut down "debt-trap" lenders?

By Liz Farmer

In 2010, Montana voters overwhelmingly approved a 36 percent rate cap on payday loans. The industry—the folks who run the storefronts where borrowers are charged high interest rates on small loans—predicted a doomsday of shuttered stores and lost jobs. A little over a year later, the 100 or so payday stores in towns scattered across the state were indeed gone, as were the jobs. But the story doesn't end there.

The immediate fallout from the cap on payday loans had a disheartening twist. While brick-and-mortar payday lenders, most of whom had been charging interest upward of 300 percent on their loans, were rendered obsolete, online payday lenders, some of whom were charging rates in excess of 600 percent, saw a big uptick in business. Eventually, complaints began to flood the Attorney General's office. Where there was one complaint against payday lenders the year before Montana put its cap in place in 2011, by 2013 there were 101. All of these new complaints were against online lenders and many of them could be attributed to borrowers who had taken out multiple loans.

That is precisely what the payday loan industry had warned Montana officials about. The interest rates they charge are high, the lenders say, because small-dollar, short-term loans—loans of $100 or $200—aren't profitable otherwise. When these loans are

ILLUSTRATION: SHUTTERSTOCK.COM

capped or other limits are imposed, store-based lenders shut down and unscrupulous online lenders swoop in.

Scenarios like that have played out in other states and cities. One year after Oregon implemented a 36 percent rate cap, three-quarters of lending stores closed and complaints against online lenders shot up. In Houston, a 2014 law restricting the activities of small-dollar lenders resulted in a 40 percent drop in the number of licensed loan and title companies in the city. But the overall loan volume declined only slightly. This year, just two months after South Dakota voters approved a 36 percent cap on loans, more than one-quarter of the 440 money lenders in the state left. Of those that stayed, 57 told local media they would shut down after collecting on existing loans.

These situations raise questions about how states should deal with usurious lenders and the harm they do to the mostly poor people who turn to them for ready cash. These borrowers typically end up in a debt trap, borrowing repeatedly to pay off the money they owe. If local payday stores close when limits on short-term loans become law, will people who need a quick infusion of cash turn to online lenders who charge even higher rates? Where does that leave states that hope to protect consumers and curb abusive practices?

That's what Assistant Attorney General Chuck Munson initially wondered when he began reviewing complaints in Montana against online lenders. "As a consumer advocate, the argument [that borrowers will just go online when stores disappear] appealed to my economic sensibilities," he says. "Whatever black market you're talking about, people find a way to it."

But as it turns out, there are more twists and turns to the payday story in Montana and elsewhere. To be sure, online lending is a problem—but it's not ultimately where most former payday borrowers turn for a solution to their cash needs. Rather than filling a void left by storefronts, online payday lenders simply represent the next fight for states that regulate payday lending. When it comes to keeping people safe from predatory lenders, it seems there's always another battle around the corner.

State-approved, high-rate lenders are a relatively new phenomenon. Following financial deregulation in the 1980s and early 1990s, the payday industry successfully lobbied dozens of states to give short-term lenders exemptions to their usury laws. The number of payday loan offices went from 300 in 1992 to nearly 10,000 a decade later. At the height of the industry, 42 states and the District of Columbia allowed the high interest rate loans—often around 300 percent but sometimes topping 600 percent—either directly or through a loophole.

Payday loans are, as the name suggests, due on the next payday. The lender is given access to the borrower's bank account, and loans are made with little, if any, regard to a borrower's ability to repay that loan and meet other obligations. When the loan comes due, the amount is immediately taken out of the borrower's paycheck or bank account, usually leaving borrowers without the means to cover their expenses for the next two weeks. So they turn back to the payday lender for more cash.

It's not unusual for a $300 loan to be rolled over many times and ultimately cost more than $800 in principal and interest, according to the Center for Responsible Lending, a North Carolina advocate for reform. "Their business model is based on keeping people trapped in unaffordable loans," says Diane Standaert, the center's director of state policy. The repeat borrowing is called loan churn, and roughly two-thirds of the $2.6 billion in fees lenders charge each year is from loan churn. In fact, during the first year they seek a loan, typical payday borrowers are indebted for more than 200 days out of that year.

It eventually became clear that the terms around this access to quick cash were keeping many consumers in a cycle of debt. In 2001, North Carolina became the first state to repeal its payday lending exemption and restore its usury laws. Since then, five other states and D.C. have followed, bringing the total number to 15 states in which payday loans are outlawed. Another five states have made other changes to protect consumers against the payday loan debt trap. These changes include limiting the percentage of a consumer's paycheck that can be withdrawn to make loan payments and lengthening the duration of the loan.

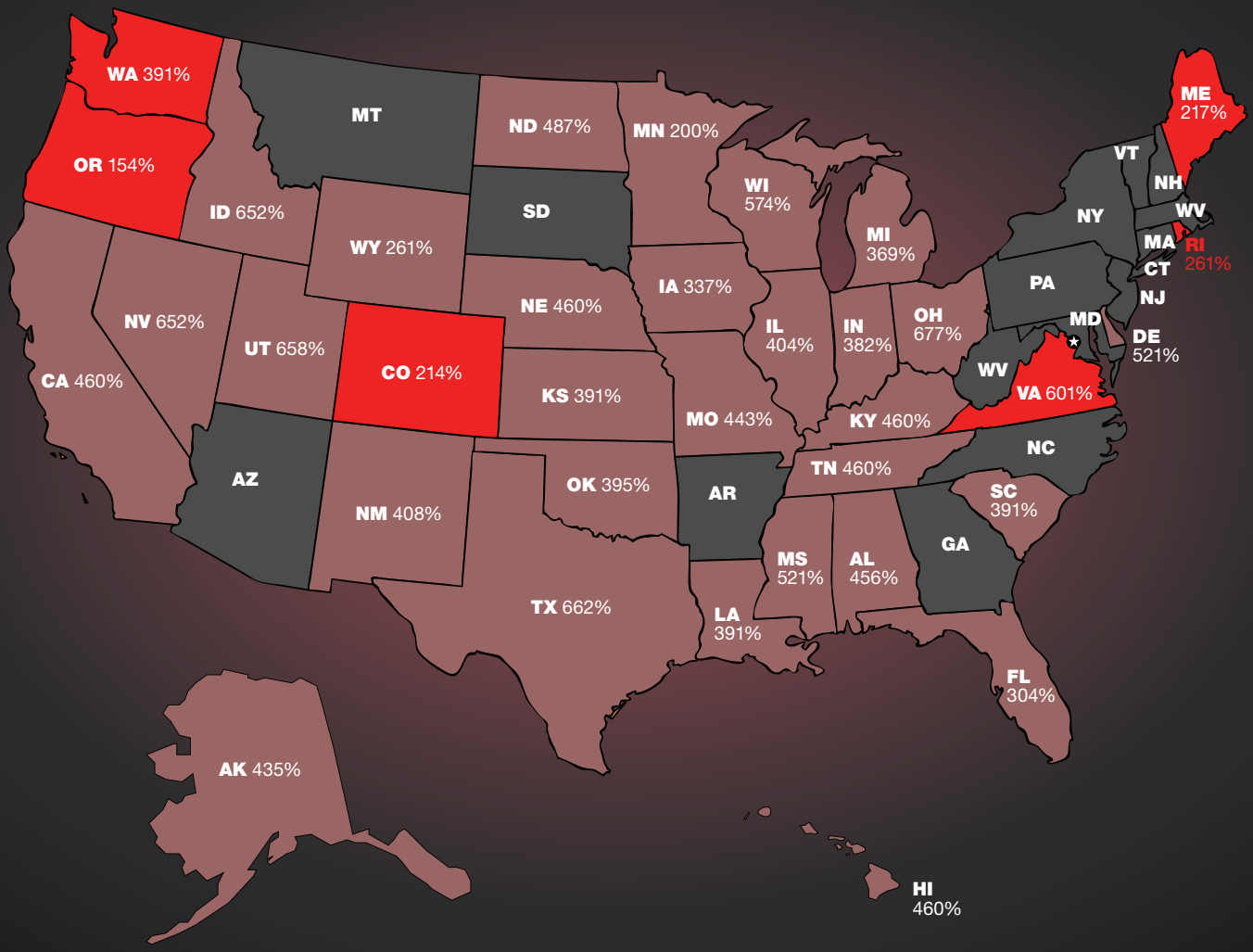
Nationally, progress has been piecemeal. The federal government outlawed payday loans to military members in 2006, but action for all consumers is still a work in progress. Last year, the Consumer Financial Protection Bureau (CFPB) announced proposed rules that would make payday loans more affordable, in part by requiring that lenders ensure the borrower's ability to repay the loan. But the underwriting standards only kick in after a borrower has taken out at least six loans in a year, which has led some payday reform advocates to argue that the final rule's protections don't do enough to keep borrowers out of debt.

Those in support of payday loans have not been quiet. The CFPB has been inundated with more than 1 million comments on its proposed rule, with slightly more than half in total opposition to it. The story has been the same in states. Most recently in South Dakota, industry supporters spent in excess of $663,000—more

Regulating Payday Lenders

The rates charged by payday chains vary from state to state, as do the regulations on the payday lending industry.

States with no payday regulations
States with protections against payday lenders
States with rate caps and/or other protections



SOURCE: THE CENTER FOR RESPONSIBLE LENDING

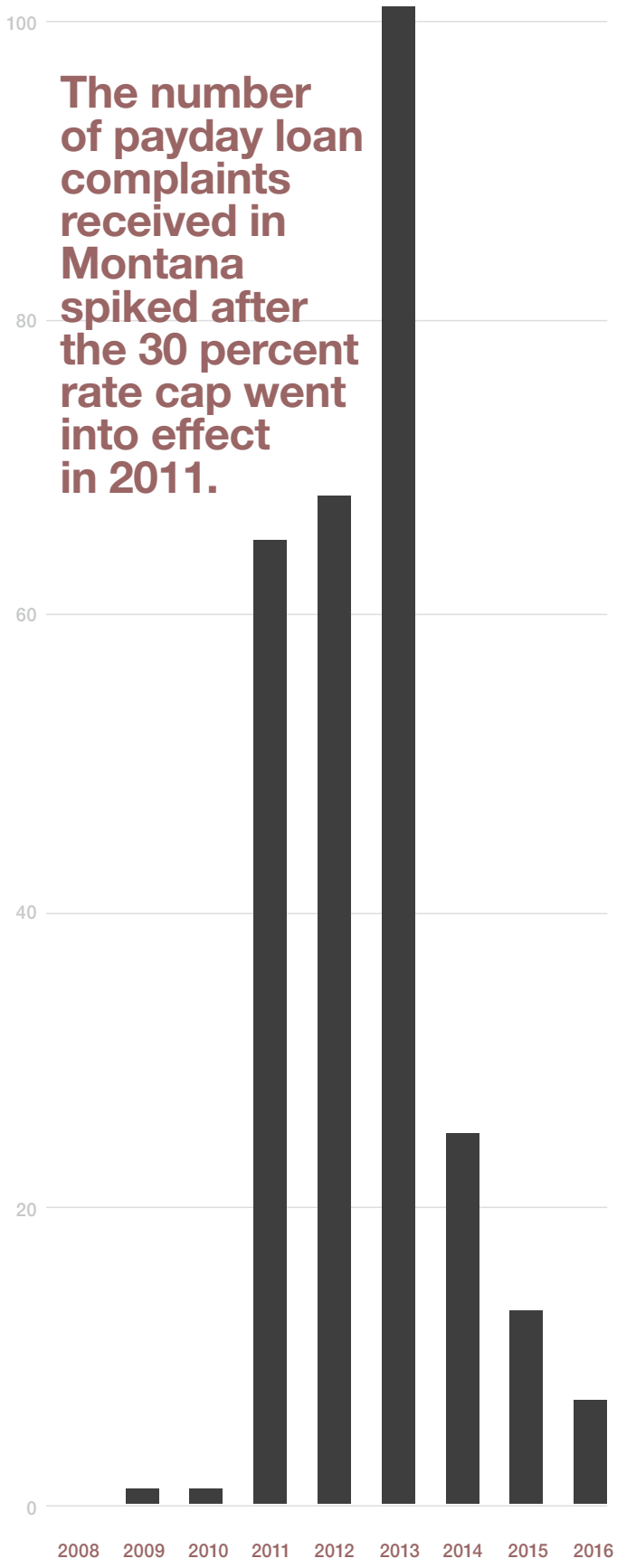
NOTE: The payday interest rates in each state are based on a typical loan. Each interest rate is the average annual percentage rate for short-term, small-dollar loans, or a $300, two-week loan as advertised by the largest national payday chains in 2016.

than 14 times what their opponents spent—in a failed effort to defeat a rate cap ballot measure.

The industry's argument against regulation has a simple logic: Payday loans offer fast cash for emergencies in a way that banks or credit unions typically don't. Sure, the annual percentage rate (APR) is high, but the loan terms aren't for an entire year. Most are two- or four-week loans of less than $500. A $15 charge on every $100 borrowed, the industry argues, is tantamount to a 15 percent interest charge. Imposing a 36 percent APR cap would reduce those charges to a mere $1.36 per $100 loaned. "No one can loan money at that rate," Bernie Harrington, president of the Montana Financial Service Center, warned his state legislature in 2009. "The losers will be the residents of Montana who need to borrow $150 to make a car payment and the hundreds of people who will lose their jobs."

But in practice, the evidence tells a different story. Studies show that when the state-based payday loan option is taken away, consumers may flock online—but only temporarily.

In Montana in 2014, after complaints against online lenders spiked at more than 100 a year, the number began to plummet. In



SOURCE: MONTANA OFFICE OF THE ATTORNEY GENERAL

2016, they totaled seven. What had looked like a crisis turned out to be an adjustment period. That is, while some Montanans may have turned to online lenders to fill their need for ready cash, they eventually weaned themselves off the payday practice. They turned to friends and families for financial help. In some cases, credit unions offered loans as a way to attract people into opening a bank account. "People went back to the exact same things low-income families did before 1999 when we allowed payday lending," says Montana state Rep. Tom Jacobson, who is the CEO of a financial counseling business. "They got by."

The Montana experience is backed up by research in other states. In a 2014 study on the topic, the Pew Charitable Trusts found that the rate of online borrowers in states that banned payday lending was only slightly higher (1.58 percent) than in states that allowed payday lending stores (1.37 percent)—a difference that is too small to be statistically significant. Moreover, focus groups of borrowers in states that restrict payday loans reported resorting to other means like selling or pawning possessions; borrowing from family or friends; calling bill collectors to work out a payment plan; and picking up extra hours at work. Separate studies commissioned by Arkansas and North Carolina found similar results. "It's kind of a false choice that either you have a 400 percent APR loan, or no credit at all," says Pew's Alex Horowitz. "People take various steps when payday loans are unavailable, but they don't seem to go online [and accept] higher rates."

Some people still do turn to online payday loans, however. They may not realize that high interest rate loans are illegal in their state. Or an online loan might be the quickest and least embarrassing option available. It's almost a matter of course for regulating the payday industry that when one door closes, another door opens. For instance, getting rid of payday stores in a state opens the door for attorneys general to start suing companies that are based elsewhere but lending money to their citizens.

Among agencies that have been zealous in pursuing predatory payday lenders is the Vermont Office of the Attorney General. Although the state never allowed high-rate loans, legislators in 2012 made illegal payday loans a violation of the state Consumer Protection Act. The law is the strongest in the nation because it extends payday loan violations to associated loan parties, such as collection agencies. It essentially gives the attorney general's office a larger hammer with which to go after online payday lenders. Since the law was passed, the state has reached settlements with 10 online lenders or payment processors resulting in more than $1.2 million in refunds to Vermonters.

Arkansas and New York are also actively pursuing online lenders. During just one month in 2013, New York Attorney General Eric Schneiderman announced settlements with five debt collection companies attempting to collect on payday loans in the state.

The CFPB's proposed rules limiting payday loans could help states by putting a dent in the online lending industry nationwide. But closing *that* door opens yet another: Online lenders have begun affiliating themselves with Native American tribes, claiming sovereignty under various Indian nations. Occasionally, states have been

successful in pursuing these lenders who escape to reservations. Take the case of a company called CashCall. It claimed exemption from state usury laws because the loans from which it received payments were issued by a partner company, Western Sky Financial, which is located on the Cheyenne River Sioux Tribe's reservation in South Dakota. After several states took CashCall to court, judges ruled that the company wasn't actually affiliated with the Cheyenne River Sioux Tribe. The lenders have settled with more than a dozen states and returned millions of dollars to consumers.

But more commonly, judges dismiss these kinds of suits for lack of jurisdiction, citing the lender's entitlement to tribal sovereign immunity. It's what Vermont Assistant Attorney General Justin Kolber sees as an emerging challenge. What makes the situation particularly frustrating is that most tribal agreements allocate only about 1 percent of the company's profits to the tribes—a pittance compared to what the lending company itself is making. "I haven't figured out what a solution is for that right now," Kolber says. "That is the next frontier that has to be dealt with."

Tribal immunity isn't the only escape hatch for payday lenders that consumer advocates are worried about. This past December, the U.S. Treasury's Office of the Comptroller of the Currency announced that it was exploring a proposal that would allow financial technology companies to apply for nonbank charters. The draft proposal, which recently closed its comment period, doesn't specifically exclude online payday lenders. There is concern among consumer advocates that a payday lender could apply for a nonbank charter designation and then use that to claim exemption from state rate caps. It would render control efforts over the past decade obsolete. Consumer advocates are urging the comptroller not to preempt state laws in this area.

In this world of never-ending loopholes, it isn't reasonable to expect states to squash out high interest rate loans entirely. Aware of their limitations, consumer protection departments in state AG offices are looking beyond the courtroom. D.C. Attorney General Karl A. Racine's office says it focuses just as much on financial literacy and counseling as it does on suing payday lenders. Vermont's AG office successfully worked with Google to ban payday loan advertisements on that company's Internet browser and search engine. These actions are saving consumers millions of dollars in fees and interest payments, but they don't reach everyone.

And always, it seems, there is something else to battle. Take Ohio, where voters approved a 28 percent payday loan cap in 2008. Payday loan stores closed, but then re-registered as mortgage lenders or credit service organizations—thereby exempting them from the rate cap. Today, Ohio is home to the nation's highest average payday loan APR. "It is a bit like whack-a-mole," Vermont's Kolber says. "We've done as much as we can do, but there will always be people who are committed to going out and getting a loan no matter what." And there will always be lenders ready to take their money. G

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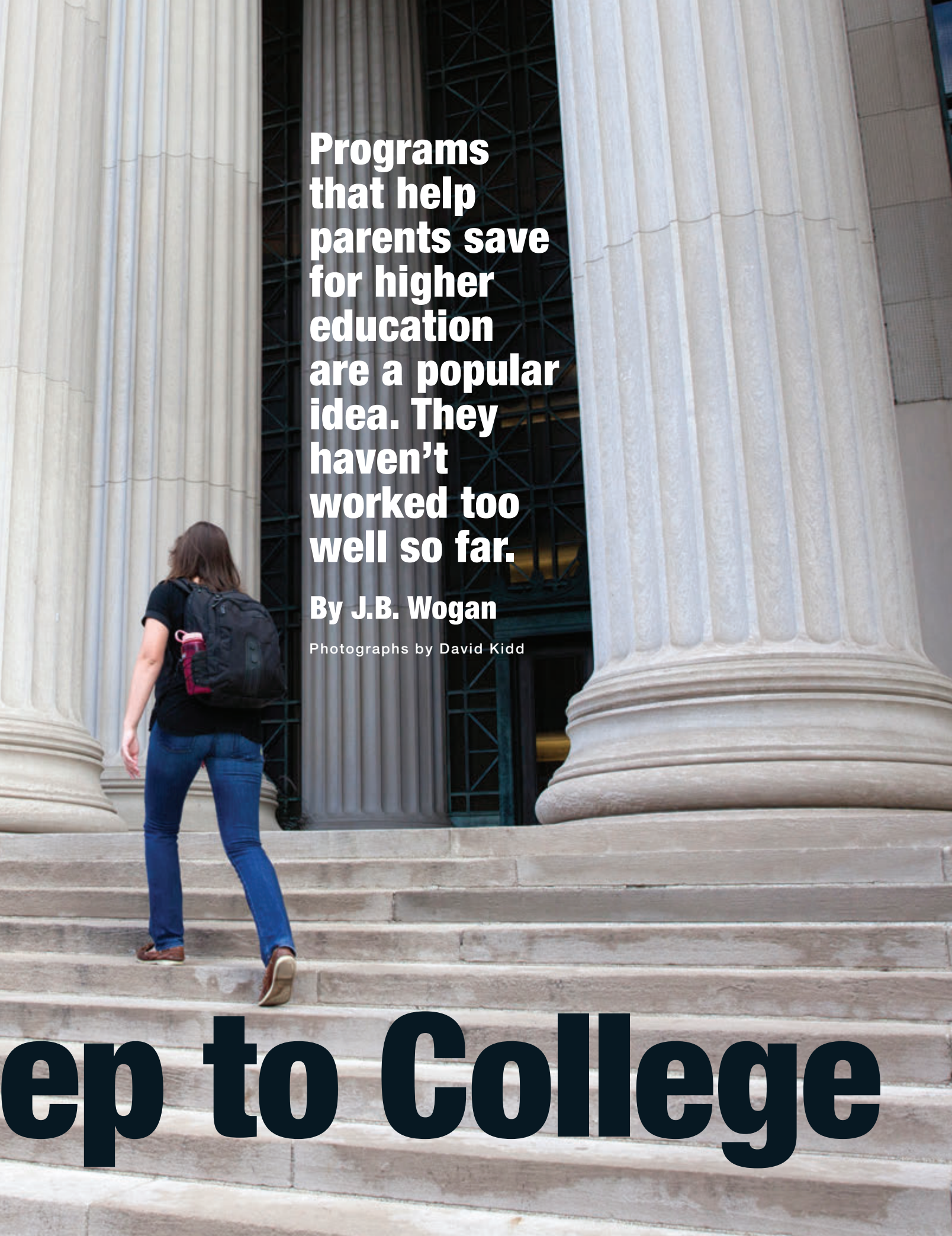

ep to College

Programs that help parents save for higher education are a popular idea. They haven't worked too well so far.

By J.B. Wogan

Photographs by David Kidd

In the spring of 2014, Ed FitzGerald visited a Cleveland elementary school to announce a new and highly ambitious education program: free college savings accounts with cash subsidies for every kindergartner in Cuyahoga County, Ohio. At the time, FitzGerald was the county executive and the Democratic nominee for governor. A similar savings account program had been introduced a few years earlier in San Francisco, but that was an experiment limited to public schools. FitzGerald's initiative included children in private and parochial schools as well. With 10,500 accounts in its first year, it promised to be the largest effort of its kind in the country.

At a press conference, FitzGerald cited the increasing cost of higher education and low college attendance rates as reasons for the new program. Past efforts by the state and federal governments to encourage saving for college, through so-called 529 investment vehicles, had largely failed. Research from the Board of Governors of the Federal Reserve System found that in 2013, these 529s achieved a meager 2.5 percent participation rate among eligible families. For households in the bottom half of the income distribution, participation was below 1 percent.

The savings plans, named for the 529 section of the federal tax code created by Congress in 1996, built upon an idea pioneered by Michigan in the late 1980s. The idea was that government could help parents pay for college by offering them tax breaks on savings accounts for higher education. The money parents withdrew from the accounts to pay for education expenses and the interest generated by the invested principal were tax exempt.

Over time, the number of 529 accounts and the amount of money invested in them had grown. But participation in the plans skewed toward wealthy parents who had college degrees, were already likely to send their children to college, and stood to benefit the most from tax breaks on their investments. Because the early state-run 529 plans required parents to be proactive in opening accounts, they tended to exclude parents who weren't aware of the plans. In 2012, the U.S. Government Accountability Office found that even among parents who were saving for college, as many as half didn't know about 529 plans.

The program in Cuyahoga County was designed to be different. Participation would be automatic, so parents wouldn't have to deal with the hassle of filling out application forms. Every family would be mailed a bank card with an initial $100 deposit from the county. In time, county officials expected foundations and local businesses to chip in with grants to match parents' own deposits. The money would keep growing for 13 years until the child was ready for college. "It's not a panacea. It's not a complete solution," FitzGerald acknowledged, but "we are—in a small way, anyway—making the cost of college easier to afford."

FitzGerald said local officials had a responsibility to give children "a real sense of hope" that they could attend college and compete in the global economy. "This is part of our mission now in county government," he declared.

The mission didn't last long. Barely a year later, FitzGerald had finished his term as executive, lost his campaign for governor and receded from public life. In his absence, the county council voted unanimously to repeal the program, citing high administrative costs and low parent engagement. Almost $3 million, most of it from accounts that parents never claimed, went back to the county's general fund.

Citing a responsibility to give children "a real sense of hope" that they could attend college, former Cuyahoga County Executive Ed FitzGerald launched the largest savings program in the country.

Despite the well-documented failure in Cuyahoga County, many other states and localities are testing the same basic idea. At least 42 programs in 29 states promote long-term savings for post-secondary education, according to a recent review by the Corporation for Enterprise Development, or CFED, a group that promotes college savings accounts. The majority of these are run by nonprofits, but the model is increasingly being adopted by elected officials.

The early demise of Cuyahoga County's program raises questions about why governments should offer these accounts, and what they should expect to get back from them. If they're meant to trigger frequent, regular saving by most account holders, early indications suggest that the results will be disappointing. Making a significant dent in college affordability, a purpose so central to the accounts that it's part of their name, seems improbable. Still, organizers of these programs say there are other reasons to offer the

accounts. They can be used as a carrot to improve student performance and help encourage low-income families to establish savings accounts. They teach children about saving money for long-term goals. All of that is true. But is it enough?

Nevada launched a similarly ambitious kindergarten-to-college savings initiative the same year FitzGerald unveiled his in Cleveland. Using fees collected from financial institutions, the Nevada treasurer's office seeded $50 per kindergarten pupil into a collective 529 investment vehicle run by the state. Following the examples of San Francisco and Cuyahoga County, Nevada made its program automatic, targeting all kindergartners in public school, regardless of income, and automatically providing seed money without any initial action by the parent. Families that followed up by opening their own personal 529 accounts were eligible for up to $1,500 in dollar-for-dollar matching deposits over a five-year period.

As in Cuyahoga County, the Nevada program had trouble engaging parents. In the first two years, the state opened about 66,000 "College Kick Start" accounts, but only 1,400 families started personal accounts. Without such accounts, parents couldn't make future deposits or take advantage of outside matches. On its own, without additional deposits, the $50 in seed money would barely grow to $90 in 13 years at 5 percent interest. Dan Schwartz, who took over as state treasurer in 2015, took a look at the discouraging numbers and started casting about for a way to fix the problem. He didn't want to discontinue the program. He wanted to save it.

Last fall, Schwartz began offering an additional $200 matching deposit for every kindergartner whose parents opened their own 529 account. It was a one-time demonstration to see if the extra incentive would attract new account holders. The idea was that data from the demonstration would win over lawmakers who balked at a similar proposal last year because of low parent engagement. "We will have a different story to tell at this legislative session," says Greg Hewitt, Schwartz's chief of staff. "It's going to be a positive one that leads to the expansion of College Kick Start."

Other programs around the country are trying different kinds of tweaks. In St. Louis, City Treasurer Tishaura Jones has defined parent participation as more than making personal deposits. Like some of the other programs, the one in St. Louis provides $50 in seed money and up to $100 in dollar-for-dollar matches in the first year. But nearly 90 percent of St. Louis public school students are eligible for free or reduced lunch, and many families don't have the money to spare for a savings account. So the St. Louis program rewards other forms of participation. For every week of perfect school attendance, students earn $1 for their accounts. If parents complete a financial education course, they can earn another $50.

In the first year, as expected, most St. Louis families did not put up their own money. The city opened 3,143 accounts, and fewer than 2 percent of the eligible children had received deposits from a parent or guardian. But the other behavioral incentives were more successful. Overall, about 23 percent of account holders earned deposits for some kind of incentivized activity. Jones is now partnering with the Common Cents Lab at Duke University, a behavioral economics think tank, to find more ways of increasing parent participation. This year, her office is offering financial incentives for parents to attend credit score counseling and make deposits during tax season.

Asked if she's disappointed that so few families put their own money into the accounts, Jones bristles. "This program is only two years old," she says. "We shoot ourselves in the foot with instant gratification." That's the viewpoint of CFED as well. The group is a partner in the St. Louis program and has a goal of enrolling 1.4 million children in savings accounts around the country, up from an estimated 313,000 in 2016. This year, it's supporting new programs in Boston, Louisville, New York City and Oakland, Calif.

St. Louis Treasurer Tishaura Jones believes parent participation can be defined as more than making personal deposits to accounts.

Jones may be right that time will improve performance. The discouraging data from Nevada, Cuyahoga County and St. Louis

reflect results from very young programs. In San Francisco, which started offering college savings accounts to kindergartners in 2011, the participation rate has climbed to about 16.6 percent, up from 8.1 percent in the first year. That's well above the national average for 529 plans, but still represents a small fraction of the accounts provided to families each year. "I want us to get higher," says San Francisco Treasurer José Cisneros, who oversees the accounts. "I would love to see us get to 50 percent of families making deposits."

By opening accounts automatically, Cisneros and other treasurers have bypassed the major problem with the older state-run 529 plans, which is that most parents don't take the initial step of establishing a savings account for their children. But officials have not solved the related problem of parents not knowing about the accounts, or not making use of them once they're open, Cisneros says. "It's a real struggle for us to grow awareness that these accounts exist."

While officials study the reasons for low participation, and seek ways to increase it, they're starting to market the programs as multipurpose initiatives that do more than just address college affordability. St. Louis, for example, is trying to use its program to lower the incidence of households without a checking or savings account. The idea is to help low-income parents avoid high interest rates and fees from payday lenders and check cashers. After one year, 114 families in the program had opened accounts at a bank or credit union. That's a small benefit, but it's one that Jones can highlight now; it will be years before her office knows the college attendance rates of account holders, or how much parents ultimately saved.

"We don't measure the success of a program by how many families make deposits," says Shira Markoff, a research associate at CFED. "They face day-to-day constraints that they need to spend their income on." Instead, CFED emphasizes the importance of opening the accounts and offering financial incentives to build upon those initial savings. According to CFED, whether the money comes from parents, the city, or outside funders matters less than whether the accounts ultimately make children more likely to attend college.

In fact, there is some research supporting the idea that simply having a college savings account is more important than how much money gets deposited. William Elliott, a professor of social welfare at the University of Kansas, has found that even children with less than $500 in a college savings account are more likely to enroll in and graduate from college than children with no savings account at all. His research also suggests that the purpose of the account matters: Even after controlling for other predictive factors like parents' income and education, children with basic savings accounts that are earmarked for post-secondary education are more likely to attend and graduate from college than those who put savings into an account with no specific asset in mind.

San Francisco Treasurer José Cisneros: "I would love to see us get to 50 percent of families making deposits."

Elliott sees the effects as mostly psychological. "I don't think the end goal of the savings accounts is saving itself," he says. "It's more about building expectations." Even when the accounts don't accumulate much money, they can give students the sense that paying for college is possible. "If you're growing up in a low-income area, you really do doubt that you'll ever reach college," Elliott says. "You might aspire to it, but you'll doubt that it could actually be a reality." Having the accounts, even with small amounts of money, may erase some of that doubt.

Much of what went wrong in Cuyahoga County can serve as a lesson to other jurisdictions in how not to proceed. Cuyahoga's program was enacted on a partisan vote: The three Republicans on the 11-person county council all opposed it. FitzGerald's decision to run for governor left the nascent program to a divided county government. "I don't think this program ever will be stopped, quite frankly," FitzGerald predicted in announcing its debut. A year later, it was gone. (FitzGerald could not be reached to comment for this story.)

"Our hope was that launching this program would create dynamic effects," says Dale Miller, a Democrat on the county council who voted for the proposal but later approved its repeal. "The county would put up this money and then local foundations, community organizations, churches and family members would put in additional resources. Unfortunately, almost none of that happened."

Jack Schron, a Republican on the council, says the program was rolled out before it was ready. Had it been linked to existing 529 plans, money that was deposited could have accrued tax-free interest. That wasn't done. "If it took another year to get right, who cares?" Schron says. "No one's against kids. No one's against trying to help individuals get ahead. But unfortunately, [the county didn't take] the time to think about how you do it right."

The newer savings account programs in other places are starting small and scaling up over time. Last year, Durham, N.C., launched a pilot at a single elementary school. This year, Boston will open accounts for children in five schools with plans to expand to all city public and charter schools in 2020. In New York City, a Queens school district will test the universal savings account model with an option to make the program available across the city after a three-year demonstration.

Markoff says other jurisdictions have learned from Cuyahoga County that they need to line up private funders and a broad coalition of support before starting a program. Elliott, the savings account researcher, says officials should take a broad and realistic view of what the programs can achieve. "If we think that low-income people are going to save large amounts of money and they're going to save monthly, we're grossly mistaken," he says. "So we shouldn't set those kinds of expectations for them."

For Miller in Cuyahoga County, the lesson is quite different. He chalks up the repealed program as a casualty of the policy innovation process. When trying a new idea, sometimes you fail. "I think it was a grand vision and a little bit beyond our capabilities in retrospect, but not by enough to be ridiculous," Miller says. "I support an experimental approach in government and, if you take that approach, not everything you try is going to work." G

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Community

DAVID STEPHENSON

A community worker with Kentucky Homeplace visits patients at their home in Eastern Kentucky.

Corps

Kentucky is proving how an age-old model can modernize a health-care system.

By Mattie Quinn

Eastern Kentucky, with its small communities nestled in the Appalachian Mountains, is well known as one of the poorest pockets of the country. What's sometimes forgotten, though, is how the region's economic decline has gone hand-in-hand with a long history of poor health.

In the early 1990s, state policymakers began to grapple with what to do about the region's high rates of cancer, diabetes and heart disease, as well as the apparent lack of such basic good health practices as preventive screenings. In many ways, the people in the region seemed to be living outside the health-care system. That's why, in 1994, lawmakers and health officials raised a simple question: How do we get people into the system in the first place?

"We knew we needed to create a position that would work as a patient advocate," says Fran Feltner, director of the Center of Excellence in Rural Health at the University of Kentucky. At the time, "lawmakers sort of joked that if there was money left after the legislative session, they would create a program that would include an advocacy position," she says. "Surprisingly, there was money left, so the Kentucky Homeplace was born."

Kentucky may have backed into the program, but Homeplace has become an innovative model for serving people in poor, rural areas. At its heart is the advocacy position. Those who enroll in the program are matched with a community health worker—usually someone born and raised in the community. The health worker can assist with any number of things that might affect a person's well-being, from getting them eyeglasses to helping them with food assistance to making sure they make medical appointments. "Those may seem like small problems for many people," says Deana George, a community health worker with Kentucky Homeplace, "but I know I've made the process that much easier for our clients."

After just a year with the program, George has several positive stories to share. She notes one proud moment of getting free cancer medication for a client—a medication that can run up to $10,000 a month. "When I bump into [clients] at the grocery store and they introduce me to their family, I know I've made a difference," she says.

Not only has the program helped get people into care, it has also seen improvements in diabetes outcomes and in cancer screening rates. Nearly 80 percent of participants receive colon cancer screenings, well above the 40 percent national average. The program, which now serves 36 counties in Kentucky's Appalachia region, has also introduced a new low-dose screening for lung cancer.

Health policymakers outside Kentucky have taken note. Homeplace, which is run through the Center of Excellence in Rural Health, was recognized as an "outstanding rural health program" by the National Rural Health Association, and the U.S. Department of Health and Human Services applauded its work in colon cancer screening rates. Feltner, who oversees the program, has won numerous health awards throughout the state and region. As she sees it, the community health worker is the key to the program's success. "We've discovered the missing link, and that's a person on a health-care team that makes sure a client has what they need outside of the clinic," she says. "If a mom doesn't have shoes for her kids, she's likely not getting a regular Pap smear."

Kentucky's community health worker concept is spreading to other states and regions where, under a variety of names and titles, it has been making a difference in the health—and possibly the health costs—of poor, underserved communities. Under the Affordable Care Act (ACA), the idea of community health workers

JAMES MORRIS

"We've discovered the missing link, and that's a person on a health-care team that makes sure a client has what they need outside of the clinic."

— Fran Feltner,
who oversees Kentucky Homeplace

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Eastern Kentucky's lagging economy and history of poor health has made the community health model more vital.

who can advise and assist patients about health-related services has been given new life as well.

The concept of a community health worker program goes back to at least the 1800s in Russia, according to a study in *The New England Journal of Medicine*. In the 20th century, such programs began surfacing in a number of countries. By 1975, the World Health Organization described community health workers as "a key to health care's success."

"Community health worker" has come to be an umbrella term that encompasses many different job titles, such as patient navigator, peer health educator and patient advocate. Whatever the title, the goal is simple: to help patients find and use resources to make health care and other supportive systems work to their advantage. "It can be very challenging figuring out our health-care system, especially if you're new to this country," says Megha Shah, a practicing physician at Emory University who has extensively studied community health workers. During the residency phase of Shah's training as a physician, she worked on a community engagement project and was struck by the efficacy of the idea. "It hit me that maybe, as a physician, I'm not the best person to provide [my patients] with [the nonmedical] information they need," she says. "There could be other people who share a language and a culture who can better communicate with a patient."

Usually employed either by a health clinic or community-based organization, community health workers help patients with barriers that keep them from living a healthy life—the problems that a doctor can't do much about once a patient leaves their office. "A clinician will never understand why someone's nutrition is so bad until they go to their home and see for themselves," Feltner says. "That's what a community health worker can do."

The concept plays into one of the overarching goals of the ACA: to find new ways to address people's health-care needs. Since its passage in 2010, several states have undertaken transformation plans for their health systems—and community health workers are often a part of that model. This is especially the case in states looking to make investments that focus on the social factors that impact health. "More and more are starting to take a look at the role of community health workers," says Amy Clary, a policy associate with the National Academy for State Health Policy. "It's one tool in the toolbox that connects folks to the health-care system."

A 2014 study from the American Medical Association found that a community health worker improved the likelihood that patients would obtain proper outpatient care and that they would not have to be readmitted to a hospital within 30 days of discharge. The study also found that patients were more likely to report whether they experienced improvements in their mental health. Some of those gains have been seen in Minnesota, which

DAVID STEPHENSON

Without community health workers, many lower-income residents would never see a medical professional at all.

revamped its health-care system in 2010. The state decided to pursue a health-care home model. Health-care homes are coordinated care clinics with providers of all types under one roof—meaning a person can get all of their health needs met in one visit. Providers are often paid a fixed monthly fee, with bonuses for meeting health goals.

When the state first adopted the health-care home model, it only had resources for four community health workers. That number has since ballooned to more than 30 as the state continues to see positive outcomes from their work, according to Kristen Godfrey-Walters, community care coordination manager at Hennepin County Medical Center in Minneapolis. For example, a 2015 analysis of patients enrolled in a health-care home and working with a community health worker found there was a 29 percent reduction of patients being admitted to hospitals and a 21 percent reduction in emergency room visits. "I really see community health workers becoming a traditional role on a health team, right along with the provider," Godfrey-Walters says. She adds that the medical center doesn't have the ratio of community health workers to providers that it would like and, as she puts it, "the role right now isn't seen as a regular member of every health-care team. [But the system] is starting to move in that direction."

Massachusetts is currently revamping its Medicaid program from fee-for-service to bundled payments. As that process has begun, it's been increasingly common to see community health workers as part of the health-care system. Lisette Blondet, director of the Massachusetts Association for Community Health Workers, reports that there are now 3,000 community health workers throughout the state. Blondet helped found the Community Health Education Center, which trains community health workers in the Boston area. She has seen a change in attitudes toward community health workers over time. "In 1993, the Centers for Disease Control wasn't doing anything in the way of promoting community health workers," she says, "but there's been a huge change of interest thanks to the ACA. Massachusetts, which is undergoing a major revamp of its Medicaid program, can really use them to address issues and reach people where doctors cannot."

Massachusetts is one of 15 states and the District of Columbia that have a state-level training process or provision to promote

community health workers. That number is likely to rise as more states invest in programs that focus on the social determinants of health. However, one state's approach to developing and utilizing community health workers is not necessarily a model for another. "There needs to be flexibility when it comes to training and certifying people, since different states will focus on different communities," says Clary of the National Academy for State Health Policy. She adds that state officials should also be thinking about how to make it easier for people to become community health workers.

While research shows community health workers help people navigate the health-care system and manage their health, no one knows whether they are cost-effective. "We continue to pitch community health workers as this tool that'll make health-care cost go down," Emory's Shah says. "But we just don't have the data to back that up."

Getting that data could take a while: Population health outcomes move slowly. "The return on investment just takes longer than concrete clinical interventions," Clary says. "The evidence for the business case is there, but the investment can take a long time to bear fruit." Inevitably, she adds, sustaining the concept financially depends on executive leadership and buy-in within each state.

Until hard data is available, the push for community health workers will likely continue to be an uphill battle. For one thing, the lack of data impacts the salaries for community health workers. Their median salary is currently just under $35,000, well below a typical salary for someone in the health sciences field. "If we cannot give them better salaries, we're doomed," Massachusetts' Blondet says.

There is also the question of who will pay those salaries. Even in Minnesota, with its pioneering health-care home model, it's been tough to make payment work. Right now, community health workers are supported through a combination of grants, operational dollars and reimbursement. "Newer roles in health care are seen as needing to support themselves," says Godfrey-Walters. "So we continually have that struggle to pull those pieces together."

Lack of data and funding aren't the only obstacles. Finding the right people for the job—someone who's already a member of the community being served, as well as a natural-born helper—can be difficult. "Instead of being personality-based, many programs just rely on training," says Shreya Kangovi, executive director of the Penn Center for Community Health Workers. "But you can't train empathy and listening skills, so there's often very high turnover."

Kangovi should know. She led a 2015 study whose results appeared in *The New England Journal of Medicine*. The study found that a rash of programs in the 1980s were terminated because they failed to meet expectations. Her team researched what makes a good community health program and what doesn't. One problem she identified: Programs that target a single disease are not a good use of funds or resources. "Who do you know with just one disease?" Kangovi says. "Clinicians are better trained to deal with health conditions. Community health workers are best when they're structured around social supports. But programs fail when they aren't tapped into the medical system at all."

There's a solution to this issue, says Kangovi. She points to community health workers at the University of Pennsylvania who come to the medical clinic once or twice a week to talk with walk-in patients, check up on their regular clients and help the clinical staff with miscellaneous tasks. That one day a week in a clinical setting makes a big difference in their experience and knowledge, she says.

Overall, the concept must strike a delicate balance of being medical without becoming overmedicalized; of being supported by the state but given flexibility with programming; of working outside the medical system but still being reimbursable by it. All of those tensions make it hard to get the community health worker model right. And of course the looming unknowns about how President Trump and congressional Republicans will dismantle the ACA adds uncertainty to the future of many of these efforts.

Community health workers can make other parts of the health-care system move more efficiently.

When fully actualized, however, community health workers can make other parts of the health-care system move more efficiently. They can help work in clinics as well as in community settings, and they have the potential to free up other members of a care team, taking on tasks that often slow down a nurse or a physician assistant. To be sure, community health workers aren't the silver bullet to bring health-care costs down or eliminate health disparities. Even Homeplace has not overcome some of those challenges. In a *New York Times* report in 2014, Clay County, one of the Eastern Kentucky counties Homeplace serves, was found to have a life expectancy for its residents that was six years shorter than the national average; nearly half the population was obese.

Despite the daunting and complex health conditions, advocates say community health workers bring a long-missing piece to health care: someone who's just there to help. These workers may not be able to address entrenched problems within the health-care system. But what the community health worker can do—and has done in Eastern Kentucky—is help patients find transportation to doctors' appointments, connect them with child care services, make sure their family has food, and a host of other hard-to-navigate tasks. "In 20 years, we've perfected our own system," Feltner says. "Now it's picking up steam everywhere." G

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Defense

The Red Hook Community Justice Center in Brooklyn

In one unconventional courtroom, a little respect goes a long way.

with Dignity

By Daniel C. Vock

Photographs by David Kidd

It doesn't feel like a courthouse, or at least not any you've ever seen before. At the Red Hook Community Justice Center in Brooklyn, the hallways are wide and welcoming and lined with artful photos of the neighborhood. Defendants' holding cells are walled in thick glass—not bars—and the entire place is bathed in natural light. Instead of imposing dark paneling, the open-plan rooms have crisp white walls and blond wood. In one meeting room, a wall-sized mural painted by teens in the neighborhood shows a lively streetscape at the intersection of "2nd Chance Street" and "Perseverance Road." Throughout the facility, instructions on signs go out of their way to be polite, even to criminal suspects. "Questions?" reads a placard near a set of metal detectors. "Our court officers are happy to help."

The unconventional vibe continues once defendants find themselves in front of the judge—Judge Alex Calabrese, who has served as the public face and the sole judge of this groundbreaking justice center since it opened 17 years ago. His bench sits at eye level with the defendants, rather than looking down on them from above, to better facilitate a dialogue. During proceedings, Calabrese makes sure that defendants understand what's going on. He talks with them about problems in their lives and how they might address them. He smiles. He asks engaging questions: Have you ever been in treatment for drug addiction? Do you have kids? Are you happy with the shape your life is taking? "We want them to know that we want them to be successful," Calabrese says. "They're so used to getting knocked on their head by the court system."

Some of Calabrese's interactions with defendants can be almost startlingly polite. If, for example, repeat offenders have never been offered drug rehabilitation services, "I will apologize," says Calabrese. "That's just not right. It's not fair." After carefully explaining how he reached his rulings, he often ends proceedings with a handshake or a hug. If a defendant has had a particularly dramatic turnaround, the judge may even applaud.

More than a decade and a half after it first opened its doors, the Red Hook Community Justice Center remains one of the most innovative courts in the nation. It's not just the physical attributes of the building or the avuncular demeanor of the judge, though both of those stand in stark contrast to most other courts. Rather, the Red Hook court was conceived as an entirely new approach to justice, a way to reconnect defendants to their community by providing them the services they need. More than anything else, what sets this court apart is a fundamental idea of respect. Treat defendants with respect, and they'll respect you—and the law—in the future. It's a radical departure from historical approaches. But what's truly radical is just how successful the idea has been.

Community courts, which focus on problem-solving rather than just meting out punishments, are not a new concept. There are dozens throughout the world, many of them in the New York area. Red Hook, which has been in operation since 2000, wasn't even the first community court in New York City; one opened in Times Square in 1993. Because they often send offenders to drug rehabilitation and other jail-diversion programs—Calabrese's sentences are more likely to involve cleaning graffiti or completing drug treatment than going to jail or paying a fine—community courts reduce the amount of time defendants spend in jail. They also reduce recidivism. Both are primary objectives of criminal justice reform efforts around the country.

But other community courts tend to focus on a narrow range of cases: homelessness, say, or drug dealing or human trafficking. Red Hook was designed to be different. It was the United States' first multijurisdictional community court, meaning it hears everything from landlord disputes to drug arrests and other criminal offenses, including juvenile cases.

Planning for the court and the services it would provide began in the mid-'90s. A nonprofit group called the Center for Court Innovation offered to work with the New York state judicial branch to design how the court

The justice center opened in 2000 in a former Catholic school.

Judge Calabrese hears cases that would typically go to three different courts—civil, juvenile and criminal.

would function. But many of the major decisions came from the community itself. Organizers, for example, took neighborhood leaders on bus trips around the area to scout potential locations for the new court. While other locations provided more administrative benefits, community leaders settled on a vacant building that once housed a Catholic school. Reopening the building for a public purpose instead of private condominiums, they said, would give the neighborhood a source of civic pride.

Something else was clear from the beginning: Red Hook wouldn't be just a courthouse. On the two floors above Calabrese's courtroom are social workers, a housing resource center, a GED program, and other counseling and support services. The court hosts community meetings and college fairs and has brought in legal aid lawyers to help residents with civil cases. A youth court trains local teens to act as judge, jurors, prosecutors and defense attorneys in real cases referred to it by Calabrese.

Because of all the services it offers, the justice center isn't just a place people are forced to go on their worst days. It's a true community resource that people in the neighborhood frequently turn to for support. That, says Adam Mansky, the director of operations for the Center for Court Innovation and one of the early administrators of the Red Hook court, is the "magic ingredient" that has helped reshape the relationship between the community and the justice system. Organizers included a housing court, for example, specifically to handle cases between tenants and the local public housing agency. "We are striving to create a sense

"The court of second chances" is Judge Calabrese's nickname for the Justice Center, an idea echoed in a meeting room mural that was painted by local young artists.

of ownership by the community," Mansky says. "We were very cognizant of the fact that a community like Red Hook"—a low-income, mostly minority neighborhood—"could feel extremely skeptical of a government intervention like this, particularly in criminal justice. So from the very beginning we worked assiduously to engage the community, and to show them we weren't there to criminalize the community but to provide support to the residents."

The court is an "incredible community resource," says Jill Eisenhard, the founder and executive director of the Red Hook Initiative, a nonprofit focused on youth. Practically, it saves people a lot of time and money to take care of small legal matters in the neighborhood, rather than requiring people to go to courthouses farther away. But the court has been especially valuable during times of crisis, she says. Last summer, as violence rose in the area, many youth were afraid and angry about how they were treated by police. Eisenhard's organization was able to meet with Calabrese and other court staff to relay their concerns. After one shooting, Calabrese went to the public housing development to check in. "That's genuine," she says. "People know who he is. He's not afraid to cross a line outside of the building and come and ask us what's happening and if we're OK."

The Red Hook neighborhood is a funny little pocket of western Brooklyn, a corner of land that juts into New York Harbor but is choked off from the rest of Brooklyn by an elevated highway. The nearest subway stop is a mile away. For years, being out of the way meant Red Hook was largely forgotten. It's home to one of the biggest public housing developments in New York, with nearly 2,900 apartments. In the 1970s and 1980s the city allowed those homes to fall into disrepair. The neighborhood further declined as its docks lost business to New Jersey. Drug dealers moved in. By 1988, *Life* magazine declared Red Hook "the crack capital of America."

Things hit rock bottom four years later, when a popular elementary school principal was shot and killed while searching for a fourth-grade boy who had left school. The principal had evidently been caught in the crossfire in a fight over drug territory. The slaying drew national attention to Red Hook. Within a few years, the idea to start a community court there began to take hold.

Bright spaces and clear signage make visiting the court a pleasant experience. Services are available to anyone in the community.

As plans for the court took shape, organizers reached out to Calabrese, who, as a Brooklyn criminal court judge, assigned social workers to cases with drug treatment, mental health or school attendance issues. When he was assigned to the new project in Red Hook, Calabrese made a point to meet with people who lived in the neighborhood. He went to community meetings and visited housing developments. "This is a community where there was so much gunfire on the streets, you'd put your kids to bed in the bathtub, because that was the safest place for them," he says. "This is the way they're living, and no judge had been out there. There was a complete disconnect between court and community."

Red Hook today is a far different place from when Calabrese started. There's a gleaming 40,000-square-foot Tesla showroom just blocks from the courthouse. The city's only IKEA is nearby. Bike-share stations have sprouted up in front of public housing. Part of that has to do with the same gentrifying forces that have changed much of the rest of Brooklyn in the past 15 years.

But supporters say the court has helped too. Arrest rates in the police precincts served by Red Hook dropped almost immediately after the court opened in 2000 and have largely stayed there since. A 2013 evaluation by the National Center for State Courts (NCSC) found that adult defendants who went through Red Hook had a 10 percent lower recidivism rate than those who went through traditional courts. The effect was even more pronounced for juveniles, who saw a 20 percent decrease compared to other systems.

Meanwhile, Red Hook reduced the number of defendants who were sentenced to jail by 35 percent. In fact, 78 percent of defendants at Red Hook were sentenced to participate in community service like cleaning up parks, or in social services like drug treatment. At Brooklyn's primary criminal court, by contrast, only 22 percent of offenders received those types of sentences.

Part of the reason for that success rate rests in Red Hook's basic dedication to treating defendants with dignity. A growing body of research around the notion of "procedural justice," pioneered by Yale psychology professor Tom Tyler, shows that litigants (including criminal defendants) are more likely to abide by a court's rulings if they think that the process used to reach those rulings is fair—even when the ruling isn't in their favor. That certainly seems to be the case at Red Hook. "When offenders were asked to describe in their own words how their experiences at the Justice Center differed from their experiences in other courts," the 2013 NCSC study said, "the word they most frequently chose was 'respectful.'"

Red Hook has become an international model, inspiring similar projects in places from Canada to Israel to Australia. Judges and public officials from across the U.S. and elsewhere have visited to see how they might implement some or all of the ideas back home. But the Red Hook model requires concerted effort and coordination from state lawmakers, the judiciary and the community, which has made it slow to catch on in other states.

For Calabrese, the success of Red Hook rests on that central idea that everyone deserves respect. "It all starts from understanding that everybody who comes through your doors, whether they walk in through the front door or they're brought in through the back door by the police, they're a member of your community," he says. "They are a member of your community before they had a case, while the case is pending and after the case is over with." **G**

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Smoke, Mirrors and Job Creation

Governors can affect their states' employment picture, but not in the way most people think.

During their State of the State addresses earlier this year, many governors took the opportunity to remind the public of just how far their economies have come since the recession. New York's Andrew Cuomo mentioned his state's declining unemployment rate and record number of private-sector jobs. New Jersey's Chris Christie cited the creation of 278,000 jobs since he took office in 2010. New Mexico Gov. Susana Martinez said an uptick in manufacturing and tech jobs was a "direct result" of recent business-stimulating reforms.

Governors claim credit for positive jobs reports and get blamed when the numbers aren't so good. But in reality, myriad factors affecting job growth are beyond their control. National and global economic shifts greatly influence job gains and losses, along with the performance of a state's industries.

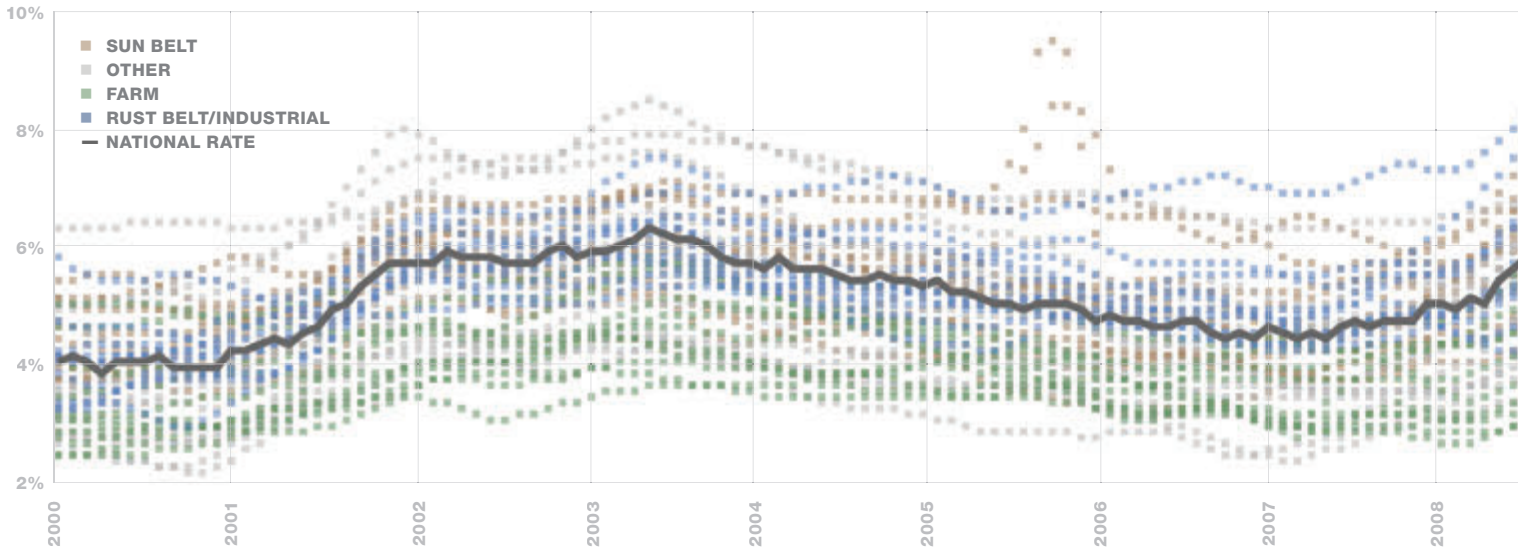
Published research doesn't offer any consensus on the degree to which governors generate growth across a state's economy, but it's certainly less than they give themselves credit for, at least in the short term. According to a cross-section of economists, governors may actually be responsible for only about 5 to 10 percent of changes in total employment over a four-year term. "In the short run, their effect is quite limited," says Edward Glaeser, a Harvard University economist. "Most of the things that affect a state's economy are way beyond a governor's control." Examples might include housing booms, aging populations and large fluctuations in commodity prices.

The performance of a state's major industries plays an even greater role in driving job totals up or down. This was particularly evident in the oil and gas boom that provided a boost for several governors' economic claims during the past few years. Over the first four years of former North Dakota Gov. Jack Dalrymple's administration, from 2010 to 2014, employment jumped a staggering 22 percent. But then oil prices dropped, and over the last two years of his term that ended in December, total employment declined more than 5 percent. "Relative to the business cycle," says David Neumark, an economist at the University of California, Irvine, "governors' policies are trivial."

No one disputes that the national economy affects state job growth, but the extent of the linkage varies. Illinois, for example, maintains a fairly diverse labor market, so its economic measures have closely tracked national rates for decades. By comparison, states more reliant on one or two sectors, such as energy or agriculture, don't mirror the country as much. Farm states weathered the recession much better than others. And states that lean on manufacturing jobs are typically more

State Unemployment Rates: 2000-2016

Similar state economies in the same regions often mirror one another. Each marker shown represents a state's monthly unemployment rate.



By Mike Maciag

prone to job losses resulting from matters overseas. After all, governors clearly can't dictate global economic policy.

At times, governors may resolve—or even create—a crisis. During recessions, Neumark suspects their influence is greater, depending on the policies they pursue and how quickly they react. But even during downturns, states count largely on what happens in Washington. The federal government can inject significant investment into a state's economy, as was the case with the American Recovery and Reinvestment Act in 2009. For their part, states don't have the same ability to borrow huge sums of money, and their rainy day fund balances are insufficient to raise spending by very much. States that balance budgets by cutting spending suffer more immediate negative consequences than those raising taxes, says Timothy Bartik of the W.E. Upjohn Institute for Employment Research.

But in many cases, cities are the economic engines that drive states' fortunes. And local leaders, Glaeser says, actually have more influence than governors do. They can, for instance, adopt land use regulations or other rules that encourage or inhibit growth. "Mayors are hands-on leaders," Glaeser says. "They really can shape the local environment." And some mayors preside over their cities far longer than the four or eight years most governors are afforded, allowing them to leave more of a lasting imprint.

Governors may have influence on their states' economies, but they may not still be in office to see it. Over 15 years, Bartik estimates that a governor's efforts could potentially be responsible for 25 to 30 percent of changes in a state's employment. He cites education initiatives ranging from early childhood schooling to community college training programs. Business incubators or research grants may help over the long haul as well, even though they may not yield many jobs right away. "It's not something where you're going to be able to snap a finger and affect things in a couple years," Bartik says.

Consider North Carolina's famed Research Triangle Park, a science and technology center promoted by a succession of governors that welcomed its first companies in 1959. Growth was slow at first—it took approximately 20 years for the park to employ 10,000 workers. Today, it's home to more than 50,000 employees.

The public, though, desires more immediate results, often without consideration of other factors influencing a state's economy. Research by economist Justin Wolfers suggests that while voters judge their state's performance relative to the national economy, their assessments aren't much more sophisticated than that. Voters in states with business cycles keyed to national conditions are prone to re-elect governors when the country's economy is booming, then punish them during national recessions. Voters in heavy oil-producing states were similarly found to reward governors when oil prices climb, then vote them out of office when prices fall.

So perhaps it's natural that while their policies affect states mostly over the long term, governors typically tout the short-term gains that voters want to hear about. "Politicians tend to be short-term-oriented," Bartik says, "because the voters are short-term-oriented." G

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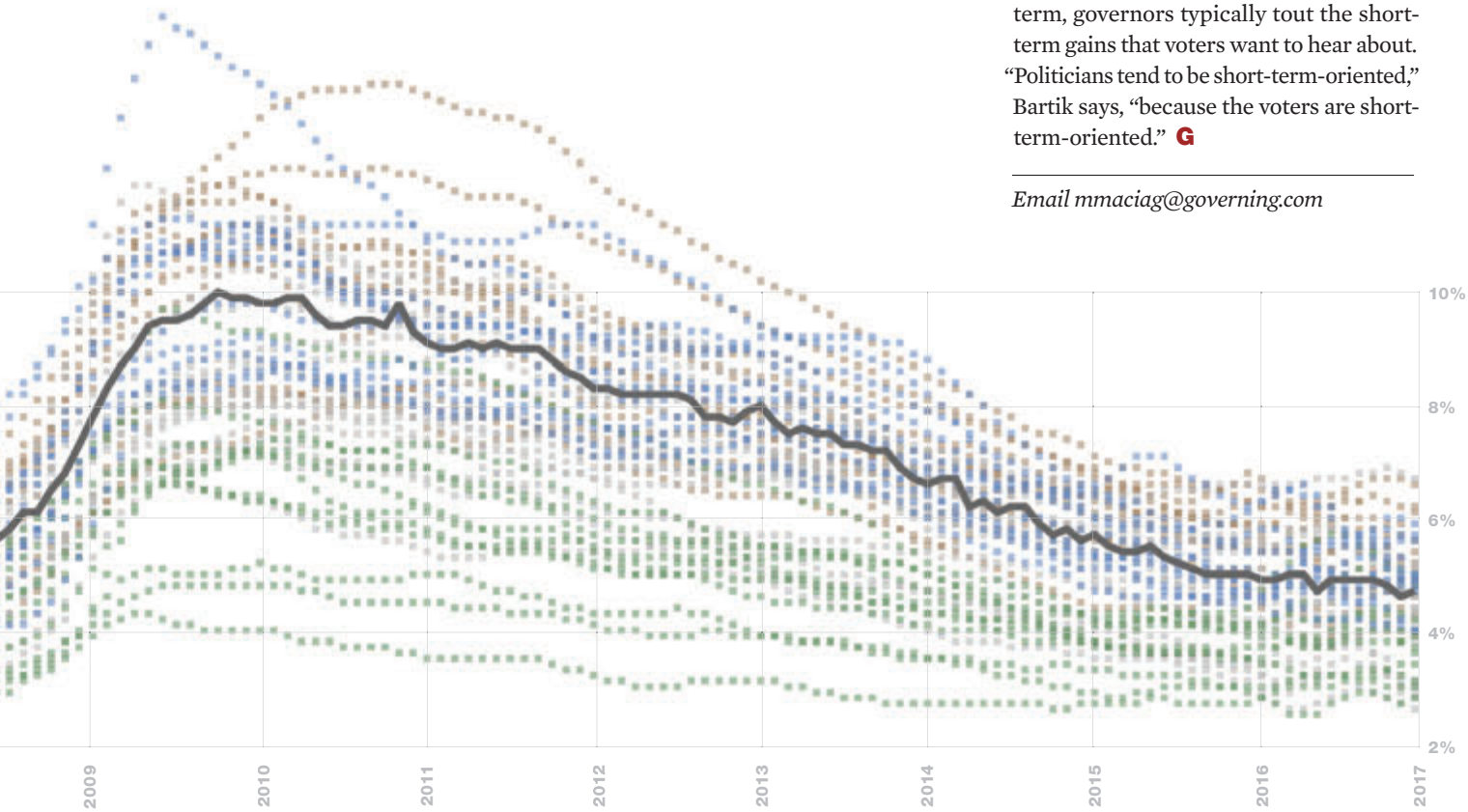

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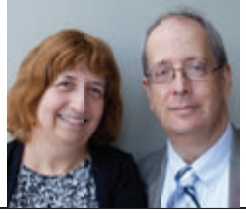

By Katherine Barrett and Richard Greene

Operating Room

State COOs are becoming more common.

In the summer of 2015, Oregon and other Western states suffered from brutal wildfires that cost hundreds of millions of dollars to contain and destroyed thousands of homes. At the worst moments of the crisis, the director of forestry was determined to send warnings out to citizens. The solution? He reached out to the director of transportation, and immediately Oregon's electronic highway message boards were delivering warnings about wildfire dangers.

This kind of interagency cooperation would have been difficult to pull off in the past. But Oregon benefited from the creation of a relatively new position in that state: chief operating officer (COO). It was created by former Gov. John Kitzhaber five years ago and has continued under current Gov. Kate Brown.

The COO takes on the tasks that governors simply don't have the time to do, such as improving coordination between agencies. "Most of the state agency directors serve at the pleasure of the governor, but the governor doesn't have the capacity to manage the work of agencies on a day-to-day basis," says Matthew Shelby, communication strategist at the Oregon Department of Administrative Services. In effect, the COO serves as a convener-in-chief who can bring agency heads around a table and facilitate conversations about operating as a single entity. "There's a growing expectation," Shelby adds, "that we're working together."

The federal government uses chief operating officers, which came into fashion as part of the effort to "reinvent" government in the 1990s. And COOs are quite common at the city level, where there tends to be a greater emphasis on service provision. But they are less visible in governors' offices. A survey commissioned by the National Governors Association in 2015 found the position in a handful of states, including Georgia, Illinois, Nebraska, New York, Tennessee and Vermont. While the New York and Vermont positions have been around for some time, in Georgia, Illinois, Nebraska and Tennessee, the position is relatively new. But it seems to be spreading: In January, incoming Missouri Gov. Eric Greitens tapped Drew Erdmann, a partner at McKinsey, as that state's first-ever COO.

In Tennessee, Gov. Bill Haslam in 2013 appointed longtime IBM executive Greg Adams to be the state's first COO. The position stemmed from a need that Haslam and his staff perceived in his first two years in office. There were no advisers whose role naturally put them in a position to own cross-department operational efficiencies, such as multiple call centers, eligibility systems or IT functions that could potentially be shared. "It wasn't a natural fit for anyone," says Adams. Lately Adams has been getting a flow of requests from other states that are eager to hear how the position works. "It's kind of buzzing," he says.

When National Governors Association researchers examined four of the states with positive COO track records, they found a handful of factors that COOs thought were important to their success. These included the governor's commitment to operations, defined roles and responsibilities, an emphasis on performance management, and an enterprise-wide perspective.

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Missouri Gov. Eric Greitens, right, in January tapped Drew Erdmann, left, to be the state's first-ever COO.

What's the difference between COOs and the more common position of chief administrative officer? Of course, roles and responsibilities always vary, depending on the state, the governor's leadership style and the way different management roles have evolved over time. But generally, COOs are likely to be less involved than chief administrative officers in back-office operations and are more directly involved with the governor, the governor's staff and enterprise-wide issues.

In Oregon, for example, agency directors may have individual conversations with the governor and her top policy officials, fundamentally focusing on the issues that impact their own agencies. But then every two weeks, directors from the state's largest agencies come and sit around a table with COO Katy Coba to discuss the various operational issues that affect most or all of them.

In Tennessee, the COO position provides a focus on the consistency of state practices across 23 separate departments, including the way the state engages in planning, goal setting and paying for performance. Every month, in addition to the governor's monthly cabinet meeting, Adams also meets with the state's 23 commissioners to talk about operational issues and with the three commissioners who deal with internal services—human resources, finance, and administration and general services.

One of the biggest pluses of having a chief operating officer is that it means the governor has someone with him in the "middle of gnarly operational issues, helping to free him up to drive dramatic policy issues," Adams says.

It's exactly those gnarly operational issues that can easily destroy a governor's legacy. While governors are judged initially on their policy priorities, their final legacy stems from their success in implementing their priorities and in dealing with the many operational challenges that begin to surface as soon as they take office.

"As I look back on several hundred governors," says Barry Van Lare, who has held multiple high-level positions in both the state and federal governments, including a number with the National Governors Association, "their legacy depends not so much on their policy objectives as on whether something went wrong from an administrative point of view during their administration and whether they were able to handle it."

Says Oregon's Coba, "You can have the best policy in the world, but if you can't implement that, you've failed." G

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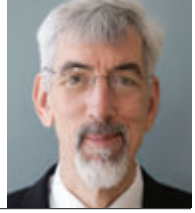

By Mark Funkhouser

The Complexity of Simplicity

It isn't easy to achieve, but it's a vital goal for government.

Complexity, says Brookings Institution social mobility expert Richard V. Reeves, "is the friend of the upper middle class." To me, Reeves' observation provides insight into the insidious way governments can, even without realizing it, work against the bulk of the people they seek to serve. It reminds me of my days as a social worker, when a lot of my clients would ask me to interpret government letters and forms for them. I worked for the state of Pennsylvania, but the forms they brought to me were from the city, the county, the state, the feds. It didn't matter—it was all "the government" to them, and the special skill I brought was that I could interpret bureaucratese.

Artist Georgia O'Keeffe often said, "Select, simplify and amplify."

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If what Reeves says is true, then what Nick Macchione, director of health and human services for San Diego County, Calif., calls "potent simplicity" is the friend of everyone else. Macchione and his colleagues used the concept to create a clear, empowering message to underpin Live Well San Diego, the county's strategic community health plan. They came up with notion of "3-4-50" to communicate the idea that three behaviors—smoking, lack of exercise and poor nutrition—contribute to four chronic diseases that cause more than half of the county's deaths.

In the book *Simple: Conquering the Crisis of Complexity,* authors Alan Siegel and Irene Etzkorn write that achieving simplicity is anything but simple. "It takes work to organize, streamline, clarify and generally make sense of the world around us," they write. An example of the scope of effort involved is Rhode Island's work to increase voter participation. Secretary of State Nellie Gorbea's team began by redesigning the ballot, working with the Center for Civic Design, the federal Election Administration Commission, the American Institute of Graphic Arts and the Brennan Center for Justice. They tested it with focus groups and people on the street and then educated voters with videos, sample ballots online, interviews with Gorbea in both Spanish and English, and 120 voter information sessions.

Simplifying the school selection process for Boston families—a system perceived by many as working to perpetuate the inequities it was supposed to be fighting—also was anything but simple. Susan Nguyen, chief of staff for the Boston Mayor's Office of New Urban Mechanics, says the changes had to be made with a lot of attention to who was using the process. Collaborating with Code for America and spending a lot of time talking with parents, Nguyen and her team ditched an eight-page printed foldout crammed with complex details in favor of a multilingual Web page that functions like Hotels.com.

Reeves quotes a mantra of the artist Georgia O'Keeffe: "Select, simplify and amplify." Public officials who take those words to heart in shaping public services will have succeeded in opening another front for combating inequality and the decline of trust in government. G

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By Tod Newcombe

Letting the Little Guy In

Ohio's revamped procurement system allows smaller firms to bid on IT projects.

Ohio CIO Stu Davis

DAVID KIDD

The state of Ohio wanted analytics. Demand from agencies had steadily increased for better ways to sift through large chunks of data, which could help public officials predict everything from the next crime wave or food poisoning outbreak to places where fraud might occur in a benefits program. The state had identified 14 different areas of government operations, from auditing to workforce programs, that could benefit from analytics.

But Ohio had an IT procurement problem. A lot of the really good analytic tools and the people who know how to build them weren't bidding on government IT projects. What was the barrier that kept them from reaching city hall or the state Capitol? A clunky, complex procurement system.

Stu Davis, Ohio's chief information officer, had seen this problem play out time and again. As the guy with authority over what technology the state's 26 agencies can buy, he decided to fix it. Two years ago, Davis began working to change the state's procurement rules. He and his team looked to see who was practicing data analytics in the state. They were stunned to find that there were more than 100 small, innovative firms that they had never heard of before. "We didn't know how to engage with them," he says, "and they didn't know how to engage with us because of our procurement process."

Ohio's situation isn't unique. State and local agencies want to buy new technology, such as analytics, but the only firms that can sell it are the handful of big ones that have the money and resources to navigate government's arcane procurement rules.

To help attract the smaller guys, Davis got the state to streamline the procurement process by creating a request for proposal that prequalifies companies to provide analytics according to a range of disciplines, such as fraud, auditing, risk management, public safety and so on. The prequalifying RFP speeds up the entire bidding process, meaning high-impact data analytic projects could be operating without the usual six- to nine-month lag time it takes to qualify a vendor.

The state also reduced the onerous paperwork that can cost anywhere from $50,000 to $1 million, depending on the size of the project. "We got rid of some of the mandatory roadblocks, such as a requirement that a vendor has to have worked for a state of similar size before they can work for us," says Davis.

While it's still too early to tell if the changes to Ohio's procurement rules will make a difference, the work has already generated a lot of interest from other states. Davis has received several calls from CIOs and even small firms to learn about the changes. "I'm pretty jazzed about the process," he says. "We're going to be able to tap into the brainpower that smaller firms have, and we're going to be in a position to come up with some really innovative approaches to solve some of the problems we've had in the state for years." G

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By Frank Shafroth

Shelter and the Storm

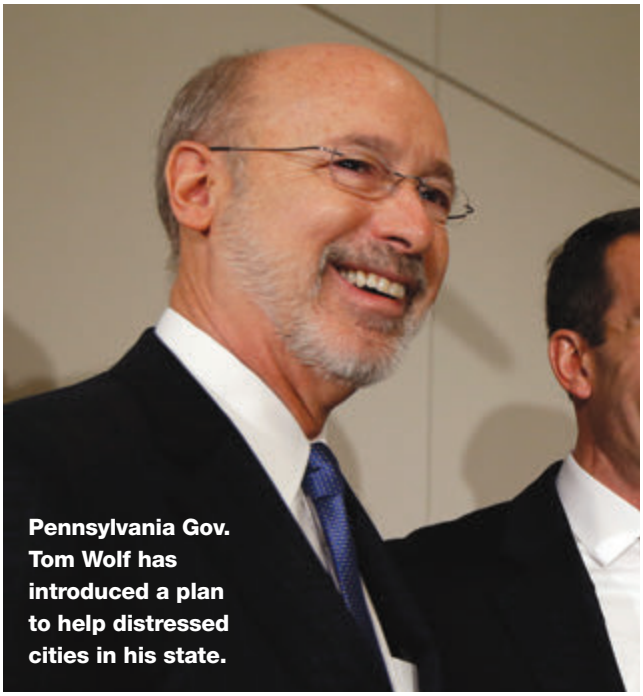
Changes in federal housing policies could undermine state and local budgets.

The direction set by Ben Carson, the new Department of Housing and Urban Development secretary, will have immense impacts on localities. For starters, federal housing programs make up 40 percent of federal transfers to local governments. That's a big chunk of change even as federal transfers overall have been in a long-term decline.

Before we go on, here are some key numbers: Since 1977, the share of local government revenue from non-tax sources has remained fairly steady at 60 percent of general revenue. But the composition of non-tax revenue has changed. The portion from intergovernmental transfers declined from 43 percent of general revenue in 1977 to 36 percent in 2013, while revenue from charges and fees increased from 15 percent to 23 percent. Likewise, while the share of general revenue from local taxes has remained at about 40 percent, the composition of tax revenue has changed. The contribution of property taxes to general revenue declined from 34 percent in 1977 to 30 percent in 2013, while revenue from sales taxes increased from 5 percent to 7 percent.

Bottom line: Whether or not Carson makes any changes to federal transfer monies, the pressure on local taxes is real. On property taxes, the least popular of the three possible local taxes, the pressure is especially immense.

Consider Pennsylvania. In January, Gov. Tom Wolf recommended a three-pronged approach to helping distressed cities. Along with state economic aid and easing municipal pension debt, he suggested providing property tax relief. If his plan is successful—and legislators in Harrisburg seem open to it—it would help city residents by cutting the biggest single local tax bill they pay. "Places like Scranton would see a big drop in the tax bill and a big increase in property values," the governor told *The Scranton Times-Tribune*. His January comments came in the wake of action taken by the Pennsylvania House, which passed a bill to replace nearly $5 billion worth of property taxes with higher state income and sales taxes. The state Senate narrowly rejected a bill to mostly eliminate property taxes with that same combination of higher state taxes.



Pennsylvania Gov. Tom Wolf has introduced a plan to help distressed cities in his state.

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Once localities are dependent on state taxes—rather than property tax revenue—they are at greater peril. The property tax may have its up and downs, but it is by and large a fairly steady income stream and one that's under a locality's control. State payouts are prey to budget cuts when there's a downturn in the economy.

The affordability of housing, which also has a huge impact on localities, is spiraling in an unfortunate direction. Mortgage rates have been on the rise and are likely to continue to inch up. Federal policy could be a further threat. Both the mortgage-interest deduction from federal income taxes and tax-exempt housing bonds are at risk in the new Congress. Meanwhile, the nation's housing inventory is nearly 10 percent below a year ago, and the homeownership rate has fallen close to a 51-year low.

Rental affordability is an even bigger problem. Between 2001 and 2013, we lost 2.4 million rental housing units (both market-rate and subsidized) that were affordable to people making less than 50 percent of area median income. In addition, 106,000 public housing units and 146,000 project-based rental assistance units were lost, according to an Urban Institute report, which also noted that some 450,000 more units are at risk of disappearing or deteriorating.

Building more units or preserving existing ones would help, but with a very large federal deficit, and proposed steep federal tax cuts, it appears unlikely that traditional HUD programs will be able to fill the gap. Chances are that HUD will experience significant budget cuts, which means both Community Development block grants and housing assistance to states and localities will be diminished.

That's not a pretty housing picture for cities, their pocketbooks and their housing stock. G

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Last Look

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Generally speaking, the evolution of a road goes from dirt to gravel to asphalt. But some places have started moving in the other direction. According to the National Cooperative Highway Research Program, local jurisdictions in 27 states—including Nashville, Ind., above—have opted to unpave some of their roads. This can be a real money saver when the cost of repaving a two-lane road can be as high as $1 million per mile. The cost to convert back to a dirt road can range from $1,000 to $100,000 per mile. Many of these newly unpaved roads have very low levels of traffic. But going to gravel is not without its own costs. Critics point to increased wear and tear on automobiles and rising levels of dust.
—David Kidd

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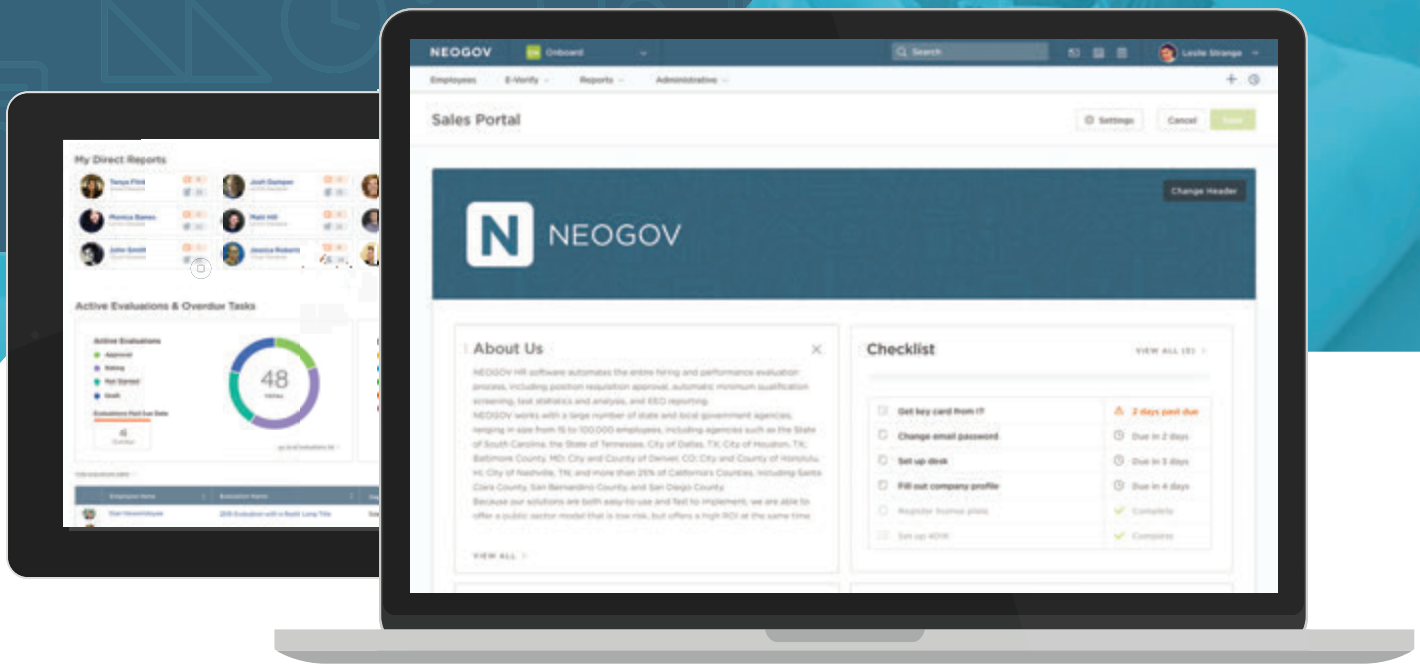

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