GOVERNING

THE STATES AND LOCALITIES

November 2017

Seema Verma's bold—and controversial—vision for remaking health care

A NEW Rx

PROTECTING THE PUBLIC SECTOR FROM RANSOMWARE

State and local government agencies are being held hostage by malicious adversaries and software designed to steal data.

How prepared is your organization to deal with a ransomware attack?

Take 3 minutes to learn more:
att.com/govsecurity

AT&T FIREWALLS

Fully managed security services to help prevent unauthorized access to your network

AT&T THREAT MANAGER

At-a-glance, situational threat awareness for multiple sites and "state of the org" view

AT&T CYBERSECURITY CONSULTING

Lifecycle approach to vulnerability, threat management and path to compliance

AT&T SECURE EMAIL GATEWAY

Best in class e-mail filtering and threat detection

All AT&T Cybersecurity solutions are powered by AT&T Threat Intellect.

AT&T

VOL. 31, NO. 2

GOVERNING

11.2017

One section of the Tahoe-Reno Industrial Center in Storey County, Nev.

PHOTO BY DAVID KIDD; COVER PHOTO BY GETTY IMAGES

DEPARTMENTS

SHUTTERSTOCK.COM

18

DAVID KIDD

16

APIMAGES.COM

63

GOVERNING

Rising Waters

One of the things that we like to do at *Governing* is to take a problem that is relatively common to state or local governments and find a jurisdiction doing unusually well at addressing it. As Alan Greenblatt writes in this issue, Tulsa, Okla., has done more than just about any other city in the country to address its exposure to damage from flooding. Among other things, it has built a system of flood walls and detention basins, and it has removed roughly a thousand houses from flood-prone areas.

What Tulsa has accomplished is unusual in light of something that Beverly Cigler, a retired Pennsylvania State University professor of public administration, refers to in a recent article as "the intergovernmental paradox." That is, local governments, which through land use and other policies could do the most to avoid flooding's devastating consequences, are the least likely to perceive it as a high priority and have the fewest funds to pay for it. Whereas the federal government, which has the most resources and is concerned with the aggregate threat nationwide, has the least direct control.

Mark Funkhouser, Publisher

It's important to understand that when we talk about disasters in the United States, what we're mostly talking about is flooding. As Cigler points out, over the past 50 years, 85 percent of presidential disaster declarations were for floods. And they are increasing in frequency and severity.

Green infrastructure can reduce stormwater runoff by 99 percent, according to the Environmental Protection Agency. Researchers at the University of Pennsylvania have found that building to strong construction codes could reduce Florida homeowners' hurricane losses by 61 percent. Therefore, it is up to state and local governments to adopt these codes, even in the face of resistance from the construction industry and developers. It's been shown that higher design standards have an investment payback of more than 4 to 1.

As politically difficult as these decisions are, they are critically important. The current system, in which the federal government absorbs the bulk of flooding's costs by subsidizing insurance and reimbursing states and localities, is fiscally unsustainable. The National Flood Insurance Program was already more than $24 billion in the hole before this summer's hurricanes.

So it seems inevitable that the feds are going to be passing more of the costs of flooding to state and local governments. As Tulsa is demonstrating, local leadership and investment can do a lot to minimize those costs. Other local governments ought to take note.

Governing (ISSN 0894-3842) is published monthly by e.Republic Inc., with offices at 1100 Connecticut Ave. N.W., Suite 1300, Washington, D.C. 20036 and at 100 Blue Ravine Road, Folsom, CA 95630. Telephone: 202-862-8802. Fax: 202-862-0032. Email: mailbox@governing.com. Periodical postage paid in Washington, D.C., and at additional mailing offices. Postmaster: Send address changes to Governing, 100 Blue Ravine Road, Folsom, CA, 95630. Subscribers: Enclose mailing label from past issue. Allow six weeks. Member: BPA International. Made in the U.S.A.

Connecticut Misunderstood

In his September feature "Richer and Poorer," Alan Greenblatt visited Connecticut to learn more about why the nation's wealthiest state is grappling with substantial budget deficits and serious out-migration, as well as how it managed to lose two of its major employers, General Electric and Aetna, to other states. Was it, he wondered, all Gov. Dannel Malloy's fault? Was it that Connecticut lacked a city that could take advantage of the new-found cachet of urban life? Or was it that the state's political culture was "highly parochial, with strong home rule protecting the interests of 169 cities and towns and nearly as many school districts"? One reader felt Greenblatt incorrectly held its parochialism against it.

I read with interest your article about Connecticut. I also listened to your interview on Colin McEnroe's program on WNPR [in the state]. I have just a few questions and observations.

First, you mentioned that the state is inefficiently managed due to the existence of 169 separate municipalities and no county-level government. Yet if you look at full-time equivalent government employees per population, the state government is bigger than the average state; municipalities, on the other hand, are far leaner than the average in other states. I believe that last figure I saw showed municipal government staffing as a percentage of the state population showing Connecticut ranked 13th in the nation. Indeed, about 10 years ago a Federal Reserve Bank of Boston study revealed that New England governments, including state level and municipal level, were more leanly staffed than were most other states. Not only in Connecticut, but throughout New England, the state governments took on responsibilities which would have been shouldered by counties in other regions of the nation.

Further, Connecticut's state government shoulders other functions that in almost every other state would be local responsibilities. The teacher pension fund to which you alluded, while underfunded, simply wouldn't exist as a state responsibility in other states, except New Jersey. And nearly a quarter of the state's bonded debt is [from] bonds issued for school construction or the pension obligation bond propping up the teacher pension fund. In both cases, those are obligations that would likely not appear in other states.

If you include municipal and state debt, and municipal and state government staffing, you see that Connecticut is far from a fiscal basket case. Indeed, according to data from Connecticut's Office of Policy and Management, the state's total bonded debt as a percentage of gross state product ranks Connecticut 27th in the nation, about in the middle.

Finally, while the state is facing a major deficit, the municipalities are doing just fine. Greenwich, on whose finance board I served two terms, features the lowest property tax rate not only in the state, but in the region. And that low tax rate is a direct result of the state's taking on responsibilities, including teacher pensions.

So I am wondering whether you will look at Connecticut as a coherent whole, accounting for the lack of county-level government, and adjusting for the fact that the state issues a great deal of debt instead of the municipalities? Have you adjusted for unfunded liabilities including municipalities and the state, which should result in the state looking far less indebted than the average government? And will you also follow up on your article by highlighting how lean the state was in staffing even before Gov. Malloy cut more than an eighth of total state employees?

—Sean B. Goldrick, Riverside, Conn.

While I enjoyed the read, I feel you sidestepped a key, crippling issue facing residents. That is, how Gov. Malloy is singlehandedly holding the state hostage by refusing to implement any solution other than his own. ... God forbid Democrats and Republicans come together and craft a truly bipartisan budget, Malloy will veto it.

—Jason Neyers, Tolland, Conn.

We know how we got here. Where are the suggestions about where to go now?

—Carol Davidge on Facebook

Corrections: In the October feature "The New Work," Maria Flynn and Allison Gerber's job titles were misstated. Maria Flynn is the CEO, not executive director, of Jobs for the Future, and Allison Gerber is a senior associate, not senior fellow, at the Casey Foundation.

The purchasing card that's as secure as the bank behind it

When government agencies run smoothly, everyone benefits. That's why choosing MUFG as the provider of your corporate purchasing card is the smart choice with big rewards.[1]

With the MUFG corporate purchasing card, your public entity will get more than just access to tools that help streamline reporting, control expenses and identify savings opportunities. You'll also have dedicated support at the ready to help you simplify and optimize the procure-to-pay process, maximize savings and get the most from your program benefits over time. Your program administrators get real-time access to account information, flexible spending limits and automated exception reporting. Coupled with Chip and PIN card technology and a $100,000 liability waiver[2], the MUFG corporate purchasing card is one of the most secure cards available today.

mufgamericas.com/government

Garrett G. Bell
Managing Director
gbell@us.mufg.jp
213-236-4078

Kathryne Daniels
Director
kdaniels@us.mufg.jp
925-947-2430

Coleen Sullivan, CTP, AAP
Vice President
csullivan@us.mufg.jp
415-273-2533

Eileen Perez
Vice President
eperez@us.mufg.jp
213-236-7589

Alexandra Ozawa
Associate
aozawa@us.mufg.jp
213-236-6435

MUFG Union Bank, N.A.
A member of MUFG, a global financial group

MUFG

[1] Financing subject to credit approval from MUFG Union Bank, N.A. Fees and other restrictions may apply. Terms and conditions subject to change.
[2] Complete program details, including restrictions, limitations, and exclusions, will be provided when you become a customer.

By Alan Greenblatt

Campaign Cash Crusade

MONTANA HAS SPENT more than a hundred years trying to keep a lid on campaign contributions. It is still trying. Whether it succeeds could have repercussions around the country.

Back around the dawn of the 20th century, the Anaconda Copper Co. and a cabal of "copper kings" ruled the roost in the Treasure State. One of their number, William A. Clark, actually bought himself a seat in the U.S. Senate in 1899; that body initially refused to seat him due to qualms about the bribery scheme. Clark's plot and others led Montana citizens in 1912 to approve a corrupt practices act, barring all corporate spending in state elections. That law lasted until 2011, when it was overturned by the U.S. Supreme Court on the grounds that it interfered with free speech.

But Montana still had in place limits on the size of campaign contributions that could be given to candidates. The limits were imposed by voters in 1994. Five years ago, U.S. District Judge Charles Lovell found that those limits too were an unconstitutional violation of the First Amendment, because they didn't allow candidates sufficient resources to run their campaigns. His decision was rejected by the 9th Circuit Court of Appeals, which sent the case back down for him to reexamine.

Last year, Lovell again found the limits unconstitutional. This time, he decided that limits on campaign contributions were unnecessary except in cases with clear evidence of corruption. Now, the 9th Circuit is again considering the case. If the appellate court accepts Lovell's reasoning, that will have broad implications for campaign finance restrictions elsewhere. "The disturbing thing is the judge was holding us to a standard of proving a candidate had approved a quid pro quo," says Jaime MacNaughton, an attorney for the Montana Commissioner of Political Practices.

Montana refuses to give up on the idea of limiting money and its influence on politics. Some of this seems to be the long historical memory of an era when state politics was dominated by a single industry. "One would think this would pass over time, yet it seems to have influenced the state forever," says Jeremy Johnson, a political scientist at Carroll College in Helena.

Like any state, Montana has occasional campaign finance scandals that keep the issue alive in the media and in people's minds. Back in 2010, nine Republican legislative candidates were accused by the Commissioner of Political Practices of violating campaign finance laws. This past August, the state Supreme Court upheld a sizable fine imposed against one of them, former state Rep. Art Wittich. Two days later, one of the others, failed state Senate candidate Pat Wagman, signed a settlement with the state and agreed to a pay a fine. All but one of the nine have been punished in some fashion. In September, Democratic Gov. Steve Bullock agreed to pay $3,000 to clear up a case regarding his 2014 campaign's failure to disclose in a timely manner his use of a state plane for political trips.

The fact that the state has an active office targeting campaign finance violations—in an era when many states have weakened their election and ethics regulation—is one reason Montana continues to take the issue seriously. But politicians in the state say that support for restrictions and penalties is part of the culture. "People feel they should know who is giving and that there should be some limits on how much money can influence politics and elections," says state Rep. Frank Garner, who co-sponsored a 2015 law requiring so-called dark money groups to disclose their spending. "That's still very much the culture of Montana."

The question now is whether the courts will allow that culture to survive.

The Montana State Capitol

SHUTTERSTOCK.COM

A Hard Right in Sacramento

CALIFORNIA IS ONE of the few states in the country where Republicans are largely irrelevant. That's one reason a GOP leader in Sacramento broke with his party and tried a new approach. It cost him his job.

Chad Mayes, the top Republican in the state Assembly, decided to support Democratic Gov. Jerry Brown's plan to extend the state's cap-and-trade program to address climate change. Mayes wasn't alone among conservatives in his assessment that the deal was worth doing. The state Chamber of Commerce and other business groups endorsed the extension, recognizing that cap and trade, based largely on free market exchanges, might be the best way to hold off more stringent regulations favored by the Democratic legislative majority. The law is "better than Soviet-style command and control," Mayes told reporters.

In return for his support, Mayes got Brown to sign off on some things most Republicans wanted, including an extension of a sales tax break for manufacturers and the elimination of a fire prevention fee for rural residents. "For people like me ... we're pretty tired of partisan politics," Mayes said at a news conference, standing alongside Democratic leaders. "We didn't come here to Sacramento to just be Republicans and to hate on Democrats."

Maybe *he* didn't. Some of his colleagues felt differently. Although Mayes believes the party needs to expand its base by reaching out to the majority of Californians who are concerned about climate change, his vote was a step too far for the legislature's Republicans. The fact that Mayes and six other Republicans in the Assembly voted for cap and trade freed Democrats from having to require all their own members to support it. "This created political cover for the Democrats, by taking advantage of the Republican votes," says Renee Van Vechten, a political scientist at the University of Redlands. "This just infuriated the Republican caucus."

Mayes was quickly hounded from his leadership role, losing the support of the state party and watching primary challengers line up against him. After stepping down from his leadership position, Mayes warned that the party is in a "death spiral" in the state. There's some truth to that. California Republicans hold no statewide offices, and President Trump took only 32 percent of the state's vote last fall.

But party activists are convinced they need to remain true to their beliefs, and GOP legislators haven't shied from ousting leaders in recent years. Unhappy in the minority, they see the best path forward as drawing stark comparisons with the Democrats, not making deals with them. "They want to frame cap and trade as a tax, so they can run against Democrats as tax-and-spend liberals," says Stephen Woolpert, a political scientist at St. Mary's College of California.

This hasn't been a winning strategy so far, but it's not one the GOP is ready to abandon.

GOP state Rep. Chad Mayes was forced from his leadership position after siding with the Democrats on cap and trade.

APIMAGES.COM

The Denver International Airport

Partners Wanted

DENVER HAS BEEN SLOW to jump on the bandwagon of public-private partnerships. Well, it used to be. The city recently embraced P3 deals in a big way.

In August, the city council gave final approval to a $1.8 billion agreement to have private vendors, led by the Spanish company Ferrovial Airports, take over concessions and renovations at the Denver airport for 34 years. Mayor Michael Hancock told the council it was the best option on the table. "You either raise taxes, you raise costs or you enter into P3s that enable us to level off the costs and share the burden with private partners," he said.

Now the city is considering public-private partnerships to expand the convention center, renovate the performing arts center and convert the National Western Center, home of the annual livestock show, into a campus for food and agriculture research and development. "As a city, we need to ask with every project moving forward whether a P3 is a good fit," says Chris Herndon, a city council member.

Agreement on the airport deal is far from universal. The major airline carriers in Denver are worried about fee increases. Some citizens have raised concerns about losing accountability of a major public asset to private firms, with a foreign contractor in charge.

City Councilwoman Robin Kniech concedes that Ferrovial, which runs London's Heathrow and other big airports, knows a lot more about design issues than the city does. Still, she says, design work could have been contracted out, without entering into a public-private partnership. One mistake many states and localities have made in recent years is signing contracts and feeling like a problem has been taken off their hands. Good contract management remains essential when outsourcing services or programs.

In the end, though, a majority of the council concluded the deal with Ferrovial was a good move for the city. Kniech ultimately was won over by the fact that Denver is retaining ownership of the facility, with the right to renegotiate parts of the deal as circumstances evolve over time. "We avoided a mistake other cities have made," she says. "It's not like we turned over the keys and said, 'We'll see you in 30 years.'"

But Kniech and her colleagues know that while a P3 can untangle many financing hurdles, it's not a panacea. "Somewhere along the line, we've formed this notion that it's free money, or someone else's money," she says. "You're getting up-front private money, but you're always paying that back over time."

SHUTTERSTOCK.COM

THE BREAKDOWN

$69M

Amount that doctors in New Jersey accepted from drug and medical device manufacturers in 2016 for speeches, consulting and other nonclinical services, leading to concerns that they were being paid to prescribe opioids. The state has approved a rule banning most instances of this compensation.

40%

The portion of Arizona state legislators who are women, the highest percentage in the country. Nationally, a quarter of legislative seats are held by women.

Less Than 1 Day

The length of time it took Gatorade to settle a lawsuit from California accusing the company of false advertising for implying in an online game that drinking water slows runners down. The state collected $300,000.

$27.3M

Amount the Texas Agriculture Commission generated by increasing fees on its services in 2016—31 percent more than the agency's total budget.

SOURCES: STATENET, *THE HILL*, *THE WASHINGTON POST*, *THE TEXAS TRIBUNE*; IMAGES: SHUTTERSTOCK.COM

Politics by the Hour

Florida Gov. Rick Scott

APIMAGES.COM

JUSTICES ON THE Florida Supreme Court know long in advance the date on which they must retire, but few of them have worried a great deal about the exact hour. Now a big power play in state politics may turn on that arcane question.

Once they are appointed, justices in Florida can stay on the bench for repeated six-year terms. If they reach the mandatory retirement age of 70 during the first half of a term, they have to step down on or before their birthday. If they turn 70 during the second half, they can serve out the remainder of their full term.

As it happens, three justices are scheduled to leave office on the same day: Jan. 8, 2019. Gov. Rick Scott will reach the end of his two-term limit as governor that same day. Scott maintains that the justices' terms will end at the stroke of midnight, whereas he will still be governor until his successor is sworn in, most likely at noon. Therefore, Scott maintains, he'll be able to pick three new justices as one of his final acts. "I will appoint three more justices on the morning I finish my term," Scott said when he made his first appointment to the court last year.

Scott's position is now being challenged. The Florida Supreme Court itself will hear arguments about the matter on Nov. 1, in a case brought by the Florida League of Women Voters and Common Cause. "Certainly, litigation is not our first choice, but let's not wait until January 2019 to have this constitutional crisis," says Pamela Goodman, president of the league.

The same circumstances were in play back in 1999, when Republican Jeb Bush succeeded Democrat Lawton Chiles as governor. In that case, the incoming and outgoing governors were able to work together and agree on a joint appointment, picking Peggy Quince—the court's first black woman justice, and one of the trio set to step down in 2019.

That type of bipartisan cooperation is not expected this time around. Republicans have controlled the Florida Legislature and governorship for the past 20 years, but progressives have been able to maintain a majority on the top court. "They're technically nonpartisan justices, but the fact remains that there has been a 5-2, and more recently a 4-3, bloc of progressive and liberal justices that have frequently been the only check or balance to the Republican legislature or the Republican executive," says Aubrey Jewett, a political scientist at the University of Central Florida.

It's no surprise that Scott would like to put a conservative stamp on the court on his way out the door. Not only has the court struck down some conservative laws, but it's also wreaked havoc with Republican plans for ballot measures. Florida is unique in requiring that its state Supreme Court sign off on constitutional amendments proposed for the ballot.

Regardless of how the court rules, Scott may take the appointment power out of his own hands, thanks to his political ambition. Scott is widely expected to run for the U.S. Senate next year. If he wins, he could be sworn into his new office on Jan. 3, 2019, a full five days before any justices have to step down.

Designed by you — built for you. FirstNet, it's your network.

Stay connected when it counts.

FirstNet is a highly secure broadband network dedicated to strengthening America's public safety communication. This reliable and interoperable communication platform, developed exclusively for Public Safety, brings 21st century tools to public safety agencies and first responders, enabling faster response times and enhanced situational awareness.

FirstNet gives you:

- Connection across agencies and jurisdictions
- Clear and highly secure communication lines in times of congestion
- 24/7 technical support and a dedicated app store

Thank you for keeping our communities safe.

Sign up to get updates on this innovative new service at **firstnet.com**.

FirstNet™

By Alan Ehrenhalt

The Urban Penalty

What do legislatures have against cities, anyway?

For as long as there have been cities and state legislatures in this country, the cities have complained that the legislatures give them a raw deal. For most of the nation's history, of course, they had an obvious reason to complain: Legislatures were malapportioned in favor of rural interests. Cities didn't get anything close to the number of seats that population alone would have entitled them to.

There's plenty of evidence, however, that malapportionment wasn't the whole problem. If it had been, it would have been solved by the U.S. Supreme Court's "one person, one vote" mandate in the 1960s. But in the half-century since then, urban frustration at the hands of unfriendly legislatures has remained constant. Urban lawmakers, especially in the biggest states, continually lament having to endure second-class legislative treatment even on bills that pertain only to their cities.

Why would this happen? In New York, they don't have much doubt about why it happens: The state has one mammoth metropolis, and legislators from everywhere else in the state enjoy sticking it to the Big Apple whenever they get a chance. It explains why, a few years ago, an upstate legislator blocked a bill to allow traffic enforcement cameras even though there wouldn't have been a single one outside New York City. It also explains why the city can't even run its subway system without legislative approval.

But you find similar frustrations in states with entirely different demographic balances. Take Pennsylvania, for example. In the legislature there, Philadelphia and Pittsburgh have long suffered not so much because the rest of the state dislikes them but because they dislike each other. Much of the dysfunction that has gripped Harrisburg in recent years is traceable to the inability of the state's two biggest cities to reach common ground, or even work together. Something similar might be said about the inability of St. Louis and Kansas City to cooperate in the Missouri General Assembly.

Then there are the states that have too many large cities for their own good. Florida is a highly urbanized state, and it's reasonable to suppose that, given a little coordination, Miami, Orlando, Tampa-St. Petersburg and Jacksonville ought to be in a good position to make progress on an urban agenda. But it doesn't seem to work that way. Legislators from the different cities tend to be isolated from each other. Ask a member from Miami what's going on in Jacksonville and you might as well be asking about the latest news from Bulgaria. Fragmentation can be as much of a problem for urban interests as resentment against one metropolis or friction between two of them.

But is all of this pent-up city frustration legitimate, or is a lot of it just a matter of making excuses for embarrassing defeat? It's a tantalizing question. As it happens, two political scientists have spent much of the past decade looking for the answer.

Gerald Gamm of the University of Rochester and Thad Kousser of the University of California, San Diego, took on the monumental task of examining the fate of 1,736 pieces of legislation in 13 states over 120 years. All of the bills dealt with issues affecting one particular big city in a given state, so rural and suburban legislators had no practical reason to oppose them. Nevertheless, they did. Gamm and Kousser found that big-city bills were approved at a rate 15 to 20 percentage points lower than other pieces of legislation. "The great narrative in urban politics," they concluded. "has been a story of unremitting hostility."

In making that judgment, the two were reinforcing the view held by a large group of scholars over more than a century. "Not only do state legislatures interfere with the fundamental rights and pettiest details of city affairs," the political scientist Charles Beard wrote in 1912, "but their consent is required for some of the most insignificant undertakings of municipal government." Gamm and Kousser demonstrate that Beard was right about the early 20th century, and he was right about the early 21st as well: Cities get cheated in legislative politics. And the more that a single city dominates its state, the more often it loses in the legislature. You might call that the Gotham Syndrome.

But the results still beg the question of what

sets this prejudice in motion. Why would a rural lawmaker from upstate New York go out of his way to squelch legislation that has zero effect on him or his constituents? Gamm and Kousser looked into several different possibilities.

The most obvious culprit would be partisanship. Over most of the past century, big cities have been Democratic and the hinterlands have been largely Republican. Voting against the city could be a simple way of punishing the opposing party. Surprisingly, Gamm and Kousser didn't think this was much of a factor. They found that big-city bills had about the same chance of success whether they were sponsored by a member of the majority party or by someone from the minority.

Ethnicity mattered more. When the city's population was largely foreign born, its elected representatives suffered from a nativist reaction that helped to sink their local legislative agenda. On this reasoning, you would expect New York City to have lost in the legislature more often over the years than, say, Indianapolis, where the ethnic differences between city and state were minor. And, indeed, this seems to have been the case.

But the factor that hurt cities most of all in their legislative efforts was one I never would have guessed. It was the sheer size of the urban delegations. The more seats a city had in a legislative chamber, the more conflicting opinions its representatives were likely to offer. And when legislators from the same city disagreed with each other, those from the rest of the state were inclined to dismiss their legislative goals altogether. As Gamm and Kousser put it, much of the urban failure was due "not to hostility but to the complications of getting a large delegation to speak with a single voice."

That sounds odd, but given the meticulous character of the research these scholars did, I think it has to be taken seriously. What I find myself wondering is whether their research explains the world that cities and legislatures are currently living in. The two political scientists studied the years between 1880 and 2000. Could it be that the politics of 2017 are built around a different set of tensions?

A few weeks ago, I asked Kousser if he thought the conclusions of his research applied to the present. He gave me a cautiously mixed answer. On the one hand, he said, the conflict between urban interests and legislative power is too deeply ingrained in American politics to disappear. "It's a continual fight," he told me, "between cities and capitols." But he conceded that something new was happening. The legislatures seem fraught with open hostility in a way they haven't been in the past. Legislatures aren't just holding up urban requests these days; they're preempting cities from taking action on a whole range of major subjects. Missouri won't let St. Louis raise its minimum wage; North Carolina is blocking Charlotte from enacting LGBT protections; Tennessee doesn't want Nashville to build a light rail system. Texas would prefer that its cities not do much of anything at all.

If the Gamm-Kousser project were being revisited now, it would likely place more emphasis on partisanship than it did a few years ago. That's because the parties themselves have become much more ideological and polarized. During most of the 20th century, there was considerable overlap in most legislatures. Nearly all Democratic legislatures had a sizable contingent of liberal Republicans; Republican legislatures had their share of conservative Democrats. Party labels didn't matter all that much when urban priorities came up. Other factors were more important. But that balance has largely eroded in the past decade. Promoting an urban agenda in a legislature these days means challenging basic conservative values in a way it never did before. As Kousser puts it, "What we're seeing is the blue city in the red state having trouble getting things done."

There are ways around this, at least in theory. Urban delegations could work harder in legislatures to build alliances with their suburban colleagues, especially those from inner suburbia where the challenges are increasingly similar to the ones cities face. Myron Orfield, a Democrat who used to represent Minneapolis in the state legislature, has been preaching this for a few decades now. But it has been very slow to develop, if it is developing at all. When Democratic Charlotte found itself bullied a couple of years ago by Republicans in the North Carolina General Assembly, the Charlotte suburbs weren't any help. In fact, some of the members who led the anti-Charlotte blitz came from districts just outside the city limits.

So it's probably appropriate to shed some tears over the fate of cities in the legislatures of the past century and those of today. For most of that time, malapportionment deprived them of their rightful representation. By the time one person, one vote came in, they were losing so much population to the suburbs that the reapportionment windfall didn't help all that much. Now they find themselves marooned, many of them, as islands of progressive politics in an ocean of anti-urban resentment. If Rodney Dangerfield were still around, he'd know what to say about it. **G**

SHUTTERSTOCK.COM

Email aehrenhalt@governing.com

By Peter A. Harkness

The Reinventor Returns

David Osborne wants to shake up schools the way he once shook up governments.

Twenty-five years ago, David Osborne co-authored the bestselling book *Reinventing Government*, about how governments at all levels could and should transform themselves. It outlined an incredibly ambitious agenda for redefining public-sector management: fostering competition, abandoning bureaucratic processes, measuring outcomes rather than inputs and demanding accountability.

The book had an immediate impact—both at the federal level, where it became the foundation for Vice President Al Gore's National Performance Review, and in state capitols and city and county governments across the country. It forced thousands of elected and career government leaders to rethink their roles. But it also encountered political obstacles as elected officeholders began to rebel against new systems, such as performance-based budgeting, that constricted their policy options. So in the long run, many of the reforms proved to be unsustainable. But given how ambitious the original concept was, one would have to give the reinventing movement high marks for the impact it has had over the past quarter-century.

Now Osborne is back with another ambitious challenge. His latest book, *Reinventing America's Schools,* presents as daunting a task as the one 25 years ago. The theme is much the same: To remain effective, institutions must change with the times.

The mass educational system we developed during the industrial era served us well, helping to create the world's largest middle class, and endow its members with sufficient skills to manage a dynamic production-based economy. But the Information Age, combined with societal changes and waves of immigrants from all places, has presented new, considerably more difficult challenges for the system. An analysis of the comparative quality of American schools by the National Conference of State Legislatures released last year did not mince words. "The U.S. workforce, widely acknowledged to be the best educated a half century ago, is now among the least well-educated," the report said. "At this pace, we will struggle to compete economically against even developing nations, and our children will struggle to find jobs in the global economy."

DAVID KIDD

But after more than three decades of reform efforts, we've only seen meager results in confronting those challenges. What is needed, Osborne claims, is a complete overhaul of existing systems, which he acknowledges will spark "enormous political conflict." Ironically, the main goal of the first wave of reformers early in the 20th century was to keep politics out of education, so they pushed for teacher security, mass standardization and stronger bureaucracy. "By the 1960s," Osborne notes, "New York City schools employed more administrators than the entire French education system."

What Osborne advocates is a significant increase in charter schools in a survival-of-the-fittest system whereby successful schools are expanded and replicated and unsuccessful ones are replaced. The central administration, be it a mayor, a superintendent or elected board, would still steer the system, but now would also award the charters to others to do the educating. A wide variety in the types of charter schools would be tolerated—even promoted. "More than any other single reform," Osborne argues, "this model breaks the political stranglehold interest groups have over elected school boards."

The strongest evidence Osborne presents to support his thesis comes from cities where charters have had a documented positive impact on educational performance. He concentrates most heavily on Denver, New Orleans and Washington, D.C., but throws in some less familiar examples, such as Cleveland, Indianapolis, Memphis, and Camden and Newark, N.J.

The book is almost tediously well documented and carefully written. Osborne makes it clear that charters have not worked well everywhere, usually because of mistakes made in choosing their overseers and failing to shut down the schools that didn't make the grade, as was the case in Michigan. There, both the governor and Detroit's mayor tried to remedy that mistake, but the legislature would not go along.

One might think that Osborne and other charter advocates would be thrilled by the ascendancy of Betsy DeVos as President Trump's education secretary. Yet the opposite is true. The charter school movement has worked closely with every president since Bill Clinton. But DeVos and the Trump administration are pushing an education agenda with a heavy emphasis on radical privatization using vouchers. Osborne and most others in the charter movement strongly oppose vouchers, first because they provide almost no accountability for private schools, which cannot be closed for poor performance, and second because they would likely contribute to growing inequality. Wealthier parents, as the argument goes, would simply add to the voucher payments to purchase the best education they could afford.

Charter schools are not private. They may come in many different varieties, but they are public and almost all, around 87 percent, are nonprofit. They also serve a fast-growing portion of the school population—about 3 million students attending 7,000 different schools. And that number is understated because so many of the new innovative schools are not called charters.

A couple of months ago, Osborne embarked on a 24-city tour to promote his views and sell some books. Oddly, DeVos was doing much the same thing, traveling through six states on a "Rethinking Schools" tour. Indeed, it is past time to rethink our schools and make significant course corrections. The charter movement offers some hope, in part because the first returns have been so positive—even in the most challenging cities in the country. G

Email pharkness@governing.com

By Alan Greenblatt

Why State Recalls Are Rare

That hasn't stopped the parties from trying, though.

Republicans in California recognize that they can't defeat all the Democrats in the state legislature, or even a majority of them. That's the reason they've targeted just one state senator in particular.

Last year, Democrat Josh Newman narrowly won a state Senate seat representing a district outside Los Angeles that had previously been held by a Republican. Not long after taking office, he voted in favor of a gas tax increase. As a result—and because he represents a swing district—Newman has been targeted for a recall. "I call it the gazelle strategy," says Carl DeMaio, a former San Diego City Council member, who is leading the recall effort. "Lions don't go after all the gazelles, they work together to take down the weakest, slowest one. Let's think like a lion and use the recall process to pick off one member, their weakest member."

California Republicans want to recall Democratic Sen. Josh Newman (left).

APIMAGES.COM

DeMaio has raised more than $1 million to support the effort. The legislature attempted to stop it, passing a law raising the bar for recall requirements, but that action has been blocked by the courts.

The amount of effort it takes to recall a single legislator helps explain why the tactic is relatively rare. Most recalls occur at the local level, where it's easier to get a limited number of voters angry about an official's missteps. Flint, Mich., Mayor Karen Weaver, for instance, faces a recall election this month—not because of her handling of the city's water crisis, but because of a garbage contract.

At the state level, recalls represent a lot of expense for potentially limited rewards. Most legislative majorities, after all, don't turn on control of a single seat. "Part of the reason we don't see this that often is that most of the time, it doesn't pay," says Joshua Spivak, a senior fellow at Wagner College in New York and editor of the Recall Elections Blog. "You need a value play to it, so you're not just winning a seat but gaining an overarching political value."

In Nevada, the signature collection process is just winding down for recall efforts against three state senators, all of them Democrats. Democrats hold a one-seat majority in the chamber, so if two of the senators are ousted, the GOP will take control. The campaign against each is being handled by Hutchison & Steffen, a Las Vegas law firm where GOP Lt. Gov. Mark Hutchison is a partner. "It's purely a partisan play," says Jon Ralston, editor of *The Nevada Independent,* "because Republicans have no hope of winning the Senate in 2018."

Republicans in California know their state is one of the few in the nation where they have no chance of regaining a legislative majority. Knocking off Newman, however, would be enough to erase the Democrats' two-thirds majority in the state Senate, depriving the party of its ability to raise taxes on its own. "He's absolutely beatable," DeMaio says. "As soon as voters get a chance, they're going to throw his ass out of office." G

Email agreenblatt@governing.com

By Mattie Quinn

The No-Prescription Prescription

There's growing interest in alternatives to painkillers.

Amit Shah, the chief medical officer at CareOregon, once had a patient so beset with chronic pain that his initial goal was just to get her to walk to the mailbox. Once she could do that, he wanted her to walk a little farther each day until she could make it around the block.

What Shah didn't want to do was prescribe her a potentially addictive painkiller. Instead, he prescribed what amounted to self-administered physical therapy—in this case, the simple act of walking. It worked. The patient eventually made it around the block.

SHUTTERSTOCK.COM

It isn't news that the medical community is grappling with how to reduce dependence on prescription painkillers. As the opioid epidemic remains front and center, some places are experimenting with alternative therapies such as acupuncture, massage and yoga. Oregon is pioneering the practice, mandating not only that insurance providers cover these therapies but also that they be given priority over prescriptions.

Oregon's emphasis on alternative therapies originated with CareOregon, a nonprofit that contracts with the state's Medicaid and Medicare programs. Several years ago, it funded its own non-medication pain clinic in a small coastal town, offering physical therapy, peer-group support and behavioral health services to patients with chronic back pain. The results were encouraging. The Oregon Health Plan, the agency that administers Medicaid and Medicare in the state, eventually moved to cover services including acupuncture, chiropractic care and physical therapy for patients across the state.

It's been less than two years since those changes went into effect, and Shah says that not only are people using the alternative therapies but also that opioid prescriptions are down as a result. Nevertheless, there's a major barrier to widespread adoption of these therapies. "There's not great evidence for a lot of them," says Kelly Pfeifer, director of High-Value Care at the nonprofit California Health Care Foundation. "Health plans will generally only cover things with a lot of evidence."

Studies of alternative therapies for chronic pain—particularly back pain—aren't conclusive. Research on the effectiveness of acupuncture and yoga in alleviating chronic pain is spotty at best, and chiropractic care and massage have been shown to work well only for short episodes of back pain. Still, Pfeifer and her team think these therapies have promise, and they've succeeded in getting acupuncture and chiropractic services covered by Medi-Cal, California's Medicaid program.

Shah acknowledges that rolling out some of these treatments might be easier in a place such as Portland, "where there's an acupuncture clinic on every corner." But the fact that a smaller community might not have every kind of alternative therapy readily available doesn't mean that there aren't opportunities. "Sometimes it can be something as simple as a pool membership," Shah says, mentioning a patient who felt better after sitting in a warm pool every day.

Despite the dearth of conclusive research, Shah is convinced that opioids aren't the right choice for the majority of chronic pain sufferers. But doctors and health experts acknowledge that there are complex patients and conditions where strong painkillers are needed. They just think that necessity has been overestimated. "It's really easy to prescribe opioids," says Pfeifer. "We're asking doctors now to do hard stuff. They want to help patients, but it takes effort because we've been such a pill-popping country. I like to describe it like implementing hand-washing in surgery. That took a generation." G

Email mquinn@governing.com

By Elizabeth Daigneau

Green Planning

A new tool aims to help officials better plan parks and open spaces.

Earlier this summer, *Boston Globe* columnist Dante Ramos, frustrated by how public spaces were being handled in his city, wrote, "We haven't thought hard enough about what we want from these spots. We presume that a park is a park, and the more there are, the better."

Ramos' sentiments couldn't have come at a better time for the folks at the Nature Conservancy, the Trust for Public Land and the Conservation Fund, which just two months before the column appeared in print had jointly launched a tool to help policymakers, practitioners and communities better plan parks and open spaces through so-called greenprints. "We've been talking about greenprints for a long time," says Liz O'Donoghue, director of infrastructure and land use at the Nature Conservancy in California. But whenever she or her colleagues would suggest that an urban planner or policymaker use one, the response was often, "What's a greenprint?"

GREENPRINT RESOURCE HUB

Greenprints have been utilized more than 50 times in planning open spaces across the U.S.

Now, what it is and how to start one can be found at the Greenprint Resource Hub, which defines a greenprint as a strategic conservation plan that reveals the economic and social benefits that parks, open spaces and working lands provide communities. "A greenprint is an effort to take a look at, map and understand where natural resources exist in a community," says O'Donoghue. "It's really to look at the values on the landscape and to see how those many values provide benefits—social, economic and environmental—to people and nature."

Consider a road, for example, says O'Donoghue. Say officials want to expand that road into an area to provide additional services to remote communities. In preparing a greenprint, they might learn that the road interferes with a wetland, making an area more impervious to water percolation and, as a result, causing stormwater runoff or even flooding issues. A greenprint would give officials the opportunity to avoid such problems by moving the road or by making different decisions to lessen its impact on the landscape.

That's what the Greenprint Resource Hub is about in a nutshell: Better planning. The site, which took about a year and a half to build, can be used by urban planners to locate greenprints across the U.S., as well as learn about best practices and find funding opportunities. The Nature Conservancy has also launched a hyperlocal site called the Bay Area Greenprint, which brings together dozens of types of information on all nine Bay Area counties. Planners, policymakers and stakeholders can sort through the data and use it to get a better understanding of the costs and benefits of decisions made around open spaces and development in the region.

One of the advantages of a greenprint, says O'Donoghue, is that it brings the benefits and values of a landscape into planning processes, development processes and strategies to conserve much sooner than is typically done today. In a characteristic planning paradigm, she says, houses, roads and businesses crop up well before any effort is made to understand what natural resources exist. "What we are trying to do is have planners and policymakers see the landscape as a whole," she says, "and understand as they are making decisions on growth patterns where are the places that are really important and, sometimes, irreplaceable for the values that they provide to people."

Beyond green goals, greenprints also open up one's perspective to new partners. "It might encourage a diversity of uses and a diversity of actors and organizations," O'Donoghue says. "It could also diversify your funding source." It's no secret that green spaces carry a load of benefits beyond recreational and environmental; studies have shown that they also result in social and economic benefits. Even so, it remains a struggle to quantify those benefits and find funding for projects.

That's certainly what Ramos, the columnist, has been finding in Boston. "We treat 'public space,' 'open space' and 'green space' as rough synonyms," he wrote, "even though each of those terms has different implications for who owns a given patch of land, who uses it and which amenities sit on it. ... Boston's signature green spaces weren't planned timidly, and they weren't built on the cheap." G

Email edaigneau@governing.com

By Aaron M. Renn

Where Mergers Could Help

Struggling inner-ring suburbs could gain a lot by combining with adjacent big cities.

Consolidation of city and county governments has long been in vogue with good-government advocates. But while the cost/benefit of these kinds of "big box" mergers is questionable, one kind of smaller-scale jurisdictional union makes a lot of sense: the merger of struggling inner-ring suburbs with adjacent central cities.

The problems facing inner-ring suburbs, which contain as much as 20 percent of the American population, have been getting increasing attention. While many of these communities are doing well or even thriving, others have encountered serious challenges with population loss, increasing poverty, declining household incomes, retail vacancies and dead shopping malls. As their tax bases shrink, these communities run into serious financial challenges, leaving them struggling to provide basic services to their residents.

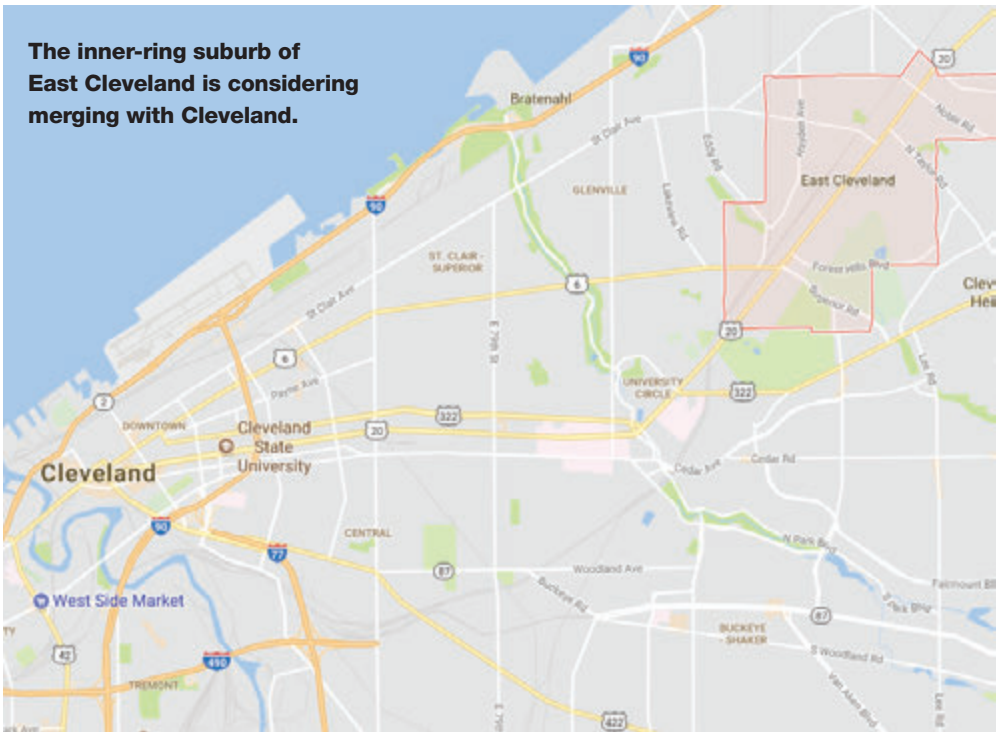
Troubles in an inner-ring suburb can be more difficult, in a sense, than in a bigger city. These smaller communities are often off the public's radar, so problems there seldom get media or state-level attention until a crisis occurs, as with the turmoil following the police shooting in Ferguson, Mo., or the pay scandal in Bell, Calif.

Compared to cities, inner-ring suburbs have a limited range of housing and retail building types. Some of these, such as small ranch homes or simple strip malls, are now out of favor in the market. If a more monolithic suburb has these off-trend buildings, attracting residents and businesses can be challenging. What's more, many suburbs were built as bedroom communities. They lack the regional assets of big cities, such as powerful office-based central business districts, seats of government, cultural institutions, universities or hospitals. They have fewer assets to redevelop around.

These challenges often overlap with racial ones. In many regions, black city residents, along with members of other minority or ethnic groups, have been moving to the suburbs in search of the American dream of home ownership. While this often goes well, some of these inner-ring suburbs have proven to be similar to the troubled city neighborhoods that people have fled. When public pension costs, bond debt and other bills from the past come due in such declining places, suburban residents are unable to draw on the tax base of a larger, asset-rich central city.

A merger is not a panacea. Nobody should expect one to magically address poverty or segregation, for example. But when fiscal conditions make it impossible to fund basic public services, merging with an economically stronger municipality can help address that problem. The other options for struggling municipalities all come with their own sets of downsides. A financial control board or even a bankruptcy can potentially address debt or pension problems, but they won't help with a declining tax base. Neglect or simply providing life support through subsidies might be viable politically in the short term—until a crisis strikes. But temporary subsidies ignore underlying problems and allow them to continue to fester. And finally, a state takeover comes with its own risks. Just ask Flint, Mich.

I examined suburbs contiguous to several Midwestern and Northeastern post-industrial cities for my recent Manhattan Institute study, "Mergers May Rescue Declining Suburbs." I found that a



The inner-ring suburb of East Cleveland is considering merging with Cleveland.

GOOGLE MAPS

large number of these suburbs face negative indicators like falling populations and rising poverty. Many are potential candidates for a merger, and I highlight 10 of them as examples.

We haven't seen this type of merger in the recent era, but there have been a few proposals. One case is East Cleveland, Ohio. The Cleveland suburb has lost 37 percent of its population since 2000 and has a poverty rate of almost 43 percent. Fiscal problems forced it to cut its budget by 38 percent and lay off almost half of the municipal workforce. It had to borrow salt trucks from the state and an ambulance from a neighboring town. Merging with Cleveland could help to ensure that good-quality basic public services can be delivered there.

But let's not kid ourselves: Mergers are extremely challenging politically. East Cleveland is again the example. After starting the process of exploring a merger, the mayor and city council president were recalled by narrow vote margins in a special election in December, killing the merger proposal for now.

Nevertheless, local and state leaders should keep mergers in mind as a policy tool. Then they can look for opportunities where need and political reality align to use it. They can also start drawing lessons from annexation battles. Annexations typically require a carrot of some sort to sell the proposal, such as getting utility service or investments in other infrastructure. For mergers to happen, states will likely need to step up to fund transition costs, potentially absorb excessive suburban fiscal liabilities and put a capital improvement plan on the table as a sweetener. Ohio's state auditor had suggested a $10 million state infrastructure investment in East Cleveland contingent on a merger.

The challenges of helping economically declining and fiscally struggling inner-ring suburbs will not be easy ones to solve. There are no magic fixes, and the answers will vary by community. But merging with the adjacent central city is an option that needs to be on the table. G

Email arenn@urbanophile.com

By Scott Beyer

Salt Lake's Extra-Wide Streets

The city's long blocks are both a liability and an opportunity.

FLICKR/KEN LUND

It takes longer to walk a block in Salt Lake City than anywhere else in the U.S. I discovered this the hard way during a recent stay downtown. At first, I would walk to restaurants that seemed close by—just four or five blocks away—only to discover that they took 20 minutes to reach. After a while, I just drove everywhere, despite having located centrally.

This is because Salt Lake City has the largest blocks and widest streets of any major U.S. city. As I recently pointed out in my publication *The Market Urbanism Report*, downtown blocks in Salt Lake are 660 x 660 feet. By comparison, Austin and Little Rock, Ark., have block lengths and widths around 300 x 300 feet. Portland, Ore., which is known nationwide for its walkable downtown, has blocks that are 200 x 200 feet. It's not just Salt Lake City's blocks that are wide. Its streets are too: At 130 feet, they're double the width of those in Manhattan, Portland and San Francisco.

This layout is a byproduct of the city's Mormon heritage. In 1833, several years after founding the religion in upstate New York, Joseph Smith outlined how Mormon cities should look and feel. The plan drew from that era's East Coast design principles, as well as the church's desire for order. Smith called for a temple at the center of a grid and for large blocks that enabled family farming.

In the early years, the church, thanks to persecution, had trouble finding a permanent settlement where it could execute these plans. But when Mormons finally entered Utah in 1847, the church's then-president, Brigham Young, applied Smith's principles to Salt Lake City. Temple Square—the current headquarters of the Mormon Church—is in the center of the city. While Smith's plan didn't call for wide streets, Young added them, claiming that they would enable farmers to easily turn their cattle around without "resorting to profanity."

Today, the only group cursing Salt Lake's large blocks are urbanists. They consider them anachronisms for a densifying city, since they endanger pedestrians, separate uses and hinder walkability. Various activists have suggested implementing a "complete streets" strategy that features bike lanes, bulb-outs and medians. The Kentlands Initiative, a local nonprofit, has gone further, suggesting that the city build new housing and retail right in the middle of the streets. In this sense, Salt Lake City's obscenely wide streets, while a problem, could also be an opportunity.

But while the city government is somewhat receptive to that notion, it's unlikely to happen. There are challenges with being too creative, says Molly Robinson, an urban designer for the planning department, especially in the actual roadways. Robinson says that Utah's arid climate makes plant-filled medians expensive to maintain, and that city residents cherish their mountain views. Putting trees, much less buildings, in the medians might block such views, which would be politically unpopular. So, for now, the Mormon planning principles that made Salt Lake City's streets wide open remain intact. G

Email scott@marketurbanismreport.com

TOUGH MEDICINE

Seema Verma's vision for Medicaid could change health care for decades to come.

By Mattie Quinn

Earlier this fall, the most recent congressional attempt to repeal and replace the Affordable Care Act was eclipsed when a seemingly small story broken by *Politico* started getting more and more headlines. Health and Human Services Secretary Tom Price—considered a fiscal hawk during his tenure in Congress—had been flying private planes to events, costing taxpayers hundreds of thousands of dollars. The drumbeat of bad press grew louder, and Price eventually resigned just before 5 p.m. on the last Friday in September.

One name immediately emerged as a top contender to replace him: Seema Verma, the administrator of the Centers for Medicare and Medicaid Services (CMS). For now, Don Wright, the agency's former acting assistant secretary for health, has been installed as the interim secretary, and by mid-October President Trump had not yet nominated a full replacement. But most of the inside-the-Beltway chatter centered squarely on Verma.

There's good reason for that. A former health policy consultant based in Indiana, and the chief architect of that state's conservative health-care plan under Gov. Mike Pence, Verma now oversees the nation's $1 trillion Medicaid system, the federal- and state-funded health-care program for the poor and nearly poor. She was a

GETTY IMAGES

key player in repeal and replace efforts earlier this year, reportedly sitting in on meetings with Senate Majority Leader Mitch McConnell and on-the-fence Republicans. In fact, when Price was embroiled in the scandal that led to his resignation, Verma was also reportedly taking meetings on Capitol Hill without him.

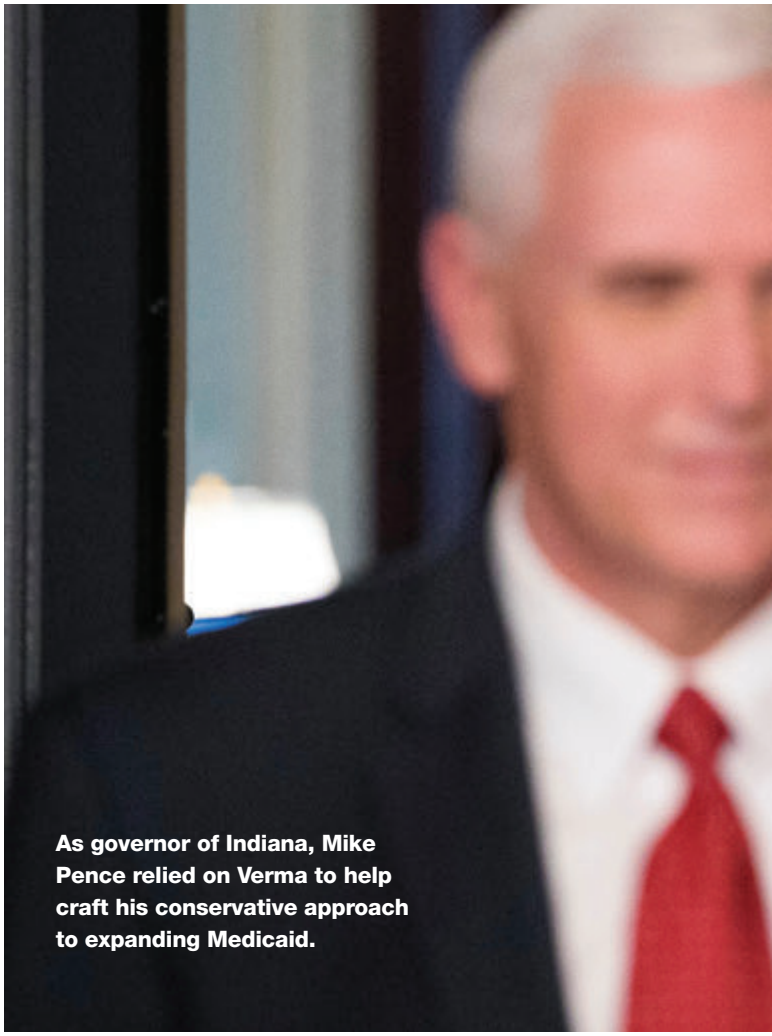
All of this means that Verma has found herself in an interesting position this year, tapped by a Republican president to help uphold a law, passed by a Democratic president, that both she and her boss have actively been trying to dismantle. When the Congressional Budget Office released estimates in July that Republicans' proposed health-care changes would result in 22 million people losing health coverage, Verma publicly spoke out against the CBO's numbers, saying they overstated the impact that repeal would have. She maintains that she is going to uphold Medicaid as it stands. But she is nonetheless implementing changes that could radically remake the way America cares for its poorest citizens for decades to come.

One sunny September afternoon, before the Price scandal broke, Verma sat in a conference room in the drab Hubert Humphrey federal building, just south of the National Mall, and laid out her vision for Medicaid as a temporary backstop for people in need. Other than a few jokes about the office's dated 1980s decor, Verma stayed relentlessly on-message. "The goal of the program should be to help people rise out of poverty," Verma said. For able-bodied adults, the program should be "a stepping stone, not a long-term plan. We should be aiming higher."

Trump last month signed executive orders that made sweeping changes to private insurance markets and subsidies under the Affordable Care Act (ACA). But Medicaid remains untouched for now and can't be changed without congressional action. Throughout the repeal and replace efforts in the past year, one of the core disagreements has been over what to do about Medicaid. A complete repeal of the ACA would mean pulling the plug on Medicaid expansion, under which 32 states took federal money to allow people with incomes up to 138 percent of the federal poverty level to get coverage. Congressional Republicans might not like to admit it, but the expansion has been popular in the states that have participated. Both Democratic and Republican governors warned their congressional representatives that there will be consequences if it gets dissolved.

At the heart of Verma's goals for Medicaid is the desire to loosen bureaucratic restrictions while emphasizing that recipients "take personal responsibility" for their own health care. The idea of personal responsibility in health care has become a core Republican party value, and it reflects a growing divide that emerged from the ashes of repeal and replace efforts. While there's mounting consensus that universal coverage is good, there's a fundamental disagreement on how to get there. Democrats think health care is a right that should be guaranteed by the government. Republicans—and Verma—argue that health-care recipients must have "skin in the game" for the system to work properly.

That's not how the Obama administration saw things. The ACA allowed states to submit waivers to tweak the law for their unique populations, but the government was quick to deny any plans that included things like work requirements, drug testing and caps on how long a person could be covered under Medicaid.



As governor of Indiana, Mike Pence relied on Verma to help craft his conservative approach to expanding Medicaid.

Verma wants to allow states to experiment with those and other ideas in an effort to help encourage Medicaid recipients to find private insurance coverage. Just after her confirmation in March as CMS administrator, Verma and Price sent a letter to all 50 of the nation's governors urging them to rethink their existing Medicaid programs. "The best way to improve the long-term health of low-income Americans is to empower them with skills and employment," they wrote. "It is our intent to ... review and approve meritorious innovations that build on the human dignity that comes with training, employment and independence."

Unsurprisingly, many Democrats and progressives take issue with that approach. They fear that Verma and her team will transition Medicaid away from an open-ended entitlement into more of a welfare program, like the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families, where recipients must continually prove they deserve the benefits. "I would imagine in some states it will start to look like a welfare program," says Laura Hermer, a health-care law professor at the University of Minnesota, Twin Cities. "In 2013 when she was grousing about the Obama administration to Congress, she mentioned that Indiana requires contributions. She's trying to change this [approach of] guaranteed assistance if you're eligible."

APIMAGES.COM

Hermer is referring to congressional testimony in which Verma said that states should require Medicaid recipients to be active partners in their own health, rather than simply receiving benefits from the government. That approach helped Indiana improve its health-care system, she told Congress. "Indiana's Healthy Indiana Plan ... applied principles of consumerism with remarkable results, lowering inappropriate ER use and increasing prevention."

But research suggests that a Medicaid program requiring personal responsibility of its recipients has mixed results. While expanding coverage is positive, a report from the health policy firm the Lewin Group found that Indiana's version of Medicaid expansion wasn't meeting its enrollment goals, and requiring recipients to pay premiums was often a confusing administrative barrier.

Many critics simply don't agree that work requirements and other mandates have any place in a health-care plan. "Medicaid's purpose is not to encourage employment or train people. That's the Department of Labor's job," says Jessica Schubel, Medicaid policy expert with the left-leaning Center on Budget and Policy Priorities.

Others say that work requirements are a burdensome solution to a relatively minor problem. The *Times of Northwest Indiana* reported in September that fewer than 30 percent of Indiana's Medicaid recipients would be required to comply with a work requirement mandate.

The real concern, says Schubel, isn't just that the administration might now allow conservative states more leeway to add their own work requirements and other standards. It's that CMS might actively start pushing those into other states as well. "There's a tranche of about 10 states that have been considering these much more conservative elements," Schubel says. "I don't think we'll see every state adopting them. What does concern me is a state coming to CMS with a straightforward waiver request, and CMS in turn pressures these states to implement these punitive measures."

Verma's experience in Indiana is vital to understanding her approach to Medicaid. The daughter of immigrants from India, she was raised in a Democratic household and planned a career in medicine; she later shifted to health policy. Early on, she worked in Washington, D.C., on HIV/AIDS programs at the Association of State and Territorial Health Officials.

When she first came to work in Indiana in the mid-1990s for the Marion County Health and Hospital Corporation, she leaned

more liberal, says Mitch Roob, then the CEO of that organization. "Over time in her health work," Roob says, "she realized that a conservative ideology was the only one that'll win the day." (Verma says that prior to working for Marion County, she didn't have much of a political ideology one way or another.)

Marion County encompasses Indianapolis, and Roob was used to high concentrations of uninsured patients. He says it was one of his key frustrations. "We wanted to empower people of the county so they could get continuity of care," he says. But there was no way for these low-income patients to get care if they weren't eligible for Medicaid, let alone take responsibility for their own care. To develop a solution, Roob and Verma spent months looking at community health-care models across the country, and logged "hundreds of hours in neighborhoods talking to people about their care needs, and talking to doctors too," he says. In 1997, they launched the Wishard Advantage program. Financed through city and county property taxes, the program subsidized health care for 40,000 uninsured or underinsured residents of Marion County with incomes up to 200 percent of the federal poverty line. Residents who qualified paid for care on a tiered structure based on their income. Perhaps surprisingly, it lacked work requirements or time limits, but unemployed recipients were required to show proof they had a working adult helping them pay bills. The program was phased out in 2014 after the Affordable Care Act went into effect.

In 2001, Verma left county government and launched a private health policy consulting firm called SVC Inc. She gained national recognition for helping Republican-led states adopt more conservative elements to their Medicaid programs and, later, into their ACA implementation.

When Mitch Daniels became the governor of Indiana in 2005, he set his sights on addressing the state's uninsured population—and he wanted to do it in a market-driven way similar to Marion County's. "I wanted health savings accounts for poor people," Daniels says today. "I wanted to treat them with dignity, and introduce an element of the free market there."

A year later, when a group of health officials, including Verma, presented a policy proposal to Daniels, he was unimpressed. "I threw them out the first time," he says. "It was a plan that looked too much like traditional Medicaid." As the team went back to the drawing board, Verma took the lead in crafting a new plan. She came back to Daniels with a proposal that included private health savings accounts and a requirement that benefit recipients must contribute at least some of their own money in order to stay covered.

Daniels liked the plan, and he relied on Verma to help shepherd it through the state legislature, which at the time included a Republican-controlled Senate and a Democratic-controlled House. "She worked with the Democratic majority in the House in drafting the language, so she knows how to work across the aisle," says Republican former state Rep. Pat Miller, who at the time served as the chair of the House public health committee.

The first iteration of the Healthy Indiana Plan started enrolling residents on Jan. 1, 2008. Adults with incomes up to 200 percent of the federal poverty level could now be covered for preventive care visits. But they were expected to contribute up to 5 percent of their monthly income into so-called POWER accounts that helped cover a $1,100 deductible. If they missed a payment, they lost coverage and couldn't enroll again within the next 12 months. Verma was at the heart of this rollout, says Daniels. "I try to avoid using this word, but she's passionate about better care. She was easy to work with and had a sense of humor, which was important for our group."

Some of the Healthy Indiana Plan provisions might sound punitive, but states in the pre-ACA era had few options for broadening health coverage to include people above the poverty line. "Our uninsured gap was much bigger than a lot of states. It was huge," says Brian Tabor, president of the Indiana Hospital Association. "Hundreds of thousands had no options for coverage. Without that program, we wouldn't have the momentum to expand Medicaid [years later]." However, there were limits to Healthy Indiana. Enrollment for childless adults was capped at 36,500 people, and the Kaiser Family Foundation estimated that in 2014 total enrollment was about 45,000—a fraction of the eligible population.

When the Affordable Care Act did become law, Daniels' successor as governor, Mike Pence, determined that he wanted to expand Medicaid in his state while keeping the conservative elements of the Healthy Indiana Plan. It took two years of negotiations—with Verma at the heart of them—but the Obama administration finally approved the Healthy Indiana Plan 2.0 in January 2015. This plan

APIMAGES.COM

expanded coverage to all who qualify under the federal law, but it also kept the POWER accounts that recipients are expected to pay into monthly. However, the lock-out period for not paying was reduced from one year to six months.

Verma's experience negotiating and implementing health policy with Roob, and later for Daniels, was foundational to her current health policy beliefs, she says. "It showed me how important it is to empower all individuals to take ownership for their health and that those served by public assistance are capable and want choices about their health care."

Thanks to her work helping draft Medicaid waiver requests—she consulted with half a dozen states in addition to Indiana—Verma says she has a unique perspective now that she's on the other side of the equation. "Part of my job as a consultant was to negotiate on behalf of states with CMS. It was a very difficult process," she says. "I thought they'd be a partner, but instead they would often be the biggest barrier to getting creative solutions accomplished."

That's something Verma wants to change. There's broad agreement that getting waivers approved is a burdensome process. The National Association of Medicaid Directors supports waiver reform, suggesting that the approval process should be more efficient, that states should be able to piggyback on common waivers and, eventually, that some waivers should become permanent. Right now, states must reapply every four years. Revamping the waiver process will take time, Verma acknowledges. In the meantime, she says, "we're very supportive of states applying for waivers. We want to be as flexible as possible. We're working on making it easier, doing them faster and quicker."

After Tom Price's abrupt resignation, many Beltway insiders predicted Verma would be nominated to replace him.

Verma also wants greater transparency, including publishing more local-level health data, so people can have more information about the quality of care in their county and state. Just as the health-care industry is starting to hold doctors accountable on value, states should be held to similar standards. "We want to start publishing their outcomes on a variety of different metrics," she says.

But state officials are starting to get antsy. As of early October, the waivers from states asking for more conservative elements in Medicaid still hadn't been approved. Eighteen states have waivers pending with CMS. Six states want to impose work requirements. Wisconsin wants to implement drug testing. And most conservative of all, Maine wants to require upfront asset tests, which would screen applicants' cash savings and property values in addition to their income, a practice that was specifically prohibited by the ACA.

Some critics have accused the Trump administration of purposefully dragging its heels on approving these and other waivers—even denying waiver requests from conservative states—in an effort to deliberately sabotage the ACA. Last month *The Washington Post* reported on a request from Republican-controlled Iowa to revamp its foundering health insurance marketplace and allow greater competition among providers. It was a decidedly conservative proposal. But when Trump caught wind of the request in late August, he personally called Verma and told her to deny the request, according to the *Post*.

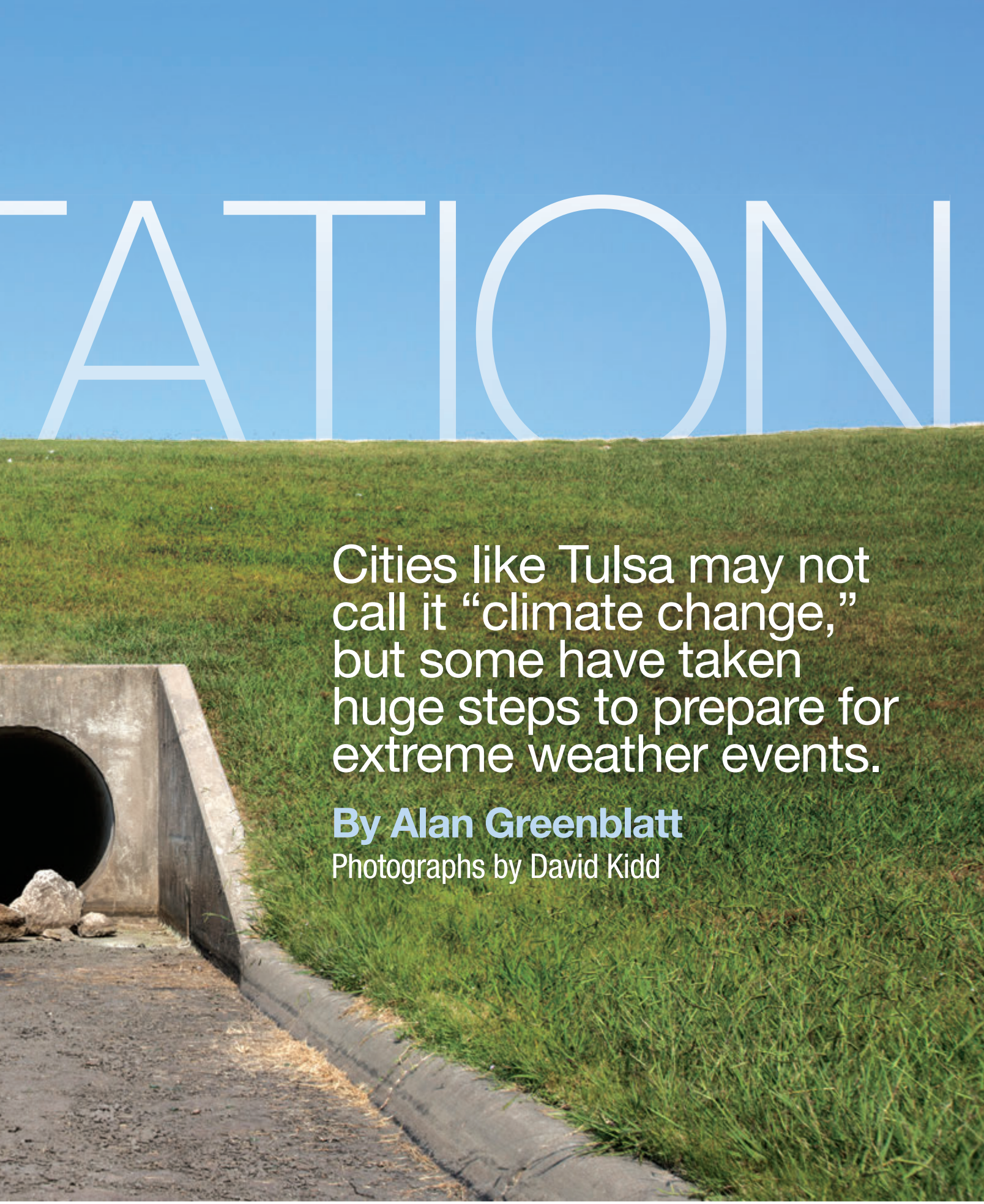
It was an unusual intervention by a president, and critics said Trump was attempting to undermine the law by opposing any efforts to make it more efficient. New Hampshire U.S. Sen. Maggie Hassan called on the administration to drop its "attempts to sabotage health-care markets and raise health-care costs for millions." Oklahoma recently withdrew a pending waiver similar to Iowa's, criticizing the administration's sluggish approach to responding to the state's request.

Until more waivers are approved or rejected, it's tough to say what Verma's—and Trump's—impact on Medicaid will really be. If she does become the next HHS secretary, it's safe to assume that she'll continue or even step up her efforts to work with Congress to repeal the ACA. But even if that law remains entirely or mostly intact, Verma could still make enormous changes to Medicaid programs that would reverberate for a generation.

She says she remains convinced that a conservative, "skin-in-the-game" approach to Medicaid is the best way forward. But she's also adamant that she won't push that vision out to the states. Governors, state lawmakers and Medicaid directors should be free to determine their own approaches, she says. "I think there are a lot of good ways to get good outcomes. I don't presume to have all of the answers." G

Email mquinn@governing.com


ADAPT



TATION

Cities like Tulsa may not call it "climate change," but some have taken huge steps to prepare for extreme weather events.

By Alan Greenblatt

Photographs by David Kidd

Along with millions of other people, Anna America was saddened by the devastation and loss of life that struck Houston in August. Like many others, she wondered whether the city's massive sprawl contributed to the damage from Hurricane Harvey. Thousands of acres in Houston that the U.S. Army Corps of Engineers had intended to use for a reservoir and other flood control projects had been paved over, taken up by homes that left flood waters with nowhere to go. That kind of thing wouldn't happen where America lives. "We haven't done that for decades," she says. "Since the 1970s, we have not built noncompliant homes in floodplains."

America is a member of the Tulsa, Okla., City Council. In recent decades, Tulsa has become an unlikely model for strong flood control efforts. Back in the 1970s, so-called 100-year floods occurred nearly every year, with creek beds overflowing and damaging property. Following a particularly devastating storm in 1984, which killed 14 people and damaged 5,500 homes, the city decided it was time to take a new approach. Since then, it has put in place a series of detention ponds—excavated basins designed to hold water following severe storms—and uses flood maps more demanding than those required by the Federal Emergency Management Agency (FEMA). It's also pursued an ambitious plan to move or tear down homes that have been subject to repeated flood damage. All told, the city has paid to transport or destroy roughly 1,000 houses, an effort that's ongoing.

Some of the poorest residents in the Tulsa area are among the most vulnerable if the levee system should fail.

Tulsa's flood issues aren't over. Although the city has gone a long way toward reducing the overflow of its creeks, it hasn't done much lately to deal with another potential problem: flooding along the Arkansas River, which runs through parts of town. Still, Tulsa has done more to address its exposure to a serious natural threat than just about any other city in the country. Not that long ago, Tulsa had the highest flood insurance rates in the nation. Today, its rates are just about the lowest. Other Oklahoma cities continue to suffer extensive damage when sudden storms known as "toad stranglers" pass through. But Tulsa hasn't flooded on those occasions, even during recent months that have been among the wettest on record. "In 2015, there was flooding in the suburbs, but we didn't have any," says Bill Robison, the city's floodplain manager.

As a conservative oil town sitting 500 miles north of Houston and the Gulf of Mexico, Tulsa is a surprising setting for one of the nation's most extensive climate adaptation efforts. Its example, though, shows that local leadership and investment can do a lot to prevent damage from the predictable threats that are likely to worsen with climate change.

Communities like Tulsa, far from any coast, still face increased risks from a variety of disasters, including fires and tornadoes. Coping with these problems may take decades of investment and political fighting. It can be a tough sell for local governments that want to create a safer and more secure future. It seems to be human nature to believe that disaster will not strike one's own home. Even when the worst does happen, people have a hard time accepting that it could easily happen again. "A natural disaster is not enough, in and of itself, to push cities to make real policy change," says Rachel Krause, a political scientist at the University of Kansas who studies responses to climate change. "Frankly, it takes deaths."

What's more, progress won't always happen under the words "climate change." In Tulsa, environmentalists have learned that in a town founded and fueled by the oil economy, the term is a surefire way to shut down discussion. They talk instead about "extreme weather," emphasizing the need to plan for reoccurring storms.

The same is true in many places. Progressive coastal cities such as Boston and Seattle now formally worry about sea-level rise and other effects from climate change as part of their policymaking process. But in many areas of the country, the idea that the climate is changing in permanent and unpredictable ways is not an accepted fact. That doesn't mean, however, that no thought is given to recurrent problems such as flooding, hurricanes and wildfires. Every city has some plan in place for dealing with natural disasters and emergencies. Thinking about climate could simply mean taking possible effects into account as part of broader planning and

"We had a war going on between the citizens and the development community," says planner Ron Flanagan.

response efforts. "We don't freak out, to use a highly technical term, if for political reasons, folks don't want to say 'climate change,' as long as they are taking steps to address climate change," says Otis Rolley of the Rockefeller Foundation, which has provided funding to Tulsa and other cities to support climate resilience efforts.

By its very nature, climate change will have unpredictable effects. But many of its main effects are entirely predictable. Places that are prone to natural disasters will likely see more of them. If a region experiences hurricanes, for example, it will have more intense hurricanes. If it is routinely hit by floods, there will be more flooding. And regardless of whether climate change is an accepted fact, it's clear that the gears of nature's disaster-making machinery are speeding up. During the 1980s, the nation endured, on average, fewer than three natural disasters per year that caused $1 billion in damage, in constant dollars. Now, the annual count is higher than 10.

A decade ago, the idea that places should adapt and prepare themselves to endure new and strange effects, rather than working to prevent climate change by lowering their carbon emissions, felt to some environmentalists like an admission of defeat. Those days are over. Even if no more carbon were put into the atmosphere, cities and counties would still be facing a set of climactic circumstances unlike those they have seen in the past. Planning for the obvious stuff—locally recurring issues such as floods or fires—should be a given.

It's possible that the season of destruction wrought by Harvey, Irma and Maria will lead the nation to think about taking steps to prepare for disasters in the places where they're most likely to occur. Prior storms such as Katrina and Sandy led to tighter building regulations. Two weeks before Harvey engulfed Houston, however, President Trump rolled back an Obama-era order making it easier for storm-struck communities to use federal emergency aid to rebuild structures in ways that strengthened them against future disasters. "Raising additional money is harder without the impetus of a catastrophe," says Janet Bly, general manager of the Miami Conservancy District in Dayton, Ohio, a flood control agency created a century ago. The lack of problems since then in her area have made it hard to keep people focused on the potential for devastation, she says. "We're almost the victim of our success when it comes to that."

There's kind of a pattern: A community endures one bad event after another, until finally it experiences something so catastrophic that it's ready to address the problem. That certainly held true in Tulsa. Residents put up with recurring floods for decades. It was the fatal flood of 1984 that led to change. Even with the 14 deaths and extensive damage fresh on everyone's minds, it took a dedicated band of individuals, inside and outside of government, who were willing to spend years pushing the issue. Their success has since bred complacency. Plenty of people now wonder whether it isn't time to rebuild along Mingo Creek, particularly a mile-long stretch that has since been denuded of homes. New projects are also being proposed along the Arkansas River, which has historically been prone to severe floods.

What the story of Tulsa shows is that protecting against climate effects is an effort that has to be more or less permanent, stretching across generations. It's doable, but it's certainly not easy, either from an engineering standpoint or a political one. The only places that will make the attempt are the ones where people realize that, practically speaking, there's no better choice. The alternative is continuing destruction and death. "We're never, ever going to be able to say we're done with disasters," says Tim Lovell, executive director of the Disaster Resilience Network, a nonprofit group in Tulsa. "Disasters are going to continue. The question is whether you can design your community so that they don't have the impact they might have."

When it comes to natural disasters, Oklahoma has it all. The state constitutes a central stretch of what's known as Tornado Alley. Thanks to oil industry fracking, Oklahoma has supplanted California as the place where residents are most likely to experience damage from earthquakes. The wind that comes sweeping down the plains causes damage. So do hail and ice storms. The sun shines most days, but storms are so common that the *Tulsa Voice,* the local alternative


DEVINTRING, THE NATURE CONSERVANCY


SHUTTERSTOCK.COM

Urban Trees Can Save Lives

Each year, millions of people die around the world because our cities are becoming unlivable — hotter, dirtier, more stressful places. Cities are complex ecosystems, with countless interrelated challenges and few easy answers.

Yet something as simple as protecting and increasing the stock of urban trees can make a difference. The humble street tree is an ecological powerhouse. Study after study has shown multiple benefits to people and society.

Trees and other green spaces in cities help manage runoff during rainstorms. They help clean and cool the air, reducing harmful air pollutants and air temperatures on city streets — saving tens of thousands of lives each year. They lend beauty to our communities and increase property values. And time spent in natural environments has demonstrated mental health benefits.

Trees are one of the most cost-effective solutions to health issues available to city leaders, but American cities are actually losing trees. While urban trees alone can't solve all the public health challenges that cities face, they are an important part of helping municipal leaders improve the lives and health of their citizens.

Honing In On the Health Benefits

Urban trees bring a variety of health benefits:

- In Louisville, Ky., a research team planted three rows of mature serviceberries, pine, cypress and cedar trees in the front yard of St. Margaret Mary Elementary School. Air quality was monitored pre- and post-planting, and 60 students and 20 adults agreed to take part in the study. An initial analysis found that study participants had increased immune system functioning and lower inflammation levels.
- Another 8-year longitudinal study in Los Angeles found that access to parks and recreation programs decreased a child's risk of being overweight or obese at age 18.[1] Multiple studies have found that more time spent in nature decreases a person's stress levels and improves their mental focus.

American cities are losing 4 million trees each year – trees that could make our cities healthier, more livable places.

- Trees also mitigate summer air temperatures. Thanks to the shade they provide and water they release into the atmosphere, trees reduce summer air temperatures by an average of 2-4° Fahrenheit, although under some circumstances the cooling effect can be even larger.[2]
- A recent Nature Conservancy study, called *Planting Healthy Air*, found that investing $100 million per year in tree planting (and maintenance) globally could offer 68 million people measurable reductions in fine particulate matter pollution, a significant factor in cardiovascular and respiratory illness.[3]

Despite these benefits, American cities are currently losing approximately four million trees each year, or 1.3 percent of the total urban tree stock.[4]

A Cost-Effective Public Health Intervention

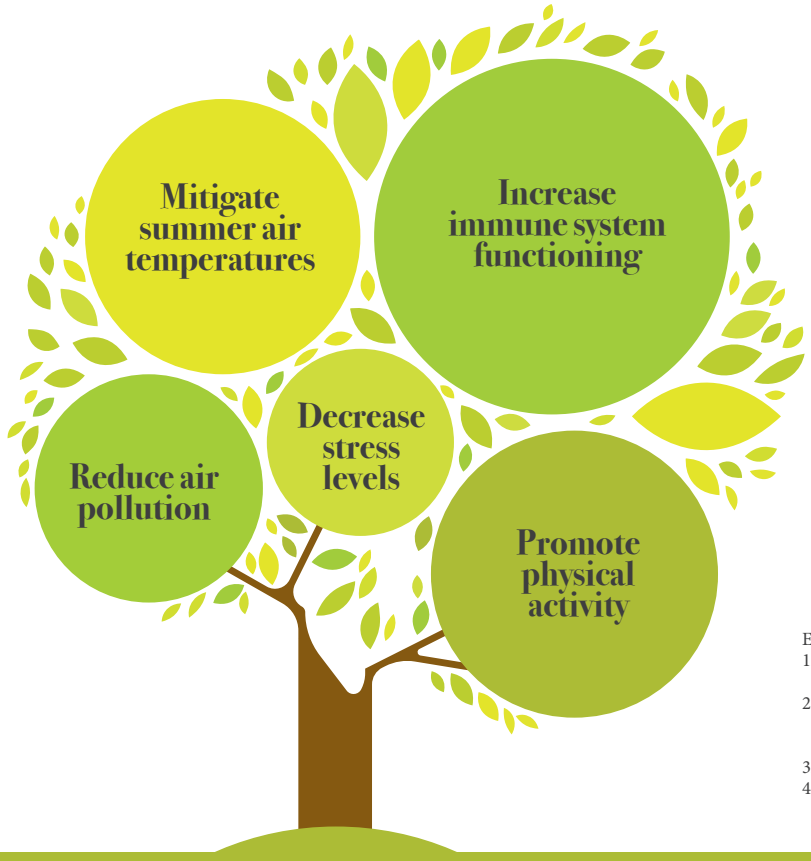
To help turn this trend around, *Governing* and The Nature Conservancy recently published a paper that offers several practical strategies cities can take to improve their urban tree canopy. Among them:

- Establish code that sets minimum open space or maximum building lot coverage ratios for new development.
- Implement policies that incentivize private tree planting.
- Break down municipal government silos and facilitate various agencies working together to ensure effective and efficient policies.
- Link funding for trees and parks to achieving health goals and objectives.
- Invest the time and effort to educate the public about the tangible public health benefits and economic impact of trees.

By funding additional investments in natural solutions to urban challenges, cities can properly maintain their existing trees, reap significant public health benefits and improve quality of life for all their residents.

To learn more about how you as a city leader can take action to improve the urban tree canopy, read the Governing and Nature Conservancy's paper, "How Cities Can Harness the Public Health Benefits of Urban Trees," at governing.com/papers, or download The Nature Conservancy's in-depth analysis at nature.org/trees4health.

Health Benefits of Urban Nature



Produced by: GOVERNING

For: The Nature Conservancy

Endnotes:
1. Wolch, J., et al., Childhood obesity and proximity to urban parks and recreational resources: A longitudinal cohort study. Health & Place, 2011. 17: p. 207-214.
2. McDonald, R.I., et al., Planting Healthy Air: A global analysis of the role of urban trees in addressing particulate matter pollution and extreme heat. 2016, The Nature Conservancy: Arlington, VA., https://global.nature.org/content/healthyair?src=r.global.healthyair.
3. Ibid.
4. Nowak, D.J. and E.J. Greenfield, Trees and impervious cover change in U.S. cities. Urban Forestry & Urban Greening, 2012. 11: p. 21-30.

weekly, includes "Best Place to Wait Out Extreme Weather" as a category in its annual "Best of" awards. This year's winner, appropriately, was a basement bar called the Cellar Dweller.

Tulsa sits on the edge of the 1930s Dust Bowl, but for most of the 20th century it was plagued by floods caused by sudden squalls or cloudbursts. The city experienced major floods in 1923, 1943, 1957 and 1959. "The river would flood routinely," says Tulsa Mayor G.T. Bynum. "My parents' generation, and certainly my grandfather's, all have stories about taking sandbags down to Brookside to keep stores from flooding." In response to repeated flooding in Brookside and other neighborhoods, the Army Corps of Engineers completed Keystone Dam, which is about 25 miles south of Tulsa, back in 1968.

But around that same time, Tulsa annexed unincorporated land to its east, tripling its size and taking in homes that had been built under next to no regulation whatsoever. The Mingo Creek watershed was a particularly popular place for development. Wooded streams are always a scenic place to be. Tulsa back then was making the same mistake Houston has since made, building without concern for where the displaced water was going to go.

Flooding seemed to intensify during the 1970s, back when Bynum's grandfather was serving as mayor. A total of nine federal flood disasters were declared between 1975 and 1980. People who'd been washed out of their homes would come to city hall to demand action, sometimes still covered in mud—or so the local legend goes. Many of them also talked to Ann Patton, then a reporter with the *Tulsa World,* whose articles helped keep up the pressure on the city government. Patton, who ended up working on flood issues for the city, became an ally of Tulsans for a Better Community, a citizens' group that pressed for serious flood management efforts from city hall. "We had a war going on between the citizens and the development community," recalls Ron Flanagan, a longtime planner in Tulsa. It was dubbed the "great drainage war" by the local media.

The city government passed some ordinances to address flooding, but homebuilders and developers pushed back, raising money to support candidates who were sympathetic to their needs. Their efforts helped lead to the election of James Inhofe as mayor in 1978. Inhofe would go on to national fame as the leading climate change denier in the U.S. Senate. He told Flanagan and others working on flood control efforts that their services wouldn't be required during his administration. Some stuck around, but several of them scattered to jobs in other states.

Everything changed in 1984. On Memorial Day, 15 inches of rain fell within six hours, according to one gauge. In addition to the 14 deaths, 288 people were injured and 7,000 vehicles were damaged or destroyed. Total losses were estimated at $180 million ($415 million in today's dollars). As it happened, many of the former officials and activists concerned with the flood issue—they called themselves the "flood friends"—had gathered in Tulsa over the holiday weekend for a reunion. Terry Young, who had been sworn in as mayor 19 days earlier, summoned Flanagan and two others that night to work out a plan to try to address flooding along the creeks once and for all.

Young, a one-time weatherman, had made stormwater management a centerpiece of his campaign, having heard so many complaints about flooding during his years on the county commission. While the typical response after a catastrophe was and is to help

A sign showing a storm's highwater mark reminds residents of the flood risks they face.

people rebuild, Young convinced a bare majority of the city council to pass an ordinance forbidding homes that had been damaged in that particular flood from being rebuilt. That ordinance gave him leverage to come up with a longer-term plan. It made no sense to keep rebuilding in the same place, Young had concluded. Some homes, then worth $30,000, had received as much as $100,000 in federal payments due to repeated losses. The mayor decided it was smarter to buy out the owners and tear down the houses. "When you have that kind of repetitive flooding, and the house is still there like a sitting duck—it's just stupid policy," Young says.

The city's plan was to pay homeowners not only what their houses had been worth before the flood, but what they'd have been worth if they hadn't been built in a floodplain in the first place. The city would also pay moving and relocation costs, throwing in a $1,000 bonus if people moved somewhere outside of a floodplain.

Selling the plan took a lot of work, both locally and at the federal level. Young argued that Tulsa faced significant legal exposure if it continued to approve permits in areas prone to flooding. The moratorium on rebuilding helped prod the development community and get it to agree to the new regulations. And the city was able to convince FEMA and Congress that it was cheaper in the long run to buy people out than to keep making them whole after each storm, getting the feds to kick in a sizable percentage of the cost.

Todd Kilpatrick oversees a levee system that's at "very high risk" of failure, and that is kept functioning on World War II-era parts.

Local planners and environmentalists held what they called "wine and fees" parties, trying to convince residents and business owners it would be more cost effective in the long run if they paid monthly stormwater fees to help pay for infrastructure improvements, overseen by a stormwater management board created in response to the 1984 flood. Those fees have paid for maintenance of the concrete flood walls and detention ponds that dot the city. With the detention ponds, the city got creative—it built floodwater basins that could also serve as recreational facilities. The students playing tennis at the University of Tulsa or the kids shooting hoops at McClure Park may not know it, but they're standing on detention ponds. Creating open space made the idea appealing to the public. "It would have been a killer to say we're buying land to hold water for one day every 10 years," says Flanagan, the planner who's designed several of the parks that are part of the flood control system.

During World War II, the Army Corps of Engineers reached a reasonable, if basic, conclusion: Oil and water don't mix. In order to protect Tulsa's oil operations, which were considered essential for the war effort, the Corps built a 20-mile-long levee system along the Arkansas River, protecting industry, railroad lines and housing. The barriers were thrown up fast. The levee, which was made of local clay, has been maintained since, but not updated. The seven pumping stations along the levee are dependent on the kind of parts you'd expect to find in the laboratory of an old horror movie: pulleys and levers and mercury switches of a kind that aren't even made anymore. "Parts? There are no parts," says Todd Kilpatrick, the levee commissioner. "We take the pieces to a machine shop and try to meld it together. Isn't it amazing in 2017 a city is relying on this to keep it safe from floods?"

Some of the levee's drains have been clogged for years. The levee is on the Corps' list of facilities at "very high risk" of failure. Kilpatrick traveled to Washington this summer in search of funding. At this point, he's seeking $100,000 in federal funds for a feasibility study to find out what updating the levee would cost. "We have an aged-out levee system that protects over $2 billion worth of assets and thousands of people," Kilpatrick says. "You can fix this levee for a heck of a lot less than $2 billion."

Kilpatrick is hoping that Harvey, Irma and Maria will convince Congress it makes more sense to be proactive and repair systems that are known to be at risk. But he's not especially optimistic. Common sense would tell you it's cheaper to prevent disaster than respond to it, but history shows that people are more willing to spend the money on response. Memories are short following a disaster. For instance, the levee was breached in 1986 in Sand Springs, just across the river from Tulsa. But when the Oklahoma University Climate Science Center sent interns out recently to

Ted Marsh's home took in 28 inches of floodwater. He has no intention of leaving.

interview area residents about their awareness of flood risk, many of those questioned didn't even know they were protected by a levee. It's hard to convince people that flooding is a real risk when the river's dry and they're looking at sand. When the water dries out, says Patton, the former reporter, so does the commitment. "With success come amnesia and overconfidence," she says.

Last year, Bynum convinced voters to support a redevelopment package that includes new dams on the river to create a lake and a park that will feature construction of a new island, with an inlet for water sports. The Arkansas River is now a dry riverbed most of the time as it runs through Tulsa, with water released once a day for hydropower. Filling parts of it with water makes sense, Bynum says. He's grateful to earlier generations of local leaders for taking creek flooding off the list of things he has to worry about. Now, he argues, it's time to restore one of the city's prime assets: access to the water.

Patton and some of the other old hands who crafted the city's flood management policies feel guilty in retrospect that their plan mainly addressed creek flooding and didn't do much to address potential dangers along the river. They worry that Bynum is making a mistake by putting obstacles into the river itself that may only worsen flooding at some later date. Young, the mayor back during the early days of the flood control efforts, is currently suing the city in hopes of blocking construction of a riverside strip mall. Bynum insists that the development will be safe and that it comports with the Corps' master plan for the river.

But the question is always whether safe is really safe. This era of severe storms has eroded the sense that the old 100-year-flood maps are reliable. Tulsa refused a recommendation from the stormwater management board to adopt the 1986 Arkansas River flood as the flood of record. That would have required builders to elevate structures beyond that highwater mark. Last year, to remember the 30th anniversary of the storm, the city put up a sign noting where the highwater mark was. It was taken down by order of the previous mayor within 24 hours, due to political pressure from a developer who noticed that it clearly showed nearby homes would be flooded if water again reached that level. "The administration said we have to accept some level of risk," says Robison, the longtime city engineer, who himself was flooded out in 1984. "Probably, if you put it to a vote of the people, they'd agree, because of that feeling of complacency."

Despite the conviction among environmentalists that a great deal more must be done, the reality is that Tulsa has made great strides in protecting its residents from much of the foreseeable danger. Just ask Ted Marsh, who lives a few blocks from Mingo Creek. Back in 1984, his house took in 28 inches of stormwater. Since then, he's done what he can to fortify the place, piling up rocks and dirt in front and back of his house, and running a pipe alongside, out to the drainage ditch. But he knows his biggest break came when the city tore down the house next to his, along with others on the block. When it rains, those grassy homesites turn into ponds, holding the water and keeping it out of Marsh's living room.

Marsh likes things that last. He's replaced the engine several times on a 1953 Ford that now has more than a million miles on it. He believes that, with the city's help in creating open space along his block, his house will last, too. "I figure this will go to my son, or grandson," he says. "I'd like to keep it in the family as long as I can." **G**

Email agreenblatt@governing.com

SPECIAL DISTRICTS PROGRAM

Congratulations

to the 2017 Special Districts Technology Innovation Award Winners!

WEST REGION

LEADERSHIP CATEGORY

Randell Iwasaki

Executive Director
Contra Costa Transportation Authority

OPERATIONS CATEGORY

Pipeline Risk Visualization

San Diego County Water Authority

CITIZENS CATEGORY

E-Citizen Mobile Civic Engagement Platform

Jurupa Community Services District

SOUTHEAST REGION

LEADERSHIP CATEGORY

John M. Daane

Director of Information Technology
Emerald Coast Utilities Authority

OPERATIONS CATEGORY

Virtual Desktop Initiative

Atlanta Housing Authority

CITIZENS CATEGORY

MARTA Mobile Ticketing System

Metropolitan Atlanta Rapid Transit Authority

To learn more about the winners' initiatives and the Special Districts Program, visit:

www.govtech.com/districts

AN AT&T PROGRAM

government technology

Lance Gilman has transformed a pocket of Northern Nevada into a global center of business.

DESERT GIANT

Think of the biggest industrial park you've ever seen. Then think a lot bigger.

BY MIKE MACIAG / PHOTOGRAPHS BY DAVID KIDD

Storey County is a stretch of sparsely settled Northern Nevada landscape, 264 square miles of largely unpopulated valleys, mountains and rocky desert terrain. Herds of wild horses graze the land. At last count, the county seat had a population of 845.

But on a recent weekday afternoon, there's a major traffic backup in one corner of the county. Lines of tractor trailers and cars with out-of-state license plates trudge slowly toward the entrance to Interstate 80—a near-daily occurrence commuters have grown accustomed to. It's all because of the Tahoe-Reno Industrial Center, a massive complex of buildings that claims to be (and may well be) the largest industrial park in the world.

Three years ago, the park lured Tesla's Gigafactory, hailed as one of the biggest economic development prizes ever. Since then, the park has taken off, landing as many high-profile deals as any development in the country. Google recently purchased 1,200 acres. Down the road, the data storage company Switch opened the first building of what's slated to become the world's largest data center campus. Jet.com and Walmart have big distribution facilities in the park, as do their competitors eBay and Zulily. The industrial park is now home to more than 140 tenants. Already, more than three times as many people hold permanent or temporary jobs within the park as live in the entire county.

Storey County has huge plots of land to offer for industrial development. But what's played a key role in luring so many companies to the area is an exceptional absence of local regulation and a speed of permitting that rivals any business development in the U.S. The park's exploding growth is just the latest chapter in an unprecedented experiment in economic development.

All this development has rescued the finances of a county that was nearly broke not too many years ago. Back in the 1990s, Storey County was chronically short of revenue. "The county was bankrupt but didn't know it," says Pat Whitten, the current county manager. Some state officials thought of abolishing the county, which is the second smallest in the state by land area.

Then came Lance Gilman, a Stetson-wearing developer who got his start working for Capitol Records in Hollywood and had built a small empire of businesses. Gilman and his partner, Roger

Norman, saw a shortage of large parcels of land with adequate utilities to accommodate industrial use. When 104,000 acres of undeveloped land with proximity to an interstate, railroad and power generation were put up for sale by Gulf Oil, the partners jumped at the opportunity, buying it for $20 million in cash in 1998. They now own about 55 percent of the land in Storey County.

To lay the groundwork for the industrial park, Gilman made another deal with the cash-strapped county that turned the usual marathon permitting process into a hundred-yard dash. By the terms of the agreement, nearly all industrial uses for the park are preapproved, so tenants don't have to go before a planning commission or obtain any special use permits. This is an extremely rare and significant public concession. It has allowed companies—ranging from plastics and machine gun manufacturers to fuel processing plants—to be up and running at unheard-of speeds. A company can usually get a grading permit within 48 hours and a building permit in one to two weeks.

What's more, the agreement prohibits the county from imposing any new fees or regulations, with most existing fees frozen at amounts charged in the year 2000. Storey County must assist the developers in any dealings with other local, state and federal agencies. The county runs some of its support services on a round-the-clock basis. At times, staff have carried out building inspections at 3 a.m., because that's when crews pour concrete in the summer.

In return, the developers paid upfront for the construction of all roads, flood control, fire stations and most other public infrastructure within the park. County officials agreed to start paying back the developers for these infrastructure investments, interest free, once the park turned a profit. Calculated as a percentage of total revenues after expenses, this reimbursement has totaled about $1 million annually in recent years.

Gilman did Storey County one more favor: At the time, the county relied on the well-known Mustang Ranch brothel for more than 10 percent of its revenue. But the Internal Revenue Service had shut it down, so Gilman purchased the ranch buildings and naming rights on eBay and got the business running to plug the shortfall.

But the Tahoe-Reno Industrial Center didn't take off right away.

"Our county is business focused," says Pat Whitten, the county manager. "It's not bureaucracy focused."

It landed a Walmart distribution facility in 2005, which took a mere six months to open. Business slowed down after that, hurt badly by the 2008 recession. It was a meeting in a construction trailer in 2013 that permanently altered the park's trajectory. Tesla executives had flown in for what was supposed to be a 15-minute session. They had already toured the nation in a well-publicized search for a massive factory site. Gilman asked why they hadn't yet signed a contract. The representatives cited scheduling risks—delays that cost companies money. "How long," they asked, "would it take to receive a grading permit?" Storey County's community development director then pushed a permit across the table and told them simply to fill it out. "It's the magic of the development agreement that allowed that all to happen," Gilman says.

The announcement that Storey County had landed Tesla, made on the steps of the state Capitol in September 2014, dramatically raised the region's profile in what's been called the "Tesla effect." Some companies send in deposit checks for parcels in the industrial center without even visiting. Over two recent weeks, Gilman closed 11 transactions for land purchases in the development. "We have such a strong critical mass of companies," Gilman says, "that the companies are coming to us."

Currently, Gilman estimates about 14,000 people work there, including temporary construction crews. He expects employment to double or triple in the next five years as companies meet hiring projections and new facilities open.

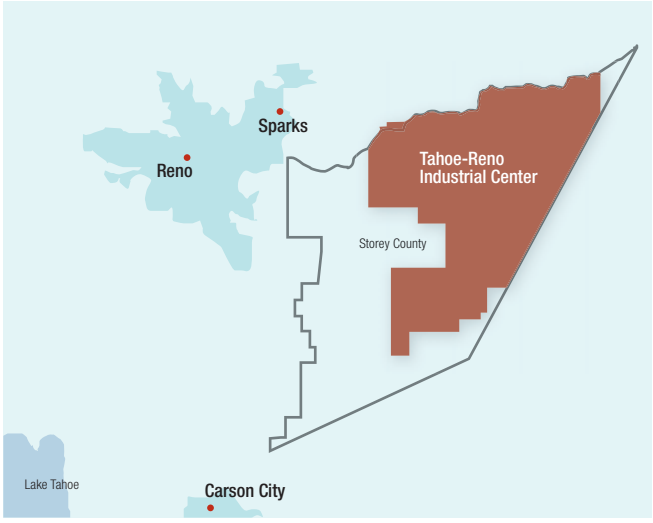
The county's small staff has struggled to keep up with all the construction and development around the park. Each day, many of the center's 6,000 construction workers descend on the Tesla site, expected to have the largest footprint of any building in the world once completed. One building inspector spends about 10 hours a day there handling 50 to 100 inspection requests for new machines.

Wanting to play a greater role in the area's anticipated growth, Gilman, who is 72 years old, won a seat on the county commission as a Republican in 2012. (Given Nevada's unique-in-the-nation prostitution laws, Gilman is likely the only elected official in America who owns a legal brothel.) He says his top priorities on the commission are fiscal restraint and deregulation. Predictably, the combination of his investments, his ownership of most of the county land and his position in county government has at times drawn accusations that he wields too much influence. "I say what's on my mind and lay my plans out there," he says. "Often, folks have untested assumptions."

Remote as Storey County may seem from anywhere in urban America, the location has actually been an advantage in bringing in companies. The center is only 15 miles east of Reno and a three-and-a-half-hour drive from San Francisco. Nothing on the West Coast is more than a day's truck drive away, and that has made it attractive for distribution centers.

Nevada has no corporate or personal income tax, and relatively low labor and real estate costs. Economic development officials have promoted the state's low taxes and favorable regulatory environment as an alternative to neighboring California. A recent Development Counsellors International survey of corporate executives with site selection responsibilities reported they viewed California as having the least favorable business climate of any state. "Every time they pass new acronyms of laws, we get more companies," says Austin Osborne, Storey County's planning director. "They push the companies here."

The Tahoe-Reno Industrial Center has, in fact, wooed a slew of companies across state lines. A botanical ingredient supplier, BI Nutraceuticals, relocated to Storey County after operating in California for over three decades. "California is draconian in how they burden businesses," says CEO George Pontiakos, who cites permitting speed as an "enormous" factor in his decision to move the company. BI Nutraceuticals decided to move in April



2015 and by the following January had opened a new plant in the industrial park.

California has fought back against its reputation for cumbersome regulation. While Nevada plays up its low taxes and regulatory advantages, California officials emphasize the state's skilled workforce, research capacity and access to markets. The state economic development agency has stepped up its efforts to help companies navigate local, state and federal permitting with a dedicated support unit and online portal. The fact remains, however, that an estimated 30 to 40 percent of companies relocating to the larger Northern Nevada region migrate from California, according to the Economic Development Authority of Western Nevada. That number used to be higher—about 60 percent—but more businesses have been moving to the industrial park from other parts of the country in the wake of the Tesla deal.

Storey County advertises to prospective companies that only three officials are responsible for handling all plan reviews, inspections and permitting. "Every budget season, our departments are reluctant to staff up, because when you start staffing up, then you start compartmentalizing and not communicating," Osborne says. "We do not want to build an empire."

Of course, state tax incentives have played a role in some of the economic development victories as well. Tesla's package totaled nearly $1.3 billion—one of the largest in American history—including a 20-year sales tax abatement and a 10-year property tax abatement. Tesla CEO Elon Musk, however, has said other competing states offered larger tax deals. He cited the "pace of execution" as the primary driver of the automaker's site selection in an earnings call last year.

Storey County, which prospered from gold mining in the 1800s, is now enjoying something of a second heyday. With a much-improved financial picture, the county has hired trained paramedic firefighters rather than relying on volunteers. Officials are also considering issuing rebates on individual property taxes, an unheard of move most elsewhere.

Few of the center's workers live in Storey County at all, since the industrial center prohibits residential development within its territory. Instead, they're mostly residing in Reno and other parts of Washoe and Lyon counties, putting greater pressure on schools, transportation systems and other services. This summer, some Tesla employees lived in dorms on the Reno campus of the University of Nevada.

Reno officials say the arrival of Tesla and other companies at the industrial park has helped the city broaden its image beyond gaming. "With the industrial center coming in, the developers are not shy anymore to build and invest in Reno," says Mayor Hillary Schieve. "Now, we're telling a very different story on a national level." But that hasn't yet translated to a significant increase in Reno's revenues. The city hasn't fully recovered from the recession, and its total staffing remains about 25 percent below 2008 levels. At the same time, demand for city services is up—fire department calls, for instance, increased 12 percent last year.

"With the industrial center coming in, the developers are not shy anymore to build and invest in Reno," says Mayor Hillary Schieve.

Nevada Assemblyman Skip Daly, who represents the nearby town of Sparks, says the development is adversely affecting his constituents. "It's great for Storey County, but there's an inequity," he says. "All of the impacts are really borne by the adjacent counties." Daly introduced a bill in the legislature this year that would allow counties with schools and services affected by developments such as the industrial center to charge those counties impact fees. The bill was tabled with little support. Storey County officials say they expect surrounding jurisdictions to receive a boost from employees spending paychecks outside the county as companies accelerate hiring.

One major reason local revenues aren't keeping up with the costs of development is a state law capping property tax increases. Last year, the law limited increases on residential property to just 0.2 percent in Washoe County, which relies on property taxes for about half its general fund revenues. "We have million-dollar homes where people are paying $500 in taxes," Schieve says.

Interest in technical careers in the Washoe County School District has expanded exponentially over the past five years.

Perhaps no community is experiencing as much rapid change as Fernley, a town that sits a short drive down the interstate from the industrial center. The city's population has more than doubled since its incorporation in 2001. At a recent public chamber of commerce meeting, about two-thirds of the crowd raised their hands when asked if they were from California. City Manager Daphne Hooper says many of these transplants have come to expect better infrastructure and additional services. But the city, with general revenues totaling less than $7 million, doesn't have the money to pay for them.

Although Fernley is gradually becoming suburban, it's still trying to hold onto its identity as a rural farm community. "We want to still be part of rural Nevada," Hooper says, "without being forced to be urbanized."

Jeff Page, the county manager in Lyon County, hopes to avoid some of the negative unintended consequences that could potentially come with all the development. A parkway near the industrial center that cuts through Lyon County just opened, bringing additional traffic. A developer wants to build man camps, temporary dorm-like housing that has sprung up in places such as North Dakota. Page has resisted that idea, pushing instead for tiny homes that could eventually serve as transitional housing for the homeless population.

The region's recent growth represents a drastic turnaround from the Great Recession, when it was among the hardest hit areas in the collapse of the housing market. Total employment in the Reno metro area has climbed nearly 8 percent from two years ago, one of the sharpest increases nationally. Most of the new jobs created so far are outside the industrial center, in the tech and advanced manufacturing sectors. Several of the industrial center's most established businesses are distribution facilities and data

centers, occupying large parcels but not employing a large number of workers. All the activity has pushed up wages. Pontiakos, the BI Nutraceuticals CEO, says the park's growing businesses are competing for the same workers, and only so many people are willing to drive out to the center from distant locations.

While more out-of-state workers are relocating to the region, the existing local workforce still fills the vast majority of job openings. The Economic Development Authority of Western Nevada estimates workers from outside the region account for 20 percent of new companies' hires across all industries. Mike Kazmierski, its president, reports that gaming, restaurant and retail workers have pursued retraining as they seek higher-paying jobs. "If [companies] want to come here and we don't have the workforce, they're not going to come," Kazmierski says. "It's much more expensive to import talent."

At local schools, students and their parents are pursuing career paths that didn't exist before. Interest in career technical education at the Washoe County School District has expanded exponentially over the past five years. The district has responded by tripling its advanced manufacturing course offerings. One recent morning at a Sparks high school, a classroom full of freshmen was learning modeling software. Down the hall, students operated computer-controlled welders and printed out parts on 3D printers. The district has incorporated metric system conversions into courses and swapped out their old modeling software to match what Tesla uses.

Given what's happened in Storey County, other jurisdictions have worked to make themselves more business-friendly. In Lyon County, Page says the industrial center has led to a culture change among his staff and a speedier permitting process. The Northern Nevada Development Authority established a certified site program that resolves any code problems, cleanups and other issues for prospective developers looking at properties. "It gets them to that same place that Storey County gets," says Robert Hooper, the authority's director. "But I think it's a better governance practice."

One developer who has approached Lyon County about a proposed industrial site there has cited parts of the Tahoe-Reno Industrial Center agreement in negotiations. The county, though, isn't willing to cede ground on some issues. "We can't give away the farm," Page says. "But we surely can come in with open ears."

There's no doubt that the Tahoe-Reno Industrial Center has influenced economic development all across the region. It may turn out, however, that it's a model that can't be replicated, at least not entirely. "That will not happen again in this region in the next 100 years," Page says. "Storey County was in the right spot at the right time." G

Email mmaciag@governing.com

PUBLISHER'S STATEMENT

Statement of Ownership, Management, and Circulation

(Required by 39 U.S.C. 3685)

Title of publication: GOVERNING. Publication No.: 1501. Date of filing October 1, 2017. Frequency of issue: Monthly No. of issues published annually: 12. Complete mailing address of known office of publication: 1100 Connecticut Ave NW, Suite 1300,Washington, DC 20036. Complete mailing address of general business offices of publisher: 100 Blue Ravine Road, Folsom, CA 95630. Full names and complete mailing addresses of publisher, editor and managing editor; Publisher: Mark Funkhouser, 1100 Connecticut Ave NW, Suite 1300,Washington, DC 20036. Editor: Zach Patton, 1100 Connecticut Ave NW, Suite 1300,Washington, DC 20036. Managing Editor: Elizabeth Daigneau, 1100 Connecticut Ave NW, Suite 1300, Washington, DC 20036. Owner: e.Republic, Inc. dba GOVERNING: Dennis McKenna, Robert Graves, Cathilea Robinett, Alan Cox, Lisa Harney, Paul Harney, 100 Blue Ravine Road, Folsom, CA 95630. Known bondholders, mortgages and other security holders owning 1 percent or more of the total amount of bonds, mortgages or other securities, none.

Extent and Nature of Circulation	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
A. Total No. of copies (Net Press Run)	72,130	71,798
B. Legitimate Paid and/or Requested Copies		
1. Outside County Paid/Requested Mail Subscriptions Stated on PS Form 3541	61,922	62,044
2. In-County Paid/Requested Mail Subscriptions stated on Form PS 3541	0	0
3. Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Paid or Requested Distribution Outside USPS	0	0
4. Requested Copies Distributed by Other Mail Classes Through the USPS	0	0
C. Total Paid and/or Requested Circulation	61,922	62,044
D. Nonrequested Distribution		
1. Outside County Nonrequested Copies Stated on PS Form 3541	8,622	7,894
2. In-County Nonrequested Copies Stated on PS Form 3541	0	0
3. Nonrequested Copies Distributed Through the USPS by Other Classes of Mail	0	0
4. Nonrequested Copies Distributed Outside the Mail	166	100
E. Total Nonrequested Distribution	8,787	7,994
F. Total Distribution	70,709	70,038
G. Copies not Distributed	1,421	1,760
H. Total	72,130	73,038
I. Percent Paid and/or Requested Circulation	87.57%	88.59%
a. Requested and Paid Electronic Copies	15,419	15,672
b. Total Requested and Paid Print Copies + Requested/Paid Electronic Copies	77,340	77,716
c. Total Requested Copy Distribution + Requested/Paid Electronic Copies	86,128	85,710
d. Percent Paid and/or Requested Circulation (Both Print & Electronic Copies)	89.80%	90.67%

I certify that all information furnished on this form is true and complete.
Elizabeth Daigneau, Managing Editor

Dan Israel
Vice President & General Manager, Vlocity Public Sector

Bojan Cubela
Director of State & Local Government and HHS, Salesforce

Future-Proofing Health & Human Services

State and local HHS agencies are being asked to become more efficient, focus on outcomes and provide better, faster service to citizens — yet many still rely on complex and costly legacy systems. In the Governing Institute's 2017 HHS survey of 191 state and local leaders, 65 percent of respondents said their agency's systems need to be modernized. In this Q&A, Bojan Cubela, director of state & local government and HHS at Salesforce, and Dan Israel, vice president and general manager of Vlocity Public Sector — which provides industry-specific cloud applications running on Salesforce — explain how a trusted cloud platform extended through an HHS-specific application can help lead agency transformation.

Q: Salesforce may not be the first name that comes to mind in government and HHS. Can you give us some examples of your work?

Cubela: Salesforce has been serving the public sector for at least a dozen years and has over 1,000 government customers, including all 15 federal U.S. agencies and presence in 45 of 50 state agencies. We've deployed HHS apps in multiple states and across many county and city governments. For example, the State of Colorado has more than 90 applications built on top of the Salesforce platform. The most recent is an HHS and cloud-first integrated eligibility system. The migration to the new case management system — along with a multichannel call center and customer portal — has doubled the number of Medicaid benefits applications the state can process each month (from 30,000 to 60,000), with the same budget.

Q: Why do agencies adopt Salesforce?

Cubela: First, we provide agencies with a secure, pre-built infrastructure and a core set of functions available on day one. This gives them a foundation that reduces risk and speeds deployment measured as time to value. Second, agencies can control the project complexity and cost through configuration of the platform, which gives them a level of customization without having to write code. We call this "clicks, no code" deployment, where all customers are on the same version and receive three updates a year. Third is that we provide a modular approach. Most states want to build reusable components, connect with other systems without breaking the code, and achieve mobility and performance at scale. We make that possible by managing 100 percent of hardware and software on our metadata-driven architecture.

Q: How do the Vlocity application and the Salesforce platform work together? What benefits do they provide?

Israel: Salesforce is the foundation — an out-of-the-box, cloud-based platform with a proven set of core functions. Vlocity is an application that runs on Salesforce, with pre-built capabilities specifically designed to address HHS agency needs. Together, they offer agencies a working application to start from, which can then be rapidly configured to meet a specific agency's requirements.

The combination of Salesforce and Vlocity can be deployed quickly so agencies can transform HHS services rapidly, generating value without replacing entire systems. Agencies can start small and build out in a modular fashion. Colorado, for example, started with small projects and saw how the platform improved efficiency and service. Once leaders there experienced these benefits, they implemented bigger, more complex projects spanning almost 100 applications today and growing.

Q: How does the system lay a foundation for generating value in the future?

Cubela: We provide three upgrades per year as well as mobile, social and artificial intelligence (AI) capabilities without writing code. This helps future-proof an agency's investment and enables it to continually improve services without spending new money. Salesforce is investing in future technologies — including AI and machine learning — and will continuously incorporate these capabilities into products. These technologies are meant to free up government employees to spend less time on paperwork and administrative functions, and more time working with citizens to drive measurable outcomes.

Q: What advice would you give agencies that want to improve operations through digital transformation?

Israel: Our most innovative customers are shifting their focus toward the "art of the possible." Sometimes RFPs are too prescriptive and vendors can only satisfy them with custom code solutions that don't scale and are costly to maintain. Innovative agencies are being less prescriptive — they are focusing more on the desired outcome than a precise itemization of features. Pre-built applications running on a cloud platform empower agencies to move faster than ever and open the door to new possibilities to generate value. They can truly be transformative and we are excited to share more details at this year's ISM conference.

MADE IN TENNESSEE

The Secret Sauce

Original Recipe

Once seen as a laggard in public administration, Tennessee is now a leader. Can other states tap its recipe for success?

By John Buntin

Derek Young is no stranger to the C-suite. As he waits for a client in his 10th-floor corner office in downtown Nashville, he talks about his passion for culture change. One of the services he offers companies is as a motivational speaker and executive coach who charges "anywhere from one to six thousand dollars" a pop.

This morning, Young is meeting with Marcus Dodson, who manages IT operations for a large financial institution. When he arrives, Dodson updates Young on the project he is currently working on. He's been trying to get everyone in his 250-person organization up to speed on Microsoft Excel. But the project isn't going well. Dodson wasn't as prepared as he had wanted to be, and as a result, the first round of reviews from participants let him know that. But then, Dodson worked to improve his presentation, and his subsequent reviews were dramatically better.

Having a coach help an executive work through challenges is common in corporate America. But Dodson doesn't work in the private sector. He works for the state. He's responsible for infrastructure and security at the Tennessee Department of Treasury. He's receiving coaching through an innovative leadership development program known as LEAD Tennessee.

Seven years ago, Tennessee was seen as a laggard in the field of public administration. Today, it's a leader. Gov. Bill Haslam has made improving the operations of the state government a major focus of his administration. LEAD Tennessee and other innovative programs, as well as an overall willingness to invest in training, have been attracting attention from other state governments.

In 2012, the Haslam administration took on civil service reform, overhauling the state's antiquated hiring and promotions practices and replacing them with a pay-for-performance system. It also became the first state to appoint a so-called chief learning officer as part of a broader effort to offer new employees training opportunities to learn on the job. A year later, Haslam appointed an IBM executive, Greg Adams, to serve as the state's first-ever chief operating officer. Adams has taken the governor's desire to emphasize "customer-focused government" and translated it into a well-organized operating system, where heads of cabinet departments, known as commissioners, meet monthly to discuss operations and pursue opportunities for collaboration. Sub-cabinet working groups also meet regularly to address immediate problems, such as access to health care or capital for small businesses in rural areas. The state says it has eliminated more than half a billion dollars in recurring expenses as a result of its focus on better performance.

Tennessee offers a compelling example of what conservative government can deliver. With its AAA bond rating and well-funded public pension plans, low unemployment rate, rising educational achievement and an innovative program that offers two years of free community college, Republicans see Tennessee as a national model of good governance. "All our constitutionally elected officers are Republicans," says state Sen. Jack Johnson, a co-author of the Haslam administration's breakthrough civil service reform act. "We are a Republican-dominated state, and that plays a big role in why we are succeeding as a state."

> Moving from mayor of Knoxville to governor of Tennessee was, Haslam says, "like going from Double-A baseball to the major leagues. It's the same game, but it was a lot bigger and faster."

To be sure, not everyone is ready to applaud the Haslam administration's reform efforts or credit it with big changes. Randy Stamps, who heads the Tennessee State Employees Association, sees a commitment to cost cutting and outsourcing that belies many of the claims made about investing in people. "They've trimmed down state government," Stamps says. "When they've had trouble managing, their first reaction is not to try to manage it better, but to outsource it."

Others note that it was Haslam's predecessor, Democrat Phil Bredesen, who moved the state Medicaid program, TennCare, to managed care, initiated sweeping education reform and pushed more than 1,600 state employees to seek early retirement. Many of Haslam's achievements have built on these earlier initiatives. However, Haslam's legacy of improving the operations of state government is entirely his own. Those improvements, and the systems and the philosophy that undergird them, have made Tennessee a model for other states, says Leslie Scott, executive director of the National Association of State Personnel Executives. "Tennessee is the state that our other member states look to for innovation."

In 2010, Haslam was elected governor of Tennessee. Like his predecessor, Haslam brought both business and political skills to the governor's office. His previous job had been as mayor of Knoxville. Before that, he had been serving as president of the Pilot Corporation, which operates a chain of truck stops started by his father that is one of the largest private businesses in the country. (Haslam's personal stake in the family business makes him one of the wealthiest elected officials in

SHUTTERSTOCK.COM

APIMAGES.COM

Gov. Bill Haslam has made improving the operations of the state government a major focus of his administration.

the country. *Forbes* currently pegs his personal net worth at $2.5 billion.)

As mayor of Knoxville, Haslam operated in a system with nonpartisan elections. "I could've told you who the Republicans and Democrats were, but our votes didn't break down that way," he says today. As governor, though, political affiliation matters. Haslam became the first Republican governor with Republican majorities—supermajorities at that—in both chambers since Reconstruction. That put him in a position to make big legislative changes if he could maintain the support of Republicans in the legislature. If he lost that support, his agenda would be at risk. In Tennessee, a simple majority of lawmakers can override a governor's veto.

When he took over the reins of power, Haslam chose his moves carefully. His first focus was on education, in part because he believed that improving it was the best way to raise incomes. But he also saw there was momentum there. Under his predecessor, Tennessee had enacted a series of reforms that made it one of two states to receive Race to the Top funding for education reforms. Education would become the defining feature of Haslam's two terms as governor. He brought in a former Teach for America executive to run the Department of Education. He also championed legislation that created a state school district with the power to take over failing schools. In 2014, the legislature passed Haslam's Tennessee Promise Scholarship Act, which gave high school graduates access to two years of free community or technical college.

While education was the high-profile agenda, Haslam was also determined to improve the way state government worked. In moving from Knoxville to the state Capitol in Nashville, Haslam realized he faced big new management challenges. State government was a $37-billion-a-year enterprise that employed over 40,000 workers. It was, Haslam says, "like going from Double-A baseball to the major leagues. It's the same game, but it was a lot bigger and faster."

To get a handle on how state government was working, he had the commissioners of his 23 departments conduct top-to-bottom reviews, looking for issues that stood in the way of efficient operations. One of the people involved in the review was Rebecca Hunter, the state's new human resources commissioner. At the end of the process, Hunter says, "every single cabinet member came back and said, 'We have to do something about the antiquated employment practices if we're going to move forward.'"

The Haslam administration's response was the Tennessee Excellence, Accountability and Management Act. Passed in 2012, the TEAM Act swept away the old civil service system, in which

seniority was the most important qualification for hiring and retention. Under TEAM, agencies were given the leeway to do their own hiring and more easily discipline or even terminate existing employees, and it changed the way the state evaluated its workforce. The TEAM Act also eliminated the old system of occasional across-the-board raises, replacing it with a pay-for-performance system whereby employees were rated on a scale from "unacceptable" to "outstanding."

The TEAM Act was an important step in the Haslam administration's push to restructure operations. And therein lay a problem for Haslam. As governor, he had so many responsibilities, such as dealing with legislation, recruiting companies to come to Tennessee and dealing with the federal government. "I spend a lot of time in Washington arguing about what's going to happen to Medicaid," says Haslam. "I don't spend nearly as much time [on operations] as I would if I was a CEO running the business."

So he looked for an operational solution. In the summer of 2013, he created the new position of state COO and hired Adams. Haslam then instructed his cabinet members to run operational issues past Adams rather than bringing them to him.

In the HR department, which was not centralized, Hunter followed a similar strategy. Instead of being the department that handled problems, she worked on a plan so that departments would call her *before* they made decisions about structural or personnel changes. The idea was to help them make sound decisions rather than call her for help "because it didn't work as well as they had hoped it would."

Adams also brought discipline to the state's push for customer-focused government. One of the Haslam administration's first initiatives had been to set up just such an office. The underlying idea was to get government to stop thinking like a monopoly and to start seeing residents as customers. "Nobody has to live in Tennessee," Haslam says. "You can say, 'I can move my business, I can move my family, to Kentucky or Georgia or Utah.'"

To emphasize the importance of the new focus, Adams began holding monthly customer-focused government cabinet meetings that brought commissioners together to discuss operational issues. Greg Gonzales, the state's top bank regulator, says the cabinet meetings "have taken coordination to a whole new level."

As a case in point, Gonzales cites the recent development of a comprehensive state disaster recovery plan. Initially, he says, the plan envisioned almost no role for his department. However, when he talked with the head of the Tennessee Emergency Management Agency, the two men realized that ensuring access to cash would

As part of its reform efforts, Tennessee appointed the first-ever state chief learning officer, Trish Holliday, as well as its first chief operating officer, Greg Adams.

KRISTINA KRUG

be critical to a successful emergency response. The result was that last year Gonzales' department created and ran the first disaster recovery exercise for financial institutions in the state's history. This year, it expanded the exercise to consider a cyberattack and include federal partners and over 100 financial institutions throughout Tennessee. "That's the kind of coordination and pulling departments together that I think has been pretty unique," says Gonzales. "We've never done anything like this in state government—at least in my 31 years."

In his book *Good to Great,* management consultant Jim Collins writes about something he calls "the flywheel effect." It's a metaphor he uses to describe the tremendous power that exists in the continued improvement and delivery of results. It's something Adams thinks is happening now in Tennessee. The governor sets his priorities. Departments then enumerate operational goals and strategic initiatives that are tracked by metrics. Take tourism. One operational goal of the Department of Economic Development is to increase tourist revenue from $19 billion to $20 billion over the course of the year. The strategic initiative is to do it by attracting more European tourists. These goals and initiatives can then be written into individual employees' performance plans. By tying pay to performance, the TEAM Act encourages employees to excel in meeting these goals.

How to help them excel? In the pre-TEAM Act days, says Chief Learning Officer Trish Holliday, "there was this idea that the organization was responsible for the employee's learning." Holliday rejects that perspective. "To me, the organization is not responsible for the employee's learning," she says. Her job as CLO is to give departments customized, research-based curricula for learning that can be utilized by those motivated to move ahead.

The numbers suggest that this approach is working. Since 2013, participation in leadership training and development among the state's 7,500 managers has more than doubled, rising from 314 in 2013 to 715 in 2017. The cumulative result over this five-year period is that the state HR department has trained 2,476 leaders in state government. Not only is that a desirable outcome, says Hunter, the HR commissioner, but it also has implications for the state's ability to recruit high-performing employees to the state workforce. According to Hunter, research shows that the benefit new workers value most is "training and development."

Adams believes the state's restructured management systems and energized philosophy have begun to deliver big results. One measure he points to is the $500 million in recurring costs that the state has identified and eliminated since 2012. Groups such as the Tennessee State Employees Union are skeptical of the claims. They note that the biggest savings come from two areas—TennCare, and corrections and parole. The $164 million savings from TennCare reflect the state's ability to wring savings from its managed care programs. It's an impressive achievement but, given the size of the program, not an altogether surprising one.

The other big reduction in costs is more surprising. The state says it has identified $88 million in lower spending in corrections and parole since 2012. Some of those savings have come through creative deals, including privatization arrangements whereby county jails contract with private prison providers to house state prisoners. That troubles people like Hedy Weinberg, executive director of the ACLU of Tennessee. "At the end of the day, private prison corporations answer to their shareholders," she says. "They are not interested in saving taxpayers money."

Tennessee's monthly cabinet meetings have taken "coordination to a whole new level," says Greg Gonzales, the state's top bank regulator. "We've never done anything like this."

Union officials and even some lawmakers have also criticized the state for its approach to outsourcing. Since 2015, the state has moved ahead with ambitious plans to outsource the management and operations of state office buildings to a Chicago-based company in which Haslam reportedly had an investment. (The governor moved his assets into a blind trust in 2011.) More recent efforts to expand that push to the state's college and university campuses led to concerns from both Democratic and Republican lawmakers about its impact on the salaries and benefits of maintenance workers.

But even critics acknowledge that overall the new operating system has yielded at least some good results. Internal promotions, for example, have risen sharply from 2,500 in 2013-2014 to 3,900 in 2016-2017. Salaries have risen significantly, too, from an average of $39,577 in 2012 to $47,267 in 2017. "We appreciate those [pay raises]," says Stamps of the state employees association. Moreover, for the 700-plus managers who have taken advantage of the state's leadership programs—people such as Dodson from the state Treasury Department—the new regime has been liberating. "I grew up in Southern Kentucky, a farm guy," Dodson says. "I get into IT, something that I love, and now I have this passion of helping people to develop and get to their personal goals [through] education and training. I have the best of both worlds."

That's exactly the attitude that Haslam wants to hear. "At the end of the day," he says, "the team with the best players wins." G

SHUTTERSTOCK.COM

Email jbuntin@governing.com

TUNNEL VISION

One of the most expensive infrastructure projects in American history is also one of the most vital. But no one knows how to pay for it.

By Daniel C. Vock Photographs by David Kidd

Superstorm Sandy roared into New York City in October 2012 pushing a wall of water ashore just half an hour after high tide. The combined 14-foot "storm tide" inundated the city, flooding 51 square miles, or about a sixth of its total land mass. It cut off power, knocked out natural gas lines, and overwhelmed streets, tunnels and bridges.

In one place, between 30th and 34th streets in Midtown Manhattan, water from the swollen Hudson River spilled into the cavernous underbelly of Pennsylvania Station, arguably the most important transportation hub in North America. As the water approached, officials at Amtrak, which owns the station, confronted a gut-wrenching choice: Should they allow the seawater to flood the tunnels under the Hudson, each fragile and more than a century old, and potentially split the northeast rail corridor in half for years? Or should they force the seawater into Penn Station, where it would wreak severe damage on the railroad's busiest passenger facility? With little time for debate, Amtrak let its tunnels flood. As a consequence, one of the most crucial pieces of rail infrastructure in the country acted as a stormwater drain for Manhattan.

Ultimately, it took only five days to clear the tunnels of 3.5 million gallons of seawater and to reopen the route to traffic. But while the workers could pump out the water, they couldn't get rid of the salt that it left behind. Chlorides and sulfides had permeated the concrete walls and started irreversible chemical reactions with the concrete, cast iron and steel inside the tunnel. Amtrak hired engineers to assess the damage. They concluded that the tunnels were safe for the time being, but that there was no way to stop the deterioration short of replacing the damaged walls and tracks.

The whole episode taught New York-area residents and politicians a lesson in how dire the consequences might be if one of the Hudson River tunnels failed permanently. It forced the governors of New York and New Jersey into supporting a massive new proposal called the Gateway Program that would add tunnels, replace antiquated bridges and expand the cramped Penn Station. The governors came to the White House recently to meet with President Trump about the proposal. It was a crucial event. For the work to begin, Amtrak, the states and the hundreds of thousands of people who travel beneath the Hudson River every year

need the president, and possibly Congress, to agree to pay for a substantial share of a project that, at a cost of up to $30 billion, would be one of the most expensive infrastructure ventures in the history of the United States.

The Gateway Program is hugely expensive because it includes many different improvements. Its planners want to do far more than simply fix the existing infrastructure. For an estimated $1.8 billion, they could just rehabilitate the tunnels that were damaged by Sandy. But that would require them to shut down the old tunnels for repair. So the planners want to build two new tunnels south of the current route that would cost another $11 billion. The plan also calls for other related improvements between Newark and New York, including connecting the Hudson crossing to another New Jersey Transit line, replacing a whole series of bridges and expanding Penn Station to add seven more tracks. All the improvements would take decades to complete; while service would improve along the way, the earliest possible completion date would be around 2030. "Where the whole Northeast rail system is busiest, the straw is the smallest. You have two tracks in a place where you should have eight. Sooner or later, it will come back to bite us if we don't have redundancy," says John D. Porcari, the interim executive director of the Gateway Development Corporation, which is coordinating the project. "This Gateway Program is a metaphor for our national will to not just take care of an urgent situation today, but to build for tomorrow."

Amtrak and two commuter rail systems—New Jersey Transit and Long Island Railroad—drop off or pick up 430,000 passengers at Penn Station on a typical weekday. The railroads handle twice as many passengers a day, on average, as the region's Kennedy, LaGuardia and Newark airports combined. Penn Station's adjoining subway stations, meanwhile, add another 345,000 trips on weekdays.

Penn Station is straining to handle all of the traffic. The number of people coming through the station has doubled since the 1980s, and most of that growth has come from the two commuter railroads. Passengers complain that Penn Station's platforms are narrow and crowded. Operations are also strained. Even with 11 platforms and 21 tracks, there is no extra capacity available to move operations if a train breaks down or a passenger gets sick. The constant activity makes it hard to maintain the tracks, switches, power lines and other equipment because Penn Station is open 24 hours a day.

But even if Penn Station had more space and better facilities, the Hudson River tunnels would still be a huge problem. Trains from Long Island come in from the east, using one of four tunnels connecting them to Queens and beyond. But going west to New Jersey, under the mile-wide Hudson River, there are only two tunnels—one in each direction. It's a huge chokepoint that, especially should it fail, threatens to cut off the country's biggest job center from one of its main sources of workers.

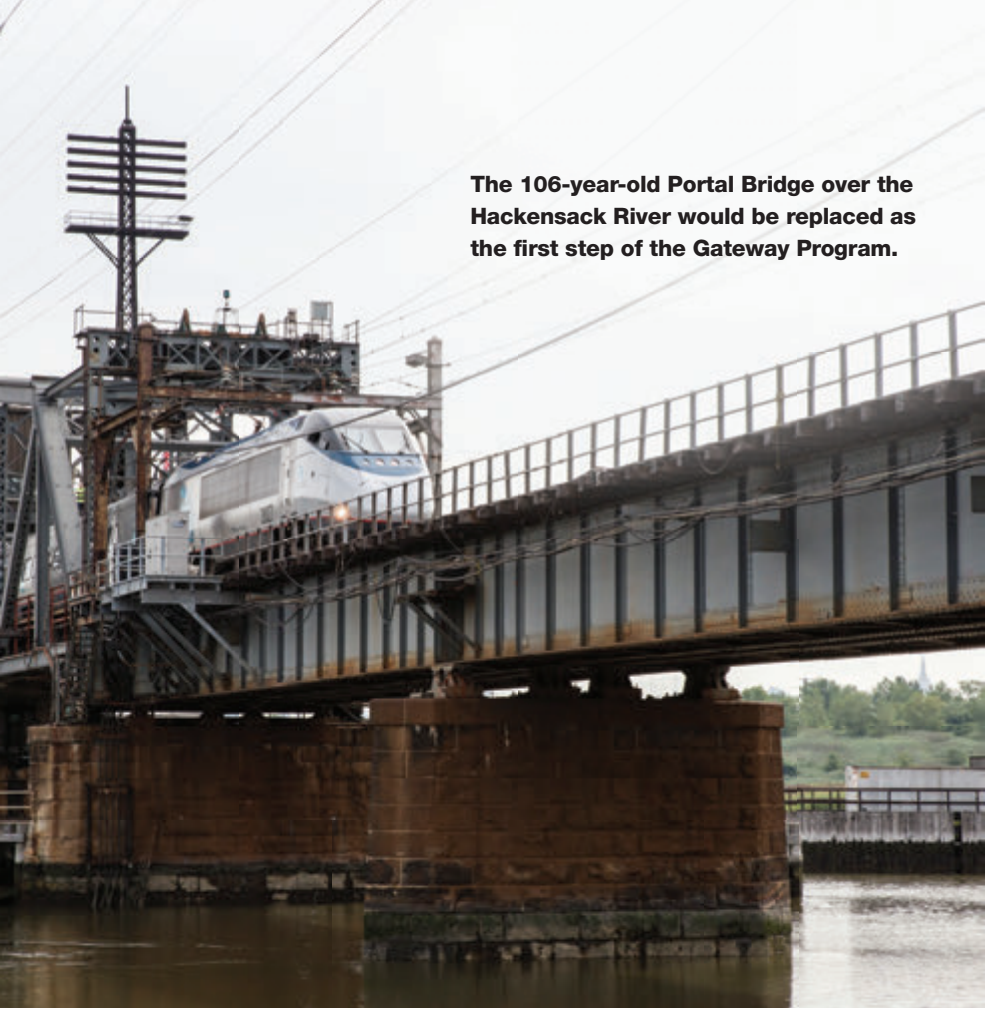
Just how bad is the bottleneck? Consider this: There are currently 15 ways—12 bridges and three tunnels—to cross the Harlem River from the north into Manhattan. To get across the East River from Brooklyn or Queens into Manhattan, commuters have 18 routes to choose from. But to get from New Jersey into Manhattan across the Hudson, there are only six possible entry points.

Meanwhile, demand for Hudson River crossings is increasing. For the last two decades, New Jersey and its northern cities have encouraged development near train stations. The New Jersey cities attract residents who can't afford to rent or buy in New York, but can still work there with a straightforward commute from the New Jersey side into Manhattan. With rail crossings essentially at their maximum capacity, New Jersey residents have flocked to commuter buses. Nearly 7,700 buses cross the Hudson River every day, compared to fewer than 600 from the north and nearly 1,100 from the east.

For decades, New Jersey's leaders have talked about the need for more rail access into New York. Superstorm Sandy showed them how easily they could lose the one major link they already have. They are convinced that losing it could throw the state's entire economy into a recession. With New Jersey and Pennsylvania residents making up 16 percent of Manhattan's workforce, the effects would reverberate throughout the region. "I don't think there's ever been a more clear link between economic recovery or development and an infrastructure project," says Porcari. "The New York and New Jersey economy is important to the rest of the country's economy from a finance, manufacturing and other sector perspective. It's a highly dependent economy."

Part of the reason that Penn Station is so ill-equipped to handle traffic from New Jersey is that its architects never really envisioned it as a commuter hub. The Pennsylvania Railroad, a behemoth of a company as famous in its day as the enterprises owned by the Vanderbilts and Andrew Carnegie, opened both the station and the Hudson tunnels in 1910. The original Penn Station overwhelmed passengers with its scale, audacity and beauty. The Beaux Arts building covered more than seven acres. Colonnades graced the exterior under the watchful gaze of perched eagles, while inside, steel pillars in a great hall held up a canopy of glass skylights that illuminated statues of allegorical figures.

The Hudson River tunnels were huge achievements in their own right. They were "the biggest civil engineering project in America," says Jill Jonnes, author of the book *Conquering Gotham*, which chronicles the massive effort it took to build Penn Station and its adjoining lines. Before the tunnels were built, railroads had to bring passengers from the south and west up to the Jersey side of the river and then transfer them onto ferries. Previous attempts to burrow through the silty soil beneath the Hudson River ended in disaster, and an effort to bring several railroads together to build a bridge over the wide span crumbled for competitive reasons. So the Pennsylvania Railroad eventually drew inspiration from the



The 106-year-old Portal Bridge over the Hackensack River would be replaced as the first step of the Gateway Program.

engineers of Paris and dug its way under the New Jersey Palisades and the Hudson, while simultaneously building the four tunnels to Long Island. Putting trains through those long tunnels required the railroad to build electric—rather than steam—locomotives, so they wouldn't poison the underground air.

But the focus of the Philadelphia-based railroad was just getting people to and from New York City, in the way an airline might today. It wasn't thinking about how its conquest of Gotham could change Gotham. "It totally transformed New York, geographically, because it knit all these suburbs in a way that they totally had not been before," Jonnes says. "It enabled the entire region to grow, with Manhattan being the central commercial core and all these vast armies of commuters being able to easily get in and out."

After several decades, though, the original Penn Station fell into disrepair while the Pennsylvania Railroad itself teetered toward bankruptcy. Automobiles and highways reigned supreme after World War II ended, and the railroad industry suffered. In a desperate move to keep the company afloat, the railroad sold its iconic New York building to a real estate developer, who demolished it, replaced it with the Madison Square Garden sports arena and relegated the train depot to a warren of sterile underground spaces. Within a few years, the railroad would also be gone. In the 1970s, Amtrak assumed control of the Northeast Corridor and Penn Station with it. But it, too, faced huge financial problems, and for years its very existence seemed in doubt. Amtrak was in no position to deal with a massive problem like the congested Hudson River tunnels. Those discussions wouldn't even start in earnest for two decades.

It was in 1995 that the region's three major transit agencies began those talks, looking at more than 100 options for new connections between Midtown Manhattan and New Jersey. The alternatives included commuter rail, bus, light rail, subway, automobile and ferry crossings. After eight years of study, they settled on a rail crossing, with three possible routes—a plan that shares many of the same characteristics as the Gateway Program.

That original plan, which went by many names over the years, including Access to the Region's Core (ARC), went smoothly at first. Officials broke ground for construction in June 2009. The kickoff ceremony featured New Jersey Gov. Jon Corzine, regional leaders and officials from the Obama administration. At the time, the project was billed as the country's most expensive infrastructure project (the California high-speed rail line has since earned that designation). Officials anticipated the new tunnels would open in 2018.

But even as construction started, there were complaints about the design of the project. The ARC tunnel would have been a deep one, and it would have ended under the Macy's flagship store on 34th Street, kitty-corner from Penn Station but not connected to it. So the new station for New Jersey Transit customers arriving in Manhattan would have been 150 feet below ground, with connections to subway lines and other commuter railroads, but not Amtrak. That meant that the station and the new tunnels would have almost exclusively served New Jersey commuters. In other words, New Jersey and the federal government would have borne most of the cost of building them.

Less than a year later, Chris Christie, a Republican who beat Corzine for the New Jersey governorship in 2009, scuttled the project. Christie had supported the ARC tunnels during the campaign and during the early days of his administration. But in October 2010, he changed his mind, saying cost estimates for the project, which started at $9 billion, seemed to keep rising. He worried that the federal government would have required New Jersey to cover any cost overruns. "When they want to build a tunnel to the basement of Macy's, and stick the New Jersey taxpayers with a bill of 3 to 5 billion over—no matter how much the administration yells and screams, you have to say no," Christie explained two years later, after federal auditors disputed many of his stated reasons for pulling the plug.

Christie's political opponents saw different motivations for the governor's change of heart. By canceling the project, Christie was able to spend the state's share of the money on highway improvements and avoid a gas tax increase for a few years, even after paying the federal government back $95 million of what it had spent on the project. The move also came as Republican gubernatorial candidates around the country were attacking the largesse

of the Obama fiscal stimulus package, particularly for rail projects in Florida, Ohio and Wisconsin. Putting the brakes on government spending improved Christie's bona fides for a potential presidential run, or so it seemed to many angry New Jersey Democrats.

But Christie's unexpected veto was not the death knell for the Hudson River crossing, after all. In fact, the move immediately set Amtrak scrambling to introduce a more palatable alternative.

Three months after Christie stopped construction on ARC, the chairman of Amtrak joined New Jersey's two U.S. senators in announcing plans for the Gateway Program. The new plan would build on some of the work already done for ARC. In fact, the tunnels would start off on a similar path on the New Jersey side. But rather than looping around north of Penn Station to a new station, the Gateway proposal envisioned the tracks coming into Manhattan from the south, through the Hudson Yards development and into Penn Station itself. With Penn Station included, the new tunnels could be used by Amtrak's trains, not just New Jersey Transit.

Later that day, Christie said he was "thrilled" by the new proposal, even though it was more expensive than the one he had halted. His initial excitement, though, only went so far. "If they ask me for a check today, the answer is no," he said.

For some time, the Gateway Program remained just one of many infrastructure improvement ideas for the region. Officials had to worry about other projects such as rebuilding the Tappan Zee Bridge, raising the Bayonne Bridge, completing the Second Avenue Subway, and construction of One World Trade Center and its nearby transit station.

Tom Wright, the president of the Regional Plan Association, who has been pushing for a new Hudson tunnel since 1996, remembers trying to rally the business community to advocate for Gateway. New York Gov. Andrew Cuomo "had been very focused on infrastructure but not this project, because the people travelling under that tunnel are not his voters," Wright says. "It's ingrained in politicians to think about the voters and not about the people who work in their districts. So the commuters had been political orphans. That's why it took so long for this project to get the attention it really deserves."

"Even before Superstorm Sandy, we saw time as the enemy," Wright adds, "because we saw the capacity we had was being filled up. Now the tunnels are deteriorating. And time is our enemy because costs go up so dramatically. Labor does not get cheaper. Steel does not get cheaper. Nothing gets less expensive in a year. Every year we lose, this project gets $1 billion more expensive."

But even with the consensus after Sandy that the Gateway Program ought to go forward, there was still no clear answer to the big questions of who would pay for it and how. Those questions came to a head in 2015. That spring, Amtrak's then-CEO Joseph Boardman finally let the public know how long the agency anticipated the damaged Hudson tunnels could last before they'd have to be closed for major repairs. "I'm being told we've got something less than 20 years before we have to shut one or two down," he said.

Meanwhile, John Degnan, a former New Jersey attorney general, took over the Port Authority of New York and New Jersey in 2014, following the Bridgegate scandal that tarnished both Christie and the port authority. One of Degnan's first priorities was pushing for the Gateway Program. He helped organize a meeting at the new One World Trade Center tower that included both Christie and Cuomo. A top transportation official from the Obama administration let the local leaders know the federal government wanted them to come up with a plan. "We need action by our Congress, we need action in Trenton, we need action in Albany and we need it soon," Peter Rogoff, then an undersecretary of transportation, told the gathering. "We in Washington foolishly thought that something so fundamental would certainly have a solution by now."

A few months later, Rogoff's boss, Transportation Secretary Anthony Foxx, complained that inaction from regional leaders on the Gateway Program was "almost criminal." Cuomo, in particular, chafed at the criticism. He pointed a finger at the Obama administration for only offering the states a loan to cover the cost of the project. "It's not my tunnel!" an exasperated Cuomo told reporters that August. "Why don't you pay for it? It's not my tunnel. It is an Amtrak tunnel that is used by Amtrak and New Jersey Transit."

Finally, in September 2015, Christie and Cuomo sent Obama a joint letter, in which

The area between Penn Station and the Hudson River is booming, which makes building underground tunnels there more difficult.

The waiting areas in Penn Station are usually crowded, even at midday. That's because the station was designed to accommodate vastly fewer passengers than it sees today.

they committed to funding half of the project's costs using state and local funds. They asked Obama to commit the federal government to paying the other half, as well as speeding up environmental reviews so that construction could start quickly. "The key step on the tunnel is to secure federal funding and design a viable financial package," they wrote. "No other option is feasible. We assure you that, if we have the funding, we will get it done."

The Obama administration agreed to the funding split and fast-tracked the environmental reviews. In fact, Gateway officials now hope to get the final environmental sign-off for the new tunnels next spring, two years after submitting the designs for review.

But it's still an open question whether the Trump administration will keep the agreement made by Obama, especially because federal officials never specified where they would find the money. Gateway is such a big undertaking that it would overwhelm any of the current programs for funding transit projects, especially if the dollars for those types of projects are cut as the Trump administration has proposed.

The federal government has a special responsibility for maintaining the Northeast Corridor, says Jeff Davis, a senior fellow at the Eno Center for Transportation, because it took over the property and created Amtrak to run it. For the first phase of Gateway, Amtrak and the states are asking the federal government to pick up half the cost of $13 billion in projects. But the grant program they applied to has only a $2 billion budget.

It's true that Trump talked repeatedly in his campaign about the need for Congress to pass a new infrastructure building law, and his administration has made clear its hopes to promote projects that use private capital to build them. The Gateway Program could foreseeably have big private components. But it seems unlikely that the private sector would pick up most of the federal share. Plus, it's unclear when, if ever, Congress will begin work on a new infrastructure package.

This spring, though, the situation at Penn Station got even worse. Three trains derailed there in a five-month span. The derailments happened in the space, called an interlocking, between the Hudson tunnels and the passenger platforms, where trains spread out to their destinations. The malfunctions prompted Amtrak to shut down several tracks for repairs, cutting back service for each of the commuter railroads as well. Cuomo admonished commuters to expect a "summer of hell" because of the repair work. The warning overstated how bad the commutes would be, but the emergency repairs underscored the fragility of the system.

Cuomo had a chance to bring his concerns to Trump in September at a White House meeting with Christie and members of Congress from New York and New Jersey. Participants in the meeting described it as positive. But this time it was Cuomo who seemed impatient. "While the White House meeting was productive, it was inconclusive," he told reporters. "My position is very simple: It's critical. It's vital. It's overdue. It's been talked about for too long. You should have had a shovel in the ground from the day you said go." **G**

Email dvock@governing.com

The Missing Auditor

The position may be the last thing states should cut in hard times. But often, it's the first.

The Pennsylvania Department of the Auditor General is tasked with keeping track of more than $30 billion a year in state spending. But as the state budget grows larger and more complex, the auditor's resources keep shrinking. The agency incurred sharp funding reductions for a few years starting in fiscal 2010, and next year's state budget calls for another cut of nearly 8 percent. The department's staff is smaller by about a third than it was a decade ago.

Pennsylvania is not unique. At a time when governments are trying to get a better grip on their finances, many states have cut funds for auditing and oversight. Such positions were sometimes among the first casualties in the aftermath of the recession. "I find it interesting that there is this nationwide trend of cutting back on the independent watchdog's budget," says Pennsylvania Auditor General Eugene DePasquale. "I've yet to find a taxpayer or a legislator who doesn't want less waste, fraud and abuse in state government."

To measure the changes across the country, *Governing* reviewed annual surveys of filled staff positions reported by the National Association of State Auditors, Comptrollers and Treasurers. The data shows an aggregate decline for all state-level auditing offices of about 7 percent over the decade ending in fiscal 2017, with 30 of 47 agencies reporting that their staff was smaller than in 2007.

One agency that has seen its budget trimmed year after year is the New Mexico Auditor's Office. State Auditor Tim Keller equates his team's work to that of law enforcement officers or attorneys general, but he says they're viewed differently when it comes to appropriations. "Everyone pays a lot of verbal homage to the importance of cracking down on corruption, fraud, waste and abuse," he says, echoing DePasquale. "But budgetarily, they treat us like the back office." The agency has incurred a nearly 10 percent cut from its 2013 budget.

As a result, Keller's office can't take on as many audits. And the agency's budget for outside contracting, where most of the cuts have occurred, has been eliminated almost completely. This, Keller says, has meant that it often can't move on major fraud or corruption cases until funding is approved in its next budget.

States or municipalities with reduced staff can contract auditing work out, as New Mexico had done over the years, but this typically costs more than completing audits in-house. "We're seeing this all across government," says Keller. "Local governments trim their own internal audit division, but six months or a year later, they have to contract out with a private firm that's actually more expensive." In Minnesota, State Auditor Rebecca Otto has challenged the constitutionality of a recent law permitting counties to hire private firms instead of her office.

When arguing for more resources, auditing agencies often emphasize their return on investment. "The only response you can give is to highlight what the audit function brings to the organization, such as cost-saving measures and revenue enhancements," says Tina Adams, president of the Association of Local Government Auditors.

The state auditing agencies with the steepest staffing declines over the past 10 years, according to the survey data, are, in order, Pennsylvania, Massachusetts and Alabama. It's hard to say whether staffing in local government auditing offices has mirrored reductions at the state level, as no comprehensive local data exists. Anecdotally, Tazewell County, Ill., and the city of Lawrence, Kan., have recently considered eliminating auditor posts entirely. Attempts to expand local auditing functions often trigger political resistance. Mike Pantelides, the mayor of Annapolis, Md., pushed back on a proposal earlier this year to establish an independent auditor reporting to the city manager. Pantelides argued that doing so would change the city's power structure. Where local auditing positions are elected, or established in city charters, they appear to be less vulnerable.

In some cases, state agencies are responsible for fiscal oversight or fraud investigations of municipalities. The Indiana State Board of Accounts oversees auditing of local governments and, as with similar agencies, its budget was cut after the recession hit. That resulted in some jurisdictions going more than four years without a financial audit. "You could either cut compliance, push audits off or do substandard work," says Paul Joyce, who heads the agency. "Doing substandard work is not an option."

Faced with a backlog of audits, Joyce decided a few years ago to ask the state associations representing localities to accept more of the costs. The State Board of Accounts charges local governments for the audits it conducts, but those fees had covered only a small fraction of the audit expenses. The municipalities subsequently agreed to a new funding formula that substantially increased reimbursements, which has helped the state agency add

By Mike Maciag

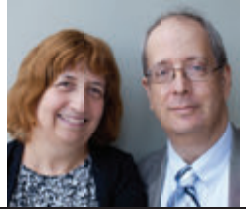
back some staff in recent years.

In Pennsylvania, DePasquale says he responded to staffing and budget cutbacks by conducting an audit of his own agency. They've pursued a variety of cost-saving measures in addition to trimming staff. Rather than work in regional offices, for example, more employees work from home. The agency eliminated its vehicle fleet and modernized its human resources department.

Varying funding models explain a lot of the differences in auditors' budgets across states. One of the few state auditing agencies that's been able to staff up significantly is the one in Washington state. That agency is somewhat unusual in that it doesn't rely on the state general fund for operations; fees cover all the costs of auditing local jurisdictions, and a ballot initiative approved in 2005 sets aside a portion of sales and use taxes to pay for performance audits.

The Washington auditor's office offers assistance to its local governments in the form of training, forecasting tools and a dedicated support team. "The public's perception of government is at an all-time low," says Washington State Auditor Pat McCarthy. "We have a tremendous role to play in setting the record straight and putting facts out there." G

Email mmaciag@governing.com



By Katherine Barrett and Richard Greene

When Students Go AWOL

Better data on absentee rates is enabling schools to find new ways to help pupils.

You can't manage a problem you don't see. In the case of school absenteeism, many school systems across the country were lulled for a long time into a false sense of accomplishment by data suggesting that almost all the kids in their schools were in their seats. That is, schools were experiencing average daily attendance rates in excess of 90 percent.

And yet, as it turns out, that statistic obscured the real story. Some of the students in the schools had chronic absentee rates of 25 percent or higher. As Elizabeth Dabney, director for research and policy analysis at the Data Quality Campaign, explains it, "Most kids come to school every day. But the average daily attendance masks the fact that some children are missing so many days that they are academically at risk."

Here's the problem: Looking at the wrong data points can hinder a government's ability to address an issue. If a school doesn't have a solid sense of its pupil-by-pupil absentee rates, there's little way for it to attack the greater issue. Put simply, for schools to have success with their students, the students "need to be present," says Charlene Russell-Tucker, chief operating officer for the Connecticut Department of Education.

As opposed to truancy or unexcused absences, chronic absenteeism rarely drew much attention before 2006. But that year, the Annie E. Casey Foundation commissioned research to find out if poor attendance in kindergarten and first grade was contributing to the lack of reading success in third grade. Out of the data pulled together in that effort, an organization called Attendance Works was launched to focus on the issue. "In 2006, if you asked schools whether they were monitoring chronic absenteeism, they didn't know what you were talking about," says Hedy N. Chang, executive director of Attendance Works.

Now they do. A body of research at several universities including Johns Hopkins, the University of Chicago, Indiana University and the University of Utah has highlighted the long-term impact of absenteeism. The studies have also identified why younger children at the primary school level miss school. Reasons include a lack of transportation, parental illnesses and family problems, such as substance abuse, mental illness or homelessness. Missing a couple of days every month or 18 days over the course of a school year puts a child at risk of falling behind. One study in Chicago, for instance, found that ninth-grade attendance was stronger than any other factor in predicting who would and wouldn't finish high school.

Fortunately, armed with the appropriate data, there's a lot that can be done to address the problem. Sometimes, inexpensive steps can help. For example, many schools and school districts have successfully used text messages or reminder postcards to parents to help them realize absences are adding up and undermining classroom success.

According to Attendance Works, Connecticut has moved farther ahead in

FLICKR/MELINDA TABER

tackling chronic absence than any other state. Its effort is supported by a 2015 state law that requires selected school districts and schools to put together attendance teams. In addition, the state's Education Department is required to include chronic absenteeism data in the state's educational accountability system.

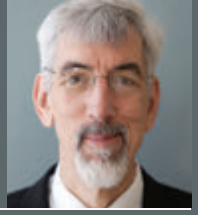
But beyond the law, the Connecticut approach incorporates many elements that have guided successful management efforts in other fields. For starters, leadership is key. In Connecticut, the governor talked about chronic absenteeism at press events. Training in schools was accelerated and supplemented by a comprehensive guide and webinars that show teachers and administrators how to approach the issue. The Department of Education established a point person to focus entirely on chronic absenteeism. It also encouraged school districts to reach out to community groups and local government departments that could aid efforts to get kids in school. This included mental health centers, social workers and even public works departments, which sped up snow removal to make sure kids got to class.

There's been a big emphasis in Connecticut and elsewhere on finding and sharing creative ways of dealing with the issue. In some schools, for instance, missing school has been tracked to homelessness and the absence of clean clothes to wear to school. The solution: Schools purchase a washer and dryer.

New Britain, Conn., has been a standout. The city focused on tracking and using data in individual schools; teachers and principals were trained about how to interpret regularly disseminated data. During the 2012-2013 school year, New Britain absenteeism dropped from 20 percent to 13 percent.

Statewide, the cumulative efforts have been connected to a drop from 11.5 percent in 2012-2013 to 9.6 percent in 2015-2016. "We're all working together," says Russell-Tucker. "You can't close the opportunity and achievement gap without students being in schools." G

Email greenebarrett@gmail.com



By Mark Funkhouser

The Fiscal Side of Resiliency

It's important to get the money right before the next disaster strikes.

When the subject is resiliency, what we usually think about are environmental issues, disaster preparedness and emergency response capacity. In its Climate Resilience Toolkit, for example, the National Oceanic and Atmospheric Administration defines resiliency as "the capacity of a community, business or natural environment to prevent, withstand, respond to and recover from a disruption." I don't think we readily make the connection to how deeply that capacity is connected to financial management.

That point was driven home to me when I talked with Long Beach, Calif., City Manager Patrick West a few months ago. I was interested in how he saw the ever-expanding concept of resiliency, and I was intrigued by the extent to which the city's financial policies take into account not only economic cycles but also the need to be prepared for catastrophes like earthquakes, tsunamis, terrorism and public health crises.

> "After a hurricane in 2004, Charlotte County, Fla., spent nearly five years 'battling with FEMA' over reimbursements."

At the time, I thought these policies unusually wise and forward thinking. Now, in light of late summer's devastating storms in Texas, Florida and Puerto Rico, they seem even more so. In the wake of Hurricane Harvey, for example, Houston Mayor Sylvester Turner proposed an emergency one-year property tax increase to cover costs including overtime for first responders, debris removal, equipment replacement and repairs to city facilities. Debris removal alone is estimated to cost $230 million, and while 75 percent of the cost could be reimbursed by the Federal Emergency Management Agency (FEMA), that process could take years. "The challenge we all face right now is being at the front end of this years-long process to establish what is going to be reimbursable," Kelly Dowe, Houston's chief financial officer, told the *Houston Press.*

Dowe's right to focus on that. The *Sarasota Herald-Tribune,* reporting on the costs faced by Florida communities after Irma's devastation in September, noted that after Hurricane Charley in 2004, Charlotte County spent nearly five years "battling with FEMA" over reimbursements eventually totaling $55 million.

For me, these struggles underline the growing need for more governments to build disaster resiliency into their fiscal policies. Climate change is bringing more frequent and more extreme weather events. Residents expect a city to put things back to rights as quickly as possible. They want debris cleaned up and services restored. These are not costs that will respond well to the time-honored practice of kicking the can down the road.

The politics can be tricky, of course. In a 2009 political science paper, Andrew Healy and Neil Malhotra found that while every dollar spent on disaster preparedness is worth about $15 in future damage mitigation, voters do not seem to reward politicians for spending on disaster preparedness. Long Beach, where a disastrous 1933 earthquake has not been forgotten, seems to be betting that things are changing in that regard. When the next disaster strikes and people have a chance to examine what happened, Patrick West wants them to find that the city was prepared and responded well. G

Email mfunkhouser@governing.com

By Tod Newcombe

4 Ways to Modernize Data

Take these steps and usher in a new era of better services.

The Boston Transportation Department has gotten smart. Of course, it's always relied on data to manage traffic and plan new initiatives. But now, the agency is taking it further—a lot further.

To give you an idea, here's just a sampling of its current data projects: The agency is collecting data via online surveys with city residents on what they want for future mobility and transportation needs. Then, it's turning around and making the responses available to the public, who can sort through the proposals by ZIP code or neighborhood. It's using data from emergency management, public health and public safety departments to get more comprehensive information on such factors as road safety and environmental resiliency to inform its planning processes. It's also gathering data sets from the private sector, such as the mobility app Waze, to find out in real time what congestion points are most affecting commuting times in the city.

"We're getting data a lot faster and from more sources," says Gina N. Fiandaca, the city's transportation commissioner. It's allowing the agency to do its job better, she adds.

Making all this possible is the rapid proliferation of interconnected devices, from sensors in the streets to smartphones and other mobile devices. Highly scalable processing power and falling data storage costs are also spurring data sharing and new forms of analytics that yield valuable intelligence. But to take advantage of all these new kinds of data and new data sources, governments have to overcome their outdated systems and policies.

In a recent report, the Brookings Institution looks at the changes needed to modernize data use in transportation and planning, but the lessons can be applied to just about any city or county activity. In four steps, here's how a city can up its data game:

First, local governments need to beef up their skilled personnel. Most cities and counties "don't have enough data scientists on staff," says Adie Tomer, a fellow at Brookings and co-author of the report. "They don't have to be true data scientists, but someone with the background to use data in a more scientific way."

Second, localities should tap into the processing power of the cloud rather than invest in new servers and software. The cloud brings versatility and flexibility to real-time data projects. Using it opens up innovation in a number of ways, such as easier licensing of data sets from the private sector, says Tomer.

Third, cities and counties must change their procurement practices, putting less emphasis on purchasing capital goods, such as computers and software, and making it easier to procure technology subscriptions, which favor the broad array of cloud services now available. "Subscription fees are now part of the economic model," says Tomer. "There's no stopping it at this point."

And last, local governments have to figure out how to allow data sharing without jeopardizing privacy. One solution is to use aggregated data that is anonymous. But if too much detail is left out, the data has diminished value. Tomer doesn't see a quick answer to the problem. "All signs point to a major conversation around this issue in the coming years," he says.

For most places, these are big changes. And while they may not happen overnight, just taking some initial steps in this direction can generate new ideas that can lead to significant benefits for any agency. Just look at Boston. Modernizing where they get their data from and the types of data they use has freed them up to consider all kinds of new opportunities. For instance, they've begun exploring the possibility of having one mobile app that would allow users to pay for services across a range of transportation options, from public transit to bike-sharing and Uber rides. G

Email tnewcombe@governing.com

SHUTTERSTOCK.COM

By Frank Shafroth

The Noah's Ark Effect

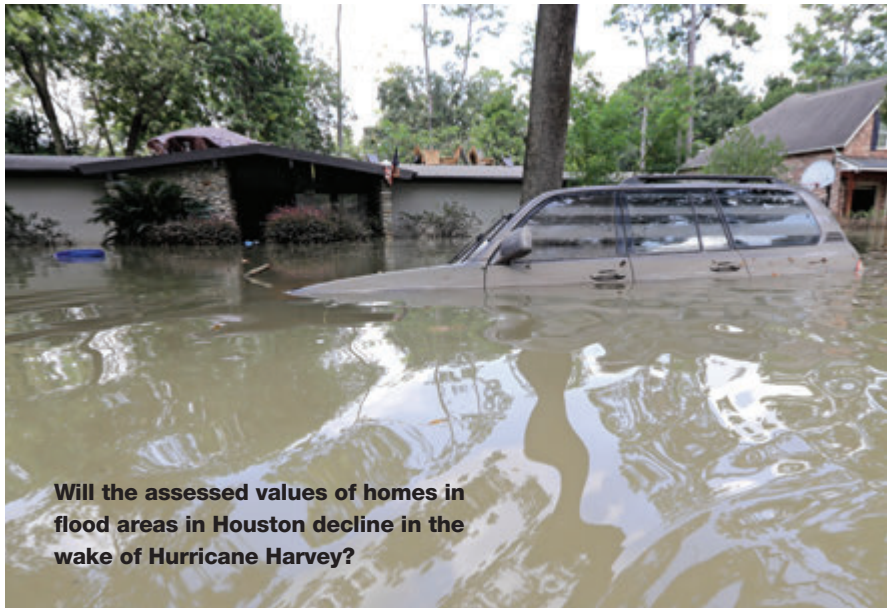
Floods can hurt property taxes long before any water damage is done.

Cities and counties in Florida, Louisiana and Texas aren't the only ones whose tax bases are threatened by storm-fed flooding. So are a multitude of others that sit in coastal regions, on river banks or along waterways (see "Adaptation," page 28). We live in an age of superstorms that push water into places it's not meant to go, inflicting devastating damage.

One of the areas in which these surges are wreaking havoc are local taxes. Let me start with the obvious: Damaged or destroyed homes and businesses shrink the property tax base. That's not only a long-term problem, but also an immediate one, as a good portion of the revenue for cleanup comes out of local coffers. In the wake of Hurricane Harvey's devastation, Houston Mayor Sylvester Turner proposed a one-year, 8.9 percent boost in the property tax to cover cleanup and repair costs not reimbursed by federal programs. He dodged the tax increase bullet when the state offered the city $50 million for immediate relief needs.

But it's not just the aftermath of devastating hurricanes that hurt the property tax base. The National League of Cities' September update of city fiscal conditions identified flood and storm recovery as a key issue, noting that there is a growing risk that local governments in storm-prone areas will have to increase the property tax to gain the same amount of revenue. In part that is because the assessed values of homes in flood areas around the country have been declining as potential buyers balk at the premiums for federal flood insurance. The lack of insurance could lead an assessor in a flood-prone area to factor in a degree of risk that would lower the value of a property.

In Florida's St. Petersburg area, there are reports that house hunters have already begun blacklisting neighborhoods where flood insurance rates are rising; real estate agents in the area report that the flood insurance rates are increasingly discouraging prospective buyers.



Will the assessed values of homes in flood areas in Houston decline in the wake of Hurricane Harvey?

APIMAGES.COM

It is not surprising that homeowners are reluctant to buy flood insurance. The National Flood Insurance Program, which is itself awash in debt, has been reducing and eliminating subsidies that help homeowners pay for the high premiums. This fall, federal subsidies for businesses and primary homes began being phased out for those who buy homes in flood zones or sign up for new policies. At the same time, the Federal Emergency Management Agency, which runs the insurance program, is reassessing its risk calculations and redrawing flood maps, which will bring higher insurance rates to some areas.

Higher rates could affect how much a buyer will pay for a property. They could also affect how a home is built. Let's call it the "Noah's Ark effect." A home with floodproofed improvements—such as raising the home above flood levels—will likely have lower flood insurance premiums and be assessed at a higher value (and thus bring a locality more revenue) because it is at less risk. Clearly, assessed values of properties in flood-prone areas are higher if owners take steps to protect their property. Some localities are trying to mandate such steps.

Norfolk, Va., which faces massive flooding risks from the combined threat of rising sea levels and sinking land, has proposed a new zoning ordinance that includes rules that would require the first floor of any new home to be elevated and for new developments to capture more stormwater onsite—a change the city believes would help reduce road flooding. "What we're trying to build," says Planning Director George Homewood, "is a resilient community."

Some countries go further. Take the Netherlands, which despite its vulnerable sea level siting, does not generally offer flood insurance. It focuses on constructing robust "flood-resistant" infrastructure. G

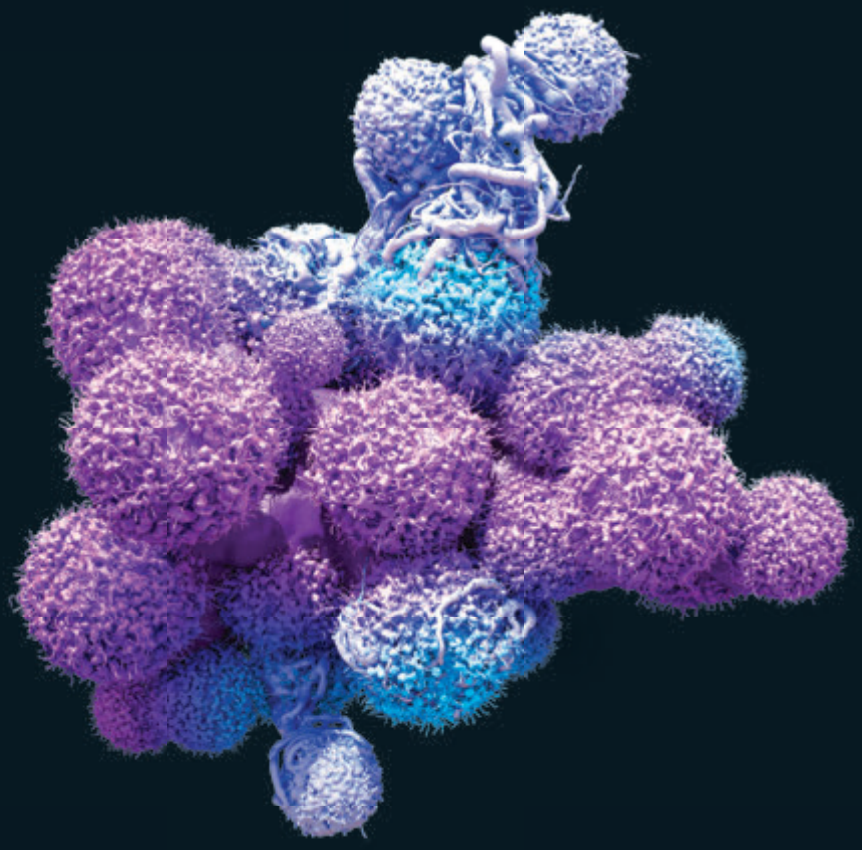
Email fshafrot@gmu.edu

Last Look

New York City is known for its skyscrapers. But thanks to the large amount of scaffolding, or "sidewalk sheds," that straddle the city's walkways, it's getting increasingly harder to take in the soaring architecture. Intended as a temporary measure to protect people from falling debris, the sheds have become anything but. There are now some 280 miles of sheds in the five boroughs, and some have been up for longer than a decade. As of this summer, the oldest scaffolding in town was erected nearly 12 years ago. Perhaps unsurprisingly, they're not popular with residents or business owners. But since there are no legal deadlines for making repairs and removing the sheds, there's not much to be done about them. For now, New Yorkers are forced to navigate the ubiquitous labyrinth of metal and wood, thankful they are at least safe from falling objects.
—David Kidd

DAVID KIDD

GoBoldly.com



THERE WERE THOSE WHO BELIEVED
THE BODY COULD NEVER FIGHT CANCER.

NEVER SAY NEVER.

Today, researchers are using immunotherapy treatments to stimulate the body's immune system to destroy invading cancer cells.
Welcome to the future of medicine. For all of us. GOBOLDLY™

America's Biopharmaceutical Companies™