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IS BIGGER ALWAYS BETTER?
Population growth doesn’t necessarily mean a city is thriving.
By J.B. Wogan

RICHER AND POORER
How could the nation’s wealthiest state become a fiscal basket case?
By Alan Greenblatt

REROUTED
Big-city bus systems are finding ways to dig out from decades of stagnation.
By Daniel C. Vock

BUILDING BLOCKS
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The Case for Density

In this issue, J.B. Wogan gives thoughtful consideration to an idea that most people accept uncritically in discussions of cities: that population growth equals success. As Detroit Mayor Mike Duggan put it in 2013, "The Single Standard a Mayor Should Be Measured Against." And Detroit is not alone. According to a New York Times article, "Mayor Michael P. Hancock of Denver says, "As mayor, I have to drive my city." The issue, as Wogan shows, is actually much more complicated than that.

For one thing, even if a city’s residents do not directly benefit from a growing population, there are others—powerful others—who do. In a 1976 article in The American Journal of Sociology, Harvey Molotch added a new phrase to the urban lexicon: the growth machine. Molotch defined this entity as one that is made up of the real estate industry, commercial developers, banks, utilities, retailers and others who work to elect and lobby public officials who will make policy decisions that increase a city’s population. They do this in an attempt to increase what Molotch called the “exchange value” of property—its economic or market worth. Residents, on the other hand, are often more interested in the “use value” of their property—its worth as a place to live. They may oppose actions that increase the exchange value out of fear that higher property taxes will drive them out of neighborhoods to which they have emotional and familial attachments.

This tension can be seen playing itself out in lots of political spats within cities. The battles are often characterized as the neighborhood activists versus the downtown interests, and the outcomes usually favor the latter. After all, the growth machine has deep pockets to hire lobbyists, lawyers and consultants whose job it is to promote their agendas.

It seems to me that the best measure of a city’s success, and perhaps a way to reconcile some of these tensions, is to focus not on population growth, but instead on a quality of life. Density enhances sustainability, limits sprawl, makes resources necessary to improve urban amenities and therefore pursues population density, which provides the concentration of job it is to promote their agendas.

The single standard a mayor should be measured against is a strong one that even the growth machine ought to be able to get behind.
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In his July feature “The Cop Next Door,” John Buntin wrote about how Elgin, Ill., is revisiting community policing to address a rise in violent crime and to rebuild trust in the wake of police shootings nationwide. In the Resident Officer Program of Elgin, or ROPE, “police officers don’t just walk the beat or go to meetings in troubled neighborhoods,” Buntin wrote. “They move in. Officers get free housing and flexible schedules. In exchange, they commit to living in the neighborhood for up to five years.”

I wouldn’t call it “community policing taken to its logical extreme,” but rather, community policing taken to its unfortunately necessary extreme.

—Brian Jarvis on Facebook

When I was growing up, the local police lived locally. There was always two manned squads, and they knew everyone in the neighborhood. Crime was lower then, I feel, because of the line of communication between officers and residents. Officers should live where they work.

—Sharon Davis Harradine on Facebook

I love this program. One of the things that attracted us to our house [in Elgin] was having a ROPE officer in the neighborhood.

—Jennifer Ratz Dyer on Facebook

Defending the Baby Bust-ers

In the July Behind the Numbers, “Implications of the Baby Bust,” Mike Maciag wrote that America’s lower birth rates could have profound consequences for public policy, including more empty seats in classrooms, smaller workforces that could reduce tax revenues and shifting demands for social services. Some readers took issue with the idea that fewer babies was a bad thing.

The short-term gain is not worth the long-term cost.

—Laesa Stewart on Facebook

Pretty sure we can find solutions to any “problems” that lower population may propose.

—Karen Hewus on Facebook

Good for the planet. We’ll just have to re-engineer our social contracts.

—Linda Cleary on Facebook

Bye-Bye, Syracuse

In his May Assessments column “Is Syracuse Necessary?,” Alan Ehrenhalt reviewed recommendations from a blue ribbon commission that surrounding Onondaga County, N.Y., should absorb Syracuse. The city has some serious problems: It’s suffering from population loss, slow job growth and crippling public pension debt. Ehrenhalt argued that the commission’s recommendations as written wouldn’t solve many of those problems. Furthermore, he wrote, “we actually know quite a bit about the politics of urban consolidation. We know that the efforts to achieve it don’t succeed very often.” The commission responded.

While we appreciate the time Alan Ehrenhalt took to profile the work of Consensus, the Commission on Local Government Modernization, we disagree with the tone and premise of his conclusions.

Our proposal would create the second largest city in the state, affording new revenue and economic opportunities for all. Additionally, Syracuse would become America’s 38th largest city, rising from its current perch as the 175th largest city. This certainly strengthens the “necessity” of Syracuse. A community decision to become one of the top 50 cities in the U.S. says, with a clear and unified voice, that we are “open for business” and will showcase our many assets for business location and economic opportunity.

Effective local governments, and the necessary services they provide, matter if our community is to realize this vision. The growing strains on our local governments prompt the urgency of this work, but a vision and hope for a brighter future (what Ehrenhalt himself says are the “things that sell”) motivates our resulting recommendations.

We also take issue with Ehrenhalt’s suggestion that “the commission seems unsure about whether the consolidation plan is meant to be a money-saver at all.” A diligent read of the two sections he references will show that the recommendations not generating material savings specifically regard tax base sharing and better land use planning. There are substantial savings to be realized, and we stand by them. However, savings cannot be the only reason we make these changes; indeed, they should not even be the primary reason.

In sum, Ehrenhalt’s commentary reminds us of something we explicitly noted in our final report, namely that nobody will naturally embrace every recommendation. Some will support recommendations others oppose, and oppose recommendations others support. That is what makes the status quo so powerful, and progress so difficult; but make progress we must.

—M. Catherine Richardson, Cornelius B. Murphy and James T. Walsh, Consensus co-chairs
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"COMPROMISE" HAS BECOME such a loaded word in American politics that Colorado state Rep. KC Becker refuses to use it. She prefers the term "common ground" instead. But regardless of the word used, Becker has helped craft dozens of successful compromises this year.

Becker is the Democratic leader in the Colorado House, which her party controls. Republicans hold a narrow majority in the state Senate. Given the partisan split, legislators in both parties decided to do things the old-fashioned way, working out deals that left both sides a little unsatisfied but nonetheless afforded them victories. "A lot of people got the message that it was really time to work through differences and resolve things," Becker says. "On each side, people were more willing to come to the table and stay until we found the common ground that would get folks to yes."

The result was a lot of legislation—more than 400 bills signed into law this year by Democratic Gov. John Hickenlooper. Lawmakers didn't just produce in bulk, however. They resolved issues, such as Medicaid and state regulation of construction, that had tied them in knots for years. The leaders in both parties and in both chambers were new this year. Early on, they reached informal agreements to avoid the public and personal attacks that can render negotiations needlessly difficult. "We made a concerted effort in Colorado to make sure gridlock didn't happen," says Cole Wist, an assistant Republican leader in the House. "Given divided control, if you want to be an effective legislator, you have to find people to work with on the other side."

Medicaid was perhaps the most complicated issue, due largely to the state's byzantine hospital fee structure. The way it works is that hospitals send money to the state based on the number and type of patients they treat. Those funds are matched by the federal government through Medicaid. The state then puts the total amount of money into a blender and sends it back out to the hospitals based on various formulas. But the fee program was bumping up against the state's strict cap on overall spending. Finding a way to separate the fee system from the budget as a whole was necessary to prevent hundreds of millions of dollars' worth of cuts to the Medicaid program, which would have been devastating for hospitals, particularly in rural areas.

A bill passed this spring removed the hospital fees from the general budget. It disappointed some legislators by lowering the state's cap on overall spending, but it attracted members in both parties with increased funding for roads, along with a tax break for small businesses. In other words, there were enough goodies for both sides to win sufficient bipartisan support for passage. "We made some concessions on it, and so did the Democrats," says GOP state Sen. Larry Crowder.

The same was true when it came to construction. Thanks to a law passed more than a quarter-century ago, it's been easy in Colorado for small groups of homeowners claiming to represent others to sue developers for construction defects. Over time, this has had the effect of hampering construction of condominiums, since builders felt they were exposed to too many legal threats. For years, lobbyists on both sides of the issue managed to exploit differences between the parties. This year, a bipartisan working group was able to shut out that noise and stick together on a plan.

Next year is an election year. Maybe things will turn rancorous again. But for at least one session, a divided legislature functioned well by embracing values that were once taken for granted but have become scarce. Legislators relaunched the old lesson that compromise can be more productive than posturing. "If you're not interested in finding common ground," Wist says, "you shouldn't be in this job."
IT'S A SIGN OF popular disillusionment with the current course of American democracy that the past couple of years have produced a flurry of reform ideas aimed at changing the way elections are conducted. The newer proposals allow voters to rank several candidates in order of preference, or create nonpartisan primaries in which the top-two finishers are nominated, regardless of party. One older idea that’s being talked about again is proportional voting.

Proportional elections are conducted in other countries, and in many of those places, the rules are pretty simple. If a party wins 30 percent of the national vote, it wins 30 percent of the legislative seats. That’s not the way it’s generally been tried in the United States. The cities that have used proportional voting here—which at one time was as many as two dozen, including Cleveland, Cincinnati and New York—created multiseat districts. Candidates were all listed together on one ballot and the individuals who finished in, say, the top five in a five-seat district would all win, whether they came from one party or five parties.

Regardless of how it’s done, proportional voting has the potential to address two major problems with our politics, says Lee Drutman, a senior fellow at New America, a nonpartisan think tank. Under our current winner-take-all system, most votes don’t matter. Districts are either comfortably Republican or Democratic, and the only important contest is the primary in the locally dominant party. Many officeholders are more concerned about being unseated in a primary if they break with party orthodoxy than they are about winning general elections by appealing to broader groups of people.

Under proportional voting, more votes would matter. Even the conservative precincts of, say, New York would have a chance of electing one of their own, since candidates with a minority share of the vote would be able to claim a seat. And the need to win over more voters would alter the incentives that currently promote demonization of the other side. “They would have to build coalitions,” Drutman says. “They would have to compromise.”

Maybe. But building coalitions in what could become a multiparty system would present its own challenges. In fact, that’s why most cities moved away from proportional voting by the middle of the 20th century. (Cambridge, Mass., is the only decently big city that still uses it.) In a proportional system, candidates can be elected with 15 or 20 percent of the vote, supported with the backing of narrow interest groups. This hampers policymaking in government, says Jack Santucci, a political scientist who has studied the subject. “You’d have a lower threshold to win election, so you’d have more people elected with diverse policy preferences, at least within legislatures,” Santucci says. “What provoked the repeal of this thing appears to be the difficulty in holding together a legislative coalition.”

But as Santucci notes, proportional voting worked well in some cities for decades. Nowadays, many people might not mind trying a system that would empower a more diverse set of voices, rather than continuing the rigid version of party discipline currently on display. “We need to make general elections matter again,” says Rob Richie, executive director of FairVote, a nonprofit that favors proportional voting. “In this climate, that’s not going to happen without changing elections.”
IN JUNE, Philadelphia District Attorney Seth Williams pleaded guilty to federal bribery charges. Some see that as a good sign for the city’s political culture.

Philadelphia has a long tradition of government officials being brought up on corruption or ethics charges. The “Philly shrug” is a local term referring to the grudging way in which residents have been willing to put up with malfeasance. Just in the past few years, numerous state legislators, Democratic officials and a congressman from the area have been convicted of crimes committed in their nominal line of duty. “It’s been going on for 30-plus years here,” says Neil Oxman, a political consultant in the city.

But Williams is the first city official convicted or even charged since 2008. What that shows is that the local culture has started to change. Following a pay-to-play scandal in the early 2000s, Philadelphia created an ethics board that actually has some teeth. In addition, the city inspector general’s office has been strengthened. Most people working in local government now have a firm sense of what’s allowed and what’s not. By and large, they’ve been staying out of trouble.

“Tightening the regulations around what’s acceptable seems to make a difference,” says David Thornburgh, president of the Committee of Seventy, a consortium of local business and civic leaders. “Expectations are headed in the right direction.” Things are different at the state level. Legislators can accept gifts as long as they say they won’t influence their decision-making. Free golf trip to Scotland? Politicians just have to say, “Had nothing to do with my vote.” The result has been a parade of lawmakers, including legislative leadership, who have gone to prison in recent years. In Philadelphia, by contrast, a $99 limit on gifts seems to have curbed most of the worst abuses. A near-decade without city corruption scandals may be more revealing than the fact that Williams got caught.

Under any system, rules are going to be broken. There’s nothing watchdogs can do beforehand if someone is determined to take illegal gifts or otherwise break the law. But city employees and officials now have the sense that someone is minding the store and they might not get away with putting their hands out for bribes. In Williams’ case, the ethics board fined him $62,000 for nondisclosure, which opened him up to federal charges. “Before we came around, there were some rules, but no enforcement and no consequences,” says Shane Creamer, the board’s executive director. That’s clearly changed.

SOURCES: CHICAGO TRIBUNE, PROVIDENCE JOURNAL, STATENET, THE NEW YORK TIMES
STATES TAKE THEIR BORDERS

seriously. But should they treat other
states as foreign lands? Some of them
seem to be moving in that direction.

Most notably, it’s become common
to have one state block official travel
to another. Numerous blue states and
big cities barred their employees from
traveling to North Carolina last year,
after that state passed a bill that elimi-
nated anti-discrimination protections
for LGBT individuals. The California
Legislature went so far as to codify the
policy, calling on the state attorney gen-
eral to determine which states have laws
on the books that, in the AG’s opinion,
discriminate against LGBT individu-
als. The law took effect this year. Four
states were quickly placed off-limits.
In June, four more were added to the
list. “Public taxpayer dollars should not
subsidize discrimination, period,” says
state Rep. Evan Low, the sponsor of the
California law. “The allocation of our tax
dollars is an expression of our values.”

Low’s law and its effects have drawn
predictable criticism from offi cials in
the states that are being shunned. They
argue that California should mind its
own business. Resolutions have been
fi led calling for retaliatory bans on travel
to the Golden State. “It’s fascinating
that the very same West Coast liberals
who rail against the president’s execu-
tive order that protects us from foreign
terrorists have now contrived their own
travel ban aimed at punishing states
that don’t fall in lockstep with their
far-left political ideology,” said Matt
Bevin, the Republican governor of Ken-
tucky, in a statement. Kentucky is one
of the states on California’s no-go list.

Progressive groups have used the
travel ban as evidence that policies
such as “bathroom bills” regulating
which gender can use which facili-
ties are not just wrong, but also harm
a state’s economic interest by chasing
away visitors. “We’ve seen in other
states like North Carolina, when these
travel bans go in effect, it does not get
any better,” Louisville, Ky., Mayor Greg
Fischer has said. “It just leads to more
and more bad announcements,” such
as convention cancellations and the
relocation of big-ticket sports events.

There’s some truth to that. A sur-
vey of event planners conducted last
year by Meetings and Conventions,
a trade magazine, found that half of them
take LGBT policies into account when
selecting sites. For some meetings, the
potential loss of audience members
from a market as large as California is
reason enough to think about holding
the event elsewhere. “Travel planners
are faced with logistical nightmares,
where attendees and keynote speak-
ers can’t attend,” says Jessica Shortall,
managing director of Texas Com-
petes, a business group that promotes
LGBT-inclusive policies. “Any kind of
uncertainty just pushes them away.”

Such concerns have tanked a bath-
room bill effort in Texas. Legislators in
August convened a special session to
debate the bill, but it died before the
session ended August 15. California still
bans offi cial travel to Texas, however,
because of other policies, including a
law allowing adoption agencies to refuse
to place children with gay parents.

While the California travel ban has
offered progressives ammunition
in other states, it has also drawn criti-
cism at home. Some state workers have
complained about being barred from
necessary meetings and trainings in the
targeted states. “Are we putting political
correctness ahead of public safety?” asks
one emergency management employee.

The travel ban has underlined
something that was already clear in
this politically divisive age: Diff er-
ent states have diff erent values, even
though not all individuals within a
state agree on what those should be.
When it comes to judging the culture
of other states, California has always
come in for its share of derision. “We’ve
been saying bad things about you all
over the country,” British-born singer
Nellie McKay recently told a Berkeley
audience. “People love to hate you.”
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The Democrats’ Quandary
Can they find a winning formula and return to power?

F orty years ago this fall, one of the nation’s political parties was in the throes of an identity crisis. It had just been beaten in a close but humiliating presidential election. It hadn’t won a majority in either chamber of Congress for more than two decades. And it was in abysmal shape at the state level. It controlled only 11 of the 50 legislatures and claimed barely 40 percent of the nation’s state lawmakers.

I wouldn’t argue that the Republican predicament of 1977 constitutes a parallel to the Democratic situation today or is somehow close to it. But it does suggest some interesting lessons.

The GOP of 1977 offered no coherent message of any sort. President Richard Nixon had worked hard to fashion a law-and-order appeal to Southerners and the urban working class, but this had collapsed with his resignation in 1974. Three years later, the Republican Party was essentially saddled with its residual image as a country club enterprise dominated by corporations and affluent suburbs, preaching little of consequence besides a visceral dislike of the New Deal and the Great Society. It was easy to say what Republicans were against. It was almost impossible to describe what they were for.

What relevance does all this have for the Democrats of 2017? Well, to start with, there’s the absence of a clear agenda, or, one might even say, any real agenda at all. It wasn’t just Hillary Clinton who seemed to be campaigning on fumes in 2016—Democratic candidates for lesser offices generally offered little in the way of a tangible platform. Some of them had position papers calling for a higher minimum wage and free college tuition, but they rarely talked about them. Like Clinton, they mostly voiced their disgust at Donald Trump and assumed that would be sufficient enough. Obviously, they were wrong. Today, Democrats are a negative party in the same way that Republicans were 40 years ago.

As the GOP sought to recover in the late 1970s in Washington and in the states, it had some crucial strategy questions to answer. Should it focus single-mindedly on economics, pushing tax cuts and a free market platform as set out by New York Congressman Jack Kemp? Or should it gravitate to the social and religious conservatism offered by newcomers like the Rev. Jerry Falwell?

Ronald Reagan was a candidate skillful enough to erase the Republican message problem. Reagan’s 1980 campaign demonstrated that free markets and lower taxes, when wrapped in a package of genial op- timism, constituted a tangible agenda that the average voter could grasp. But Reagan taught his party something even more important about the whole question of strategy. He showed Republicans that there was no need to choose between economic and social conservatism. The party could be made large enough, and policy choices could be made skillfully enough, to accommodate both strains of ideology. When the factions challenged each other, they could be brought together by the hard-line Cold War foreign policy that every strand of the Republican Party subscribed to in those years.

The Democrats of 2017 don’t have the Cold War to bring their quarrel-some factions together. But they do share some of the dilemmas that confronted the Republicans of 1977. They know that their base constituency isn’t sufficient to create stable majorities in Washington or in the states. Republicans were boxed in as the party of cul de sacs, country clubs and chambers of commerce. They found a way out. Democrats today are the party of racial and ethnic minorities and the urban professional elite. This is not enough.

As in 1977, there are two obvious strategies for the struggling party to propose. The first is to run as the party of the civil center, hoping to expand its urban professional base into the vote-rich and socially moderate suburbs of cities such as Detroit, Milwaukee and Philadelphia. This is essentially what Democrats did in 2006 and 2008, and it worked beautifully for them. Suburban legislative seats that had been Republican for decades fell to the Democrats, a response to the broad-based unpopularity of George W. Bush’s administration and uneasiness in the suburbs about Republican social policy rigidities.

Democrats might be forgiven for assuming after 2008 that they had a winning formula on their hands. But the formula failed. Most of the centrist Democrats elected on Republican turf in 2006 and 2008 were wiped out in the 2010 elections for Congress and the state legislatures.

Vermont Sen. Bernie Sanders thinks the Democrats’ way back is through populism.

By Alan Ehrenhalt
10,000 votes in a district that hadn’t elected a Democrat in decades didn’t exactly amount to a humiliation. Nevertheless, the summer months produced a blizzard of op-ed columns, blog posts and speeches arguing that centrism was a dead end for Democrats and that the only viable alternative was a sharp turn toward plan B: a noisy and indignant populist crusade aimed at winning back the factory-town working class and struggling inner-suburban constituency that had defected to Trump in 2016. Bernie Sanders was the most visible champion of this idea. The Democratic Party, he wrote in The New York Times, “must make clear to the working families of this country that it is prepared to stand up for their rights,” and “it must take on the powerful corporate interests.”

Could a populist politics of this sort possibly succeed? There are lots of reasons to be skeptical. Ever since the 1960s, activists on the Democratic left have believed that support from minorities and the lower echelons of the working class was the key to long-term political power, if only they could come up with the right insurgent message and generate enough ground-level enthusiasm to boost the turnout in the right places. It never happened. Centrism at least worked for a while. But angry populism, at this point, is a shot in the dark.

Nevertheless, it seems that the populist strategy is going to get a chance. Civil centrism has simply lost too many elections to retain much strategic credibility. In the current environment, it will be argued, there is little to be gained by showing voters you are nicer than Trump. There may be some percentage in showing that you can be just as mean as he is. Anyway, it looks like we will find out.

My own suspicion, though, is that the most important test of Democratic strategy next year will lie in the quality of candidates who can be persuaded to run for Congress and for state legislative seats. It’s important to remember that throughout the past eight years, Democrats at this point. Maybe there is no question. But I can’t help recalling that this is what many Republicans were lamenting about themselves in the fall of 1977.

Is there any way for the Democratic Party to regain the recruitment edge that once cemented it in power? Maybe. The energy that has produced huge anti-Trump rallies and waves of campaign volunteerism in much of the country suggests that Democrats could be on the verge of winning elections the way they used to— with a combination of energy, commitment and sheer talent. It’s not out of the question.

Then again, maybe neither centrism nor populism nor candidate recruitment constitutes a winning answer for Democrats at this point. Maybe there is no winning answer, and they are destined to be the minority party for decades to come. That’s a possibility too. But I can’t help recalling that this is what many Republicans were lamenting about themselves in the fall of 1977.
Fractured Federalism

It’s hard to tell who’s in charge of what in American government these days.

Two recent stories about climate change resonated with me in a particularly powerful way. The first was a CNN story on how coastal erosion caused by rising sea levels was nibbling away at Virginia’s tiny Tangier Island in the Chesapeake Bay, at the rate of 16 feet of lost shoreline a year. I have sailed by that beautiful island many times, so I paid attention. Since Tangier only measures 1.3 square miles in size, that level of erosion means all 450 inhabitants would have to abandon their homes within the next 50 years, if not sooner.

The mayor of Tangier, James “Ooker” Eskridge, made a direct appeal on TV to President Trump, whom island voters had supported with 87 percent of their votes in last year’s election. The mayor implored the president to do whatever he could to bail them out.

By chance, Trump saw the interview and called the mayor. “He said we shouldn’t worry about rising sea levels,” Eskridge told The Washington Post afterward. Trump reassured Eskridge that “your island has been there for hundreds of years, and I believe your island will be there for hundreds more.” The mayor actually agreed with Trump on that score, even though the Army Corps of Engineers had determined that the erosion required remedial action—perhaps a sea wall around the island.

But the Trump budget for fiscal 2018 calls for eliminating funding for the Environmental Protection Agency’s Chesapeake Bay sea level program, as well as for the agency’s Great Lakes Restoration Initiative. State and local officials in both areas have strenuously objected, and so far, the funding remains intact. What the final decision will be, no one knows.

The second story that struck me was the news coverage of Jerry Brown’s trip to China, during which the California governor in effect spoke for the United States in a highly unusual one-on-one meeting with Chinese President Xi Jinping. The trip had been planned well in advance, but in the wake of Trump’s decision to pull out of the international Paris climate agreement, it took on a new meaning. The world’s two biggest polluters convened to discuss how they could best clean up their act, but instead of Trump, the United States was represented by the governor of its largest state.

Still, Brown spoke for a coalition far larger than California. He and former New York City Mayor Michael Bloomberg have formed the U.S. Climate Alliance, a broad coalition of state and local governments, plus myriad private and nonprofit organizations. The alliance’s membership numbers are impressive: 13 U.S. states (with 10 more vowing adherence, though not officially joining), one territory, about 230 cities and counties, and 1,650 private entities—all swearing allegiance to “America’s Pledge” to meet the greenhouse gas reduction goals set under the Paris climate agreement that Trump is repudiating.

Those two stories brought home to me the broad spectrum of issues government must address, and that the usual pattern prescribed by our federal system has been disrupted. Whether it be environmental and energy policy, health care, infrastructure, education, prescription drug pricing, or even foreign trade, it’s getting harder to discern which level of government is responsible for what.

That’s one reason for all the interest lately in governors. This summer’s meeting of the National Governors Association in Providence, R.I., had a distinct international flavor to it, mostly because foreign...
None of the Above

Have 2016’s candidates made room for third parties?

In the wake of a big election, people are often fed up with the two major parties, and look easily turns to the prospects for a third party. Nothing much usually comes of that, but following the 2016 presidential race, a third party seems much more promising in an unlikely place: the one-party state of Utah.

Outside a few urban and college enclaves, Democrats are largely irrelevant in the state. The lack of competition has allowed Republicans to shift too far to the right to suit some voters. Donald Trump won Utah easily last year, but 28 percent of voters signaled their disdain for him and the GOP by supporting minor-party candidates. And now, some of these voters have created United Utah, a new party organized by former Democrats and Republicans. “The way to reach out to voters is a moderate approach, and Democrats are rejecting that,” says Richard Davis, a former Democratic Party official now involved with United Utah. “Democrats have become extreme because Bernie Sanders supporters are taking over the party.”

What’s true in Utah is true to some extent all over the country. The major parties have created a big opening in the center. And millenials, who are shown in polls not to be strongly tied to either party, want an alternative. “The rise of Sanders and Trump,” says Bernard Tamas, a political scientist at Valdosta State University and author of a forthcoming book about minor parties, “are signs of openness to people who are outsiders and completely separate from the system.”

If the timing seems like it might be right for a third party, Utah could offer unusually fertile ground. The state may be Republican, but its unique religious history and discomfort with Trump mean many votes could be up for grabs. Since Democrats aren’t much of a factor there’s less concern that a vote for a third-party candidate would be thrown away. “A lot of third parties are really hoping to replace the second party and become the other competitive party in the area,” says Matthew Dean Hindman, a political scientist at the University of Tulsa. “Utah seems riper than just about anywhere for a third party to emerge.”

That doesn’t mean it will be easy. Historically, most prominent third parties emerged pushing an issue the major parties were ignoring. Hindman notes, trying to peel off dissatisfied voters in the center may be more difficult than using wedge issues from the right or left. And in Utah, as everywhere, the major parties have enormous advantages, not only in terms of money but also in setting the rules of engagement.

History has shown it’s harder to dislodge incumbent parties than incumbent politicians. “Utah is a special case in a lot of ways,” says Jeremy Pope, a political scientist at Brigham Young University, “but I think the bar is so high that even with Utah being a best-case scenario, it’s still going to be pretty tough.”

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Independent presidential candidate Evan McMullin won 21.5 percent of the vote in Utah. He reminded the governors that Canada time a foreign leader of his rank had done so. He reminded the governors that Canada is by far the largest U.S. trading partner.

Trudeau spoke to a room full of nervous Democratic and Republican governors, especially the ones who had signed on to the Medicaid expansion that was part of the Obama administration’s Affordable Care Act. Vice President Mike Pence showed up in Providence to push the unpopular Republican effort to repeal that law. It was as if Washington had just discovered that governors will have to manage the healthcare system. It was a brief recognition. Congress continued to push forward with health reform proposals that the nation’s governors were less than thrilled with, generating a whole new level of uncertainty about the balance of power between the feds and the states in the first year of the Trump era.

This uncertainty was obvious in the Trump administration’s embarrassing attempt to require the states to hand over every bit of individual voting data they had to a federal election commission led by Kansas Secretary of State Kris Kobach. More than 40 states quickly refused to comply.

The bottom line is that we are suffering from a fractured federalism more corrosive than anything the political process has seen in a very long time.

Yet there are some glimmers of hope. Early this spring, the U.S. House formed the bipartisan Task Force on Intergovernmental Affairs to take a hard look at how the federal system is working. Its chairman, Republican Rep. Rob Bishop of Utah, promises that it will avoid political and budgetary issues, concentrating instead on how policy can be crafted more effectively at the state and local level.

That seems like at least a tiny step in the right direction.

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By Alan Greenblatt
The Medicaid Flexibility Puzzle
How much freedom should states have to tailor the program to local conditions?

From the onset of the Affordable Care Act, critics protested that it amounted to federal overreach and was too strict on states. That fight has besieged the two political parties for the past decade. Now, much of the federal battle over health care has coalesced around how much freedom states should have in crafting their Medicaid programs. The Obama administration came under fierce conservative criticism for rejecting most requests from Republican-dominated states for waivers from Medicaid regulations. But how much would giving states more freedom impact costs, coverage and innovation in care? Could state governments help guide the federal government forward on health-care reform, or would more flexibility just become a mechanism for states to undermine the amount and quality of care?

The answers, like most everything involving health-care policy, are unclear. It’s also unclear what the states asking for flexibility would use it for. The most likely approaches center around conservative ideas such as requiring recipients to work, submit to drug testing or pay monthly premiums. The Trump administration has promised this sort of flexibility, but has been slow to approve the necessary waivers.

Indiana was arguably the most conservative state to get a Medicaid waiver approved by the Obama administration, which allowed it to require beneficiaries to pay monthly premiums. Results from Indiana’s experiment have been mixed. While more than 200,000 people have gained coverage, many reportedly have encountered problems navigating the state’s payment system.

But flexibility has another meaning for many of those who administer Medicaid at the state level. They want more freedom to streamline bureaucratic structures, make better use of data analytics and pursue what’s called “value-based purchasing”—moving, for example, from the standard fee-for-service model to managed care or other approaches that reward doctors and hospitals for positive health outcomes and penalize poor results. They don’t want to have to ask permission from Washington for every departure from federal regulations. At a minimum, they’d like to see the cumbersome, time-consuming waiver approval process made more efficient.

The need for flexibility to tailor program administration to local conditions and seek efficiencies is one that health-care administrators generally agree on. “What works for rural Alabama is not going to work for New York City,” says Matt Salo, executive director of the National Association of Medicaid Directors. “The flexibility that states are looking for is for things that dovetail with value-based purchasing.”

Advocates of greater flexibility are likely to find an ally in Seema Verma, the new administrator of the federal Centers for Medicare and Medicaid Services (CMS). Verma was an architect of Indiana’s system. In a 2013 congressional hearing, she described the Medicaid bureaucracy as a set of “rigid, complex rules” that have “created an intractable program that does not foster efficiency, quality or personal responsibility.”

But as veterans of efforts to streamline government bureaucracy and improve program efficiency know all too well, there are always going to be up-front costs. Health policy experts worry that the kind of large, across-the-board cuts to Medicaid funding being proposed in Congress would work against the kind of flexibility initiatives that appeal to the program’s state administrators. “It’s very difficult to change the health-care system in a value-driven way,” says Salo. “It takes investment and resources to do that. If you take enough money out, no one is going to have enough money to make that investment and to change the direction of this battleship.”

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Advocates of greater flexibility may find an ally in Seema Verma, the new CMS administrator.
When it comes to a particular renewable energy program in Tennessee, it doesn’t matter whether you believe in climate change or not, are a Republican or Democrat, live in a big city or small rural town. The program in question is even neutral on specific technologies, which means it’s up to you whether you install solar arrays or develop biodiesel or put in geothermal at your schools. The only thing you have to believe in is saving money and creating jobs.

That’s the ethos behind the Tennessee Renewable Energy and Economic Development Council (TREEDC), which was formed in 2008 when the University of Tennessee announced a project to develop switchgrass ethanol. The plan was to produce 1 billion gallons across the state, and what better way to do that than by bringing communities together? Nine years later, TREEDC has a membership of more than 100 city and county mayors and businesses. Since the switchgrass ethanol project, the organization has explored solar, compressed natural gas, geothermal and waste-to-energy, among other technologies, says Warren Nevad, director of TREEDC. “Whatever the communities need, we try to help bring it to them.”

TREEDC’s goal is simple: Fast-track renewables in Tennessee. The way they do that is even simpler. TREEDC holds free forums throughout the state to educate members on grants and other opportunities available to them. “I call it speed dating for renewable energy,” says Nevad. “Businesses give quick 15-minute presentations.” Then cities, he says, simply decide whether they like something or not. And if they do, the University of Tennessee provides technical assistance.

TREEDC’s membership ranges from big cities to small rural towns. But it is the latter that TREEDC benefits the most. Smaller jurisdictions rarely have the staff or resources to make energy efficiency upgrades or install solar arrays on public buildings. TREEDC’s model is a viable way for these small towns to make green investments.

Take Dunlap, Tenn. The small town of 4,800 residents is wrapping up an ambitious renewable energy program later this year—one that it launched after connecting with NORESCO, one of the largest energy services companies in the nation, at a TREEDC forum. Under the program, NORESCO is upgrading water meters and adding new LED street lighting, high-efficiency LED interior and exterior lights at all city buildings, and solar arrays on the rooftops of nine public buildings. “Energy is the second-highest cost to the city; employees are the first,” says Dunlap Mayor Dwain Land, who is also president of TREEDC. “So we just thought from the beginning that [green investments] would ultimately help the city build more infrastructure and hire more employees. Going greener preserves resources.”

The program is estimated to cost about $2.75 million, which Dunlap will borrow and then pay back using the energy savings from the improvements. Land says that the simplicity of the process, which involved NORESCO conducting an audit, submitting a plan of action and then having the town’s board vote on it, will appeal to other small cities. “Dunlap will be a good case study for rural communities across the state to emulate,” he says.

TREEDC itself has already gotten a lot of interest from other states, including Alabama and Missouri. Nevad says it’s an easy program to replicate: All a state or city needs is the support and partnership of a university. “Democrats and Republicans and Independents alike like this program,” he says. “It saves money, creates jobs and just tries to solve problems.”

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Are We Still Bowling Alone?

In broken communities, the focus should be on social capital, not just the economy.

When I was growing up in a small town in rural Indiana, many people left their doors unlocked and their keys in their cars. This was in the 1970s and 1980s—hardly ancient history. Everybody knew everybody to some extent, and there was a sense of strong community solidarity. Kids knew that if they got in trouble at school there would be even more trouble when they got home. There were no jobs people weren’t willing to do. A classmate’s mother was a cook in the school cafeteria. I bagged groceries. It was hardly idyllic, but to a great extent it did resemble the traditional stereotypes of small-town life.

On the other hand, much of rural living in that era was very basic. Water service, trash collection and cable TV were not available. We had to rely on wells or cisterns, burned our trash in a 55-gallon drum and were limited to the handful of TV channels we could bring in through our aerials. We shared a party-line telephone with our neighbors. And the road I lived on was gravel when I first moved there. But while life in these places was poorer and technologically rudimentary, it was socially intact and cohesive. Now, that’s inverted. Although the comforts of everyday life are in many ways better, social conditions have collapsed for many. What has happened calls into question the idea that social well-being is tightly linked to economic health—that just providing more and better jobs can by itself turn broken families and communities around.

Today, people in my hometown can enjoy many of the amenities urbanites do. The internet gives people access to the world, to any major news site, to the endless selections from Amazon, iTunes or Netflix. Satellite TV provides hundreds of channels. There are more and better stores and restaurants than ever. When I was a kid, we didn’t have air conditioning at home or at school; it’s now the norm at both.

And thanks to casino money, my county has new schools, freshly paved roads, and new fire stations and libraries. It is easy commuting distance to a major city, and the county’s population is actually growing. Not all rural communities are so fortunate fiscally, but most of them have experienced many of the same quality-of-life improvements.

Yet the county where I grew up also recently had the dubious distinction of having more meth lab busts than any other rural county in the state. Many families, including my own, have struggled with the challenges of drug addiction. Doors and cars are now locked tight. An older couple was brutally murdered by two teens a few years ago. The out-of-wedlock birth rate is at 36 percent. My father, the retired superintendent of a local quarry—which paid a starting wage of $15 an hour plus full benefits and profit-sharing—frequently complained about his struggles to find minimally qualified workers.

There are a number of people in the national media who make the argument that things aren’t so bad, that if you look at the numbers this idea that things are horrible in much of America just isn’t true. It’s easy...
Growing Smart

The right kind of transit is crucial for growing cities.

When it comes to transit, there are two types of American cities. The first are the six ‘legacy’ cities—Boston, Chicago, New York, Philadelphia, San Francisco and Washington, D.C.—that developed dense downtowns long before the automobile and have always maintained significant transit ridership. Then there’s everyone else.

Despite recent urbanization, most U.S. cities were designed for cars. In fact, most remain dominated by solo drivers. Taking transit in these cities is generally inefficient. Nevertheless, some, such as Los Angeles and Miami, are arriving at an “in-between” stage. They’re seeing increased density and congestion. These kinds of cities face two major questions: Can they densify in ways that avoid traffic jams? And can transit ever become as convenient as driving once was, so that densification doesn’t mean reduced quality of life?

This second question, in particular, matters. As I’ve discovered while traveling across the country, America’s densest, most transit-intensive cities are also the hardest places to get around, precisely because people can’t quickly drive to and park at their destinations. It helps explain why the legacy cities have six of America’s 11 longest average commute times. It’s therefore crucial that in-between cities densify in a way that preserves personal mobility.

That is where the in-between city of Seattle could become an interesting case study. As America’s fastest-growing big city—it added 21,000 people in 2015—it’s growing denser and more congested. Fortunately, it already has a robust transit system: 70 percent of daily commuters living downtown use transit, and Seattle’s countywide bus ridership since 2002 has grown at a faster rate, more than double, compared to the population.

This growth has occurred because residents in Seattle adequately fund transit. In two decades, voters have approved three pro-transit ballot measures. As a result, the city pays more per capita on new transit projects than any other U.S. city. It has invested this money into its buses by expanding access so that 25 percent of residents live near frequent service; designating transit lanes to keep buses from getting stuck in traffic; and building an underground tunnel, which opened in 1990, so that buses can avoid downtown traffic.

Beyond funding, though, Seattle has—just like so many other big cities—encouraged approaches that complement transit. The private rideshare industry, for example, has flourished there, accounting for 9 percent of downtown commutes. The city has also relaxed zoning laws to allow for denser development.

Time will tell whether these measures help Seattle maintain, or even improve, its mobility. Already, average congestion and commute times remain below that of legacy cities. The real test will be keeping it that way as it continues to get denser and bigger.

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By Scott Beyer
Population growth doesn’t necessarily mean a city is thriving.

By J.B. Wogan
Every year, the U.S. Census Bureau releases its latest data on cities and population growth. The reaction is always the same: News outlets look at the numbers showing which places gained and which ones shed residents, and use them as instant proxies for a decline, a boom or a turnaround in cities all over the country.

Population loss can become a symbol for other things people feel is going wrong in a city; such as rising poverty and unemployment rates, vacant and blighted housing, increased violent crime, the exit of pro sports franchises, racial segregation and police brutality. The “decline” in newspaper headlines may refer to the population, but it’s often shorthand for a host of complex problems, an easy-to-understand indicator that things are getting worse.

In Detroit, where the population fell 64 percent between 1950 and 2010, Mayor Mike Duggan told The Wall Street Journal shortly after he took office three years ago that “the single standard a mayor should be defined on is whether the population of the city is going up or going down.”

Pittsburgh Mayor Bill Peduto has pledged to add 20,000 new residents by 2023. Since 1950, his city’s population has dropped from a high of nearly 670,000 residents to about 304,000. “I’ve lived here my entire life,” says the 52-year-old Peduto, “and there’s never been a time that I’ve seen this city grow.” Each year, deaths outnumber births in Pittsburgh, and Peduto sees the recruitment of new residents as crucial to his city’s long-term economic outlook.

“As people begin to retire, there isn’t a generation to take over those jobs, so we have to bring in more people,” he says. So far, the decline in both Pittsburgh and Detroit has slowed but not stopped. Their nearly seven decades of population loss continues.

Most journalists and academics tend to accept the arguments in favor of population growth as the most important thing—or sometimes the only thing. And mayors and civic groups can reinforce that mindset. But the truth is that the health of a city may not be tied so intrinsically to the ebbs and flows of its population.

For the bigger-is-better crowd, the logic is clear enough: Adding people means an expanded workforce. New residents means new customers for local businesses, which in turn increases tax revenue; with more revenue, cities can invest more in roads, public transit, schools, the arts and parks.

But equally important for them, the mere fact of rising numbers is thought to imply fundamental desirability. People vote with their feet. Though such reputational benefits are harder to quantify than tax revenue, it’s no surprise that mayors would want their jurisdictions to be attractive. “There’s a psychology to this, obviously,” says Paul Levy, a longtime strategist for the Center City neighborhood of Philadelphia. “It’s primal as, ‘Nobody wants to be my friend. Everybody’s going in the other group.’”

After decades of decline, Philadelphia is in a period of sustained, if modest, growth. But in May, the Census estimates showed Phoenix passing Philadelphia as the fifth-largest city in the country. Philadelphia added another 2,900 residents, but Phoenix added more than 32,000.

So Philadelphia’s new numbers were treated as discouraging news by some media commentators, even though they were part of a consistent national pattern. Cities in the Snow Belt nearly all lag in growth behind those in the Sun Belt. Last year, 10 of the 15 fastest-growing cities were in the South, and four were in the West. Not one was in the Northeast. That didn’t make Philadelphiaans feel any better about their new sixth-place status.

In some cases, the negative publicity from the Census reports oversimplifies what’s happening on the ground. Chicago is perhaps the best example. It has been losing people steadily over most of the past generation. In the first decade of the new century, it suffered a net population loss of 210,000. At the same time, its downtown and adjoining neighborhoods were experiencing a renaissance and even becoming a magnet for large corporate headquarters. And because most of the departing residents were relatively poor, and the new ones tended to be well-educated professionals, the city was becoming more affluent even as it shrank. (The fact that most of the residents who are migrating out of Chicago are black, however, has raised new concerns that the city is simply exchanging struggling African-Americans for white gentrifiers.)

Interestingly, it’s the mayors of cities struggling to attract people who insist population numbers are the secret of success. The mayors of the fastest-growing cities tend to have a much different attitude about population gains. “Growth in itself doesn’t ensure that you have a great community,” says Tommy Battle, mayor of Huntsville, Ala., which has seen a 7.2 percent increase in population since 2010, and is projected to overtake Birmingham and Montgomery as the state’s largest city within the decade.

Battle refuses to articulate growth as his administration’s objective. “Being the largest doesn’t make your citizens’ quality of life better, doesn’t make their education better and doesn’t make their commute time better,” he says.

Is Huntsville’s recent growth a crucial selling point to prospective employers? Battle doesn’t think so. He doesn’t offer it as proof that the city has some sort of special momentum. Instead, his pitch centers around quality of life. The average commute time in Huntsville is 18 minutes. The median price for a house is about $180,000, a fraction of prices in Boston or San Francisco. Battle points out the presence of Boeing, Airbus, GE Aviation and NASA in the Huntsville area. He touts the fiber-optic cable recently installed by Google. “We’re a smart city, we’re a Google city, we’re...
an aerospace city,” he says. “I would rather talk about that than size because there are a lot of cities that are bigger than us.”

The story is similar in Frisco, Texas, which happens to be the second-fastest-growing large city in the nation. In 1990, the municipality northeast of Dallas had barely 6,000 people. Now it has about 150,000. So much construction is happening that Mayor Jeff Cheney jokes about how the official bird of Frisco should be the crane. “If you drove through our city, you couldn’t help but notice it,” he says. “It’s definitely front and center in people’s minds.”

Growth and its impact on traffic was a chief concern in Cheney’s re-election campaign earlier this year. The city is adding roundabouts, updating its traffic lights and encouraging new developments to be mixed-use, so residents can live within walking distance of where they work. “We’re doing everything we can to get our city moving and to get traffic flowing,” he says.

With almost two-thirds of its land developed, Frisco is now trying to manage its growth. Over the summer, the city council passed an ordinance that requires all new commercial developments to set aside 10 percent of their acreage for open space. “While we are one of the fastest-growing cities in the country,” Cheney says, “we’re by no means trying to sprint to the finish. We’re looking to develop in the right way.”

Although the preponderance of media opinion has always been that more people make a better city, there has long existed a cluster of academics who challenge that wisdom. Perhaps the leading voice in this contrarian club is Paul Gottlieb, an economist at Rutgers University. He has argued for decades not only that local elected officials should take a measured approach to growth, but that metropolitan areas with stable or slow-growing populations are likely to have greater economic prosperity. Fifteen years ago, in a paper titled “Growth Without Growth,” Gottlieb called attention to 23 of the largest 100 metro areas, which he nicknamed “wealth builders.” These were places with below-average increases in population and above-average increases in per capita income.

Another group of metro areas, which Gottlieb labeled “population magnets,” had excelled at gaining residents but performed below average at increasing per capita income. The data seemed to suggest that mayors shouldn’t frame future population increase as a guaranteed path to a better economy, especially when it comes at the cost of greater congestion, pollution and the loss of open space. “My paper was controversial in the sense that it questioned the desirability of population growth in any way,” Gottlieb says now. “It’s not obvious why you would want population growth except as a means to the end of increased income or increased wealth.”

Gottlieb continues to insist that rapid population growth isn’t linked with income growth. In fact, several of the cities where leaders had long worried about lack of growth landed on his list of wealth builders. Pittsburgh was one of them.

Tom Murphy, a senior fellow at the Urban Land Institute, knows all about the idea of wealth builders. At the time Gottlieb’s paper came out, Murphy was mayor of Pittsburgh and had been trying to attract higher-paying jobs associated with the city’s universities and hospitals. “What we argued was that the measure of success of a city was not population growth, but the average income of the people,” Murphy says. He still thinks that’s true. “It’s the diversity that matters.”

“I’ve lived here my entire life, and there’s never been a time that I’ve seen this city grow,” says Pittsburgh Mayor Bill Peduto.
and quality of jobs that you're creating that determines success, more than quantity."

Pittsburgh's population continues to decline, but by many economic indicators, its situation is on an upswing. The city's inflation-adjusted per capita income and median household income have increased each year since 2010. Google, Uber, Apple and Intel have all opened offices in the city, bringing millennial workers with them. It's a stark difference from a few decades ago when the net loss of residents coincided with discouraging economic contraction. "When you're looking now at fractions of percentages in population loss, it doesn't feel that way," Peduto says. "It feels like growth."

The trick for cities is regaining population while improving the local economy in a way that's inclusive to all residents, says Philadelphia's Levy. In an ideal growth scenario, he says, "you want the incomes of your existing residents to go up." Since 2010, Philadelphia has seen an annual job growth rate of 1.1 percent per year, but among the top 10 largest cities, it has the lowest median income at about $41,000 and has the highest adult poverty rate at 25 percent. The solution, Levy says, is more employers who can offer jobs for both high-skill and low-skill workers.

Gottlieb’s contrarian theory continues to have its adherents. In 2012, Eben Fodor, a land use planner and urban consultant, ran a similar analysis with more recent data. In an article in Economic Development Quarterly, Fodor compared annual population growth with three economic indicators: per capita income, poverty and unemployment. Among the 100 largest metro areas, faster growth rates were associated with lower incomes, greater income declines and more people in poverty. The 25 slowest-growing areas outperformed the 25 fastest-growing areas across all three measures.

Fodor has been saying these things as long as Gottlieb, if not longer. His 1999 book, Better, Not Bigger: How to Take Control of Urban Growth and Improve Your Community, was an early prescription for how to slow growth through specific policies, such as eliminating subsidies to developers. Instead of giving away tax breaks for new development, Fodor still believes local elected officials ought to invest in existing parks, roads, schools and community centers. In other words, improve the quality of life for current residents, so that they want to stay in the city, rather than scrambling to find new ones. "Communities need to be thinking about stabilizing in the long term," he says. "We need to get off the endless growth bandwagon."

But it's hard to get off the bandwagon. Residents might not reap the presumed rewards of growth, but other interest groups do. Retailers, the real estate industry and even local media have incentives to encourage growth. Developers, who tend to write the biggest checks in local elections, are influential players in shaping local land use policy. Fodor's consulting firm sometimes works with governments to model the impact of new development. "You've got costs associated with serving growth," he says. After factoring in the cost of building and maintaining the requisite roads, schools and other infrastructure, “rather than a windfall for local government, it actually ends up being fiscally negative.”

Local governments themselves face incentives to promote population growth because it generates immediate development revenue in the form of permit fees, utility fees, property tax increases and sales taxes. In the short term, developers shoulder the burden of building much of infrastructure, such as roads in new subdivisions, so the financial obligations cities will face are still years away. But when the bills come due, they often can't afford it.

The American Society of Civil Engineers has tallied up the unfunded liability for infrastructure maintenance across the country, excluding sidewalks and other smaller projects, and it's more than $5 trillion. Charles Marohn, a civil engineer and founder of the organization Strong Towns, calls this a “growth Ponzi scheme.” “You see cities becoming obsessed with growth and it becomes growth at all costs,” Marohn says. “But if you're not growing in a way that actually makes you wealthier, you're just bankrupting yourself and that's the crisis we see in cities all over the country.”

Population growth isn’t the way Strong Towns defines a successful community. Marohn uses a 10-question “strength test”
that readers can take to determine whether their communities are growing in a healthy or a corrosive way. One question asks, if a revolution occurred, would residents know where to gather? Another asks, is it safe for children to walk or bike to school without adult supervision? “A lot of what makes cities work doesn't show up in standard economic or demographic statistics,” Marohn says. “One of the signs of strength in a community is the sense of being part of something. That's really hard to measure.”

When mayors talk about population growth or decline, they're talking about the people in their city, not the surrounding suburbs. The reasons are obvious: They have to worry about empty storefronts, abandoned housing, fewer taxpayers and shrinking budgets in their jurisdiction. They have no control over policies in nearby municipalities and the surrounding counties.

One problem with measuring a city’s success by its population trend is the way it treats a city as an island, isolated from its neighboring communities. The economies of central cities and the areas around them are so interconnected, Gottlieb says, that it’s irresponsible to assess one without the other. When both Gottlieb and Fodor studied the relationship between population trends and economic indicators, they looked at the scale of a metropolitan statistical area, which includes large cities, counties and towns. “City residents can access jobs in the suburbs,” Gottlieb says, “and of course, jobs in the central business district are frequently filled by suburban residents.” The only way to get a clear picture of whether population growth translates to broader prosperity, he says, is to look beyond the city itself.

“Cities are part of a broad region, and what is often as important is that regional growth and the city’s place in that region,” says Bill Frey, a demographer at the Brookings Institution. To the extent that cities can enter into partnerships with their neighbors, they can benefit from shared revenue and services that smooth over some of the differences in population trends across the region. However, there are political realities to consider as well. “Mayors get elected on the health of the city,” Frey says. “They’re not the mayor of the metropolitan area.”

In the Detroit metro area, Census estimates show stable or modest growth since 2010, but that’s not how Mayor Duggan or the local media interpret the data. They focus on the city. One headline last year noted that the city’s population was at its lowest point since 1850. The story played up the symbolic significance of the fact that Detroit was no longer among the nation’s 20 most populous cities. “A lot of Detroiters really think of themselves as being in one of the country’s biggest cities,” a local history professor told The Detroit News. “And that’s just not true anymore.” Duggan himself has called the annual population drops disappointing and correctly predicted that they would become a talking point for political opponents during his re-election bid this year.

Even advocates of slower growth don’t argue that big population losses are a good thing. “Outright decline is a different matter,” Gottlieb says. With decline, “you strand infrastructure. You have vacant lots. Extreme population decline is not a cause, but a symptom of economic problems.” Mayors, he says, are correct to want a turnaround in population decline. They just need to avoid going too far in the opposite direction.

Since publishing his paper on growth without growth, Gottlieb has moved on to study suburban sprawl, rural economic development and natural resource policy. Reflecting on his original thesis, he says the recent shortages in affordable housing and income inequality were developments he didn’t foresee. He concedes that if slow-growth policies usher in greater wealth, but that wealth isn’t shared equitably, some benefits of population stability are lost. Fodor, meanwhile, continues to stress his ideas about growing better, not bigger. It’s been almost two decades since he published his book on the subject. Asked if cities approach growth differently today, he says, “not as much as you might have hoped. That’s the calamity. You’d like to think that we’re smart and can work off information, but we tend to avoid changing until we really have to. In the meantime, we’re still very much part of the growth model.”

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RICHER A
POORER

How could the nation’s wealthiest state become a fiscal basket case?

By Alan Greenblatt  Photographs by David Kidd

Connecticut Gov.
Dannel Malloy
Connecticut may be too rich for its own good. Long blessed with a disproportionate number of high-income residents, the state has entertained lavish spending habits for decades. Lawmakers have acted as if they were on a shopping spree at Christmas, confident that the money to pay off the credit cards would somehow be found in the new year. Meanwhile, they have avoided many of their less glamorous responsibilities—depositing money into pension accounts and other retirement benefits, and paying for adequate infrastructure maintenance. Now, all those bills are coming due, and the money isn’t there to pay them.

Budget problems have become chronic in Connecticut. This year, they got worse. Faced with a projected $5 billion shortfall over the state’s two-year budget period, the legislature blew well past the July 1 budget deadline. (There was no agreement on a budget as of mid-August.) “People have come to expect a very high level of services, while keeping taxes low,” says state Rep. William Tong. “That math doesn’t work. People are facing two decades of bad decisions and we’re having to reckon with that now.”

In May, the three major credit rating agencies all downgraded their states, citing weak revenues. Continuing budget fights and tax increases have driven down business confidence.

Connecticut’s economic problems extend well beyond the budget. The state prospered in the 1970s and 1980s, when nearby New York City was dangerous and Connecticut’s suburban landscape was welcoming. Corporations were eager to resettled there. But fashions have changed. Millennials and corporations have developed a hankering for urban life. That urge has robbed Connecticut’s suburban landscape of its appeal. This was demonstrated starkly by the decisions of two of its marquee employers, General Electric and Aetna, to move their headquarters to Boston.

Connecticut has five cities with populations above 100,000, but each is below 150,000. While some of the cities are doing better than others, they all have more of their share of concentrated poverty, bad schools and unemployment. In short, Connecticut lacks a city that can take advantage of the newfound cachet of urban life. Instead, the state has had to take over the financial reins of several of its troubled smaller cities over the past two decades.

Hartford, the capital, has its own chronic budget problems and has hired attorneys to explore the possibility of bankruptcy. “At a time when other states were reinvesting in cities, Connecticut was not, and certainly the state itself was not,” says Gov. Dannel Malloy. “Now, when millennials and people 50 plus want to live in urban environments, our urban environments are not up to snuff.”

The state still has the nation’s highest per capita income, but over the past 20 years, its job creation numbers have ranked in the bottom five among the 50 states. Essentially, it has created no new net employment for decades. It was only last June that Connecticut finally managed to claim the same number of private-sector jobs that it had before the 2008 recession. Many of the jobs in finance that were lost with that year’s market crash have never returned. A disproportionate number of positions created since are low-wage jobs in the service sector. And people have begun to vote with their feet. The state has lost population for three years running. Last year, Greater Hartford ranked fourth and New Haven fifth in population loss among the nation’s 100 largest metro areas. “We’re a wealthy state,” says Oz Griebel, president of the MetroHartford Alliance, the region’s chamber of commerce, “but we’re not growing with the national economy.”

Connecticut is now at a crossroads. A model that worked for years—safe suburbs offering good schools for the children of hedge fund managers and insurance agents—is no longer as compelling. Mansion-size houses in the toniest precincts of the richest suburbs aren’t emptying out yet, but they are getting hard to sell.

Over the course of its long history, Connecticut has successfully reinvented itself several times, changing specialties from agriculture to manufacturing to financial services. Today, unlike other states and cities that have run into serious financial difficulties, Connecticut clearly has the means to change course. Not other states and cities that have run into serious financial difficulties, Connecticut clearly has the means to change course. Not only is its median income still high, but the state boasts assets such as proximity to Boston and New York, amiable coastlines and river valleys, and notable institutions of higher education. In addition to the continuing presence of a thriving financial sector,
Connecticut is home to aerospace and defense contractors and other advanced manufacturers who can’t hire help fast enough, as well as a growing medical and life sciences sector.

But the same sense of general prosperity that allowed the state easy access to credit in the past has left much of Connecticut feeling complacent, even as it faces clear challenges. In many parts of the state, life is still good. The loss of GE and Aetna has served as a wakeup call for public officials, but not everyone feels the same sense of urgency. Unsurprisingly, not many politicians are interested in amplifying the message in the national media that something has gone seriously wrong. “The vast majority of people in Connecticut, unless they were literally trying to sell their home to a GE executive, are not feeling the pain yet,” says Matthew Nemerson, New Haven’s economic development director.

There are a couple of practical reasons why the state may have a hard time changing course, though. To start, its political culture is highly parochial, with strong home rule protecting the interests of 169 cities and towns and nearly as many school districts. Connecticut has the nation’s second-highest rate of income inequality, after New York, but there isn’t a sense in the smaller communities that their future is tied to improving the health of those less fortunate. “More than anything, we suffer from a lack of common identity and the sense of a common future,” says Hartford Mayor Luke Bronin.

The other roadblock is partisanship. As fiscal problems have grown entrenched, it’s become more difficult to find political consensus. Democrats say the state can’t solve its problems with massive spending cuts, and favor both a state sales tax hike and a change in law to allow cities to raise sales taxes on their own. But Republicans blame the state’s woes on decisions in 2011 and 2015 to address shortfalls by bumping up tax rates. They have no appetite for more. “Companies aren’t going to stay here,” says Themis Klarides, the GOP leader in the state House, if taxes keep going up. “They certainly have no reason to come here.”

Complaining about tax hikes has been a winning message for Republicans. At the start of the Obama presidency, Democrats enjoyed a 114-37 majority in the state House and a 24-12 advantage in the state Senate. Now, the state Senate is tied, although the Democratic lieutenant governor can cast tie-breaking votes. Last fall, Republicans came within four seats of taking over the House. Malloy, who has the lowest approval rating of any Democratic governor in the country, admits he was lucky to win re-election in 2014. He isn’t seeking another term next year. It’s not hard to imagine that Connecticut, long dominated by Democrats and still one of the bluest states in presidential voting, could fall under complete Republican control in 2018. That would cause a huge shift in direction.

For Connecticut as a whole to thrive, however, there has to be not only broad agreement about the need to shake things up, but something like consensus about what changes the state should make. Connecticut has not reached that stage yet. “What was once our strength has now become, in my opinion, our weakness,” says state House Speaker Joe Aresimowicz. “We are the land of steady habits and the world has changed around us.”

Connecticut can’t say it wasn’t warned. Back in 1999, a report by a consultant named Michael Gallis identified the state’s aging transportation network, its “fragmented political structure” and the lack of a metropolitan strategy as glaring weaknesses. The report was widely discussed and still gets talked about in planning circles, but it didn’t convince...
policymakers or the public that the state needed to change its ways. A sense of isolation—that Connecticut benefited from not having the same problems as New York or Boston—kept residents thinking of their state as its own little pocket of prosperity, rather than as part of a bigger region in which it must compete.

At the start of the new century, Connecticut still prospered, its economic growth outpacing the country’s as a whole. That allowed it to issue income tax rebate checks to residents—$50 to individuals and $100 to couples. These added up to $100 million that, in hindsight, many analysts wish had been devoted to paying down state pension debt, which the Malloy administration puts at $22 billion, although private estimates count it much higher. Instead of making regular pension fund contributions, Gov. John Rowland made a deal with labor unions a decade ago that allowed the state to defer paying them. “My predecessors lived in good times and didn’t spend any of that good-time revenue to attack the state’s long-term problems,” Malloy complains. “I’m living in slow growth and I’m putting every dollar into retiring long-term obligations.”

The state is also struggling to fund its teachers’ retirement system. While it has been able to renegotiate benefit levels with its own employees, benefits for teachers are negotiated with local districts. If the state isn’t able to stretch out its payments to the teachers’ pension plan, as it did with the state workers’ fund, its mandated contributions are set to balloon from $1.2 billion this year to $6 billion in 2024. “We are faced with legacy problems that have finally caught up with us,” says Matt Ritter, the state House Democratic leader.

Longstanding debt isn’t Connecticut’s only financial problem. Back in 1992, shortly after the state imposed a personal income tax, voters overwhelmingly approved a spending cap. The constitutional amendment they voted for, however, didn’t define what the spending cap would be. Instead of making regular pension fund contributions, Gov. John Rowland made a deal with labor unions a decade ago that allowed the state to defer paying them. “My predecessors lived in good times and didn’t spend any of that good-time revenue to attack the state’s long-term problems,” Malloy complains. “I’m living in slow growth and I’m putting every dollar into retiring long-term obligations.”

The only upside of a new deal with labor unions, says House GOP Leader Themis Klarides, is that it will hand her party power “on a silver platter.”
its regional advantages. Established during a budget crisis triggered by the early 1990s recession, it was not originally intended to become the primary source of income, yet it’s now the state’s single largest revenue source. It’s a progressive tax, so much of the money comes from a relatively small number of top earners. Half of a $400 million shortfall in income tax receipts projected this spring came from just 100 individuals. With uncertainty about whether the tax code will be changed at the federal level, a lot of hedge fund managers and other high fliers are holding off on selling their investments. But at least a few have moved their residency or their hedge funds down to Florida, which has no personal income tax. Conservatives can rattle off the names of individuals who took millions in tax revenue with them. “They’ve decided six months and a day in Florida solves the problem,” says Carol Platt Liebau, president of the Yankee Institute, a free market think tank in Hartford.

Malloy’s proposed budget this year would have raised taxes and fees, but he looked to spending cuts to close most of the shortfall. In May, he reached an agreement with public employee unions to restructure the state’s pension plan and other retirement obligations. The deal increases pension and insurance costs for workers, while freezing wages for three years and offering less generous retirement plans to future hires. The package is expected to save the state $1.5 billion during its current two-year budget cycle and $24 billion over the next 20 years. “State employees are basically saying one full year of the budget, $24 billion, that’s on us,” says Lori Pelletier, president of the AFL-CIO’s Connecticut branch. “There’s no sense in getting a raise if three months from now you’re going to be laid off.”

The deal echoed concessions Malloy had won from unions earlier in his term. But Republicans, while acknowledging that the package offers real savings, complain that it doesn’t go far enough. Connecticut is one of only four states that collectively bargain retirement benefits. The latest deal not only guarantees raises in the future and bars layoffs of state employees, but extends the life of underlying contractual benefits until 2027. “These union contracts effectively tie the hands of one or two governors and the legislature for the next 10 years,” Liebau says.

Connecticut has an intergovernmental setup unlike that of any other state. For all practical purposes, it has no counties. Services that in most states are financed and shared by multiple jurisdictions, such as courthouses and roads, are handled at the state level in Connecticut. A few city and town functions have been consolidated here and there—back-office accounting for libraries, the occasional animal shelter. But regional consolidation of schools and public safety are considered third-rail issues. Connecticut, which is home to 3.6 million people, has 111 police dispatch centers. By comparison, Houston, which has 2.3 million residents, has just one emergency dispatch center, which handles fire as well as police. One Connecticut high school had a graduating class of 45 students this year. Rather than sending the kids somewhere else, its district is expanding and renovating the campus.

The only real source of revenue for local governments in Connecticut is the property tax. Since demand for services is often greatest in the bigger cities, their property tax rates end up being quite high—often double the rate charged by neighboring towns. The problem is particularly acute in Hartford, where more than half the land is occupied by state facilities or other nontaxable entities. The city’s population doubles during working hours, but commuter taxes are illegal, so Hartford has no real way to reach beyond its own borders to get resources from neighboring towns whose residents benefit from city services. “The state of Connecticut owes the city of Hartford $80 million to $60 million a year in payments in lieu of taxes,” says Cynthia Jennings, a member of Hartford’s city council. “For almost 20 years, they have not paid what they owe us. Not even close.”

The state does redistribute wealth to some extent, in the form of direct aid to cities or investments in redevelopment projects.
But municipal aid has been on the chopping block, given the state’s own budget woes. Residents of the more prosperous towns, as in most places, question why their tax dollars are being sent to support cities they don’t live in. That parochialism is reflected in the legislature, where lawmakers ask to be provided with “number runs” showing how budget decisions are going to affect their own districts. “We have extreme wealth in some places and extreme poverty in some places,” Ritter says. “The legislature reflects that at times.”

As things stand, Connecticut is like a big city that has been zoned into 169 different districts, a few of which have to take on a huge burden of poverty. There is some rural poverty in the state, but most poor people live in the larger cities. Those living in suburbs enjoy good schools and public safety, and get a tax cut to boot, in the form of lower property tax rates. “Most of the social bads are concentrated in about 12 of the 169 towns,” says Nemerson, New Haven’s economic development director. “Any change to make it better will hurt large numbers of people.”

Still, the problems associated with pronounced inequality are becoming more apparent. Connecticut is 80 percent white, but its population of white children under the age of 10 is falling faster than in any other state. Racial and ethnic minorities already make up more than 50 percent of infants and toddlers and are about to become a majority of 3- and 4-year-olds. Connecticut’s kids score well on standardized tests overall, but there’s a pronounced achievement gap among racial groups and by geography. As is true almost everywhere, students in city schools are faring poorly. “We can’t leave students in nine cities behind—that’s 30 to 40 percent of our future workforce,” says Lyle Wray, executive director of the Capitol Region Council of Governments in Hartford. “Fifteen percent proficiency scores in math—that’s an economic death sentence.”

Malloy recognizes the need to invest in cities. He was once the mayor of Stamford, where new companies in fields such as biotech are moving in alongside the hedge funds, and thousands of new housing units have gone up. In July, the governor announced improvements in rail service and stations that will offer better connections between Hartford and New Haven is filled with million-dollar homes, but in the area around Mather Street, the public works department is fighting an unending battle against blight.

“Most of the social bads are concentrated in about 12 of Connecticut’s 169 towns.”

—Matthew Nemerson, New Haven’s economic development director
Haven to the south and Springfield, Mass., to the north. Through a quasi-public development authority, the state has helped build 1,600 new housing units in Hartford. The shift of a University of Connecticut campus from West Hartford to a former newspaper building across the street from the city hall will bring 2,000 undergraduates downtown. “The seeds of revitalization are there,” says Mayor Bronin. “If they’re going to grow, we have to clear away the fiscal crisis that the city faces.”

The same could be said about the state as a whole. Policymakers are facing up to the fact that it’s no longer enough to be the kid brother to Boston and New York. Connecticut has to think of itself as a set of small to midsize regions that need to compete within the Northeast and nationally in order to jump-start any sort of growth. It has the tools. When it comes to productivity or education levels of its workers, Connecticut ranks near the top. And lawmakers from Malloy on down who seek to downplay the practical damage of GE and Aetna shifting headquarters—but not the bulk of their workforces—have a point. More than 20 years after Travelers Insurance moved its headquarters to Manhattan, it remains the largest private employer in Hartford.

Connecticut is not in a death spiral, but it has failed to position itself to react to changing demographics and location preferences. There’s a lot of optimistic talk about how the pendulum may swing back, that when the millennials have kids they’ll look more kindly on the Connecticut suburbs. Expecting people to want what they’re currently rejecting is a big risk, however. In a system designed for inertia, changing course will be difficult, especially since most people are still comfortable. And state leaders have lost credibility with many voters about even the need to chart a different economic course, after telling them too often that things will work out all right if they just swallow one more bitter pill in the form of tax increases to get through the latest crisis.

Change is always difficult, especially in a place accustomed to success. But by this point it’s clear that what’s worked so well for Connecticut in the past isn’t working now. Maintaining the status quo doesn’t portend well for the future. “For a long time, Connecticut relied on a suburban strategy,” says Rep. Tong, “and the world has changed dramatically and very quickly.”

“I don’t want us to go into bankruptcy unless there are no other options,” says Hartford Councilwoman Cynthia Jennings.

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Big-city bus systems are finding ways to digitize operations.
out from decades of stagnation. By Daniel C. Vock
A few years ago, as the Central Ohio Transit Authority (COTA) was marking the 40th anniversary of its bus service in the Columbus area, a new employee came into the office of Curtis Stitt, the agency’s president and CEO. She brought him a copy of a 1974 annual report that she had stumbled upon while going through the archives. As Stitt looked over the decades-old document, one thing stuck out at him. “The system map from 1974 looked very much like the system map for 2014,” Stitt says. “Forty years later, the routes looked pretty much the same. The question it naturally raised was: Does this system still work? The answer was no.”

Since the 1970s, Columbus has grown by nearly 60 percent, to a population of 860,000. It is now the 14th largest city in the country. Its geographic area has grown by a third as well, and the suburbs have sprawled in every direction. Jobs have followed people away from downtown, and the nature of the jobs has also changed. With the growth of the service economy, more residents work on nights and weekends instead of 9 to 5.

That meant that the traditional hub-and-spoke arrangement of the city’s bus routes didn’t make sense anymore. If people needed to get across town, or go from one suburb to another, they didn’t want to have to go through downtown to do it, especially if that meant transferring from one infrequent bus route to another.

The Columbus transit agency spent four years and $9.4 million studying its bus network, gathering public feedback and designing alternative routes. All of that work came to a head this May, when COTA switched to a completely new system. It doubled the number of bus lines with frequent service (every 15 minutes or less), deploying many of them along major roads far from downtown. The new routes added or increased service to the airport, shopping malls, a casino and many other job centers. By COTA’s estimate, the number of jobs within a quarter mile (a five-minute walk) of a frequent bus line jumped from 155,000 to 265,000.

The number of people who lived within a quarter mile of those lines increased from 116,000 to 219,000. Plus, the agency beefed up service on Saturdays and Sundays. And Columbus did all of it without an increase in funding.

The problems that beset the Columbus bus system before its relaunch are all too common among this country’s transit agencies. In most places, as in Columbus, they go unaddressed for decades. But just in the last few years, transit agencies in more than half a dozen major cities have totally revamped their bus routes to focus on frequent, reliable service to job centers and dense neighborhoods. As in Columbus, transit advocates hope the recent redesigns in Indianapolis, Jacksonville, Fla.; Omaha, Neb.; Portland, Ore.; and, most of all, Houston, will lead to major changes in how cities think of and offer bus service. But the same advocates acknowledge that there is nothing easy about making these changes, even if the need for them seems obvious.

The biggest reason for the sudden attention to bus networks is that bus ridership is dropping across the country, both in absolute terms and as a percentage of total transit trips. As recently as 1990, buses accounted for nearly two-thirds of all transit trips in the country. But in 2014, for the first time, bus rides made up less than half of all transit trips, according to the American Public Transportation Association. Part of that is because more people are taking subways, light rail and commuter rail. But a good many bus riders have left the transit system altogether. “Bus network redesigns are a reaction to that decline,” says Kirk Hovenkotter, the national network coordinator at TransitCenter, a New York foundation that recently hosted a conference on bus system overhauls. Even leaders from cities that have not committed to major changes are enthusiastic about the idea, he says. “Network redesigns are the hottest trend in transit right now.”

Redesigns can help reduce inefficiency in bus systems, but that doesn’t always translate into higher ridership numbers. External factors such as gas prices and the state of the economy can affect ridership. Plus, a well-designed bus network can lead to fewer
trips because riders have to transfer less to get to their destinations.

But declining ridership isn’t the only reason transit agencies are reconfiguring their bus routes. Demographic shifts in urban areas are also forcing them to reexamine their services. Jarrett Walker, a transit consultant who has helped several cities with their bus network redesigns, says many cities are developing dense neighborhoods that cannot function if they don’t have a good transit system. Single-occupancy vehicles—even taxis or UberX compacts—simply take up too much room on the streets. And residents in those areas want better transit options. “There is justifiably pressure on transit to work more effectively and meet the expectations of those residents,” Walker says.

Inefficiencies in bus systems have also gotten easier to measure, as real-time bus arrival data and online trip planning tools make gaps in a system painfully obvious. While riders a few years ago might have waited at a stop in hopes that the bus would come soon, now they know for sure when it’s coming, and they don’t want to wait long. They can tell from a map how far out of their way they have to go in order to get to their destination. “You’re seeing the problems you couldn’t see before,” Walker says. “That makes it easier to diagnose and to build political consensus to solve those problems.”

That political will is important, because political pressure is a big reason bus routes follow meandering paths and are hard to change. Interest groups urge politicians to add new stops, often in places that wouldn’t warrant them based on ridership. The added stops make the routes longer, and the longer routes mean the bus doesn’t come as often. “The cumulative effect of elected officials doing that over 20 to 30 years is a network that looks like spaghetti, where frequencies aren’t very high,” Walker says. When transit planners try to make a network more efficient, they inevitably have to cut service to low-performing areas, and riders there will complain to the transit agency. Without political cover, Walker says, transit planners often just try to do their job without getting yelled at, which means no major changes happen.

One Sunday morning in August 2015, Houston woke up with a brand-new bus system. It was a big deal, not just for Houstonians who rode the bus, but for the transit community nationwide. Houston wasn’t the first to successfully complete a network overhaul: Portland, Ore., Jacksonville and a few other places had gone before. But Houston’s “reimagining” of its system was an especially ambitious project in America’s fourth-biggest city. Officials in other cities seemed to figure that if Houston could reconfigure a system with 1,200 buses and 10,000 stops, they could figure out how to do it in their cities too.

The impetus for Houston Metro’s route overhaul came from its board, and from one new member in particular. Christof Spieler came to the board in 2010 after earning a name for himself in Houston as a transit blogger. He is an engineer by trade, with a focus on urban planning, and was a regular rider of Metro’s local No. 9 route. That latter fact set him apart from his fellow board members, who he says weren’t regular bus riders before they joined the board. His message to the others was that frequent service—not just having a big coverage area—was the key to a good bus network.

It was clear that Houston Metro had to do something to address ridership. Between 1999 and 2012, the number of riders dropped...
Metro also had to revisit its network because it was in the process of completing three new light rail lines. Metro needed to adjust its bus schedules to better connect to the light rail and to eliminate duplicative service.

And, of course, Metro's antiquated bus routes faced the same issues as the ones in Columbus. In Houston's case, some of the routes dated back to the early 1990s, when they were streetcar routes between downtown and outlying neighborhoods. Over the years, tinkering had made those short, straight routes long and twisty. Many of the areas they served were no longer big population centers. And downtown was no longer the dominant job magnet. Instead, much of the workforce commuted to universities and hospitals south of downtown in the city's medical center, while big shopping areas sprung up around the Galleria mall and office towers emerged in once-sleepy suburban territory. Houston had become a city with a complex and “multinodal” employment base.

Metro, in other words, faced big problems that needed big fixes. “The problems couldn’t be solved by adding another bus to this line or extending this route here,” says Kurt Lahrsen, the agency’s vice president of service planning. “It was systematic. The system was not serving those folks well anymore.”

Once Metro decided it needed to overhaul its bus network, the agency’s leaders combined their own data analyses with suggestions from the public. They wanted Houstonians to realize that this was not an arcane, bureaucratic process, but a chance to make big changes to improve people’s lives. So Metro urged residents to reimagine the bus network.

The agency also described its existing operations in blunt terms, recalled Spiker, speaking at a 2015 transit conference. “We started this [process] by saying, ‘We have a really crappy bus system,’ which is a real odd thing for an agency to do. In fact, we had considerable internal fights over that idea... I said, we’re not going to fix the system if we don’t own up to the fact that our current system isn’t working. Why in the world would we go to the public and say, ‘We have a great system. We’d like to blow it up and start all over?’

There is a tension in designing any bus system between maximizing ridership and maximizing coverage. The easiest way to bump up the number of riders would be to run more routes frequently through dense areas. But then the outlying areas would get little or no service, residents of poorer neighborhoods would have trouble getting to work and older people would be stranded without a connection to out-of-the-way senior centers. Before the redesign, Metro split its resources evenly between ridership and coverage. Based on the feedback it received, the board decided that the agency was spending too much to operate largely empty buses. So it shifted resources: 80 percent went to building ridership, while 20 percent went to maintaining coverage.

Originally, the plan was supposed to be cost-neutral. Metro thought it could achieve that goal by using its existing resources more effectively. But residents who stood to lose service under the agency’s initial proposal came to board meetings and public hearings to protest the changes. Politicians took up their causes. It took a year for the agency to iron out all of the wrinkles. Most of the changes the agency made to its initial plan were to lower-service routes. The high-volume lines remained largely the same. One way the board smoothed the passage was by adding $12 million to the annual operating budget for buses, which was about a 4 percent increase.

The switch came after months of publicity, as well as training for Metro staff. The transition itself had no major problems, although the agency did have to make adjustments after the rollout. Still, the easy transition made the process look simpler than it was. “We just barely pulled it off,” Spiker says, “with the right staff, the best consultants, a gutsy board and a policy geek mayor with lots of spine.” (Mayor Annise Parker’s term expired in 2016.)

Metro, though, will fall short of its goal of increasing overall transit ridership by 20 percent in the new system’s first two years. Ridership did climb by 6.8 percent in the first year, but most of that came from increased light rail boardings. Bus trips increased by 1.2 percent in that initial year, much of that from weekend service. Weekday trips decreased.

Things got worse the second year, when lower gas prices led to a more sluggish economy in energy-dependent Houston. Although final data was not available by press time, Lahrsen, the Metro vice president, says ridership for the second year will likely be flat. But he points out that other Texas cities are seeing decreases of 3 to 6 percent because of the drop in gas prices and the oil-related downturn in the local economy. “If we would have done nothing, we would have been down 5 to 6 percent, too,” he says. “But [after two years] we’re up 7 percent.”

Houston’s size makes it the obvious template for other cities that want to launch a bus network redesign. But the growing number of transit agencies that are going through with similar plans will offer slightly different models to follow.

While Houston and Columbus tried to keep their expenses relatively flat, Indianapolis is embarking on an expensive redesign, aiming for fast, frequent service even as it expands its network by about 70 percent. Indianapolis will fund the expansion through a new 0.25 percent income tax voters approved in 2016, which is expected to bring in an additional $54 million a year for IndyGo, the city’s bus service. A major component of the new design will be adding three bus rapid transit lines that are designed to “basically be light rail on tires,” says Bryan Luellen, an IndyGo spokesman. (The Indiana Legislature prohibited Indianapolis from using the
money on actual light rail, but transit experts say the city isn’t dense enough for rail anyway.) The new tax money will also help upgrade existing buses and bus stops, increase service on nights and weekends, and reduce customer waiting times on a more simplified grid network.

The transit system serving the Albany, N.Y., region stands out because it has increased bus ridership by 25 percent since 2009, while most other agencies have struggled with declining ridership. The Capital District Transportation Authority covers four counties, but it concentrates its efforts on fast, frequent service in its four major cities: Albany, Saratoga Springs, Schenectady and Troy. The emphasis on frequency, says authority CEO Carm Basile, is a “game changer,” because when buses come every eight to 15 minutes, the service “starts to feel a lot more like a rail system. The No. 1 thing people want from you when they get on your bus is to get off your bus. They want the bus to come really frequently, and they want to get to their destination really quick, just like a rail system.”

But another key to Albany’s success has been its decision to reach out to local colleges and businesses to enroll in its “universal access” arrangements. In those deals, the institutions pay a discounted rate up front so their students or employees can ride without paying a fare. More than a dozen colleges and a dozen local businesses participate in the program, and their riders make up nearly a quarter of the passengers the agency handles and a quarter of the fare revenues it collects. The program makes route planning easier, Basile says, because it’s easy for the agency to predict where students or workers will want to travel. Plus, he adds, it helps keep ridership up. “Wholesaling service has taken the spikes out of the ridership,” he says, that are caused by external factors like the price of fuel. “We’ve been isolated from that. The people we are talking about are going to use the service regardless, because they can and it’s free to them.”

The number of transit agencies contemplating a bus system redesign continues to grow. This summer, Philadelphia officials announced they would soon undertake one, in part to respond to what they see as competition from private ride-sharing services. Anchorage, Alaska; Austin; Dallas; Richmond, Va.; and even Los Angeles and Staten Island in New York City are working on overhauls as well.

Jon Orcutt, the director of communications and advocacy for the TransitCenter, says many of those cities may need an infusion of new money, along with a new system design, to make a truly effective bus system. But some, like Los Angeles, which has the country’s second-largest bus system after New York, will mainly need to show that they can spend existing tax money more effectively. L.A. voters approved major transportation funding measures in 2008 and 2016, which have resulted in a rapidly growing light rail system. At the same time, though, bus ridership has fallen sharply, decreasing by 20 percent in just the last three years.

Redrawing bus routes and overhauling schedules forces transit agencies to take a hard look at whether they’re doing everything they can to serve their riders, Orcutt says. “It’s a reflexive thing in the transit industry. If ridership goes down, the explanation tends to be that it’s some sort of exogenous force: Gas is cheap, Uber came to town, whatever. But they don’t look at whether their service is attractive to people. They don’t look at what they can do, regardless of external forces,” he says. “But now you’re seeing the best of the transit industry looking at doing what they do better and trying to use the resources they have better.”

Email dvock@governing.com
BUILD BLOCKCHAIN TECHNOLOGY COULD REMAKE GOVERNMENT SERVICES FROM THE GROUND UP.

BY LIZ FARMER

GOVERNING | September 2017
IMAGINE THIS: Homeowners no longer need to buy title insurance. The chronology of ownership and claims for every piece of property in a jurisdiction are on an unhackable, constantly updated, always current ledger.

Or this: Governments, companies and individuals can transfer funds from their banks to another bank or party instantly—without any administrative holding period or fee.

If these sound like future projects, they’re not. They’re both here-and-now developments using an underlying technology called blockchain. Cook County, Ill., is using it to build a land records ledger. Seven of Europe’s largest banks are buying into a blockchain that IBM is putting together for financial institutions. Beyond that, in the wake of questions about the security of voting systems during the 2016 presidential election, many believe blockchain technology will be the answer to securing future elections, allowing them to be audited in real time.

Blockchain has been on a stealth course in government circles in recent months. At the 2016 conference of the National Association of State Chief Information Officers, nobody had blockchain on their priority list. This year, a NASCIO survey found that a majority of CIOs had begun investigating blockchain through informal discussions. In May, the group released a report calling it the “next big transformational technology” in government. “This is a very big deal. It’s so much more dramatic than [when the internet was launched],” says Eric Sweden, NASCIO’s program director for enterprise architecture and governance. “It’s going to have a huge impact on how we do business, accounting, auditing—anything that has a data lineage to it.”

Blockchain is a type of distributed ledger technology (although many people now use the terms interchangeably). DLT has the ability to allow users to record data and transactions instantaneously in a way that is unhackable. A key to understanding blockchain is that each distributed ledger isn’t maintained or stored by any one entity, but is accessed and cultivated by a number of users. Everyone’s changes appear instantly on each user’s copy of the ledger and are encrypted in a way that they can’t be changed or deleted. Thus, each new block is permanently linked onto an unbreakable chain.

DLT is what was used to build the cryptocurrency bitcoin. The digital payment system

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In the cryptocurrency model, financial backers, instead of putting up seed money in exchange for shares in the company, are paid a percentage of the cryptocurrency that’s created—a currency that will, presumably, increase in value down the road. In the U.S., the Securities and Exchange Commission has not provided a regulatory framework for Initial Coin Offerings. Some blockchain advocates say this creates a major roadblock here that is stalling the technology’s development.

At the state and local level, there has been some movement. A few places are eyeing targeted pilot programs. But Illinois most closely mirrors the approach seen abroad by aggressively cultivating and investigating the technology’s use in government.

Illinois officials are acutely aware that they are exploring unchartered territory. The upside, says Michael Wons, the state’s chief technology officer, is an opportunity to transact business seamlessly and for less money. A government license filing that costs $500 and takes months to process, for instance, could instead take a day and cost a fraction of that amount—“could” being the operative word. “There are gaps,” Wons acknowledges. “That’s why we want to attract entrepreneurs to help us work through the holes.”

That’s what the Illinois Blockchain Initiative is all about. It’s a first-of-its-kind effort that kicked off late last year and counts six state and local agencies among its founding members: the Illinois Pollution Control Board; state departments of Commerce and Economic Opportunity, Innovation and Technology, Financial and Professional Regulation, and Insurance; and the Cook County Recorder of Deeds. The main goals are threefold: ensure thoughtful and light-touch governance as it applies to the technology; support building out the blockchain ecosystem from an economic development perspective; and promote government integration of the technology itself.

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When it comes to implementing the initiative’s first two goals, Wons sums up the approach succinctly: “Incubate, don’t overregulate.”

Early enthusiasts see blockchain as a way to improve a variety of record-keeping ventures, from business transactions to health records to voting rolls. So far, exploration has been limited to a few areas. In the private sector, banking institutions are looking at the technology as a way to get rid of administrative hurdles, hence the IBM blockchain for such banks as Deutsche Bank and HSBC. In the public sector, governments in Asia and Europe have jumped at the notion of consolidating and linking their records. Among the former Soviet bloc countries, Estonia has long used blockchain-like technologies to secure health records, while Georgia’s National Agency of Public Registry recently moved its land registry onto the blockchain. Sweden is similarly testing a blockchain-based land registry, and Dubai plans to run its entire government on distributed ledger technology by 2020.

China’s approach to the technology has been to fertilize entrepreneurs with forward-looking ideas and then step out of the way. It has actively invested in consortiums and so-called blockchain parks that are designed to attract the best startups. Meanwhile, China has allowed Initial Coin Offerings, the capital-raising process favored by new cryptocurrency ventures, to operate in the country.
approach cryptocurrency in relation to its Transmitters of Money Act, a law that affects any institution that moves money. It looked at how other states, such as Washington, have regulated online currency exchanges. New legislation there that requires currency exchanges operating in the state to maintain a surety bond has prompted several cryptocurrency startups to pack up and leave. Illinois saw that approach as working against its goal of attracting companies and supporting the development of blockchain technology. Its state regulators decided that the existing laws regarding transmitting money could be applied to cryptocurrencies and issued extensive regulatory guidance to make that case.

In terms of attracting talent, the initiative recently launched the Blockchain Center in Chicago. The center is charged with not only fostering development and collaboration between startups but also recruiting and training some of the state university system’s top computer science talent.

When it comes to the third prong—government adoption of blockchain technology—the initiative has already gained some insights. Before joining the project last year, the Cook County Recorder of Deeds’ office had already begun its own blockchain pilot program. It put roughly 2,000 vacant Chicago properties on the blockchain so that the system could prevent scammers from illegally selling houses they don’t own. Scammers have been taking advantage of the fact that information about properties that had been seized by the city for nonpayment of back taxes are scattered among five government offices and therefore vulnerable to misuse. The scammers advertise the properties as fixer-uppers, obtain a copy of the property deed and use it in a sale to an unsuspecting homebuyer. Once the homebuyer hands over payment for the house—five, ten or twenty thousand in cash or money order—the scammers disappear. Unfortunately, a lot of unsuspecting homebuyers were forking over cash and putting additional money into repairs, reports John Mirkovic, the county’s deputy recorder of deeds. “Then,” he says, “they find out they can’t record the deed because the person [from whom they bought the house] never owned it in the first place.”

The pilot program, though, ultimately raised more questions than answers. Building a blockchain for just 2,000 properties was complicated enough. To scale up to a statewide level would require more money into repairs, reports John Mirkovic, the county’s deputy recorder of deeds. “Then,” he says, “they find out they can’t record the deed because the person [from whom they bought the house] never owned it in the first place.”

The technology behind blockchain was used to build the cryptocurrency bitcoin.

The technology behind blockchain was used to build the cryptocurrency bitcoin.

and claims on the land are all there for anyone to see. “This is an opportunity,” Mirkovic says, “to make public records better and more educational for people.”

The Illinois initiative is kicking off four other government pilot programs. These focus on putting academic credentials, birth records, health provider registries and an energy credit marketplace on a blockchain.

And while Illinois’ initiative stands out, it’s not the only state that recognizes the role government can play in fostering the technology. This year, Nevada took steps to encourage use of the technology by banning blockchain taxes. Arizona passed a law legally recognizing signatures recorded on a blockchain and smart contracts. Delaware, where two-thirds of Fortune 500 companies are incorporated, passed a law allowing companies to use blockchain technology to store and transfer securities and communicate with shareholders. The move is expected to increase transparency in the shareholder voting process and automate the annual report and franchise tax filings in Delaware.

Like Illinois, Delaware’s forward movement was born from a desire to be out in front of other states. “I was talking to a lawyer in New York who said, ‘I have a client who wants to issue shares on a blockchain, but they’re concerned about a lawsuit,’” says Andrea Tinianow, Delaware’s director of corporate and international development. “That’s what got the ball rolling.”

The flurry of activity this year is likely just the start of it. NASCO’s Sweden predicts that in a decade blockchain in government will be routine. Still, he preaches a go-slow approach. For starters, blockchain technology doesn’t make an organization bulletproof. Twice over the past year, for example, the Ethereum Project, where members trade a type of cryptocurrency, reported data breaches that affected tens of thousands of users and resulted in the loss of tens of millions of dollars. In both cases, hackers tricked users into sending money and passwords to the wrong address, showing that while blockchain technology itself may be “unhackable,” it’s not altogether impenetrable.

There’s also a possible workforce concern: Making records seamless has the potential to eliminate jobs. Land title insurers, for instance, would have some objections to being made obsolete in Illinois by blockchain. And elsewhere, there’s been much discussion in the financial services industry about the processing and verification jobs the technology would kill. Similar back-office jobs in government, such as data entry work, could be rendered obsolete. But Mirkovic says the technology creates a larger opportunity to offer high-level jobs—and more of them. “There’s a way to organize this to give taxpayers a higher level of service,” he says. “If we got rid of 10 data entry people, we could hire 20 paralegals and still save taxpayers money.”

Finally, there are costs. Governments don’t have a lot of money to invest in experiments that might not work. A more practical role is to enable entrepreneurship and wait for private industry to develop best practices. In other words, it’s OK to be a little behind the first wave. “If I were to look at it in the typical hype cycle of tech,” says Illinois’ Wons, “we’re in the throes of enlightenment right now. It’s, hold on—let’s give it a whirl first.”

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GOVERNING | THE STATES AND LOCALITIES | September 2017 47
Nurse Practitioner Beth Hungate, right, visits her patient Luckie Locke at her home in Richmond, Va.
Yes, I Make House Calls

The once-antiquated practice of doctors’ home visits is making a comeback—and saving states money.

By Mattie Quinn
Photographs by David Kidd
**“Do you hear that?”**

asks Beth Hungate, as she walks into an apartment in the historic neighborhood of Richmond, Va., known as “the Fan.” Hungate, a nurse practitioner at Virginia Commonwealth University’s (VCU) medical center, is there to see a patient of hers, a woman named Luckie Locke. Locke has been in quite a bit of discomfort recently and requested that Hungate stop by. But as Hungate walks through the door, she notices an incessant beeping noise.

Hungate scans the apartment for the source of the beeping, eventually she traces it to a carbon monoxide detector. She calls her clinical coordinator to get a nonemergency fire department truck to come by: “You see? I would have never known this if I wasn’t coming to her house,” Hungate says.

From there, Hungate conducts her visit just as she would in a clinic, taking blood and asking standard medical questions. At one point, she calls Locke’s physical therapist—who is visiting the home later—to make sure he’ll address an issue with her wheelchair.

The fire department arrives and ultimately determines that there’s no carbon monoxide problem; Locke just needs a new detector.

Locke is a wheelchair-bound patient living with multiple sclerosis and arthritis. There’s a chance she would still be able to make it to VCU’s medical center for her regular check-ups, but it would be difficult. Because she’s enrolled in VCU’s house call program, she gets care in nontraditional ways. As an example, Hungate points to the floorboards in the living room, which have recently been replaced. Locke had been having trouble navigating her wheelchair over the old, uneven floorboards—and had had a few falls while walking on them—as Hungate and her medical team worked with Locke’s sister to get new flooring installed.

VCU’s home care program was one of the first to bring back home calls to Richmond’s oldest and sickest starting in the 1980s. Leading the way is a physician of geriatric medicine named Peter Boling. He stumbled into the practice of home-based primary care when a former boss proposed starting a house call program within VCU’s medical center. So Boling put a big map of Richmond on his wall, stuck colored pins where each of his patients were, and started making five house calls a day after his morning clinic work.

“Pretty soon there were no more wheelchairs or oxygen tanks in the waiting room,” Boling says. “That was transformative for me. Once I started going to people’s homes, people with limited mobility, I saw that it was a broken system for this group of patients.”

Boling noticed that because they had a hard time getting to a clinic, they’d often wind up in the emergency room.

Today, Boling’s a leading national advocate for the benefits of at-home care. “You understand a patient in ways you’ll never understand them in a clinical setting,” he says. “You see how their meds are managed, whether they live in a tidy or chaotic environment, if they have good food or drink a lot of alcohol. And that's part of the special sauce of what we do.”

The idea of house calls may evoke 1950s-era images of a cherry doctor knocking on suburban front doors, black medical bag in hand. But not only is home health care considered modern again, it’s expanding across the country. According to the Centers for Disease Control and Prevention, almost 5 million people were enrolled in a home health-care agency in 2013 and the Bureau of Labor Statistics predicts that 1.3 million additional jobs will be added to the field of home health care by 2020, a 69 percent increase from today. That makes home health care the fastest-growing health-care industry—and one of the fastest-growing workforce industries in any field.

As baby boomers continue to age, they aren’t accepting nursing homes and other institutional care as the only options. In tandem with that is the increasingly popular idea in health care to meet people where they are. And now that more people are insured than ever before, they increasingly want to be met at home. For states, the renewed emphasis on the benefits of home calls brings new challenges—namely, how to structure these programs, how to ensure they’re working and, crucially, how to pay for them. “I want to make sure that for anyone who needs this kind of service, a doctor can come to you,” Boling says, “and that the doctor can be compensated in a such a way that they could continue to provide it.”

In 2009, Boling and like-minded health experts helped draft federal legislation that would enable more home care programs. Called Independence at Home, the legislation was then folded into the Affordable Care Act (ACA), in 2012, the Independence at Home model launched at 17 demonstration sites around the country. Centers for Medicare and Medicaid Services (CMS) wanted to test home care broadly, so the awarded sites were a mix of public and private organizations of all sizes.
For Richmond’s program, it was a chance to show that the approach they’d been working on for years was successful. Under Independence at Home, CMS would award bonuses to sites that could prove they saved money and provided high-quality care.

It worked. The demonstration sites saved a combined $25 million in the first year, and more than $10 million in the second year. At the time of the results, then-CMS Administrator Andy Slavitt said that they supported “what most Americans already want—that chronically ill patients can be better taken care of in their own homes.”

The demonstration was originally set to end in late 2015, but Congress unanimously reauthorized it for two more years. There’s legislation currently pending to reauthorize it again. Boling says that despite the current congressional gridlock—especially when it comes to health care—he’s tepidly optimistic that the demonstration will be reauthorized based on the previous bipartisan support for the program. Alan Kronhaus, CEO of the Chapel Hill, N.C.-based Doctors Making Housecalls, another site in the demonstration, echoed Boling’s cautious, yet positive outlook. Despite vitriol in Washington, he says, “the practices are quite optimistic that the demonstration will be extended.” Boling says CMS could also just extend it without legislative approval, but the program sites haven’t started negotiations with Seema Verma, the current CMS administrator. (CMS officials had no comment on the Independence at Home demonstration after multiple requests for an interview.)

Besides Independence at Home, the ACA encourages home-based primary care by incentivizing managed care models over the traditional fee-for-service model of payment. Every state now has some sort of home- and community-based care program, although most have waiting lists.

While Independence at Home is a positive sign that states can save money if they expand home offerings, budget officials are still figuring out how to pay for the programs. California Gov. Jerry Brown earlier this year proposed shifting the costs of his state’s In-Home Supportive Services—the largest home care program in the country—to the counties. County leaders pushed back, and Brown eventually offered them an additional $400 million to administer the program. Meanwhile in Missouri, facing sluggish revenue growth, Gov. Eric Greitens’ 2018 budget cut $250 million in overall spending. Home health care was one of the biggest casualties, leaving 8,801 beneficiaries without in-home care in the coming years. State law-makers tried to avoid that cut by passing a separate bill that would move money around from other areas to keep home health-care services fully funded, but Greitens vetoed it.

In addition to funding, state health officials must confront other questions as well, including how to recruit more new doctors into home care programs. It’s a problem with no easy answer, says Minnesota Human Services Commissioner Emily Piper. If anyone has any good ideas, it’s likely be Piper. Minnesota is ranked No. 2 on LongTermScorecard.Org, a website that tracks such offerings in states and is funded by AARP and the Commonwealth Fund. Piper says she’s been working with communities in Minnesota to identify workforce needs and to build a career ladder around those needs. But perhaps more than that, she says that getting residents out of institutional care doesn’t always take a large workforce of doctors—it can be as simple as ensuring someone that they can get their groceries delivered. The state has a program called “Return to Community” that helps people in nursing homes identify and address the barriers to returning home. For some seniors, that might mean building a wheelchair ramp to their door. Others might just need their errands done for them.

Minnesota’s commitment to getting people back home, no matter what, seems to be working: 69 percent of Medicaid money for long-term care in Minnesota goes to home- and community-based services, compared to the national average of 41 percent. It was recognized by Harvard University’s Ash Center for Democratic Governance and Innovation as a 2017 Bright Ideas...
initiative. “Those small changes can bring people out of nursing homes,” Piper says. “And we know it’s cost effective. Our average annual spend for someone over the age of 65 in home care is $17,000. It’s $36,000 in an institutional setting.”

Besides funding and workforce shortages, there are also some more practical considerations. House calls may require physicians to travel into dangerous neighborhoods, and patient homes can be considerably less hygienic environments than doctors’ offices. At VCU, Marcia Megginson, the clinical coordinator, tells doctors and nurses to work smart. “For a high-crime area, go early in the morning, and don’t go by yourself. Only take what you know you need in to the house. We have jumpsuits and disposable stethoscopes you can throw away after one use,” she says.

Residents in rural areas present another challenge. Arguably, these are the patients who could benefit the most from a home care program. Not only do rural Americans live farther away from clinics and hospitals, but they also tend to be older and are more likely to die of preventable diseases. But coordinating house call programs in these areas is difficult. A study from the Rural Health Research Center at the University of Washington found that rural areas continually struggle to implement home care programs. Challenges include retaining physicians, a lack of specialty care providers that home care enrollees often need, and the strain of long drives—known as “windshield time”—to see rural patients.

Telemedicine can help to a degree. Health experts across the board say that telemedicine will play an increasingly important role in home- and community-based care going forward—whether in a rural area or not. But rural areas are also going to have to get creative to shore up their workforce, concludes the University of Washington study. Various solutions include offering student loan repayment plans to bring in young doctors, tapping into resources from school clinics and hospitals, and contracting with other regional home health agencies.

Glenn Melnick, a health-care economist with the University of Southern California, thinks that public-private partnerships in the world of contracting will be a big piece to solve the rural home health puzzle. “I think we’ll soon see new entrepreneurs coming into the market, like a ‘High-Risk Patients “R” Us’ company that specializes in these expensive populations,” he says. Rural county health departments could contract with such companies to get medical providers to far-flung patients.

Not everyone is convinced that states should jump to expand house call offerings. “If I were to look at it from a purely economics perspective, I’d be skeptical,” says Ateev Mehrotra, an associate professor of health-care policy at Harvard Medical School. “If you drive from site to site and see 10 patients a day, there’s a lack of efficiency.” If states can demonstrate that house calls really do result in better population health outcomes, then they’re worth it, Mehrotra says. “But there are a lot of times where it could be considered low-value care.”

National data on home health care is still relatively spotty, and that’s why some health economists remain skeptical on just how much money home care saves and just how efficient it’ll be in the long run. But there is one undeniable fact about home-based primary care: Patients really, really like it. The University of Washington study noted that home health care “has one of the highest patient satisfaction ratings of any care delivery model.”

As states, research hospitals and health organizations grapple with how to best serve complex patients, there’s a new expectation that older populations will insist on aging in place. “It’s the future. It’s happening now. The more we continue to have all these innovations in health care and new medications, people are going to continue to live longer and with more illnesses,” VCU’s Megginson says. “It’s a process, but the world is identifying that we need this service more and more.”

Peter Boling, the chair of geriatric medicine at VCU, says that when he first started making house calls, it “was transformative for me.”

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When it was signed into law in December 2015, the Every Student Succeeds Act (ESSA) was hailed as a historic realignment of the federal government’s role in education. For the first time since the No Child Left Behind (NCLB) era began in 2002, states have the power to execute on their own vision for education, with the newfound ability to set their own long-term goals, determine how they are measured, and identify ways to help struggling schools and subgroups of low-performing students meet them.

Nearly two years later, that vision is on the cusp of its first critical milestone. By September, all 50 states and the District of Columbia will have filed detailed plans outlining their educational goals and how they will ensure schools are held accountable to them starting in the 2017-18 school year.

ESSA’s framers envisioned the law would provide states with the flexibility they need to support all students, particularly those who have historically not been served well by the nation’s K-12 schools. Its statutes act as guardrails to ensure states comply with the letter of the law, but the intent is to encourage education advocates, state departments of education and governors to create innovative approaches that address the specific needs of their schools and the children they serve.

"ESSA has given us an opportunity as a state to put public education to the forefront," says Dr. Tony Evers, state superintendent of public instruction in Wisconsin, which is preparing its final plan. "It has served as a catalyst for discussions about all sorts of issues." The timetable soon will shift from completing the plans to implementing them. Sixteen states and the District of Columbia filed plans with the federal government in April, hitting the first of two ESSA filing deadlines. An analysis of their initial efforts by a bipartisan group of education experts convened by the Collaborative for Student Success and Bellwether Education Partners, along with interviews with state education officials and stakeholders in states still working to finalize their plans, highlights the challenges and areas of opportunity under the new law.

The good news, according to this analysis, is that states are broadening accountability measures to include non-academic factors such as school climate, physical education and art. They’re also including measures of student growth and emphasizing college and career readiness. On the other hand, the initial plans often lacked detail on how states would hold schools accountable for the performance of all student subgroups, how they would identify schools that need improvement and how they will help turn around underperforming schools.

As a federal deadline approaches, policymakers and education advocates from the second round of states filing ESSA plans look at the opportunities and challenges to come.

In This Brief: States are readying their final education plans under the new Every Student Succeeds Act (ESSA) for federal review, and soon the focus will shift from developing these wide-reaching plans to ensuring they become part of day-to-day educational practice in their systems and schools. An analysis of the first round of state plans by the Collaborative for Student Success and Bellwether Education Partners, along with interviews with state education officials and stakeholders in states still working to finalize their plans, highlights the challenges and areas of opportunity under the new law.
Student Success, along with interviews of education officials and advocates in states developing plans ahead of the second filing deadline in September, offers insights into ways states can deliver on ESSA’s aspirational goals.

“We sometimes forget why we have these accountability systems,” says Cory Gurf, associate executive director of the Prichard Committee for Academic Excellence, a key stakeholder in Kentucky’s efforts to develop its ESSA plan. “It’s one of the few areas where state government has the ability to set a clear vision and rally progress for that vision. We cannot forget why it’s so important to do this right.”

CODIFYING PROGRESS

In many states, ESSA plans serve as extensions of ongoing reforms. “We view ESSA as a continuation of things we’ve been doing for a long time,” says Joe Driskill, Missouri’s first state-appointed military advocate to the state board of education. “We want to use our own research and our own systems-based methods. We look at ESSA as essential to defining educational goals and increasing the flexibility we have already.”

As such, policymakers and stakeholders stress the importance of focusing on the big picture. “We have to be careful not to separate ESSA from everything else that’s happening at the state level,” says Stephen Sigmund, executive director of High Achievement New York, a coalition of parents, educators, civil rights activists and others that advocates for high-quality schools. “ESSA is not separate from standards revisions or improvements to assessments or teacher quality or parent engagement. ESSA is just a big guiding federal document — the rest is where the rubber meets the road.”

ESSA requires states to seek stakeholder feedback, and, to their credit, some states have seized this opportunity and process to drive innovation. In Kentucky, for example, stakeholder workgroups helped develop a vision for next-generation assessments and indicators of student progress.

“Those conversations all fed into the final plan,” says Brigitte Blom Ramsey, the Prichard Committee’s executive director. “What we’ve been discussing as a state now is how all those pieces work together and get us to the goals we seek.”

EARLY INDICATORS

To help states put stronger accountability systems in place, the Collaborative for Student Success partnered with Bellwether Education Partners to conduct an independent, non-federal, peer review of the first round of plans filed in April. A bipartisan group of more than 30 education experts with state- and national-level expertise reviewed the initial 17 plans, focusing on core aspects of accountability. Reviewers looked for three fundamental qualities: strong state-level accountability systems which are rooted in academic standards, ambitious but achievable goals, and an emphasis on supporting schools and students who need the most help.

The peer review identified promising trends across the 17 plans, including:

- States are broadening their accountability systems beyond the indicators that drove compliance under ESSA’s predecessor, NCLB.

Along with reading and math indicators, most plans include science and more accurate measures of student attendance. ESSA’s emphasis on non-academic measures is reflected through indicators involving school climate, physical education and art, among others.

Broadening what’s measured will expand the impact of accountability systems, argues Rob Maneering, senior policy and fiscal adviser for Children Now, a California-based research and policy organization on children’s issues. “Whenever government has paid attention to specific outcomes — graduation rates, suspensions — those outcomes have improved,” he says.

However, ESSA’s emphasis on multiple indicators of student and school performance must be supported by robust data systems capable of collecting and sharing the information. It also will be critical to examine broader amounts of data with stakeholders on an ongoing basis. School report cards and other reporting mechanisms reflect “the beginning of the data we have,” Evers says.

Additionally, efforts to share more and better data, when combined with new reporting requirements in ESSA, provide states and districts an opportunity to demystify school performance.

“The capacity to speak at a human level and make the school’s achievement, growth and philosophy accessible to parents is paramount,” says Sigmund. Helping parents and other stakeholders understand results also can “create some urgency around student performance so those community voices continue to be part of the conversation and identify local strategies that will help move the needle for students,” Ramsey says.

States are placing a greater emphasis on college and career readiness. Most plans include indicators that measure whether students are succeeding in post-secondary settings.

“Doing so is critical for states to meet economic as well as educational goals,” says Missouri’s Driskill. “There’s a recognition that there’s a connection between economic opportunity and...
how well we do on continuing to raise the bar on high-quality education."

**States are focusing on student growth.** All 17 plans include measures of year-to-year student growth, which gauge progress over time, though some note a new focus on growth should not deter a continued focus on whether all students are on track to succeed. "Growth is important as long as it’s balanced by a commitment to having all students reach a level of proficiency," says Ramsey.

"For districts that are struggling, we’re a long way from where they were, but we need to continue to do some difficult things," he says.

Given such successes, peer reviewers found it surprising that the first round of plans failed to fully embrace the opportunity to lay out a similar vision. According to the report, the initial 17 plans all included commitments to create responsive systems, but most lacked significant details.

"As we transition to a world where every state has the opportunity to design its own unique systems, states have a responsibility to parents, educators and the broader public to clearly articulate how their systems will work," note the report’s authors.

Ensuring accountability systems will work also may require rethinking the balance of state and district control. Much as ESSA cedes key decisions to the states, many states are focusing on more significant roles for districts.

"Given that districts make most staffing and curriculum decisions for the low-performing schools that are the focus of ESSA, it also will be critical to align accountability and decision-making power at the local level while ensuring there is enough external pressure to ‘encourage’ needed change," says Manwaring.

In Wisconsin, stakeholders focused on equity issues encouraged the state to require the lowest-performing schools to develop local plans with the input of their own stakeholders, according to Evers. "The message was that districts need to own the school improvement plan more than the state and more than the federal government," he says. "Local politics are very complex, and in order to put the kids first, we will be compelling districts to engage everyone."

**MISSING DETAILS**

Peer reviewers also identified areas with missing details from many of the initial plans, including:

- How states will hold schools accountable for the performance of all student subgroups, including English language learners and those with disabilities
- How states will identify schools that need improvement, what steps these schools must take and how they will demonstrate they’ve made enough progress to exit improvement status
- How states plan to use federal funds to increase student achievement, increase options for students or intervene in chronically low-performing schools

The new law gives states the opportunity to develop or expand their approaches to these areas. In Missouri, for example, research-based interventions implemented in recent years have helped struggling urban school districts make considerable progress, according to Driskill.

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**MOVING FORWARD**

The Collaborative’s report reflects where the 16 states and the District of Columbia were at the time they filed their drafts in April. Those plans — and the ones still to be submitted by the 34 remaining states — have continued to be refined, with additional public and legislative hearings helping to drive the process. The review, which can be found in detail at CheckStatePlans.org, is meant to help highlight best practices for policymakers as they continue to develop their state plans.

Once the remaining state plans are filed with the U.S. Department of Education in September, all will go through a formal peer review process before being approved. While the Trump Administration’s stance on ESSA oversight is only slowly coming into focus, there are signs the administration plans to intervene when state plans conflict with federal law.

Some states, including California, are expected to face challenges over specific elements of plans that aren’t fully aligned with ESSA. "California is sticking to its underlying philosophy for reform, which
at times seems to value local control over the interests of disadvantaged students,” Manwaring says. “We could be in limbo for some time.”

But after plans are approved comes the real test — translating policy into practice that drives improvements for all students. A crucial step will be ensuring stakeholders remain involved as plans are rolled out and refined. In states like New York, where controversy has arisen over testing requirements, increased attention to education issues provides an opportunity to continue to engage non-traditional groups. “We have to take advantage of that,” Sigmund says.

Many states also have taken seriously the charge to involve groups not typically involved in public education. “My hope is that we have people with the charter community, voucher community, traditional public school community and outside groups working together to make sure we’re all accountable,” Wisconsin’s Evers says.

The law’s continuing emphasis on addressing achievement gaps also needs to be matched by resources to make interventions feasible, according to Evers. “That means the kids who struggle the most need more resources, and sometimes that means more money,” he says.

Continued involvement of traditionally underrepresented stakeholders in education conversations is critical in fostering support for equity initiatives. “Every state needs to be diligent about how it can go the extra mile to make sure groups are involved in accountability and design conversations that haven’t been in the past,” adds the Prichard Committee’s Curl.

In shifting responsibility for accountability to the states, ESSA’s framers intended to give schools the flexibility — and the time — needed to drive meaningful change for the students who need it the most. Education advocates urge policymakers to remember this point as states turn from drafting plans to putting them into practice.

“It takes long, concerted efforts and, at times, resources to close gaps,” Manwaring says. “Hopefully that focus will remain.”
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Problem Solver

Dangerous Legacy
Cities get themselves into a fiscal squeeze paying bills they ran up decades ago.

When citizens think about where local taxpayer money goes, they often assume it pays for things like public safety, snow removal and trash collection—routine operating expenses that come with running any big city. And that’s mostly true. But what they rarely realize is that legacy costs also eat up large portions of the typical city’s budget. Debt accumulated over many years, contributions to employee retirement systems and the expense of fixing long-neglected infrastructure all take a significant toll.

Merritt Research Services provided Governing with data on current debt service, pension costs and other post-employment benefit (OPEB) expenses for cities with populations exceeding 500,000. These three cost drivers collectively averaged nearly a quarter of total governmental fund expenditures in recent years. What’s worrisome is that legacy costs are rising, taking up ever-larger shares of budgets. For the large cities reviewed, the three line items accounted for a median of 22.4 percent of fiscal 2016 governmental fund spending, up from 19.8 percent in fiscal 2011. In some big cities, the increase has been much greater. Consider Jacksonville, Fla. Debt, pensions and OPEB made up less than 20 percent of expenditures there in 2008. Since then they have climbed to about 32 percent in recent budgets.

As legacy costs continue to rise, cities have less money for public safety, health...
Some states and localities impose strict limits on debt or restrict the purposes for which it can be issued. That’s the case in Milwaukee, which spent an average of 14 percent of its recent budgets on debt service, pensions and OPEB, one of the cities on the low end of the legacy cost spectrum. Seattle’s legacy costs were the smallest of all larger jurisdictions reviewed, accounting for an average of just over 12 percent of fiscal 2013-2015 expenses. Generally speaking, small and mid-size cities tend to be less saddled by legacy costs than the biggest ones.

Adding Up Legacy Costs

Debt service, pension and OPEB contributions accounted for a sizable portion of cities’ budgets. For those with a population over 500,000, we’ve broken down their share of total governmental fund spending, averaged over the past three fiscal years.

21.1%        24.0%
21.2%        24.1%
21.5%        25.1%
21.7%        26.6%
21.9%        26.9%
22.1%        27.6%
22.2%        28.7%
22.4%        29.3%
22.6%        29.9%
22.8%        31.4%
23.1%        31.5%
23.4%        32.6%
23.7%        33.1%
24.0%        33.6%
24.3%        34.2%
24.6%        34.7%
24.9%        35.3%
25.2%        35.8%
25.5%        36.4%
25.8%        36.9%
26.1%        37.5%
26.4%        38.0%
26.7%        38.6%
27.0%        39.2%
27.3%        39.8%
27.6%        40.4%
27.9%        41.0%
28.2%        41.6%
28.5%        42.2%
28.8%        42.8%
29.1%        43.4%
29.4%        44.0%
29.7%        44.6%
30.0%        45.2%
30.3%        45.8%
30.6%        46.4%
30.9%        47.0%
31.2%        47.6%
31.5%        48.2%
31.8%        48.8%
32.1%        49.4%
32.4%        50.0%
32.7%        50.6%
33.0%        51.2%
33.3%        51.8%
33.6%        52.4%
33.9%        53.0%
34.2%        53.6%
34.5%        54.2%
34.8%        54.8%
35.1%        55.4%
35.4%        56.0%
35.7%        56.6%
36.0%        57.2%
36.3%        57.8%
36.6%        58.4%
36.9%        59.0%
37.2%        59.6%
37.5%        60.2%
37.8%        60.8%
38.1%        61.4%
38.4%        62.0%
38.7%        62.6%
39.0%        63.2%
39.3%        63.8%
39.6%        64.4%
39.9%        65.0%
40.2%        65.6%
40.5%        66.2%
40.8%        66.8%
41.1%        67.4%
41.4%        68.0%
41.7%        68.6%
42.0%        69.2%
42.3%        69.8%
42.6%
Watchdog, Undone
Will budget cuts and political ire endanger performance audits?

You can hardly bring up the subject of government without hearing people tell you how inefficient and unproductive their states or localities are. We’re not going to debate that point (again), though regular readers of this column have a notion that we believe in the power of states and localities to do a great deal of good. But we do find it ironic that many of the news articles that lead people to a negative impression are based on information provided by governments in the first place, much of it through audits and reports.

Performance audits and reports are among the most helpful and thorough sources for information—both positive and negative—about how well state and local agencies are doing their jobs. At a time when many cities, counties and states feel that they are under siege by the frustrations of an untrusting citizenry, it shouldn’t be a surprise that one of the primary concerns for auditors’ offices is their own independence.

They have every reason to be worried. Based on our own personal observations (there’s no hard data to be found), resistance to the efforts of performance auditors seems more prevalent than ever. When auditors’ budgets are held hostage by legislatures or city councils, auditors have diminished capacity to choose the topics to be reviewed. In addition to budgetary challenges, a number of auditors’ offices complain about the resistance they are receiving from the agencies with whom they must work in order to do their jobs. It’s a major challenge, for example, when auditors can’t get the data they request in a timely manner. Similarly, in order to gather the information they need to audit a department in a fair and effective way, auditors must speak with staff. But increasingly managers want to be present at these conversations, a situation Elaine Howle, auditor of California, describes as “chilling.” Over the last couple of years, she says, “we’ve had to fight these battles more and more.” Howle recently found her office entangled in a much publicized battle with the state’s university system, which auditors found to be repeatedly uncooperative.

“Some tension between my office and those we oversee is natural and means the office is doing its job,” Rebecca Otto, Minnesota’s auditor, wrote in an email. “However, natural tension can lead to political retribution.” The capacity of Otto’s office to do its job well was diminished just a couple of years ago when the Minnesota Legislature added a last-minute provision to an omnibus finance bill. The law gave counties the ability to choose their own auditors and bypass the clearly independent oversight of the state office. Otto has twice appealed this decision and is now bringing her case to the state Supreme Court.

The Association of Local Government Auditors (ALGA) deals with these concerns all the time. When performance auditors rile mayors and department heads with negative audits, retaliation can come in the form of budget cuts, slow action on personnel requests or even suggestions...
that auditor functions be eliminated. David Jones, Seattle city auditor and chair of ALGA’s advocacy committee, says, “We frequently find that local government auditors are under attack.”

ALGA President Tina Adams admits this “causes me to lose sleep.” She says that auditors have to be independent, both in appearance and in fact. “If the public does not perceive that an auditor has integrity and is objective, or if they think the auditor has been compromised in some way,” she says, “it can erode the confidence they have in the organization.”

One community in which the auditor’s role has been a hot topic lately is Lawrence, Kan., which has a population of 90,000 and is home of the University of Kansas. In an article in the Lawrence Journal-World, City Manager Tom Markus claimed that a city auditor was not needed to evaluate the city’s performance and that there are other ways to do this. He also made it clear that cutting the audit office would not jeopardize the annual financial audit, which is contracted out to a financial audit firm. The future of the Lawrence auditor’s position is still uncertain. The former auditor, Michael Eglinski, left the embattled office a couple of months ago to take another audit job, even as the city council considered its position. “I hope that at some point in the future they will add funding and fill the position,” Eglinski says. “I think the function supports the governing body’s ability to provide oversight and strengthens the performance and credibility of the entire organization.”

As you might expect, not all the news from the “Land of Audits” has been bad. On May 16, 86 percent of voters in Portland, Ore., approved a measure that provides the auditor’s office with more control over its budgeting, human resources and contracting. The office will be getting a new staff attorney, who will operate independently of the city attorney. That’s as it should be, says Portland Auditor Mary Hull Caballero. “People need information they can rely on that is produced at a very high quality.”

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Constraints and Community

To get things done, leaders need to focus on the bigger picture.

One of the most influential books on management is a work of fiction. Eliyahu M. Goldratt’s 1984 business novel, The Goal: A Process of Ongoing Improvement, introduced a new way of looking at productivity that Goldratt called “the theory of constraints.” Managers are advised to avoid focusing on the performance of individual people or the utilization rates of pieces of machinery. Instead, Goldratt wrote, they should pay attention to the flow of materials through the system and work to identify the bottlenecks—the constraints—that limit the productivity essential to a company’s overall goal: making more money.

Kristen Cox, executive director of the Utah Governors’ Office of Management and Budget, is the most prominent and articulate person I know of trying to apply the theory of constraints to government. In analyzing a particular program or process, she says, it is important to take a big-picture look and focus on the problem to solve. She sees constraints as opportunities to think deeply about problems and be open to new ideas.

But I struggled to see how the concepts in Goldratt’s book applied to government, since there seemed to be no obvious equivalent to the overall business goal of maximizing profit. While managers might improve the productivity of individual departments, such as police or public works, the absence of an overall goal makes their competing demands for resources difficult to resolve.

That led me to another influential management book, 1992’s Reinventing Government, in which Ted Gaebler and David Osborne described government as “the mechanism we use to make communal decisions where to build a highway, what to do about homeless people, what kind of education to provide for our children.” I think that if government has a single goal, it is to be able to make and carry out these communal decisions. And when I follow Cox’s invocation to think big, it seems that one of the biggest constraints is the erosion of the sense of community we’ve experienced over the last generation.

Sociologists and psychologists divide the work done in groups into task functions and maintenance functions. Task functions are about the objectives the group was formed to accomplish. Maintenance functions are about keeping the group together as a cohesive unit that can get things done. If you think of communities as large groups, it would seem to be time for leaders to focus more on maintenance functions.

Some are trying to do that. In his 2016 State of the City speech, Anaheim, Calif., Mayor Tom Tait said his city’s goal was “to change the culture of our widely diverse city through simple, powerful and unsolicited acts of kindness.” Tate wants to create “social capital,” which Governing columnist Aaron Beam writes about elsewhere in this issue (see page 23). Tate describes social capital as “building social muscle so that when inevitable challenges arise, we as a city have the strength and resiliency to respond effectively.” It’s hard to think of a better overall goal—and response to constraints—for any government.

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The Heat Is On
To succeed, a new first responder network needs most states to opt in.

The field of dreams in question is the highly touted First Responder Network Authority. Also known as FirstNet, the system was conceived in the wake of 9/11 as a solution to the radio communications failures that plagued first responders at the height of the tragedy. FirstNet is supposed to give police and fire personnel a seamless, state-of-the-art, high-speed voice and data communications system.

Sixteen years later, FirstNet is closer to becoming a reality. Earlier this year, the authority announced a partnership with AT&T to build the first responder network, which has received $6.5 billion in federal funding and is expected to cost about $40 billion over the life of the 25-year contract. FirstNet and AT&T sent states a draft plan in June that describes what the next-generation technology can offer first responders, as well as the cost for using the network. States can opt out if they choose and find another vendor to build a similar system.

At first blush, though, there's a lot to like about FirstNet. The system is secure and interoperable. It also features something called “preemption authority,” which would allow first responders to bump residents and businesses off the network should it get overwhelmed during an emergency.

Nevertheless, observers have raised a few concerns. One of the biggest involves coverage. While urban and suburban areas will almost certainly receive robust service, coverage in rural areas could be spotty because current services often don’t extend to or are too expensive to extend to these areas, says Albert Catalano, a legal expert on telecommunications.

Another concern touches on the system’s timeline to provide what’s known as “enhanced location,” precise coordinates that first responders prize when it comes to locating an emergency in hard-to-find locations, such as a specific floor in a high-rise building. While the authority says enhanced location will be offered by 2022, firefighters want it sooner. They also want FirstNet to step up its timeline for mission-critical voice communication, which is a new technology that delivers highly reliable, clear voice communication that, among other things, allows first responders to communicate outside coverage areas. The authority has promised it in the next few years.

It is concerns like these that have led several states—such as Arizona, Colorado and New Hampshire—to issue RFPs for alternative networks. Catalano says it is still too early to know whether states will opt in or not, but he says, “I think there are states willing to seriously consider alternative choices.”

If a few states opt out, no big deal. But if more than a handful do, it could impact the network’s business plan. Building and running a nationwide, cutting-edge voice and data network requires nearly all of the country’s 5.4 million first responders to subscribe to it—not just to cover the operational costs, but also to generate enough revenue for further expansion into remote locations and for future technology upgrades. That’s prompted the International Association of Fire Chiefs’ Board of Directors to ask fire service leaders to press governors to opt in to FirstNet. “We urge IAFC members to…participate in the process to recommend to governors that they should allow FirstNet to build out the radio access network (RAN) in the state and to not opt out and build out their own RANs,” the board said in a statement in late July.

Without broad support, FirstNet might end up another federal government white elephant. Its fate should be clearer in the months ahead: Governors have until December to make a decision.

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Years ago, a colleague of mine became an economic development director for a large city. One of the first assignments the mayor gave him was to complete a study to assess whether building a large public stadium would provide fiscal benefits to the city. When the study found it wouldn’t, he was ordered to re-study it. When that produced similar results, he was directed to bury the studies. The mayor made it clear that the stadium was important to the city’s reputation—if not its bottom line.

I was reminded of this as I watched Prince William County in Virginia struggle this summer to reach a deal to keep a minor league baseball team, the Potomac Nationals. It is the kind of struggle that dozens of large cities, counties and smaller municipalities face: The owner of a professional sports team needs a new facility and wants the city or county to pay for it. Sound familiar? What’s new is that localities are resisting what used to be irresistible. The razzle-dazzle of hosting a professional sports team is dimming. The financial risk of fronting money for a stadium and dedicating available land to it has its limits.

In Prince William, minor league teams have been playing ball at the county’s Pfitzner Stadium since 1984. The current team’s owner wanted the county to replace the three-decade-old stadium with a bigger, more modern facility. The county’s Board of Supervisors weighed whether to borrow $35 million to build a 6,000-seat stadium, plus pay for $11 million in updated infrastructure. The team would repay the bond out of proceeds from higher attendance at the new ball field. This past spring the board spent $200,000 on a fiscal economic analysis of a new ballpark. The study found that the proposed stadium would generate 288 jobs, $175 million in economic impact and $4.9 million in county tax revenues over a 30-year lease. Under the terms of the deal, the county would borrow money to build the ballpark. It would own the stadium and lease it to the team, which would repay the industrial development bond the county issued. But the study suggested that it would be “challenging for the team to generate the projected revenues in a ballpark built to their proposed budget.”

Issuing a bond raises several critical issues. One is whether to put the bond deal to voters. While the board does not legally have to do so with an industrial development bond, most jurisdictions do it anyway since, should the team default on its payments, taxpayers would be responsible for the debt.

The board decided against a referendum. Instead, the supervisors planned to vote on the deal at a mid-July board meeting. But the team owner pulled out before the supervisors could vote, saying the proposal was “suicidal business-wise and would create tremendous risk” for his team. Which suggests, of course, that the owner wanted the county to take the risk. Will other nearby jurisdictions step up to the plate? Beyond the risk of floating a bond, the fiscal challenge for local leaders in Northern Virginia is to balance land availability and the highest, best use of it. The suburbs that are located closer to Washington, D.C., don’t have as much open space or available land assessed at lower values as Prince William County does.

Baseball stadiums are often undertaken to rejuvenate decaying urban areas, but in Northern Virginia, the closer-in jurisdictions do not have an area where a stadium would act as an effective economic stimulus. Given the challenges in the closer jurisdictions in finding available land to build schools, provide recreational space (parks and trails), and maintain space for the less sexy government requirements like parking bases and the staging of construction material to support capital projects, the efforts to build a stadium would likely lead to a shutout.
Last Look

Bike commuting is the fastest-growing mode of transportation. And San Francisco can attest to that. Every time a cyclist rolls past one of the city’s digital bike counters—or “bicycle barometers,” as they are officially called—the daily and yearly totals tick up. In 2016, there were an estimated 82,000 bicycle trips taken per day in San Francisco. That number has been steadily rising since 2006, when manual counting of bikes began. Today, there are 75 counters—some with digital displays, some without—throughout San Francisco. City planners use the data to better understand how bicyclists use roads and bike lanes. Planners see bikes as integral to the city’s future, as roads and public transportation alone won’t be able to accommodate the growth projected. The Association of Bay Area Governments predicts that San Francisco will add up to 100,000 new households and 190,000 new jobs by 2040.

—David Kidd
P3s are a core part of state and local government infrastructure. But what makes a P3 more likely to succeed for the long-haul? The answer is simple: a robust governance process.

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