Making Government Work:
Best Practices in Competitive Government

Conference Proceedings

THE FOX SCHOOL
of Business and Management
T E M P L E   U N I V E R S I T Y

Proceedings of

The National Conference of Mayors
Making Government Work:
Best Practices in Competitive Government

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The Fox School of Business and Management
M. Moshe Porat, Dean

Established in 1918, The Fox School has a distinguished tradition of preparing business leaders, professionals and entrepreneurs for successful careers. Today, it is the largest, most comprehensive business school in the Greater Philadelphia region and among the largest in the world, with 141 full-time faculty, over 5,000 students, and more than 40,000 alumni.

The Fox School is thoroughly committed to quality student-centered education and professional development relevant to today's digital, global economy. Ranked 14th in the nation in *Computerworld* magazine's Survey of Top Techno-MBA Programs and 14th for international business research in the *Business School Research Ranking Report*, it offers AACSB-accredited graduate and undergraduate programs on campuses throughout the region and around the world. Its suite of techno-graduate programs includes a full-time, day MBA/MS in E-Business and represents the cutting edge of academic programs that integrate business and technology. International programs include: the Executive MBA Program in Tokyo; International MBA Program (completed in Paris, Tokyo and Philadelphia); International Business Program in Rome; and foreign executive training and consulting programs in China, India, Israel, Japan, Ukraine, the United States, and throughout the world.

Supporting and enriching The Fox School's academic programs are research and outreach institutes and centers such as the Irwin L. Gross eBusiness Institute, Innovation and Entrepreneurship Institute, Institute of Global Management Studies, Advanta Center for Financial Services Studies, Center for Competitive Government, Center for Healthcare Management, and Small Business Development Center.

The Fox School is one of the 17 schools and colleges of Temple University. A leader in graduate and professional education, Temple is one of only 148 of over 3,800 higher education institutions in the U.S. designated a Doctoral/Research Extensive university by the Carnegie Founda-tion for the Advancement of Teaching. This disinction is based on Temple's range of programs and commitment to graduate education, and the breadth and number of doctoral degrees it awards.

Headquartered in Philadelphia, Pennsylvania, Temple is strategically located for corporate partnerships in a hub of the financial services, information technology, healthcare, pharmaceutical/biotechnology and tourism industries. Temple's School of Tourism and Hospitality Management, affiliated with The Fox School, offers quality undergraduate and graduate degree programs in sport and recreation management as well as in tourism and hospitality management.

Center for Competitive Government

Temple University's Center for Competitive Government is a preeminent resource for federal, state and local governments seeking to understand and implement best management practices and e-government strategies. It specializes in applying contemporary economic and management models to public sector problems and is becoming an international center for information about the management of technology to improve constituent services and reduce the cost of government.

To facilitate the development and growth of better practices, the Center conducts policy-oriented research, engages in consulting projects, develops databases, organizes conferences, and publishes reports, books, and articles related to the application of private sector principles to public sector problems. The Center has substantial experience in conducting and analyzing data from large-scale surveys for various public and private entities and has conducted specific studies on topics such as: privatization of police, correctional institutions, welfare services and airport management; public-private partnerships in free trade zones; and private toll roads.

The Center has obtained grants and has organized eight academic and professional conferences, including the highly successful "Making Government Work Conference," hosted by the City of New York and underwritten by PricewaterhouseCoopers Endowment for the Business of Government. The Center maintains working relationships with organizations such as the Council for Public-Private Partnerships, Manhattan Institute for Public Policy, National League of Cities, Milken Institute, National Governors Association, Volunteers of America, and with mayors and governors throughout the U.S. and around the world.

Paul J. Andrisani, PhD

Professor of management Paul J. Andrisani has taught at Temple University since 1974. Director of the Center for Labor and Human Resource Studies, he specializes in human resource management and labor market economics. His research focuses on the labor market experiences of special groups in the American economy, among them older workers, minorities, women, veterans and persons with disabilities. He has also conducted considerable research on the economics of discrimination in employment and credit markets. His research has been funded by many government, educational and private organizations, published in numerous academic journals, and presented to various societies and professional associations and to senior management and board committees of numerous companies and government agencies. He has testified before Congress on issues of human resource management and lectured extensively throughout the U.S. and abroad. He has served as a consultant to major corporations, government agencies, and government entities. He holds a BS and MBA from the University of Delaware and earned his PhD in business administration at Ohio State University.

Simon Hakim, PhD

Professor of economics Simon Hakim has taught at Temple University since 1974. His research focuses on analysis of criminal behavior, police operations, and privatization of police and correctional institutions. He is co-author of *Securing Home and Business: A Guide to the Electronic Security Industry* and co-editor of five books. He is also editor for two book series published by Paeger Publishers. He has published over 50 scientific articles on crime and security in leading economic and criminology academic journals and more than 40 articles in trade magazines of the security and insurance industries. He is often interviewed, and his research findings quoted, on national TV and in major newspapers throughout the nation. He has conducted funded research projects for numerous government agencies and for major international companies. He holds a BA in economics from Hebrew University, an MS in city and regional planning from the Technion, Israel Institute of Technology, and earned MA and PhD degrees in regional science from the University of Pennsylvania.

FOREWORD

Dr. Paul J. Andrisani and Dr. Simon Hakim

Conference host Mayor Rudolph W. Giuliani with Temple University professors Simon Hakim (left) and Paul J. Andrisani (right), editors of **Making Government Work,** *the book that inspired the conference.*

On May 8 and 9, 2000, the Center for Competitive Government at Temple University and the National League of Cities co-sponsored a Conference of Mayors in New York City to commemorate the publication of our book, *Making Government Work: Lessons from America's Governors and Mayors* (Lanham, MD: Rowman & Littlefield Publishers, Inc). The conference was hosted by Mayor Rudolph W. Giuliani and the City of New York and commenced with a luncheon at the Harvard Club that was sponsored by the Manhattan Institute and keynoted by former Mayor Stephen Goldsmith of Indianapolis, a true pioneer in efforts to innovate local government. Mayors from 17 states throughout the nation attended, representing cities of all sizes and both major political parties. The conference was underwritten by a grant to the University from the PricewaterhouseCoopers Endowment for the Business of Government.

The theme of the conference was "Making Government Work: Best Practices in Competitive Government." Five outstanding mayors who initiated major innovations in their cities discussed their diverse experiences and led lively discussions with the entire group of mayors and academics in attendance. They were mayors Brown of Oakland, Giuliani of New York, Golding of San Diego, McCrory of Charlotte, and Schundler of Jersey City. Their papers are included in

Henry Olsen, executive director of the Manhattan Institute, fields questions for professors Hakim and Andrisani about their book, **Making Government Work,** *at a Harvard Club pre-conference luncheon for mayors and the media.*

this volume in hopes that their remarks will inspire and benefit countless more mayors throughout the nation and world. Regrettably, audio problems have precluded publication of the high-level discussions that followed each presentation.

Among the most important "lessons learned" from the speakers was the realization that local government can learn much from the private sector about improving managerial efficiency and effectiveness. Innovations in local governments in recent years stem mainly from the realization that the role of government in the marketplace should be limited to the delivery of only those services for which government has a competitive advantage, since many services can often be delivered in a competitive environment by more efficient providers who enjoy competitive advantages in terms of specialization and economies of scale. Competition can be introduced irrespective of whether government ultimately decides to provide the service itself or contract it out to the private sector. These same lessons have been demonstrated time and again in the past decade in the private sector, as countless Old Economy firms have turned themselves around by shedding non-core business and support activities and by contracting out to more efficient suppliers.

We are indeed grateful to the University for its encouragement and support of our efforts, to the mayors who attended and those who spoke and led the discussions, to the Manhattan Institute for sponsoring the kick-off luncheon event, to the City of New York and Mayor Giuliani for hosting the event and entertaining all guests at the Mayor's magnificent residence, Gracie Mansion, to the National League of Cities for partnering with us on the Conference, and to the PricewaterhouseCoopers Endowment for the Business of Government for their generous financial support.

Dr. Paul J. Andrisani
Dr. Simon Hakim
Co-Directors
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MAKING GOVERNMENT WORK: THE OAKLAND EXPERIENCE

Mayor Jerry Brown, Oakland, CA

I'll try to wrap this into the management framework. When I was Governor for eight years, management never really bubbled up to my level. And I don't understand it in quite the same way. In fact my understanding of management came in one of my many presidential campaigns. In the debate with Jimmy Carter, he said he was going to reorganize the Federal Government and zero base the Federal budget, neither of which ever happened; however, it was a rhetorical flourish that did seduce a number of voters. So I do think we have to distinguish between the rhetorical flourish and the actual techniques that are taken.

So with that, let me just focus on some things that I think are critical. When a city is on the downturn, people are definitely looking for optimism and enthusiasm—a coming together. Oakland is a very diverse city, 40 percent African American, slightly less than 30 percent Caucasian and the rest Asian and Hispanic. And it is changing in the direction of more Asian and more Hispanic by the year.

The big issues, of course, are like they are everywhere, there is no difference: crime, schools, economic development and jobs. The first thing I did was to change the form of government from a city manager controlled form to a strong mayor form. And because people were feeling a bit discouraged, they voted for the change by 75 percent, which is unusual because most of the time voters vote against charter changes to give the mayor power.

I then put up another charter change—to give the mayor the power to appoint some members of the school board. And that won, too, but by only 52 percent. By this time people were beginning to perceive what critics called "the power grab." So there were some cautionary warnings coming out. But in both of these measures there were changes, there were opportunities for the civic culture to flourish and there was great debate.

Managing Crime Statistics

I want to talk about crime because here we have both technique and citizen involvement. In Oakland we took

a chapter from New York. We have data on crime gathered and disseminated on a 24-hour basis. Every morning all the FBI indexed crimes, their number, related to the month, the year and the previous year are on my desk and the desk of the Police Chief, the City Manager and the City Council—every day. And it is broken down by beat, 57 beats in our city of 400,000.

So we are using the technology to provide the information to all the community police officers, the lieutenants and those who are in charge. Now what this does, of course, is foster competition, creating a real metric for accountability.

We then took it one step further and put it on the Internet. Citizens now know that if, for example, they are going to buy a house somewhere, they can look at CrimeWatch to get an indication of the stats in the neighborhood. You can find CrimeWatch if you go to the City's website: *www.oaklandnet.com*. It is not fully perfected yet; the one on the Internet is about a week or two delayed in the data, but all the same functions are there. So this allows the citizen to put the pressure on the community police officer, the Mayor and the City Council if there is a rash of crimes.

As it turns out, crime is on a downward path. The murder rate is 30 percent of what it was in 1992, and this year it went down another 20 percent. So we are using data technology and then we are linking it to civil involvement. The management is one thing, so it's very important that you don't waste money or spin your wheels, and on the other, if the citizenry is totally demobilized or is framed solely in the role of a customer, then you don't really have a polity. And I would submit that between the polity, the Commonwealth, the City and the business enterprise there are differences.

The key issue, it seems to me today, is involving citizens and creating a unity in the city. In order to achieve that, Oakland created, before I was elected, something called the Neighborhood Crime Prevention Council.

BIOGRAPHY

Jerry Brown was elected mayor of Oakland in 2000. He formerly served as Governor of California from 1975 to 1983. While governor he created the country's first energy efficiency standards, enacted the nation's first agricultural labor law, played an instrumental role in ending nuclear power plant expansion in the U.S., and brought women and minorities into high government positions.
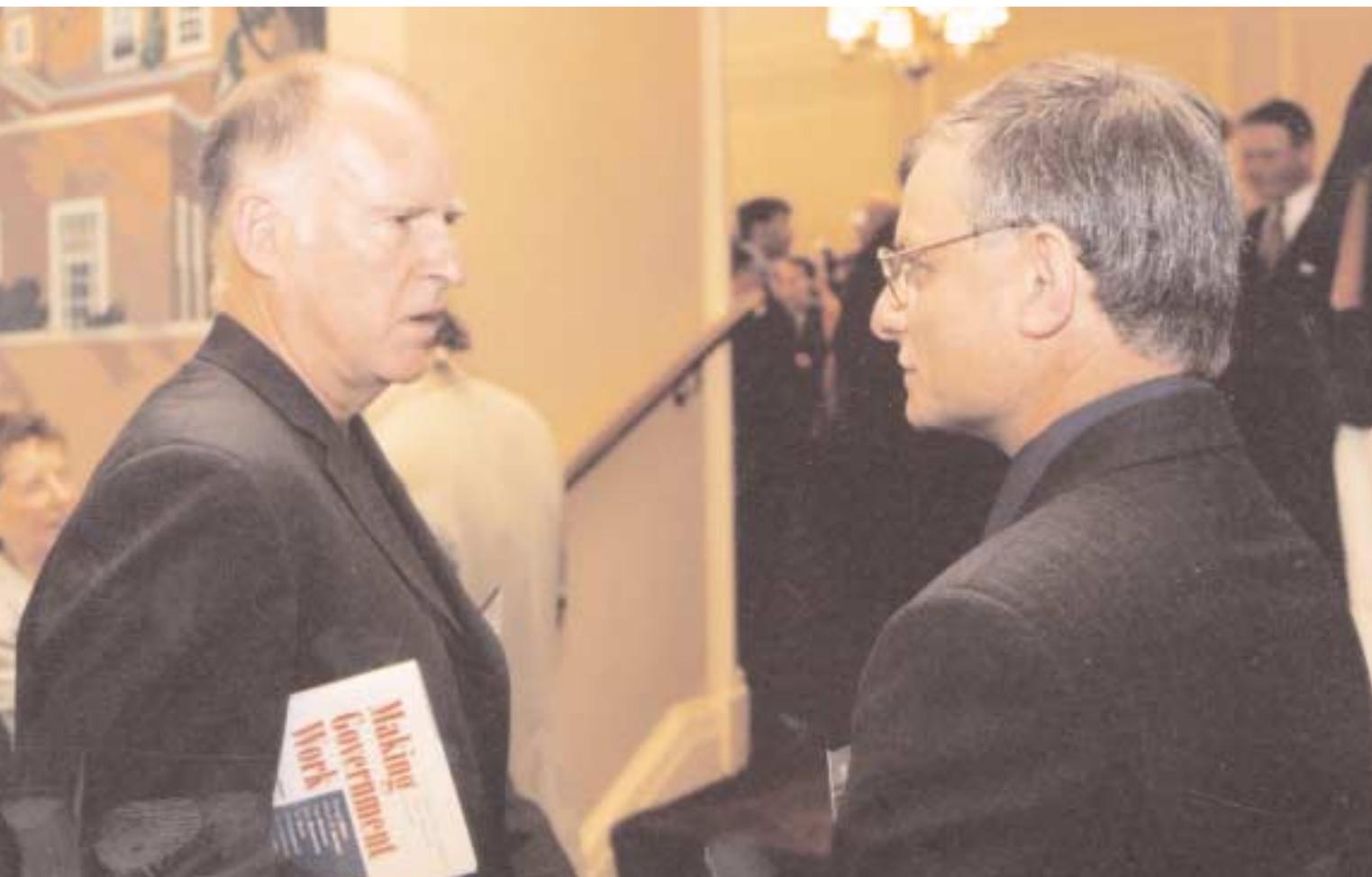
Mayor Jerry Brown of Oakland confers with Temple University professor Simon Hakim at the Harvard Club.

We've hired 19 civilians — that is, non-sworn employees of the police department — whose only job is to organize the neighborhoods. They have organized neighbors into crime prevention councils, of which there is one in each of the 57 beats. And then they meet once a month, neighbors coming together, talking about their problems.

So then we get into a management question because there are all sorts of parallel activities called Neighborhood Alert and Block Crime Watch. You could say we are now in good management form because we linked them together. There are something like 200 Neighborhood Watches, and these 57 Neighborhood Crime Prevention Councils provided the link between the professional police, the crime data and the people. So we are linking the technology, organizing and citizen involvement.

Managing Parolees

Another factor to consider for Oakland is that we have about 3,000 parolees at any one time. If you look at the data, you find out that parolees go back to prison on a fairly regular basis, somewhere between 60 and 70 percent. It's a revolving door to many. So if you are looking to reduce crime, this is really a good target group to focus on. We created a police parole task force

and got the State to give us the data when the parolee shows up and when the parolee has stopped checking in.

The program establishes that within a week of them arriving in Oakland they must come to a meeting and meet an assigned police officer and parole agent. At that time, they get an inspirational talk from an ex-parolee who has succeeded, and they get offers of job training and substance abuse help. Now if for some reason the parolee doesn't check in, the police go after them. If the condition of the parole is "no alcohol," and the parolee is stopped, tested and, in fact, has a blood alcohol reading, they have violated parole. It is a very strict regime that is being imposed, on the theory that you have to keep the pressure on in this particular group that tends to slide back into the crimes that got them arrested in the first place.

Forty percent of the people in California prisons, and I would suspect it is the same all over, are in for parole violations, not new convictions. So it is a revolving door. They are let out and they are reeled back in upon violation. And it isn't just some kind of punitive effort; there are other services offered as well. There is real sincere engagement with each parolee around motivation and services that they could use. You have to remember that these are deeply embedded habits for a lot of people and if you can't add to the pressure, there is no reason why those habits will break. I mean it is not a nice reali-

ty, but you have to apply some sanction and some pressure or nothing is going to happen.

So we give them, as it were, the carrot and we show them the possibility of the stick. And that's having a very significant impact. The factor that is different here is that it is very city driven. This is not just state driven; it is the police department pushing on the parole department. That's one of the big differences. I think it is the only one in the country where the police and the parole department collaborate as a team and we have segmented a particular part, you might say, of the market with high yield. So that's been underway for about a year.

That's in the crime area. And I would say that crime still is a very critical issue, particularly in the low-income communities and in the spaces between the low-income and the middle income. As you get up into the hills, into the higher income levels, the more protected enclaves, crime is not really so much the issue. Street lighting or too much street lighting is the concern. So people living in the flats of Oakland want more light; those in the hills want less light because they want to see the stars. Those are both management and policy questions that you have to blend together.

Managing Schools

Let me jump over to schools, the second big issue. In the schools there is now mayoral involvement. I have appointed my three people and told them, "Now you take a look at the entire school district from a management point of view." We said, just take one thing, get reading going. So now the school district is being forced to adapt a phonics-based reading program called Open Court, from kindergarten to sixth grade. And the three mayoral appointees are going to focus on one issue and that is improving reading achievement as measured by the Stanford Nine test, which is the statewide test.

Another aspect is charter schools. There are two schools that I have proposed, the Oakland Military Institute and the School for the Performing Arts. The Oakland Military Institute is a college prep school run in collaboration with the National Guard. Its characteristics will be discipline, uniform, long days, Saturday school and summer school. And the goal here is to take ordinary students — a significant number of low income, low performing but high potential students — and get them up to the grade where they are supposed to be, as well as create the *esprit de corps*, commitment and leadership that the military training provides.

Before we open in September 2001, we have to get through the civic culture debate. The President of the School Board has said that a military school in Oakland is an absurdity. Under California law, the School Board in the first instance can give a charter to any group of citizens, any group of teachers. And in this particular charter, we have the endorsement of the Governor, the Senator and the Mayor, but we have the opposition of the school union, groups in the community like Women Strike For Peace, and some others. So this will be worked out in the coming weeks.

And one other charter school is the School for the Performing Arts, which will focus not so much on school standardized test achievement but rather performing arts. It will be audition-based with a focus on drama, music and dance. Each student will be auditioned and accepted if they show promise. That school will start at ninth grade, also in September 2001, with 100 students. The military school is going to start with 162 students in the seventh grade and then, each year add more students to work up to the 12th grade when there will be 1000 students at the school.

So these are very yeasty kinds of issues getting everybody's attention. They are somewhat polarizing, but at the same time unifying.

Managing Economic Development

I want to mention one other program which we are starting to address: economic development. It is an asset-building program for lower-income families. We are working with churches and other community groups to identify an initial group of families that will help design and participate in the program called the Family Independence Initiative.

It's almost on the AA model, where you have to take care of yourself but as part of taking care of yourself, you have to be available for somebody else. The initiative will work with a family and then have that family, as a condition of their participation, work with another family. And we will help them build assets and credit. And as they save money, we are actually going to match their savings. We haven't decided yet whether it will be two-to-one, three-to-one, five-to-one but we are going to help families accumulate capital, on the idea that you've got to accumulate capital. That's really when somebody begins to be independent, when they have some cushion. So we are looking to create an informal network, and we are going to fund it with City funds. And that is quite a challenge because every program, State, Federal, even charitable, has a lot of strings and a lot of restrictions.

We will also make it as non-professional as possible. It is not going to be a case management program. By de-professionalizing this kind of effort you ultimately accomplish two goals: helping people build capital, credit and actual savings in the bank, and, secondly, that they not become dependent on experts, managers, case workers, but rather take responsibility to teach what they learn to some family similarly situated.

The final element, of course, is that instead of working with an unemployed person, you assist an entire family on the theory that people are influenced by the significant people in their lives. You have to get everybody into the conversation if you are dealing with really distressed individuals, or you are probably not going to succeed.

So I think I will stop here and just say there is a lot of work to be done. If our management is embedded in vision and ideas, we might just be successful.

RESTORING ACCOUNTABILITY TO CITY GOVERNMENT: THE NEW YORK EXPERIENCE

Mayor Rudolph W. Giuliani, New York, NY

It is a great pleasure to have you here in New York City. I think this book, *Making Government Work*, is an excellent contribution to reporting many of the things mayors across America have done to make government more effective and accountable over the past decade. It will also help ensure that these innovations are built upon in the future, as citizens and mayors alike can study what we've done and improve upon it.

When the political history of this particular era is written, I believe that the revitalization of American cities is going to be regarded as one of the most significant things that has happened. When people reflect back on the 1990s to 2000, I think they're going to say that the whole idea of urban America evolved and changed because of many of the things that are described in this book. People's conception of urban America has changed from a place that was derelict, decayed, filled with unemployment and union difficulties, to a much more realistic and positive place that is dedicated to improving the quality of life of its residents.

Of course, there are still significant problems in urban America. But over the last eight to ten years, local governments have really produced most of the innovation that has begun to change people's concept of government. And I think that applies more to the city governments than the national government and state governments. We just don't have time for a lot of the political gridlock that affects national government and sometimes state government — the problems are too great, the issues are too pressing, and the answers have to come much more quickly.

And in that sense, NYC during the 1960s, 70s, 80s, and into the early 90s, served as a symbol of decline. I keep a national magazine cover describing New York City in 1990 as "the Rotting Apple," a city in decline. And at that time, people in the City of New York accepted it.

BIOGRAPHY

Rudolph W. Giuliani was elected mayor of the City of New York in 1993 and reelected overwhelmingly in 1997. Under his leadership, New York City has experienced historic crime reductions, which has led to it being recognized by the FBI as the safest large city in America. The City has also instituted the largest and most successful welfare-to-work initiative in the country, reducing welfare rolls by over 55% — or 650,000 individuals — while enjoying unprecedented economic growth and tax reductions.

They accepted the idea that this was our lot in life — that we were an old city that had seen our greatest days. We still had a lot going for us, we were still a strong city, but the perception was that things were never going to be as good as they used to be. We were never going to have as many jobs. We were going to be lucky to hold on to what we had. And we were going to have an inevitable decline that perhaps we could forestall a little bit.

Our City in the early 90s was averaging 2000 murders a year. We lost about 330,000 jobs in a short time frame, which was greater than any job loss we had since the depression. We had almost 1.1 million people on welfare in a City of officially 7.3 million.

But the greatest toll that this took was on the spirit of the people of the City of New York. And I'm sure this is true in many of your own experiences. People were cynical and they didn't think things were going to get any better. In fact, a poll in 1993 showed that many New Yorkers would leave the City the next day if they could.

At that time, our City provided an appropriate example of what was considered the decline of urban America. Throughout the last half-dozen years, however, things have fundamentally changed in New York City and throughout the country.

Mayors from different political parties — Republicans, Democrats — using different combinations of solutions have made very significant changes in the way government interacts with the people. And they have all kinds of names, in addition to Republicans or Democrats: New Progressives, Pragmatists, Centrists, Common Sense Conservatives. I actually haven't been called any nice things like that. The names they usually use for me are different.

But the reality is that this is not a Republican or a Democratic thing. This is something where you have to have the freedom to select the best solutions that exist. And I think at the core of this is accountability. And the title of this book says that, *Making Government Work*.

You have to be able to show people that government can play a positive role in their lives. And then you have to be realistic about that. Because if you make excessive

promises of what government can do, if you promise that government can take care of all people's needs and all of their problems, then you inevitably deteriorate their view of government when you fail them. I've tried very hard to show people realistic progress. Maybe it comes from my background in law enforcement where you know you're never going to solve all the problems. You know you're never going to have a time when there's no murder, no theft, no crime. That would be perfection, and you're not going to get there. But that doesn't mean we shouldn't try to reduce crime as much as we possibly can.

Reducing Crime and Improving the Quality of Life

With regard to reducing crime — and I think this is true of all the things that we tried to do — we tried to replace bad ideas with good ideas. The two primary things that we've done to reduce crime — and there are many, many things — were the adoption of the Broken Windows theory and the CompStat program, which won an award for innovation in government from the Kennedy School of Government at Harvard University.

The Broken Windows theory simply means that you don't give people the sense that they can violate the law in small but substantive ways because they are regarded as less important than serious crimes. In the early 1990s, we had a situation in which there was a sense that there wasn't much we could do about street-level drug use. Likewise, there was a sense that there really wasn't much we could do about street-level prostitution. And there wasn't really much we could do about graffiti. And there wasn't really much we could do about aggressive panhandling. We had over 2,000 murders. We had 600,000–700,000 index crimes. With all those serious crimes, how could we be spending time on these less serious crimes?

In that misconception was the very core of our problem. The Broken Windows theory by Professor James Q. Wilson and Professor George Kelling, which is now well over 20 years old, had been used in smaller cities but it was never thought it could work in a city as large as New York. The name Broken Windows theory comes from the metaphor used to describe the concept. If you have a building and it has a lot of windows and somebody comes along and breaks the first window and you say, "Well gee, that's not important. I've got bigger things to think about than one little window." Then somebody comes along and breaks another window and they break another window until finally you have no windows and the whole structure of the building begins to fall down.

On the other hand, if you pay attention to the first widow that was broken and you fix it, and you try to find who did it and say, "You can't do that. That isn't right," you protect the building at the first, easiest and earliest possible moment, rather than letting it deteriorate. And there is something deeper and more spiritual about it all. By doing it, you reinforce the obligations that we have to each other as citizens. Which is a very, very important thing that a city government has to do. You say, "You don't have a right to break somebody's window if you

want to live in a free society." A free society is not a society that says, "I can do violence to you. I can do violence to your property." That's an anarchistic society.

Think about graffiti. We used to be a city that was absolutely covered with graffiti. About a year and a half ago I was watching a movie on television, and I saw this subway train go by. And for about a minute I knew there was something wrong, and I asked myself, "What era was this movie representing?" The subway train was all filled with graffiti. So I went and got the date of it, I think it was 1986. Then I went out and had somebody check our buses, our subway trains and our sanitation trucks. And we don't have graffiti on them anymore.

We started that six-and-a-half or seven years ago. We said, first of all, we were going to get rid of graffiti the first moment that we see it. Take the train out of circulation, take the bus out of circulation, take the sanitation truck out of circulation, we're going to get rid of the graffiti right away.

The second thing we're going to do is to try to find the people doing the graffiti, and we're going to fine them. Then we're going to sentence them to cleaning up the graffiti to teach them a lesson. And, basically, the lesson we were teaching is a very, very simple one. You do not have a right to destroy somebody else's property.

Graffiti-ridden trains, buses, sanitation trucks used to travel through the streets of the City, and everyone who saw them said, "You can destroy somebody else's property and the City thinks it's OK." It was like an advertisement for disrespecting the rights of others.

Now when people see lots of graffiti-free trains and buses, in a very subtle way it says to them, "This is a city that really has a growing number of people respecting the rights of other people." It's a small example, but it's important.

The same thing is true for street-level drug dealing, street-level prostitution, and aggressive pan-handling. It doesn't mean you pay more attention to that than you pay to murder or rape, though very often the press will play it that way. The reality is you have to pay appropriate attention to all of these things. You have to remove zones of lawless conduct. And it's not to be punitive. It's actually and ultimately to use the law for the purpose it really exists, which is to teach people the lessons they need to learn in order to have a constructive, productive life.

The CompStat program is the second program that has had a big impact on the level of crime. I used to be the Associate Attorney General. I was in charge of dissemination of the national crime statistics. So I've been involved in crime numbers for twenty years. And it seemed to me that we were doing something wrong in the way in which we measured police success. We were equating success with how many arrests were made. A police officer was regarded as a productive police officer if he made a lot of arrests. He would get promoted. A police commander in a precinct would be regarded as a really good police commander if his arrests were up this year. This wasn't the only measure of success, but it was the predominant one.

Arrests, however, are not the ultimate goal of police departments, or what the public really wants from a police

department. What the public wants from a police department is less crime. So it seemed to me that if we put our focus on crime reduction and measured it as clearly as we possibly could, everybody would start thinking about how we could reduce crime. And as a result, we started getting better solutions from precinct commanders.

We have 77 police precincts. Every single night they record all of the index crimes that have occurred in that precinct and a lot of other data. We record the number of civilian complaints. We record the number of arrests that are made for serious crimes and less serious crimes. It's all part of CompStat, a computer-driven program that helps ensure executive accountability. And the purpose of it is to see if crime is up or down, not just citywide, but neighborhood by neighborhood. And if crime is going up, it lets you do something about it now — not a year and a half from now when the FBI puts out crime statistics. After all, when you find out that burglary went up last year, there's nothing a Mayor can do about it because time has passed and the ripple of criminal activity has already become a crime wave.

Now we know about it today. And we can make strategic decisions accordingly. If auto theft is up in some parts of the City and down in others, then we can ask why. And that will drive decisions about the allocation of police officers, about the kinds of police officers.

This is one of the reasons why New York City has now become city #160 on the FBI's list for crime. Which is kind of astounding for the city that is the largest city in America. Think about the other 159 cities: many of them have populations that are 300,000; 400,000; 500,000. And on a per-capita basis, some of them have considerably more crime.

It is an excellent system, but the core if it is the principle of accountability. Holding the people who run the precincts accountable for achieving what the public wants them to do, which is to reduce crime.

Improving the Economy

The next area where we've made tremendous strides is the whole area of our economy. In the past, the City government of New York was perennially in fear of bankruptcy. And the reason for that is we were spending too much. We were spending more money than the growth of our economy would allow. If our economy would grow by 3–4 percent in a given year, we would say, "That's wonderful. So now we're going to increase spending by 6–7 percent." We were essentially spending more money than we had, borrowing against the future. And for 20 to 30 years we created a structural deficit of massive proportions. We reduced it by cutting spending. We've cut spending by over $9 billion. The first year it was cut by about $2.5 billion, which was difficult. It meant making very difficult choices about privatizing. For example reducing the number of employees in our hospital system by about 15,000–16,000, because we were staffed for 100% bed capacity and operating at significantly lower levels. It meant restructuring a lot of the agencies so even if we did increase the number of employees, they were

going to have to find new ways of paying for them, in terms of productivity and work that was done. Because if we were spending the same amount of money as we were six years ago, instead of having an almost $3 billion surplus at the end of this fiscal year, we would have probably a $500 million deficit. Even with this good economy.

So again, this is a question of accountability, of saying that government can't do everything. You have to figure out what government can do, and do that well, so that citizens will be confident that their government is responsible, honest, and effective. And the truth is that then you're able to really accomplish things for people.

For example, we've cut taxes by $2.3 billion, which the City has never done before. We did this to try to stimulate our job growth, and to make New York City a more attractive place for business. And the last three years are our three greatest years for job growth in the history of the City going back to 1951, before which we don't have statistics. This is now the longest period of sustained private-sector job growth that our city has ever had.

The tax cut I like the best illustrates the value of cutting taxes in terms of spurring private sector growth and creating jobs. Our hotel occupancy tax used to be the highest in the country — 21¼ percent. That was because more than a decade ago the city and the state were facing these huge budget deficits — there were a lot of services they had to fund — and the only political thinking available was, "Let's raise taxes and we'll have more money." So the city and state together raised the hotel occupancy tax to 21¼ percent. And they kept it there for quite some time. The Association of Convention Bookers actually put out an advertisement that said, "New York City has the highest Hotel Occupancy Tax in the country. Don't book your convention there." And according to our City Council, we lost maybe $900 million to a billion dollars in business as a result of this tax. This was a tax that clearly needed to be reduced. Well, we reduced it by almost a third. At the time, there was a lot of fear and a lot of worry. And now we collect $90 million dollars more from the lower hotel occupancy tax than we used to collect from the higher hotel occupancy tax.

Cutting the hotel occupancy tax also had a tremendous effect in helping our welfare reform efforts, because it encouraged the creation of entry-level jobs in hotels and restaurants that have flourished during the past four years of record tourism in our City. It is a concrete example that reducing taxes can actually help to achieve job growth and reforms in other areas.

I fought very, very hard to eliminate the sales tax on clothing in New York City. I believe it should be eliminated for all clothing purchases in New York State. We have succeeded in reducing the sales tax on clothing purchases of $110 or less. So if you go out and buy a shirt today, or a tie, or shoes of $110 or less, you pay no sales tax. I'd like to see it reduced completely. That would be the best jobs program we could create for people who are poor, given our economy, which is a free-market capitalist economy. That's the economy we have and we have to make that economy work for us. We can't do things that are contrary to it. Likewise, the best jobs program in New

York City we could have is to take that $110 sales tax elimination and make it no sales tax on any clothing. It would produce another 12,000–14,000 new jobs.

Reforming Welfare

I'd also like to speak about the whole area of welfare, which is maybe the most important thing that needed to be changed. Our City's welfare reform program predates the federal welfare reform legislation by about a year. Our welfare reforms are designed to reinforce, and to teach, the social contract, which is philosophically the idea upon which our democracy is based. The social contract says that for every benefit there is an obligation, for every right there is a duty; and for everything that you're given, you have to give something back. Government should be teaching it and reinforcing it — but definitely not doing the opposite, which is teaching and reinforcing dependency.

In the past, it seemed to me that one of the things that was happening in urban America was that we were not allowing the genius of America to happen for the poorest people in America. In fact, in some perverse instances, we were doing just the opposite: we were blocking the acquisition of the genius of America for lots of poor people. The genius of America is that if you can acquire the work ethic you can really accomplish a lot for yourself and your family.

We realize that there are people who are disabled and there are people who need help. And there are people for whom this just isn't going to work. But our philosophy in the past was, "Let's see how we can maximize the number of people who are dependent." Now our philosophy is, "Let's see if we can maximize the number of people who can feel the joy of taking care of themselves and minimize the number of people that are dependent."

Back in 1965 we had about 400,000 people on welfare. Between 1965 to 1971, we went from about 400,000 people on welfare to over 1.1 million people on welfare. We went over 800,000 in the late1960s and we remained there through the 60s, 70s, 80s, and through the 90s. This was not a result of a change in our economy. The American economy did not deteriorate during that period of time, it was actually growing. This explosion in the number of people on the welfare rolls was a direct result of government's decision about how to deal with poverty. The only answers that my city government had for 20–25 years was, "Let's go to Washington to get more money, so we can put more people on welfare." We used to use terms like, "Welfare should be user friendly," without thinking about the destructive consequences this could have on people's lives.

So we began a workfare program which said, "If we can help you get a job in the private sector, we will. If you can get a job in the private sector, take it. But in exchange for welfare benefits, if we can't get you a job or you can't get a job, then we will have you work for the City, assuming that you're able bodied, assuming you're not sick, and assuming that you don't have young children that we can't place in daycare."

We took that on as our obligation and we spent hundreds of millions of dollars to solve the humane problems and practical problems many people feared would come with welfare reform. Now, you have to work 16 to 20 hours a week for the City of New York — which is the maximum that the law allows — for the Police Department, for the Parks Department, for the Transportation Department, for the Mayor's Office. You've got to give something back. If other people are supporting you, you have an obligation to help improve their quality of life and to give something back to this city. About 300,000 people have gone through the workfare program. And now, we've shrunk the City's welfare rolls from over 1.1 million to below 600,000. This is the lowest number of people on welfare since the mid-1960s. Last month, even with some court disputes about our Welfare to Work programs, we had our largest decline of people in welfare — 11,000 fewer people on welfare by the end of the month than at the beginning of the month. Of course, right now we're helped by a growing economy that provides lots of jobs for people. We have a situation where anyone who wants a job can get one. We've got to take advantage of that and try to move as many people towards work as possible — in order to help them.

If I took you to a welfare office today — or at least half of them and, hopefully, by the end of the year all of them — the sign on the door when you walk in says "New York City Jobs Center." It doesn't say welfare office. And the difference isn't just a sign. Inside, a whole different process goes on. When you sit down and ask for welfare, the first thing we ask you is, "What kind of work have you done, what kind of jobs have you had, what kind of work do you think you can do?" We fight to keep you from dropping out of the work force. We want to encourage you to take the maximum number of steps to take care of yourself, rather than going in the other direction. And we're doing that because we care about you. Maybe because after all these years of mistakes regarding welfare, we have a little better understanding of the human personality and what can really help people. Again, it's a question of accountability, in a sensible, rational and decent way.

Reforming Public Education — the Challenge Ahead

The last area that I'd like to mention very briefly is the area of education. We've made a lot of changes in education. We've changed the governance of our school system to some extent, but not as completely as we should. After a very long battle, we have ended principal tenure. Principals can no longer remain at a school if they are failing to really help the children. In addition, we've introduced merit pay for principals, so that the good principals can be paid bonuses. We've instituted citywide reading programs such as Project Read. We've re-established arts programs in the schools, which had foolishly been removed 25 years ago. We've put computers in all of our elementary schools and trained over 1,000 teachers to teach new technology, which the children now have

access to. We've changed special education and moved it in a positive direction for the first time.

But I would be less than candid — and I'm not — if I told you that we've been able to really reform our school system in the same way that we've been able to reform other areas of city government that I've mentioned to you. And the reason for that is rooted in philosophy. I believe very much in philosophy. Philosophy guides a lot of what happens in a government. The ideas that you argue for, and discuss, get implanted in people's minds. And that's more important than lots of specific programs, or specific tax cuts, or anything else.

The New York City School System is today a job protection system, not first and foremost a system about children. And the biggest change that has to be made — and there are many different ways to make it — is that we have to change the idea of the school system. The idea of a school system is not about protecting the jobs of everybody in the system without regard to their performance. The idea of a school system is to do the best job in the world of educating children. And then everything else follows from that. That is how we're going to evaluate this system. We must take the risk that somebody may not have all his benefits and perks. Currently, it doesn't matter if the teacher is the best teacher in the world or the worst teacher in the world. They're treated exactly the same — despite the fact that there is a real difference in performance. And we've got to get the system around to performance.

In that area, New York City has a lot to learn. We have a lot to learn from Chicago, where the legislature in Illinois did away with their Board of Education and their local Boards of Education several years ago. Mayor Daley has done an excellent job of making that school system much more accountable under his control — because he's accountable, and he's putting good people there that are already putting principles of accountability and competition in place and making big improvements. New York City and New York State have not developed the political will to do that. I never like it when another city is ahead. In education, I think that's

New York Mayor Rudolph W. Giuliani emphasizes a point about reducing welfare rolls through workfare programs.
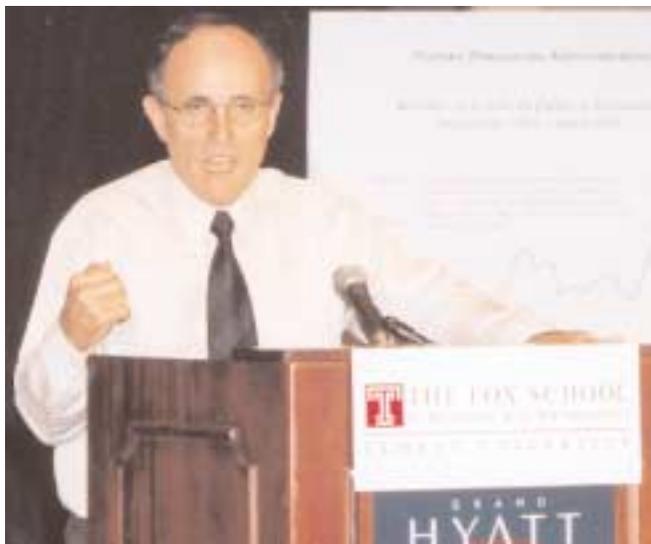
particularly terrible. We haven't had the courage to take on that type of innovation yet because of the heavy pressure of the job protection system.

Milwaukee has also done something really courageous. Mayor Norquist has instituted a school-choice program in which the poorest parents in the city end up with the same choice as the richest parents have. And ultimately then, you break up the job-protection system because then the parents won't choose the schools that are failing. In 1999, a private organization headed by Ted Forstman offered 2,500 scholarships to private and parochial schools. They received over 160,000 applications from New York City residents. The majority of those applications came from New York's most disadvantaged families. Those families were saying overwhelmingly that they wanted a choice. They wanted more freedom, a better education for their child and a little more choice about the future of their child, rather than the government telling them that they must put their child in a particular school even if they're not satisfied with that school. The cities that embrace these changes and honestly say, "Let's break this jobs protection system and replace it with a system that has one primary goal — the education of our children," will thrive in the years to come.

This is not at all an attack on teachers. There are great teachers. There are much better than average teachers. There are average teachers. And then there are teachers that are below average. And there are teachers that shouldn't be teachers. That could be said about any group of people, any profession. And the great teachers should be rewarded. Particularly the ones that are in a difficult school district, and they're having great results. They should be rewarded. We have to start to find fair principles upon which to do that evaluation. That means putting the children first. And I think that is the great challenge of the next three or four years.

All of that, however, is possible because it builds on the changes that you've already made. This book, *Making Government Work*, is an excellent example of that.

I'd like to close by reading you something. Because it's something that Fiorello LaGuardia, my hero, used in his first inauguration as Mayor of New York City. And I used it in my second inauguration. It's the Ancient Athenian Oath of Fealty, which the citizens of Athens were required to take about their City. It may be the primary model on which a lot of our cities, a lot of our social obligations, and a lot of our sense of politics, is rooted.

"We will never bring disgrace to this, our city, by any act of dishonesty or cowardice nor ever desert our suffering comrades in the ranks. We will fight for our ideals and sacred things of the city, both alone and with many. We will revere and obey the city's laws and do our best to incite a like respect in those above us who are prone to annul them and set them at naught. We will strive unceasingly to quicken the public sense of civic duty. Thus in all these ways we will transmit this city not only not less, but far greater and more beautiful than it was transmitted to us."

That, ultimately, is what we're all trying to do.

Thank you very much.

MAKING GOVERNMENT WORK: THE SAN DIEGO EXPERIENCE

Mayor Susan Golding, San Diego, CA

Thank you. It is an honor and a pleasure for me to participate in today's forum. My thanks first to Mayor Giuliani, for hosting this event, and my best wishes to him. My thanks also to Temple University's Center for Competitive Government for its ongoing exploration to see how to make government work better through effective public policy. And third, my thanks also to the National League of Cities, for providing a forum in which we can discuss this topic.

This morning, I'd like to talk to you about San Diego's Multiple Species Conservation Program, or MSCP. MSCP was developed as an alternative and, I believe, a better way to preserve the environment.

The Endangered Species Act targets individual species without taking into account in the same way what that species may need to survive. MSCP balances better habitat and open space preservation with the need to support economic growth in a major urban area. It better protects the rights of property owners and distinguishes between those who hold land in the preserve and those who hold land outside the preserve and wish to develop it. It emphasizes the habitat that a species needs to survive, and the need to connect wilderness areas.

Before I talk more about what it is, why it is important, and why it is viewed as the national model by the Secretary of the Interior, I would like to set the stage.

San Diego is the sixth largest city in the U.S. With a population of 1.2 million, it is the second largest city in the State of California. I have had the honor of being San Diego's Mayor for the past 7½ years.

San Diego's economy is driven primarily by manufacturing, tourism, defense and aerospace, and advanced information technologies such as software development, telecommunications, biotechnology, bio medical and digital multi-media.

As San Diegans, we are especially proud of the high quality of life in our area. Beautiful beaches, incomparable weather, livable neighborhoods and a thriving economy all add to our quality of life.

Open space has always been at the top of things that matter. San Diego is home to over 1,500 plant and animal species that also require open space. The

San Diego region is also expected to grow by 1 million new residents over the next 20 years. As you can imagine, this creates a conflict between our need to preserve open space and our need to protect the economy, which requires additional housing and transportation routes.

This brings me to my topic, San Diego's Multiple Species Conservation Program. The MSCP is a comprehensive habitat conservation planning program for San Diego. It is designed to preserve a network of habitat and open space, protecting biodiversity and enhancing the region's quality of life. At the same time, it also reduces some constraints on future development in the non-preserve area.

Adopting MSCP was not easy. It took an unprecedented level of cooperation and agreement between various levels of government in partnership with the wildlife agencies, property owners, environmentalists and developers. In the process, we streamlined government by crafting a program that removes multiple layers of bureaucracy, while at the same time creates a plan for a comprehensive preservation of sensitive plant and wildlife species.

When I took office in 1992, San Diego was in the midst of one of the worst recessions in its history. For many reasons — jobs, housing supply, etc. — the building industry was a key component of our economic viability. Concurrently, a public frustrated with local population growth and wary of the loss of open space was in no mood to approve many new developments. There was a fear that we would become the next Los Angeles — all concrete and no open space.

The result was a political and regulatory climate that was bad for the economy, bad for the environment and restrictive of the rights of private property owners.

So, on the one hand, San Diego is one of the 10 "hot spots" in the world for biological species diversity with over 1,500 species in our 380 square mile region alone. But, on the other hand, much of the undeveloped land

BIOGRAPHY

Susan Golding was elected mayor of San Diego in November 1992 and was reelected in 1996. She spearheaded the largest redevelopment project in San Diego's history and the development of San Diego's Habitat Conservation Program, which The New York Times *called "the most ambitious effort ever undertaken in this country to reconcile the competing needs of environmental protection and economic development."*

these species survived in was under private ownership and targeted for development.

Although part of any development agreement would normally call for open space mitigation, the set-asides were piecemeal at best and not likely linked to other dedicated open space areas. These cobbled together spaces — often not together at all — bore little resemblance to what was needed to support our 1,500 species and their migratory and mating habits. But that is the way the Endangered Species Act has often worked.

On the other hand, things were equally bad for property owners who wished to develop their property. Costs were high, interest rates were high and most developers had gone bankrupt. Additionally, a public vote is now required for large developments in the Northern part of our city — an area known as the "future urbanizing area." And concern about vanishing open space was making it very difficult to get voter approval.

A local group called Prevent Los Angelization Now — or PLAN — gained a populist appeal by frightening San Diegans with visions of undeterred urban sprawl, chronic water shortages and traffic congestion. Land use decisions were a zero-sum game, pitting environmentalists vs. builders. No one really won. But the process slowed down and became more expensive for everyone.

In addition to this, the city permitting process was often a property owner's nightmare. City planning staff seemed determined to protect the City from development. Proposals large and small were routinely turned down by the Planning Commission and appealed to the City Council, causing lengthy delays (and really long council meetings!). If an Environmental Impact Report was required — and in most cases it was — state and federal permits were often required, forcing developers through even more hoops.

By the end of the process, the developer was understandably frustrated, and our environmental needs only benefitted by patch-size pieces of land, unconnected to any other dedicated open space and therefore question-

Three organizations coordinated the mayoral conference, here represented by (l to r): Larry Levy, deputy counsel of the City of New York; Don Borut, executive director of the National League of Cities; and Paul Andrisani, co-director of Temple University's Center for Competitive Government.

able in their viability as habitat.

That was the climate of our City permitting and open space protection processes as I entered the Mayor's office.

To address the larger economic issues, I slashed the business license fee, created a one-stop shop for permits and embarked upon many public infrastructure projects.

Also at the time I took office, the EPA was suing the City of San Diego to implement a completely unnecessary secondary sewage treatment system. This system would have cost us billions of dollars to build. It would also have required a tremendous amount of resource mitigation. It was my view that this challenge was an opportunity to confront the larger land-use issues in a rational and comprehensive way. This was the inspiration for what is now known as the MSCP.

The goal of the MSCP is simple: create a comprehensive habitat conservation network of preserved open space while simultaneously easing the burdensome regulatory climate on homebuilders by meeting all the requirements of the state and federal government under the Endangered Species Act, and upholding private property rights.

Instead of focusing on one species at a time, the plan would cover the needs of multiple species and the preservation of native vegetation.

This idea of coordinated open space preservation was not new to me. As a member of the County Board of Supervisors, before I was Mayor, I proposed the first habitat planning in the county. It was a very new idea at the time — not mine, but borrowed — and extensive mapping was necessary to find out where species lived.

Ultimately, the City won its case in the federal lawsuit and was not required to proceed with the secondary sewage treatment. However, even if we were not required to mitigate any longer, I wanted to proceed with the MSCP because it was the right thing to do (an old fashioned concept these days).

A year before this, a small bird named the California gnatcatcher had been listed as a threatened species by the U.S. Fish and Wildlife Service. The gnatcatcher resides in the coastal sage scrub found on Southern California mesa tops. These same mesa tops were heavily targeted for new development because existing regulations had been directing development away from the hillsides and valley bottoms to preserve the character of our region.

San Diego's development needs were about to crash head-on with the need to preserve our natural resources.

A public policy needed to be worked out that would allow for the permanent preservation of enough land for the gnatcatcher and 84 other sensitive species, while at the same time allowing for the development needed to sustain San Diego's growth.

I proposed a policy that would start with the public land we already owned, adding critical acres where necessary through private mitigation and public land acquisition. The goal was to build a connected reserve that would permanently protect the habitat of 75% of the 93 target species, of which 36 were listed as endangered at the time.

MSCP goes beyond the Endangered Species Act. Under this policy, we would only acquire property from

willing sellers — I feel strongly that the government should not "steal" private property, so condemnation was not an option.

MSCP is to be the largest urban open space preserve system in the nation — it wasn't easy! The building industry would only support the plan if there were assurances that no "additional" land beyond what we were identifying for the preserve would be required to protect the species. We needed to guarantee them that "a deal was a deal" as it pertained to permitting. We also needed to guarantee environmentalists and the Fish and Wildlife agencies of the state and federal government that enough land would be permanently dedicated as habitat to meet the needs of our threatened and endangered species. They had to have assurances that there would be a strict monitoring and management strategy to ensure the success of the program.

These guarantees were all part of the ensuing negotiations among stakeholders. It took several years to negotiate and act on the proposal. Heated and long negotiations ensued. It was ultimately codified and signed by the local, state and federal governments in March of 1997.

Through the MSCP we restructured our government to streamline the steps in the development process and ensured a biologically sustainable open space preserve system. It took a community partnership that included a 3-way public partnership — local, state and federal — along with the private sector and environmental community.

The MSCP was built over the course of six years around a stakeholders table. This "Working Group" was key to the partnership establishing trust. A process for consensus grew out of this trust. The city now has a permit granting us "take authority" which enables us to make good on our promise of expedited permitting with no second hits.

Developers with land inside the preserve are permitted to develop 25% of their land and are either paid more for their land or are not required to mitigate. Those with property outside the preserve can develop 100% if they mitigate with land inside the preserve. The federal government signed off on a "no surprises" policy, a controversial and significant "first" for the Department of the Interior.

A consolidated set of regulations has now been established and the state and federal agencies are out of our local permitting procedures. By eliminating the federal and state governments from the day to day permitting of projects, we were able to provide a one stop shop for the clients of the city. Property owners are now literally saved up to seven years by not having to go through the state and federal processes.

Our public-private partnership also required a sharing of the responsibility to assemble the preserve. Certain amounts of acres were assumed to be obtained through private project mitigation and certain other acreages were presumed to be acquired through public purchases.

Because assembling the acres is a shared responsibility, a mutual desire to see its completion was created. This partnership provided the framework by which sev-

eral projects found solutions that had previously been denied by the voters. After the MSCP was adopted, the developers and environmentalists were able to negotiate win-win solutions that met with voter approval.

The real progress of the MSCP can be counted not by the projects that have been approved, but by the amount of open space that has been preserved. Bruce Babbit, Secretary of the Interior, personally signed the Federal part of our agreement. He stated that "MSCP is a magnificent achievement." It is the beginning of a new chapter in American conservation history. This is a model which ought to be examined and replicated all over this country because what it says is that it is possible to create a process which brings people from the various interests together in search for balance.

At the end of this year, the City of San Diego, will have purchased, dedicated or protected 44,400 acres since 1993. We now have but a little over 7,000 acres of land left to conserve to complete our 52,000-acre naturelands preserve that we set out to accomplish. When it is complete, it will be the largest urban natural land preserve in the nation — carved out of public and multiple private lands — something worth fighting for!

The ongoing challenge is how to help the changing staffs of federal, state and local jurisdictions maintain the "paradigm shift" that was agreed to in the MSCP. This is imperative to the long term success of the program.

Funding is also an ongoing challenge. Under our agreement with the Federal Government, the feds and state were to provide 50% of the funding with mitigation, developer agreements and local government funding providing the balance. In California, a $2.1 billion bond measure for parks and open space was passed by voters in March, with $100 million dedicated to plans such as the MSCP. MSCP is expected to receive a majority of these funds because there are only 2 preserves which qualify.

The MSCP was a long and difficult but ultimately successful effort. Projects are now mitigated in a comprehensive manner instead of on a species-by-species, project-by-project basis. Secretary Babbit has called MSCP a model for the nation, and with some effort, it can be replicated in other regions as well. The MSCP is not perfect, but instead of piecemeal planning and preservation, we can now have a connected natural land system that we will be proud to leave our children. There are few accomplishments an elected official can be certain will outlast her. This is one that I am sure will even outlast my grandchildren — and theirs.

I hope that other communities will be able to replicate the effort and that our members of Congress will understand the need to change the Endangered Species Act to make this kind of preservation a priority. Postage stamp parcels to preserve a single species will not survive. A large, interconnected habitat has a much better chance.

I welcome your questions by e-mail or by post, and I wish my fellow mayors and councilmembers the very best in the new millennium. May we and our children all have trails to walk on and birds to listen to.

Thank you.

FOUR PRACTICES THAT HAVE LED TO A MORE EFFECTIVE GOVERNMENT: THE CHARLOTTE EXPERIENCE

Mayor Patrick McCrory, Charlotte, NC

Over the past decade, Charlotte, North Carolina, has long been recognized as an innovative local government with a pro-business image and a "can-do" attitude. This recognition and reputation stems from such awards as the City being named one of the five "Most Livable Cities" in the year 2000 by the Center for Livable Communities. Pam Syfert, City Manager since 1996, was named one of the top ten "Public Officials of the Year" by *Governing Magazine* in 1999. In its December 2000 edition, a survey in *Inc.* magazine ranked Charlotte as the seventh-best business friendly city in the country.

Charlotte's positive reputation is due to many factors: from the strong and diverse economy, to enjoyable Southeast weather, to a local government that has invested tax dollars in the City and implemented business and management practices to help, not hinder, progress in the City and region. Four particular practices implemented by Charlotte City government have contributed, in large part, to Charlotte's unprecedented growth and prosperity in the decade of the nineties. More importantly, the four practices of Asset Management, Privatization, Services Consolidation and Smart Growth Planning have positioned Charlotte to remain one of the top local governments in the country well into the Twenty-first Century.

Asset Management

Asset management is something that is tedious to track and hard to get a handle on, yet it is crucial for local governments to manage. By definition, asset management means to identify and analyze all physical assets (land and buildings) and evaluate alternative arrangements for ownership and management. Charlotte's goal is to maximize use and/or return on existing and future assets. In order to maximize assets, a government has to list and know what they own. This simple exercise is an eye-opener and one that can bring many surprises. Most jurisdictions will find that they

BIOGRAPHY

Patrick McCrory began his second term as Charlotte's mayor when he was reelected in 1997. He began his political career in Charlotte in 1989 when he was elected to the Charlotte City Council and was Mayor Pro Tem from 1993 to 1995. A part-time mayor, he has worked at Duke Energy Corporation since 1978 and currently serves as manager of business relations.

own many of parcels of land throughout all areas of the City for many, many different purposes: for utilities, for arts, for operations, including old maintenance facilities which have long been closed. In some cases, there may even be brownfield sites. It is amazing how much property local government owns.

One step the City of Charlotte took in its Asset Management Program was to use half of a previously formed Privatization Task Force to serve as an Asset Management Committee. Many of the people on this committee were people who understood the real estate sector and had experience in development and real estate. Their main role was to review and audit City property for its present use and potential best use.

Out of this Committee came a City Policy on Asset Management, and in 1999 it led the City to approach the North Carolina legislature for authority to sell public land for its best use, and not just to the highest bidder. This legislative authority was a significant shift, especially for some members on City Council, but one that has already proven beneficial in giving the City Council the necessary tools to influence the type of development deemed necessary in different parts of the City. More importantly, this flexibility in choosing successful bidders gives the City a say in the best long-term value for a piece of property, not just for tax roll purposes, but for long-term viability of the City.

One example of using this new "sell for the best-use policy" is the sale of the City's Old Convention Center. The Old Convention Center is on prime real estate in the center of the City and adjacent to a soon-to-be-developed light rail line. Although the Old Convention Center continues to be on the market, this policy allows the City to hold onto the building until an offer for the best use and price comes forward. When City Council first considered offers to sell the Convention Center, some of the members said, "Sell it, and just get the highest price." As it turned out the City had three offers. One offer was for $11 million, yet another offer was for $13 million, but the $11 million offer had a mixed-use design that would have had a more long-term value,

which would have brought in much more tax revenue over time into downtown Charlotte. Although the City has yet to find a buyer who can secure a financing plan to build their design, Charlotte has been able to use long-term value as part of the equation in making a decision on asset management.

However, the Asset Management system is not as cut-and-dried as it appears. When the newspaper headlines read, "City Accepts $11 Million Dollar and Turns Down $13 Million Dollar Offer," many people will start to question their local officials and write letters to the Editor as to why the City turned down $2 million dollars? Well, it takes more than a sound bite to try to explain it, but the answer is long-term value. Because the proposal was to build a much bigger building, the land would eventually be worth more, which would then help pay for the schools, police, fire, roads and other infrastructure needs, etc.

One issue that must be acknowledged is that there is some danger in having the ability to sell for less than the highest bid. The City Council must guard against politics with the freedom of selling at lower than highest bid, as many wonderful non-profit groups will approach City Council and say, "Well, now that you've got that piece of property, and you don't need to take the highest price, we want to use it." These types of situations must be addressed by the fundamental principle of the Asset Management Program, which is to identify the best long-term use that also maximizes revenue to the City.

Since 1995, 130 parcels of land have been sold or ownership transferred to adjacent property owners for a total of $30 million, in addition to returning these properties to the tax rolls. One piece of property that was sold in 2000 was an old brownfield site that was on the Environmental Protection Agency's Superfund Clean-up list, but had been remediated by the City and sold for millions, due in large part to its center city location.

While establishing an Asset Management Program and undertaking the process to audit property and parcels of land is enough work for one jurisdiction, it is highly recommended that governments in the region work together to do property/asset inventory as well, especially schools. Knowing the ownership of all the publicly held land in the area could lead to land swaps and other property arrangements that would be beneficial for the community and lead to even greater use for many parcels of land.

Privatization and Managed Competition

The term *privatization* means many things to many people, and this is where some confusion may arise in comparing the activities of cities nationally. At one end of the political spectrum, privatization is touted as the "cure" for bloated government bureaucracy. The private sector can provide service better than the public sector, this perspective argues, so the public sector should get out of the business of providing some services with its own employees and, in essence, become contract monitors for the private-sector firms hired to do this work.

This perspective has met with considerable resistance in Charlotte, particularly from public sector employees who maintain intense pride in their work and fear politicians will simply "take" their jobs and "give" them to the private sector. At the other end of the political spectrum are those who believe privatization has no place in public service. Private companies, they reason, have profit, not the public's best interests at heart and would therefore gouge the unsuspecting taxpayer, leading to inflated cost for services and, perhaps, lesser quality.

Charlotte has taken the middle-ground approach to privatization, preferring to use managed competition as the method for determining service providers. Managed competition includes the entire spectrum of service delivery options from "pure" privatization, to public-private competition and contracting, to outsourcing. Service contracting is not new to Charlotte. Like most other cities and counties across the United States, Charlotte has for some time contracted with the private sector to provide many services. As early as 1978, the City began outsourcing such services as street resurfacing and business garbage collection, then multifamily garbage collection (1980), custodial services (1984), golf course management (1985) and ground maintenance (1986). Many of these services have just recently appeared on the privatization radar screens of many other municipalities. In 1995, Charlotte awarded a total of $204 million in service and construction contracts to the private sector, and in 2000, the City awarded $360 million in service and construction contracts.

Managed competition is the way Charlotte does business: it is systemic and institutionalized. Benefits are derived when traditional public services — that is, those delivered by enterprises owned and wholly operated by municipal workers — are subjected to head-to-head competition with the private sector. The hallmark of the Charlotte Managed Competition is referred to as the "Yellow Pages approach." This means that the City workforce must compete with the private sector across the board in any service that is advertised in the Yellow Pages. If the City is doing a service that is advertised in the Yellow Pages, we ought to put that service out for bids. That's the motto — if it's in the Yellow Pages and the City does it, bid it.

The ultimate goal of Charlotte's Managed Competition program is to generate significant financial advantages, yet there are many other benefits that have been realized, including increased efficiencies and renewed pride in public service when municipal employees demonstrate performance levels meeting or exceeding those of the private sector. Competitive bidding of public services is not, however, without potential pitfalls. City departments have to learn activity-based costing and management to establish true costs for services in order to compete for a service. The workforce has to be prepared to work in a competitive environment and understand that their jobs truly are on the line and could be eliminated at the end of a contract. The entire bidding and request for proposal (RFP) process has to be set up on a level playing field or the private sector will

Ernest D. Davis, mayor of Mt. Vernon, NY shares his views with fellow mayors.

quit bidding if they see favoritism toward the public sector. Also, cities have to be sure the private sector does not try to undercut them for short-term gain, just to get in and then raise the price two or three years later. Further, cities have to ensure contractors do not default on a service contract, which would only cause additional problems and added costs.

The managed competition program, combined with many other City initiatives has led to some pretty impressive numbers. To date, the City has had 52 competitions, worth over $28 million. The City won 43 of the bids and the private sector has won approximately nine. Charlotte has an annual savings of over $5 million a year due to competitive bids. Presently, there are 55 services that are outsourced for annual savings of $3.1 million; and 26 services have been completely reengineered, which has led to another savings of approximately $5 million annually. The City has 19 percent fewer employees per one thousand in population now than it did in the year 1980. It would have been less than that, but the Police Force was increased by over twenty percent. The proudest accomplishment that has stemmed in large part from the Managed Competition Program is that the City has not had a property tax increase since 1987.

Political/Service Consolidation

The end of the twentieth century went out with a bang for the proponents of local political/service consolidation (of which I am one), when the voters of Louisville and Jefferson County, Kentucky voted in November 2000 for political/service consolidation. Greater Louisville, as the City and County will now be called, joins 16 other consolidated local governments across the country. While the topic of consolidation has been on the minds of many citizens in Charlotte and Mecklenburg County, North Carolina, the motion to consolidate lost by one vote in the City Council to send it to a vote of the citizens in 1996. There are many rea-

sons why consolidation is not supported by members of the Charlotte City Council and the Mecklenburg County Commission with many of the reasons being political, including the City and County officials having to run against each other for seats on a consolidated government council.

Aside from politics, one of the key reasons consolidation is not generating much interest in Charlotte-Mecklenburg is because many of the services are already consolidated and the City and County enjoy an unusually cooperative relationship, such that most citizens see the services of the City and County as seamless. The Administrative Offices for the City and County are in the same building; the City Council and County Commission meet in the same Chamber Room, but on different nights; and most importantly, 16 services have been consolidated. In the 1980s, 14 major services were consolidated, including Building Standards, Planning, Purchasing, Utility, Animal Control, Emergency Management, Crime Lab, Customer Action Line, First Responder, E-911, Landfills, Veterans Services, Elections Office, Tax Listings and Tax Collections. In the early 1990s, Parks and Recreation and Police Services were added to the list of successful consolidations. The City and County even have a consolidated school system, which falls under the County and stems from desegregation issues of the 1960s.

One of the biggest consolidations was the Police Department. The City used to operate its own Police Department, as did Mecklenburg County. Realizing that the City was growing at a phenomenal rate, due mostly to annexation, the City Police was patrolling more and more of the County and there were more overlapping service areas. Understanding that the City would continue to grow and the Police responsibilities for the County would continue to shrink, the two governments entered into an agreement that Police functions would be consolidated as a City function for the entire County. The County has a contractual service agreement with the Charlotte-Mecklenburg Police Department (CMPD) based upon the service provided every year for the number of residents (tax base) for the unincorporated areas of the county. During each budget development cycle, the City and County budget staffs negotiate a payment number for Police services. Although CMPD provides Police services for the entire County, the County still has an elected Sheriff for which the County funds his duties to operate and maintain the County jail facility, provide security for the County Courts, and deliver and serve warrants.

In exchange for consolidating Police services, the City gave up Parks and Recreation services to

Mecklenburg County, in order for those services to be consolidated. The City does still operate and maintain one small city park and a cemetery, but all the parks and recreations functions now rest with the County. When the parks and recreation services were consolidated, the City shifted a portion of its tax rate dedicated to parks to the County in order for them to maintain the parks at the same funding level.

The consolidation of Police Services and Parks and Recreation was certainly a success — and one of the biggest and most complex because it involved tax rate and tax base issues — but the most significant consolidation was that of the Planning Commission. Over time it became obvious that it made no sense to have a planning department in the County and a planning department for the City of Charlotte, especially given Charlotte's significant annexations, including up to 20,000 people at a time. A Planning Commission of City and County citizens was established and the Planning Director reports to both the City and County Managers. Both governments adhere to a shared Mecklenburg County Plan, yet both governments still have zoning jurisdiction per state law, although the County's zoning decisions continue to shrink significantly as the City continues to annex. The Planning Commission is the Zoning Administrator for both the City and County, so each maintain consistent Zoning policies which make growth standards easier to address for developers and to enforce for the City and County. Furthermore, with Smart Growth such an issue these days, Charlotte-Mecklenburg has been in a leadership role in Smart Growth, namely due to having a consolidated Planning function.

Despite the renewed emphasis of the current Mecklenburg County Board of Commissioners Chairman, plus my support for political and services consolidation in Charlotte-Mecklenburg, the issue still does not have enough support among the two political bodies to bring it to a citizen vote. In many cases, we are victims of our own success with the services we have already consolidated, yet as time goes on, all cities and counties will continue to be reminded by their citizens that many municipal problems do not recognize political boundaries. Now we just need to get more local governments to recognize what most citizens have known all along.

Smart Growth Planning

Smart Growth is an overused word, but one that is critical to the health of cities and counties, and more important to citizens' perception of quality of life. Charlotte and Mecklenburg County, through our consolidated Planning Commission, have taken Smart Growth to heart, although in Charlotte we call it "Growing Smarter." Charlotte, like the rest of the State of North Carolina and many cities and counties around the country, experienced a phenomenal growth boom in the 1990s. Since 1990, the city has grown from a population of 395,000 to just under 530,000, according to the 2000 Census. The nation's 47th largest city less than twenty years ago,

Charlotte is now the 25th largest city — and our 20 percent growth rate is second only to Phoenix among cities with a population of a half million or more.

Much of Charlotte's recent population growth — about 81,000 persons (equivalent to the state's eighth largest city) — is due to successive annexations that began in 1991 and continue with the addition of another 20,000 in 2001. Each year, the City limits of Charlotte expand an average of 6.7 square miles and add an average of 45 miles of streets. Each year, Fire and Police see a six percent increase in the number of emergency response calls. Each year, Solid Waste adds 5,000 customers for its sanitation services. Each month, Utilities adds 1,000 new customers and the average daily water consumption has increased 21 million gallons from 1995 to 1998.

To date, the City and County have been able to handle this growth without much pain, yet the air quality continues to deteriorate, commute times grow longer, and more green space is devoured by development. Charlotte is on the verge of making significant decisions that will greatly impact whether or not it maintains its positive image as the leader of the "New South" or stumbles from the weight of it own success. Charlotte has made great strides in maintaining a high "quality of life" for its citizens: from the development of a 65-mile loop highway (one of the last major cities not to have an outer beltway); to investing in the Center City with housing, office, and hotel development; to supporting inner city neighborhoods with infrastructure improvements; to undertaking the massive task of building a mass transit system, including light rail, in

Christina Shea, mayor of Irvine, CA, enjoys a lighter moment in one of the lively discussions that followed conference presentations.

the City's five major transportation corridors. The City has been correcting mistakes of the past to promote community and connectivity by doing such simple things as building sidewalks, where there were none, to forming partnerships and community development corporations to revitalize abandoned properties.

Because of the many growth demands, the City of Charlotte has relied on Smart Growth principles to accommodate the influx of people. Yet there is more to be done and in a much more methodical and stringent step to ensure Charlotte is not just a livable city, but a desirable city. Thus, City Council is embarking on a "growing smarter" development process that will provide City and County staff with clear direction on how the City will grow. City Council continues to invest heavily in the Center City, as the Center City reflects the health of the City overall, plus the Council is deeply committed to driving development along the five transportation corridors. In addition to these general decisions, the Council is working to finalize eight "Growing Smarter Principles" as developed by Planning Commission Director Martin Cramton. The eight principles as proposed include:

- *Maintain planning capacity and quality:*
  Prepare comprehensive and strategic plans considering the regional context as well as integrating land uses, natural resources and infrastructure in public service policy decisions.

Fox School dean Moshe Porat (center) introduces Temple University trustee Joan H. Ballots to Mayor Giuliani at a pre-conference dinner at Gracie Mansion.

- *Sustain effective land use decision making:*
  Support plan implementation through the following: administration of streamlined, predictable review processes; clear and objective standards; coordination among agencies; preparation and funding of capital improvement programs that implement adopted plans; and coordination of all public service delivery with development/revitalization plans.

- *Strengthen community vitality:*
  Foster development that is directed to desired growth areas, compatible with stable areas or meets the revitalization need of older areas.

- *Build a competitive economic edge:*
  Support, retain and attract a strong economic base.

- *Design for livability:*
  Promote sound, well-designed development through clear and objective standards.

- *Safeguard the environment:*
  Integrate protection of natural resources with development decisions and practices.

- *Develop a balanced, integrated transportation system:*
 Build a transportation system that coordinates land-use and transportation planning.

- *Use public investment as a catalyst for desired development outcomes:*
  Support future growth together with meeting revitalization needs identified by adopted plans through coordination of the planning, timing, fair funding and provision of a full range of infrastructure, facilities and services.

These eight principles still need to be defined and put into action plans by City staff, yet they represent not only how Charlotte will grow in the future, but also how it will grow smarter. By using Smart Growth Principles, Charlotte will continue to promote a high Quality of Life for its citizens and continue to be a community of choice to live, work, raise a family and enjoy leisure activities.
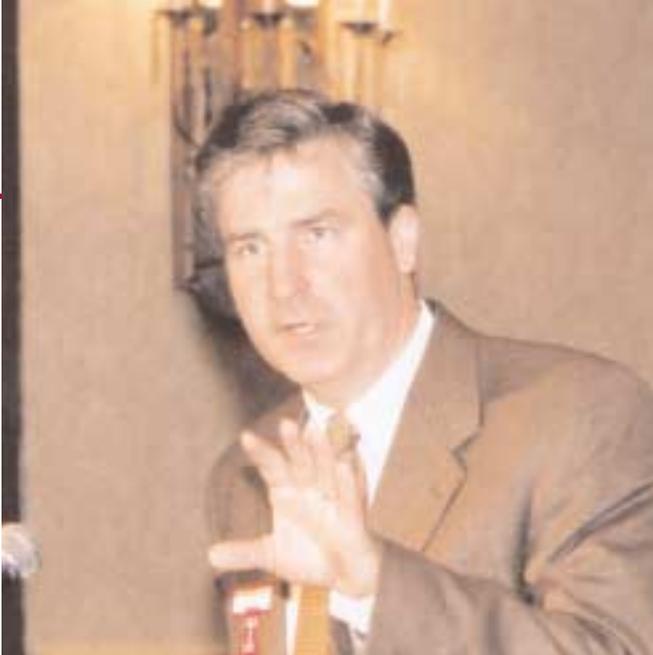
MAKING GOVERNMENT WORK: THE JERSEY CITY EXPERIENCE

Mayor Bret Schundler, Jersey City, NJ

Alot of debate in government focuses on how strong government should be or how weak it should be. I think the real issue is *where* power should be. And basically, my belief is that you should locate power as closely to people as possible and then you will have government that serves people as conscientiously as possible.

One of the discussions I am sure we are going to talk about at great length today is competitive contracting. Competitive contracting is all about giving a governmental entity the opportunity to look at different ways to provide a service: whether to do it in-house or go out into the free market. That is a power, a power to decide what is the best way to provide a service at the lowest possible cost.

I would like to talk about going beyond competitive contracting to empowerment. Empowerment is competitive contracting "plus" — competitive contracting with the caveat that the one who decides who will be the provider of a service should be the very person or group of people whom a government asserts it wants to help with that service.

Business Improvement Districts are an example of empowerment. They are characterized not just by the competitive provision of various supplementary public services — like security and sanitation services — but by the local property owners (those whom these services are meant to help) having the power to decide which competitor should get the contract to provide these services. You shouldn't have public officials deciding who gets the contract. You have the people who will be effected by the service making that decision.

School vouchers are another example of empowerment. They would make schools compete for the privilege of educating our children, and would make schools directly accountable to parents.

I believe power should be kept as close to the people as possible, and that only when government empowers the people does it serve them. When politicians use government to empower themselves, I believe they tend to serve themselves.

Providing for competitive provision of public services, and allowing the intended beneficiary of those services to decide which provider gets the business, makes the provider accountable to the service beneficiary and thereby empowers that beneficiary, or customer, to demand quality. Empowerment, even more than competitive contracting, can revolutionize government and improve the effectiveness and efficiency of governmental programs.

Allow me to provide some examples of how this theory of empowerment applies to inherently communal enterprises, such as building a community center or a new public school, and also to individual essentials of opportunity, such as education and health care.

I'll begin by talking about a really sexy issue: garbage disposal. In New Jersey, the State created a mandate that you must bring all garbage in the county to a county garbage incinerator. They wanted to make New Jersey garbage disposal self-sufficient. We are not self-sufficient in oil or wheat production. But darn it, we were going to be self-sufficient in garbage disposal. So the State ordered each county to build a county incinerator, and ordered all municipalities in New Jersey to channel all garbage to these incinerators, so that they would have a guaranteed waste flow stream, and cash flow stream, that would assure the bond markets of each county's ability to pay off the bonds that would have to be issued to build these many incinerators.

Now, within one year of the State creating these county monopolies, guess what happened? Garbage disposal rates tripled — one year: tripled! Now for those who believe that monopolies automatically lead to higher costs, we have a great case study for you.

Of course, it was New Jersey's mayors who got blamed by property owners for having to increase their property taxes to pay for these soaring garbage disposal rates. We didn't like that, so we joined a legal challenge that ultimately went to the U.S. Supreme Court and

BIOGRAPHY

* **Bret Schundler** *was first elected mayor of Jersey City in a special election in 1992, becoming the first Republican to hold that position since 1917. Using his experience on Wall Street, he created the first-ever securitization of tax liens in the country in 1993, increasing the city's tax collection rate from 78% to 100% and saving the city from impending financial calamity. He was reelected in 1993 and 1997, running on a record of restructuring local government by empowering its citizenry.*

struck down New Jersey's waste flow restrictions on a Commerce Clause provision which denies states the right to interfere with interstate commerce — even, as in this case, interstate commerce in garbage disposal.

Garbage disposal rates have come down in New Jersey because we now, once again, have the right at the local level to competitively contract for garbage disposal. Those of us who will have to pay the bill can choose the least expensive, environmentally sound garbage disposal option.

Hooray for the free market. Having competition in the provision of services does not just save taxpayers' money, it also fosters continued technological innovation in a market sector. When the state ordered municipalities to take their garbage to county incinerators, it froze the development of alternate disposal technologies in New Jersey. Now, with local governments re-empowered to consider a variety of disposal options, you have renewed the possibility of the market creating innovative solutions that are not just more cost-efficient, but also more environmentally friendly.

Let's look at something else we have done in Jersey City. I led the battle to pass charter school legislation in New Jersey. As a result of Teachers Union opposition, New Jersey's charter school law is not everything it could be. One problem is that of facilities construction. Our charter schools are not allowed to borrow money. This prohibits them from being able obtain a mortgage to build a school building. Facilities construction is a problem for charter schools in many states.

The City of Jersey City had a second, somewhat different problem relating to community center construction. We wanted to build some community centers in different neighborhoods, but we didn't have the financial wherewithal to pay for it. Ours was a middle-class and low-income city. Higher-income people are beginning to move back because of recent quality of life improvements. But I used to say that Jersey City was like New York, which has both rich and poor, except we didn't have the rich. Our lack of wealth, and our financial inability to afford new facilities construction, was a real problem. We have the same population density as Manhattan, yet had no public place where children could be off the streets and safe after school. Children were either in school, at home or on the corners. We couldn't afford to build a community center for them.

Then we figured out a way to kill two birds with one stone. We had the City build a community center, which we leased to a charter school as a daytime tenant. The charter school took advantage of our ability to bond for the facility's construction. The City took advantage of the charter school's financial ability to pay a rent that would cover our construction bond debt service. The charter school now has a facility that is perfect for its needs. We now have a community center for children to attend during non-school hours that cost our taxpayers nothing. In fact, when our bonds are paid off, we will still earn rent on the building, which we will then be able to use to pay for recreational program operating costs.

Not a bad solution to the school and City's problems in relation to facilities construction. But notice, please, that it was only possible because the school and the City had the

power to enter into this agreement. It worked because we had the power to do what made sense for us to do.

And by the way, we didn't actually have the City build the facility. Instead, the City sought competitive offers from private developers to build a specified facility to sell to us. Doing this allowed us to avoid the incredibly cost-increasing rules that pertain to public sector construction. We obtained a public building, had a private developer build the center using private sector procedures, and saved over 50% on what it would have cost the City to build the facility itself.

Now you know why I hate restrictive rules promulgated by distant legislatures. The people are hurt when power is centralized away from them. We saved a bundle on this construction project only because we were able to find a legal way to circumvent the State's public construction rules.

Let me provide one last example, in connection with an inherently communal service, of why it makes sense to have power at the local level. Cities in America have a problem with open-air drug markets. The urban jails are full with drug dealers, so judges often downgrade drug-dealing offenses to a disorderly person charge. A police officer will arrest a drug dealer, spend hours booking the arrest, spend hours in court on some future date waiting to testify against the dealer, all to have the charge downgraded and the drug dealer released. This makes a mockery of drug law enforcement efforts.

So we decided that if the prospect of jail time was not a credible deterrent, perhaps a stiff fine would be: not for drug dealers, for whom a fine would just be an acceptable cost of doing business, but for drug buyers. If we could make Jersey City the high-priced market for drug buying in the area, we figured we could drive the drug buyers out of Jersey City and cause the drug dealers to follow their customers and go elsewhere.

We set up plainclothes operations, where police officers, dressed to look like drug dealers, set up shop on high drug activity corners. When buyers solicited them, we gave the buyers a summons for loitering in a known drug activity area. It is a felony to solicit drugs. But if we actually charged the buyers with a felony, we would have to arrest them. After just one solicitation, your police officer would have to quit the corner and take the buyer into the central police station for arrest processing. The corner would be bare, and the drug dealing would continue. So instead, we had the police officer simply issue a summons to the buyer for loitering in such an area, which is a city ordinance violation and does not require arrest. Like a parking ticket, it simply requires that a fine be paid — in this case, a heavy one: $250 for a first offense, $500 for a second, and $1,000 for a third.

This approach had many advantages. First, it kept the police officer on the corner. Instead of having to quit the corner after just one solicitation, it allowed the police officer to stay there and, the first time we tried this, issue 57 summonses in the first three hours of the sting. Second, a City ordinance violation does not cost as much to prosecute, given that there is a lesser burden of proof required. Third, this approach generated revenues

to pay for the enforcement operation. Fines assessed in connection with felony charges go to the county court, even though it is the municipal police department which incurs all of the costs enforcing drug laws. Fines assessed in connection with a city ordinance violation go to the city. If a policing action can raise the revenues necessary to cover its costs, that makes it affordable for a community to expand that policing action to as many locations as there is illegal activity to be combated. It literally makes crime pay, but now, not for more criminal activity, rather for more policing activity.

This strategy worked pretty well to decrease open-air drug dealing in Jersey City. Some buyers were indigent addicts. If you could not collect against someone, our intention was to request that the county jail take them in for a few days, and allow us to assign them to a work detail. We wanted there to be some punishment for all violators. Other buyers had money. I think we successfully drove them out of Jersey City. Unfortunately, we were sued by some defense attorneys who argued in court that we should have charged their clients with a felony, not just a city ordinance violation. They based their case on a pre-emption argument, asserting that state guidelines require a more severe charge. Can you imagine a defense attorney arguing that their clients should be dealt with more harshly? They wanted us to up-grade the charges so that they could just get their clients off with a wrist slap. A trial level judge rejected their challenge, saying that the realities of the situation justified our strategy. But an appeals court reversed the trial judge and struck down our procedure.

So now we have to go to the Legislature to ask them for permission to do what makes sense in our particular circumstance. We had a program that was working to remedy a serious problem, but a state court said we could no longer use it. If you ask me, state usurpations of what should be local discretion are holding back our cities from solving many of their problems.

Of course, state usurpation of power is not just a problem in connection with community services, such as policing, but also with individual services, such as educational and health care services.

The Bill of Rights is an empowerment document. It secures certain freedoms for individuals. It is necessary because people with power are often tempted to take away others' freedom. I wish it applied directly to the issue of educational freedom, because if we could ensure that all parents, the poor as well as the rich, had the power to seek out the schools that would best help their children learn, we would have much better schools in America.

This fall, I am going to have two education-related tax credit bills being introduced into the New Jersey Legislature. The first will establish a 50% tax credit, up to $500 per child, for parents out-of-pocket expenses educating their children. The second will provide for a partial tax credit for donations made to scholarship granting foundations.

There are private scholarship foundations operating all throughout the State of New Jersey, which make scholarships available to children attending privately managed K–12 schools. If you donate money to them, you receive a charitable deduction on your federal income taxes. But you do not receive any state tax benefits for making such a contribution. I am proposing a 75% state tax credit, up to $10,000 per individual benefactor and 10% of a corporations tax liability, for charitable contributions made to scholarship foundations. A high-tax bracket giver who contributed to these scholarship foundations would receive a net 85% tax credit (75% from the state, 10% additionally from the federal government) for giving to such charitable foundations. This would enable these foundations to raise an enormous amount of charitable money, and help a great many children be able to afford a privately managed school of choice.

I support the school voucher concept, but we are opting here to create a private scholarship program instead of a school voucher program for three basic reasons. First, it will be easier to sell the New Jersey Legislature on providing a state tax credit for contributions to scholarship foundations than to sell it on instituting a school voucher program. (The federal government already provides a tax benefit for such contributions, so we are talking about a very non-radical proposal.) Second, a charitable contribution tax credit will be more likely to survive any court challenges. (After all, you can get a tax benefit if you put money in your church offering plate on Sunday. Why shouldn't you be able to if you contribute to a scholarship foundation which makes scholarships to children who, of their family's own volition, may choose to attend a religious school.) Third, it should be easy to protect religious schools, which accept students bearing a private scholarship, from governmental regulatory interference. (I think schools accepting government vouchers could also be effectively protected, but this should makes it even easier to any new regulation.)

A final example of how empowerment theory might be applied to the provision of an individual service, is the example of medical savings accounts.

I am proud to say that Jersey City became the first governmental entity in the United States to offer medical savings accounts to its employees. We got the State to permit us, on a pilot project basis, to keep our employees in the State Health Benefits plan, but offer them a fourth option which other plan enrollees do not enjoy. The State Plan normally has three options: a standard indemnity plan with a $200 deductible and then some co-pays; a preferred provider option; and an HMO option. I think you understand what those options are.

The fourth option our employees were offered was a medical savings account/insurance policy option. This option combined an insurance policy, with a $2,000 family deductible, where the policy covered 100 percent of expenses above that $2,000 deductible, with a medical savings account that we — the City of Jersey City — funded for our employees to the tune of $1,800 per year.

Under this medical savings account option, families could choose any doctors they want and obtain any procedures they wanted. If total family medical expenses were less than the $1,800 the City placed in their medical savngs account, we paid out the remnant to the family at the end of year and put in a new $1,800. If family

medical expenses were above $1,800, our employees went into their pockets for the first extra $200, but after that the insurance policy kicked in, and covered all expenses above $2,000 for the family.

Our employees loved this option. They chose their own doctors and procedures. If they had a good year with relatively few expenses, they got money back. If they had a bad year, their maximum out-of-pocket expense was $200. Well-care services, like check-ups, counted against the deductible. They did not under the State's traditional plan. But they did under the medical savings account plan.

The City saved money, too. The difference between the deductible on the State $200 deductible indemnity plan and the higher $2,000 deductible insurance policy we combined with the medical savings account, was approximately $2,300. After using $1,800 of that savings to fund our employees' medical savings accounts, we still saved a net $500 per employee family electing to take the medical savings account option.

Talk about a win-win situation. We gave our employees control over their own health care, lowered their potential out-of-pocket expenses, and saved the taxpayers money at the same time. We were able to afford to do this because at the same time that we empowered our employees to take control over their health care decision-making, we also created an incentive for them not to get gratuitous care: not, in other words, to waste money.

Let me tell you about a personal experience I had which illustrates how this works.

I had back surgery in 1993. When I was finished with my physical therapy, the physical therapist said: "Why don't you keep coming back? We won't charge you any co-payments." Now, legally, that's fraud, because they will report to the insurance company that they are collecting

my co-pays, and then not do it in order to tempt me to keep coming back. But in all honesty, I didn't need any continuing physical therapy. Physical therapy on your back is kind of nice. They give you electro therapy and massage. It's really rather pleasant. So people, if they don't have to make any co-payments themselves, might be tempted to say "yes" to the proposition that they keep coming back. But they won't say "yes," they won't get unnecessary care, they won't drive up health care claims and insurance premiums, if by saying "no" they get to keep the unspent funds in their medical savings account.

That's how medical savings accounts control the cost of health care. They do it through self-rationing. HMO's use third-party rationing, where someone else gets to decide whether you can see the doctor you want, or get the procedure you want. Medical savings accounts simply create a first-party incentive for you not to waste money, and then give you the power to make all of those decisions yourself.

Medical savings accounts provide affordable health care choice. They represent a better way to keep health care affordable, where you get the result you want without having to give someone else power over whether you live or die. They provide for health care empowerment of the individual.

I was asked to comment about the City's award-winning Bulk Lien Sale Transaction. I'm not going to do that because you can read about it in the book Dr. Hakim and Dr. Andrisani will be bringing out. Additionally, I have some one page articles about it outside.

So I am just going to conclude my comments with this last thought. If we are the ones who are going to be held accountable by the people to provide a certain public service, we should have the power to do what makes sense in our circumstances to provide that service as well as possible, and as inexpensively as possible. There should not be a separation between accountability and power. Governmental power should be kept as close to the people as possible and, wherever possible, those who we say we want to help with a given service should be the ones to choose from whom they will obtain it.

Let's have competition in the provision of government services. But beyond mere competitive contracting, let's have empowerment where local officials and the people themselves do not have to beg central government politicians to be able to do what makes sense in their situation.

Thank you.

Temple professor Paul J. Andrisani addresses the press at the conference as New York's Mayor Giuliani and Temple officials look on.
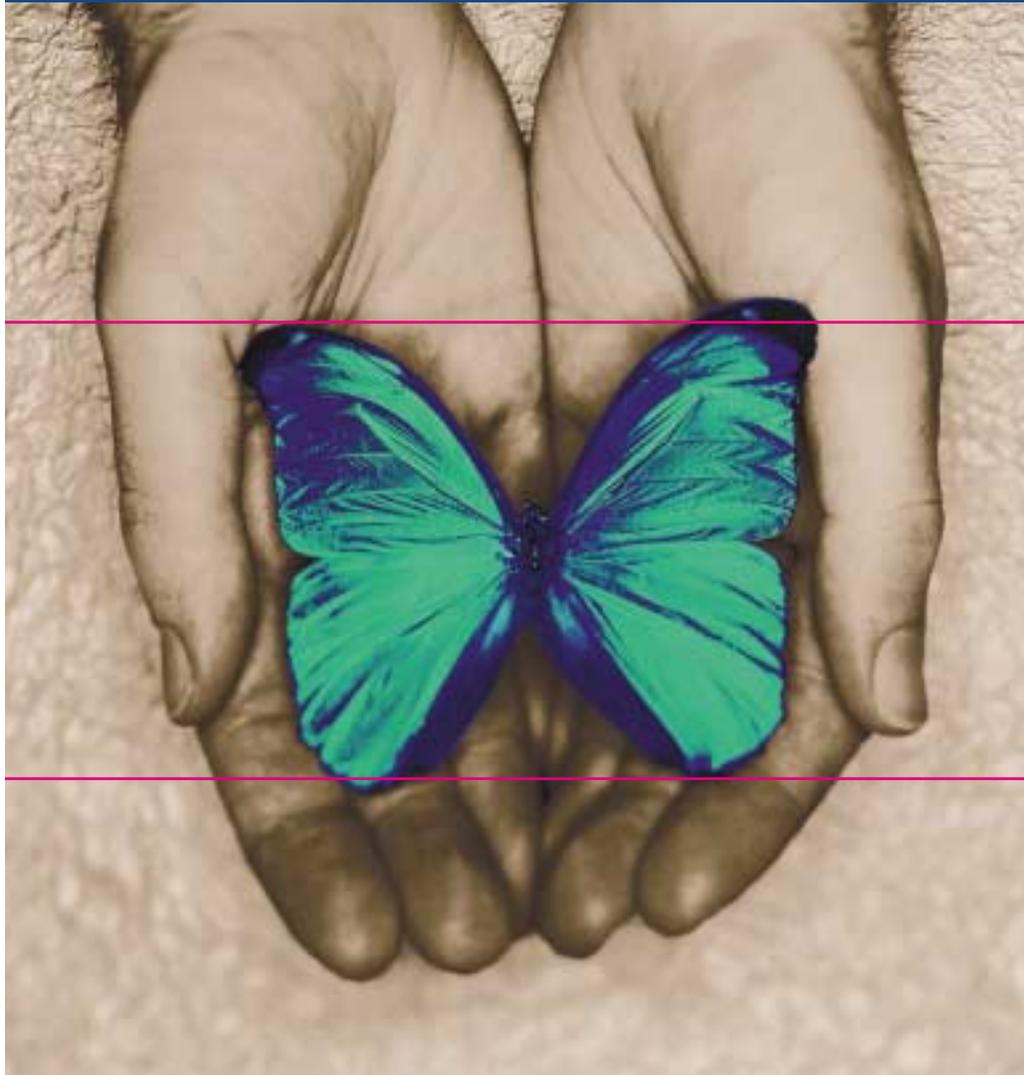
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