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- CSG alerts state elected and appointed officials to emerging social, economic, and political trends; offers innovative state policy responses to rapidly changing conditions; and advocates multistate problem-solving to maximize resources and competitiveness.
- CSG promotes excellence in decision-making and leadership skills and champions state sovereignty.

Spectrum: The Journal of State Government seeks to be an honest observer of the state government arena and a vehicle for expressing the newest ideas and latest thinking on state policies and institutions. The mission of Spectrum is to provide reliable information and insightful analysis on public policy issues to anyone whose interest in state government stretches beyond the limited short-term goals of the status quo.

Spectrum seeks to develop common ground among entities and individuals who are interested in improving state government and to unite practitioners, academics, businesses, the media and others in a common understanding of the problems and solutions that are unique to the governance of the American states and territories.

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Federalism and Governors’ Initiatives

In spite of the 10th Amendment to the Constitution, the nature of American federalism has never been clearly defined, thus leaving ample room for continued debates on proper roles of the federal government and states over the past two centuries. Both practitioners and scholars have defended and criticized theories and approaches of dual and cooperative federalism from ideological and partisan perspectives. Generally speaking, in the past half a century, Republicans tended to favor a smaller role for Uncle Sam, while Democrats tended to favor a larger role for the national government, thus drawing criticisms from traditional advocates for state rights.

Such a traditional description of partisan approach to federalism and intergovernmental relations, however, does not seem to apply to the current Republican administration or Congress. In his article, “The New Politics of Federalism,” in the symposium in this issue of Spectrum, federalism scholar Paul E. Peterson describes the changing trend by saying, “Jefferson is recognized as the spiritual father of the Democratic Party, while Hamilton is at times given comparable status among Republicans. But as political interests changed, so did the positions of the two political parties... Today, the parties are returning to their historic roots.” States appear to be under what some scholars call “coercive regulatory federalism” and are likely to be exacerbated by federal mandates and expensive state-federal joint programs such as Medicaid, No Child Left Behind and homeland security.

As in the previous years, governors and legislators in most states have tried to tackle the aftermath of the recent fiscal crisis by increasing revenues, reducing spending and creating more jobs through traditional and new economic development strategies. Katherine Willoughby, based on more than 40 state of the state addresses given early this year, summarizes her findings: “In 2005, most governors are promoting economic development through tax cuts and credits in order to be able to light up an ‘open for business’ sign in their state.” As we enter the second half of the year, the outlook for fiscal recovery seems promising, and most states are expected to be better off compared to this time last year. Yet the task of rebalancing tilted state-federal relations remains crucial to further strengthen the states in the years ahead.

Keon S. Chi
Editor in Chief
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Federalism is usually treated as a philosophical question. For the writers of The Federalist Papers—Alexander Hamilton, James Madison and John Jay—power was best divided between central and lower tiers of government so as to check each from threatening the liberties of individuals. But, in practice, political and economic interests often dictate the positions that are taken. Even the two principal writers of The Federalist Papers, Hamilton and Madison, entered into intense, bitter conflicts over the appropriate meaning of the U.S. Constitution. Hamilton, a New Yorker appreciative of the wealth passing through that rapidly growing port city, wanted a strong central state in order to promote commerce and international trade. Madison, together with his fellow Virginian, Thomas Jefferson, worried more about defending southern agrarian interests against northern speculators.

Jefferson is recognized as the spiritual father of the Democratic Party, while Hamilton is at times given comparable status among Republicans. But as political interests changed, so did the positions of the two political parties. Throughout most of the 20th century, it was the New Deal Democrats who celebrated an expansion of the national government in ways Hamilton might have blessed, while conservative Republicans defended states’ rights that Jefferson had extolled.

Today, the parties are returning to their historic roots. In the spring of 2005, the Republican leadership in Congress asked federal courts to assure jurisdiction in the Schiavo case, which raised issues long thought to be the preserve of state courts. Most Democrats opposed the move. Only weeks earlier, the Republican majority in Congress, at the behest of the president, had passed sweeping legislation that shifted class action suits that transcended state boundaries from state to federal courts, a nationalizing move that harkens back to the days of Hamilton and his close ally, Chief Justice John Marshall. Meanwhile, the vast majority of congressional Democrats fiercely defended the prerogatives of state trial courts—notwithstanding the party’s deep-rooted preference of federal over state courts during the Great Society years.

Political and economic interests are dictating these changes in party position. Corporate interests closely associated with the Republican Party have long complained about venue-shopping by trial lawyers for courts in which plaintiffs can win large legal settlements. Meanwhile, those same trial lawyers have been one of the key financial pillars of the Democratic Party.

The changing partisan views of federalism are not limited to class action suits. Rather, they are rooted in broader societal changes, most importantly, the maturation of the welfare state. When the welfare state was in its expansive phase, Democrats supported national power as the agent of change. Through federal action, Social Security benefits increased, Medicare and Medicaid were adopted, welfare eligibility was expanded, school funding increased, and the federal government passed money to states and localities through a system of categorical and block grants.

Once the welfare state became as much of a burden as a blessing, politics began to change. With the election of Ronald Reagan, the politics of the welfare state shifted from growth to retrenchment. The age of retirement was lifted, some social security benefits were cut or eliminated, welfare was reformed, school reform was initiated, and new entitlements became impossible to enact. Reform no longer meant finding new ways to serve the putatively needy but rather testing ideas for making more effective use of tax dollars.

Political Trends
These changes were reinforced by political developments, both nationally and locally. It is too simple to say that parties like that level of government they happen to control at any specific moment. But if a party has little opportunity to win a particular bastion of power, they are unlikely to appreciate its virtues. When Republicans found themselves unable to capture undivided control of Congress for any more than four years out of over 60 between 1933 and 1968 and when control of the executive branch was in the hands of Democrats for all but eight of these same years, Republicans had few partisan incentives to support the expansion of federal power. For Democrats, the shoe was altogether on the other foot.

But as the South became solidly Republican instead of solidly Democratic, Republicans only had to approach parity elsewhere to capture national power, giving them an advantage in presiden-
well-being was closely connected to that of the community as a whole. Local banks also were the traditional source of funding for local governments, when loans were needed to finance capital expenses and short-term deficits. As such, banks were natural community leaders. But tax reform in 1986 made it costly for banks to hold municipal loans, and the financial needs of local governments came to be supplied by an international investment community less engaged in the immediate affairs of any given community. Opportunities for local banks to shape local politics were reduced accordingly.

As economic elites lost the interest in and capacity to act in local affairs, their influence was replaced by policy professionals spawned by a maturing welfare state. As intergovernmental programs increased in number and size, so did the number of knowledgeable civil servants who had a stake in the programs they operated. These professionals became advocates for causes in which they believed and developed strong ties to groups dependent on the largess they distributed. The balance of power shifted from those with an interest in low taxes to those who wished to perpetuate a high level of welfare provision.

As just one sign of this transformation, growth in state and local government expenditure from their own fiscal resources grew almost as fast as federal domestic expenditure. As state and local governments expanded their activities, their work force grew even when the size of the federal work force hardly changed. Few realize that the federal civilian work force numbered less than 3 million workers both in 1951 and, 50 years later, in 2001. Meanwhile, the size of the state work force expanded from 1 million to 5 million, and local workers skyrocketed fourfold from 4 million to 12 million. The federal government may be paying half the cost of domestic public expenditure, but the state and local governments are doing most of the work.

**Public Sector Unionism**

In the early years of the 20th century, laws against public-sector strikes had prevented government workers from exercising the crudest form of political power, the power to withhold their services. When Gov. Calvin Coolidge was asked to respond to the Boston police strike of 1918, he won widespread public backing when he declared “there is no right to strike against the public safety by anybody, anywhere, any time.” So popular was his stance, it propelled him from a little known governor to the

“Jefferson is recognized as the spiritual father of the Democratic Party, while Hamilton is at times given comparable status among Republicans. But as political interests changed, so did the positions of the two political parties. Throughout most of the 20th century, it was the New Deal Democrats who celebrated an expansion of the national government in ways Hamilton might have blessed, while conservative Republicans defended states’ rights that Jefferson had extolled.”
vice presidency and beyond. For decades to come, public-sector unionists were at risk if they went on strike.

All this began to change in 1961 when President John Kennedy authorized collective bargaining by unions representing federal workers. The practice quickly spread to lower tiers of government. With the right to bargain well in hand by the mid-1970s, public-sector unions were able to boost their membership rapidly. The percentage of public-sector employees unionized jumped from about 13 percent in the 1960s to around 40 percent in the mid-1970s, where it has since remained.

This expansion occurred at the same time that unions were losing ground in the private sector. Having peaked at about 38 percent of the private labor sector in 1952, it had fallen to 8.5 percent by 2002. As private-sector unions lost membership, the Democratic Party’s most reliable base of support was eroding away beneath its feet. Fortunately for the party, public-sector unions filled the breach, as the membership in these unions became nearly one half of all union workers by 2002. Were it not for public-sector growth, the Democratic Party of the 21st century would bear little resemblance to the party that wrote New Deal and Great Society legislation.

By far, the most important of the public-sector unions are two teacher organizations, the National Education Association and the American Federation of Teachers. During the early 1970s, they conducted successful strikes in numerous cities, opening the floodgate to collective bargaining rights across the country. Teachers, spread as they are across the political landscape, located in every political constituency, trained in the arts of writing and speaking, are effective campaign workers and able policy advocates. Ever since the days of Jimmy Carter’s endorsement of a national Department of Education, teacher unions have committed all but a small fraction of these resources to the service of Democratic Party candidates.

Significantly, teacher unions have more influence in state and local politics than at the national level. In Washington, teacher unions are challenged by a network of think tanks, cause organizations and policy professionals. In state and local politics, unions seldom face as well defined an opposition. In Washington, presidents are able to use their rhetorical powers to control the political agenda. Interest groups must work within the constraints the agenda setter creates. At the state and local level, these same issues become matters of implementation, something that well organized insiders can control.

What is true in education applies to other government employees as well. Public-sector unionism carries greater weight in state and local elections than in national ones, simply because, at the local level, elections have low visibility, with few voters and obfuscated issues. As V. O. Key noted long ago, it is in such contexts that the well organized have the most clout. According to some estimates, public-sector employees outvote the ordinary citizen in local politics by a ratio of anywhere between 2:1 and 6:1.

Partisanship and the Health of a Federal System

Nothing in this analysis should leave the reader convinced that Republicans will in short order become aggressive Hamiltonians. Especially within the judiciary, one should expect a sentimental attachment to past Republican federalism clichés. The quaint revival of a faded version of dual sovereignty theory by a bare majority of Supreme Court justices, all of them Republican appointees, is particularly out of step with the times. But one should not give too much weight to the Rehnquist court’s rediscovery of dual sovereignty. Thus far, the Supreme Court decisions in which the concept has been invoked have been of minor significance.

Outside the courts, the pressures for a resurgent Hamiltonianism within the Republican Party seem stronger than ever. A security agenda requires a strong national government. Containing the welfare state will require the exercise of national control. State professionals can be expected to resist the new reform agenda to which many Republicans are committed. Public-sector unionism, one of the most powerful sources of resistance to Republican objectives, is more entrenched locally than nationally. Inasmuch as Republicans control all the power centers of the national government, they have little reason to trumpet the rights of states, many of which remain in Democratic hands.

Conversely, the Democratic Party must either win the presidency or find solace in the gubernatorial chairs it holds and the state legislators it has elected. Much of the time, it is fighting a rearguard action, one better fought in the hinterland than in the capital city. The street-level bureaucrat is now, more than ever, a major source of its political strength.

One should not expect either party to give up nominal commitment to the ideals they have each long expressed. But neither should one expect either party to act assiduously to protect them. Party interests have changed. So must their principles. We call attention to this fact not to lament it but to underline the durability—and value—of American federalism. Institutions need to have strengths beyond the interests of particular groups and parties. As Madison pointed out, federalism safeguards liberty by protecting minorities. As Brandeis observed, it provides places for experimentation. Its place in the American political system needs to be more deeply embedded than in the faith system of any one particular party. At the same time, Hamilton’s view of the value of central authority cannot be gainsaid. Without a strong central government, a nation’s economic prosperity is endangered. The United States needs to search for the appropriate balance as much today as it has in centuries past. Shifts in partisan attachments may be one way of finding it.

Editor’s Note

This article is drawn from a longer, more documented piece that will appear in Scott L. Greer, ed., Rethinking Territorial Politics: Decentralization, Federalism, Democracy and the Welfare State (Palgrave, forthcoming).

Bio

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Governors’ Initiatives in 2005: Facing Up to the Problem?

By Katherine Willoughby, Georgia State University

State governors’ loathing of tax increases is never more apparent than in this year’s state of the state addresses. In 2005, most governors are promoting economic development through tax cuts and credits in order to be able to light up an “open for business” sign in their state. Many governors are also calling for spending reductions and/or agency and program reorientations or reorganizations in order to reach budget balance.

Introduction

Last year, governors’ addresses to their citizens about state fiscal environments were somber, “less dire” than in 2003, but “no less worrisome.” This year, governors are still hesitant to claim seeing more than some clouds parting to reveal a bit of blue in their fiscal skies.1 In the words of Nebraska’s governor, “the budget proposal before you reflects both optimism and caution.” Idaho’s governor is equally cautious, “even with a conservative spending plan, and the benefit of year-end surpluses, we may very well find ourselves with a shortfall in FY2007.” The bulk of worry rests with ever increasing Medicaid costs. Thus, it is not surprising that a prominent theme of state government chief executives in 2005 is change. South Carolina’s governor speaks for many regarding the future of the states, “to prosper and to thrive economically and academically, things have to change. That has to be our path.” While these chief executives have laid out a profusion of tax and spend ideas to reach budget balance, focused attention seems directed mostly to the spending side of the state budget equation. That is, governors in 2005 are claiming out of control spending as the biggest fiscal varmint.

As expected, most state of the state addresses begin with a litany of successes and changes realized in fiscal 2004 for which governors are claiming credit. Many drum relevant statistics—that personal income is up, jobs are on the increase, wages are growing, and that tourism and/or housing starts are on the rise. Still, there is hesitancy in declaring that state fiscal skies are clear. Common refrains include, “We should do more” or “We should do better.” In the words of New Hampshire’s governor, “I am not here to advocate for more government, but better government, and that starts with open, ethical, honest government.” As noted above, a primary view of governors is that states have a spending problem and not a revenue problem. In Vermont, a state with a fairly diversified tax structure and one that is very inclusive of citizens in budgetary decisions, Gov. Jim Douglas declares that “it is important to acknowledge that we did not get in this situation because Vermonters are taxed too little; we’re here because government has spent too much.” Indiana’s governor is even more direct, “state government is too expensive, too antique in its practices, too indifferent to real, provable results, and in place after place after place, too slow . . . overhanging all our difficulties is the simple, brute fact that our state’s public finances are in ruin. We have outspent our income year after year.” Minnesota’s Gov. Tim Pawlenty concurs that “[s]ome will argue that we should raise taxes rather than slow the growth in these programs. That is simply unrealistic. Income tax revenues would have to double every eight years to pay for these programs at their current rate of growth. We must restrain the growth in these programs to sustainable levels by wisely and humanely changing them so they are comparable to surrounding states, and more focused on those with the fewest resources and the greatest needs.”

There are a few exceptions to the focus on spending. South Dakota’s Gov. Mike Rounds points out that “some people have falsely claimed that the structural deficit [in this state] was caused because past legislatures just wanted to spend more money. The truth is that the structural deficit was caused by the repeal of the inheritance tax, the loss of gold mining taxes and the repeal of the transportation tax. All that added up to $39 million less in on-going taxes collected every year.” Some governors are emphasizing both sides of the budget equation as problematic. Perhaps Utah’s governor sums up the general tenor of addresses this year. “My administration’s policy priorities focus on four commonsense fundamentals—economic revitalization, education, quality of life and governance. . . . To that end, we need a tax policy that is not only friendly to our citizens, but also creates a competitive environment for business. Business as usual will leave us behind our neighboring states.”

Tax Collections and Changes, Then and Now

Table 1 illustrates a comparison of state tax proportions in 1994 and 2004. Subtle change in proportions over time indicates that states now depend equally on general sales and personal income taxes. The category “All other taxes” comprises a larger share of total tax proportion in the states than 10 years ago. Continued chipping away at business-related taxes in the last decade is most clearly evidenced in the decline of the corporate income tax as a significant state tax resource.

In truth, 2004 actual revenues bested 2004 estimates in most states. Still, following passage of fiscal 2005 budgets, virtually
half (24) of the states instituted tax and fee changes expected to yield $3.5 billion more in revenues. The breakdown of revenue changes to realize this $3.5 billion includes:

- 25 percent from changes to cigarette/tobacco taxes
- 20 percent from changes to sales taxes
- 20 percent from additions or changes to other taxes
- 14 percent from changes to or institution of new fees
- 12 percent from changes to personal income taxes
- 8 percent from changes to corporate income taxes
- 1 percent each from changes to motor fuels and alcohol

As illustrated above, collectively the states have relied most heavily on “sin” taxes for added revenue—the greatest proportion of new revenue in 2005 is expected from tax and fee increases related to cigarettes and tobacco products. Also, “collections of sales, personal income, and corporate income taxes are projected to increase by 7.1 percent over prior year tax collections in fiscal 2005, based on enacted budgets” (NASBO, ix). After two years of real decline in state general funds in 2002 and 2003, and no growth in 2004, the real increase of 1.8 percent in 2005 is heartening (NASBO, p. 4). On the other hand, 2005 state expenditures have increased by 4.5 percent above prior years. And total year-end balances as a percent of expenditures are expected to remain below those in 2004; in 2005, this ratio is expected to be 3.4 percent, compared to 4.8 percent in 2004.

### State Budget Balancing Measures

The 2005 Government Performance Project (GPP) examined states regarding their financial management capacities. The project’s recent survey results confirm how difficult it has been for states to balance in the last few years. When asked about the actions taken to stay on budget in recent years, states responded to using a multitude of revenue and expenditure actions. Table 2 illustrates that in 2003 more than half of states used one-time revenues, non-routine transfers, carry-forward balances, and accessed stabilization or rainy day funds to pump up revenues. By 2004, in addition to using windfall revenues, making non-routine transfers and increasing fees or charges, more than half of states also increased tax collection enforcement efforts, while a third of states changed tax structures and refinanced debt. By 2004, more states increased the sale of assets, while fewer made use of rainy day funds or drew down other funds to reach balance.

Other revenue generating strategies used in either 2003 or 2004 include changing tax structures, using additional debt financing or conducting debt refinancing, and tapping rainy day or budget stabilization funds. A number of states also indicate using different methods not listed on the survey to increase revenues in these two years. Such methods include:

- Initiating tax amnesty programs;
- Accelerating tax payments (specifically, withholding);
- Pausing tax rate reductions and setting rates to begin later in the year;
- Joining a multistate lottery consortium;
- Adding new games to the state’s lottery;

### Table 1 State Tax Collections by Type of Tax, 1994 and 2004, 3rd Quarter

<table>
<thead>
<tr>
<th>Tax</th>
<th>1994</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>General sales and gross receipts</td>
<td>34.6%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Individual income tax</td>
<td>31.5</td>
<td>33.5</td>
</tr>
<tr>
<td>Motor fuel sales</td>
<td>7.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Corporate net income</td>
<td>6.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Other sales and gross receipts</td>
<td>2.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Tobacco products</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Insurance</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>All other taxes including:</td>
<td>10.4</td>
<td>12.3</td>
</tr>
<tr>
<td>property tax, public utilities, pari-mutuels, admissions, beverage and other licenses, death, gift and severance taxes, taxes on document and stock transactions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### Table 2 State Revenue Generating Strategies in Fiscal Years 2003 and 2004

<table>
<thead>
<tr>
<th>Revenue generating strategy (a)</th>
<th>Fiscal year 2003</th>
<th>Fiscal year 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use one-time/windfall revenue</td>
<td>53%</td>
<td>69%</td>
</tr>
<tr>
<td>Increase tax collection enforcement</td>
<td>41</td>
<td>59</td>
</tr>
<tr>
<td>Use non-routine transfers from other fund</td>
<td>63</td>
<td>55</td>
</tr>
<tr>
<td>Increase and/or add fees/charges</td>
<td>49</td>
<td>51</td>
</tr>
<tr>
<td>Use carry-forward balances in the general fund</td>
<td>51</td>
<td>39</td>
</tr>
<tr>
<td>Change tax structure to generate revenue increase</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Conduct debt refinancing</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Use budget stabilization or rainy day fund</td>
<td>51</td>
<td>24</td>
</tr>
<tr>
<td>Conduct sale of assets</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Use additional debt financing</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Draw down other contingency funds</td>
<td>22</td>
<td>8</td>
</tr>
<tr>
<td>Increase short-term borrowing</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>


Note: To balance budgets many states make changes to revenues, expenditures and debt. States indicated that the following revenue actions were used to realize a balanced budget at the end of each fiscal year noted (percent of states responding that action was used).

Key: (a) Data was available for 49 states.
Recall that all of the other methods for reining in spending were used in these years. As illustrated in Table 3, the most common expenditure reduction strategy used is simply cutting spending—most likely in a targeted way, but across the board as well. A majority (60 percent) of states conducted a hiring freeze in 2003; just 38 percent of states claimed use of this measure in 2004. Many states, although not a majority, also conducted program reorganizations in both years to reduce costs. Cutting aid to local governments was a fairly popular method of reducing or delaying state expenditures in both years—over a quarter of states cut local aid in 2003 and 2004. Close to a quarter of states indicate initiating layoffs in 2003; down to 15 percent of states indicating layoffs by 2004. All of the other methods for reining in spending were used in both years, even if by just a few states. A number of states also indicate using methods not listed to reduce expenditures in these two years. Such methods include:

- Initiating early retirement program(s);
- Freezing merit raises of state employees; suspending annual employee cost of living adjustments;
- Terminating and/or amending state contracts;
- Eliminating funding to nonessential appropriations;
- Suspending transfers from the general fund;
- Delaying scheduled payments to K–12 schools and payments to counties for property tax relief;
- Lapsing unspent agency appropriations to the General Fund and not allowing appropriations to be carried forward;
- Requiring or increasing employee contributions to health care costs; placing HMO plans into cost/efficiency tiers; engaging a pharmacy-benefits manager;
- Establishing holidays on state payments for state employee sick leave conversion liability; and
- Implementing monthly agency spending targets.

### Table 3 State Expenditure Reduction Measures in Fiscal Years 2003 and 2004

<table>
<thead>
<tr>
<th>Expenditure strategy (a)</th>
<th>Fiscal year 2003</th>
<th>Fiscal year 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make targeted spending cuts</td>
<td>80%</td>
<td>71%</td>
</tr>
<tr>
<td>Conduct across-the-board spending cuts</td>
<td>71</td>
<td>49</td>
</tr>
<tr>
<td>Initiate program reorganization</td>
<td>42</td>
<td>49</td>
</tr>
<tr>
<td>Freeze hiring</td>
<td>62</td>
<td>40</td>
</tr>
<tr>
<td>Cut local aid</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Implement privatization initiatives</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Initiate layoffs</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Reduce contribution to pension funds</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Delay payments for purchases</td>
<td>18</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: To balance budgets many states make changes to revenues, expenditures and debt. States indicated that the following expenditure actions were used to realize a balanced budget at the end of each fiscal year noted (percent of states responding that action was used).
Key: (a) Data was available for 45 states.

### Recurrent Themes

Recurrent themes throughout the 2005 gubernatorial addresses include increasing and/or creating state relief programs for the military—through tuition assistance, increased death benefit payments, and/or new programs and services specifically for veterans and their families. For example, the governor of Oklahoma proposes “Operation Homefront” to provide “a tax exemption for military pension income for all veterans and purchase a $250,000 life insurance policy for every Guardsman.” Some state legislatures are beginning to respond accordingly by passing part or all of such initiatives. Governors also brought up the Indian Ocean tsunami disaster and either recognized their state’s support thus far or pledged additional relief to this part of the world. Most state and local governments recognize the influence of the “global economy” on the direction of their state, many couching their initiatives as methods of engagement with this economy. Minnesota’s governor explains, “We all need to grasp the importance of the Rochester model. They’re a successful global competitor. Why? Because they have seamlessly integrated science, technology, infrastructure, entrepreneurship, a partnering role for government, and lots and lots of hard work. Global competitiveness is Minnesota’s strategic objective. We have lots of work to do to get us there.” This theme coincides with governors’ concerns related to economic development, job growth and specifically the out-migration of their young citizens. Many are advertising their states as “open for business.” Others seek to initiate and/or strengthen programs that make it attractive for native-born citizens to settle in state and pursue productive work. For example, Maine’s governor suggests an “aggressive telecommunications strategy” so that every Mainer can “plug into the global economy from their community.” Iowa’s governor talks of expansion of “Great Places” throughout the state by energizing a consortium of state agencies to work together to streamline application processes, better package resources, and target the most innovative communities in the state. In Illinois, the governor is asking for more financial incentives to draw in companies that make homeland security products, as well as support for building a new airport in Peotone to expand air travel into and through the state. New Mexico’s Gov. Bill Richardson offers tax exemptions for that state’s aviation industry, and he seeks to create the New Mexico Spaceport Authority to further develop this industry. In general, recommended education programs, research and development and other initiatives mentioned are geared to stemming out-migration as well as advancing in-migration. New York’s Gov. George Pataki wants New York to become first in insourcing jobs. “Let’s focus not just on keeping jobs, but on attracting new jobs and new investments from around the world.”

As noted earlier, governors are very cognizant of the continued mismatch between state revenues and expenditures—many consider that it is not taxes that are too low, but spending that is too high. This is a scenario that most recognize cannot continue without significant consequences to the wealth of states and well-being of citizens. Minnesota’s governor emphasizes that “keeping a lid on taxes is not just good for the taxpayer. It’s a powerful way to force government to be more accountable, set priorities and spend smarter.” Most point to Medicaid as the primary spending culprit. Arkansas Gov. Mike Huckabee paints a picture evidenced in most
states—almost all (91 percent) of the state’s general revenue funds Medicaid, education and prisons. Thus, many governors expressed worry about how to fulfill Medicaid commitments, both now and in the future. Vermont’s governor characterizes this area of state budgets as “growing at an unsustainable rate.” Gov. Mitch Daniels proposes big changes to Medicaid in Indiana. “We will slow this unsustainable growth rate by half. Over time, we will rebuild a broken, antiquated system so that it delivers better care to those who cannot afford to care for themselves, while remembering that taxpayers deserve compassion too.”

State chief executives continue to have management reform on their minds as well. Washington’s governor proposes “legislation to establish a new government management accountability and performance approach to government—GMAP for short.” In this state—already well known for doing an excellent job managing information, the mantra “We should do better” helps focus on holding state agencies accountable for achieving results effectively and efficiently. Similarly, Oregon’s governor claims to have thrown out the old rulebook—“This is not a current services budget. It funds programs based on whether they produce measurable outcomes.” This budget also boasts a spending limitation and rainy day fund. According to Gov. Ted Kulongoski, “in 2005, we need to think and act differently.”

Governors from both Rhode Island and South Dakota propose a red tape reduction task force to help eliminate barriers to conducting business and streamline government operations. New Hampshire’s governor has been busy “zero-basing every department budget,” requiring justification to the penny. Michigan’s Gov. Jennifer Granholm mentions state reorganization as well as the abolishment of numerous boards and commissions as paths to greater efficiency. New York’s governor is also asking to eliminate or consolidate “hundreds of commissions, task forces, boards and authorities that have been established over the course of many decades.” In addition, Gov. Pataki asks that the state pass its budget on time—an important component of public budgeting transparency. Interestingly, Rhode Island’s governor is throwing “open the doors of the state to all citizens who want to participate” by asking Rhode Islanders to apply for appointments on numerous boards and commissions in that state.

Other efficiency efforts focus on specific management areas. Nebraska’s governor suggests advancing technology and “striving to be a customer friendly, customer responsive government in everything we do, from issuing permits to answering telephones.” Efficiency efforts promoted by Tennessee’s chief executive run the gamut from revamping the issuance and renewal of driver’s licenses to continuing the overhaul of Medicaid. Missouri’s governor presents a budget that includes a reduction of more than 1,000 full-time state positions. Illinois’ governor wants the state’s Finance Authority to “look at new ways to provide financing for wind farms.”

Reorganization ideas abound as well. Delaware’s governor proposes a significant reorganization, “centralizing the administrative and support functions of state government in one agency.” West Virginia’s Gov. Joe Manchin wants reorganization in that state “with the goal of being more accountable for our actions and more coordinated in our economic development efforts.” This governor also seeks pension reform to remedy the fact that the state is currently spending over 11 percent of its revenues annually on pension liabilities. Specifically, Gov. Manchin is asking citizens to support a referendum to establish “a fixed mortgage payment to pay off unfunded liabilities.” Gov. Daniels is calling for dramatic reorganization of Indiana’s bureaucracy and has appointed the state’s first inspector general to ferret out government waste. New Jersey’s governor is creating an inspector general too. Maine’s Gov. John Baldacci seeks to “consolidate financial, information technology, payroll, human resources, and administrative hearings services” to save the state $11 million in the next two years.

Georgia’s governor has appointed a state property officer to conduct a complete inventory of and better manage state property. This governor has also invested in a business approach to government through engagement of a Commission for New Georgia which he touts in his address. This group of business and policy leaders feeds ideas about good management practices to Gov. Perdue. As well, the governor has reorganized his office, with an eye toward a state government that is customer service oriented. Similarly, Wisconsin’s governor is redesigning the way that state conducts business. “We’re rebidding costly state contracts. . . . We’re trimming the state’s vehicle fleet back to its level a decade ago. . . . For the first time, we’re asking state employees to pay a portion of their health insurance. . . . We’ve cut discretionary pay bonuses by 92 percent. We’ve eliminated more than 1,500 cell phones and sold seven airplanes.” In Montana, the governor has formed a performance review committee to ask citizens and state employees alike for their ideas on how to deliver state services more efficiently.

In the area of education, specifically, many different efficiency measures are being touted by governors. For example, more than a few mention developing “centers of excellence” in state university systems, possibly requiring increased tuition to do so. Colorado’s example of funding students, rather than academic institutions is another way of thinking about changed funding and funding channels for education in states. Indiana’s governor has called for a moratorium on school building to support “instruction before construction.” In Michigan, the governor is asking the state’s universities to institute credit amnesty—“accept old credits of adults who re-enroll within the next three years to finish their degrees.” Governors also talked of support for student receipt of college credit in high school to more quickly advance students through educational systems and on to viable careers. In Arizona, the governor spoke of all day kindergarten, moving students beyond high school to enhanced career and technical education—highlighting a renewed interest in states about community and technical colleges—and commitment to funding a medical school collaborative.

Revenue Ideas
Budget worries have not stemmed gubernatorial ideas about cutting taxes. Idaho’s Gov. Dirk Kempthorne outlines a very specific tax incentive package for businesses. If a company in this state makes certain investments within a given time frame, the governor proposes:

- A doubling of the investment tax credit to six percent for a five-year period;
- Removing the 50-percent limit on the investment tax credit;
• An enhanced jobs tax credit;
• A new income tax credit for real property improvement;
• Property tax abatement on qualified new construction; and
• Sales tax abatement on construction materials.

This governor also recommends that the state consider increasing the level of bonding to support capital investment. Idaho traditionally maintains a very low debt level compared to other states. Maine’s governor joins Idaho’s in looking to increased use of debt, in Maine’s case, to support biomedical research and collaboration.

South Carolina’s governor is depending upon reduction of the income tax to make that state more competitive. Pennsylvania’s Gov. Edward Rendell is focusing on reducing the corporate income tax rate and modernizing the business tax structure of the Commonwealth. Tax credits are being recommended in New York, despite the fact that as Gov. Pataki notes, “New Yorkers’ tax burden is $15 billion less today because of the broad, sweeping, fundamental changes we made in our tax code beginning in 1995.”

The governor is also recommending acceleration of the phase out of the state’s temporary personal income tax increase. And, his plan includes property tax relief. The governor of Texas has a “game plan” to eliminate that state’s corporate tax over the next few years, combined “with a short-term strategy on reducing the food tax and change income taxes.” Washington’s governor is calling for tax relief for small and startup enterprises.

Some states are taking advantage of increased revenues expected this year. In Alaska, the governor has proposed gas and oil credits for new fields. This state is experiencing a significant windfall in revenues for fiscal 2005, given high oil prices. This governor proposes to use the windfall for education and nonrecurring expenditures, expressing that the increase in revenues should be considered “temporary.”

Wyoming and Montana are other states that have flush revenues, comparatively speaking. According to Wyoming’s Gov. Dave Freudenthal, “We have money. Our revenues are remarkable and our prospects are bright. Money should not, and must not, change our commitment to solving problems and building this state. . . . The amount of money available changes the rate at which we can convert our values into action—it should not change our values.”

Hawaii’s governor wants “to use some of the revenues generated by [the state’s] recent prosperity to pay for a modest yet important $63 million tax cut over the next two years for individuals and families with low to moderate incomes.” Gov. Linda Lingle calculates that this tax cut would mean that “27,000 people will no longer have to file state tax returns, and 78,000 more will see their taxes reduced.” She is also proposing food and medical tax credits, credits to advance partnerships between the state university and business, a reduction in the unemployment insurance tax wage base, a tax credit for the purchase of long-term care insurance, and greater flexibility for the state’s department of commerce to institute more cuts to fees and assessments.

New Mexico’s Gov. Richardson seeks to make a difference through tax cuts that include sales tax holidays, income tax exemptions, and eliminating the single parent penalty. Mississippi’s governor just asks to reform the unemployment tax formula—“Over the last 20 years, because of flaws in the formula used in our state, we have been collecting much, much more in unemployment taxes than is needed to pay unemployment benefits.” Ohio’s governor has a tax reform plan to “cut personal income tax rates by 21 percent over five years, eliminate state income tax for Ohioans making less than $10,000 a year, and phasing out the tax on equipment and inventory and corporate tax.” This plan is expected to reduce state revenues by $800 million in the next two years. The governor is asking for “restrained spending and reduced Medicaid growth” to support this tax reform package. Rhode Island’s governor has presented a five-year tax reduction plan that includes “new lottery revenues dedicated to direct property tax relief.”

Kentucky’s governor is asking for extensive tax modernization—suggesting an income tax rate reduction along with numerous tax credits—in construction, research and development, Brownfields, clean coal technology and other environmentally related areas—historic preservation credits, and tuition tax credits. Gov. Granholm recommended the Michigan Jobs and Investment Act which, if enacted, would mean that “three out of four business tax payers will pay significantly less.” Maryland’s governor is encouraging business growth, specifically filmmaking “by offering film companies a rebate on the first $25,000 of wages paid to production employees on locations in the state.” New Mexico’s governor also seeks an extension of that state’s 15-percent refund on filming expenses. Maryland’s chief executive is also promoting extension of the state’s research and development tax credit as well as addition of an “entrepreneurial investment technology tax credit” to advance business in-migration to the state.

Governors are marking the property tax for reform too. Missouri’s governor suggests that school districts be allowed to use a sales or income tax to alleviate heavy dependence on the property tax. Maine’s governor addressed the citizens of that state after signing into law government and property tax reforms that establish spending caps and expand property tax relief. Wisconsin’s governor proposes simplifying the form used for the homestead credit—from 17 to one page. Also, “instead of just giving incentives to achieve a target property tax increase, we will provide bonuses for municipalities and counties that hold their property taxes even lower.” In Texas, the governor agrees with property tax relief, taking it further, “It is time to cut property taxes for hardworking people of Texas. In fact, let’s not only give Texans property tax relief . . . let’s give them appraisal relief too. . . . Let’s cap appraisals at three percent.” Gov. Rick Perry seeks new revenues by instituting a “broad-based business tax that is fairly distributed, assessed at a low rate and reflects our modern economy.”

Iowa’s governor is asking for a tax rollback as well as a cap on future property tax increases. This governor also seeks an increase in the cigarette and tobacco related taxes, to be earmarked for health care. Kentucky’s governor has requested an increase in the cigarette tax as “a matter of fairness and sound public policy.” Even North Carolina’s Gov. Michael Easley states that “the time has come to significantly increase the cigarette tax and reduce teen smoking.”

Other interesting revenue generating strategies mentioned include Gov. Daniels’ call to “the most fortunate among us, those citizens earning over $100,000 per year, for one year, to pay an additional one percent on the income they receive” to help balance the budget. Maryland’s governor is asking for “a fully phased in slots program” that could mean more than $800 million in new
revenue to the state annually. California’s governor is presently stumping for a referendum similar to the federal government’s Gramm-Rudman-Hollings sequester law (Emergency Deficit Control Act of 1985). In a special legislative session, Gov. Arnold Schwarzenegger says, “I will submit to you legislation that cuts expenditures across the board when they grow above revenues. We must take back responsibility for the budget. We must have a new approach that overrides the formulas, overrides the special interests and overrides the forces that have turned some of you from legislators into clerks.” The governor also characterized the state’s pension system as “out of control,” calling for movement from a defined benefit to a defined contribution system. Colorado’s governor seeks fiscal redress through the “specific provisions of TABOR” to support the state’s transportation infrastructure, higher education and public safety needs. “This plan also proposed tax relief for working families. We should take a commonsense step to prevent the government from collecting dollars it can’t use. Let’s roll the personal income tax rate back to 4.5 percent.”

Conclusion

While governors’ tax and other revenue generating strategies generate the most interest, many other areas of policy interest were mentioned in this year’s addresses. Governors also talked about:

- Cost containment of prescription drugs;
- Reducing the opportunities to develop and deal methamphetamines;
- Changing funding relationships with local governments;
- Advancing protection of natural resources, the environment, development of renewable energy resources, and water conservation;
- Strengthening government ethics law;
- Initiating elections reform;
- Negotiating related to tribal gaming;
- Advancing homeland security and public safety; and
- Legislating tort reform.

The Cato Institute’s most recent fiscal policy report card on U.S. governors finds most to be performing at an average to below average level, given their measure of excellence as keeping tax rates low and constraining spending. More than half (27) of governors received a grade of “C” or lower according to the Institute’s fiscal policy measurement. Only four governors, two “freshmen” and two “seniors,” received an “A” for promoting low tax rates and spending growth—those from California, Colorado, Montana and New Hampshire.

Certainly we can see that tax reform and, in particular, lowering taxes remains on the minds of most governors. And, many, if not most states have tinkered with their tax structures in the last few years. Finally, most states have employed many different revenue generating methods in the last two years in attempts to keep pace with spending. Perhaps North Dakota illustrates the fine line that governors walk concerning the need to increase revenues, support economic development, and manage spending commitments. North Dakota’s Gov. John Hoeven (who received a “B” from the Cato Institute Study) explains this state’s present good fortune.

“As a result of growing revenues and good fiscal management, we will close this biennium with an ending fund balance of nearly $130 million, the largest in 20 years. And our state’s revenues are projected to be strong through the next biennium. We have achieved these results through aggressive economic development efforts and we have achieved them without a tax increase.” Going forward, this governor is calling for “more venture capital and investment tax credits for small businesses, . . . doubling the Homestead Tax Credit and repealing the unemployment insurance offset to Social Security for working seniors.”

In light of their typical abhorrence for tax increases, it is hopeful that governors’ focus this year is on restraining spending and retooling state government. Clearly, states cannot continue down a road in which revenues are lost (through tax cuts and credits) while spending commitments grow. If governors are going to stick to holding the line on revenues and even to retrenching revenues, then they must look to either increased borrowing to support spending growth or cut spending and/or the commitments that grow spending. Governors seem to be alerting their citizens that they have picked up some fiscal shears and are ready to start using them.

Endnotes

1U.S. governors report annually or biennially to their legislatures regarding the fiscal condition of their state, commonwealth or territory. Governors may use their address to lay out their policy and budget agendas for their upcoming or continuing administration. The 2005 state of the state addresses were accessed from January through March 1, 2005 at the National Governors Association Web site: just two states, Florida and Louisiana, did not have the 2005 state of the state addresses on this Web site during this time. All quotes and data presented here are from the addresses available on this Web site, unless otherwise noted.

2Other taxes include any taxes not falling into mentioned categories—examples include taxes on nursing homes, gas and oil production, real estate conveyance, live entertainment, research and development and other activities, services and items.


4The GPP mission is to provide states information that can advance government management to achieve public goals and objectives. The GPP conducts a 50-state survey every few years that assesses states’ capacity in managing financial and human resources, information and technology and physical infrastructure. In 2005, the GPP conducted its survey online and integrated work of both academics and journalists to determine grades for states in each of these four areas. Results from this survey are available at www.results.gpponline.org. The GPP is sponsored by a grant from the Pew Charitable Trusts.


Bio

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The Challenges Facing the Eastern Region and Partners

By Former Rep. Robert A. Straniere, New York

This article discusses the challenges that are currently facing the legislatures of the Eastern region of the United States, along with its partners, various Canadian provinces.

The start of each session of a legislature brings with it a new set of challenges. Some issues tend to be perpetual: improving education performance and opportunity; expanding health care coverage; creating economic opportunities and protecting the environment. Often, the decisions taken to address these and other concerns are reflective of the strength of the national economy and its impact on state resources.

Other issues emerge as a result of unanticipated events such as the attacks of September 11, 2001, focusing our attention on the need to improve our security at all levels, or the blackout of August 2003 and the recognition of our need to insure safe, reliable and adequate supplies of energy.

Still other issues arise unrelated to state decisions, such as the impact of increasing immigration, both legal and illegal, primarily on urban centers in the Northeast region.

States are not immune from the direct effect of the decisions made in Washington that create or expand federally sponsored programs and usually mandate a certain level of state spending. As a result, our states and localities become both beneficiaries and financial victims of these actions, with little direct recourse other than to spend our way into compliance.

Further, it has been my experience after 24 years as a member of the New York State Assembly that few, indeed have been the letters, meetings or calls asking for spending reductions. Rather, the reputation and stature of lawmakers is most often a reflection of their success in securing money for local projects, or otherwise increasing funding for any number of worthwhile programs or services. Politically, incumbents seek to define their votes as providing “record increases,” especially if they can be attributed to “education,” “environment,” “children” or the needs of “seniors.”

With that as a preface and context, let’s explore the issues I believe will continue to dominate legislators’ attention throughout the Eastern Region in the 2005 sessions, and likely beyond for some time.

First, the financial impact on implementing the Medicaid program is pushing most states and their local governments to the edge of financial calamity in meeting the health needs of our population. In New York, the fiscal effect is particularly acute on cities and counties (we have 62 of each) that are required to pay one half of the state’s 50-percent share of the federal program.

When you remember that New York spends more than California and Texas combined, you can better appreciate how this record spending both detracts from adequate funding of other public programs, leads to tax, fee and surcharge increases, but is especially a seemingly impossible financial burden on smaller rural communities that lack the ability to identify other options or new sources of revenue, and continue to fall back upon ever-escalating property taxes.

Few legislators are advocating a diminishing of health care coverage. In fact, we continue to expand programs such as Child Health Plus (full coverage up to age 19) and Family Health Plus (family coverage for those not Medicaid eligible). We grapple with how to provide health coverage for some 3 million working middle-class New Yorkers and their families who are not Medicaid eligible, but lack insurance coverage and are thereby potentially unintended recipients of escalating social service programs, subject to serious personal financial disruption along with the ancillary negative social consequences. Add to this the expenses of prescription drug coverage programs such as EPIC in New York and the magnitude of the problem becomes readily apparent.

The political pressure to ever increase the level of spending is an eternal fact of legislative activity. It is usually one of the reasons for budget impasses as areas with declining or static school-age populations refuse to accept a reduction or even a reduced spending increase compared to localities experiencing school-age population increases. This makes the art of negotiation and compromise most difficult, pitting cities against suburbs against rural areas. In fact, the school equity lawsuit in which the Court of Appeals decided that each child in New York City is entitled to a “solid basic education,” is being replicated in lawsuits all over the region and even within the state of New York. Legislative leaders from outside New York City seek to apply that undefined statement to a demand for increased spending in their areas before they face a court-ordered spending increase that, if paid for by the locality alone would surely mean the most politically lethal of all taxes—an increase in property tax.

The final outcome here is uncertain, but there is the potential for years of continuing litigation. Will the cost be borne by the state alone or will the cities and localities have to contribute to the increase? At the end of this...
process it is likely that a substantial spending increase will be ordered. The need to raise taxes (cutting other programs is not acceptable) or the introduction of new non-tax sources such as casino gambling, the lottery, other forms of betting (which may require constitutional changes in the states affected) has drawn increasing interest from governors who must first recommend how to fund the education programs each state provides or will be ordered to provide by the courts.

The attractiveness of gambling as a recreation or entertainment form of painless revenue for states is growing. The persuasive argument that your state’s money is being gambled in other states anyway, so why not keep it at home, seems to outweigh the negative social consequences that are documented in legislative discussions.

Creation of economic opportunities in a region that for three decades has been experiencing migration to warmer, less taxing states in the South and Southwest continues to be a challenge. The power of organized labor to influence decisions to save jobs is a political reality that must be weighed against the ever-increasing globalization of our economy. While many continue to rail against NAFTA, facts have demonstrated that this treaty has led to an increase in jobs in all states and should continue to do so as the economies of Canada and Mexico become stronger. Likewise, the facts on jobs lost through corporate outsourcing and in particular sectors are uncertain at best.

Related to this issue is the return in immigrant populations (both legal and illegal) to New York and the region as a whole. New York City now has its largest nonnative-born population as a percent of the whole in 100 years. These new New Yorkers are revitalizing older neighborhoods, increasing the roles of our city schools by some 25,000 students per year, investing in our neighborhoods while at the same time increasing to a degree certain social costs. On balance, however, this is clearly an economic plus as well as a welcome addition to the cultural diversity of our metropolitan areas, so that our region is even more reflective of the people of the world and not just the European continent.

Not just New York City, but the entire Northeast region was directly impacted by the events of 9/11. The lives lost, families disrupted, businesses destroyed and lifestyle changes directly affected the communities in neighboring New Jersey and Connecticut as well.

The need to improve security of all states, toughen criminal and anti-terrorism laws, improve law enforcement techniques and secure our borders, not only with our Canadian neighbors but with our partners in maritime commerce and all forms of transportation have continued to occupy our attention as legislators. The rebuilding of lower Manhattan will have a major impact on the tri-state area and its economies.

How can we in the Northeast continue to ensure our people in their homes and businesses that we will have secure, reliable and affordable energy in light of the system failure of August 2003?

How will we continue to strengthen our partnership with our neighbors to the North—Canada and her provinces, particularly Ontario and Quebec, in the areas of trade, security, energy and tourism?

How will we continue to improve our ability to move people to and from places of work through a reliable mass transit system that is basic for so much of our region’s economies, as people opt to live further from their places of work for a variety of reasons?

How will we continue to take action to reduce pollution from vehicles, improve the quality of our water supply as well as lakes and beaches and protect our vast open spaces and wilderness from unwanted development?

How will we reign in the power of the public authorities that control so much of the region’s activities without sacrificing their ability to make decisions and take the very actions that are less sensitive to the politics of the moment and for which they were created in the first place?

As the Executive Board meeting of the Eastern Regional Conference of The Council of State Governments in December 2004 in the Virgin Islands demonstrated, most of these issues were identified as matters likely to be taken up in the coming session in each state.

To the extent different issues not before discussed and unique to individual states were identified, they were as follows:

**Connecticut:** Funding stem cell research; medical malpractice reform and new ethical standards for elected officials.

**Delaware:** Protection of open space; education performance scholarships for teachers and so-called “second chance” legislation.

**Maine:** Tax reform.

**Massachusetts:** Policy decisions in criminal justice and health care will reflect the anticipated budget deficit.

**New Hampshire:** Campaign finance reform.

**New Jersey:** Ethics in government; election of a lieutenant governor since New Jersey is the only state without one and the current governor is simultaneously serving as majority leader of the state Senate, seemingly blurring our traditional concept of separation of powers.

**Pennsylvania:** Developing alternative energy sources and medical malpractice.

**Rhode Island:** Reconfiguration of the division of state governmental power between the General Assembly and the governor, which has existed since colonial times.

And among our regional partners:

**Nova Scotia:** Close division in political control will likely limit any significant changes in current law or programs.

**Puerto Rico:** The closely contested gubernatorial election will limit significant changes. However, budget deficit will be a major problem.

**Quebec:** With no budget deficit, legislative action will likely focus on trade, security and health care.

While the issues presented reflect both the similarities and diversity of our Northeastern states along with our Canadian and Caribbean partners, the question of how we will continue to recruit dedicated men and women to commit themselves to the demands of time, family disruption and financial sacrifice that come with being an effective member of a legislative body remains universal. At least on this last point, I have every confidence of our collective success!

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**Bio**

Robert A. Straniere served for the past 10 years as the assistant Republican leader in the New York Assembly. For 24 years he was a member of the Assembly Ways and Means Committee and served as a ranking member. Straniere served on the Executive Board of The Council of State Governments and chaired its International Committee. He also served on the Executive Board of the Eastern Regional Council. He is a graduate of Wagner College, New York University Law School, and holds a Masters Degree of Law from New York University. He practices law in New York City. robertstraniere@yahoo.com.
After weathering the 9/11 storms as well as other complex problems of recent years, the Southern states see sunnier skies ahead, but there are still menacing clouds looming on the horizon. For instance, while the revenue forecasts in the Southern states are brighter, rising health care costs, an increasing number of uninsured and underinsured and a growing aging population are threatening state budget stability. There is also a growing concern about the ability of the rural South and urban centers to find the ways and means to recruit and retain qualified teachers as required by the federal No Child Left Behind Act. And, the devastating 2004 hurricane season showed all of us the growing need to develop a comprehensive interstate plan to deal with such natural and man-made disasters.

The Dollars and Sense of It All

After four consecutive years of revenue shortfalls and substantial budget gaps, the revenue picture in the states in both 2004 and 2005 shows improvement. The better than forecasted revenue collections—mostly in income and sales taxes and, in energy producing states, mineral revenue collections—are welcome news in the South.

Specifically, state tax revenue for the second quarter of 2004 grew by almost 7 percent, adjusted for inflation, compared to the same period in 2003 which made for the third consecutive quarter for real, adjusted growth in the state revenues. The growth rate in the South was closer to 5 percent. Since that time several Southern states have experienced even more growth. Georgia more than doubled its expected revenue growth in the first half of FY 05. Louisiana increased its official revenue estimate by over $150 million in FY 05. Texas is expected to have a $6.4 billion increase in available revenue for its two-year 2006–2007 budget cycle.

However, to get a real sense of what the increased state dollars really mean in the state budget picture, one must realize that even with the extra dollars, Southern states continue to face serious fiscal issues, driven mostly by the rising cost of health care and a reduction in federal Medicaid dollars. In Maryland, the state health department drafted a $480-million list of potential program cuts. Mississippi faced a 25-percent increase in Medicaid funding needs in its 2006 state budget. Louisiana is short $300–$400 million in its Medicaid budget in the 2006 state budget. Louisiana is short $300–$400 million in its Medicaid budget in the 2006 state budget. The devastation 2004 hurricane season showed all of us the growing need to develop a comprehensive interstate plan to deal with such natural and man-made disasters.

Lessons from the Classroom

The states in the South learned early on that they were in a better position than others to handle the demands of the No Child Left Behind Act, having previously adopted on their own initiative accountability reforms that sought to measure student performance and to align curriculum and assessment standards. But, even with that head start, states in the region face increasing financial pres-
sures in an effort to avoid sanctions against schools which fail to meet the federal Annual Yearly Progress benchmarks. Meeting the challenge of recruiting and retaining highly qualified teachers as required by the act is also a challenge, especially in rural communities and in urban centers.

The Southern states lead in the number of teachers earning National Board Certification. A number of states are promoting the certification with annual bonuses and other incentives. The region has also taken great strides to improve teacher pay and teacher training to improve the quality of instruction in schools.

The Southern states also recognize the necessity of closing the achievement gap among students and are developing successful targeted programs to help the most academically vulnerable not only survive, but thrive in the classroom. The Alabama Reading Initiative has been widely recognized for its success in raising reading levels among low-income students. Louisiana’s reading and math initiative has been very successful in helping students meet grade level and national standards. And, the South leads the way in state-supported prekindergarten programs having 7 of the top 10 programs in our region according to the National Institute for Early Education Research. Oklahoma, Texas, Georgia and South Carolina make up the top four. And, Louisiana’s relatively new early childhood education initiative for at-risk four-year-old students which involves both public and private pre-k programs is showing remarkable success in raising the skill levels and education readiness of students.

The problem is finding a way to meet the needs of students at a time when there are increasing demands on our education dollars. Rising costs of retirement systems, health care benefits and faculty and staff salaries along with the increasing number of exceptional education students and students with limited English proficiency are straining state education budgets. Additionally, a number of states are facing the pressure of litigation that challenges the adequacy of their school finance systems. In Arkansas, the court decision on this issue led to the single largest tax increase in the state’s history.

Protecting Our Rural Communities

Historically and culturally, agriculture has been a vital part of our economy and community. So, we are all closely watching what happens with the development of a farm policy possibly influenced by trade agreements and the World Trade Organization. At risk is the 75-year-old farm commodity support program that is so important to the agriculture industry in the South, especially cotton and rice farmers. Forging a new agricultural policy that does not run afoul of trade agreements while still providing a framework for food and fiber producers to earn a reasonable income will be a major challenge in the years to come.

The ongoing uncertainties surrounding the future of our agriculture industry makes the need to take a new look at economic development in our rural communities even more important. A concerted effort is underway in a number of states to form new alliances among rural and nonrural organizations and communities, educational institutions, government and business groups to revitalize our rural communities. The effort is focused not only on traditional infrastructure but also technological infrastructure and work force training. We must develop methods of successfully revitalizing our rural communities, a key element of our Southern heritage.

Safety in Numbers

In 2004 and 2005, the states in the South learned a valuable lesson as tens of thousands of citizens along the Gulf and Atlantic coasts battled raging storm after raging storm that battered Florida, Alabama and Mississippi and to a lesser extent Louisiana, Georgia and the Carolinas. The lesson was not only one of the strength and power and devastation of the storms, but the need to do a much better job of coordinating our evacuation and emergency response plans.

In the case of storms in 2003, we all had some prior warning but still interstates and state highways east and west, north and south turned into virtual parking lots as families tried to inch their way to safe ground. Relief agencies and local governments far from the storms were overwhelmed by hundreds of unexpected visitors looking for food and shelter.

In this day and age, we should do a better job of preparing for such natural disasters as well as man-made situations in which we will have no warning. We should take advantage of the opportunity and the lessons learned from 2004 to develop comprehensive, coordinated public safety and communication plans on a regional and interstate basis to properly respond to such emergency situations. There is safety in coming together for the public good.

According to the U.S. Census Bureau, 36 percent of U.S. citizens over 55 live in the South.

More and more of these citizens and their soon to be 55 baby boomer fellow citizens will require more and more state services in the coming years.

An aging population also impacts a state’s revenue base and work force.”

Bio

Sen. John J. Hainkel (R-New Orleans) served in the Louisiana Senate from 1988 until his passing in April 2005. While serving, he held the position of Senate president from 2000–2004. He had previously served in the Louisiana House from 1966–1988 including four years as House speaker. An attorney, he was the only Louisiana legislator ever elected by the membership to both House speaker and Senate president.
Western Growth Trends: Pressure on People and Resources

By Sen. Bart Davis, Idaho

The Western United States is among the most diverse, vast regions in our country. As the West has developed and grown, so have its unique challenges. Water scarcity, dramatic and diverse population growth, increased energy competition, greater involvement in international affairs and a growing urban-rural divide all pose enormous challenges to the human and natural resources of the West.

EMERGING REGIONAL TRENDS

To meet these 21st-century challenges, state and local governments, along with the federal government, will need to develop strategic and flexible collaborative strategies. The decisions will not be easy. In fact, they will be contentious and will require a strong political will and a shared vision on the part of Western leaders.

The stakes are high, and the results of our actions, or inactions, will have major repercussions for the future of the West and its people.

Changing Population and Demographic Trends—The Driver

The West’s changing demographic makeup is transforming its regional landscape profoundly. Consumer markets, politics and day-to-day personal transactions simply cannot continue on a business as usual basis.

One of the most significant demographic trends of the 20th century was the steady shift of the population west and south from other regions. The population of the West grew faster than the other three regions of the country in every decade of the 20th century. From 1900–2000, California’s increase alone accounted for nearly one-sixth of the total U.S. increase and was more than the combined increase of 27 states. Five of the fastest growing metropolitan areas in the United States between 1990 and 2000 were in the West—specifically Las Vegas (Nev.), Yuma (Ariz.), Boise (Idaho), Phoenix (Ariz.) and Provo (Utah).

The racial and ethnic composition of the region also has changed dramatically. In 2000, the minority population represented 42 percent of the total population of the West. Three Western states—New Mexico, Hawaii and California—stand out as the nation’s first nonwhite majority states.

The ethnic group with the largest increase in population was Hispanic. From 1980 to 2000, the Hispanic population more than doubled. More than 40 percent of the Hispanic population lived in the West from 1980 to 2000. Most of the Hispanic population is Mexican in origin, fueled by high levels of immigration and high fertility levels.

Increased population diversity in the West from net immigration, domestic migration and increased birth rates has major impacts on the delivery of services by state and local governments, as well as profound implications for social, economic and cultural diversity policies. The ability of Western states to grapple with the fast-paced demographic trends will play a major role in public policy debates in state capitols in the coming years.

Population Growth Puts Pressure on Already Scarce Water and Energy Supplies

The West’s growing population is putting even more pressure on the region’s already scarce water and energy supplies. Recent warm climate trends have significantly affected annual precipitation and weather patterns in the West. Warming conditions have decimated snowfields far earlier than usual. These conditions have made weather patterns increasingly unpredictable. While lengthy droughts always have been a regular part of climate in the West, recent simulation models suggest that drought will continue to be a factor in the future.

The National Oceanic Atmospheric Administration (NOAA), the federal government’s drought monitoring agency, recently stated that the downward precipitation trends in the West are among the lowest in history. This in turn has created dry weather in over 80 percent of the West—thereby reducing water supplies in major rivers, reservoirs, lakes and dams. NOAA officials do not anticipate any drought relief in the near future.

The length and severity of the current drought have a dramatic effect on water supplies at a time of increased demands on regional water resources. Water scarcity stems from a growing urban population and from increased demands from agriculture, industry and the environment. Drought conditions and increased competition for this limited resource have caused growing tensions and political competition in the West.

Two examples of these growing legal and political tensions include the ongoing debate over Colorado River water that serves Colorado, Wyoming, Utah, and New Mexico in its upper basin and Nevada, Arizona and California in its lower basin, as well as Mexico. Current levels in the river’s two main reservoirs, Lake Powell and Lake Meade, are historically low. Additionally, the Snake River and Columbia River basin are involved in various water disputes and calls to shut off junior water users, which impact all aspects of life. Meeting the states’ allocation demands may be impossible due to decreased water levels.

The West is responding to scarce water supplies in a variety of ways, including water transfers from rural to urban uses, regional water banks and desalination projects. Water transfers are the most contentious of these alternative approaches because of the implications for the future of agriculture, development and rural land in the West.
Meeting the demands of the West’s growing population and economy also is depleting limited energy resources. Existing oil and gas resources in the United States may not be able to meet the future needs of the region. The West will likely turn to foreign oil supplies or accelerate the development of renewable resources such as wind, solar power and water.

Increased worldwide demand for energy resources has dramatically increased its costs. In the last three years, much of the West has experienced significantly higher and more volatile natural gas prices, increases in electric prices, and power shortages.10

The West’s demand for energy resources—and its volatile market prices—is further complicated by global competition, especially from China. China’s aggressive pursuit of energy to maintain its strong economy has helped drive oil prices to record levels in the last year.11 China is the second-largest consumer of oil after the United States, and its consumption is projected to rise from 6 to 9 percent by 2020.12

### Demand for Increased International Engagement

Population and economic growth have demanded increased international engagement. Overall, states throughout the nation are becoming more internationally active, spending approximately $190 million on international programs in 2002, up from $20 million in 1982.13 In 2004 states maintained approximately 224 overseas offices.14

The West is a part of this national trend, and its expanding economy and population, especially driven by new immigrants, have resulted in much greater engagement in international affairs. Over the past 20 years, the Western region has placed much more emphasis on investing in global markets and developing closer ties to its bordering countries—primarily Canada and Mexico.

According to a 2004 survey conducted by the State International Development Organizations (SIDO), 11 of the 13 Western states maintained overseas offices (Nebraska’s offices are run by voluntary representatives). Only Wyoming and California (which closed 12 offices in 2003) did not maintain offices overseas.

Jobs are the driving force in state international engagement. State officials consistently list the desire to create or protect jobs as the primary motivation in international programs.15 The link between employment and state international engagement is well-founded. More than 18 million Americans owe their jobs to trade, foreign direct investment or international tourism.16

Economic factors are the dominant force in state international engagement. However, immigration, terrorism, environmental challenges, the spread of infectious diseases, and new obligations under international agreements also contributed to the trend.17

States use a broad array of programs to advance their interests in the international arena, including international trade and investment, border cooperation, international education initiatives and international partnerships.

The West is the only region in the United States that shares a border with both Canada and Mexico. It is also the gateway to Pacific markets. Western states have responded to the unique policy challenges faced by border states and provinces by creating a wide range of programs and mechanisms to reach across international borders. The North American Free Trade Agreement (NAFTA) adopted in the 1990s accelerated this trend. By 2002, Canada and Mexico represented the top two export markets for American products, with sales to Canada alone exceeding all U.S. exports to the European Union.18

Along the West’s northern border, governors, legislators, and other elected officials meet regularly under the auspices of such regional organizations as the Northeast Governors and Eastern Canadian Premiers, the Pacific Northwest Economic Region, as well as regional conferences of CSG.19 Along the southern border, governors from the four U.S. and six Mexican states meet annually through the Border Governors Conference. Legislators from these same states convene through CSG’s Border Legislative Conference to collaborate on common concerns.

### Deepening Rural/Urban Divide

Two characteristics of the West distinguish it from any other region in the country: most of the land in the West is owned by the federal government, and most of its population lives in metropolitan areas. The intense urbanization of the region has increased the concentration of political and economic power in the cities of the region as the rural areas lose people and political clout.

This phenomenon is true in the Rocky Mountain states, as well as in the coastal states of the West. If the trend continues, the region’s rural economy and historic landmarks may be in jeopardy.

### Conclusion

The existing challenges faced by the Western United States—water and energy scarcity, increased international engagement, and increasing rural/urban divide—are compounded by the increased population and demographic trends. These trends are transforming the West and are driven by a variety of social, economic, cultural, global and environmental factors. The ability of Western leaders to respond to the challenges will be critical for the future of the West.

### Endnotes

1 Demographic Trends in the 20th Century: Census 2000 Special Reports, U.S. Census Bureau, 1.
2 Ibid.
3 Ibid., 24.
5 See note 1, 88.
6 See note 1, 71.
8 NOAA PowerPoint Presentation at CSG-WEST Water and Environment Committee at the 2004 Annual Meeting, Anchorage, Alaska.
12 Ibid.
15 See note 13.
17 “State Guide to International Relations.”
19 See note 13.

### Bio

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Gubernatorial Succession: Managing Transition

By Former Gov. Olene S. Walker, Utah

Serving as lieutenant governor is great training in the event that one should have to assume the responsibilities of governor, and there are several steps that can be taken to manage the transition more effectively.

Having served as lieutenant governor for more than 10 years, I witnessed and participated in administration and policy changes, legislative sessions, budget processes and local, national and international events. I had no idea, however, that this experience would become great training for the day I became Utah’s 15th and first woman governor. Our governor was younger than I and though I knew it could become my role, I never suspected it would happen.

Nearing the end of his third term, then Gov. Mike Leavitt was appointed by President George W. Bush to serve as administrator of the Environmental Protection Agency. The news surrounding the appointment and the apparent transition of governors became overwhelming and exciting. The buzz included whether or not I would be governor or “acting” governor and the legal authority I had to appoint a lieutenant governor, all of which eventually was solved by our attorney general.

Once we believed Leavitt would be confirmed, we began working on establishing a transition team. We created a shadow governor’s office, prepared to step in at the precise moment that Leavitt left office. We shadowed everything from press relations to policy directors.

Have a Staffing Plan in Place

Even if as lieutenant governor you cannot foresee any reason you would be placed into office as governor, you should have a staffing plan in place. A transition would most likely happen quickly and unexpectedly, and it is best to already have a plan—just in case.

I believe the most critical positions in my administration were the chief of staff, the press secretary and the administrative assistant/scheduler. It is important they are appointed immediately. Once in place, these employees can assist you with your staffing plan.

I also selected a person to assist with the transition events. These events included the farewell speech and party for Leavitt, his resignation and my inauguration, the inaugural gala, archiving, etc. It was also helpful to have a person managing the move into the governor’s residence and office.

Investigate and Implement the Lieutenant Governor Selection Process

Once the attorney general gave his final interpretation of the state constitution, it was determined I could appoint my lieutenant governor.

I kept my selection very private, telling no one, until the day before the announcement. I selected my lieutenant governor based on our past relationship (we served together in the Legislature), his ability to work as a team, competency, and skill sets which differed but were complementary to my own and those of my staff.

Immediately Communicate with Cabinet Members

Communication with the press, employees and the public was essential during the transition. It was imperative I be proactive and honest with everyone in order to eliminate rumors and bad press.

I met with department heads and key staff before the transition to express my intentions. I asked specific people to stay and also asked for their loyalty. We discussed critical policy and budget issues and the method for developing future plans. If you are making changes, my advice is to make the changes immediately. Don’t wait!

Handling the Media

At first, most of the media attention was directed to the outgoing governor and our policy was for me to remain as quiet and in the shadows as possible. But questions soon arose regarding the actual description of my title, my authority and my future plans for the state.

Although I couldn’t formally appoint a press secretary, I had asked for a select few communications professionals to volunteer time during the transition. I later appointed my press secretary from this pool.

I was surprised at the amount of local and national media attention I received. Not only were reporters interested in me, they wanted to know everything about my family. We prepared extensive biographies, had formal photos taken and prepared a Web site. I also spent a lot of time briefing my press secretary so she could do many of the initial interviews for me. We also prepared for unusual or controversial stories, which was very helpful.

Start Scheduling Yourself as Soon as Possible

With staff help, we developed a list of important events and began prioritizing them. Once they were on the calendar, we could build a more comprehensive schedule.
It was also critical to develop a procedure to handle the thousands of scheduling requests that came through. Many people wanted five minutes with a new governor. We were able to filter those requests and use staff and department heads as surrogates.

Understand the Budget
I took office one month prior to the governor’s budget recommendations being due. Fortunately, I had been present during many of the preliminary budget hearings and was aware of many issues. I also worked on becoming familiar with the budget for the Office of the Governor.

State agencies also supplied critical budget briefings and we were able to present a comprehensive budget.

Understand and Develop Policy Positions
During the transition, I asked every department, senior staffer and the budget office to supply briefing papers. They were compiled into binders for me and the new lieutenant governor, as well as my new staff.

I also scheduled briefings on state/federal issues with our Washington, D.C. office, the National Governors Association and our congressional delegation.

Planning the Inaugural Events
It was incredibly helpful to have a point person for the inaugural events. The most pressing dilemma was payment responsibilities. This should be determined immediately, preferably before any planning takes place.

I began working on my inaugural speech as soon as I learned there was a significant likelihood I would take office. It took much longer to finalize than I thought. Additionally, many lieutenant governors do not have the experience with teleprompters that our governors have, and it is important to have several practice sessions with the equipment and the speech itself.

Develop Initiatives Quickly
It was important for me not to be seen simply as a caretaker governor. For years as lieutenant governor, I had initiated and created many successful programs and campaigns. I wanted to continue some of the projects close to my heart and also to roll-out new initiatives to benefit our state.

During the transition, I asked key people to become the point people on several initiatives. By the time I took office, we had a schedule for press events and most of the background prepared for the launches.

“Nearing the end of his third term, then Gov. Mike Leavitt was appointed by President George W. Bush to serve as administrator of the Environmental Protection Agency. The news surrounding the appointment and the apparent transition of governors became overwhelming and exciting. The buzz included whether or not I would be governor or ‘acting’ governor and the legal authority I had to appoint a lieutenant governor, all of which eventually was solved by our attorney general.”

Be Prepared for Surprises
One cannot predict the future or anticipate every hiccup (or train wreck), so it is essential to have quality staff and as much preparation as possible done ahead of time.

One area that created some anxiety was the amount of fundraising needed. This included budgets for the inaugural events, special projects, initiatives and running for election. It is essential to understand the fundraising process and to have a fundraising mechanism in place as soon as possible.

Have Fun
While the quick pace of change and new responsibilities swarmed about me, it was critical I took the time to enjoy the events. This was a moment in history to never be repeated and I was at the center. I love public service and tackling tough situations, who could ask for a more perfect opportunity to do those things?!

My family was supportive and my staff was loyal. I was blessed with a network of friends and experts who all had the best interests of the state at heart. Looking back, I’d say the transition was one of the greatest moments in my life.

While developing my initiatives, we also created a brand for the new administration. This was a key element to communicate within days of becoming governor.

Bio
Olene S. Walker became Utah’s 15th and first woman governor in November 2003. Prior to that, Walker served as Utah’s first woman lieutenant governor for over 10 years. As governor, Walker spearheaded many important initiatives including the “Read with A Child” literacy program, watershed improvement, and strengthening partnerships between Utah businesses and higher education institutions. olene@olenewalker.org.
Legislators will become more civil with one another when they develop dedication not only to their agendas, their careers, and their constituencies, but also to their legislature. Incivility will then pose less of a problem and the institution will become healthier for the understanding and support it gets.
bers expect one another to follow. The norms in legislative bodies were never very strong, and they are even weaker today. Reciprocity is still important, but one’s word means less and respect is in shorter supply. The idea of apprenticeship is practically laughable. Trust among members is diminished, just as interpersonal trust among Americans generally is less than it used to be.

To add to all of this, the pressures on legislators from organized interest groups are more varied, more intense and more extreme, thus reinforcing or supplementing partisan division. Formerly, lobbyists pursued an “inside game,” based on relationships with legislators and the case they made in their advocacy efforts. Today, an “outside game” is also in play, whereby grassroots constituencies are mobilized and appeals are directed by interest groups at broader public opinion. Many more people are involved than before and passions are more intense.

In the old days, partisan and other differences among members could be eased—if not overcome—by the socializing that contributed a big part of legislative life. For a number of reasons, socializing nowadays plays a much smaller role in building bonds among diverse bodies of legislators. Members themselves have different tastes and behaviors. They work harder at the job and try to spend more time with their families. They drink less, engage in solitary pursuits (jogging instead of poker), and are not nearly as convivial as the old timers.

Moreover, the environment in which they live is a fragmented one. In virtually every state capital, legislators used to reside in the same hotels or motels during the legislative session. Today, they are spread all around—in condominiums they own, apartments they rent, and various hotels they frequent. Only in a few small states (such as Wyoming where most legislators still have rooms at the Hitching Post) do they live in close proximity to one another. Thus, they are less likely to get together and share stories and experiences or bond, as they say.

Legislators socialize to a lesser extent in part because lobbyists no longer entertain as much as they once did. Ethics regulations prohibit or limit the gifts that legislators can accept or require disclosure of what they do accept. Legislators, therefore, keep a greater distance and lobbyists can get home earlier.

Consequently, fewer opportunities exist for legislators from the two parties and the two houses to get together. The trips, dinners and parties that lobbyists used to host have been replaced by fund raisers, which provide no real chance for relationship-building among legislators. Ethics laws and the “gotcha” mentality of the media work to keep people apart.

"Members will become more civil with one another when they develop dedication not only to their agendas, their careers, their constituencies, and their parties, but also to their legislature. Incivility will then pose less of a problem and the institution will become healthier for the understanding and support it gets."

Does It Make Any Difference?

Unless it made a real difference to the legislature or the process, the loss of civility would not occasion concern. It does, however, make some difference to the legislators, to the legislative process, and to the legislature as an institution.

The legislature, according to legislators, is not as pleasant a place to work as it once was. Indeed, 30, 40 or 50 years ago it may have been too pleasant. It was close and clubby, and legislators spent almost as much time socializing as they did working. The few veteran members left from the good old days remind their colleagues that “It’s no fun anymore.” But the many newer members don’t really expect fun. Nor do they expect the uncivil behavior they encounter in their bodies. However much they may deplore incivility, it does not drive them out of legislating service. Other than in the smaller states, where low salaries are the major cause of retirement, those who voluntarily leave the legislature are few and far between.

Legislators are inclined to believe that, because of the contentious atmosphere, it has become difficult to build consensus and gridlock is likely to result. This may be true, but the impact of incivility here would seem to be only marginal. Consensus—that is, 50 percent plus one or better—does get built on most issues, today as in the past. Sometimes the consensus is bipartisan, other times it is built within the majority party. Either way, things get done. When they don’t, it is usually attributable—not to the mood of the legislature—but to the fact that legislators, significant interest groups, and members of the public disagree strongly as to what should be done.

The most important effect of incivility is probably on the legislature itself, that is the legislature as an institution. The legislature is already under siege from without. Depending on the state, the media can be relentless in its legislative bashing. The public, since the time of Watergate, has become increasingly cynical about political people, including legislators, and political institutions, including legislatures. Americans do not feel that people are adequately represented or that the system is responsive. They think most elected public officials are pursuing their own interests, rather than serving the public interest. And they are highly critical of what they perceive to be the unnecessary bickering, conflict and deadlock in the legislature. The public has lost confidence in the way the institution and the process work.

As an institution, the legislature needs at least some support or appreciation from outside. It sorely needs support and appreciation from within. Yet, nowadays it gets precious little of either. In a period of highly
contentious politics, legislators not only attack one another. They attack the institution in which they serve. Such attacks are grist for the media mill, and feed rather than counter what the public already believes about the legislative system.

If they serve long enough and have leadership positions and responsibilities, legislators may develop an institutional—rather than individualistic or partisan—perspective. But there is no guarantee, given the fact that immediate pressures push them in other than institutional directions. In the 16 term-limited states, an institutional perspective has to come even harder. Members cycle through the house or the senate, with no opportunity to either serve or lead for very long, and no time to develop an institutional commitment.

Yet, the legislature is a remarkable and deserving institution. It is more important than the policies it crafts; it is an end in itself. That is because it functions as the engine of representative democracy. As I explore in my book, *Heavy Lifting: The Job of the American Legislature*, it is the principal agency of representation in the states, it provides a lawmaking mechanism by which settlements can be reached by majorities, and it offers a check on and balance to a powerful executive branch. We cannot afford to permit such an institution to erode because of a lack of support.

**What Can Be Done About It?**

One of my colleagues, searching for a solution to the incivility problem, suggests that Republicans and Democrats unilaterally declare a cease-fire. That is not at all likely to happen, nor should it happen. Conflict is endemic in legislative bodies and contests for control of office and policy are a good thing, not a bad one. Nowadays, however, combat goes a bit too far.

The problem that legislatures face is that so many things separate legislators, while few unite them. Members have different backgrounds, constituencies, and agendas and few chances to bond. The challenge is to increase the occasions for members to get together and to have a reason for doing so.

Probably no legislative body has been as internally divided as the U.S. House during the past 10 years. In an effort to increase comity in the House, David Skaggs, a former congressman who had served earlier in the Colorado Legislature, raised funds for and conducted four biennial retreats for members. These retreats were held over a weekend early in the session, before combat between Republicans and Democrats had become too hard edged. Initially, members brought their families, but over the period from 1997 to 2003 the number who did so dwindled. The assumption of the retreats was that Republicans and Democrats, who socialized together, were likely to see opponents in more humanized terms than otherwise, and this would engender greater civility in the House. There is no persuasive evidence, however, that the strategy worked.

State legislative retreats, at least those in which most members participate, are few and far between. Georgia is distinctive in this respect. Here, all members get together for several days after each biennial election. Some of the orientations for new members run a few days and are held at a place away from the capitol. But most are one- or possibly two-day sessions in the capitol or at a facility nearby. Retreats for all members are certainly a good idea and ought to be held periodically. Given the right programming, such an activity can help build trust. And greater trust among members is requisite for comity in the legislature.

Other ways have been used to bring members together. Cas Taylor, the former speaker of the Maryland House, instituted a bus trip around the state for newly elected legislators. Accompanied by members of the leadership team, these lawmakers visited parts of the state they might not otherwise have gone to see. They became familiar with various institutions and facilities. They also got to know one another by traveling together for five days. Taylor’s successor as speaker shortened the trip because of the state budgetary situation at the time.

It is useful, indeed, to facilitate social interaction among members, but it is not enough. As the Maryland bus trip suggests, such interaction ought to have a more explicit legislative purpose, such as learning about the state. One important purpose is that of developing and communicating support for the legislature as an institution. Promoting such a purpose should be the responsibility of legislative leadership, including leaders from both parties and both houses. It is not enough for leaders simply to pay lip service to their institution, they must work seriously to maintain its health and make it stronger.

That requires that leaders promote and play a role in teaching newer, and even older, members about the legislature and its significance and educating them as to their responsibilities for the legislature’s well-being. At a minimum, members should not run against the legislature, badmouth the legislature, or scapegoat the legislature. The job of the legislators is to leave a stronger institution behind when they depart than they found when they arrived.

One way of building support among members is to enlist them in the job of providing the public with civic education on representative democracy and the legislature’s central role in the system. As part of its representational function, the legislature has the responsibility of explaining itself to its constituent publics, rather than leaving the task solely to the media or even to the schools. Legislatures are beginning to take on this responsibility, but the involvement of members as well as legislative staff is vital. Members themselves have to explain representation, lawmaking, deliberation, negotiations, compromise, majority rule, lobbying, and separation of power in terms that people can understand. They have to make the case for the legislature in the face of public cynicism toward political people and political processes. It is not an easy job, but it has to be done.

Members will become more civil with one another when they develop dedication not only to their agendas, their careers, their constituencies, and their parties, but also to their legislature. Incivility will then pose less of a problem and the institution will become healthier for the understanding and support it gets.

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**Bio**

Alan Rosenthal is a professor of public policy at the Eagleton Institute of Politics, Rutgers University. He has worked with legislatures throughout the nation and participated in programs of the National Conference of State Legislatures and The Council of State Governments. His latest book is *Heavy Lifting: The Job of the American Legislature* (CQ Press, 2004). 191 Ryders Lane, New Brunswick, NJ 08901. (732) 932-9384. alanr@rci.rutgers.edu.
Homeland Security Preparedness: Federal and State Mandates and Local Government

By Kiki Caruson and Susan A. MacManus, University of South Florida

Local governments and first responder personnel play a key role in the nation’s homeland security mission. The results of a statewide survey of local officials in Florida provide a local perspective about the impact of homeland security mandates, the kinds of unmet security needs localities continue to grapple with, and the types of security threats local officials consider most urgent.

When it comes to homeland security policy, there is a great deal of truth to the old adage that “All politics [policy] is local.” While the federal and state governments have dominated the making of homeland security policy, local governments have been made responsible for putting it in place at the grassroots level via mandates from above.

Counties and cities across the United States have ended up bearing a considerable portion of the burden of financing and managing this vital, complex intergovernmental policy arena. This additional responsibility has also resulted in added administrative, political and legal costs. To date, the impact of federal and state homeland security mandates has varied considerably across local governments, as shown by this survey of Florida localities.

Before more mandates are heaped upon local governments, it behooves federal and state officials to take a closer look at the perceived vulnerabilities of cities and counties and their as-yet unmet security-related needs. The views of local government officials in the trenches are essential elements of any meaningful evaluation of where the nation stands in terms of homeland security.

Local officials in general management posts are charged with overseeing a vast array of critical duties associated with emergency preparedness. The nation’s first responders, the specialists—emergency personnel, firefighters, law enforcement officials, and local health care workers—provide the first line of defense in the event of a terrorist attack. Preparedness at the local level is central to preventing acts of terrorism or minimizing the impact of such an event should one occur.

Florida: A Perfect Place to Measure Mandate Impacts

No state is a better place in which to test the impact of intergovernmental mandates on local government readiness than Florida— with its 67 counties, 406 municipalities, and more than 1,000 special district governments. A statewide survey of Florida’s county and city officials (general managers and first responders) conducted in the fall of 2004 confirms that homeland security mandates have significantly affected their jurisdiction’s management, finances, politics and legal systems. The most pressing needs are for over-time pay and interoperable equipment. Chemical and biological weapons, cyber-terrorism, water supply sabotage, car or truck bombs, and terrorist attacks at public venues pose the biggest threats—but these assessments vary by type of local government.

Terrorism is a big issue in the sunshine state for many reasons: a larger-than-average number of military installations; deep-water ports; commercial and private airports; the state’s extensive coastline—the longest of any state; and Florida-based terrorism incidents and impacts—the anthrax incident in south Florida, the flight school training of the terrorists who flew into the World Trade Centers, and the devastating economic impact of 9/11 on the state’s tourism-based economy. National exit polls may have shown that moral values was the most important issue affecting most Americans’ vote for president in 2004, but in Florida, it was terrorism.

Given the state of Florida’s status as a high-risk state, we believe it offers a vital testing ground for evaluating the local perspective on homeland security implementation.

The Survey

Our results are based on a mail survey sent to specific groups of local officials identified by the Florida Association of Counties and the Florida League of Cities. These associations also provided input regarding the content of the survey instrument. (The survey instrument is available from the authors upon request.)

Surveys were mailed to 1,079 city officials on July 2–3, 2004 and to 900 county officials on July 8, 2004. The response rate (as of August 6, 2004) for city officials was 22 percent (n=235), for counties, 21 percent (n=185). These response rates are standard for mail surveys with no follow-up.

Municipal officials who were sent the questionnaire included: city managers, fire chiefs, police chiefs, natural disaster directors, finance directors and city clerks. County officials asked to respond included those grouped by the Florida Association of Counties in the following positions: county administrator, county attorney, clerk of the court, sheriff, county engineer, health services officer, agricultural extension, public works, emergency management, children and youth services, roads and bridges, ag-
Among city officials the greatest impact has been financial (52 percent), with administrative and management responsibilities ranking second (31 percent). Homeland security preparedness is an extremely expensive task, made even more fiscally burdensome for municipalities, which compared to counties, have fewer revenue sources but more first responder responsibilities.

Assessing Perceived Security Threats: New Mandates

While implementation of homeland security readiness occurs at the local level, federal and state legislation generally dictate local responsibilities and accountability. At the federal level, administration officials and members of the Department of Homeland Security (DHS) are working to standardize terrorism preparedness at the national, state and local levels. To achieve this goal, several initiatives will be set into motion during 2005.

The National Incident Management System will be used to standardize the preparedness and response activities of fire, policy and medical first responders. The Office of State and Local Government Coordination and Preparedness housed in DHS, is preparing a National Preparedness Goal to be used as a coordination tool for all DHS-sponsored planning and training at the state and local levels. The department will also ask state and local governments to develop explicit plans for responding to 15 specific disaster scenarios and will eventually implement a Target Capabilities List to monitor progress toward the attainment of national preparedness standards at the state and local levels.

The Homeland Security Presidential Directive issued in December of 2003 directed DHS to establish a set of national preparedness standards and a system for measuring progress in attaining preparedness goals. The new standards are reflected in the State Homeland Security Grant Program—a billion-dollar program administered by the department. To participate in the funding program, states must plan for 15 specific disaster scenarios. States are required to provide detailed preparedness plans for attacks with a nuclear device, an explosive devise, aerosolized anthrax, nerve gas, food contamination, plague and other scenarios including natural disasters such as a major earthquake, hurricane or pandemic flu outbreak.

Current Perceived Threats: Florida’s Local Governments

Many of the disaster scenarios identified at the federal level already rank among the most significant concerns of local government officials in Florida. Our survey asked: “From your position, how concerned are you about the following types of homeland security threats in your own community? Very? Moderately? Or Not Very?” The six most frequently cited concerns (very or moderately concerned responses combined) are: attacks using chemical weapons, attacks using biological weapons, cyber-terrorism, water supply sabotage, car or truck bombs, and terrorist attacks at public venues (Table 1).

Overall, city and county officials have similar security concerns. For county officials, the number one concern is cyber-terrorism (78 percent identified this threat as a concern), followed by a biological attack (77 percent), use of a chemical weapon (76 percent), water supply sabotage (72 percent), and a car/truck bomb (68 percent). For city officials, the top concern is water supply sabotage (79 percent indicated this item as a concern), followed by biological terrorism (72 percent), use of a chemical weapon (72 percent), cyber-terrorism (69 percent), and a car/truck bomb (62 percent).

The seriousness of these concerns has intensified local government officials’ fears that they do not as yet have all the tools they need to adequately address these vital security concerns.
The threat of terrorism has generated tremendous activity at the local level as cities and counties take the necessary steps to fulfill their mission as front-line entities in the war on terror. In order to prevent subsequent acts of terrorism on U.S. soil and to prepare should such an event take place requires personnel, equipment, training, planning, and most of all, funding. Adequate funding is critical to the success of homeland security preparedness at the local level.

Elevation in the threat level monitored by the Department of Homeland Security translates into significant financial costs at the state and local level. During periods when the Homeland Security Advisory System national threat level is raised from yellow (elevated) to orange (high),1 states and localities are unmet needs. A majority of city (52 percent) and county (51 percent) officials indicated that they were still in need of interoperable communication equipment. This confirms what has been called for by national study groups.

Throughout the country, most first responder radio systems are incompatible across disciplines and do not extend across city and county jurisdictions.2 According to the findings of the National Commission on Terrorist Attacks upon the United States (the 9/11 Commission), the inability of area police and firefighters to communicate effectively over radio compromised evacuation efforts at the World Trade Center on September 11, 2001. Interoperable communications systems are critical if multiple groups of first responders, such as police, firefighters, and emergency medical personnel, are to launch a coordinated response to a disaster or terrorist event. Local governments must have interoperable communication systems to effectively coordinate their activities.

### Greatest Unmet Needs at the Local Level: Training and Information Technology

Cities and counties differ in the degree to which they have unmet needs in the areas of training, software and information. In general, a greater percentage of city officials reported some kind of unmet security need than did their county-level counterparts, particularly with regard to training and exercises, information sharing, and technology and software (see Figure 2). This is in part attributable to differences in their respective functional responsibilities, especially in areas where cities handle a greater portion of the area’s fire, emergency rescue, and HAZMAT operations than their surrounding counties.

Among the city officials responding to the survey, 44 percent identified a need for more training/exercises for first responder personnel, 41 percent for more technology and software geared toward managing domestic security, and 37 percent for better means of protecting records and information. Over a third of the municipal officials also said they needed greater information sharing among agencies responsible for the homeland security mission (34 percent), more police equipment (34 percent), better identification of secure alternate facilities (33 percent), and more intelligence and threat assessment tools (33 percent).

Among county officials, 45 percent cited the ability to secure alternate facilities as an
unmet security need. Other needs at the county level include better intelligence and threat assessment tools (32 percent), more sophisticated technology and software (32 percent), more training and exercises for first responder personnel (30 percent), improved methods for protecting records and information (30 percent), clearer lines of responsibility among federal, state, and local entities responsible for preparedness and response activities (29 percent), and more emergency apparel and HAZMAT gear (25 percent).

**Conclusion**

The biggest impacts of homeland security legislation on local governments have been financial and administrative, rather than political or legal. This is to be expected. Mandates from higher levels of government, with a short timeline for implementation, put tremendous pressure on the finances of local governments and dictate intensified administrative oversight. Administrative duties increase most for counties—the administrative arms of state government. Financial pressures are most intense for municipalities, the units of government with the most restricted revenue-raising capacities but with the greatest responsibility for preparedness.

Homeland security mandates have squeezed local budgets and left Florida’s city and county officials scrambling for funds to cover overtime pay related to the fight against terrorism. Suplemental overtime pay ranks as their highest unmet security need. Adequate funding is also the key to securing more sophisticated equipment and additional personnel. But management-related challenges, primarily those involving changes in inter- or intra-governmental relations, also plague many local governments.

As local governments take action to prepare for the possibility of cyber-terrorism, an attempted sabotage of the water supply, or any of the many disaster scenarios identified by the federal government, an unprecedented level of intergovernmental cooperation, funding, and administrative organization will be necessary. This is easier said than done, primarily because “one-size-fits-all” mandates rarely have uniform impacts at the local level.

In our federal system, states ultimately bear the responsibility for the actions—or inactions—of their local governments. The time for thorough needs assessments of local governments’ capabilities, readiness, and unmet needs is now, not later. Our nation’s security depends on it.

**Authors’ Note**

The authors wish to thank the Florida Association of County Officials and the Florida League of Cities for their assistance. We also thank the many city and county officials who responded to the survey, however, the views expressed here are our own.

**References**


**Endnotes**


3 Since its creation in March 2002 and January 2004, the Homeland Security Advisory System national threat level has remained “elevated” or code yellow, except for five periods during which the threat level was elevated to “high alert” or code orange. High alerts ranged from a period of a few days to a month. See: General Accounting Office, *Homeland Security Advisory System: Preliminary Observations Regarding Threat Level Increases from Yellow to Orange,* (Washington, D.C.: General Accounting Office, February 26, 2004).


**Bios**

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S
oon after being elected in November 2002, and as part of our administration’s Strengthening Families Initiative, I was asked by Gov. Bill Owens to focus on helping our most vulnerable children through improving the adoption process. Many adoption advocates responded by contacting my office after seeing this charge report in the media. An unofficial working group of adoption experts was assembled to collectively brainstorm ideas on how to improve the permanent placement of waiting children, and the adoption system within the state.

In April 2003, members of this group met with me to formally present their recommendations. It was decided that the working group would continue meeting to determine the appropriate next steps. The result of their work was agreement to launch the Lieutenant Governor’s Committee to Promote Adoption, based upon best practices in other states.

Focused on the goal to attain a successful, lifelong permanency placement for every “waiting” child in Colorado, the committee was charged with three responsibilities:

1. Review pertinent laws, regulations, judicial procedures, and other support systems that impact the state’s adoption system and:
   • Determine which of these impede the goal of timely adoptions; and
   • Issue specific recommendations as to how Colorado can create an adoption-friendly system free of biases, laws and policies that needlessly complicate or delay the adoption process.

2. Provide prospective adoptive families with statewide, centralized assistance regarding the adoption process, both pre- and post-adoption.

3. Develop a public relations and educational campaign to increase awareness of a child’s need for permanency, to recruit permanency families, to dispel adoption “untruths” and to promote adoption.

The 18-member committee met for six months, dividing into subgroups to study specific needs and make recommendations. The committee was comprised of adoptive parents, adoptees, the state agency cabinet-level director responsible for adoption, a faith-based member, an adoption agency expert, a director of a private child placement agency, a family mental health expert, a state legislator, two rural county commissioners, a district court judge, a magistrate, a private nonprofit foster care program director, a television station community affairs manager, two county social services directors, and a children’s hospital vice president. A final report containing recommendations (including the why, how, who, timeline and status) was released in August 2004 to the governor and the General Assembly for action during the legislative session beginning in January 2005.

Historical Perspective
Throughout the years, organizations have worked with neglected, abused and abandoned children in many ways. Children have been placed in orphanages, group homes and other housing facilities. Most children in out-of-home placements are in foster care until they are either reunited with their biological family or adopted. In far too many cases, neither of these happens. Many children simply “age out” of the system and will never have a family of their own.

Overview of the Problem
There are currently thousands of children in foster care in Colorado, over 700 whom are classified as “waiting children,” which means that the parental rights have been terminated. They have no permanent home or family they can call their own. In Colorado, foster care is a county-administered, state-supervised system.

Overall, in the United States today, there are more than a half-million children in foster care. The majority will remain in care for more than three years and live in at least three different foster homes. Foster care was intended to be short-term, temporary placement until children could return safely to their families or be adopted. For more and more children, however, foster care has become a long-term arrangement. According to the Federal Adoption and Foster Care Reporting System (AFCARS) more than one-fourth of children in foster care had been there between two and five years; another 17 percent had been in foster care for more than five years. Analysis of data from Chapin Hall’s Multi-State Foster Care Data Archive indicates that one out of every five children entering foster care for the first time is under one year old and that the very youngest children stay the longest in foster care. Half of the babies who enter foster care before they are 3-months-old, for instance, spend a total of 31 months or longer in placement.

Children enter care for a number of reasons, but predominantly because of abuse...
Critical Timing

For a child who is waiting for a family, even the smallest delay can seem like a lifetime. Although some of the recommendations we put forth require legislative or administrative approval, others can be implemented immediately. For recommendations requiring funding and/or support from the private sector, we recognized there needed to be a concerted effort to recruit support as soon as possible.

In the spirit of the committee’s goal to attain a successful, lifelong permanency placement for every “waiting” child in the state, the Lieutenant Governor’s Committee to Promote Adoption made the following 16 recommendations:

1. Encourage earlier participation by relatives to avoid a delay in finding a permanent home for a child caused by a potential legal custodian coming forward late in the process, including the day of the Termination of Parental Rights (TPR) hearing.

2. Prevent delays in finding a permanent home for a child due to illicit drug use by parents.

3. Expedite Termination of Parental Rights (TPR) appeals in the Court of Appeals.

4. Reduce the length of time to finalize adoptions.

5. Clarify the issue of when a child is legally free for adoption.

6. Create a better flow of completed adoptive home studies between county departments of social services.

7. Assure that the adopted child has appropriate coverage for their health care needs.

8. Improve public perception of adoption.

9. Implement the existing statute regarding continuances of Dependency and Neglect cases with more consistency and thoroughness.

10. Develop a centralized Colorado Adoption Resource and Education (CARE) Center.

11. Review and recommend required worker characteristics and training processes for adoption personnel, both public and private.

12. Standardize home studies and other adoption programs by using the California Structured Analysis Family Evaluation (SAFE) program as a model.

13. Adopt the slogan: Adopt Colorado Kids, Change A Life Forever and promote adoption by encouraging families to inquire about how to adopt.

14. Encourage the interest and involvement of communities of faith to recruit 1,000 foster and adoptive families.

15. Monitor the impact of adoption subsidies on the rate of adoption.

16. Provide Internet access and a toll-free phone line with rapid follow-up responses to inquiring families, maintaining contact with them until they are actively engaged in the process of adoption. Modify the current “Change A Life Forever” Web site to be more user friendly for those in need of information regarding adoptions, post-adoptive services and the adoption process.

Recently, the recommendations of the committee were embraced by our state legislature, and now Colorado has several new laws in place that will benefit children who are waiting to find a permanent home. On June 2, 2005, Gov. Owens signed HB 1141 into law. This final bill of the three bills implementing legislative recommendations of the committee will do much to protect some of our state’s most vulnerable children. Brief descriptions of the three laws that came out of the work of the committee are outlined below:

• **HB 05-1141:** Defines child abuse and neglect to include the circumstances in which a child tests positive at birth for either a schedule-I or schedule-II controlled substance. Hoping to reverse the growth in the number of children born to meth-addicted parents, this law makes a strong policy stance, recognizing the harm caused by a parent’s drug use on the health of their developing child. This bill will also do more to encourage drug-addicted parents to seek treatment for their addiction before it causes harm to their children. (Signed into law—June 2005)

• **HB 05-1037:** Clarifies the statutory authority for providing Medicaid coverage for children in subsidized adoption. By guaranteeing Medicaid coverage, interested adoptive parents will not be discouraged from adopting children in foster care who have special health care needs. (Signed into law—March 2005)

• **HB 05-1173:** Allows an adoption hearing to be open to the public if the court finds that it is in the best interest of the child and if the adoptive parents agree. This bill also requires that requests for placement with family members must be submitted to the court within 20 days of the date of filing of the motion seeking termination of the parent-child legal relationship. These changes to court proceedings will not only help to increase the public awareness of the benefits of adoption, but will also help to reduce the amount of time it takes for a foster child to have a permanent placement with a family. (Signed into law—March 2005)

While we are making great strides in promoting adoption, it is clear that the problems facing children waiting in foster care are multifaceted and complex. Whenever a difficult decision must be made regarding this issue, the answer usually becomes clear if one stops and asks, “What is best for the child?” There are significant roles for everyone, including the Colorado General Assembly, state agencies, adoption professionals, communities and families. All of the recommendations drafted by the committee, if acted upon, will vastly increase the possibility of attaining a

(Continued on page 34)
Turnpike in Transition: Public-Sector Motives and Private-Sector Methods

By James L. Ely and Christopher L. Warren, Florida’s Turnpike Enterprise

To help meet the critical transportation needs of one of the country’s fastest growing states, the leadership of Florida’s turnpike system operates under the motto, “public-sector motives using private-sector methods.” Florida’s Turnpike Enterprise is a demonstration model and “laboratory for change and innovation” that serves as an excellent example of state government rising to the challenge of today’s difficult issues.

In March 2002, the Florida Legislature passed HB 261, a historic piece of legislation that provides for revolutionary change in the way Florida’s turnpike system is operated now and for decades to come—as a public agency empowered to pursue best business management practices to provide Florida residents and visitors with the best highway system possible. We have already begun to change nearly every aspect of our operations, with the ultimate goal of continuing to expand system capacity to meet growing demand while consistently increasing revenues and lowering operating costs.

Originally consisting of a single 110-mile stretch of highway running north from Miami to Fort Pierce along the state’s east coast, Florida’s state-operated turnpike system—constituted in 1953 and known today as Florida’s Turnpike Enterprise—has grown to become the fourth-largest revenue-based transportation system in the United States. Expanded to meet consistently high population growth rates in the Sunshine State over the past 50 years, it now comprises 449 miles of roadway, more than 130 interchanges and eight service plazas.

The turnpike system was operated for two decades as a separate and independent turnpike authority, then as part of the Florida Department of Transportation, first as a self-contained office and later as one of eight FDOT districts. Today, the “experiment in governance” embodied by Florida’s Turnpike Enterprise represents a clear vote in favor of user-financed transportation to meet current and future highway needs, relying on entrepreneurial solutions to achieve previously unattainable levels of operating efficiency and user satisfaction.

Customer Comes First

Customer service, the first principle in the ongoing transformation of Florida’s Turnpike Enterprise, is also the organization’s bottom line. Our goal is to continue to develop a fully leveraged turnpike system capable of meeting the transportation needs of a state expected to grow another 25 percent in the next decade.

We have been chartered by Gov. Jeb Bush and the Florida Legislature to help keep Florida on the move through customer-oriented, environmentally sound, user-financed facilities. Just like any good business, we provide our customers premium value—in the form of safety, service and convenience—in return for their toll, in order to encourage continued and increased usage of our facilities.

The Way We Work

The passage of HB 261 brought additional highways and bridges under the Turnpike Enterprise umbrella, along with the Office of Toll Operations. The number of Turnpike Enterprise staff increased from 1,300 to 4,600. Nine out of every 10 staff are contract employees from the private sector. One of our first major challenges was to change the mindset of our public-/private-sector work force to be in alignment with the new Enterprise model.

With all employees serving at the discretion of the executive director, the organization was restructured from vertical functions to a more horizontal model. The positions of chief operating officer and chief financial officer were created and filled. In addition, Troop K of the Florida Highway Patrol, the Turnpike Enterprise’s “official and preferred” law enforcement agency, subsequently established its headquarters adjacent to those of the Turnpike Enterprise in Orlando.

Organizational transformation was encouraged by selecting 100 top managers to attend “Flight School,” an intensive course in leadership development and a means by which the managers could be indoctrinated into the new organization. Additionally, all Turnpike Enterprise employees took a customer awareness and team training course.

Other initiatives in the Turnpike Enterprise transformation included establishing performance-based versus effort-based employee evaluation criteria, conducting a work force satisfaction survey, commissioning a recruitment and retention study, and establishing a corporate advisory board. Six very successful private-sector managers periodically meet with Turnpike management to learn how they would operate the Turnpike using private-sector methods.

Technology the Cornerstone

Florida’s Turnpike Enterprise, like many toll agencies across the country, is rapidly moving toward electronic toll collection (ETC) as our preferred means of collecting revenue. We realized early on that we would not be successful in maintaining our high standards for customer service—much less maintaining operating efficiency—without significant growth in ETC.
ETC implementation greatly enhances the motorist’s experience of toll road driving by reducing time delays at toll plazas. ETC also dramatically lowers our operating costs while increasing financial accountability. Ultimately, we believe that open-road tolling—a plaza-less system of electronic toll collection—will be the catalyst for attracting motorists and operating at maximum efficiency.

The SunPass® Challenge—our concerted program to increase ETC usage—thus began in earnest in 1999. The SunPass® Challenge is a multifaceted program that combines streamlined construction protocols to build more SunPass®-only lanes, automated toll-violation technology to protect our revenue stream, and a retail marketing program to put transponders into the hands of Turnpike users—conveniently.

The Turnpike Enterprise has transformed its project design and construction operations, dramatically revising our protocols for project delivery. We now use various combinations of design-build, multiple contracting, and performance bonus options, with specific projects monitored to evaluate protocol efficiency. The entire toll collection system also underwent a thorough reengineering, with new mechanisms put in place to enforce violations and more closely measure the variance between indicated and actual toll collections.

The first-ever statewide retail-sales program for ETC transponders by any government agency in the United States started in July 2003 and has already contributed to a more than 50-percent rise in the growth rate of transponder sales. A 25-percent rate hike in March 2004 for cash-only lanes on the Turnpike Enterprise system delivered another jump in the transponder sales rate, overwhelming SunPass® service centers, cleaning out store racks, and putting the agency well on its way toward a 2008 goal of a 75-percent user rate.

Aggressive Five-year Plan

The Turnpike Enterprise’s 2003 Annual Performance Report put forth a five-year strategic plan based on 10 specific strategies and provided directly linked performance measures for the entire range of the Turnpike Enterprise’s goals and objectives. The 2003–2008 strategic plan calls for the most aggressive expansion program in the system’s history, with more than $4 billion in projects scheduled to extend, expand and improve Turnpike Enterprise roadways.

A 2003 legislative amendment raised the agency’s bonding cap from $3 billion to $4.5 billion, providing added funding for future expansion, which currently calls for a total of 150 lane-miles of widening and 11 interchange improvements through FY 2012. In addition, the strategic plan targeted the construction of more than 100 SunPass®-only lanes by year-end 2004. We also plan to install a fiber-optic network to support system-wide operations and communication.

The five-year strategic plan targeted a five-year increase in non-toll revenue from $80 million to $175 million. Toward that goal, the Turnpike Enterprise formally announced the development of the first of several privately sponsored service plaza designs, and proposed a new strategy for responding to unsolicited business opportunities.

The most progressive element of the 2003–2008 strategic plan, however, includes the deployment of variably priced toll lanes along major congested urban interstates. Called Xpress Lanes in Florida, this solution is also being studied by several other metropolitan areas in the U.S. with severe congestion problems. New toll lanes adjacent to existing corridors will give motorists the opportunity to pay a toll to bypass traffic congestion, thereby lessening the burden on already choked roadways.

The 2003–2008 strategic plan also calls for the transformation of the Turnpike’s Sawgrass Expressway, a 23-mile connector on the northwest outskirts of Fort Lauderdale, into a prototype for the state-of-the-art user-financed highway of the future, complete with open road tolling installation throughout, widened roadways and ramps, aesthetic upgrades, and the deployment of a variety of intelligent traffic system (ITS) components.

Financial Horsepower

In these days of contentious debates over project funding and budget cuts across many state agencies, the Turnpike Enterprise is in excellent financial condition, which we believe to be one of the most powerful testaments of our transformation. Revenue from FY 2002 to FY 2003 increased from $419 million to $458 million representing an approximate increase of 9 percent. Since the deployment of SunPass® in 1999, the per-transaction has decreased by approximately 12 percent.

Through careful financial management, precisely calculated revenue projections, and debt contributions averaging 40 percent of funding ratios, the Turnpike Enterprise continues to be held in high regard by the bond market, having received five rating upgrades and obtaining approximately $2.5 billion in financing through 13 bond sales.

The majority of states continue to rely on motor fuel taxes supplemented by federal funding for their transportation infrastructure improvements. We at the Turnpike Enterprise are quick to point out that “there are no free roads.” Relying solely on gas-tax funding, the state of Florida would be facing a near $50 billion shortfall in addressing critical highway improvements. By fully leveraging the state’s toll road system as a primary capital asset managed with up-to-date private-sector methods, users will pay for the system’s expansion while all Florida residents will benefit.

Florida’s Turnpike Enterprise is an experimental work in progress. Turnpike management feels that it’s pushing forward to demonstrate you can run a toll organization like a business from within the ranks of a state bureaucracy.

Bios

James L. Ely, D.P.A., is the first executive director and chief executive officer of Florida’s Turnpike Enterprise. He was initially appointed director of Florida’s Turnpike System in 1989 after having served as the system’s inspector general. Florida’s Turnpike Enterprise was the 2003 recipient of the President’s Award for Innovation and Excellence from the International Bridge, Tunnel, and Turnpike Association, an organization for which Ely serves on the Board of Directors and will serve as president in 2007. He is also chairman of the Transportation and Expressway Authority Members of Florida. P.O. Box 613069, Ocoee, FL 34761. (407) 532-3999. jim.ely@dot.state.fl.us.

Christopher L. Warren, P.E., is chief operating officer of Florida’s Turnpike Enterprise. He was appointed as the first deputy executive director and chief operating officer in 2003 for Florida’s Turnpike Enterprise. Subsequent to this he served as the director of maintenance. Warren is responsible for all operational divisions within the Enterprise organization. Warren is also active in the International Bridge, Tunnel, and Turnpike Association as well as the Transportation and Expressway Authority Members of Florida. P.O. Box 613069, Ocoee, FL 34761. (407) 532-3999. christopher.warren@dot.state.fl.us.
increased duties and decreased funding—a familiar refrain to state officials across the country. Virtually every director of a government agency is asked to cut costs, eliminate waste, and provide better customer service, all without sacrificing quality, the mission or the morale of its employees.

The Iowa Department of Natural Resources (DNR) is responsible for maintaining state parks and forests, and managing energy, fish, wildlife, land, air and water resources in Iowa. The agency also issues environmental protection permits for various activities. When a business needs to build or expand a water or wastewater treatment system, install a boiler or a paint booth, they must obtain a permit from the DNR. This is to ensure that the construction and operation of the facility limits impacts to the environment. Iowans expect the DNR to enforce regulations that protect them and preserve their quality of life.

The process of permitting businesses can cause friction, though. Businesses want to get through the process as soon as possible. They have other priorities such as meeting payrolls and deadlines, filling orders, and borrowing funds for needed expansions or changes.

In the face of all that needs to be done, a business will chafe at a permitting approval process that seems buried in red tape and appears designed to take as long as possible.

In early spring 2003, representatives from the Iowa Coalition for Innovation and Growth asked me to meet with them. At the meeting, I heard complaints about the air construction permitting process. With an average of 62 days to process a permit, DNR already had one of the fastest permitting programs in the country but coalition members argued the agency could still do better. A faster permitting program could put Iowa at an economic advantage. They offered a challenge: the coalition would help the DNR improve by offering to pay for a consultant to conduct a business process improvement project called a kaizen.

We learned that this methodology, originally developed in Japan, focuses on continuous improvement. It centers on measurement and data, eliminates waste, variability, roadblocks and reduces turnaround or “lead time.” We also learned that top Iowa businesses such as Pella Corporation, Maytag and Vermeer Manufacturing had been using the kaizen methodology for years to improve performance. With the promise of assistance from Pella Corporation officials, we agreed to the coalition’s proposal.

The coalition wanted the event to address the air permitting area. The DNR Air Quality Bureau issues approximately 2,000 air construction permits annually to a wide array of businesses and industries. The agency was contacted by TBM Consulting Group, the North Carolina-based company that specializes in business process improvement, to initiate the kaizen.

Efficiency—In Government?

Fairly or not, governments are often labeled as havens of inefficiency. Why? Certainly government isn’t designed to operate like business. For one thing, we expect openness, public input, and transparency in government activities—these things are important to us. Private business wants to remain, well, private. The lack of competition, something that businesses deal with every day, may be a factor in promoting process over efficiency in government. Rarely have governments embraced the kind of capitalistic drive to “outdo the shop down the road.” Consequently, there is little emphasis on building those kinds of improvement skills in government employees.

The typical governmental approach to improvement is to: 1) appoint a task force; 2) give it an assignment—a problem to solve; and 3) establish a deadline for a recommendation. This approach sometimes works and sometimes doesn’t. At best, and when it works, change can take a long time. At worst, the needed improvement never occurs, leaving employees frustrated and demoralized.

Kaizen is different. This business process improvement methodology is an intense and sometimes challenging approach, but when done correctly can produce swift and dramatic results. Basically, you put a group of people in a room for a week, give them all the authority they need to change a system and let them go. By the end of the week, the new process should be designed and in place. Change—fundamental, dramatic change—happens with stunning rapidity.

Of course, things are rarely that simple and kaizen is no different. Planning actually begins about six weeks prior to the event. The targeted process is identified and critical information is gathered.

The participants are prepared for long days during the five-day kaizen. During the week, the team maps the process in detail and works to eliminate all non-value-added time, black holes (where work can get stuck for days, weeks, even years) and opportunities for variability. The new and improved process is defined and implemented. On Friday, the exhausted but triumphant group presents the new process and results.

DNR conducted the air quality construction permit kaizen event in June 2003. I insisted that DNR customers be included in the event; I saw it as an opportunity to get
past that “across-the-table” feeling. So, in addition to DNR staff, representatives from permitted businesses and the coalition participated. My intuition was right on: after an intense week in a closed room dissecting the intricacies of air quality construction permitting, the regulated and the regulator finally understood each other’s jobs and frustrations. They began to work as a team to achieve the goals of the kaizen event.

During the week, the team analyzed work flow maps and collected time trials on each task in the process. The group discovered that a typical air construction permit may travel through as many as 20 steps from start to finish. These steps included sorting incoming mail, assigning permit and completeness reviews, discussing issues with customers and finally, approving and mailing the approved permit. The team was amazed to discover that only about one day of work content was needed to issue a typical permit, yet the turnaround time was 45 to 80 days. The disconnect between actual and potential turnaround time was due to several reasons. Staff was struggling with a significant permit backlog that, despite concentrated effort, never seemed to diminish. There was idle time buried everywhere in the process that drained efficiency. When incomplete applications were received, staff had to request and then wait for a response. This back-and-forth exchange could eat up weeks, even months. Over time, various bureaucratic fillips had been added that no longer carried any value. The group was determined to identify methods to push the turnaround time as close as possible to the actual work time.

By Friday, the new process had been designed, reviewed and implemented. The flow maps had uncovered a spaghetti-like work path so space was redesigned to reduce the

numbers of handoffs (the number of times the permit moves from person to person) and ensure that the permit itself was always visible (not hidden in a “to-do” pile). Because computers had to be moved and phone lines rerouted, a temporary work space was established where the new process was up and working.

In the end, the new process simplified work flow, eliminated several steps and reduced the turnaround time without sacrificing quality and environmental protection. The amount of time engineers now spend actively reviewing permit applications remains unchanged. Only unproductive time and tasks have been eliminated.

I think the results speak for themselves. Steps in the standard air construction permit processing decreased from 23 to seven, a 70-percent improvement. Handoffs decreased from 18 to four, a 70-percent improvement. The application form was redesigned for clarity and one form was completely eliminated. The average turnaround time for a standard air construction permit decreased from the average 62 days to six working days, a 90-percent improvement. If a new permit arrives in the mail on Monday, on average it will be approved and sent out the following Monday. A special phone helpline now operates for applicants to use to ensure the information they intend to submit is complete and accurate.

Most impressive was the complete elimination of the backbreaking 600 permit backlog. This took six months of determined effort by DNR Air Quality staff, Bureau Chief Catharine Fitzsimmons and Supervisor Dave Phelps, but now all work is current. It was the dedication of our folks that made the difference. They were totally focused on achieving their goals and I give the credit to them.

In fact, I was so impressed by the results I did something virtually unprecedented in state government—I gave each participating employee a bonus. This was allowable because DNR operates as a “charter agency” and through a special agreement with the employees’ labor union. This special designation allows the agency to exercise certain flexibilities in exchange for a reduction in its General Fund appropriation. The agency has also received funding from the charter agency grant program to develop in-house kaizen expertise.

Since that time, DNR has conducted or participated in events in landfill permitting, water quality and underground storage tanks, and another event in air quality. In addition, DNR has participated in a kaizen at the Iowa Department of Cultural Affairs.

I like the successes achieved through the kaizen events and the feedback from customers is extremely positive. Just as important is the reaction from employees. It has given many of our folks a sense of control they have never experienced before. They know now that we can change for the better and that they are the most important part of making that happen. After all, our mission is “Leading Iowans in Caring for Our Natural Resources.” The DNR can and should help lead the way toward world-class government.

Bio

Jeff Vonk received his education at Syracuse University and the University of Maine. After serving in the Peace Corps, Vonk joined the USDA’s Natural Resources Conservation Service and served in several positions. Gov. Thomas J. Vilsack appointed him director of the Iowa Department of Natural Resources in 2001. Wallace State Office Building, 502 East 9th Street #3, Des Moines, IA 50319. (515) 281-5385. Jeff.Vonk@dnr.state.ia.us.

Jane E. Norton (Continued from page 30) successful, lifelong permanency placement for every “waiting” child in Colorado.

The one thing no child should be asked to give up is his or her childhood. The Lieutenant Governor’s Committee to Promote Adoption submitted these recommendations as an action plan to end the crises facing all children waiting in foster care for a “forever family.” In addition to legislative action, it is absolutely imperative that changes continue to be made to ensure that no child will have to fall asleep at night without knowing what it is like to belong to a loving and committed family.

Author’s Note

For a copy of the report, please go to www.colorado.gov/ltgovernor/initiatives/adoption.html.

Endnotes

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4Ibid., 15.


6Ibid.


8Rae Newton and Alan Litrownick, “Children and Youth in Foster Care: Disentangling the Relationship Between Problem Behaviors and Number of Placements,” Child Abuse & Neglect, October 2000, 24, 10, 1363–74.
Beyond Bureaucracy with Charter Agencies

By Jim Chrisinger, Iowa Department of Management and Babak Armajani, The Public Strategies Group

Charter Agencies pioneer a new, bureaucracy-busting “deal.” These agencies volunteer to (1) be held accountable for measurable customer benefits and (2) contribute savings/revenues to shore up the budget. In return the state gives charter agency directors more authority and autonomy in how they produce those results, including exemption from many bureaucratic requirements.

In more detail, here is the Iowa charter agency “deal” that was offered to all Iowa agencies, except Management and Administrative Services. Charter agencies commit to:

• Produce measurable benefits—and improvements in those benefits—for the people they serve.

• Help close the current year’s budget gap, through contributed savings or additional revenues. Additional revenues should be entrepreneurially achieved, not raised through new taxes or fees. Charter agencies must collectively come up with at least $15 million each year.

In return, charter agency enacting legislation provides:

1. Charter agency directors may stand in the shoes of the director of administrative services to “exercise the authority granted to the department of administrative services” in three areas: “personnel management concerning employees of the charter agency,” “the physical resources of the state,” and “information technology.”

2. Charter agency directors may “waive any personnel rule,” “waive any administrative rule regarding procurement, fleet management, printing and copying, or maintenance of buildings and grounds,” and “waive any administrative rule regarding the acquisition and use of information technology.”

3. Charter agencies are exempted from required Executive Council approval for out-of-state travel, convention attendance, and professional organization memberships.

4. Charter agencies may retain the proceeds of capital asset sales.

5. Charter agencies may retain half of year-end appropriation balances.

6. The governor may authorize a bonus for a charter agency director of up to 50 percent of the director’s salary. Similarly, a charter agency director may authorize employee bonuses of up to 50 percent of the amount of the director’s salary.

7. During the period of FY04 through FY06, charter agencies are exempt from mandatory across-the-board budget cuts.

8. Charter agencies are not subject to FTE caps.

9. Charter agencies are eligible for part of the $3 million Charter Agency Grant Fund to foster innovation.
The main “central control” agencies also contributed to the flexibilities, allowing charter agencies to:

• Purchase goods and services outside General Services contracts, provided the charter agency can document the cost benefit, including authority to purchase travel tickets directly instead of using the state’s travel contractor;

• Access technical assistance from experts on innovation and public entrepreneurship at Public Strategies Group, at no charge;

• Retain 80 percent of all new entrepreneurial revenues generated; and

• Utilize streamlined contracting requirements for capital projects.

Also, charter agencies are exempted from many requirements. For example, charter agencies no longer need to:

• File travel claims when expenses are paid by an outside entity;

• Submit pre-contract questionnaires for contracts valued at $1,000 or less; or

• Submit pre-contract questionnaires for corporate or governmental vendors, provided they obtain the information needed to meet audit requirements.

Finally, Gov. Vilsack, Lt. Gov. Pederson, and Department of Management Director Cynthia Eisenhauer made their support unequivocally clear.

Despite all of the above, many directors and staff remained skeptical. Many did not want to gamble on the new deal because they were unsure it was “real.” Some felt they could not justify the fiscal obligation. Others had not made transformation into a results-based organization a priority.

But six directors, who were running into roadblocks on the road to results, saw enough potential to literally pay for charter status with budget cuts or new revenue contributions. They perceived net value. Jeff Vonk, director of the Department of Natural Resources (DNR), was already pushing entrepreneurship and change, challenging his department to be a “world-class organization.” Charter agencies fit naturally with his vision. In addition to the DNR, five others stepped forward in July of 2003: the Departments of Corrections, Human Services, and Revenue, the Alcoholic Beverages Division of the Department of Commerce, and the Iowa Veterans Home. The Iowa Lottery has its own, similar new deal.

All commitments to the new deal are documented in the charter agency legislation and in annual Charter Agency Agreements for each agency, negotiated and signed by the agency director and governor. Each agreement leads with a list of the agency’s specific and quantified performance goals and special projects. The agreements also include a list of flexibilities, the fiscal obligation and other terms.

Note that charter agency status does not infringe on collective bargaining agreements. Charter agencies have worked successfully with our unions as they exercised flexibilities that touched union interests. For example, the Department of Revenue used their flexibility to rehire a retiree at a higher salary because the person had recently become a CPA. Union approval was needed, and obtained after a good discussion.

So Far, So Good

If the new deal is ultimately about better results for Iowans and less bureaucracy for agencies, the first round of reporting is positive. Achievements include:

• Reduced turnaround time for air quality construction permits from 62 to six days; for wastewater construction permits from 28 months to 4.5 months, both without sacrificing environmental quality;

• Reduced stays in Child Welfare shelter care by 20 percent, or 10 days;

• Increased the number of children with health coverage by 12 percent this year;

• Improved the rate of income tax returns filed electronically from 55 percent to 63 percent, first nationally;

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• Reduced the failure rate for probations by 17 percent;
• Reduced the number of Veterans Home residents who have moderate to severe pain from 18.5 percent to 9 percent;
• Provided good work experiences for 50 percent more women inmates than before charter agencies;
• Saved $200,000 by developing a new pharmaceutical bidding process and negotiating drug costs;
• Replaced that wrecked car in two weeks, instead of 15 months;
• Saved $38,281 by bringing contracted work back in;
• Saved money on air tickets, e.g. Des Moines–San Antonio for $444 instead of $656;
• Eliminated the M-40 form, speeding intern hiring from 10 days to one day;
• Waived an administrative rule to correct a pay equity mistake; and
• Reduced turnaround times on personnel actions from months to days.

These results benefit Iowans. They also lift morale inside government. “It’s exciting to be part of an effort that focuses on results and enables us to report those results to a legislative oversight committee that wants to hear from us,” reports Jim Elliott, the charter agency staff lead at the Veterans Home. DNR Deputy Director Liz Christiansen adds, “We have been able to eliminate paperwork and undertake entrepreneurial efforts. And I feel like we’re just getting started.”

Bill Gardam of the Department of Human Services points to employees’ ability to make their own travel reservations as not only resulting in lower costs, but also enabling “employees to have a personal life because now they can better fit their work travel into the rest of their lives.” The bottom line, as the Department of Revenue’s Cindy Morton puts it, is that charter agencies “show that this administration is committed to results for Iowans.”

State budget savings and revenue contributions for FY04 totaled more than $22 million, $7 million more than the $15 million target. Most of the $22 million came from increased revenues, especially from the Alcoholic Beverages Division. Charter flexibilities sparked their entrepreneurial spirit. One of their first and most productive moves was to switch from a uniform markup on their products to variable pricing, which increased revenues without significantly increasing alcohol consumption. The Division’s leader, Lynn Walding, says charter agencies “helped us be creative. It also helped me implement ideas I’ve had for a long time, especially to pursue the business side of our organization. It prompted us to go the extra mile.”

Charter Agencies are also helping agencies absorb budget cuts, in addition to benefiting the General Fund. “Cost savings ideas are percolating up now; these will save us money,” observes Corrections’ Deputy Director John Baldwin.

Revenue’s Morton put it this way, “As a charter agency, we are able to promote out-of-the-box thinking and then act on it.” Baldwin also appreciates that his agency now has “more control over what we do, especially purchasing and classifications. Our agency works more smoothly when we don’t have to go through the bureaucratic process. We now have choice.” DNR’s Christiansen echoed this benefit, appreciating “more of a sense of control over our day-to-day activities.”

The achievements above were expected, at least hoped for. But charter agency staff also described the unexpected. They reported a liberating and energizing effect beyond specific flexibilities. For example:

- Corrections is in discussions with a local casino/racetrack and the Animal Rescue League to create two thoroughbred retirement farms to provide excellent work opportunities and rehabilitation for inmates and more humane treatment for the horses.
- The Veterans Home and Corrections are partnering to turn an old kitchen area into an outpatient clinic.

Neither of these actions was impossible pre-charter, but charter spark and momentum are making them happen.

In interviews for this article, many of the agencies focused on the connection between creativity and charter agency status. “We want to use charter agencies to tap into the creativity of our people,” asserts Liz Christiansen. “Charter agency status has given us an opportunity to try new ideas, share planning and strategies with other charter agencies, and to promote innovation. It has also given us recognition, that we are a proactive department that seeks ways to improve,” according to Jim Elliott of the Veterans Home. Lynn Walding also noted the impact of the spotlight on charter agencies, “Encouragement breeds enthusiasm and improvement.”

The charter agency grant fund has also fostered improvements. Walding notes that “in the past, we would have to go to the legislature to get improvement money. This freedom [through the grant fund] will allow us to provide better service to customers: a new licensing system, automated order entry, and tax payments, all online. So we can redirect staff, reduce operating expenses, and provide better services.”

Grant money enabled DNR to create an internal revolving fund to be a self-lender for future improvements. Liz Christiansen also reports “many new suggestions to save money” that the revolving fund can enable.

When asked now “what’s the first word that comes to mind when you think of Charter Agencies?” the lead charter agency staff replied with: proactive, innovation, opportunity, flexibility and potential.

Overcoming Inertia

For all the promising results, the charter agency concept still faces barriers. A few in Iowa government are still wondering whether the new deal will last. Most are believers now, however. The big conversion happened in October 2003, when a reduced revenue forecast triggered a 2.5-percent across-the-board cut—part of the charter arrangement was that these agencies would be exempt from any across-the-board cuts. Agencies held their breaths, assuming that the governor—or later the legislature—might ask them to take their share of the cut anyway. They did not, which meant that all the other agencies took a larger hit than they would have if the cut had been shared among all agencies. From then on, charter agencies knew the new deal was real.

(Continued on page 40)
Collaborative Partnerships for Arkansans’ Health and Well-being

By James M. Raczynski and Willa Black Sanders, University of Arkansas for Medical Sciences

This article describes the collaborations which have developed between the newly developed University of Arkansas for Medical Sciences (UAMS) College of Public Health (COPH) and the Arkansas governor, the legislature and agencies and organizations, and the evolving public health initiatives to improve the health of Arkansans.

The COPH—Seeking Academic Excellence, But Focused on Improving the Health of Arkansans

The COPH was established by the legislature in the spring of 2001 with legislation specifying that the college serve as a resource to the governor, the legislature and other elected officials. Strategic planning by the inaugural faculty of the college quickly led to a mission for the college to “improve the health and promote the well-being of individuals, families and communities in Arkansas through education, research and service.” The essential role of community-based participatory approaches in being the primary means to realize this mission was recognized early.

Close collaboration with the ADH in training the state’s public health workforce and in serving as a resource of expertise and technical assistance was also acknowledged as essential for meeting the college’s mission. The Dean pro tem, Thomas A. Bruce, MD, led the inaugural faculty in developing initial policies and procedures, and in organizing the college, and he worked with the academic community, public health practitioners and public officials, seeking their guidance and support. Dr. Bruce also led the college in establishing strong partnerships with other state agencies, such as the Arkansas Department of Environmental Quality, the Community Health Centers of Arkansas and the UAMS Area Health Education Centers. Dr. Jim Raczynski was recruited to serve as Founding Dean of the College, arriving in September 2002. He has led the college in recruiting a full-time or FTE-supported faculty of more than 50, a total faculty of more than 220 and a student body of almost 200, and in being accredited by the Council on Education of Public Health in May 2004.

Other Programs Created by Initiated Act 1 of 2000

The Arkansas Bioscience Institute (ABI)
The mission of the ABI is to improve the health of Arkansans through medical and health-related agricultural research initiatives. ABI is a collaboration of five Arkansas research institutions. Working on joint
research initiatives, the five member institutions create a large community of scientists who successfully compete for extramural funding, share resources, attract other scientists to Arkansas and strengthen the state’s economy.

ADH Tobacco Prevention and Education Program (TPEP)
The ADH coordinates and implements the state’s tobacco prevention and cessation programs, modeled after the nine best practices identified by the Centers for Disease Control and Prevention (CDC). Programs funded through TPEP include: community programs; school-based programs; media and public relations campaigns; enforcement programs; cessation programs; surveillance and evaluation; statewide programs; chronic disease programs; and program administration and maintenance.

Targeted State Needs Programs
In addition to the COPH, the CHART legislation included three other targeted state needs programs.

Minority Health Initiative. Initiated Act 1 mandates that the Arkansas Minority Health Commission (AMHC) administer the Arkansas Minority Health Initiative. Under the act, AMHC must establish and administer screening, monitoring and treatment of hypertension, strokes and other disorders that disproportionately affect the minority groups. The AMHC developed a “Hypertension Initiative” targeting three Delta Counties with large African-American populations in collaboration with the Community Health Centers of Arkansas; an “Eating and Moving for Life Initiative” in collaboration with the University of Arkansas Cooperative Extension Service; and quarterly “Public Health Fairs and Public Health Forums.” AMHC also funded two COPH faculty to complete a “Racial and Ethnic Health Disparity Study” for the state.

Arkansas Aging Initiative. The Arkansas Aging Initiative provides funding to the UAMS Donald W. Reynolds Center on Aging to create a network of seven satellite Geriatric Centers of Excellence statewide to improve the quality of life for older adults and their families. In collaboration with local hospitals, each center is located in an identified geographic area of the state and provides both educational and clinical programs. The Centers also collaborate with UAMS Area Health Education Centers (AHECs), Area Agencies on Aging, local colleges and universities, and local communities.

Delta AHEC. The mission of the Delta AHEC focuses on the education of health care professionals and on wellness and prevention strategies for residents in the Delta region of the state. Case Conferences and continuing education programs offer professional support for health providers. Programs are available on smoking cessation, hypertension, cancer, diabetes, sickle cell, CPR, first aid, teen pregnancy prevention, and for overweight children and youth. Health Career Awareness forums are held for junior high, high school and junior college students to encourage them to pursue careers in the health professions.

Other Examples of Legislative Initiatives to Improve Arkansans’ Health and Well-being
The infrastructure established under the CHART plan, including the COPH, provides a base for the development, evaluation and enhancement of other new initiatives not directly created by Initiated Act 1 of 2000. Examples of new initiatives include Act 1220 of 2003 and the Healthy Arkansas Initiative.

Act 1220 of 2003
The passage of Act 1220 of 2003 resulted in Arkansas becoming a leader in combating childhood obesity. This legislation created a Child Health Advisory Committee to develop and make nutrition and physical activity standards and policy recommendations to the State Board of Education and the Board of Health to address a number of areas, including: foods sold individually in school cafeterias but outside the regulated National School Lunch Program; competitive foods offered at schools through vending machines, student stores, fund raisers, food carts or food concessions; continuing professional development of food service staff; expenditure of funds derived from competitive food and beverage contracts; physical education and activity; systems to ensure the implementation of nutrition and physical activity standards; monitoring and evaluating results, and reporting outcomes; and nutrition and physical activity policies and standards.

Additionally, Act 1220 requires: removal of vending machines from elementary schools; an annual body mass index (BMI—a height-and age-corrected index of degree of over-/under-weight) measurement of all public school-age children and a report on the measurement to be sent to parents; and the formation of Local School Health Councils in all school systems. The Child Health Advisory Committee has made recommendations to the Board of Health and Board of Education as well as the Public Health Committee of the Arkansas General Assembly.

Evaluation of Act 1220 of 2003. The COPH, working with the Arkansas Center for Health Improvement (ACHI), secured funding from the Robert Wood Johnson Foundation to support both the development of a statewide BMI database (under the guidance of ACHI), and the evaluation of Act 1220 (under the direction of the COPH). The primary questions to be addressed through the evaluation efforts are: What impact did the enacted policies and procedures have on school environments experienced by youth enrolled in Arkansas’ public schools; knowledge, attitudes and beliefs of parents and students regarding healthy physical activity and nutrition practices; self-reported changes in physical activity and nutrition among Arkansas youth and families; and trends in weight status among Arkansas youth enrolled in public schools over the period of the three-year evaluation? The COPH completed the baseline and is now nearing completion of the first follow-up year of data collection of an anticipated three–five year evaluation of the impact of the full range of Act 1220 components. Knowledge gained from the evaluation will be used to inform and revise existing and new policy initiatives.

Healthy Arkansas Initiative
Gov. Mike Huckabee launched the Healthy Arkansas initiative in May 2004 to promote Arkansans to adopt healthier lifestyles. The focus of the initiative is on reducing and/or eliminating the three primary behavior-related causes of diabetes, stroke, lung and heart diseases and cancer, i.e., tobacco use, obesity and physical inactivity. Key elements of the Healthy Arkansas Program include: an ongoing process and long-term commitment; a major focus on health behaviors of the Medicaid population; establishing an incentive system for healthy behaviors in the Medicaid and other insurance programs; and simplifying health messages. Faculty from
the COPH are working with ADH staff to further define the program and have applied for extramural grant funding to evaluate the Healthy Arkansas Initiative.

Summary and Lessons Learned

Innovative health initiatives are developing through collaborations between elected officials (the governor, members of the Arkansas General Assembly, ADH and other state agency staffs, and county and local officials), academic programs (particularly the new College of Public Health), and other partners in Arkansas to improve the health of our citizens. Thanks to the support of the governor and members of the Arkansas General Assembly, collaboration, the essence of public health, is being practiced in our state. Keys to continued success and important lessons learned for other states include the need to:

1. Solicit input from and keep public officials informed and involved in public health initiatives;
2. Continue forming partnerships whenever possible to more effectively and efficiently utilize available resources;
3. Address both policy initiatives (legislative and non-legislative) as well as lifestyle change methods; and
4. Structure the participation from public health academic and practice partners to shape a clear vision of the health priorities and methods to promote health and well-being.

References


Where Next?

Ultimately, this experiment poses the question of whether all agencies should become charter agencies. Should this form of doing business be adopted across state government? Iowa is not yet ready to answer. These changes are big and new enough that it will take some time for all involved to reach a comfort level. “Slowly, people are accepting charter agencies for what they are. With time, charter agency status will be even more useful,” Baldwin predicts.

Legislators’ reactions have been positive. When told by the Department of Corrections about replacing the car in two weeks instead of 15 months, one representative’s first question was about the price paid. The answer was that the price was the same, because either way it was purchased off the same high-volume contract. The legislator’s next comment was, “maybe all agencies should be purchasing their cars this way.”

For now, Management is working with charter agencies to explore the potential and limits of the current pilot. All agree that there is more potential than is being realized. Gardam reports that DHS is continuing to work to “get everybody on board, get our people to think creatively, and then implement their ideas.”

“The more trust they are willing to put into the hands of the employees, the greater the potential for success and the better the results for Iowans,” the Veterans Home’s Jim Elliott concluded.

The new deal is changing minds in charter agencies. As the cynicism fades and staff realize that the new deal is real, they are becoming more creative, assertive, entrepreneurial, and even excited. Iowans benefit.

Jim Chrisinger and Babak Armajani

(Continued from page 37)

Although the law gives charter agencies sweeping authority, agency staff approached this opportunity gingerly. They have seen prior experiments fail. They learned their craft in government’s “above all, do not make a mistake” culture. As one deputy put it, “you’re wondering about how far you’re allowed to go and what the consequences may be for testing the boundaries.” Charter agency staff are also genuinely concerned about potentially causing harm to their agency and themselves by rashly acting in an area without much experience. But as they try on their new powers, they are appreciating the results. Walding reports that his people “were initially resistant but are now excited.” And so far at least, there have been no pitfalls. This fact encourages everyone to take the next step.

The Department of Human Service’s Bill Gardam suggests that charter authority and flexibilities would be better utilized if agencies had “more clarity on abilities and expectations.” Jim Elliott also noted, “a challenge for us was educating the staff on the benefits that would offset the portion of the appropriation that was given back. We needed to develop strategies to deal with the loss of funds.” Baldwin concurred, “We need to spend more time educating staff as to the power, flexibilities, and possibilities.”

Iowa’s Department of Administrative Services “owns” many of the rules and policies being tested by charter agencies. DAS staff have been cooperative and supportive, while also cautioning charter agencies about possible problems. Charter agencies present an opportunity for DAS to transform part of its role from “control” mode to “support and guide.”

Bios

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Willa Black Sanders is the assistant dean for government relations and special projects in the University of Arkansas for Medical Sciences College of Public Health. 4301 West Markham, Slot 820, Little Rock, AR 72204. (501) 526-6600. SandersWillaB@uams.edu.
Why Was AIMS Implemented by PEIA?

Over the past dozen years public and private health insurance systems everywhere, including the Public Employees Insurance Agency (PEIA), have often faced 20-percent annual increases in pharmaceutical costs. Over the period from 1999 to 2003 PEIA experienced an 83-percent increase ($54 million) in spending for pharmaceuticals. The agency attributed this to direct-to-consumer advertising by the manufacturers, introductions of new and more expensive drugs, increased utilization, changing disease diagnosis and treatment guidelines, and “detailing” by the pharmaceutical companies.

There was increasing concern about how this unbridled growth could affect payment for physician, hospital, emergency room, long-term care and other vital services. Since these costs were continuing to rise, there was an increasing need to ensure appropriate and cost-effective use of pharmaceuticals. Additionally, PEIA was interested in exploring every strategy available to work with health care providers that would ensure appropriate and cost-effective use of pharmaceuticals. Implementation of the AIMS program by PEIA was accomplished without restricting public access to medications or imposing an undue burden on physicians.

What Is the AIMS Program?

The AIMS program is a program developed by the West Virginia University (WVU) School of Pharmacy on behalf of the West Virginia Public Employees Insurance Agency. The purpose of the AIMS program was to develop, implement, and evaluate academic detailing of selected West Virginia physicians. It launched pilot programs in the Morgantown and Charleston areas using trained clinical pharmacist educators to enhance prescribing knowledge while keeping patient outcomes paramount. The program utilizes innovative educational strategies to reach out to physicians and provide balanced, evidence-based prescribing information. Initially AIMS focused on five therapeutic categories: antibiotics, antihypertensives, acid-suppression medications, NSAIDS, and lipid lowering medications. The program focuses on the top 30 percent of prescribers in these regions of the state. In addition to academic detailing, other strategies include mailed educational materials as well as continuing education programs.

What Is Academic Detailing?

Academic detailing (also known as educational outreach) is a method by which well-trained registered pharmacists (known as clinical educators) visit physicians in their offices, to provide clear, concise, evidence-based information regarding the use of pharmaceuticals to aid prescribing decisions in various disease states. This includes the use of well-accepted and recommended clinical pathways reported in current medical literature and summaries of drug comparisons in selected therapeutic categories. Clinical educators typically spend 10–15 minutes with each physician and convey key educational messages about the pros and cons of available disease treatment options, and are available to answer any drug questions. The physician has the option to request more in-depth information. Clinical educators may leave pamphlets, brochures and other educational materials for physicians to review at their convenience. Return visits are scheduled on a regular basis.

Patients are playing an increasing role in the demand for medications, a fact exploited by pharmaceutical manufacturers. With this in mind, AIMS developed information pieces for patients designed to supplement the information provided to physicians and to synchronize with co-pay programs and other initiatives offered by PEIA to patients.

AIMS is distinctive because it is the first time a program of this type has been implemented by a state-level, publicly funded agency utilizing the specialized resources of its land grant university. PEIA’s AIMS program uses clinical educators, while the pharmaceutical companies largely engage personnel with qualifications that do not meet this criteria. It is a recognized fact that use of clinical prescribing and disease management guidelines by providers ensures standardized quality care to patients while helping to control health care utilization and costs. Most disease states have recommended approaches to patient treatment that are evidence-based, clinically well accepted, and documented to be cost-effective. The
question then becomes how to provide knowledge to prescribers as to what is clinically appropriate and cost-effective. Well-trained pharmacists meet this standard.

The effort to create a program with long-term impact that is well-received by prescribers resulted in the consideration of academic detailing as a method to achieve these goals. Previously, academic detailing has been limited to some closed systems, such as hospitals or HMOs, and to some private pharmacy benefit management companies. Controlled studies and reports from these sectors found academic detailing to be effective in enhancing prescribing quality and improving patient outcomes. Additionally, there has been high receptivity among prescribers. Based on these studies, the AIMS program was developed.

The West Virginia University School of Pharmacy developed the program using pharmacists to establish credibility with the prescribers. As the pharmacists (clinical educators) develop relationships with the physicians, messages are delivered promoting both appropriate as well as cost-effective prescribing. Development of this relationship allows the clinical educators to proactively influence prescribing of currently available pharmaceuticals and preemptively affect prescription of products scheduled for release. The messages are regularly provided via repeat visits to the individual prescribers and through Continuing Medical Education (CME) programs for groups of prescribers.

**Why Should I Be Concerned about Appropriate and Cost-effective Pharmaceutical Use in West Virginia?**

Pharmaceutical costs have been increasing at the rate of 20 percent annually primarily due to increases in utilization, direct-to-consumer advertising by pharmaceutical companies, new and more expensive drug introductions, and changing disease treatment diagnosis and treatment guidelines. While several new drugs have significant patient benefits and reduce long-term health care costs, many are ‘me-too’ drugs which offer little additional benefit to patients or have clinically insignificant advantages over existing drugs. However, they are all marketed vigorously and tend to be expensive.

Increase in utilization, although justifiable in many cases, is also a concern. As the number of medications taken by a patient increases, the chances of serious drug-related morbidity also increase, especially in vulnerable populations such as those with multiple chronic conditions, children, and the elderly. Furthermore, there is increasing evidence that disparities in treatment exist across patient populations.

The physician practice environment has also become more challenging in recent times as physicians face an increasing rate of new drug introductions (averaging over 35 per year), increased societal dependence on drug therapy for treatment and prevention of disease, direct-to-consumer advertising driving consumer demand, and varying administrative controls on prescribing imposed by insurance plans. Often physicians are too busy with day-to-day management of acute patient care, maintenance of the business end of their practice, and keeping up with the rapidly changing medical advances to devote time to evaluating information sources for credibility and use in their patients. AIMS is an academic detailing program which is a method of one-on-one physician education that has been proven effective. The program has garnered the praise and respect of many physicians in many university teaching hospitals and well-known health care systems such as Kaiser Permanente.

**How Is the Information Provided by Clinical Educators Collected and Reviewed?**

The information provided by clinical educators goes through a systematic review process. First, Clinical Pharmacy faculty members at the WVU School of Pharmacy specializing in various diseases states or practice settings prepare the information. Second, the information is peer reviewed by other faculty members to ensure that the information is current, evidence-based, and complete. Finally, the medical director for PEIA also reviews the information before it is distributed to physicians.

**What Is the AIMS Vision for Pharmaceutical Use in West Virginia?**

The AIMS vision for pharmaceutical use in West Virginia is to:

- Provide physicians with well-researched, unbiased, evidence-based information for drug use.
- Respond to physician drug information needs accurately and quickly.
- Improve access to appropriate pharmaceuticals for all state citizens.
• Foster appropriate and balanced use of medications.
• Impact rate of growth of pharmaceutical costs through total health care management.
• Reduce disparities in treatments across populations of patients and providers.
• Encourage the use of the most cost-effective medication within a given class.
• Increase generic usage when appropriate.

Has the Program Been Effective?
The clinical educators averaged 256 and 139 monthly office visits in Charleston and Morgantown, respectively, targeting, at various times, each of the five therapeutic categories. Clinical educators also participated in more than 25 in-service presentations since the program was initiated. The information collected showed the following facts:
• Academic detailing impacts prescribing behavior
  • The longer the presence in the market the greater the effect
  • The greater the frequency of the message and the consecutive nature of the message, the greater the effect
  • Volume is the greatest predictor of impact
  • Significant impacts noticed in both Morgantown and Charleston
• Physician acceptance of AIMS is high
• Sufficient evidence exists to recommend expansion
• Although not a part of this effort, generic sampling would increase physician acceptance

PEIA invested $450,000 during the first year in the AIMS program. It is evident the program has accomplished two important intangibles: strengthening PEIA’s presence among prescribers and building trust and credibility within the prescribing community. The program has provided a clinically-based alternative to prescribers. Regular face-to-face contact with the prescribing community conveys PEIA’s ongoing commitment to cost-effective healthcare.

PEIA’s presence in the drug utilization marketplace has been effective, and sustained presence will have a compound effect. One trend observed throughout the length of the program, in both areas and across therapeutic categories, was that even significant impact of the academic detailing message fell off upon change in focus or decreased intensity of message. PEIA intends to continue the program in Charleston and Morgantown.

PEIA has employed a number of techniques to contain pharmaceutical expenditures. Our multistate drug purchasing initiative was perhaps the most notable. It currently has five participating states (West Virginia, New Mexico, Missouri, Delaware and Ohio) all served by a single pharmacy benefit manager. This program, over a three-year period, will save West Virginia approximately $8 million annually by pooling the collective buying power of the states. However, several other cost-containment programs have been implemented including prior authorization, step therapy, and co-pay waiver for generics. The AIMS program is yet another means for containing these expenditures focusing on where the prescriptions are written. All of these programs have contributed toward an estimated $3,000,000 savings over the past year.

A result of the AIMS program is that it has built a personal trust and credibility in the physician’s office where most prescribing takes place. AIMS has served to strengthen PEIA’s presence among prescribers and has been widely accepted by physicians and other prescribers have been high in both Charleston and Morgantown.

How Can I Get More Information about AIMS?
For more information about AIMS, please call 304-293-6033 in Morgantown or 304-558-6244 ext. 243 in Charleston or go to West Virginia University School of Pharmacy’s AIMS Web site: http://www.hsc.wvu.edu/sop/psp/aims/aims.asp.
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