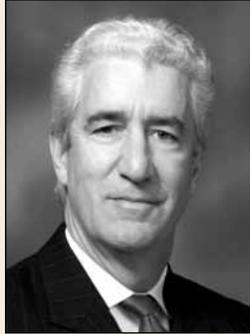


BOARD OF FELLOWS NOTE
FISCAL POLICY AND GOVERNANCE POLICY
COMMITTEE COCHAIRS



*Dan Frankel, member,
Pennsylvania House
of Representatives*



*Frederick Thieman, president,
Bubl Foundation*

In today's economic climate, we hear a lot of familiar phrases like do more with less and become more efficient and effective. While these phrases often are easier said than done, they reflect the fiscal crisis that governments at all levels are facing.

At the 14th Annual Elected Officials Retreat held in September, national speakers underscored some of the serious fiscal challenges for both federal and state governments. Specific expenditure challenges cited included the depletion of the federal stimulus funds, which will create a severe shortfall in state budgets in the short term as well as possible long-term implications, and the increasing costs of pension and entitlement programs. On the revenue side, revenue that may have been sufficient in previous years now likely will be reduced further due to decreased tax revenue and decreased assistance from other levels of government. It is in this context that local governments are consistently called upon to do more with less and become more efficient and effective.

As a result, the Fiscal Policy and Governance Policy Committee has challenged itself to provide strategies and solutions that may assist counties and municipalities to balance their budgets, maintain appropriate service levels, and understand the long-term budget implications. The committee's approach to this initiative is one of collaboration; this past year, we worked with The Pittsburgh Foundation and other key organizations in the region to develop two forums to serve as the starting point for additional targeted work.

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Winter 2011**

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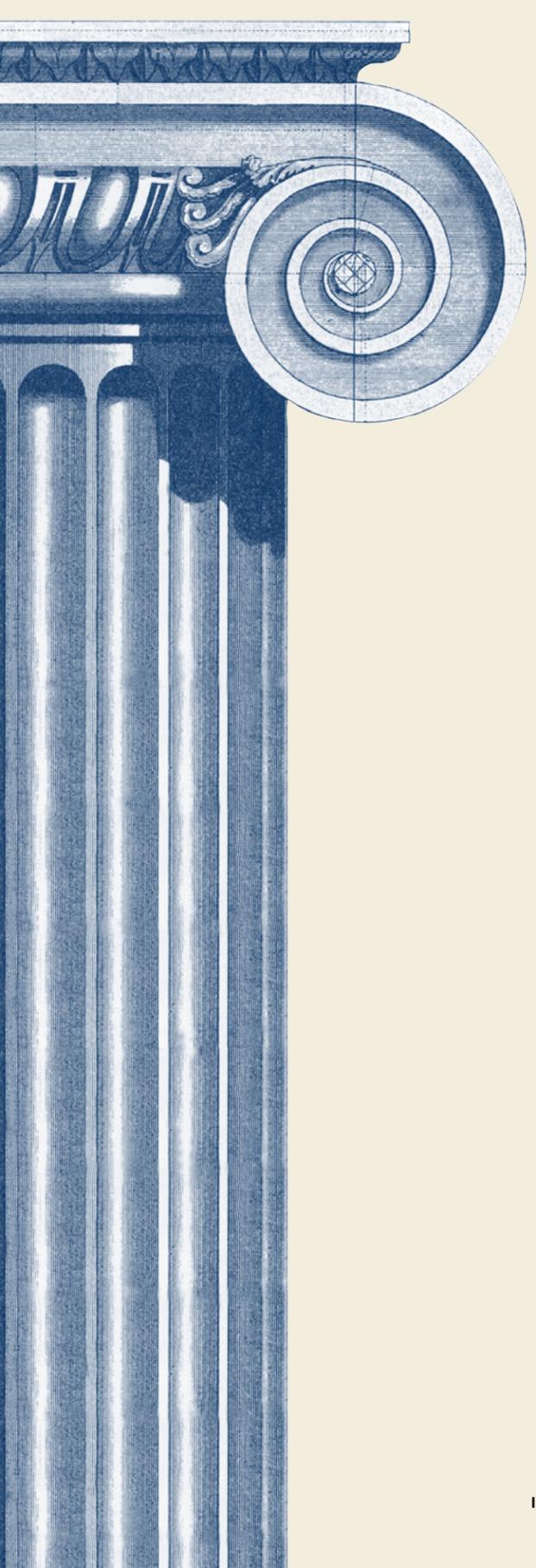
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Specific to the Fiscal Policy and Governance Policy Committee is the publication *Key Challenges and Strategies for Local Government*, which is designed to offer best practices and creative strategies from a wide variety of sources, including local government officials, top management organizations, and policy and fiscal literature.

As the Institute of Politics continues to work with other regional institutions to reduce duplication of research and to ensure that key stakeholders are involved, we hope that municipal governments will do the same. Whatever lies ahead, we believe that local governments can benefit through working with one another, whether simply to share information or to pursue cooperative service provisions.

Our committee looks forward to our work ahead, and we welcome your thoughts and suggestions as we seek to ensure that all local governments have access to any and all available best practices and that this region continues to thrive and grow. ■

Dan Frankel

Frederick Thieman

THE INSTITUTE OF POLITICS IS GOING GREEN!

In an effort to reduce mailings, the Institute would like to encourage all constituents to provide an e-mail address for the purpose of receiving some publications and most programmatic invitations. Please visit www.iop.pitt.edu/update to update your information if you have not done so recently.

FOURTEENTH ANNUAL ELECTED OFFICIALS RETREAT: PREPARING WESTERN PENNSYLVANIA FOR A NEW FISCAL REALITY: NATIONAL, STATE, AND LOCAL CONTEXTS

SEPTEMBER 16-17, 2010

DAY ONE

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MARK A. NORDENBERG, chancellor, University of Pittsburgh

REMARKS
DAVID EPPERSON, 2010 Coleman Award recipient

RETREAT OVERVIEW AND INTRODUCTIONS
TERRY MILLER, director, Institute of Politics

THE INTERSECTION OF ECONOMICS AND POLITICS: 2010 AND BEYOND
GREGORY R. VALLIERE, chief political strategist, Potomac Research Group, and commentator, CNBC

Q&A AND OPEN DISCUSSION
Moderated by G. REYNOLDS "RENNY" CLARK, vice chancellor for community initiatives, and chief of staff, Office of the Chancellor, University of Pittsburgh

THE APPROACHING FEDERAL FISCAL CRISIS: DEBT, EXPENDITURES, AND REVENUES
ROBERT L. BIXBY, executive director, the Concord Coalition
STUART BUTLER, distinguished fellow and director, Center for Policy Innovation, the Heritage Foundation
ISABEL V. SAWHILL, senior fellow, economic studies, the Brookings Institution

Q&A AND OPEN DISCUSSION
Moderated by CANDI CASTLEBERRY-SINGLETON, chief inclusion and diversity officer, UPMC

BREAKOUT SESSIONS

BREAKOUT DISCUSSION
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OPENING REMARKS AND INTRODUCTIONS
TERRY MILLER

FISCAL OVERVIEW OF THE STATES
KIL HUH, director of research, Pew Center on the States

STATE OF THE ECONOMY: PENNSYLVANIA AND THE SOUTHWESTERN REGION
STUART G. HOFFMAN, senior vice president and chief economist, the PNC Financial Services Group, Inc.

Q&A AND OPEN DISCUSSION
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LEGISLATIVE ROUNDTABLE: THE PENNSYLVANIA ECONOMY AND THE FISCAL OUTLOOK
JAY COSTA, member, Pennsylvania State Senate
JAKE WHEATLEY, member, Pennsylvania House of Representatives
BRIAN ELLIS, member, Pennsylvania House of Representatives

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POLICY COMMITTEE MEETINGS

CLOSING REMARKS
PATRICIA L. KIRKPATRICK, commissioner, Armstrong County

PREPARING WESTERN PENNSYLVANIA FOR A NEW FISCAL REALITY: NATIONAL, STATE, AND LOCAL CONTEXTS

By Jack Busch

DAY ONE

The 2010 Institute of Politics Elected Officials Retreat, Preparing Western Pennsylvania for a New Fiscal Reality: National, State, and Local Contexts, focused on the coming fiscal tsunami and the tough choices faced by governments across all levels. The event's first speaker, GREGORY VALLIERE, CNBC commentator and chief political strategist for Potomac Research Group, was invited to provide an overview of the intersection of economics and politics, particularly in regard to the upcoming midterm elections.

Valliere set the tone for the coming discussions with his grim yet productive assessment of the nation's trajectory. He presented well-cited evidence that the gross domestic product (GDP) would "limp along" at 1.5–2 percent for months, or perhaps a year, to come, and that the unemployment rate would not drop until the GDP reached at least 2.5 percent. This, he explained, is normal for an economy suffering from "one hell of a hangover" after an economic bubble bursts.

Compounding the problem, the federal government has exhausted all of its traditional medicines for dealing with a weak economy, said Valliere. In terms of monetary policy, the federal funds rate cannot be lowered any further, while another round of quantitative easement would not be sufficient for turning the economy around, he said. On the fiscal side, the cupboard is equally bare. "Spending is now toxic," Valliere said, illustrating his point by listing numerous examples where Republican candidates lost

(continued on page 4)



Attendees participate in the evening discussion on fiscal issues facing our state and possible solutions at the 2010 Elected Officials Retreat.

primary challenges to more conservative candidates who demonized programs such as the Troubled Asset Relief Program (TARP). This, he said, represented one of the most radical shifts in public attitudes in history. Meanwhile, Valliere predicted no new stimulus coming from taxation, though he did foresee the extension of the Bush-era tax cuts across all tax brackets. Temporary payroll tax cuts may be considered in the event of a double-dip recession, though this would open the Pandora's box of Social Security solvency, said Valliere.

Following Valliere's presentation, **G. REYNOLDS CLARK**, vice chancellor for community initiatives and chief of staff in the Office of the Chancellor at the University of Pittsburgh, moderated a thought-provoking open discussion with the participants of the retreat. Prompted by the audience, Valliere gave his opinions and analysis on the media's role in polarizing the nation. Clark wrapped up the discussion, noting that he "saw a lot of wincing all over the room, which is good; you got your point across."

The next segment of the retreat featured three speakers from the Fiscal Wake-up Tour, a joint public engagement initiative among several illustrious national economic think tanks that seeks "to cut through the usual partisan rhetoric and stimulate a more realistic public dialogue" on our nation's future and the required trade-offs. **ROBERT BIXBY**, executive director of The Concord Coalition, prefaced the discussion by exploring what happened to the \$5.6 trillion surplus projected by the

Congressional Budget Office from 2000 to 2010. He concluded that if Congress would have done nothing, the federal budget would be balanced today, and that legislative actions accounted for the entire \$1.4 trillion deficit. As such, the nation cannot rely on the economy alone to correct the budget; critical legislative decisions must be made by Congress and the president before the budget outlook improves.

Bixby stated that there are two main phenomena that contribute to the lack of sustainability of the current budget. At the top of the spending column is interest. Currently, we pay more than \$200 billion each year in interest, but this amount will balloon immensely once the very low "teaser" interest rates expire and the outstanding debt must be rolled over to much higher interest rates, said Bixby. These interest costs are expected to reach \$800–\$900 billion by 2020. Second on the list is the rising cost of entitlements as the baby boomer generation retires and the costs of health care rise, he said. Bixby pointed out that Social Security, Medicare, and Medicaid currently constitute 41 percent of the federal budget, a figure that will increase in the coming years.

In facing these fiscal challenges, there are no easy solutions; public engagement and a willingness to look at all options from a bipartisan viewpoint will be critical in tackling these issues, Bixby said. In closing, he remarked, "This is not about numbers, even though we talk about numbers a lot. Basically, it's a moral issue. It's a values issue, a legacy issue about what we are doing

to future generations. If we are leaving them something that looks as bad as it does right now, that says something about us. And it's our responsibility to change course and have a future that looks a lot brighter than what we've got now."

ISABEL SAWHILL, senior fellow of economic studies at the Brookings Institution, followed Bixby's assessment with a pointed rhetorical question: "Which is more important: stimulating the economy or getting control of our deficit?" She answered that it doesn't have to be either/or—we can do both, though the timing is different. We need to maintain government spending during the period when the economy is depressed, but we should be paving the way for reforms to entitlement and tax systems through legislation that is put in place now, she said.

Sawhill focused her comments on addressing possible solutions in terms of raising revenues. She argued that we cannot afford to extend the Bush-era tax cuts, as it will cost us more than \$3 trillion over the next decade, though she didn't rule out extending them temporarily. Regarding income tax reform, she said, "There are about a zillion and one special preferences, subsidies, deductions, and so-called loophole systems that currently cost us about \$1 trillion a year—so there's plenty of money there. If we could flatten the taxes and broaden the base, we could pick up a lot of revenue and we might also be able to reduce some of the rates."

Sawhill also supported an energy tax or carbon tax, as it would encourage the development of clean technology and reduce consumption, though she acknowledged that an energy tax is a political nonstarter. She broached the idea of a heavier consumption tax, such as a value-added tax (VAT), as an option, though such a tax is criticized in conservative circles as a money machine and in liberal circles as a regressive tax. Lastly, she said that payroll tax reform is possible, but only if it is coupled with a reining in of Social Security benefits.

At this point, Sawhill took time to highlight the "paradox of leadership," an issue that would be a recurring theme of discussion throughout the remainder of the retreat. The paradox arises from a deep dysfunction in our political system, wherein the public calls upon its elected officials to be fiscally responsible, but when elected officials do make the tough choices, they are often voted out of office, said Sawhill. Recalling a comment from the audience during an earlier discussion, Sawhill acknowledged that the media need to play a major role in presenting the issues in a substantive way and highlighted the importance of educating, informing, and engaging the public.

STUART BUTLER, distinguished fellow and director of the Center for Policy Innovation at the Heritage Foundation, offered a counterpoint to Sawhill's comments. He opened his presentation by showing that, if we were to allow current law to take its course,

the three major entitlement programs would consume all of the nation's tax revenue by 2040, leaving nothing for education, transportation or any other discretionary spending.

Next, he analyzed how some of the options presented by Sawhill would be enacted and what their impacts would be. Citing figures from the Brookings Institution, Butler said that it would take a VAT between 7–10 percent in order to meet the costs of entitlement programs. Alternately, the entitlement costs could be met by doubling marginal income tax rates and corporate tax rates by 2050, the latter of which would reach 66 percent by the end of that period, according to Butler. In light of these options, Butler questioned what the overall effect on the economy would be and whether the money would be used by the federal government to improve the long term fiscal situation rather than going toward new spending.

Butler then moved to the other side of the equation and discussed what would have to be done in order to get entitlement spending under control. First, he advocated a requirement that would force the federal government to show its long-term obligations in its annual budget similarly to the way state and local governments do. Second, he argued that entitlement programs, which are currently on "autopilot," should be put on a budget. Lastly, he suggested reforming retirement programs by creating a benefits system that is strongly income adjusted, raising the retirement age, and incentivizing those who make provisions for their own retirement.

Following the comments from the three invited speakers, Candi Castleberry-Singleton, chief inclusion and diversity officer at UPMC, succinctly summarized the salient points from each presentation and opened the floor to discussion. Prompted by astute questions from the audience, the speakers delved deeper into the issues, including the impact that some of the proposed solutions may have on our standards of living, the uncertainties regarding some of the cost control pilot programs built into the health care reform bill, and the need to disaggregate the purposes of Social Security before attempting to reform it.

Later Thursday evening, participants divided into groups to discuss key issues that emerged from the preceding discussions and to formulate policy recommendations that may help to address the current and projected fiscal challenges. Upon reconvening, the larger group proposed several initiatives, including empowering local governments; reforming the municipal pension system; exploring new ways to reach out to the electorate and raise public awareness of the difficult issues that governments are facing; and soliciting the participation of the governor in a discussion among local, county, and state officials.

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DAY TWO

Day two of the retreat focused on the state and local contexts of the country's fiscal situation. **KIL HUH**, director of research at the Pew Center on the States, helped to bring the federal budget crisis into sharp focus for a state-level discussion. There is currently a cumulative budget gap of \$400 billion among the states, with yawning budget gaps expected through 2013, said Huh. This will be exacerbated as American Recovery and Reinvestment Act funds expire in 2011.

Huh next outlined a few prime examples of solutions attempted by fiscally troubled states. States that have attempted major tax reforms fared poorly, mostly due to the volatility of the economy, Huh said. As an example, he highlighted Oregon, which enacted about \$1 billion in tax changes in 2010 but fell about \$150 million short of its goals. Meanwhile, major tax reforms were proposed in states such as Maine, Michigan, and Pennsylvania but weren't passed, meaning deep cuts in general spending would be needed, said Huh. This has led states to cut general fund expenditures for the past two years, which is unprecedented in the last 50 years.

In spite of the economic recession, Huh argued that the fiscal problems we are seeing today are not necessarily problems of the moment but problems that have been built up over time. From 2000 to 2007, state borrowing has increased more than 1,000 percent, with many states using short-term paper to pay for general fund expenditures and rolling this debt over year after year, he explained. "We know this is a bad thing, but we



Potomac Group analyst and CNBC contributor Greg Valliere (left) spoke about the nation's political and economic climate and participated in a discussion with retreat attendees moderated by Renny Clark (right), vice chancellor for community initiatives and chief of staff in the Office of the Chancellor at the University of Pittsburgh.

don't really know just how this will play out over the long term. That's certainly something we are watching very closely," he said. Currently, the collective outstanding debt of the states is \$2.4 trillion, much of which is accounted for by short-term debt, Huh said.

Huh also paid close attention to the \$1 trillion gap in funding for state pension and health care obligations, more than half of which consists of retiree health care obligations, which are only 5 percent funded.

Regarding possible solutions, changes to pensions and health care can be made for new employees, though a balance must be struck between attracting a competitive workforce and minimizing long-term liabilities, Huh said. However, current retirees pose the biggest driver of costs—but the benefits of current employees and retirees are protected by state constitutions. Pew is currently monitoring states such as Illinois, Colorado, South Dakota, and Minnesota, as they explore changes to cost-of-living adjustments. If passed, these changes may potentially open the door to other reforms, explained Huh.

Huh also called attention to the exponentially increasing costs of corrections, which now represent one of the largest items in many state budgets. There are ways to preserve public safety while reducing crime and saving money, he said. Texas is a "perfect example" of this, Huh said, explaining that the state legislature had saved \$1 billion in corrections costs—money which could be applied to its \$18 billion 2011–12 discretionary budget.

The next speaker was **STUART HOFFMAN**, senior vice president and chief economist for the PNC Financial Services Group, Inc. Hoffman focused his presentation on his recipe for an economic recovery driven by the private sector. He argued that although economic stimulus and deficit financing were necessary a year ago, spending programs such as business investment tax credits, "cash for clunkers," and the home buyer tax credits ultimately shifted only the timing of sales and didn't have a significant effect on net economic activity. As such, the economic recovery relies on a "handoff" from the government to the private sector, and if this handoff is not successful, then we may see a double-dip recession.

Hoffman said that he already sees signs that the handoff to the private sector is working, as the private industry had created jobs between January 2010 and August 2010, though this growth is not reflected in recent unemployment reports due to federal layoffs of temporary census employees. Private jobs, said Hoffman, are the number-one ingredient for recovery—but there is a strong feeling among business owners that the attitude in Washington is not particularly business friendly. "Businesses across the country are holding back because they're not sure what the next policy coming out of Washington is going to be and what it's going to cost them," he said.

Moving on, Hoffman pointed out that many of the nation's trading partners, such as China, Canada, and countries in northern Europe, are growing again in the wake of the financial collapse, which poses a key opportunity: "It is important that we have export-oriented policies on both the state and local level, as that's where a lot of the growth is going to be."

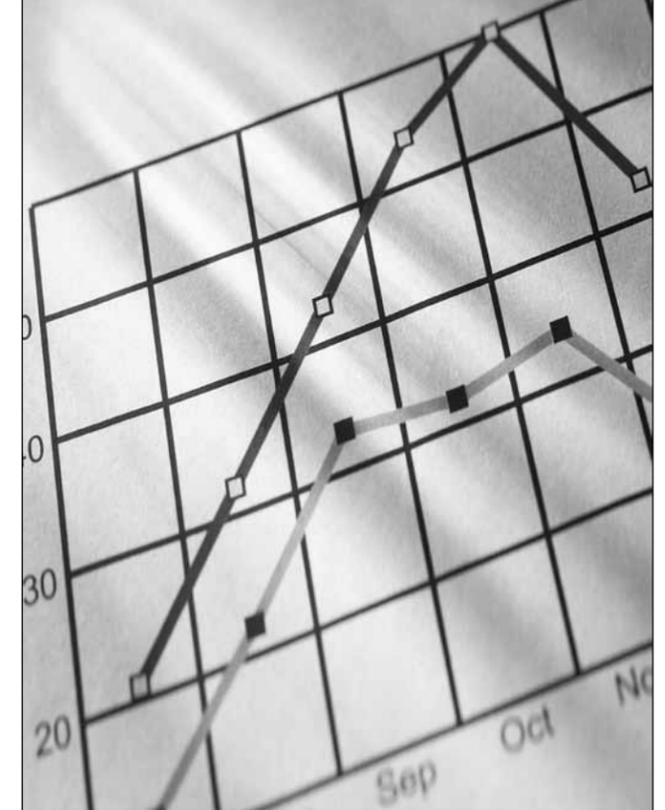
Hoffman identified the availability of financing from the banking industry as another critical ingredient of the recovery. "I believe that you will see more credit available from the banking industry; that will be absolutely necessary. If it doesn't happen, then we won't get economic recovery. If the arteries in the financial system remain clogged, it'll be pretty hard to abort another heart attack or downside risk," Hoffman said.

He also included the stabilizing housing market and a more balanced psychology and mind-set regarding the economy as key ingredients to the economic recovery. Hoffman next outlined some of the factors that will slow the economic recovery: poor performance in commercial real estate markets, uncertainty about tax rates, higher tax rates, and state and local funding and financing issues. He did not, however, see deflation or inflation as threats and did not foresee further action from the Federal Reserve.

RICHARD W. TAYLOR, chief executive officer of Imbue Technology Solutions, Inc., deepened the discussion by exploring issues where Huh and Hoffman diverged in opinion. During the question-and-answer section, Hoffman and Huh offered additional cautionary advice, warning of the long-term risks of aggressive cuts such as those enacted in New Jersey and emphasizing the importance of performing due diligence when considering sales of state assets to private enterprises.

After a brief break, **FREDERICK W. THIEMAN**, president of the Buhl Foundation, moderated a state legislator roundtable, which featured three state legislators who offered an overview of the state's fiscal situation as well as their opinions on potential next steps. Senator **JAY COSTA** (D-Allegheny) brought the participants up to speed on the current state budget outlook. Going forward, the state budget faces a \$5 billion shortfall composed of \$3 billion in lost revenue from the federal government, about a \$1 billion increase in cost drivers like including pensions and corrections and a \$1 billion gap that was previously filled by onetime revenue sources that have since been exhausted.

JAKE WHEATLEY (D-Allegheny) continued the discussion on the state budget, acknowledging that the state faced a crisis and that there were no easy solutions. He dismissed downsizing of the Pennsylvania General Assembly as a solution, pointing out that eliminating both the house and senate would only result in \$500 million in savings. Instead, he called for greater collaboration and cooperation between the house and senate. Wheatley



also supported a full evaluation of all of the government's spending, rather than stigmatizing specific programs.

BRIAN ELLIS (R-Butler) emphasized the importance of avoiding policies that will hurt the economy, recalling Hoffman's earlier comments, and called on the public and elected officials across all levels to ask, "What is the role of government?" Ellis evoked examples of government programs provided for those who could possibly afford it for themselves, such as the discount for retired individuals' vehicle registrations and the property tax/rent rebate. "These are policies that we've enacted that we have to question," he said.

Following initial comments, Thieman asked the legislators if they had any guidance or thoughts about what will happen as fiscal problems get pushed down from the federal level to the state level and eventually to the local level. Costa acknowledged that a ratcheting down of services would be inevitable and would put greater pressure on local and county governments to work more efficiently and in a collaborative way with the resources they have. Wheatley agreed with Costa's call for more collaboration among local governments and added that the conversation regarding right-sizing government needs to address similar questions for county governments, municipalities, and school boards all at once. Ellis concluded the discussion, remarking that the state can no longer simply pass along mandates to local governments and that tough decisions must be made.

Commissioner **PATRICIA L. KIRKPATRICK** of Armstrong County offered closing remarks and summarized the main points of discussion from the past two days for the benefit of attendees. ■



2010 Coleman Award winner David E. Epperson, second from left, receives congratulations from Chancellor Mark A. Nordenberg, left, Institute Director Terry Miller, right, and Moe Coleman, second from right.

THE 2010 COLEMAN AWARDEE: DAVID E. EPPERSON

The Institute of Politics would like to take this opportunity to recognize and honor the 2010 Coleman Award recipient, **DAVID E. EPPERSON**. Every year, the Coleman Award is given to an outstanding community member in the Southwestern Pennsylvania region. Epperson is a model citizen whose dedication to working in the community is truly inspirational. A Pennsylvania native, Epperson grew up in Donora and attended the University of Pittsburgh, where he went on to graduate with a doctorate in political science. He later would return to the University as dean of the School of Social Work in 1972, a position he held for a record-breaking 29 years.

Epperson's sphere of influence extends far beyond the academic world. He has worked in community-based organizations throughout the Pittsburgh region and beyond. Working for the YMCA took him to Hong Kong, where he lived for a year. After his time abroad, Epperson worked as the first executive director of the local Office of Economic Opportunity's War on Poverty program (later Community Action Pittsburgh, Inc.). His leadership positions in the community have included vice chair of the Urban Redevelopment Authority of Pittsburgh, chair of the Negro Educational Emergency Drive (NEED), chair of the Urban League of Greater Pittsburgh for 10 years, and trustee of the National Urban League. His other board memberships have included the August Wilson Center for African American Culture, the American Red Cross, ACTION-Housing, Inc., Magee-Womens Hospital of UPMC, the Pittsburgh Council for International Visitors, PNC Urban Advisory Board, and the Salvation Army. In addition, he has been an active lifelong member of the NAACP. The Institute would again like to congratulate Epperson and thank Marc Cherna of the Allegheny County Department of Human Services for nominating Epperson for the award. ■

YEAR IN REVIEW: ISSUES IN LOCAL GOVERNMENT FORUMS

Federal, state, and local governments are in the midst of an extraordinary financial crisis. This fiscal strain, coupled with increases in debt and unemployment expenditures, has become a growing concern for elected officials as they examine future budgets and their impacts. Budgetary questions that have resulted from this crisis are many. Should service expenditures be increased? Should shared services be expanded and governmental programs reformed? If so, which services and programs? Should new taxes be created, or should existing taxes be increased? In addition to these questions, broad policy challenges, such as those related to infrastructure demands and increasing pension costs, have been exasperated by the current fiscal crisis.

In 2010, the Institute of Politics, together with The Pittsburgh Foundation, hosted two local government forums that brought together national budget experts and leaders from the local nonprofit, public, and private sectors in order to better understand these challenges and the associated strategies required to produce positive, comprehensive solutions. The forums' distinguished panelists included senior political leaders—the Pennsylvania General Assembly majority and minority leaders—who provided keen insights about the future of local government during this fiscal crisis.

During these local government forums, The Pittsburgh Foundation representatives both introduced and discussed the implementation of the Allegheny Forum project. The key goals of the Allegheny Forum included the launch of a Web site that provides information and discussion forums about local public policies; the implementation of a Citizens Deliberative Poll that sampled Allegheny County residents who reflected the county's demographic and partisan makeup; the announcement of local government opinion poll results from Temple University's deliberative poll, which compared the perspectives of Allegheny County citizens to those citizens in the rest of the state; and the creation of a library of resources about reform ideas on the Web site.

A summary of our most recent local government forum, *Issues in Local Government: Community and Legislative Perspectives*, can be found at right.

ISSUES IN LOCAL GOVERNMENT: COMMUNITY AND LEGISLATIVE PERSPECTIVES

DECEMBER 2, 2010

WELCOME

GRANT OLIPHANT, president and CEO, The Pittsburgh Foundation

OVERVIEW OF INSTITUTE OF POLITICS DRAFT REPORT: KEY CHALLENGES FOR LOCAL GOVERNMENT

DAN FRANKEL, member, Pennsylvania House of Representatives, and cochair, Institute of Politics Fiscal Policy and Governance Policy Committee

OVERVIEW OF ALLEGHENY FORUM REPORT

JANE DOWNING, senior program officer, The Pittsburgh Foundation

SUMMARY AND INTRODUCTION OF STATE ELECTED OFFICIALS' PANEL

FRED THIEMAN, president, the Buhl Foundation, and cochair, Institute of Politics Fiscal Policy and Governance Policy Committee

STATE ELECTED OFFICIALS' RESPONSE PANEL

DOMINIC PILEGGI, majority leader, Pennsylvania State Senate

JAY COSTA, minority leader, Pennsylvania State Senate

MIKE TURZAI, majority leader, Pennsylvania House of Representatives

FRANK DERMODY, minority leader, Pennsylvania House of Representatives

Q&A WITH STATE ELECTED OFFICIALS' RESPONSE PANEL

Moderated by COURT GOULD, executive director, Sustainable Pittsburgh, and member, Institute of Politics Fiscal Policy and Governance Policy Committee

LOCAL ELECTED OFFICIALS' RESPONSE

JOSEPH SINNOTT, mayor, City of Erie

D. RAJA, commissioner, Municipality of Mt. Lebanon

CHARLES CAMP, commissioner, Beaver County

ANDREW BONI, chair of supervisors, Perry Township

Q&A WITH LOCAL ELECTED OFFICIALS' RESPONSE PANEL

Moderated by SUSAN HOCKENBERRY, executive director, Local Government Academy, and member, Institute of Politics Fiscal Policy and Governance Policy Committee

CLOSING REMARKS

GRANT OLIPHANT

ISSUES IN LOCAL GOVERNMENT: COMMUNITY AND LEGISLATIVE PERSPECTIVES

by Bill Schlachter

The current fiscal crisis has contributed to substantial challenges for local government. To better understand these challenges, a panel composed of Pennsylvania's senior political leadership—the majority and minority leaders of the Pennsylvania State Senate and House of Representatives—gathered to discuss these challenges with regional business and nonprofit leaders, other elected officials, and concerned citizens. A panel of local elected officials also provided valuable insights about best practices and workable solutions to fiscal issues.

In addition, the Institute of Politics and The Pittsburgh Foundation presented separate reports about local government. The former organization's draft report analyzed the challenges and strategies for local government discovered through numerous interviews with governmental managers and trade organizations from across the state, while the latter organization's report offered perspectives on local government from the viewpoints of citizens within Allegheny County.

WELCOME

GRANT OLIPHANT, President and CEO of The Pittsburgh Foundation, welcomed attendees to the forum, which Oliphant hoped would serve as a "wake-up call" about the significant challenges for local government during an era of fiscal crisis.

For the past eight months, Oliphant noted, The Pittsburgh Foundation and the Institute of Politics respectively examined what citizens and professional managers in local and state government think about local government and the issues that affect it. The outcomes of these initiatives resulted in two separate reports: a report by The Pittsburgh Foundation that highlighted the results of the Temple University Poll, the Allegheny Forum, the Deliberative Democracy Poll, and a draft report by the Institute of Politics that outlined the challenges for local government and the available strategies to meet these challenges. One of the primary goals of The Pittsburgh Foundation's initiative, Oliphant expressed, was to "reignite community conversations" with the intention of sharing public opinion through an atmosphere that allowed citizens to "talk, listen, and learn."

(continued on page 10)



Fred Thieman offers a summary and comparison of the Institute of Politics and The Pittsburgh Foundation reports presented earlier in the program.

OVERVIEW OF INSTITUTE OF POLITICS DRAFT REPORT ON KEY CHALLENGES FOR LOCAL GOVERNMENT

DAN FRANKEL, member, Pennsylvania House of Representatives, and cochair, Institute of Politics Fiscal Policy and Governance Policy Committee, provided an overview of the University of Pittsburgh Institute of Politics draft report, *Key Challenges and Strategies during an Era of Fiscal Crisis: Perspectives from Local Government*. Frankel noted at the outset that the ideas offered often crossed the political spectrum.

Frankel began by highlighting the purpose of the Institute of Politics Fiscal Policy and Governance Policy Committee study: to define the key challenges for local government and the available strategies to meet these challenges. The report's material, Frankel added, was derived from interviews with leaders from local trade associations, intergovernmental organizations, local governments, and academia and through a review of local and national public policy literature. The report, however, is still in draft form, Frankel noted, as the committee wanted to use this forum to obtain public feedback.

The report, Frankel said, offers a broad overview about the current fiscal climate. Local governments, Frankel noted, are directly affected by this economic downturn due to decreases in primary revenue sources like income, sales, and real estate taxes; decreases in state funding to local governments; increases in pension costs; and increases in service expenditures. The five key challenges outlined in the report reflect this economic crisis. The associated strategies, Frankel added, include implementing best budgetary practices; enacting state legislation that provides balanced approaches to the funding needs of local government; utilizing voluntary and cooperative services of councils of governments (COGs) and other intergovernmental

initiatives; and employing various revenue, expenditure, and 21st-century approaches at the local and state levels.

The first challenge highlighted by Frankel focuses on the budgetary challenges of decreased revenue and increased service demands and the costs of unfunded state and federal mandates for local governments. Examples of potential coping strategies presented include expanding municipal taxing power, modifying the prevailing wage, utilizing "outside the box" revenue strategies, educating the public about the need for specific cost management strategies, examining nonprofit impact fees, and selling or privatizing municipal assets.

Some of the strategies presented for challenge two—meeting the demands of infrastructure and its associated costs—were increasing the maximum road bonding amounts, expanding PENNVEST assistance, utilizing joint purchasing/service agreements to procure necessary items such as salt and gravel, and creating regional solutions like the purchasing of scales that help to enforce weight limits.

The third challenge presented—addressing barriers for creating voluntary governmental mergers and shared service agreements—was supplemented by strategies such as creating/maintaining a statewide planning commission that addresses the concerns of small, nonviable communities that wish to consider merging and/or consolidating services; enhancing education at the COG level; and developing a bargaining education system/mediator service at the local level.

With regard to challenge four, which stated the need to address the ongoing structural fiscal problems related to pensions, Frankel noted that the Institute of Politics already has done substantial work related to this issue. Some recommendations from the IOP report *What to Do about Municipal Pensions* included consolidating pension plan administrations within the Pennsylvania Municipal Retirement System, revising the state aid formula, and prohibiting underfunded pension plans from increasing benefits.

The last challenge cited—balancing emerging economic opportunities with environmental factors—was accompanied by strategies that included Marcellus Shale revenue possibilities at the state level, contract agreements at the COG level that encompass energy aggregation and legal services, and possibilities for regional revenue sharing among municipalities.

Frankel concluded by saying that while the report is still in process and will later be reviewed and refined by the committee, feedback from the public will help to strengthen the report. Additionally, Frankel offered two departing questions: What happens to the distressed municipality that wants to survive the fiscal crisis but for which the traditional budgetary tools of tax

increases and service cuts aren't sufficient and what happens if a distressed municipality has no service trade-off potential with surrounding municipalities?

OVERVIEW OF ALLEGHENY FORUM REPORT

JANE DOWNING, senior program officer at The Pittsburgh Foundation, presented the Pittsburgh Foundation's report about local government, *The Allegheny Forum: What Elected Officials Need to Know about What the Public Thinks about Local Government*. The goal of the Allegheny Forum, Downing noted, was "to canvass a full and diverse spectrum of public opinions and provide those opinions and ideas to help inform future decision making of public officials." In total, approximately 2,869 demographically diverse individuals participated in these initiatives.

Key components of the forum included brainstorming with municipal officials, the statewide poll from Temple University, the Deliberative Democracy Poll, and e-forums and public meetings.

The primary research methodology used in this initiative, Downing noted, was polling. Opinion research was derived through questions about local government performance as well as state policies surrounding Act 111 and municipal pensions. For the Temple poll, Downing said that approximately 1,400 adults across Pennsylvania were reached via telephone polls. Key demographic targets also were observed in this poll and include age, race, gender, educational attainment, and home ownership. The Deliberative Democracy Poll, on the other hand, utilized pre- and post-surveys, random telephone polls, background material on local government, small group deliberations, expert panels, and demographic statistics. Downing noted that the Deliberative Democracy Poll had more independents, African Americans, and older and formally educated individuals than the target census demographics. The e-forums were open to all individuals and included discussions about what people would tell their elected officials.

The outcomes of the Allegheny Forum resulted in five key findings about local government and citizens' perspectives. The first finding is that people in Allegheny County and across the state support sharing services. Finding two from the Allegheny Forum is that people want arbitrators to consider the financial impact of their decision on government. Finding three, Downing added, is that people favor offering new government employees the same benefits as current workers. The fourth finding is that people trust local government to make the best tax and spending decisions more than other forms of government in the state. The last finding is that people believe that local public services will stay the same or improve during the next few years.

Overall, Downing concluded, the findings demonstrate that the public does not yet appreciate fully the urgency of the fiscal crisis or how it will impact local services. However, citizens do want to be actively involved in the solutions. Specific opportunities for action that resulted from the Allegheny Forum, Downing added, include educating citizens about pension reform and the financial crisis facing the state and looking for specific resource-sharing options, like combining police patrol services or sharing specialized police services.

SUMMARY AND INTRODUCTION OF STATE ELECTED OFFICIALS' PANEL

FRED THIEMAN, president of the Buhl Foundation and cochair of the Institute of Politics Fiscal Policy and Governance Policy Committee, deepened the discussion about local government by offering a summary of the reports, pointing out similarities and differences.

Thieman noted that in both reports there was widespread agreement that the fiscal crisis has substantially affected the health of local governments, as localities must rely primarily on sources of revenue that have decreased dramatically.

Some of the major differences cited by Thieman were that the Institute of Politics report focused on local government across the state, while much of the Pittsburgh Foundation work was limited to Allegheny County. The Pittsburgh Foundation's report also was more of an educational tool for local citizens, while the report was informed by governmental professionals. The reports also seemed to highlight that professional managers understand the complexities of local government better than the average citizen.

Before introducing the state leadership panel, Thieman posed three discussion questions:

- What is the appetite in Harrisburg for addressing needed changes/reforms to assist local government?
- What changes will offer the greatest potential and relief for local governments?
- Because affluent communities are in better shape than more distressed communities, what happens to the distressed communities?

STATE ELECTED OFFICIALS' RESPONSE PANEL

DOMINIC PILEGGI, majority leader of the Pennsylvania State Senate, thanked The Pittsburgh Foundation and Institute of Politics for hosting this important forum and provided answers to the three questions posed by Thieman.

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Pileggi noted that any appetite for change is constrained by the realities at the state level. Pileggi stated that the state currently has a \$500 million budget shortfall and a \$4 billion projected revenue shortfall for the next fiscal year. The primary focus for the state senate needs to be on the spending side of the budget. However, as a state senator from Chester County, Pileggi said that he is able to see both sides of the coin because Chester is one of the most distressed cities in the state.

The greatest potential for change, Pileggi noted, will be in addressing municipal pension issues. Pileggi also noted that support for shared services will become an economic necessity. However, the local will to make the change must be there. The arbitration issue, Pileggi added, also will need to be discussed.

Pileggi said that what happens to the city of Harrisburg should be a case study about what happens to poor communities state-wide. In addition, issues that often have been viewed as specific, local problems need to be viewed as broad, state-wide municipal problems. Engagement between the southwestern and southeastern areas, as well as other parts of the state, needs to occur.

JAY COSTA, minority leader of the Pennsylvania State Senate, agreed with Pileggi that there is a climate to have a conversation, but the dominating issue is how to address the state budget, specifically regarding transportation and education funding.

Municipal pension reform, Costa expressed, is an area where change can occur. The lack of reform on this issue particularly hurts local municipalities that are under the 50 percent funded threshold. Recent changes to the state pension system, Costa noted, may serve as a template for municipal pension reform. With regard to Act 111, Costa said that any reform will be an extremely challenging political issue.

FRANK DERMODY, minority leader of the Pennsylvania House of Representatives, opened his remarks by stating that there are numerous municipalities within Pennsylvania, with 130 of those municipalities in Allegheny County. The budget shortfall, Dermody noted, will be the primary issue in the state house, and will need to be addressed in a bipartisan way. Dermody said that he believes an appetite for change does exist, as he noted that more shared service agreements have emerged, as evidenced by fire/police mergers in his district. Dermody concluded that this type of action may be needed because the current path is unsustainable. Dermody also noted that we need to educate the citizenry about needed reforms.

MIKE TURZAI, majority leader of the Pennsylvania House of Representatives, stressed that there will be tough times and decisions ahead for the state. Turzai also agreed with the other leaders by identifying the budget as the primary issue in Harrisburg. Turzai noted that if we want to move forward with



Senators Costa and Pileggi, the minority and majority leaders of the Pennsylvania State Senate, talk with each other and the audience about the challenges facing local governments as a result of the state's fiscal condition.

the public's wishes then we will not increase taxes. Any change, Turzai added, should make the public sector look more like the private sector.

An example of change that Turzai provided was the privatization of public assets, such as the state liquor stores. This type of reform can provide the commonwealth with substantial revenue. Another example of reform is the privatization of the water authorities, as Turzai said the water authorities in their current form waste taxpayer dollars through inefficiencies.

Q&A WITH STATE ELECTED OFFICIALS' RESPONSE PANEL

COURT GOULD, executive director of Sustainable Pittsburgh and member of the Institute of Politics Fiscal Policy and Governance Policy Committee, moderated the question-and-answer session for the state elected officials' panel. The first question Gould asked the panel was: If you could write talking points for the governor, what would you like to hear him propose for local government? Pileggi responded that while balancing the budget will not be easy, there is tremendous opportunity to create substantial changes during this fiscal crisis. An example of change, Pileggi added, is structural reform regarding program delivery. Dermody said that he would like to see more programs consolidated among local governments as well as a better framework for how programs are consolidated.

Gould next asked the panel members their thoughts about revenue sources like the occupational or commuter tax that support regional initiatives. Turzai responded that there has already been an increase in the occupational tax and that high taxes in urban cores have contributed to a decrease in population and a decrease in the number of corporations in cities. Demand for any increases in these revenue sources, Turzai added, needs to originate at the local level. Dermody said that he would like to propose a sales tax in which a quarter of one cent goes to the creation of regional railway stations.

A question was raised about what opportunities the commonwealth is pursuing regarding the Marcellus Shale, as many local governments are on the front line of the environmental and infrastructure impacts. Costa said that the commonwealth needs to provide resources to local government, perhaps through a severance tax. However, Costa affirmed that the resources belong to the commonwealth and that the commonwealth as a whole should be the beneficiary. A portion of that tax also should be used to ensure that natural gas industry employees follow safety regulations. Pileggi noted that he is in favor of a fair and competitive severance tax. However, any money generated belongs to the commonwealth. He also said that this tax will not balance the commonwealth's budget and that safety and environmental issues will need regulation reform.

Gould asked the panel members about their thoughts on Act 111 reform, as many local governments view it as an unfunded mandate. Dermody said that while reform discussions occur, it's crucial for police to stay on the job, as they are first responders. Costa said that it is not appropriate to pay individuals in different municipalities widely varying salaries, as quality across the board is needed.



Court Gould, moderator of the state panel, poses questions from the audience to the state legislative leadership.

An additional question was asked about what will be done to address the pension crisis. Costa said that the state senate and house may return to a pension reform bill that previously left the senate. Pileggi added that any pension reform must ensure that benefits for existing members do not change. Gould next asked the panel to comment on the lack of property tax assessments and whether there should be mandates and incentives for timely assessments that are socially equitable. Turzai noted that the funding formula should be a statewide issue and that any system needs to be fair. He also said that assessment should occur on an annual-to-three-year system, should take into account the millage rate, and should be reviewed with the property tax rate. Dermody said that any court-ordered tax assessment would be costly.

A question was posed about what can be done at the state level to better address the public's awareness about the fiscal crisis at the local level. Pileggi agreed that there is a lack of awareness at the local level. However, he said that he did not see any clear solution for communicating to local constituents, as citizens often do not take notice of taxing and financing policies until they are impacted personally.

The last question Gould addressed to the panel was for comments about the findings from the Deliberative Democracy Poll that highlighted citizens' growing appetite for shared services. Pileggi said that while people generally identify with their neighborhood the most, many of the less-affluent municipalities simply do not have a lot to offer. The question for all of us, Pileggi noted, is about how we get a less-affluent and more-affluent municipality to share services with each other. Turzai noted that you get good schools and good communities if you have a good private sector in your community. Possible measures to obtain this environment include lowering tax rates and privatizing some of the services that the public sector does.

LOCAL ELECTED OFFICIALS' RESPONSE PANEL

JOSEPH SINNOTT, mayor of City of Erie, began his remarks by noting that Erie is the fourth-largest city in Pennsylvania. Sinnott also noted that he thought the problems of local government could be solved through a holistic approach that examines what can be done at the local and state levels to help local governments.

An example of state-level intervention is to reform Act 47, Sinnott noted. Many distressed communities file for Act 47, Sinnott said, yet Act 47 is not very successful because it doesn't solve the core problems for municipalities. Rather, it creates a vicious cycle that makes a community more expensive for its residents. Sinnott also noted that Act 111 reform is needed.

On a local level, Sinnott said that he was in favor of shared services, yet the practicality and implementation are often difficult because there are many variables to sharing services. Sinnott concluded that the focus for local governments must be on reforming the cost side and not the revenue side of the budget.

D. RAJA, commissioner, Municipality of Mt. Lebanon, said that a private-sector approach to solving local government problems is needed. Raja cited the need to address increasing costs like mandated wage increases and rising pension benefits. He noted that regional pools may assist with the pension issue, as this would create an economy of scale.

Raja then explained how Mt. Lebanon addressed a \$2–3 million shortfall when he first became a commissioner. He also noted that a more robust pension contribution tool should base assets

on a four-to-five-year average. Raja also said that more specialized services should be utilized through regional pooling in order to obtain economies of scale. An example provided by Raja was the acquisition of composting equipment.

CHARLES CAMP, commissioner of Beaver County, stated that state and local governments could more easily balance their budgets through the improvement of delivery systems. He noted that people don't care how services are delivered as long as they are cost-efficient and have a personalized approach. Through partnerships with the private sector, service delivery may improve.

Camp also cited the need to change federal regulations in order to allow more timely use of capital improvement money, as inflation often eats up capital improvement money that is delayed due to red tape. Camp argued that federal block grants that could be distributed more efficiently need to be given to local counties.

In addition to federal regulations, Camp said that more analysis and discussion needs to occur about regional services. An example provided was the use of airports in Beaver and Lawrence counties; Camp believed that the use of both airports was probably not necessary. He also said that more discussions about county police forces should occur.

ANDREW BONI, chairman of supervisors, Perry Township, said that township supervisors get nervous when they hear that Harrisburg wants to help, as this often means another unfunded mandate. Boni also stressed that mandated consolidation is not a good idea. He noted that township supervisors are closest to the constituents and have a strong understanding about what their constituents want, while Harrisburg is not as closely connected.

Specific items that Boni said need to be addressed include block grants, a revamped road bonding system that increases bond limits, and a change to the prevailing wage law. With regard to block grants, Boni specifically noted that the bigger townships are getting a disproportionate share when compared to smaller townships.

Q&A WITH LOCAL RESPONSE PANEL

SUSAN HOCKENBERRY, executive director of the Local Government Academy and member of the Institute of Politics Fiscal Policy and Governance Policy Committee, moderated the discussion for the local response panel. Before providing questions, Hockenberry expressed that the classifications for local government are not as useful today as they were when they originated.

The first question Hockenberry posed to the participants was about what type of leadership they would like to see from the

new governor. Sinnott outlined four key areas for leadership: common-sense reform in things that affect local government, regardless of size; economic development initiatives with the private sector; addressing fiscal and nonfiscal policies that affect local government; and more interest in regional government as this is the future of governmental stability. Sinnott noted that all of these items are intertwined. Camp said that the state needs to provide inducements and guidance to local municipalities regarding service deliveries. Boni noted that the new governor should focus on issues surrounding the Marcellus Shale, increase the bonding amount, and address many of the state's unfunded mandates. Raja answered that he would like to see the governor focus on innovation and tax policies that move companies to this state.

Hockenberry next asked the panel about the barriers to regionalization that exist at the local level. Camp said that two questions must first be asked and answered: What is it that your core community wants, and secondly, are you better off in public or private hands? Sinnott followed up Camp's response with an example that should be analyzed: In which places do regional police work better than state police? Raja said that one barrier is a governmental culture that is resistant to change.

Hockenberry then asked the panel about what changes will be offered at the local level if the state provides additional money to local government. Raja said that there should be more of a change in government culture, specifically to a culture of competition. An example provided was road maintenance: If the state can more efficiently maintain the roads, then it should do it. However, if the municipality can do it more cheaply, then it should do it. Boni noted that while the state does have a turnover roads program, it expects a very high return.

Hockenberry followed with a question about funding for distressed municipalities. Camp said that there should be more regionalization. An analogy provided was health insurance: the bigger the buy-in, the more stability created. The revenue collected from any regional alliance should be distributed across the region.

Hockenberry concluded by asking the panel about what local government can do to address transparency and accountability. Boni said that more people should attend meetings to gain a greater understanding of what is happening in their municipality. Raja noted that there should be consistent standards for budgeting. Sinnott believed that any new accountability measures should strive to emulate the federal stimulus program, which has a high, but not perfect, level of accountability. Camp said that more people need to be asking about transparency in general.

CLOSING REMARKS

Oliphant thanked everyone for attending and remarked that a range of insightful ideas was presented by both the local and state government panels. Oliphant specifically noted that many of the ideas offered in the Institute of Politics report are practical but require political courage. He also said that while the conversation with the state officials was positive and established some common ground, it is up to the citizenry to guide the elected officials through this crisis. However, Oliphant noted that the Deliberative Democracy Poll demonstrated the need to inform the public about the issue.

In conclusion, Oliphant noted that the theme for the morning was that the public needs to see a return to strong leadership. The local leaders, Oliphant noted, are the leaders who the citizens trust most to guide them forward. ■

SPOTLIGHT ON MUNICIPAL COOPERATION: ALLEGHENY COUNTY

By Jack Busch

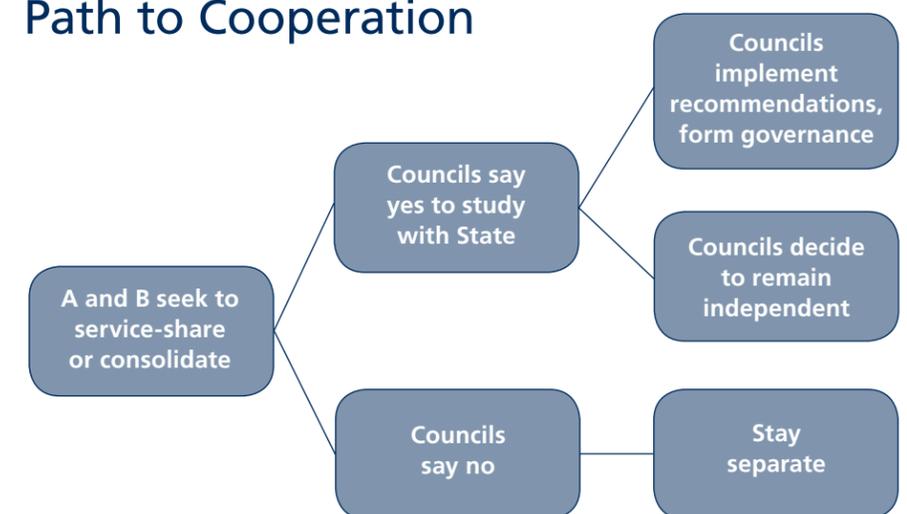
One of the more sobering realities illuminated during the 14th Annual Elected Officials Retreat was the difficulty in crafting solutions to state and local fiscal challenges. However, collaboration among local governments can offer areas of opportunity for controlling costs and boosting efficiency as we move forward into the new fiscal reality. Attendees of the retreat agreed that greater cooperation among municipalities may be one of the best and most viable solutions for handling the fiscal crisis, although it is by no means an easy solution. There are numerous barriers to more consolidated, efficient government services. Allegheny County, for example, is home to 130 municipalities. Most of these municipalities are understandably reluctant to consider options that might affect their sense of identity, which is often linked to local fire or police departments. Many municipalities simply lack the funds for the studies or capital costs required to pursue or even explore a service sharing agreement. Other municipalities, particularly those staffed by part-time officials, lack the time and political expertise to negotiate a collaborative initiative with a neighboring community.

As elected officials are called upon to overcome these philosophical, fiscal, and logistical barriers, we can benefit by looking to models where collaboration has worked. In this spirit, the Institute chose to highlight the work of Allegheny County Deputy Manager Kathy McKenzie. Through a number of successful collaborative initiatives, McKenzie has saved the county millions of dollars and established an inspirational track record for bringing local governments to the negotiation table. She helped the county to consolidate its row offices, take over 911 emergency dispatch services for more than 100 municipalities, and merge the purchasing and supplies divisions of the City of Pittsburgh and Allegheny County. Currently, she is working on bringing the city and county into a common financial system, which will be instrumental in presenting cost savings analyses for future consolidation and collaboration.

In order to address the challenges of municipal collaboration, McKenzie created the Municipal Service Sharing & Consolidation Program, which was launched earlier this year and is administered by the Authority for Improvements in Municipalities. The county seeded the program with \$100,000 toward its \$545,000 budget for 2010–11. The program primarily provides grants that can be applied toward the local match requirement for the Pennsylvania Department of Community and Economic Development's Shared Municipal Services Program and Land Use Planning and Technical Assistance Program. Qualifying municipalities also can receive capital grants of up to \$25,000, which can be applied toward

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Path to Cooperation



building construction or renovations and other capital or equipment costs such as vehicles and professional grants up to \$5,000, which can be applied toward legal, accounting, actuarial, and information technology services.

While devising the Municipal Service Sharing & Consolidation Program, McKenzie worked closely with Susan Hockenberry, executive director of the Local Government Academy, to examine why municipal agreements so often fall apart. After meeting with local municipal leaders and Councils of Governments throughout the county, McKenzie discovered that long-standing animosities or disputes between municipalities can significantly hinder cooperation. Disagreements often arise over levels of coverage in each municipality, cost sharing, staffing decisions, and changes in leadership. In order to address these issues, the county has given financial assistance to the Local Government Academy to provide neutral conflict resolution specialists who can help to draft sustainable agreements containing provisions for resolving future problems. Such conflict resolution provisions are required in order for municipalities to receive grants through the Municipal Service Sharing & Consolidation Program.

The needs of municipal governments range from the relatively small, such as parking meters and landscaping equipment, to the more costly and complex, such as scales for weighing trucks. The latter example underscores one of the areas where collaboration is most critical: development of the Marcellus Shale. The rural location of many gas wells has resulted in increased industrial truck traffic on roads owned by many small municipalities. These municipalities often find it difficult to collect fines or penalties on those trucks that exceed weight limits or other restrictions because they do not have the means to weigh or otherwise inspect the truck for violations. The City of Pittsburgh occasionally allows other municipalities to borrow its scale, but for the remainder of the year, trucks pass through, causing damage to roads without paying the requisite fines. The cost of a new scale, which is estimated at around \$500,000, is prohibitively expensive for any one municipality and comes with a number of technical and staffing issues. Through a cooperative agreement, a number of municipalities may join together to purchase and staff a scale, allowing municipalities to recover the cost of damages to their roads without having to make a cost prohibitive capital investment.

The collaborative approach offered by McKenzie is just one example of positive action that can be taken toward resolving today's municipal challenges. ■

HEALTH LITERACY: STRATEGIES FOR LOCAL IMPLEMENTATION

OCTOBER 14, 2010

WELCOME AND INTRODUCTIONS

Candi Castleberry-Singleton, chief inclusion and diversity officer, UPMC, and cochair, Health and Human Services Policy Committee, Institute of Politics

NATIONAL HEALTH LITERACY STRATEGY: AN OVERVIEW

Carolyn Brooks, Office of the Associate Director for Communication, Centers for Disease Control and Prevention

HEALTH LITERACY: STRATEGIES FOR HOSPITALS AND HEALTH SYSTEMS

Mary Ann Abrams, health literacy medical advisor, Center for Clinical Transformation, Iowa Health System

HEALTH LITERACY: COMMUNITY-BASED STRATEGIES

Gary Kreps, University Distinguished Professor and chair, Department of Communication, George Mason University

Q&A

Moderated by Grant Oliphant, president and CEO, The Pittsburgh Foundation, and cochair, Health and Human Services Policy Committee, Institute of Politics

PERSPECTIVES ON BEST PRACTICES AND STRATEGIES

Linda Crippen, UPMC St. Margaret
Ellen Kuntz, Highmark Inc.
Becky Carpenter, Greater Pittsburgh Literacy Council
Barbara Murock, Allegheny County Department of Human Services

OPEN DISCUSSION

Moderated by Candi Castleberry-Singleton

CLOSING REMARKS AND SUMMARY

Candi Castleberry-Singleton



Moderator and Health and Human Services Policy Committee cochair Candi Castleberry-Singleton (center) of UPMC talks with Grant Oliphant, president and CEO of The Pittsburgh Foundation and Institute director Terry Miller prior to the start of the event.

HEALTH LITERACY: STRATEGIES FOR LOCAL IMPLEMENTATION

By Bill Schlachter

As the region's medical community continues to expand its role and its influence, the development of strong patient and community health literacy has gained substantial attention. While strong health literacy can contribute to successful patient outcomes, poor patient health literacy can create confusion, misguided decisions, and inadequate health results.

On October 4, 2010, the Institute of Politics brought together health literacy experts, leaders from the nonprofit and private sectors, and public officials from throughout our region to discuss this important topic and the strategies needed to produce positive health outcomes.

WELCOME AND INTRODUCTIONS

CANDI CASTLEBERRY-SINGLETON, chief inclusion and diversity officer, UPMC, and cochair, Health and Human Services Policy Committee, Institute of Politics, welcomed participants to the forum and provided an overview of health literacy.

Health literacy, Castleberry-Singleton noted, is "the degree to which individuals have the capacity to obtain, process, and understand basic health information and services needed to make appropriate health decisions." Specific factors that affect health literacy include communication skills, knowledge of health topics, culture, demands of the health care and public health systems, and demands of the situation. Other factors that directly impact health literacy include English speaking and reading abilities, educational attainment, and available resources.

As an example of how cultural and linguistic differences may impact an individual's health, Castleberry-Singleton noted that a prescription written in English as "take once daily" may be understood by a native English speaker as take one pill a day. However, a Spanish speaker may translate "once" as 11. This further highlights the need for health care providers to adopt a coordinated approach to health literacy.

NATIONAL HEALTH LITERACY STRATEGY: AN OVERVIEW

CAROLYN BROOKS, Office of the Associate Director for Communication, Centers for Disease Control and Prevention, began her remarks with one key fact: Only 12 percent of American adults have proficient health literacy. This, Brooks stressed, demonstrates the need for the creation of strong national strategies that promote the development of health literacy.



The formation of the national health literacy strategy, Brooks noted, was a decadelong process that began in 2000 and involved members of the health and insurance industries, the media, and government officials. The final plan, released in 2010, provided a strong vision and seven strategies/goals for how organizations can address health literacy. The seven broad goals were (1) to create and disseminate health information that is accurate, actionable, and accessible; (2) to promote changes in the health care delivery system that improve health information, communication, decision making, and access to health care services; (3) to provide early childhood-to-university education; (4) to support community-based services (5) to foster partnership and collaboration (6) to increase research and evaluation; and (7) to disseminate evidence-based practices.

Brooks also noted that organizations should focus on a five-step program to promote health literacy—review, choose, try, evaluate, and repeat the national strategies. More specifically, organizations should review their priorities and programs and examine how health literacy could improve their services and outcomes, choose the most relevant goals and strategies from the plan, try to plan and implement the strategies, evaluate the effectiveness of the implemented strategies, and repeat the effective strategies.

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HEALTH LITERACY: STRATEGIES FOR HOSPITALS AND HEALTH SYSTEMS

MARY ANN ABRAMS, health literacy medical advisor, Center for Clinical Transformation, Iowa Health System, began her overview about health literacy strategies for hospitals and health systems by noting that health literacy is “fundamental to safe, high-quality, patient-centered, equitable care.” The core health literacy strategy for hospitals and health systems, Abrams stated, requires the following key underlying principles: understanding that health literacy is a universal issue; it affects all aspects of care; it is fundamental to quality care that is safe, patient centered, and equitable; it involves the patient and family; and improvements must be sustained via behavior change within a health care delivery system. Abrams also outlined six key health literacy domains: (1) engaging leadership; (2) awareness and education; (3) a shame-free, patient-centered care environment; (4) interpersonal and verbal communication; (5) reader-friendly print materials; (6) patient, family, and adult learner involvement and collaborative partnerships.

- **Engaging leadership:** Senior leadership, Abrams noted, can inform boards and other leaders about the importance of health literacy, integrate strategies into the organizational goals and objectives, underscore health literacy as a quality and patient safety issue, offer time and resources to support improvement, and model plain language in its speech and writing. Senior leadership also can be held accountable for the implementation of goals. Strategies offered included describing the importance of health literacy to leadership through the use of data and financial evidence, collecting stories, being succinct with communication, and providing leaders with roles and monitoring their actions.
- **Awareness and education:** Abrams stressed that clear communication to staff about health literacy can relate to increased health literacy for patients. However, it requires continual education and training and should involve patients, families, and adult learners; measure competence; and offer incentives and bonuses for successful outcomes.
- **A shame-free, patient-centered care environment:** Systems should provide a welcoming, inviting, and supportive care setting. Paperwork is minimized, navigation is optimized, dialogue is fostered and encouraged, culture and language are addressed, and the telephone process is simplified. Abrams noted that organizations also should learn from the hospitality industry; simple smiles and greetings often mean a lot to patients.
- **Interpersonal and verbal communication:** According to Abrams, this involves creating plain language for all

patient and family-related education, requires the teach-back method as a standard part of patient and family education, empowers members of health care teams to convey communication-related concerns, allows patients to include a family member or friend during health discussions, and enables staff to know how to access and work with trained interpreters.

- **Reader-friendly print materials:** Creating reader-friendly print materials involves not only the development of new materials but the revision of existing forms and policies, including employee manuals and consent forms so that they are written in plain language. It also involves incorporating health literacy and Americans with Disabilities Act principles in kiosks, Web sites, and signage.
- **Patient, family, and adult learner involvement and collaborative partnerships:** This creates an environment where patient involvement is basic to patient-centered care. This strategy also allows patient and family stories to be a part of an organization’s health literacy discussions, enables health literacy to play an important role in patient and family advisory council work, and enables working relationships with adult literacy programs.

Abrams concluded that organizations continually need to share, learn, and disseminate information to individuals in order to optimize their health literacy. Abrams also suggested that organizations should start with small points of change and implement PDSA—plan, do, study, and act.

HEALTH LITERACY: COMMUNITY-BASED STRATEGIES

GARY KREPS, University Distinguished Professor and chair, Department of Communication, George Mason University, outlined numerous community-based strategies for the promotion of health literacy. Specific challenges include the bureaucratization of the health care industry, which has led to less individual patient care; the alienation of immigrants in the health system; and an increasingly aging population that requires additional care. Broader problems that result from these challenges are confusion, barriers to access, disenfranchisement, fear and suspicion of experts, late-term diagnoses and treatment, higher morbidity and mortality, and a general lack of information about health issues.

Groups within the community who are frequently affected by low health literacy include the elderly, socioeconomically challenged individuals, individuals with limited education, immigrant populations, nonnative English speakers, patients in stress, individuals who are disabled (physically and/or mentally), and young people.



Grant Oliphant poses a question to the national panelists.

Kreps also noted that health literacy issues cut across the continuum of care—prevention, detection, diagnosis, treatment, survivorship, and end-of-life stages. In the prevention and detection stages, organizations must ensure that people understand that screening is available to them. During diagnosis, adequate information needs to be provided to patients about why they are being diagnosed with a specific condition, as numerous patients are provided with false diagnoses and/or inadequate explanations. With regard to treatment, people may not realize that they are not receiving the best care. The survivorship and end-of-life stages both require information that can dramatically alter important decisions about health and life choices.

Community-based strategies that Kreps cited to meet these literacy challenges included the creation of supportive climates for the community, the adaption of messages to various audiences, the active engagement of various audiences, the use of overlapping messages, the illustration of concepts, open-ended feedback, and the provision of follow-up treatment and support.

As a whole, Kreps noted that community-based health literacy coalitions can serve in a variety of capacities that help to implement these strategies. Coalitions can provide specialized

knowledge from cultural insiders; access to key populations and organizations; resources; social legitimacy, credibility, and clout; extra support for difficult jobs; strategies for program implementation; commitment for program sustainability; and partnerships for external support.

Specific activities can be offered to assist health literacy community coalitions, Kreps noted. These include the gathering of data on problems and solutions, the provision of communication training for providers and consumers, the promotion of interprofessional team collaboration, the development of communication tools/materials/support, the encouragement of cultural sensitivity, and the development of a supportive community climate.

Q&A

GRANT OLIPHANT, president and CEO of the Pittsburgh Foundation, moderated the question-and-answer period for Brooks, Abrams, and Kreps. Oliphant began the session with a twofold question: How do health care professionals ensure that they are speaking to patients in a language they understand, and how do health care professionals measure what their patients really hear? Brooks responded that the teach-back method, which requires physicians or teams to have patients repeat back what they are going to do when they go home, often is utilized to ensure patient understanding. Abrams noted that this process must begin from the moment a patient enters the hospital. Kreps added that the system constantly needs to provide an opportunity for patient feedback. More specifically, the creation and implementation of built-in feedback loops allow physicians and patients to reconnect and solve any outstanding issues.

A question was posed about the state of data collection with regard to health literacy. Kreps responded that there is a tremendous amount of data that demonstrates that patients don’t understand their prescribed treatments and that there are issues related to screening for health literacy.

Another question was asked about how health literacy can become more focused and universal within multiple systems. Abrams responded that the engagement of multiple systems and health literacy is always difficult, and the role of the primary care physician must be examined in order to ensure continuity of care. Kreps responded that litigators are now increasingly serving as patient advocates to ensure cross communication. Good communication, Kreps noted, reduces litigation. Brooks added that patient navigators also help disenfranchised people, particularly patients with cancer, who frequently have to deal with multiple physicians.

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From left to right, Linda Crippen, Ellen Kuntz, and Becky Carpenter participate in a panel discussion of local health literacy strategies and best practices.

LOCAL PERSPECTIVES ON BEST PRACTICES AND STRATEGIES

LINDA CRIPPEN, a certified registered nurse anesthetist at UPMC St. Margaret, outlined her work with health literacy within the UPMC hospital system. Crippen began by noting that everyone should take an active role addressing health literacy, even if it's just 15 minutes. Fifteen minutes, Crippen noted, can make a difference. Crippen described how during her time at UPMC St. Margaret, she met with different departments for 15 minutes each to discuss the importance of health literacy and strategies to implement health literacy practices. Crippen noted that she even managed to schedule the emergency room department for 15 minutes (one evening at 11), which she said had a positive impact on the department. Survey responses from her remarks indicated that 97 percent of hospital employees would change their practices. She concluded her remarks by saying that hospitals and providers need to do more to address health literacy and should implement health literacy strategies at the community level.

ELLEN KUNTZ, health equity and CLAS consultant, Highmark Inc., highlighted five key areas of health literacy focus at Highmark:

- **Member satisfaction:** In 2009, Highmark performed a consumer assessment of health care providers and systems by using a member satisfaction survey to understand better the communication between patients and physicians. The survey results indicated that the non-White populations had a decreased satisfaction with the overall communication with their doctors as opposed to the White population, which conveyed higher satisfaction. The same results were demonstrated as it related to communication with a person's primary care physician, as opposed to a specialist or other physician.
- **Physicians:** Kuntz provided an overview of the steps that Highmark has taken with physicians to achieve health

literacy awareness. Specifically, Highmark has provided physicians with health literacy resources that were linked to a Web portal, articles in newsletters and e-mails, consultations to assist with specific physician needs, training modules, and a health literacy component within a physician incentive program.

- **Community:** Kuntz described how articles, Web site messages, and flyers have been used to promote health literacy to members and the community at large.
- **Internal:** In internal communications, Highmark uses flyers and articles and also has purchased health literacy software; formed a health literacy task force; and implemented creativity sessions to assess language, colors, and shapes that relate to health literacy. Kuntz also noted that an America's Health Insurance Plans' (AHIP) health literacy organizational assessment tool will soon be launched.
- **Regional and National:** Highmark has worked with AHIP's Health Literacy Task Force and participated in the AHIP/Emory University pilot of a health plan organizational assessment of health literacy. Highmark also has worked to implement goals from the National Action Plan to Improve Health Literacy.

BECKY CARPENTER, director of special projects, Greater Pittsburgh Literacy Council, provided a broad overview of the health literacy work that the council has undertaken. Carpenter stated that "it's a no-brainer that if you have trouble with literacy, you will have problems with your health." The council, Carpenter noted, has a separate health literacy program in order to provide optimal results to the citizens of the region. Approximately 400 volunteers assist with the program, and grant support is provided by local organizations like Highmark. This financial support has allowed the council to develop curricula for health literacy classes. The council also has developed a partnership with UPMC, which has allowed the council to work with medical schools to discuss health literacy and communication. Carpenter concluded by noting that we as a society need to think about why people have low literacy skills. Poverty, Carpenter noted, is just one of the many immense issues that contributes to low health literacy.

BARBARA MUROCK, project manager, Allegheny County Department of Human Services, provided input about the health literacy work of the county. Specifically, the county has focused on two key principles: being culturally competent and being accessible to the community. With these principles as the foundation, an advisory committee within the department cited the importance of and a growing interest in the creation of a county language bank. With numerous foreign-born individuals entering the region each year and the significant

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Neil Parbam of Highmark speaks with colleague Ellen Kuntz, who served as a local panelist.

difficulties imposed on non-English-speaking individuals within the regional medical community, there have been numerous requests for medical services in various languages. Some of those 29 languages have included Spanish, Russian, and various languages of Somalia. The creation of a language bank, Murock explained, will provide non-English speakers with proper medical communication, which in turn enables enhanced decision making and medical understanding for the patient. Murock noted that she is actively seeking volunteer interpreters and partner organizations for the language bank—partners that will serve as a resource and help this important program to grow.

OPEN DISCUSSION

Castleberry-Singleton moderated and began the discussion by encouraging attendees to focus on action items that can be achieved between now and the next Health Literacy Month (October 2011). Action items listed by forum attendees included the following:

- Creating active partnerships with local food pantries to ensure that nutrition is part of the health literacy discussion
- Holding insurance providers accountable for their role in health literacy
- Producing more illustrative signs in hospitals and ensuring that physicians and hospitals teach patients what signs mean
- Connecting health literacy messages to elderly and low-income communities
- Providing better information to consumers about the languages that a physician speaks, as the system that currently provides this information is neither up to date nor easily accessible.
- Recruiting additional psychiatrists to the region who speak non-English languages and dialects
- Recognizing how isolation and a lack of connectedness can affect the health literacy of patients from other cultures
- Utilizing community spaces to bring various organizations and populations together
- Ensuring that successes are measured
- Connecting public schools to health literacy programs

Castleberry-Singleton noted that UPMC’s Dignity and Respect Campaign has launched in the Pittsburgh Public Schools and that UPMC is actively promoting health literacy awareness and health careers promotion through workforce development and community partnerships.

WQED Multimedia offered to ensure that health literacy messages reach a multicultural audience.

CLOSING REMARKS AND SUMMARY

Castleberry-Singleton thanked everyone for their active participation and noted that there is a general consensus to

- Employ succinct and illustrative communications;
- Utilize teach-back methods during communications with patients;
- Ensure that leadership within organizations is engaged and committed to improving health literacy;
- Create an atmosphere that provides safe and equitable care;
- Utilize organizations within the community to generate health literacy awareness, and
- Continue to learn from the positive aspects of the hospitality industry in the treatment of individuals. ■



TWENTIETH ANNIVERSARY INTERNSHIP REUNION

On Friday, October 29, 2010, the Institute of Politics kicked off the University’s homecoming weekend by celebrating 20 years of its internship program at the first-ever reunion for former interns. Approximately 50 individuals were in attendance to commemorate the program that has graduated nearly 500 students since 1990. At the event, many former interns had the opportunity to reminisce and reconnect with one another as well as with current and former intern instructors, Institute staff, and representatives from several intern placement offices.

The evening, which primarily offered the attendees a chance to socialize with one another, included a short program, most of which was dedicated to the origins of the internship program and to the memory of its cofounder, the late Dr. Ann M. Dykstra, who passed away in August 2010 after a six-year battle with ovarian cancer.

Marie Hamblett, deputy director of finance at the Institute, welcomed the audience and spoke briefly about the students she has seen pass through the program and the value she feels the program has offered these students. After Hamblett concluded her opening remarks, Robin Jones, director of the Community Initiative Program at the University of South Florida, former internship class instructor, and internship program cofounder, recalled her first meeting with the intelligent and energetic Dykstra, who at that time was working for the University of Pittsburgh Office of Governmental Relations. The pair realized the tremendous benefit that students could gain by working hands on in the offices of elected officials. It was that idea that began the groundwork for the present-day internship program.

Although the program has changed throughout the years, the formula has remained relatively the same. University of Pittsburgh undergraduates are placed in the offices of local, state, and federal elected officials. In addition to their placements, interns also convene in a seminar-style setting once a week to discuss politics and policy initiatives happening at all levels of government. The students’ “final” is a role-playing exercise in which the students, acting as members of a legislative committee, analyze, debate, amend, and vote on a bill.

Nello Giorgetti, who along with Dennis McManus, is a current instructor of the class, offered remarks about Dykstra as well as about the caliber of students that he has seen participate in the program over the years. The program has grown considerably since its beginning and has become a highly competitive program among undergraduates from all disciplines, not just political science.

The program concluded with the announcement of the creation of the Ann M. Dykstra Scholar Intern Award. The award will be given each semester during the final presentation to one member of the internship class who demonstrates dedication and effort in his or her placement and in the class.

Once the brief program concluded, former interns mingled and enjoyed conversation topics ranging from Pennsylvania politics to current career endeavors and future aspirations. The uniqueness of the internship program was echoed throughout the evening by former interns and staff alike. Many of the former interns expressed gratitude for the program as it proved for many to be a career-launching moment in their lives. Overall, the evening offered all a chance to share their stories and recollections from a time in their lives that seemed to have had a significant impact on them—exactly what the cofounders of the program had always hoped. ■

The Institute wishes to congratulate Malissa Seman, who was the inaugural recipient of the Ann M. Dykstra Scholar Intern Award. Seman spent this past fall interning with Pittsburgh City Council Member Patrick Dowd.



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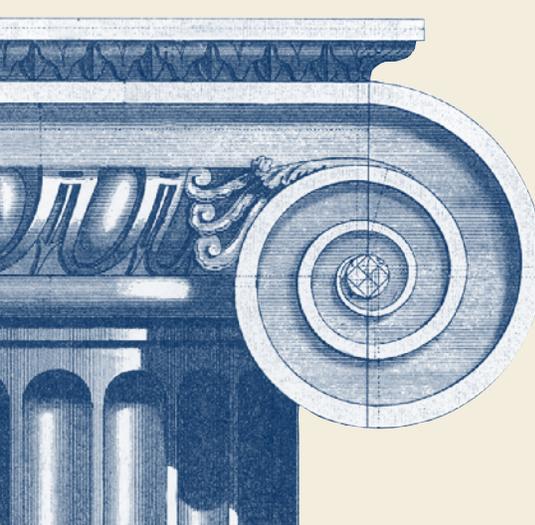
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