

**SUCCESSSES IN URBAN PROBLEM-SOLVING,
MAYORAL PERSPECTIVES**

JOINT HEARING

BEFORE THE

SUBCOMMITTEES ON THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON GOVERNMENT

REFORM AND OVERSIGHT

AND THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

AND THE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT

MANAGEMENT, RESTRUCTURING AND THE

DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS

AND THE

SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON APPROPRIATIONS

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SUCCESSSES IN URBAN PROBLEM-SOLVING, MAYORAL PERSPECTIVES

TUESDAY, MARCH 11, 1997

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA, COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT, JOINT WITH SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA, COMMITTEE ON APPROPRIATIONS; U.S. SENATE, SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA, COMMITTEE ON GOVERNMENTAL AFFAIRS; AND SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA, COMMITTEE ON APPROPRIATIONS,

Washington, DC.

The subcommittees met, pursuant to notice, at 1:20 p.m., in room 2154, Rayburn House Office Building, Hon. Charles Taylor (chairman of the House Committee on Appropriations, Subcommittee on the District of Columbia) presiding.

Present: Representatives Taylor, Davis, Morella, Cunningham, Tiahrt, Northrop, Norton, Allen, Moran, Dixon, and Senators Faircloth, Brownback, and Boxer.

Staff present: Committee on Government Reform and Oversight, Ron Hamm, staff director; Howie Denis, counsel; Ellen Brown, clerk; Cedric Hendricks, minority professional staff member; and Jean Gosa, minority administrative staff. Committee on Appropriations, Americo Miconi, clerk.

Mr. TAYLOR. Our ranking members, Senators Boxer, Leiberman, and Representative Moran and Norton, are with us today.

This is the first hearing of our appropriations subcommittee for this Congress. And I'm very pleased that it's a joint hearing with the four congressional committees with jurisdiction over the District of Columbia. Our purpose is to explore how our great American cities have dealt with a variety of problems similar to those faced by our Nation's Capital.

We all feel that this is our Capital, and we take a great deal of pride in Washington, DC, we want to see that this city is a model for the Nation. And the mayors who have so graciously agreed to come are here today to make suggestions. And we'll have an opportunity to approach it in that way. We want to share with America's Capital how other cities have addressed the challenges of economic development, educational quality, infrastructure improvement, public safety and general governmental efficiency.

We want the Nation's Capital, as I said, to be a model for the Nation and for the world. We are pleased that this landmark hearing brings together the congressional committees charged with

oversight of our Nation's Capital as envisioned in our constitution. Our concern is not only for the one half million residents of the District of Columbia, but for the 260 million Americans across the Nation, who look to Washington as our national symbol both at home and abroad.

We've asked the mayors, Susan Golding of San Diego, Stephen Goldsmith of Indianapolis, Patrick McCrory of Charlotte, NC, Mayor Rendell of Philadelphia, and Knox White of Greenville, SC to join us today. Other mayors from across the country may make suggestions—written suggestions—and even public comments to help the committee as the hearings and time go on.

But we're pleased to have these mayors with us today. We'd like each of them to make a short opening statement, and then we'll follow with questions. Our hope is that we have more of a round table here today, that we have an opportunity for discussion back and forth, and a less formalized proceeding. I understand that Mayor Goldsmith has to leave at 3:30 p.m., for another hearing, but will be back, and Mayor Rendell from Philadelphia will be here some time between 2:30 p.m., and 3:30 p.m.

With their busy schedules, we appreciate their effort. To facilitate our process this afternoon, and to allow each of us an opportunity to ask questions, I would like to follow the 5 minute rule. We have a timer here to remind us when our 5 minutes are up. And with that, I'd like to yield to the distinguished chairman of the Senate Appropriations Subcommittee, Lauch Faircloth, Senator Faircloth.

Senator FAIRCLOTH. I want to thank Chairman Taylor for holding the unprecedented hearing of the four committees in the House of Representatives and in the Senate with jurisdiction over the Capital and the District of Columbia. It's no secret to any of us or to anyone that the great city of Washington is in trouble, big trouble. The city's finances are in chaos, and infrastructure is in dire need of improvement.

Over the past several weeks—last week or two—I have met with Mayor Barry, Representative Eleanor Holmes Norton, Dr. Andrew Brimmer, and other members of the DC Control Board and members of the city council from Washington, the elected city council. I met with Police Chief Soulsby. And this morning I met with General Julius Beckton and his staff, the superintendent of the District's public schools.

I haven't met anyone that didn't have the same goal, the same aspirations and the same hopes. Sometimes they approached it from different perspectives, but, certainly, everybody would like us to head in the same direction. And each of us pledged to make this city, this pristine type of Capital, that not only the people that live within the bounds of the District of Columbia, but as Chairman Taylor said, the other 260 million people of this Nation—plus, it's a world capital as well as a Nation's Capital. As Capital of this country, it's a world capital.

I will be the first to say that Congress and the American people cannot and will not allow the city to fail and to spiral deeper into chaos. We have a special duty to restore it to the greatness it should always have had. There is no question, when we hear the various mayors of the other cities, that we have to keep in mind—

Washington is a very special case. It's different. It does not have the infrastructure of a State to support it in many ways that are State supported.

There are many things that Charlotte or Indianapolis or San Diego are supported by State government that the District of Columbia does not have. And we have to always be cognizant of that. We have to always be aware that so much of the property is not subject to taxation. There is no chance to expand the city limits of Washington. And there are severe and very proper constraints on the type and size of building that can be built here.

These are special conditions, and that is the reason that the Federal Government is always going to have the obligation of supplying additional money to make the city viable and to make it work. But, of course, with that comes the—to see that the money is properly spent and that it's used in the right way. I want to extend a special welcome to my good friend, Mayor Patrick McCrory of Charlotte.

Charlotte is now our Nation's second largest banking and financial center, and a proud city of 500,000 people. I'm proud, also, to have our former mayor here, and now Congresswoman, Sue Myrick. Mayor McCrory has done a fine job of carrying on the fine record of a lot of previous mayors of the city, and Mayor McCrory, we're delighted to have you.

Mr. MCCRORY. Thank you very much.

Senator FAIRCLOTH. Thank you, Mr. Chairman.

[The prepared statement of Hon. Lauch Faircloth follows:]

LAUCH FAIRCLOTH
NORTH CAROLINA

United States Senate

WASHINGTON, DC 20510-3305

Statement of Senator Lauch Faircloth
Joint Hearing
House Appropriations Subcommittee on the District of Columbia
House Subcommittee on the District of Columbia
Senate Appropriations Subcommittee on the District of Columbia
Senate Subcommittee on Oversight of Government Management
& the District of Columbia

Tuesday, March 11, 1997

Chairman Taylor, I want to thank you for holding this unprecedented joint hearing of the four Committees in the House of Representatives and Senate with jurisdiction over our nation's capitol, the District of Columbia.

Mr. Chairman, it is no secret that the great city of Washington, D.C. is in trouble. Crime is on the rise, police officers are being shot in cold blood, the city's schools are crumbling, the city's finances are in chaos.

Over the last few weeks, I have met with Mayor Barry, Representative Eleanor Holmes Norton, Dr. Andrew Brimmer and other members and staff of the Financial Control Board, members of the City Council, Chief of Police Soulsby, and this morning I met with the Superintendent of the D.C. Public Schools, General Julius Becton and his staff.

In each one of these meetings, I have pledged my support to make this city the finest city that it can be. After all, this city is not only our nation's capitol, but the capitol of the free world.

I will be the first to say that Congress - and the American people - cannot, and will not allow this city to fail. We have a special duty to restore this city to greatness.

But I must also say that running a city is an very complex task. It requires professionalism and skill. Well run cities must be able to keep account of how much of the taxpayers' money they are spending, they must know how well or how poorly city services are being performed, and they must continue to find ways to deliver services at the lowest cost possible.

As the Congress considers ways to help the District of Columbia, we should hear from experts who know firsthand about the reforms taking place in our nation's cities. That is why I am so pleased to welcome our panel of Mayors this morning. I am looking forward to your testimony.

I want to extend a special welcome to my good friend, Mayor Patrick McCrory of Charlotte. Charlotte is now our nation's second-largest banking & financial services center, a city of 500,000 of which North Carolinians are very proud. Being Mayor of Charlotte is a challenging job, and Mayor McCrory has a very fine record for promoting greater efficiency and controlling the cost of city services. Mayor McCrory, we are delighted to have you here.

Thank you.

Mr. TAYLOR. I'd like to introduce Chairman Tom Davis of Virginia, who is chairman of the House Subcommittee on the District of Columbia.

Mr. DAVIS. Thank you, Chairman Taylor. Today's joint hearing is a historic recognition of the high priority that the issues in the Nation's Capital are receiving from Congress and the executive branch this year. I'm so pleased to share the dias today with Senator Sam Brownback, Senator Lauch Faircloth, Congressman Charles Taylor and members of the subcommittees that they chair. All of us, authorizers and appropriators alike, share a solemn and special responsibility for the Nation's Capital and those who reside in this region.

The congressional leadership—both parties in both Houses have agreed with President Clinton that the District of Columbia is one of our top five priorities this year as we proceed with budget negotiations. Some time this week I anticipate an announcement from the Speaker concerning the makeup of the leadership of the House task force to work with the Senate and the administration on this issue.

Our subcommittee has already begun the process of hearings on the President's proposal, and this hearing is an adjunct of that process as we move to deal with District issues. Our next hearing is going to be held this Thursday in a joint hearing with our Senate counterparts led by Senator Brownback to hear views of local leaders on the President's proposal.

I said 2 years ago, during the consideration of the control board legislation, of which I was the chief sponsor, that we'd need to address important underlying issues in the structure, form, resource base and responsibility of the District of Columbia when we had enough good information to get good answers to our questions and when enough good data was available on which to base decisions.

It appears that the time has come for this discussion and consideration. In conducting this discussion, it will be helpful to have input from other people from around the country who have had to deal with urban problems and issues similar to those facing the District of Columbia. In many ways, the District is unique and cannot be compared and contrasted with any other city. But in many other and important ways, its problems are familiar to all urban residents and officials.

Today's hearing is designed to gather information from municipal leaders across the country—and we've got some of the best—as to how they have handled concerns similar to those that we're dealing with within our Nation's Capital. All of the mayors who will testify shortly have great experience with urban problems. I'm sure we'll all benefit from their experiences as we seek to fashion further legislative initiatives here in our Nation's Capital.

Two years ago, on March 8, 1995, our subcommittee heard from State and local leaders who'd experienced and overcome tough financial times. We heard from the mayors of Cleveland and New York and Philadelphia. All of these cities had positive experiences with financial control boards in other forms of urban rejuvenation. We gained valuable insight as a result of that testimony as we fashion legislation to create the control board which is now in place in Washington, DC.

For those who live in the region, as I do, and are stake holders in the vitality of the city—as a Congressman from northern Virginia, a former head of the government in Fairfax County across the river, I know that a healthy city is necessary for a healthy region. The citizens of this region are vital stake holders in what we do. This is not a theoretical exercise. The establishment of the control board and the job it is doing make it possible for us to now move into the second phase of our reform efforts.

As we do so, it's important that we continue to address these serious issues in a bi-partisan way. I'm grateful to the ranking member of my subcommittee, Delegate Eleanor Holmes Norton, for working with me in that spirit. We've gotten this far by working in a collegial atmosphere, avoiding partisan bickering and have thus succeeded in making great progress toward our common objectives. This was all before the bi-partisan retreat in Hershey last weekend.

But we can't be blind to the fact that we still have a long way to go. We're on the right track. It's only natural that each of us may have somewhat different views from time to time as to how best to accomplish our objectives. But I'm optimistic that we'll be able to work together in a constructive way.

I look forward to working with all of my colleagues in this important matter. I assure them all that we welcome their views in this process. We will involve them fully as we move forward. And Chairman Taylor, I thank you, again, for calling this hearing and instigating the idea and for you and Senator Faircloth inviting the members from authorizing committees to participate.

Mr. TAYLOR. Thank you, Chairman Davis. I want to introduce the ranking House member from the—minority member—Jim Moran from Virginia. Jim and I have had the pleasure of working together on other subcommittees. And I'm glad to have him with us today. Jim.

Mr. MORAN. Well, thank you very much Mr. Taylor. I appreciate that. Let me just say that I think the time has come for us to recognize that a sufficient number of politicians have advanced their own careers at the expense of the District of Columbia.

It's important that we work with the District's own leadership and citizens to provide sufficient resources to bring about the economic development and the social opportunities that other urban areas have, and the sufficient will, perhaps, to say no to some of the interest groups that, as well, have advantaged themselves at the expense of DC citizens.

I think that many of these cities have some very good suggestions for what worked in their cities. But, as was mentioned earlier, the District of Columbia is a somewhat unique situation.

It has more cooks crowded into the kitchen than there is room for. And I think we have to understand that if we are not prepared to give the kind of autonomy to the District of Columbia that these mayors would all insist upon before they would assume the responsibility, then we have to recognize that there ought to be a quid pro quo. And there's going to have to be a certain commitment of concomitant resources.

With that, let me relinquish the rest of my time because I would like to hear the mayors and get on to this session. Thank you for calling on me, Mr. Taylor.

Mr. TAYLOR. Thank you, Congressman Moran. We are pleased today to have with us Senator Barbara Boxer, who is the ranking member of the Senate DC Appropriations Subcommittee. I have had the pleasure of serving with her when she was a Member of the House. Senator Boxer.

Senator BOXER. Thank you so much, Mr. Chairman. It's nice to be back, and in this very room where I served on the—what was it called then? The Government Operations Committee. And now it's changed its name. But I was here for quite a while. Mr. Chairman, I will ask unanimous consent that my full statement be entered into the record.

Mr. TAYLOR. Without objection.

Senator BOXER. And I will summarize it so as to not to take too much of the committee's time. I want to welcome all of our witnesses. We are very happy to see you here. I want to extend a very special welcome to San Diego's mayor, Susan Golding. San Diego is a wonderful city with a vibrant and an involved citizenry. And it's good to see you here.

Without question the District of Columbia needs our attention. It is the Capital city of the greatest country in the world. This country is the envy of the world. And this city should be a shining city. This city should be a model city. And I believe if all of us share that vision for the city, we can help make it happen.

Right now, when we look at the crime and the streets in disrepair and the crumbling infrastructure, we see the symbols of a city in need of an infusion of vision and energy in addition to the extraordinary vision and energy of Eleanor Holmes Norton, who I think is an extraordinary leader. I want to acknowledge the contributions of the control board. I know that it is difficult for those people to do what they do.

They came in in an emergency and they have a daunting task. DC, unlike any other city has financial responsibilities typically borne by a State. Those responsibilities include Medicaid funding, the local match for Federal aid highway systems, the maintenance of a prison system. DC functions as a State. And this is an issue with which we in Congress must come to grips. Notwithstanding the District's financial burdens, I want to make it clear that those responsibilities don't excuse the chronic problems of the city.

The solution to the financial and management woes of DC should be tackled now. And I am pleased that we're doing that. And with the right spirit we're going to make a good difference. And I'm also pleased that the President is involved in all of this.

So, it is in that spirit of cooperation, Mr. Chairman, that I hope the mayors here today will provide us with some strong suggestions for the pitfalls that DC faces in today's world, and also some ideas that they can share to make it a model city. So, thank you Mr. Chairman. I look forward to hearing from our witnesses.

Mr. TAYLOR. Thank you, Senator Boxer. We are pleased to have Representative Norton, who is the ranking member of the House DC authorizing subcommittee, and a very energetic spokeswoman for the District. Representative Norton.

Ms. NORTON. Thank you very much Mr. Chairman. And I want to thank the members who have come here today to hear the mayors, and, particular, to thank my own colleagues and the mayors who have agreed to come today. I want to acknowledge the presence of an elected official from the District of Columbia, Council Member Carol Schwartz.

This hearing is the idea of the new DC appropriation chairs, Senator Lauch Faircloth and Congressman Charles Taylor. I appreciate the collegial relationship that has begun to develop between these two North Carolinians and this Washingtonian. Looking at the best practices of other cities is a good idea, notwithstanding the considerable differences between the District and other cities. The District is in the throes of the largest management and operational upheaval in more than 100 years.

It would be foolish and wasteful to reinvent the wheel, rather than look at other wheels around the country. The District, however, like the cities we will hear from today, will have to decide its own local governance structure. Given the city's serious economic condition, neither the city nor anyone else is in a position to make decisions about governance today. If governance issues emerge now, the cart moves up before the horse and we waste valuable time and energy on needless contention and what I assure you will be a great deal of quarrelling. At the same time, how other cities accomplish their operational tasks and run their services can illuminate the effort to re-engineer the management and operations of the District government. If we ask cities like Charlotte and San Diego or Philadelphia and Indianapolis what they would do if they had to pay for Medicaid, a State prison, a State mental hospital, a State university and unfunded pension liability all by themselves, there is little they could tell us.

The District is the only city in the United States burdened with State, county and municipal functions. We will not be able to help the District by comparing apples and oranges. However, there is plenty of room for discussion about the many operations and services other cities and the District have in common. The DC city council is beginning its own series of hearings on changes in local governance. The council passed a resolution recently that reads in part, "Any recommendations for changes in the home rule charter regarding the structure of municipal governance should emanate from a comprehensive process approved by both Federal and District officials and in which the residents of the District are full participants."

I doubt that any American could or would care to take issue with this statement which simply memorializes a basic American tenet. I ask unanimous consent that the full resolution of the DC city council be admitted to the record. I will make the record of this hearing available to District residents and officials, so that they may profit from the experiences that will be shared with us today. I welcome today's witnesses and thank them for coming.

[The prepared statement of Hon. Eleanor Holmes Norton follows:]

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

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TRANSPORTATION AND
INFRASTRUCTURE

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ECONOMIC DEVELOPMENT
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Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON
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RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIA

STATEMENT OF CONGRESSWOMAN ELEANOR HOLMES NORTON
ON THE MARK-UP OF H.R. 514, THE DISTRICT OF COLUMBIA
INSPECTOR GENERAL IMPROVEMENT ACT

March 11, 1997

I would like to thank Chairman Tom Davis for holding this mark-up today on the District of Columbia Inspector General Improvement Act (H.R. 514), a bill which would allow the District's Director of Personnel to waive the residency requirement for employees in the Office of the Inspector General at the Inspector General's request. In April, 1995, the Congress passed the District of Columbia Financial Responsibility and Management Assistance Authority law (P.L. 104-8) which expanded and strengthened the office of the Inspector General of the District of Columbia. Pursuant to the Financial Authority statute, the current Inspector General, Angela Avant, was appointed in January, 1996. Because of the apparent delay in finding a suitable candidate, Ms. Avant was under considerable pressure from the Congress and the Financial Authority to recruit staff. She received some criticism for not filling positions quickly enough, in part because the positions allocated to the Inspector General were deemed "excepted service" and thus were subject to the requirement of District residency. The Inspector General found that the residency requirement made it difficult to recruit several very specialized personnel to staff her office. To alleviate these concerns, Mayor Barry transmitted legislation to the Council on March 28, 1996 which contained a provision that waived the residency requirement under very limited circumstances.

When it appeared that it would take some time for the Council Committee on Government Operations to consider the bill, I called then Chairman of that Committee, Harold Brazil, who said that he had no objection to the waiver going forward in the Congress. The residency waiver for the Inspector General then became part of H.R. 3664, the District of Columbia Improvement and Efficiency Act of 1996, and on the assurance that the Congress would pass the waiver, the Inspector General hired several staff members on a temporary basis who reside outside of the District of Columbia.

H.R. 3664 was never brought to the floor because another provision of the bill violated the pay-go rule. To overcome this problem, Chairman Davis submitted the residency language to the House D.C. Appropriations Committee for inclusion in the 1997 Omnibus Appropriations bill, but in the rush to finalize the language of the Omnibus bill in the final days of the 104th Congress, this provision apparently was omitted.

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It is urgent that the Congress pass this bill to allow the Inspector General to keep on staff the personnel she hired who do not reside in the District. Under the Merit Personnel Act, the temporary waiver of residency expires for employees who are "excepted service" after six months. Several of the employees hired by the Inspector General will be in violation of this rule as early as March 24th if this legislation is not enacted.

Maintaining the Inspector General's staff is a high priority for the Congress and the Financial Authority because of the urgent need to uncover instances of waste, fraud and abuse. By passing this bill, the House sends a message that it wants to encourage fast action on these important priorities.

I ask the subcommittee to pass this piece of unfinished business from the 104th Congress, the District of Columbia Inspector General Improvement Act (H.R. 514).

Mr. TAYLOR. Thank you, Congresswoman Norton. And all of their remarks will be entered into the record and will be made available.

I'd like to recognize, too, the chairman of the DC government affairs committee—from the city council—Carol Schwartz, if she would stand. Also Steve Harlan and Ed Singletary from the control board are with us. And we appreciate you gentlemen being with us and appreciate your cooperation that we've had.

I would like to ask our colleague Congresslady Sue Myrick from Charlotte—herself a former mayor of Charlotte—to introduce the mayor of the Queen City, of Charlotte, NC. Sue.

Mrs. MYRICK. Thank you, Congressman Taylor. I'm delighted to be here and say a good word about Pat, and just remind everybody that we've done some good things in our city. When I was mayor, I started restructuring government and literally privatizing services for the first time. And at first it wasn't real well accepted. But, then, then the citizens started to see that they actually we getting increased services and saving tax dollars, it got their attention and they agreed that we were on the right track.

We also have good record in our city of doing public-private partnerships to leverage tax dollars. And that's been tremendously successful in efforts from a homeless shelter, the HOWAY, to an NFL football stadium. So I know Pat's going to share some of those successes with you. And he's carried on the tradition for good government in Charlotte.

And I'm really pleased to have this opportunity to introduce him today and just to say that I look forward to working with you all in your committees—and anything I can do to help to overcome some of these challenges that exist here in DC. And if you will excuse me, I've got a Rules Committee meeting to go to. Thank you.

Mr. TAYLOR. Pat. Thank you for being here with us.

STATEMENTS OF PATRICK McCrORY, MAYOR, CHARLOTTE, NC; SUSAN GOLDING, MAYOR, SAN DIEGO, CA; STEPHEN GOLDSMITH, MAYOR, INDIANAPOLIS, IN; KNOX H. WHITE, MAYOR, GREENVILLE, SC; AND EDWARD G. RENDELL, MAYOR, PHILADELPHIA, PA

Mr. MCCRORY. Thank you very much. It's an honor to be here today. And I'd just like to make a few personal comments. First of all, we want to help Washington, DC. In Charlotte, NC, we consider Washington, DC, to be the symbol for our Nation, and, thus, a reflection, also, on our entire Nation including our city of Charlotte. So, we're here to give any advice we can. And I just also want to make a point that I will also plan to learn from this session from other mayors that are here today.

That we constantly try borrowing best practices from other cities, even during good times in Charlotte, NC because we cannot take for granted what we have today. Because things can change so rapidly. And during these times of change, whether you're in the private or public sector, you constantly have to borrow from the best. And we have, in fact, visited cities like Indianapolis to borrow from what we consider a very well run city.

And we borrowed some of their practices and actually have applied them in Charlotte, NC. So, today I will be taking notes along with you and other representatives from Washington, DC, and

their city to continue to learn from best practices, both during good times and difficult times.

Just a brief bio of myself. I've been mayor since 1995. I was on the city council prior to that, for 6 years. And I also served as mayor pro temp. I also have been with Duke Power Co. for 18 years in several management jobs during my 18 years with Duke Power Co. in Charlotte, NC. Just a few points about Charlotte, NC that I want to state, and then we'll just give you some of our best practices in the few minutes that we have.

Charlotte is the largest city between Atlanta and Washington, with a population of approximately 460,000. And after this year, we'll be well over 500,000 people. It is the center of the fifth largest urban center, with approximately 5.6 million people living within a 100-mile radius. And we also have something we're very proud of, and that is the 14th busiest airport in the United States. We also, as Senator Faircloth mentioned, the second largest banking and financial center. And we're extremely proud of our AAA bond rating.

We also work very closely—and this is a difference between Washington and Charlotte—as there are many differences—with our county government. The county government is also a very similar run form of government in which they have part-time public officials including the county chairmen and the county commissioners. And I work daily with the county commissioners and also the chairman of the county commission in which they are responsible for the schools, social services, jails, medic, libraries and parks and recreations, where Charlotte is responsible for police, fire, garbage collection, the airport, transportation, water and several other services.

We have consolidated—during the past 6 years—almost all the services that we can between the city and county governments. And, in fact, during the past 4 years, we are now looking at attempting to politically consolidate the city and county governments. Even though we are going through good times, we're, again, constantly looking at difficult ways we can organize our government to bring more efficiency for our taxpayers.

You have some other information in front of you. I don't want to repeat it all. But we do have something that I know Senator Faircloth and Rep. Davis have asked us about, and that is what we call the council manager form of government since 1928. I am a part-time mayor. Although I put in many, many hours every week, and we do have an 11 member city council form of government with 7 district representatives and 4 at-large representatives.

I'd like to also introduce Malachi Green, who is in the audience, who is one of our district representatives. We also are very proud of partnerships that we have with our citizens. We have over 300 citizens participating in boards which help advise the city council and the mayor, and also help advise city staff. In a business sense, basically what we are is this—is that I serve as the chairman of the board of the city of Charlotte for its government functions. The city council serves as its board of directors.

We are responsible for setting the policy for the city of Charlotte and approving all budget matters for the city of Charlotte. We hire a professional city manager. And, in fact, we just hired one in the

past year, who is responsible for the day to day operations of the city. She is trained in those efforts. And, then, she is, in turn, responsible for the hiring of the police chief, the fire chief, the CMUD directors—that's our Charlotte Mecklenburg Utility Department—and other direct operations that report to the city manager.

Only the city manager, the city attorney and the city clerk report to the mayor and city council. So, it's very similar to a business operations, where, again, we are responsible for the overall policy of the city in Charlotte, where we hire a professional to deal with the day to day operations for the city of Charlotte. And that is the difference between even some of our forms of government that we have on the table today. And there are pros and cons to each one of those forms of government. And I'll be glad to discuss those in more detail.

Again, we want to talk about anything we can, in Charlotte, that may help Washington, DC, meet their own unique situations. But, like Washington, we do have some unique challenges, ourselves. And those unique challenges are also true in Indianapolis, San Diego and Greenville, SC, and that is trying to meet the ever-needing infrastructure demands while also trying to keep the sufficient amount of revenue to pay for those infrastructure demands. And that's—our major challenge is trying to keep the tax rate as low as possible.

You notice in the information that you have in front of you, that we have had a very stable property tax rate for the past 10 years. And we also have implemented, during that time, a 5-year, \$42 million community safety plan, which we're extremely proud of. We also have a tremendous amount of support from the Charlotte citizens to support a bond package for street and maintenance and schools and water/sewer, which is drastically needed in any city to keep the needed infrastructure up.

We also are very proud of operating what I think our city Charlotte be run as, and that is as a business. We try to keep the politics as much as possible out of the day to day operations. And we let the professionals participate in those day to day operations and let the professionals try to make the decisions in streamlining our government. We, however, as chairmen of the board, set very strong directive demanding that efficiency and demanding those types of operations.

Because we also demand no tax increase in the city of Charlotte with regards to property taxes. Therefore, in fact, we've had 19 percent fewer city employees per 1,000 population now than we did in 1980. And that also includes hiring—and increase in our police department by well over 20 percent. A key to some of our success stories, which I think you also learn from Indianapolis and San Diego and also Philadelphia when Mayor Rendell gets here—and that is that we are convinced that we must provide a more competitive spirit for our city employees.

And that best way to do that is introduce competition like you have in the private sector. And I'll just tell two stories with regard to that. The first is, regarding our water operations, for the first time, the city of Charlotte bid out to the private sector the operations of one of our water plants—water treatment plants. We did

not sell the plant, we bid out the actual operations. The city of Charlotte won the bid.

But in doing so, it decreased its costs by over \$5 million by introducing lessons learned from the private sector. In other words, the introduction of competition actually brought about more efficient government workers. And we're very proud of that. And we have a very good relationship with our government workers in the city of Charlotte. Another example is where we are now privatizing and putting out for competitive bids our sanitation collection.

We have privatized 25 percent of our sanitation, which is now done by the private sector. We will be putting out for bids this year—in fact the bids just went out 2 weeks ago for another 25 percent, which is competing against the city government versus the private sector. And we've got four bids on the table right now, which we will be reviewing. In addition to us reviewing that, we have a citizens committee composed of business people, who are reviewing those competitive bids outside of city government.

So, we actually have a third party who have business experience. Because they are a third party and city is involved in the bids, we have volunteers from our community who are participating in the evaluation of those bids to make sure they're fair in both private sector and public sector evaluations.

Those are just a few of the examples of things we're attempting to do in Charlotte in the few minutes that I have. Just in brief summary, we are never satisfied with the status quo, even during good times in Charlotte. We are constantly looking for ways to change, because the world around us is changing so rapidly.

And any organization that is constantly not looking for new and better ways to do things, I do not think will be around in the next 10 to 20 years. And that's why we're constantly asking three questions. And we gave you a package of what we did to reinvent government. And, again, in my few minutes, I don't have time to review those. But we asked three basic questions. The first question is: what business should the city of Charlotte be in? What services should Charlotte provide?

The second question is: what is the best way to provide those services. For example, should we have the private sector provide those services with taxpayer assistance, or should we have the public sector. Or should we put out competitive bidding. And the third question we ask, which is really the final question, is: what's the best form of organization to implement those services? What's the best form of government that we should have for the next 10 to 20 years to meet these ever changing demands of high customer expectations, which are demanding public safety, demanding good streets with no potholes, demanding clean water, while also meeting the demand of no tax increase.

And those are the same demands that are on the private sector right now. And we anticipate meeting those demands in the public sector. Again, thank you very much.

[The prepared statement of Mr. McCrory follows:]

Charlotte, North Carolina
Restructuring Government
Remarks: Mayor Patrick McCrory
U.S. House Appropriations Committee
Hearing on the District of Columbia Financial Crisis
March 11, 1997

- Charlotte, North Carolina is the largest city between Atlanta and Washington D.C. with a population 461,000 with additional 30,000 with June 30, 1997 annexation (about the size of Washington DC). The Charlotte metropolitan area is 1,144,500.
 - In 1987, the population in Charlotte was 366,225
 - In 1977, the population in Charlotte was 306,000
- Charlotte is the center of the country's fifth largest urban region with approximately 5.6 million people living within a 100 mile radius
- Fourteenth busiest airport in the country
- Second largest banking/financial center
- AAA credit rating -- one of only 14 cities designated as AAA by both major rating agencies and one of only three cities in the country with a AAA credit rating in a AAA rated County and AAA rated state
- Charlotte is located in Mecklenburg County. The City and County have separate governing bodies but both have the Council/Manager form of government. There is little overlap in services provided because of functional consolidations over the years.
- Major services provided by the County include the schools, social services, jails, MEDIC, libraries and parks and recreation.
- Charlotte provides services including police and fire, garbage collection, road construction and maintenance, transportation, water and sewer service, airport and urban planning.

- City of Charlotte's total budget (operating and capital) is \$740 million this year. Mecklenburg County's budget is \$898 million (operating and capital) for a total City/County budget of \$1.639 billion.
- Charlotte-Mecklenburg property taxes rank in the lowest quarter of 100 metro areas nationwide:
 - Charlotte's 1996-97 tax rate is 52.50 cents per \$100 valuation
 - Mecklenburg County's tax rate is 75.20 cents per \$100 valuation for a total of 1.277.
 - The owner of a \$100,000 home in Charlotte pays approximately \$1,277 in property taxes this year.
- 4,900 City employees--more than half are in police (1,673) and fire (800) 5,066 County employees
- Charlotte has had the Council/Manager form of government since 1928
 - Mayor and 11-member Council
 - 7 district representatives
 - 4 at large representatives
 - more than 300 citizens participate on more than 40 boards and commissions
- Council/Manager form of government has served Charlotte well
 - City Council sets policy and establishes priorities
 - Professionals--from City Manager to City Engineer to Solid Waste Services Director--handle the day-to-day operations and direct service delivery
 - A system based not on political patronage but on professionalism, expertise and--in Charlotte--focused on delivering the best service at the lowest cost.
- Washington DC is facing a major financial crisis. Considering a Council/Manager form of government should only be a part of the discussion. We're talking about needing to do things differently. Business as usual will not solve these problems.
- Restructuring, reengineering efforts in Charlotte are what have enabled us to:
 - Maintain a stable property tax rate for the past 10 years (adjustments to rate only because of shifts from City to County)
 - Fund and implement a five year, \$42 million Community Safety Plan
 - Pay for major transportation and neighborhood improvement bonds with

existing revenues. This past year, Charlotte voters overwhelmingly approved \$98.4 million in street and neighborhood bonds the City was able to pay for without a property tax increase.

- Reduce the number of employees while the number of customers and geography of the City has increased dramatically. We have 19% fewer City employees per 1,000 population now than in 1980
 - Maintain and/or increase service quality and efficiency
- Key to Charlotte's story over the past few years is our competition/ privatization initiatives that have resulted in:
- reengineered services and processes that are more efficient, effective, customer-focused AND less costly
 - \$180 million contracted to the private sector
 - establishing precise costing information for services. We know what it costs to, for example, provide residential garbage collection (XXX per household), change a traffic signal bulb (XXX), respond to a fire emergency and process a request for payment (XXX). We're getting a handle on all of our costs, looking at our processes and determining if there's a better way.
 - That better way has led to significant process improvements. Some examples:
 - City Solid Waste crews provide on-time collection services to 99.9% of their customers every week
 - Charlotte-Mecklenburg Utility Department won the bid to operate a wastewater treatment plant and water treatment plant after competing against several national and international firms. The projected savings exceed \$4.2 million for a five-year contract period
 - Reengineering has reduced the housing code enforcement process from an average of two to five years to an average of nine months
 - The Engineering Land Development section began a one-day review process for commercial grading permits. This service, along with its five-day review process, makes the City's permit turn-around time one of the fastest in the country.

We didn't just wake up one morning and decide making such major changes -- essentially overhaul our service delivery systems -- would be fun. We changed because we had to.

We looked ahead and recognized changes in the political and environmental landscapes. We were seeing changing citizen expectations and greater demands for service with declining revenues.

- **Reasons for change:**
 - local and state-wide fiscal pressures, unfunded mandates
 - no tax increase policy
 - mission and core values
 - challenges from the private sector

- **Strategies for change:**
 - Rightsizing
 - Restructuring
 - Customer Service
 - Competition/privatization/asset management

- **Rightsizing designed to answer four basic questions:**
 - What services should City government provide?
 - How should these services be financed?
 - How should we organize our resources to deliver services effectively?
 - What is the most efficient method of providing City services?

- **Rightsizing and Restructuring Results**
 - Reorganized 26 departments into 13 key businesses
 - Reduced layers of management
 - Eliminated 272 positions with no layoffs
 - Saved more than \$8 million, including \$2.8 million through innovations from City employees
 - Prioritized City services
 - Established customer service center
 - Implemented new classification and employee compensation systems based on merit

- **Competition and Privatization**
 - Premise: City to provide the best service at the lowest cost, whether the service is provided by City employees or through the private sector
 - Any service that can be purchased in the marketplace is a candidate for competition

- Key businesses have 5 year competition plans which outline which services will be outsourced and/or competed
- Adopted activity-based costing and management to better track costs
- Benchmark costs with other cities and with the private sector

- **What Has Worked**
 - Participation of employees
 - Consistent and committed leadership -- politicians and staff
 - Willingness to change
 - Borrowing ideas from public and private sector "best practices"

Charlotte's been successful in part because we look at what others are doing and adapt strategies to fit our unique situation. We also invent our own strategies to get things done when no one has set the example for us (example, public-private partnerships). Charlotte is not Washington D.C. And Washington D.C. is not Charlotte. But Charlotte has what I consider to be a lot of "best practices" from which Washington D.C. can learn a lot.

Mr. TAYLOR. Thank you Mayor McCrory. We appreciate your comments, and we'll have some questions a little later. I'd like to introduce a fellow member of the committee, Duke Cunningham, the Congressman from California, who'll introduce Mayor Golding of San Diego. Duke.

Mr. CUNNINGHAM. Thank you Mr. Chairman. I thank you for convening this hearing. When you're hot you're hot, when you're not you're last. So, Susan, it's not that you're last, it's that I am last. So, we get to introduce you right now. History has dealt the city of Washington a pretty bad hand in the past. But the good news is that there is support from the Speaker of the House, the President, and the District Delegate, Eleanor Holmes Norton, all of whom have been at the forefront of this battle.

I am a new member of the DC appropriations panel. I live in Washington, DC. And the problem is monumental. It's overwhelming. I lived up by the train station. And I used to literally have to walk down the street huffed up and saying, "I'm bad. I'm bad." If I was concerned about my safety, you can imagine that defenseless, in many cases, single women walking down the street, would feel even less safe.

Citizens do live in fear in Washington, DC. The schools, although they have many dedicated teachers—the education system is in shambles, in my opinion. Steve Gunderson, a Member from the 104th Congress, tried to work to improve the school's particular system. It's a difficult process that we have. I think that if someone can shed a great light on DC's problem, it is our distinguished panelist, Mayor Susan Golding of San Diego, now serving her second term as chief executive officer of America's finest city.

California Business Magazine named Mayor Golding's San Diego the best California city for doing business, based on quality of life, low crime rate, low business taxes and rapid permit processes. Why is this significant? Mayor Golding inherited a city from her predecessor that was in shambles. A neglected sewage system, high crime rates, an anti-business attitude out of the mayor's office, higher taxes, higher red tape—and she turned all that around.

On the same things in Washington that I hear Delegate Mrs. Norton speaking about, as far as lower taxes, and a pro-business stance—Susan has turned that around for the better in San Diego. Her experience and success, I think, will shed light on how we can improve in Washington. Mayor Golding also recently brokered a successful NFL expansion stadium agreement. It was controversial, but—you can see her management skills. She did well. And we're going to have the NFL championships there next year.

Basically, Susan Golding, when she does something, it turns out gold-ing, the way it should. And I have nothing against Stephen or Pat or Edward or Knox. I would match her against you or any other mayor in this United States. She's warm. She's personable. And she's tough. And with that, Mayor Golding.

[The prepared statement of Hon. Randall Cunningham follows:]

STATEMENT OF REP. RANDY "DUKE" CUNNINGHAM
INTRODUCING MAYOR SUSAN GOLDING
OF THE CITY OF SAN DIEGO, CALIFORNIA
BEFORE THE JOINT CONGRESSIONAL APPROPRIATING
AND AUTHORIZING PANELS ON THE DISTRICT OF COLUMBIA

1 P.M., MARCH 11, 1997
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Chairmen Taylor, Davis, Faircloth and Brownback, thank you for convening this important joint hearing of the appropriating and authorizing panels on the District of Columbia.

I believe that all of us on this joint congressional panel want to be proud of the Nation's capital city. We want it to prosper, have good schools, and keep its citizens. We also recognize that history and the unique nature of this city have dealt it a difficult hand. In response to the challenge, proposals to revitalize this city have been made by the President, by the District's Delegate Eleanor Holmes Norton, and by others. They all deserve a fair hearing.

As a new member of the D.C. Appropriations panel, it is easy to be overwhelmed by the many challenges that trouble Washington, D.C. Citizens live in fear of crime. The schools deny the city's children a fighting chance at the American Dream. And the middle class and the tax base are leaving town. Nevertheless, a journey of a thousand miles begins with one step. We are fortunate that many steps have already been taken, through the work of the Control Board created by the previous Congress. And we are also fortunate to hear today from several of our Nation's leading mayors, whose experiences may be applied to the revitalization of our nation's capital.

I am particularly proud to introduce one of today's distinguished panelists, Mayor Susan Golding of San Diego. Mayor Golding is now serving her second term as the chief executive of America's Finest City. California Business Magazine named Mayor Golding's San Diego the best California city for doing business, based on quality of life, a low crime rate, low business taxes, and a rapid permit process. Her community policing and tough anti-crime initiatives have corresponded with historic reductions in crime in America's sixth-largest city. San Diego was on national display this past summer as host to the Republican National Convention. Our fair city earned rave reviews. We San Diegans invite everyone to come out and visit us again soon.

Mayor Golding's experience and success may shed light on our task to revitalize our national capital. I look forward to her testimony, and to the testimony of our excellent panel of mayors. I thank the Chairman, and yield back the balance of my time.

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Mr. TAYLOR. Thank you, Duke. I appreciate it. Mayor Golding.

Ms. GOLDING. Thank you. Thank you, Mr. Chairman. Thank you, Congressman Cunningham. I hope I live up to that introduction.

Mr. CUNNINGHAM. You do.

Ms. GOLDING. But I do appreciate it. And appreciate the opportunity to testify before you today. Because it is true that we all feel that Washington, DC, is our city, because it is the Capital of our country. I am proud of what we've achieved in San Diego. But, really the story I have to tell—and then we can get into questions—is that every city is different.

I think if you survey these mayors, you'd find out that every one of us had a different type of governmental structure, that there were differences in how the power was exerted or could be exerted, that even the relationship between city, county or State was different as well. But there are basic principles that work in any situation. And as someone previously noted, good practices fit anywhere in any city or in any government.

And we do borrow from each other a lot. When I see a mayor who's done something great, I'm the first to try to steal it if I think it will work in San Diego. But you do have to adjust any good idea to your own situation or your own city. But much that has worked elsewhere, I believe, would work in DC, or any city. You just have to adapt it. In addition the citizens, as well as, the elected representatives have to believe in it.

In San Diego when I took office, we had a skyrocketing violent crime rate that had risen about 46 percent the year before I took office. We were in a very deep recession. The Nation was in a recession, but in California it was even worse. And for San Diego it was the worst at that point in time, at the tail end of 1992. Businesses were literally leaving town.

We had lost at least 60,000 jobs. They were jobs of every kind: blue collar, white collar jobs. There was really a tremendous depression in—not economic, we had a recession there—but a depression among our citizens and the feeling that just nothing was going to work again. My job was to change the attitude and also change the statistics as well.

The first thing I did—and one of the most popular things I ever did—occurred when I took office, I appointed an officer of common sense in the mayor's office. The only criticism I received was why isn't there more than one person with common sense in the mayor's office. But it was an individual that was there to cut red tape, to make sense out of a lot of the rules that were really killing us, and to make a list as people complained, of what had to be changed.

Fortunately today we have many people of common sense, and we've expanded that. We've started putting all employees through customer service training. I did say at the time that I wanted our city government to treat our citizens the way Nordstrom's treats its customers. Because, after all, we're supposed to be a service to the citizens. And when you walk into a government office, you ought to be treated like you're the guest.

And that's not the way our citizens were being treated. And, therefore, their attitude about their government's ability to do anything was not very good. We also started by immediately putting a moratorium on any new business fees or regulation until we

could dig ourselves out of this hole. We began regulatory relief days, which I started my first year and we have continued since, to cut back on rules and regulations that really weren't necessary, that didn't do what they were intended to do. They cost everybody from the average home owner on up to a business, a lot of time, money and aggravation, and made no common sense.

We established a Business Ombudsman Program that cut red tape for certain industries particularly high tech industries that we believed were our future, California's. And I established the first true regional permit assistance center. What we did was take local, county and State permits—compare this to Washington, DC—put them all in one place so someone could go to just one location instead of 13 or 14 in the city to get a permit for what they needed to do.

It took some time to put it together, but it's made a huge difference. We cut permit processing time in half, and in some instances more than half. And that was money to a lot of people. Many argue that this was the worst time to cut taxes or fees because, we were in the worst budget cycle the city had ever had, I believe, ever. We lost millions in revenue. The State decided to take millions of dollars from us that had been historically the city's revenue, because the State was in trouble.

So, in response, I cut the business tax in half the first year and cut it in half the second year. Now, there were those who felt that that was the worst thing I could do when our revenue was already depressed, when property tax revenues were going down. I argued that we had to send a signal to turn it around. And we did just that. We made a series of cuts after the business tax was cut by 80 percent total the first 2 years.

We made a series of other cuts that I proposed in fees. And we did, ultimately, cause the city to be turned around. We developed a reputation for inviting jobs rather than repelling jobs. And we have now replaced all the jobs we lost. I'm not talking about each individual job the same, and by at least 8,000 more than we had lost 4 years ago. Today, our business taxes and fees are, I believe—I want to be careful when I say this with other mayors here—lower than any other major city, and any of the 10 largest cities in the country.

By the way, San Diego is the sixth largest city in the country, the second largest in California. We have a population of approximately 1.2 million people. We also have the lowest hotel tax, the lowest real estate transfer tax, no utility tax and no local income tax. So, my view was we had to make it a place that you could live and produce jobs during that period.

We also brought the crime rate down dramatically. After my first year we had a decrease in every index category of crime for the first time in 40 years. And it has continued to go down since then. Most recently, through a very strict new curfew enforcement policy and a juvenile anti-loitering ordinance, working.

And I'd like to, when I have the chance later, tell you how. Both which are working. The juvenile violent crime rate has gone down for the last 2 years. And that, as you know, is the toughest, toughest part that any city in this country has to face. And it's tough to keep it down. But we're going to continue to do that. One other

comment that I want to make before the other mayors talk is that part of this also was to involve our citizens.

We now have Citizens Patrols in every neighborhood of the city. They work well. They are the eyes and ears of the police department. And there are no problems. They are trained by the police department in liaison with the police department. All their equipment is provided by businesses. So, it is a volunteer operation at no cost. They help the kids. They help the seniors. And they help us keep the crime rate down. And we use thousands of volunteers just assisting in the police department.

We have called on our citizens to be full participants. And without them we would not have been as successful as we have been. We, too—and I think you'll hear this from many of the mayors—introduced competition programs. I have terrific stories to tell about ours. Competition is absolutely the best way to reduce costs, reform government and make your own operation more efficient, because just privatizing doesn't assist your employees in learning how to compete and how to do their operation better. The competitive bid process does that. We have improved efficiency.

I put together a panel of CEOs who went through every department in the city and made 52 recommendations for change, all of which were adopted, and are being put into place. They're businesses' best practices, from true benchmarking to true performance judgments as opposed to what most governments do—and including ours—which is just to simply say we've done a good job because we talked to X-number of people and processed X-number of forms.

We called that task force Change2. And it is still going. We went to zero-based management reviews. We changed a lot of our historic practices. And those changes are still going on. So, our economy is now growing at the fastest rate it has in the city's history: 4.7 percent. And I believe it's going to continue at that rate in the future. That doesn't mean population is increasing at that rate. We have a lower ratio today of city employee per 1,000 population than we had in 1960.

And it has gone down every year since I've been in office, because we have become more efficient. But I want you to know that we may have been the only city in California during that deep recession that didn't close libraries, that didn't cut back on the kinds of essential services that the citizens wanted. But we did prioritize, and that's how we did it.

I introduced a public safety ordinance that requires the addition of police officers based on a formula of increases in revenue. So, we've added police officers—new ones—every year in spite of the worst recession in the city's history. And we did that by combining a lot of these efforts.

I wish you the best of luck. Washington, DC is terribly important to the whole country and I would be happy to help in any way I can.

Some things work well. I'm sure you'll see that we've adopted, we've copied from each other. So, I hope you are able to gain some good ideas from the mayors that are sitting here. And I know we all stand ready to help in any way we can. Thank you.

[The prepared statement of Ms. Golding follows:]

MAYOR SUSAN GOLDING
CITY OF SAN DIEGO, CALIFORNIA

Testimony before the
Subcommittees on the District of Columbia

Tuesday, March 11, 1997
1:00 p.m.

Tom Davis
Chairman, House Subcommittee
on the District of Columbia

Charles Taylor
Chairman, House Appropriations Subcommittee
on the District of Columbia

Sam Brown
Chairman, Senate Subcommittee
on Government Management

Lauch Faircloth
Chairman, Senate Appropriations Subcommittee
on the District of Columbia

Mr. Chairmen and Members for the Subcommittee:

I appreciate the opportunity to testify before you today because I am proud of what we have achieved over the past four years and believe it can be done in any city.

We have helped to turn around an extremely depressed economy and a skyrocketing violent crime rate. Our economy is growing at the fastest rate in San Diego's history.

And, if current trends continue, by the end of this year, our crime rate will have dropped 50 percent since 1989.

The people of the District of Columbia, I'm sure, want the same qualities in their City that San Diegans do: a healthy economy good-paying jobs, safe, clean neighborhoods, a good education and opportunities for young people, and more local say over how to solve local problems.

That is what any American wants.

The year before I took office, San Diego was in the midst of a recession. Violent crime had jumped a startling 46% in the four years prior, and San Diego had lost nearly

60,000 jobs (from summer '90 to summer '93). This meant a loss of 1/10 of our total employment. *Fortune* magazine ranked San Diego one of the worst cities in the U.S. for doing business.

The problems were systemic -- from the top down to each and every permitting office in the City. I knew to turn this around, required a major change in actions and most especially in attitude.

The first thing I did was appoint an Officer of Common Sense in my office.

Complaints about the lack of common sense in the way regulations were carried out and the lack of concern for the citizens they served were intense. Customer service training became a requirement. Identifying yourself by name and wearing a nametag became required. I wanted our employees to rival Nordstroms in service and can-do attitude.

We began to replace lost jobs by putting a moratorium on new business regulations and fees -- costs, I believed, inhibited revenues rather than generated them. We began Regulatory Relief Days, public meetings where citizens could tell the City Council directly what regulations they thought were unnecessary or needed fixing.

To date we have eliminated many -- regulations which didn't accomplish anything really and not critical to the health and safety of our citizens. We created a program called Process 2000 so new and expanding businesses get a project manager. The same person in charge of their project from start to finish.

We established a Business Ombudsman Program to attract and retain employers. The ombudsman cuts red tape and looks for incentives in the form of fee cuts and permit expedites on a case by case basis. We opened one of California's first Regional Permit Assistance Centers where 13 different State, City and County permits can be obtained in one

location instead of having to tromp to over 14 different offices in different geographic locations. With these and other actions, by the end of the first year, we cut permit processing time by more than half.

Remember, these were the worst budget years in the City's history. Many argued that this was the worst time to cut fees, that the millions in lost revenues would be disastrous. I argued that we'd never dig out of this hole without radical change and without sending a clear message that City Hall had changed.

So I cut the business tax for 90 percent of San Diego businesses in half. We cut it in half again the following year. Our City's water and sewer capacity charges were the highest in the nation. Sometimes what the City charged was more than the cost of the land for a new or growing company. We cut them 55% and by two-thirds for developers who build affordable housing. We cut housing trust fund fees by 50 percent, saving businesses thousands - and in some cases millions -- of dollars. This creates more jobs so more can afford to pay for housing rather than rely on subsidies.

And we aggressively supported an economic revolution built around young, small, high-technology companies with the energy and the vision to capture the great national and international markets today and into the next century.

We established San Diego's first World Trade Center which has grown to 1,300 members since it opened in 1993. Total exports from San Diego grew 35% from '93 to '95, compared to a 26% average growth rate for the rest of the country. Now 10% of San Diego workers are employed in export-related jobs.

Our biotech companies had a 16% growth in employment last year alone, and hi-technology companies 11%. These new high tech jobs pay 56% more than the average for

all jobs.

For years, our average income in San Diego had declined. Now, for the first time since 1990, it is increasing and surpasses the national average.

That is important because higher wages, equal higher revenues to the city budget, which in turn means more investment in local resources – more police, fire safety, park and recreation facilities and libraries.

Today, our combined municipal taxes and business fees are lower than those of any other major city in the nation. We have the lowest Transient Occupancy Tax of any major California city, the lowest real estate transfer tax. No utility tax and no local income tax. And, prior to the passage of Proposition 218 in California last year, we had one of the lowest bonded indebtedness rates in the nation.

Today, too, we have gained back more than the 60,000 jobs lost during the recession. Unemployment has dropped dramatically, too. From 8.4% in '93, to 4.8%, the lowest rate since before 1990. Our unemployment rate used to be the highest in the state. Now it is the lowest. And our economy grew last year at a phenomenal rate of 4.7% – the fastest rate in San Diego's history, a rate faster than the rest of California's.

In 1994, *California Business Magazine* named San Diego the best large city in the state for business. And, last July, *The Los Angeles Times* featured an article headlined: "San Diego Offers Lessons on Art of the Comeback."

The success we've had in turning our economy around was achieved by following a simple strategy – we made promises and we kept them. We cut the cost of dealing with our city and it helped create jobs and stabilize our economy. More people have jobs. That was our goal.

But we didn't stop there. I initiated several programs internally to increase efficiency and improve the delivery of services. I appointed a government efficiency task force made up of local CEOs who volunteered immense amounts of time to help me go through every department in the City. They made 52 recommendations, all of which were adopted.

Called "Change2," this task force suggested some sweeping changes such as abolishing civil service or reducing the number of employees on it, reforming our budget process so it is zero-based, and supporting my recommendation to require city departments to compete against the private sector for the provision of city services.

One-hundred and eighty million in savings were identified over a five to six year period. As an example for you -- our Transportation Department. We found out that our vehicle fleet was 10% larger than it needed to be, and that we were paying to maintain vehicles that weren't being used -- because it was "procedure" and "the way it had always been done." In addition, the vehicles we were using were all different -- different makes, different models -- so it cost hundreds of thousands of dollars more to maintain them. Correcting this situation, it is estimated, will bring a \$30 million in savings over the next five to six years.

Another Change2 recommendation was the Competition Program which has saved San Diego over \$10 million dollars so far. The labor unions were initially opposed. But we made them partners and we are now moving forward.

The City's Street Sweeping Division is an excellent example of this process. In preparation for competition against the private sector, the Department got a chance to do a little self reflecting. Department heads were told the program was going to bid and they had a few months to get ready to compete.

In the years since Proposition 13, the California tax reform measure that stopped

increases in property taxes had passed, the number of times city streets were swept had dramatically decreased. The result of the competition program: we now sweep our neighborhood streets 12 times a year instead of twice a year, and commercial streets are swept once or twice a week instead of once a month, at no additional cost to taxpayers.

My next step was to initiate Zero Based Management Reviews. Every year, 20% of the City's operations are reviewed by citizen volunteers and retired executives to ensure they are necessary and efficient. Savings to date for the 1996/97 budgets exceeded \$8 million.

I think I should probably mention at this point that the City of San Diego is required by City Charter to adopt and operate within a balanced budget. To ensure that this requirement is met, the City produces financial status reports every month during the year. In addition, departments prepare a Revenue and Expenditure Tracking Analysis which compares budgeted to actual expenditures. Both of these reports give the City an early warning system.

If either of these reports indicate that extraordinary measures are necessary to ensure City expenditures do not exceed revenues, the City has a variety of financial tools that can be implemented. These include 1) impounds, 2) selective spending, 3) selective filling of vacancies 4) expenditure freezes, or any other measures we feel necessary.

Overall, these programs have created a new mentality and city government that is far leaner. In 1992, we had 7,153 General Fund employees, a ratio of 6.22 employees per 1,000 population. In 1997, we have 6,724 General Fund employees and a ratio of 5.52 employees per 1,000 population. This is even better than our ratio in 1960 which was 5.81 per 1,000. Our 1997 ratio is one of the lowest of any major city in the U.S.

We now also have one of the lowest crime rates of any major city in the U.S. But that wasn't always the case. I introduced a Public Safety Ordinance which requires us to use a

percentage of revenue increases to add new police officers. I did this at the same time I cut taxes. Many said it could not be done without devastating the city budget.

They were wrong. It's a matter of clear priorities. So we have funded new officers each year, without increasing taxes.

And we became the first large metropolitan city in America to restructure our entire police force around community policing. We did away with beats and created neighborhood districts drawn, not abstractly, but through a series of public hearings so we could keep neighborhoods together.

Here's an example of how it works:

In one neighborhood, residents were frightened for years by drug and gun traffic at a particular house in their community. They didn't feel safe leaving their own homes, and couldn't sleep at night. But because in the old system different officers responded to each complaint, the Police Department didn't realize how serious the problem was.

With neighborhood policing, the two officers assigned to that neighborhood district soon found out the severity of the problem. They worked with residents and took the house on as a special project. Today the drug house is closed.

We expanded citizens patrols to every neighborhood in the City. Since 1993, 54 new volunteer patrols have been started and in 1996, 2,400 citizen volunteers donated tens of thousands of hours to help staff programs designed to make the City safer, such as satellite police facilities and volunteer patrolling.

Our volunteer patrols act as extra eyes and ears for our police, alerting officers to suspicious activity or people who they know do not belong in their neighborhood. They are trained by police, use police equipment and have police officers to report to. Some even

attend an academy and then handle routine tasks such as writing parking tickets, fingerprinting children, and doing house checks for vacationing neighbors. Their equipment is donated by businesses in each neighborhood and they volunteer at no cost. They make an enormous difference.

The frightening increase in juvenile violent crime occurred in San Diego, too. When I became Mayor in 1993, juvenile crime had been on a steady increase. Permissiveness has been rampant in our country. I didn't allow it in my home, and I wasn't about to allow it in my city.

Despite the threats of naysayers and a lawsuit by the ACLU, I established a new enforcement policy for the City's 40-year old youth curfew law. It prohibits juveniles from being out in public places after 10 p.m., unless accompanied by a supervising adult. We made reasonable exceptions for those young people who wanted to behave like adults. They can go to a school or church function, a job of course, or even the movies or a friend's house. But they have to proceed directly home afterward -- no cruising in their cars, no hanging out at the beach or park, or fast-food parking lots. If they don't, the police will stop them, identify them and then take them to a police substation where they will wait until their parent can come pick them up. Even if that is at 4 a.m.

We're bringing parent and child together. My police chief tells me of some interesting conversations between parent and child at the station at 2 a.m. For a first offense, the parent or child can be fined \$100 and be required to do community service -- together. It gives them some time to bond...Those penalties substantially increase with every repeat. But I should tell you there are very few repeats.

The first summer the curfew was in effect we had a 45% decrease compared to the previous summer. After it was in effect 2-and-a-half years, juvenile violent crime during curfew hours dropped 21%, compared to a slight increase during daytime hours. And even more significant, the number of juvenile victims of crime during curfew dropped 36% during that same period.

But juvenile crime doesn't only take place at night.

In fact, more than 40% of juvenile violent crime in our city occurred between 8 a.m. and 1 p.m., the hours children are supposed to be in school. So I stepped in. I established a Safe Schools Task Force made up of parents, teachers, principals, and school board members.

We took action. We persuaded the School Board to require high school students to stay on campus over the lunch hour. We established a new Citywide juvenile daytime loitering ordinance that takes kids off the street and keeps them in school during school hours. Our efforts have paid off.

Compared to 1992, overall juvenile crime -- during daytime and nighttime -- has declined 14%, and the overall number of juvenile victims of violent crime has dropped 28% (curfew and non-curfew hours).

San Diego's tradition of citizen involvement has enabled us to combat the City's major problems while allowing us to keep our government small and effective. We chiseled away at layers of stagnating bureaucracy and underneath the surface found a leaner, friendlier, better way of doing business. Energized by the changes they saw at City Hall, our citizens met us half way and do their part. They offer suggestions, volunteer, and have become our partners in creating jobs, and opportunities and safer, more livable neighborhoods.

With the same kind of partnership and encouragement from their local government, I believe the people of the District of Columbia, too, would achieve a renewed sense of optimism, and unity, and energy and pride in their city.

Perhaps the latest edition of The Manhattan Institute's City Journal said it best. In an article called San Diego: A City for a New Millennium, Joel Kotkin wrote,

"The future belongs to cities like this, where small government makes sure that entrepreneurial, knowledge-based companies can flourish.

The main cause of San Diego's ascent, he wrote, is a pro-business, small-government political culture...

The City has imposed only a bare minimum of competitiveness-sapping taxes, fees, and regulations...

The result: an economy of small, dynamic, high-tech firms that have created jobs and prosperity at an astonishing rate -- giving a glimpse of the successful city of the future that those who guide our other major cities cannot afford to ignore."

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Mr. TAYLOR. Thank you, Mayor Golding. I'd like to recognize DC City Councilwoman Hilda Mason, if she would stand. She joined us since we started. We're delighted to have you with us, Mrs. Mason. Mayor Goldsmith from Indianapolis, IN—we're very pleased to have you with us today and know a great deal about the work that you've done in your city. Please make an opening statement.

Mr. GOLDSMITH. Thank you very much, Mr. Chairman. And, as the other mayors, I'm delighted to be invited to share some observations. I don't think any of us would suggest we know how to make DC work, just some observations about large cities and what's worked in our communities. Let me perhaps start with a few observations.

First of all, I don't view Indianapolis as in competition with Charlotte or Washington, DC, or San Diego. A large part of our significant urban centers are in competition with their own suburbs. And as infrastructure quality has deteriorated, taxes have gone up, crime has increased, education has decreased. Money is quite mobile in this country, and it moves. Wealth moves to where it's most welcome.

It seems to me that there are some basic principles that all of us have attempted to address to make our large cities significant sources of investment and opportunities for our citizens. First, we have to provide high quality, low cost public services. Second, we have to have a taxed and regulatory environment that's competitive. And third, we have to provide quality education.

And let me just make a couple comments on each of those. As both of the previous mayors mentioned, even though I was elected on something of a privatization platform, I think the main principle that we want to underscore here is that it's not that private sector employees are necessarily more productive than public sector employees, it's that public sector employees working in monopolistic situations, work in inherently inferior systems.

So, what we have done in an effort to produce high quality, low cost public services, is go through each one of the businesses that we're in—and we're in about 200 in Indianapolis alone—find out how much we're spending for each service—how much it costs to fill a pothole, how much it costs to clean a sewer, how much it costs to copy a piece of paper—and bid them out one at a time.

And over this process, we've now bid out 70 public services, we've reduced our non-public safety work force by 45 percent, we've saved \$250 million. And I think it particularly important to underscore, in the effort to look at DC, there has been a feeling that the only way to decrease a budget is to decrease the quality and the quantity of a service. In fact, our experience, like Mayor Golding's, is actually these are inversely related, that as we have decreased our budget each year for the last 5 years, as we've decreased our number of public employees, in each instance, the quality and quantity of the service is better, it's not worse.

Our water quality is better. Our golf courses are better. Our playgrounds are better. Our roads are better, as a result of allowing our employees, through a competitive process, to find smarter, more effective ways to spend taxpayer dollars. Even our unions—even though our public employee work force is down 45 percent,

our unions, given the opportunity to compete, have competed effectively. And none of our line workers have been laid off.

Second, with respect to effective low cost public services, the Government needs to pay attention to the basics. Big city governments over a number of years have tried to do too many things. Basically, the job of mayor of Indianapolis is pretty straightforward. We need to make sure the streets are smooth, the sewers work, and you don't get beat up on your way to church or work.

If we get that done, the rest of the economy will work on its way. So, we have invested, now, with our savings, \$700 million in infrastructure repair in the last 5 years alone, and added \$100 million to our public safety budget, without even raising taxes. So, you can produce more effective, lower cost public services and do that in a way that doesn't reflect on the quality of the service.

Second—and I think Mayor Golding covered this, but I'd like to emphasize it—that rather than trying to patch together, in an environment that allows for investment, we need to change the structural barriers to investment in large cities. The barriers are backward. The investment flows out of our large cities and into the suburbs. And that means that taxes have to be competitive. Our tax rate now is the lowest it's been since 1981, and the regulatory environment has to say, "Please come invest your money in our city. We want your investment."

We're going to reduce the regulatory barriers. We have our own regulatory study commission which is perhaps a version of Mayor Golding's, which says we're going to rigorously manage down the regulations that don't produce quality in terms of public safety. So the tax and regulatory environment is important, as well. And last, although we're not convened to talk about it today, especially in a welfare reform time, I don't think we can say, as we all agree, that the path to the future is a good job, entrap our urban children in monopolistic, poorly performing urban school systems and deprive the poorest residence of choice of education for their children.

We have a privately funded voucher program in Indianapolis called the Educational Choice Charitable Trust. It has been evaluated by the Hudson Institute. Controlling for demographics and parent selection, we find very encouraging results from the children who are given the right sorts of opportunities as defined by what their parents think is best.

In summary, Mr. Chairman and the members of the committee, the future is bright for large urban communities around our country. They are areas of vibrancy and diversity and excitement. They are the psychological and economic centers of our regional economies, and, in the case of DC, of our national economy. Our report card after 5 years is encouraging. Our population growth has been more robust than ever before. Our budget balances are up by four fold. We've had 5 straight years of budget decreases. We've invested \$700 million in infrastructure. And we've brought down about \$1.5 billion in liabilities.

But just in summary, as we go forward and we try to address these issues, the job of a mayor, the job of people concerned about urban communities, is to create opportunity. Opportunity comes from good education. Opportunity comes from a good economic playing field. I am proud of the fact that as our public sector jobs

have been reduced, our private sector jobs have increased dramatically.

The unemployment rate has drooped from about 7 percent to less than 3 percent. And I believe that's not because Government is creating the jobs, but because Government is paying attention to its core responsibilities: public safety, infrastructure and a competitive economic environment. Thank you very much.

Mr. TAYLOR. Thank you, Mayor Goldsmith. I appreciate your statements on that record, and we'll have questions for you in a moment. I'd like to introduce Mayor Knox White from Greenville, SC. Mayor White has worked in Congress in a staff position and has been an outstanding mayor in South Carolina. Mayor White.

Mr. WHITE. Thank you, Mr. Chairman and members of the committee. It is a real honor and a privilege to be here today. As the chairman mentioned, I had a chance to live in the Washington, DC, area for many years, so it has a special place in my heart. And I did try to, as preparing some remarks, to try to think in terms of one or two helpful concepts that I think are relevant even to a city like Washington that is so much larger than my own.

Let me say up front a little bit about Greenville, SC, since you may know the other cities here today. You may not know Greenville. Greenville is on the Interstate 85 corridor between Charlotte and Atlanta, which is very much an area in the midst of an economic boom. It's a metropolitan area of about 1 million. We also are noted by the amount of foreign investment in the area. We have more foreign investment per capita than any place in the country. Greenville is the home of Michelin North America. The BMW plant is just across the county line. Hitachi and other international companies have a large presence in our community.

And this has, to a large degree, fueled an economic renaissance in the upstate of South Carolina. One thing that's quite significant, though, is the economic boom of the area has also translated into a boom in our downtown. And we have a classic downtown situation like so many cities in this country—the downtown was dead and dying in the 1960's and 1970's as the department stores left. We all know that picture.

Today we have record capital investment in downtown Greenville. We recently won a citation from the International Downtown Association for our revitalization effort. We have the office towers and all the usual features of big American cities, but we also have an extraordinary tree-lined, pedestrian friendly landscape for downtown full of restaurants, coffee houses, a 24-hour nightlife and those kinds of nice amenities. In fact, downtown in our area has become the entertainment destination for the region.

Everybody goes downtown again. So it's really an extraordinary thing and something wonderful to see. But, again, the economy of the area has not always been this way. We were a textile region. And you know what that can mean. The textile industry has, of course, changed a great deal. And, again, we had a downtown that was pretty much dead and dying at one time. But things have turned around. The area is booming.

How this happened is, first of all, as has been mentioned so many times now—and this is something that you just have to—every community has to grapple with—you have to create a pro-

business climate. And that's State and local. And that means in terms of your taxes and your regulatory climate, it has to, indeed, be a pro-business community. And second, a success story of so many communities in this country—Greenville among the—is a commitment to private-public sector partnerships. We hear that phrase a lot, but it's tried and true, and it's been done across this country, where you use public sector dollars to leverage private dollars to spur development in areas where, perhaps, things are not happening fast enough.

We began this effort about in the early 1980's with a hotel project—a Hyatt hotel project. For instance, the lobby of the hotel is actually a public park. And, of course, the garage is a public facility and things like that. After the Hyatt project of the eighties, we've moved on to a performing arts center with a great deal of public and private investment and a \$50 million arts center, a new arena project—17,000 seat arena project is about 57 percent private.

So, we have a long-standing commitment to engaging the public sector to work with the private sector in these kind of large scale partnerships. Another kind of partnership that I think is relevant to all cities in this country is a willingness of a city to get into an area of business that you don't normally get into—promotion of things like festivals and special events.

Cities have always had parades, I suppose, but successful cities have been those that have taken their areas that are not growing or producing like they should—and that's where you have the festival. You pick the most down and out section of town, and that's where you do that kind of thing time and time again. What I think cities across that country have found is that if you bring people into areas, people, over the long haul, induce investment in that area. And that's another strategy of revitalization.

All of this is to say, though, is that attention to this kind of amenities—the tree-lined downtown, the special festivals, those kinds of amenities—show that quality of life and economic development really go hand in hand. Let me mention, finally, a strategy that hasn't been mentioned yet, but I think you'll hear it a lot in the literature out there of what's going on in urban America, and that's this—it's time to also pay attention to the neighborhoods, to residential neighborhoods where people live.

And a lot of cities in this country are so focused on the 9-to-5 environment, the office buildings and the development around that, that they forget that what really makes a city, what gives it its heart and soul is the residential component. You've got to encourage folks to live in cities. People don't have to live in cities. They can live in the suburbs, and that's indeed what they do too many times. So, we're trying to put a great deal of more attention, as we grow with our economic development program, go back to basics, and now we're strategizing on ways to make the residential sectors of the city as livable as possible.

And we're doing something, again, borrowing—as you heard many mayors state it today, we steal from each other's ideas—and this is one of them. We have a very intense planning process underway on the neighborhood level. We start with the idea that the city is made up of many separate neighborhoods. And Washington,

DC, of course, is full of wonderful neighborhoods, where if you stop someone on the street and ask them where they live, they can tell you, "I live in"—they don't necessarily say Washington, they say Adams-Morgan or something like that.

You want to first get into the neighborhoods and identify what are the neighborhoods that people relate to. Then, we're in the process of holding meetings in these neighborhoods—grass roots democracy—inviting everyone to come. And in a free flowing kind of style, trying to identify what do you like about this area of town? Why did you choose to live here? If you were selling a house, what would you tell somebody if they wanted to live here. And it's important to affirm those good things about that area, its assets.

And then you turn to what you don't like about this neighborhood, this area of town. If you're trying to sell a house, what would you keep people from trying to find out. It's important to get all that out there, to get the folks on the neighborhood, grass roots level to talk about the issues before them, to talk about crime, their level of anxiety about crime, to look at zoning issues and sidewalks and street lights, local parks, whatever is on their mind, and help those folks develop and action plan to for their own neighborhood and to get focuses on that.

This also has the effect, frankly, beyond an action plan to address particular issues you identify. It has the effect of giving people a voice. And if there's anything that I think cities need to be about these days—and all Government—it's to try to get into the roots of people's anxieties today. People have a sense, especially in large urban areas, that their voice really doesn't count and that things are kind of spinning out of control and they don't count anymore.

When you get down to the neighborhood level, you start giving people a voice again. And that contributes to quality of life as much as anything I know. And I think cities are in a particular good position to do that. It's just called democracy, grass roots democracy. Cities can do that, and also cities can be about nourishing—nourishing not just neighborhoods, but all private organizations. A city has a great helper and a great friend in churches, in schools, in civic clubs, private organizations.

They're out there. They're just waiting to be engaged. And city can do a lot to nourish those kinds of private civic organizations and make them part of the solution and again give people a voice. If you do that, you give people what I think at the end of the day is what a city is all about, and that's giving people a dignified quality of life. And in my definition, that's a successful city. Thank you, Mr. Chairman.

[The prepared statement of Mr. White follows:]

CONGRESS OF THE UNITED STATES
House of Representatives
Committee on Government Reform and Oversight

Successes of Urban Problem Solving - Mayoral Perspective

Testimony of
The Honorable Knox H. White
Mayor, Greenville, South Carolina
March 11, 1997

My name is Knox White and I am the Mayor of the City of Greenville, South Carolina. First of all, Mr. Chairman, thank you for this opportunity to tell Greenville's story. It is most gratifying to be included on a panel with the mayors of some of America's largest and greatest cities. I am here today to talk about Greenville's economic success and our commitment to maintaining the right balance between growth and quality of life.

I'll begin by telling you a little about my city and region. Greenville is located midway between Atlanta and Charlotte, the heart of the South's fast growing Interstate 85 corridor. The region is home to many national and international corporations. The City of Greenville has a population of about 60,000 people, residing in a County of more than 350,000 and a metro area with a population approaching one million people.

Our region has been particularly successful in attracting international companies from Germany, Japan, China, France, Holland, Belgium and twelve other nations. In fact, more than 241 international firms are located here, and we now have the largest concentration of foreign-owned company investment per capita in the nation, accounting for 69% of all jobs in the Greenville area.

We are home to companies such as Michelin North America, Lockheed-Martin, Hitachi Electronic Devices, Sterling Diagnostics, Umbro, Fluor-Daniel, Mita, Bowater, Liberty Corporation, Insignia Financial and, just over the Greenville County line, BMW.

We are fortunate that our city's history has been shaped by visionary leaders who possessed a willingness to take chances and who understood the need to adapt to changing times. Much of our success comes from a commitment to partnerships between the public and private sector. A recent *Wall Street Journal* article described Greenville's success as "... an elaborate series of public/private partnerships forged by a city that has effectively bet on its own future."

The Greenville area has a reputation as a pro-business community. In our economic development policies we stress partnership between government at all levels - city, county and state, and partnership between government and business.

While we are experiencing historic growth in the county, building activity within the City of Greenville achieved an all-time high in 1996. More than \$168 million, both in residential and commercial construction, was invested last year. More than half of that - \$85 million - occurred in downtown alone. Our 15-year downtown revitalization efforts won international recognition in October 1996 when the International Downtown Association awarded its prestigious Special Achievement Award to the City of Greenville.

The momentum for our success began building in the late 1970s when the city transformed Main Street into an attractive boulevard with widened sidewalks, old-fashioned street lamps, benches, planters and a long green avenue of trees. The early 1980s saw the development of a Hyatt hotel and convention center complex at the north end of Main Street. In 1990, the \$42 million world-class Peace Center for the Performing Arts opened on the south end of Main Street, thereby anchoring six blocks of prime real estate. Both of these major projects were the result of public/private partnerships. Our latest, and largest, public/private project is now under construction: a \$63 million, 17,000-seat arena, funded 57% by the private sector.

Downtown continues to attract major investors and scores of small entrepreneurs who have breathed new life into once-abandoned buildings. Restaurants, coffee houses, galleries, specialty shops and apartments now occupy many former vacant stores.

A vibrant downtown residential neighborhood with its own special character and rhythm is flourishing. At treetop level, overlooking the tile-design sidewalks, "Townies," as downtown residents refer to themselves, have given up the green lawns of suburbia for the ribbon of green trees lining Main Street. These residents have a bird's eye view of a city that no longer rolls up its sidewalks at six o'clock in the evening.

During the day, Greenville is alive with business activity and office workers gathered at their favorite café during lunch break. However, what has made a difference in downtown is the lively nightlife that has developed as a result of the city's planned entertainment. An eclectic mix of music and entertainment events has recast Main Street as a major nighttime destination for young professionals, aging baby boomers, college students and teens. The city has become a prime destination for conventions, and evening activities along the six-block stretch of Main Street have transformed the city into an around the clock phenomenon.

Street festivals are another major factor in keeping downtown a year round center for entertainment. The city's special events calendar includes an arts and entertainment festival held each spring; an annual food festival; and "First Night Greenville," a non-alcoholic, family-oriented street party held on New Year's Eve.

Our downtown is in the midst of a 20-year journey from "bust" to "boom" and is a good model for the rest of the country struggling to strike the right balance between growth and quality of life. Attention to amenities, from festivals to tree-lined streets, is testimony to a belief that economic development and quality of life go hand-in-hand.

While the economy is the backbone of the city, our neighborhoods are truly its heart and soul. Much of the quality of life we enjoy is a result of the relationship between a thriving economy and stable, secure residential areas. Simply put, you can't have one without the other. Striking the proper balance between the two means using common sense, doing a lot of listening and being smart enough to learn from the mistakes that other larger cities have made.

The most important issue before our city now is how to balance growth with quality of life. How do we keep Greenville a good place to live, work and raise families in the midst of record growth and change? A great line from Shakespeare's *Coriolanus* reads, "The people are the city." As mayor, my strategy is to put emphasis on preserving and strengthening residential neighborhoods by giving people a greater voice in matters affecting the area in which they live.

Every neighborhood in Greenville is different, with its own unique personality, character and voice. We are beginning the grassroots process of inviting residents to come together to identify the strengths and weaknesses of their neighborhood. They discuss the good and the bad, what they like or don't like, and then they create a vision of the kind of neighborhood they want.

The whole purpose of the process is to find out where the concerns are and make every effort to correct them. We really want people to talk about what they don't like about where they live. We've always taken our assets for granted and then complained about issues that never get addressed. With this process, every neighborhood will be encouraged to say what's on their minds and to develop an action plan.

An action plan is primarily what the people in the neighborhood want to do for themselves. Also coming out of this action plan will be things for the city to do, such as address cut-through traffic or long-term projects designed to improve the community.

A prime example of how the process works occurred recently in the Overbrook community, a historic residential area where young families are buying older homes and settling in. The residents of Overbrook came together during their planning process and decided they wanted to restore an old park that had fallen into neglect. This spring, the residents, along with help from local university students, will re-create the beauty that was once a lovely garden park in the center of their historic district.

The Overbrook residents have identified their needs and issues, and as the planning process continues throughout the City of Greenville, many more people will come together in public forum to repeat the process. For the city, this neighborhood-based planning process serves as an intense listening session. But, beyond this, it is an affirmation to our residents that even in the midst of a growing urban area, their voice still counts.

One of the great byproducts of this process is that bringing people together creates a better sense of belonging. It encourages people and gets them excited about making their neighborhood a great place to be. It brings people together towards a common goal and they get to know each other better. To that end, the city will encourage people to have block parties, Fourth of July picnics,

Memorial Day and Labor Day events.

As our city grows, we must remain focused on the ultimate mission which is to create a dignified quality of life for all our citizens. Economic development depends on the ability to maintain a livable community amid the growth. One way to do this is the traditional perspective: promote the arts and cultural activities, sports and recreation, parks and public gathering places. These are tried and true. Greenville has its share. But livable communities need to do more. We need to go to the heart of people's anxieties which include the perception that in large, growing communities things spin out of control and no one individual can do anything about it.

The solution is in our finest tradition: it's called *democracy*. People want a say in things that matter the most. I am an advocate of more, not less, citizen participation in matters affecting people where they live.

In his book, *Democracy's Discontent*, Harvard professor Michael Sandel describes the integration of the world economy and the effect it has on democratic societies. He makes the point that in modern society it is more important than ever to give people a voice in local affairs — especially in urban areas.

Sandel writes, "People need to feel confident that they will not be swamped by the wider world. . . do that by building and strengthening small institutions." Professor Sandel further states that the planet is no substitute for the neighborhood, and that modern democracy also needs to be nourished closer to home - in families, schools, churches, and work places. He writes, "In the age of NAFTA, the politics of neighborhoods matter more, not less."

Twenty years ago Greenville embarked on a mission to reinvent the city. Public/private partnerships have been the cornerstone of our city's economic development. We have worked closely with the county, the Chamber of Commerce, and the State Commerce Department to recruit new business and promote entrepreneurship that will expand our economy and diversify our job base.

Quality of life factors make for sustained economic development and we realize the need to be as attentive to quality of life as we are to infrastructure, tax rates and utility costs. If sewer lines do not reach prime development areas or if tax rates get too high, leadership in Greenville has a way of sounding the alarm and elected officials react. We come together to support new tax and regulatory incentives.

In conclusion, Greenville is now turning its attention to planning the future of our neighborhoods by initiating citizen communications and involvement. As Mayor, I want Greenvillians to restore democracy at the community level and to be active participants in conserving and enhancing this city's residential areas, because it's the neighborhoods that turn a city into a hometown.

END

Mr. TAYLOR. Thank you, Mayor White. We appreciate this. We have a number of outstanding members on our various subcommittees. And I'd like to ask if any of them have statements they'd like to make before we begin the questioning. Congresslady Morella.

Mrs. MORELLA. Thank you. Thank you, Mr. Chairman. I'd like just to ask unanimous consent that an opening statement be placed in the record. And I wanted to make sure that you realize how valuable this hearing is. And I want to commend the chairmen, all four of them, for putting it together and making really joint, joint and even bicameral.

It shows how important the District of Columbia is to all of us, not only those in the region, but throughout the country. I've enjoyed hearing the panelists share some of their experiences. I think at the root of it is community, people involvement, partnerships, investing in something that you believe in. And I want to thank you all for the presentation and look forward to asking the questions. Thank you, Mr. Chairman.

[The prepared statement of Hon. Constance A. Morella follows:]



**Statement of Congresswoman Constance A. Morella
Joint Subcommittee Hearing
“Successes in Urban Problem Solving, Mayoral
Perspectives”
March 11, 1997**

I want to thank all of the Chairmen who have agreed to come together today to hold this important hearing....Tom Davis, Charles Taylor, Sam Brownback and Lauch Faircloth. This is, indeed, an indication of the importance to the American people of the revitalization of the District of Columbia, our nation’s Capital city.

I also welcome the distinguished mayors who will share their experiences and their insights with us regarding urban

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problem-solving. As we consider the President's proposal, which would allow the federal government to fund the District government much in the same way that state governments support their cities, I believe there is much that we can learn from our expert panel in our search for a brighter future for our nation's Capital.

As you know, there is a serious fiscal crisis in the District, which prompted Congress, guided by the House Subcommittee on the District, to set up a Financial Control Board to provide oversight and support to improve D.C.'s financial situation. Services to District residents are deteriorating, and a recent report by an independent consultant has prompted a major reorganization of the police department.

As the representative from one of the surrounding jurisdictions, Montgomery County, Maryland, I have a vested interest in revitalizing D.C. The District does not stand alone. A healthy nation's Capital is good for Montgomery County and the whole Metropolitan Washington region.

Because improving the economic condition of the District will have a positive impact on the suburbs, I am particularly interested in "empowerment zones." Cities that have been designated for an empowerment zone receive federal grants and tax breaks to clean up blighted areas and lure private investors. It is my understanding that Philadelphia is one of six empowerment zone cities. I am interested in knowing how Philadelphia has used federal

grants to clean up its neighborhoods and reduce violent crime.

Again, it is a pleasure to welcome Mayor Susan Golding from San Diego, Mayor Stephen Goldsmith from Indianapolis, Mayor Patrick McCrory from Charlotte, North Carolina, Mayor Edward Rendell from Philadelphia, and ^{MAYOR} May Knox White from Greenville, South Carolina. I look forward to hearing their testimony.

Mr. TAYLOR. Thank you. You've been a leader, I know, in working to make Washington, DC better, as well as the neighboring areas, which you represent a part of that area. What we're going to do, if we may, we'll start the questions. Mayor Rendell, who just came, would you like a moment to pause or would you like to go ahead and start with your statement, sir?

Mr. RENDELL. Whatever you'd like, Mr. Chairman.

Mr. TAYLOR. We'd be delighted to have your statement if you are ready to go at this point.

Mr. RENDELL. Sure. Absolutely.

Mr. TAYLOR. Thank you. We know and we appreciate your schedule and your being able to be with us today. Our procedure will continue with the mayor's statement and then we'll open for questions by the members of the committee to the various mayors.

Mr. RENDELL. Well, thank you, Mr. Chairman. And it is my pleasure to be here, because I'm sure my colleagues indicated to you that those of us who head up cities and urban centers have a great feeling and a great empathy for others who do the same. And it is not my goal to come here today to give advice to Washington, DC, or to this panel or to anybody else. I haven't had the time to read up on the financial structure or the extent or nature of the problems that effect Washington, DC, and I don't purport to be an expert or knowledgeable in any way on that.

I come here to share, briefly, our experience. And if there are things that are relevant in our experience to Washington, DC, then I'm happy to help. And I think all of us come with the belief that the things that we have done to help our cities' financial situation are important and we're willing to share them, but there are long range, inherent systemic problems facing all American cities, even American cities that have recovered or are credited with recovery like the five of us, which do not lie within the power of mayors or city councils to address.

And I think that is a very, very important factor. What we have done is cured the financial conditions of our cities, of our cities' budgets. We haven't been able to get at some of the deep seeded, underlying problems that effect every American city—Philadelphia, Washington, DC, and every American city across the board. And I think that's an important point to note.

When I became mayor, we started out facing a \$230 million deficit, a deficit that was calculated to grow to \$1.4 billion in the next 3 years if everything froze, including no wage increases. We were a city that has raised taxes 19 times in 11 years before I became mayor. And we have the highest wage tax and the highest business taxes in the United States of America. So, a tax increase wasn't an option.

We were a city where basic services had almost reached an all time low. So, a massive across the board lay off to balance our budget wasn't an option either. Because, just as high taxes drive businesses and tax paying families out of jurisdiction, so do the collapse of municipal services. So, I believe when I ran, and I unannounced that during the campaign, I believed that we could cut money out of the operating budget of the city of Philadelphia without affecting the quality of the services we deliver, to the contrary,

we could do it in a way where we actually enhanced many of the services we deliver.

The bottom line is we were able to do so. I've been mayor for a little over 5 years. We have cut \$1.6 billion cumulatively out of the cost of the operation of the government of the city of Philadelphia during that time. Are city services at a level where I'd like to see them? No. But are they definitively improved over where they were 5 years ago? Absolutely.

We did not lay off a single individual. Through privatization, we have lost a net of over 1,000 jobs, but we did that in a way so that every city worker who was, by competitive contracting, privatized out of a job, got another city job. We froze whenever we knew privatization was coming. We froze for months at a time so we could transfer that city worker into another job.

So our work force did take a hit. We had to look at our labor costs. And about 40 percent of the savings that I've enunciated came on the labor side, including in our first contract, \$300 million in 4 years of savings in the cost of providing health care to our citizens. And at the end of that, our workers still had the choice for co-pay, a choice of the three best HMOs in the city of Philadelphia. So, we were able to do it in a way where we cut health care costs dramatically, but without affecting the basic security of any of our workers' families.

We went out and looked at every facet of what we did as a government. And I think the cumulative experience of all of us and mayors who aren't here can tell you that there is no government that if you examine what it does on almost a line by line basis, we cannot effectuate significant savings. We are—the city of Philadelphia leases almost 800,000 square feet of space. When I became mayor, I became mayor at a down cycle in rental values for office buildings in the city of Philadelphia.

I immediately ordered our folks to go out and renegotiate our leases, to renegotiate all of our leases, willing to extend, in a market where holding on to big hunks of office space was important, willing to extend leases if we could reduce current prices. And we saved over \$5 million in just the cost of our operating leases alone. And I could go on and tell example after example. Double zip coding mail, something as simple as that that we weren't doing, that racked up close to \$500,000 of savings.

We looked at every facet of what we did. We tried to put basic principles of private enterprise at work. Privatization—we have, to this day, privatized 41 municipal functions, which saved us on an annual basis \$30 million. Over the course of 5 years, they've saved us over \$100 million. But we've also had four instances where we did competitive contracting. We let the municipal workers and their managers put the last bid in. And they beat back privatization efforts in four areas.

Those four areas save us on an annualized basis, \$12.7 million. Including our greatest single savings, in one of our sludge recycling centers, where the employees and the managers got together and beat back a privatization bid and cut the costs by changing work rules, by being more effective in scheduling, cut the cost from \$24 million a year to operate to \$16.5 million to operate. It's a privatization that has an enormous effect, too.

But we've also looked at revenue enhancement. When I became mayor, the basic fee structures for the operation of our government hadn't gone up in 10 years. We raised our fee structures, found ways to collect taxes better. We privatized tax collection and gave private attorneys an incentive. They only get paid when they collected for us. And we now, on an annualized basis, between fees and tax collection, produce about \$45 million more a year in revenue than we were producing.

But the things that I think that we did best of all—and I know that your time is limited—we've managed, through a whole series of things—I'd be happy to talk about in response to some of the questions—we managed to incentivize the government. When you have a government like ours that was civil service and that had a basic labor contract that restricted a lot a management rights, it was very difficult to put incentives for performance in the government, incentives for cost savings, incentives for better productivity, incentives for enhancing revenue collection.

I mean, some of the things that we did were so basic that I would scratch my head and wonder why it wasn't done before. For example, like Washington we run an EMS service. And we don't ask questions when someone is in need. We don't, before we put them in the ambulance say, "Do you have reimbursement for this?" We put them in the ambulance. We never bothered to find out the people we took to the hospital or EMS whether they had basic health coverage that would cover the cost of reimbursement.

By just doing that, \$2.3 million in additional revenue a year. So, there are many things that all of the mayors assembled at this table, and many others have done, and we'd be happy to share them with you at length.

[The prepared statement of Mr. Rendell follows:]

Testimony of Mayor Edward G. Rendell
City of Philadelphia

Good afternoon. My name is Edward G. Rendell, Mayor of the City of Philadelphia, and I want to thank the members of the Subcommittee for inviting me to testify this afternoon.

Let me say at the outset that I do not appear before you to offer my opinions on how to solve the problems facing the City of Washington, D.C. As the mayors of every big city in America can attest, each city's problems are particularly its own. I do not pretend to have a detailed understanding of the fiscal or other operational issues confronting the City of Washington, and so it would be pointless for me to offer advice to Mayor Barry, the City's elected officials or the distinguished members of this Subcommittee on ways to solve its problems.

What I can do, however, is to tell you a little about what we have done in Philadelphia to restore the City's finances and chart a course for the City's growth that has enabled us, for the first time in a generation, to begin competing for the economic opportunities that Philadelphia so desperately needs if it is to secure its future as we enter the 21st Century.

When I became Mayor in January 1992, Philadelphia faced the worst financial crisis in its history. Faced with a \$200 million annual structural deficit and a bond rating that had been reduced to "junk" status, Philadelphia was at one point less than

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a week away from municipal bankruptcy. Worse, our government had become a bad national joke: one publication labeled us as the City "that sets the standard for fiscal distress in the 1990s." As a result, when I became Mayor the stage was set: Either we acted immediately to restore the City's finances, or the City's future would be destroyed.

I often tell people who ask about all that we've done in Philadelphia that it's like President Kennedy said when he was asked how he became a war hero. It was simple, he said: "They sank my boat." That's the way it was in Philadelphia in 1992. We had to act, immediately.

We began by telling the truth to our citizens. I said at the beginning that everyone would share some short term pain in exchange for long term gain. In keeping with the requirements of the state-imposed fiscal oversight board, the City developed a Five Year Financial Plan that laid out a course for Philadelphia's economic recovery. We rejected tax increases, across-the-board service cuts and massive layoffs as the answer to the City's fiscal crisis. Instead, we dedicated ourselves to one fundamental principle: Squeezing every nickle of waste from the operation of City government.

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That's exactly what we did. We reexamined every aspect of the operation of City government in the effort to save money or increase productivity: improving our tax collections; raising a fee structure that had remained static for over a decade; renegotiating our real estate leases; restructuring our work rules to improve productivity; reducing the skyrocketing cost of health benefits for our employees; cutting the number of municipal holidays; injecting private sector competition into the delivery of municipal services; and many, many more initiatives. Our managers and our employees made sacrifices alike. We borrowed ideas from other governments, and we developed ideas on our own, all focused on one goal: reduce the cost of government, which had become bloated, unresponsive and inefficient.

The result: Today, our revenue enhancement and management and productivity initiatives have reduced the cost of City government by a total of \$1.6 billion. In less than 18 months, our \$200 million operating deficit had been eliminated, and the City posted the first of four consecutive budget surpluses. In October 1996, the City posted a budget surplus of \$118 million -- the largest surplus in modern City history. Our bonds have been upgraded to investment status. Our departments took much of the savings they identified, and plowed them back into improved services for our citizens: reopening recreation centers and municipal swimming pools; making on-time trash collection the rule,

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not the exception; repairing streets at the fastest rate in decades; and opening all 52 of the City's public libraries six days a week, for the first time in the City's history.

Best of all, our people began believing in the City's future again. And if there is one key element to the success of this "Philadelphia Story," it is the unwavering support of our citizens. Because we told them the truth, and because we demonstrated at every turn that we were serious about cutting waste in government, our citizens and our business community responded with an unprecedented level of financial and volunteer support, without which our recovery would not have been possible.

When we asked for volunteers to help clean up City Hall, 3,000 people turned out in one day. When we sought support for our exciting new Avenue of the Arts, a key to the City's renaissance as one of the nation's premier destination cities for tourism and conventions, the financial support of the business community transformed the project from dream to reality. And when we asked citizens to rally behind our parks, recreation centers and libraries by serving as volunteers, our people responded in record numbers.

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Today, we are reaping the benefits of this unprecedented partnership. For the third straight year, we have reduced the City's wage and business taxes -- the first such decreases in more than 50 years. We have largely halted the steady exodus of business and jobs that threatened the City's tax base for the last 25 years; thanks to an unprecedented \$3.7 billion local Economic Stimulus Program, we have retained or attracted nearly 30,000 jobs in Philadelphia over the last three years.

No one is saying that we have solved all of our problems. To the contrary, the City faces enormously difficult challenges: crime continues to threaten the safety and vitality of our neighborhoods; the City continues a desperate battle to attract new business and jobs to Philadelphia, where 27 percent of our citizens still live in poverty; and we are in the midst of a tremendously difficult struggle to improve the quality of public education for our children.

But the financial crisis that threatened to destroy Philadelphia's future has been successfully resolved. When I am asked how we did it, my reply is always the same: we told our people what we were going to do, and with their help, we did it. We cut the cost of government, because in Philadelphia, that was the only choice that could give us a chance to reclaim our future.

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And when we demonstrated -- time after time, day after day, on issues small and large alike -- that we were serious about not wasting taxpayers' money, the people of Philadelphia believed us, and supported our efforts. That is the lesson of the "Philadelphia Story," and it is a lesson for all of us in government.

I am happy to answer any questions at this time.

Mr. TAYLOR. Well, thank you, Mayor. I do look forward to asking questions. As chairman, I'm entitled to start the questioning, but I'm going to ask—since several of our members have pressing schedules—I'm going to ask them if they'd like to question first and I'll save my questions to the end.

And we'll start with Chairman Davis. If you'd like to start the questions. I understand that Mayor Goldsmith has to leave by 3:30 p.m. Am I correct? Does anyone else have to leave earlier? If not, if you have a question for Mayor Goldsmith, be sure that you put it to him.

Ms. GOLDING. I have to leave at 3:30 p.m., also Mr. Chairman.

Mr. TAYLOR. Two mayors. Mayor Golding has to leave also. So, if we'd be sure we get the questions answered by them. Chairman Davis.

Mr. DAVIS. Chairman Taylor, thank you very much. Let me say to each of you that I think you are walking examples of what leadership can do in troubled cities that first and foremost, whatever the form of government, however dire the consequences, leadership is critical to success. You've taken the bull by the horns. You've made tough decisions. In Washington, one of the problems has been a culture of not making decisions.

You've probably made some wrong decisions along the way and you hear about those too. But you've got the guts to go out and make decisions. As many of you know, I was the head of the county government in Fairfax, which was city and county combined, before I came here. I've admired each of you, and have followed you through different publications. It's a real privilege to have you here.

Mayor Rendell, the Philadelphia story is impressive, because being a northeastern city it is similar to Washington with regard to its labor force. You have collective bargaining for city employees. Is that right?

Mr. RENDELL. Yes.

Mr. DAVIS. I don't know if all the rest of you have collective bargaining? Mayor Golding, do you have collective bargaining?

Ms. GOLDING. Yes.

Mr. DAVIS. Mayor Goldsmith does. You don't, though, do you Mayor McCrory?

Mr. MCCRORY. Only in transportation.

Mr. DAVIS. Mayor White, you don't either, do you?

Mr. WHITE. No.

Mr. DAVIS. We didn't in Fairfax. It made a huge difference in some of the options available. Yet you privatized 41 functions in Philadelphia. Washington, DC, has a service contract act that applies to it so that when you privatize, you have to pay a prevailing wage to the new employees. But every city has nuances and difficulties that must be worked around. I'm just wondering, do you have any unsuccessful privatization stories? We had a great one in Fairfax.

Mr. RENDELL. I'd say out of 41 different functions that we've privatized, 40 clearly resulted in not only reduced costs—they all resulted in reduced costs because we had a benefit structure when I took over that we paid 55 cents in benefits for every \$1 of salary.

If any private business did that, they would be bankrupt. And we were.

So, it wasn't very hard for a private firm, given that, even though the government, the work force didn't have to pay taxes. So when they were fashioning their competitive bids, taxes weren't a factor. But they just, in many cases, couldn't or were unwilling to compete. So I'd say all 41 saved us money. In one instance—in one instance, our nursing home—we had a nursing home. And we still own it but we privatized management out.

And I'd say it's a wash. The management company had some real significant problems. We temporarily lost State accreditation. We regained it—the management company regained it. But, of course, the opponents of privatization railed against that. And I pointed out that—

Mr. DAVIS. As a poster child, right?

Mr. RENDELL. Right. But I pointed out that 2 years before when the city work force had it, we lost accreditation too, so—but generally, the—but I want to stress—and I know Steve would say the same thing—one of the best things in a government like ours in Washington, DC is, all of a sudden, with privatization, our managers and our workers and our ship stewards go together and said, "Hey guys, let's figure out how we can do this cheaper—not effecting our salaries—but how we can do it cheaper."

So, for the first time in our municipal government—and this was only one of the things—but there was an incentive to do things better, faster and cheaper. And that's really where the payoff has been. We haven't privatized, for example, trash collection, because the savings that the work force has made by making concessions with the managers have cut the savings from privatization by two-thirds.

Mr. DAVIS. Bottom line: deliver the best service at the lowest cost.

Mr. RENDELL. And competition.

Mr. DAVIS. Competition whether it's government does it—have any of you instituted a pilot program that's a payment in lieu of taxes for tax exempts? And I wonder if we could—let me start, just start—Mayor Golding, have you had to do that in Indianapolis? Mayor Goldsmith.

Mr. GOLDSMITH. It depends how you mean the question. What—let me take a specific transaction—let me just gather in about a minute a few thoughts. The goal here is to manage outcomes, right? And the more you try to tinker with processes, the more you preclude good employees from producing value. So, our savings have not come from reducing the salaries of the employees whether they are private or public, they've come from being able to buy the best management in the world to bring their technology to bear.

So when we privatized our waste water treatment plant, which, at the time, was the largest waste water privatization in the country, we saved \$70 million and the water is cleaner. Now, that was a private management contract, because we did not want to sell the plant, we wanted to continue to control policy. And once the management contract was entered into, then we taxed our own plant—a payment in lieu of taxes.

And that provided a substantial amount of money—in that case, \$5 million a year that we were able to invest in police officers. Because, essentially, there's no reason why that plant wasn't paying a reasonable fair market tax like everyone else is, and the same would be true of other municipal services once they are privatized. Therefore, the difference between whether you sell the asset or privatize the management can go away if you are prepared to impose a payment in lieu of taxes on the public facility once the management contract has been entered into.

Mr. DAVIS. Mayor Rendell, did you have any?

Mr. RENDELL. Yes. We instituted a pilot program across the board because we're a great medical center and university center, and a good hunk of our real estate was untaxable. It's a payment in lieu of services. What we did is—there was a Supreme Court case that sort of opened the door to do this—we put the pilot level at far less than the entity would pay if they were found to be a non-charitable institution.

And then, on top of that, we instituted something called SILOTs. So, you can knock off—say your pilot payment was \$1 million, you could knock off a third of a million dollars, a third of it, by providing services to us. So, identify you were a hospital and you wanted to provide doctors for a district health center so it could be open on Saturday, you got the monetary credit for that. And it replaced—sometimes they can replace what would cost to us—that's \$1.5 million cost—costs to them \$400,000. So, we both win by having SILOTs—Service in Lieu of Taxes—as well as pilots.

Mr. DAVIS. Thank you very much. My time is up.

Mr. TAYLOR. Thank you. We'll try to adhere to the 5 minute rule and then come back and have a second round of questions if the mayors have time. Senator Boxer.

Senator BOXER. Thank you, Mr. Chairman. I will go quickly and try to cover all of my issues. Mayor Golding, as you went through San Diego's economic recovery, I was smiling and proud and looking at California. We have really come back in California from the darkest recession days in 1992, to a time when we are moving forward. Now, we have a long way to go. We still have to keep on moving forward. That's for sure.

But it is a good story to tell. And as I think about my friend, Eleanor Holmes Norton, who is going to look at us and say, "How does this relate?" I think about a lot of what you said—the boom in high tech, dual use technologies, the imports and exports, the faster pharmaceutical approvals. In our case, the entertainment industry is really leading the way in many ways. And tourism is very important. We had a cruise ship revitalization act that's helping. And as I look at all of this, I think the tourism area is one area where we can work with the city of Washington, DC and their employees if we have any good ideas for them.

And we've talked about that. Because the base of employment is really quite different. On the crime rate, I wanted to just quickly ask you each to give yes, no or don't know to the following question. San Diego and many cities in California have seen a lower crime rate. There are many reasons given—changes in demography, other things, community policing. Do you support President

Clinton's proposal to add even more community police? If we could start with Mayor Golding and go down. Yes, no.

Ms. GOLDING. It depends how the final proposal is structured.

Senator BOXER. So, you don't know?

Ms. GOLDING. Yes.

Senator BOXER. OK. Yes. Next?

Mr. TAYLOR. Well—

Senator BOXER. The reason I want to do this, sir, is because I want to cover all my questions. And then we can come back to explanations. But I really need to find out because it's very important to me, because I do support it and I want to know if the mayors support.

Mr. TAYLOR. Well I—just a moment, if I may. I'm not sure what the President's program is.

Mr. DAVIS. I don't either.

Mr. TAYLOR. What about a description? Maybe they could give us a description.

Senator BOXER. OK. Let me ask this—do you agree that we should add more community police under the existing Presidential program, or cancel that program and just add more community police?

Mr. TAYLOR. I don't know what the program is.

Senator BOXER. Mayor Goldsmith.

Mr. GOLDSMITH. It depends on the details. At present I do not know.

Senator BOXER. OK.

Mr. MCCRORY. I'll say the same. We're adding community police regardless.

Senator BOXER. OK. Good.

Mr. RENDELL. Yes.

Senator BOXER. OK.

Mr. RENDELL. I say yes, absolutely. We need the help. We've added—we'll add 763 police under the crime bill to a 6,100 force. So the answer is yes. We'd love more.

Senator BOXER. OK. Thank you.

Mr. WHITE. And we're adding community police officers, as well.

Senator BOXER. Do you support the President's community policing program?

Mr. WHITE. I don't know enough of the President's plan—

Senator BOXER. OK. So, we have one yes and four noes—four don't knows at this point. OK.

My next issue has to do with bonded indebtedness. At this particular time—and this is very important—DC is looking at adding more debt. And as I look over all of your statistics here—and I have a chart on each city—I want to focus in on three cities—Washington, DC, Philadelphia and San Diego—because they're all in a very different position. Washington, DC's debt is about equal—it's actually less than its annual budget.

Its annual budget is \$4.9 billion. Its outstanding debt is \$4.1 billion. San Diego's budget is \$1.1 billion. Its outstanding debt is \$1.6 billion. And Philadelphia has the lowest ratio. It has a \$2.9 billion budget and a \$1.8 outstanding debt. Now, the reason I raise this is because bond ratings are different, too.

In the case of all of you. One of your cities went up in bond rating and one went down. And so, what advice can you give, Mayor Rendell and Mayor Golding, to the city of Washington, DC, in terms of relationship of the amount of your debt to your annual budget. Mayor Rendell.

Mr. RENDELL. Well, obviously, you want, in an ideal circumstance, you want to keep your debt down as low as possible. We, when we went through this, looked at that as an issue—and because of our bond rating, frankly, couldn't have increased our debt under any circumstances. However, the issue of debt in the long run, the key is whatever your debt is, is it a manageable number.

And what you should not do, and what cities have done in the past, is you should not fall prey to the temptation to add debt, but backload it.

Senator BOXER. Mr. Rendell.

Mr. RENDELL. You know, after you're gone, backload it so you get the immediate kick of, "Boy, we spent all this money and look at—our infrastructure is better, et cetera." But, you've left backloaded debt to such a degree that the city won't be in a position to deal with it 5, 6, 7 years down the road.

Senator BOXER. Mayor Golding, what would your advice be to DC, to avoid a downrating of their bonds, and how should they look at future bonded indebtedness?

Ms. GOLDING. Well, I would advise them not to have their jurisdiction pass Proposition 218. Because our bond rating has been AAA for years. It was AAA my first 4 years. And the only reason we went down a slight amount was because of the passage in California of Proposition 218, which says that every fee has to be voted on and that every fee can have an initiative to revoke it after it's passed.

And because of the uncertainty in the market this has created this is why that happened. Through no act of any city, there were several cities in California that were, in fact, downgraded because of 218.

Senator BOXER. I have that list. I have the list of the major cities. They have not gone down.

Ms. GOLDING. Yes they have.

Senator BOXER. Los Angeles has not gone down—stayed an AA. San Francisco has not gone down.

Ms. GOLDING. Los Angeles was downgraded to an AA.

Senator BOXER. Stayed an AA.

Ms. GOLDING. Right.

Senator BOXER. San Francisco stayed the same. And Oakland is under review. So, your advice—you don't have any advice to this city in future debt? Do you think they ought to cap it? Do you think they ought to go to the people if there's a bond that's over a certain amount, because you proposed that in your city? Do you recommend that?

Ms. GOLDING. I think it depends on the way the people of that city feel. And I think it's important to respond to that. But I think you have to watch bonded indebtedness and not allow it to go too high. And it depends on what kind of bonds you're talking about,

too. Revenue bonds are different than GO bonds at the source of revenue.

Senator BOXER. Sure.

Ms. GOLDING. So it's kind of hard—if you put it together as one lump it doesn't mean as much. But I would avoid allowing your bonded indebtedness to go exceptionally high, of course.

Senator BOXER. Thank you.

Mr. TAYLOR. Thank you, Senator Boxer. Congresslady Morella.

Mrs. MORELLA. I'd be happy to start off by yielding 1 minute of my 5 minutes to Mr. Davis.

Mr. DAVIS. Mayor Golding, let me make a comment. I just want to clarify that with regard to community policing—I was always concerned because it said you had to use the money just for community policing. It paid for just the first 3 years. What we needed was a block grant that would have allowed us to spend the money as we felt needed. We could have used it for police.

The President's plan, by the way, is not just community policing, there's a number of different officers you could use—but you could use it for an extended 911 system, computer aided dispatch. Every jurisdiction is different, and the one size fits all standard gave me some concern. The proposal, to my knowledge, hasn't been seen in print except for a press release.

Ms. GOLDING. I haven't seen it.

Mr. DAVIS. So I could understand why members didn't want to put anybody on the spot where you're responding to something that is not yet submitted legislatively. I just want to make that clarification for everybody here. Thank you, Ms. Morella.

Mrs. MORELLA. A pleasure. I want to thank you all for what I consider up-beat stories of successes. It's kind of like the phoenix. It rose from the ashes. And we certainly hope the same will happen with the District of Columbia. I wanted to ask a question directed to all of you. Later today, the President is going to announce his support for an economic development corporation for the District of Columbia.

I wondered if you might want to express or share with us any experiences that you have had with that kind of corporation? I think, for instance, Mayor Rendell, I think Philadelphia has something similar to that. And then, for the others, if you had not had any experiences, you probably have some feelings about it and you might want to comment on taxation. In other words, tax reduction incentives. I know that Mayor Golding mentioned a number of them for hotels, et cetera. And so, maybe I'll start with Mayor Rendell and then go through the rest of you.

Mr. RENDELL. On the question of the economic development corporation, I think it's an excellent idea. We have something called the Philadelphia Industrial Development Corp., which is a quasi governmental agency and, therefore, not subject to the same restrictions and restraints and criteria and requirements and all of that that the normal governmental entities would be.

It has been enormously helpful in helping Philadelphia businesses to expand and helping us to attract new businesses to the city and in the fight which all of us undergo to keep our own businesses in place when they are looking to expand or grow or just a way to drop their bottom line. In terms of tax incentives for eco-

conomic growth in the cities, I've long been an advocate of using the Federal tax code to incentivize development.

Understand, most of our cities, free market reins unchecked, most of our cities will lose out. They will not be able to compete, particularly the older northeastern and midwestern cities. They will not be able to compete. We need to use the Federal tax code to incentivize investment, capital investment in American cities.

I have, even though I am a strong and loyal supporter of the President, I have trouble with this treasury department, although I think Bob Rubin is starting to come around more than any other secretary, just like I had trouble with prior treasury departments. They seem to have a block against using tax incentives as a way to spur economic development.

Mrs. MORELLA. Thank you. Mayor Goldsmith.

Mr. GOLDSMITH. The mayor and I agree on this point, and I think it is important. First of all, tax credits, tax opportunities are a much more efficient way to help a community than government programs, because it removes the bureaucracy. It facilitates the flow of capital and it involves private investment, so people are making market place decisions.

So, Washington, DC, like Philadelphia and Indianapolis and perhaps San Diego, has these structural barriers to investment. You can try to manage those barriers by dumping additional government programs and government money on top of them. That generally doesn't make the barriers go away. Or you can try to compensate for the barriers, at least in the short run, by some sort of tax incentive. Now, whether that's on the capital gains side, which would be great, whether it's on the payroll tax side, that would be great. But what it does is it evens the playing field perhaps temporarily.

A few years ago, I proposed that we would give back all of our Federal money to Washington if they would just give us a payroll tax advantage or a little flatter tax than what they would do elsewhere. Because what we're trying to do is say high costs are added on to urban areas. But we have to use the free market to get ourselves out of this mess. So, temporarily, while the costs of welfare have built up urban costs, while the environmental mandates are much higher on urban communities, Clean Air will impose extraordinary costs, hurt the poorest people who attempt to buy their way out.

So, the Federal Government could compensate for those with tax advantages that would be much, much more effective. Now, whether they go through an economic development corporation or they go through a mayor, I think is an issue of government relations that could vary from community to community.

Mr. MCCRORY. One just additional comment, too, I think is similar, even in a modern city like Charlotte and comparing with Philadelphia, is that we have blighted areas in Charlotte that are bringing no tax revenue to the city in a very dynamic, economic city. And we're looking at—and I've been to—I visited Mayor Rendell's city and seen what they are trying to do to revitalize these blocks of blight, where you're getting no return on investment either in the private sector or public sector.

So, we're looking at that inner pride zone concept and doing anything we can. Some of our even local tax policies discourage reinvestment and encourage a vacant building to remain vacant or a parking lot to remain a parking lot as opposed to encouraging investment. So, we're looking at even, not only the Federal tax policies, but even some of our local tax policies to encourage investment or reinvestment, especially in these areas of blight, which tend to be your areas of high crime, high unemployment and all the other problems that are associated with an urban area.

Mrs. MORELLA. Mayor Golding.

Ms. GOLDING. I echo what my colleague said. In our city, what we did was, any place that we could reasonably cut, given the fact we were in a recession, we did. I looked at our water and sewer capacity charges, for example. Those are the hook up fees. There were times when that charge, for either a business moving in or someone who was developing, was as much as the cost of the land. And what happened was people just didn't do it. They didn't do business.

We had a laundromat going in. I heard the story, actually, before I was elected, of a laundromat going in in the inner city. They had no laundromat in that community, and they needed it desperately. But when this private business owner—using all the capital he had, to invest in this small business—found out what his hook up charge was going to be, he couldn't afford it. And there was no laundromat at that time.

So, what I did was propose—we cut those fees in half. And we cut housing trust fund fees in half. As I told you, we cut the business tax by 80 percent and it has not hurt the business climate. And the revenues to the city, sure, were hurt that year, but you could start to see those turn around as well as the attitude that business had about doing business in the city of San Diego. They didn't want to do business in the city.

When I took office, they didn't want to call city hall in general. And there has to be a clear partnership. We established an incentive program and gave our staff the flexibility to negotiate a good deal if a business was coming into the city and was going to produce sales tax—and we have a whole system of determining whether it's enough sales taxes—and jobs for the citizens. We were willing to give them a break on a lot of the fees that we were charging because they were producing a very distinct public benefit.

And I think those are the kinds of things that make it clear to any entity. And if you can help on the Federal level on down, it's a tremendous incentive. I'd like to see enterprise zones cut everything for the inner city, everything, absolutely everything out, because the truth is many of the blighted areas aren't producing tax revenue anyway. So, what are we worried about losing. Why not really make taking that risk worth while to a business or investor.

Mr. WHITE. I just want to mention one of the sins of local governments—I guess you need to know all the bad things too—is everyone hues the line on trying to hold down taxes in one door. The other door that opens is fees. And I think around the country you'll find that local governments have been too quick to raise fees and

layer fee upon fee while the record may look nice and clean on taxes.

Mrs. MORELLA. Good points. Thank you. Thank you, Mr. Chairman.

Mr. TAYLOR. Thank you. Congresswoman Norton.

Ms. NORTON. Thank you, Mr. Chairman. Again, may I say how elucidating I have found all of the testimony. I think there is something in all that you have said from which the District could benefit. If I could say to my good friend, the chairman of the committee, who seemed to imply that the question of the gentle lady and senator needed some elucidation, that the mayors, themselves, indicated that there had been an increase in the number of police.

So I don't think it an unfair question to pick out the community policing part of the President's plan to ask a question about, even if there are other parts that might also be relevant. May I ask each of you to indicate the percent of your budget that comes from the State and Federal Government? How much of your budget comes from local taxpayers?

Mr. GOLDSMITH. Our city is a donor to both the State government and the Federal Government. We send more money to both than we get back.

Ms. NORTON. Yes. That's not my question. I asked what is the percent of your total budget that comes from the State and Federal Government combined?

Mr. RENDELL. I think for us, if you just looked at our operating budget, it's surprisingly small. It would be about 17–18 percent. But a lot of the money that you send us doesn't go into our operating budget, like CDBG—Community Development Block Grant funds.

Ms. NORTON. Yes.

Mr. RENDELL. That never goes into the operating budget of the city of Philadelphia—homeless, housing with aids, et cetera. So, it's not totally an accurate barometer.

Mr. MCCRORY. That's the dilemma I'm having, also, in answering the question, because most of our budget, our budget that I included in the numbers I gave you, are our moneys. There's small percent that's from State. But such things as the housing authority money—a lot of that money comes from the Federal side, but we do not include the Federal—the housing authority budget within our budget. So, I'd have to get you figures of combining the two and then give you a percentage.

Ms. NORTON. Yes. I asked the question—I would appreciate your being able to do it. The reason I ask it is because the District has been forced to put into its budget each every part—each and every dollar from whatever grant and whatever source into a package that becomes its budget.

Mr. MCCRORY. Sure.

Ms. NORTON. That, of course, makes its budget look much larger than if its budget was budgeted the way that other cities have.

Mr. MCCRORY. Sure.

Mr. RENDELL. No question. You take Philadelphia—we have a \$2.3 billion operating budget. But if a talk about the crime bill money, the money for economic conversion of our Navy base, the

housing authority, housing homeless, CDBG, it's well over \$3 billion.

Ms. NORTON. And if you said put all that together and submit it as your budget to the Congress of the United States, it might look quite large.

Mr. RENDELL. Right.

Mr. MCCRORY. I would like to reiterate, though—the mayor from Indianapolis—and that is some of us are more donor—we're donor cities to both our State government and to the Federal Government in areas such as transportation and otherwise.

Ms. NORTON. Yes. I'm sure that's the case, too. Has the percentage of your budget that comes from the State and Federal Governments gone up in the last 10 years, dozen years or so? Or has it remained stable or gone down?

Mr. RENDELL. Declined.

Mr. WHITE. Declined.

Ms. NORTON. Hmm?

Mr. RENDELL. Declined.

Ms. NORTON. The percentage of your budget from the State government has—has the State government cut you in the amount of money that they send to you?

Mr. RENDELL. Over the course of time, yes.

Ms. NORTON. How have you made up for those cuts? With the cost of living going up, if the State government—every time you come to the State government, you're telling me they gave you less money than they gave you last year?

Mr. RENDELL. Well, adjusted for inflation, or just straight across the board? Adjusted for inflation—clearly less, clearly less. In raw dollars, it's been static, slightly less. And the way we've made up for it, Congresswoman, is some programs are gone, our reach and the number of people we're able to put in certain programs is diminished. And, as I said, in the 10 years before I became mayor, we raised local taxes. You know, we raised local taxes 19 times. I mean, it's a stunning amount.

Mr. MCCRORY. We've also had to, due to new regulations from State and Federal, we've had to increase—the mayor of Greenville is absolutely right that—our property tax rate has not gone up, but, for example, storm water fees, we're are increasing well over 4 percent a year to mainly meet some of the environmental regulations from the Federal and otherwise, which is a major, major challenge for all of us in cities regarding storm water and other environmental issues that the urban areas have to deal with.

Mr. GOLDSMITH. Can I make just a brief observation in partial response to your questions. I don't think any of us are comfortable with kind of macro comparisons of budgets. In fact, I couldn't even figure out what my budget meant until we did activity based costing for every one of the activities that we're in. Because it's not until you say, "Here is the cost of picking up trash. Let's bid that against the private sector. Here is the cost of a public hospital. Let's bid that against a private hospital," that any of it makes sense.

So, I think the long pause you hear after questions is, I wouldn't want to suggest, although I'm confident that we're very efficient, that we're efficient, necessarily, by measuring the size of the budg-

et compared to the person. But I'd feel better measuring it activity to activity. And that's one way to drive down costs and enhance quality at the same time.

Mr. WHITE. I want to mention, too, that as HUD dollars, in particular, have come down or remained about static, to the Federal Government's credit, more flexibility has been the rule now as opposed to the past. And I think HUD, in particular, has let local governments do things with those dollars that they couldn't have done 10 or 15 years ago.

Mr. RENDELL. Yes.

Mr. WHITE. And we have stretched those dollars out further than we ever did.

Ms. NORTON. Have any of your cities experienced flight from the city? What percentage of the population has been gained or lost in the last, let's say, 10 years?

Ms. GOLDING. Well, I can answer that. There was a period of time when San Diego really experienced that. The suburbs are cheaper to live in, in general—the housing costs are lower. Because of significant investment over the last 25 years in the downtown and in redevelopment, people are now moving into downtown again and living in facilities at all income levels, from very high priced to low. So, there has been a distinct return to the inner city—I mean to the downtown area, which, after all, is the heart of any city. But that doesn't happen by chance.

Ms. NORTON. So, has it been a loss in population or not in the last 10 years?

Ms. GOLDING. You know, I don't know where it is today. I know that there is a reversal going on. It's a reversal going on.

Ms. NORTON. Yes. Well, I'm trying to find trends.

Ms. GOLDING. It is reversing.

Ms. NORTON. Yes. It is reversing now?

Mr. GOLDSMITH. You are obviously aware, that most large mid-western and eastern cities have suffered enormous population losses in the last 20 years. Losses of wealth have been even greater than losses of people.

Ms. NORTON. Yes.

Mr. GOLDSMITH. From our center city, we lost a quarter of our population. In the last 5 years, as we've cut taxes, cut regulation and invested in infrastructure, we've gained in population. And one of the things we did was took the savings from competition and privatization and invested those savings disproportionately in the infrastructure and policing of the communities that had lost the greatest population, stabilizing those communities so people felt safer living there or investing there. And, so, we are up, now, slightly, although there was a long historic period of flight from the center city to the suburbs.

Ms. NORTON. And the reduction in taxes helped you gained population, you believe?

Mr. GOLDSMITH. I'm sorry, ma'am. I couldn't—

Ms. NORTON. Reduction in taxes helped you gain population, you believe?

Mr. GOLDSMITH. Yes. Let me be very careful here, because I think the answer to this question varies in every city. I think what helped us the most was delivering a higher quality housing, roads,

sidewalks, sewers and policing, and holding the line on taxes. We made a decision, in fact, where we could have lowered taxes more, but instead decided to invest that in several hundred million dollars of roads and bridges and streets and sidewalks and sewers and parks, because we thought that was more important. And I think that can be played out very differently in each community.

Ms. NORTON. Mr. McCrory.

Mr. MCCRORY. Our growth continues to be about at a 3 percent rate. However, we are seeing flight to the outlying suburbs where the growth rate is much greater, probably 2 percent higher in the suburbs and counties. In fact, I'm competing with the State of South Carolina, which is right on the Charlotte border. And South Carolina is offering tax incentives to some industry. And we've had some industry move 2 miles down the road to South Carolina.

So, we're seeing flight in both residential, commercial and industrial. And, I think, as the mayor said, that's probably our greatest competition right now as a city, is to keep the investment in Charlotte. And that's why our greatest chance for return on investment is revitalizing the blighted areas and to get people to move back in.

Ms. NORTON. Mayor Rendell.

Mr. RENDELL. We've lost about 10 percent of our population in the last 10 years, about 140,000–150,000 people. And it's a combination of things. And high taxes certainly is a factor. But we were really way up there. And, second, as Mayor Goldsmith said, it's the quality of life issues. For example, if our public education system could be fixed overnight to be a quality public education system, I think we would stop the flight and begin to slowly but surely regain population.

Ms. NORTON. That's a magic key. Nobody has turned the lock yet.

Mr. RENDELL. Right.

Ms. NORTON. Mayor White.

Mr. WHITE. Yes. As we continue to steal industry from Charlotte, NC and corporate headquarters, we are continuing to grow.

Mr. MCCRORY. I was afraid to mention that publicly.

Mr. WHITE. I'm glad the mayor mentioned public education. Because I think for all schools, issues of flight and changing demographics, there's no doubt that the decision of people to move into these cities, the right demographic mix with the right ages, it's the schools that still play a crucial role. And successful cities have successful schools.

Mr. TAYLOR. Thank you, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. TAYLOR. Congressman Tiahrt.

Mr. TIAHRT. Thank you, Mr. Chairman. I want to congratulate all of you on managing your cities in an extraordinary fashion. And that's why you're here. And we need some help coming up with some ideas. I find it interesting that most communities that I talk to like the concept of block grants rather than having some bureaucrat from Washington telling you how to structure things.

And I think that probably one very effective model of this is community policing. I know in Wichita, KS, which I represent, we have very effectively employed community policing. I'm not surprised

that four out of five of you didn't recognize President Clinton's efforts for community policing, because it's happening on its own. And even though, he's tried to get 100,000 policemen on the street, Attorney General Janet Reno reports that there are only 18,000 partially funded policemen there.

Many of us have favored block grants as Representative Davis pointed out, and I think that's probably a more effective approach, giving you the freedom your cities needed as unique problems come about. As you all spoke about coming up with these new ideas, Mayor Rendell mentioned incentives for employees. I wonder if there were some structural or policy changes that you had to put in place in order to provide those incentives. And I'm not sure which incentives you're referring to.

Also, in privatization, as Mayor Goldsmith talked about, were there structural changes or policy changes that you had to put in place in order to privatize or provide those incentives? And I'd like others to respond, too. And, incidentally, Mayor Golding, I was in San Diego, it was the first time I've ever been to California. It was last August. And I felt safe downtown. It was a very clean city and I appreciate the job you've done.

But I'd like you to comment on—what incentives do you provide and what changes in policy needed to be made so that you could provide those incentives? And the same for privatization. Mayor Golding.

Ms. GOLDING. Well, I can add—we have a system of merit pay, rewards for suggestions that actually can be documented to have saved the city money and have allowed the service to be provided, essentially for less cost. I have recently asked the managers to institute a bonus for department heads who have achieved, in actual cash percentage to the savings they achieve, plus meeting performance goals.

Because I think it comes down to the individual supervisor who can watch what is going on far better than anybody at the top can possibly do. And that involves everyone in the city. You cannot become more efficient unless everyone in the labor force is also trying to do the same thing.

Mr. GOLDSMITH. Last—when I announced my privatization/competition program, my ASFME unions did not exactly respond with enormous enthusiasm. And I went out there on my first week in office and told them don't worry and got pretty loudly booed. Last week I went out and distributed \$1,000 bonus checks to each one of our mechanics in our central garage because they had—not only had they bid against the private sector and won, but they are performing under their bid and they're sharing in the gain—50 percent.

It has the phenomena of them consistently producing more and more suggestions for better productivity because they know they're going to share in the gain. And so that has been infused in the system. I think the enormous challenge for this joint committee and for DC as in all of our cities, is as bureaucrats in cities—every city over the last 40 years—have abused their discretion, Federal Government, State government and even local government, itself, have set up structures which restrict the discretion. So they are tightly controlled, autocratic, somebody telling somebody else to do, and

lots of process restrictions. We had to change State law and local law. Sometimes we could work with it, sometimes we had to change it. Because the systems are highly inflexible because they control process more than outcome. So, to the extent that—and I understand how difficult it is in the DC situation—but the extent to which the District could be given, or any government agency, discretion on how it accomplished a result, a very clear auditing of the performances, and holding people accountable at the outcome level, then that provides the opportunity for these bonuses.

If bonuses can be connected to performance, if discretion can be connected to performance, if audits can be on the outcome and output side, then you can create conditions similar to those in the private sector, which encourage enterprise.

Mr. MCCRORY. There is one other addition. We're doing very similar things in Charlotte. But one area that the committee also might want to look at—and one of our greatest increases in costs had to do with medical benefits regarding employees—and I'd strongly encourage this committee to look at those costs and compare how rapidly those costs are going up in comparison to the private sector. We saw in Charlotte that our costs were going up dramatically, much more than the private sector, and it was going to make us go broke within a short period of time, so we changed a lot of our benefit policy, and actually have a very strong benefit policy for city employees.

And our medical costs have gone down well over half at this point in time, which is something Mayor Rendell and I were whispering. A lot of these issues we're talking about are not short term savings, they're long term savings. We will not see the results of this work for probably another decade. And that's when a lot of the real savings are going to come in regarding a lot of the medical and other types of benefits in the areas of competition and privatization.

Mr. RENDELL. I would agree with everything that my colleagues have said. I think, though, in addition to incentives—and I'm not talking about one special incentive—accountability is important. We publish a quarterly mayor's report on city services, where we ask each and every department to show how they're doing. This is a little chart on how much grass in our park system, the largest in the country, is mowed as compared to previous years.

It's unbelievable how the publication of this book causes city managers at the top and at the mid level to really want to put out and perform. They don't want to see those charts on the down side. We also publish a monthly city manager's report, which shows how you're doing on your budget.

Are you on track to come in with a balanced budget, things like that. And last, we've done something called creation of a productivity bank. In government—municipal, Federal and State—often something isn't a capital expense. It's not a capital expense, but you don't have enough money in your operating budget to take that hunk of money and buy that new technology. For example, our revenue department told me that for \$5.8 million purchase of software, they could save me tens of millions of dollars of business tax—to collect better.

But they had a \$41 million budget. They couldn't take \$6 million out of it on an annual—on a 1-year basis. So we created a productivity bank with city officials on it. Departments come and borrow money from the productivity bank. We'll give it to them if they can demonstrate that it's got cost saving potential. They have to pay it back over the course of 3 years with what the rate of interest is at that time, and they can keep 50 percent of the savings they generate above the 8 percent interest, let's say.

So, if they generate an additional million dollars, they keep \$500,000 that can be reinvested. And just one last thing on block grants. We all like block grants, because we all like flexibility, as anyone does in the work place. But block grants and flexibility cannot be a substitute for significantly less money. If you want to block grant us and give us 5 percent less money in return for the flexibility, that's great. But if you want to block grant us and give us 25 percent less money in return for the flexibility, that's disaster.

Mr. TIAHRT. Well, I'd just like to say that the concept of block grants is so we can have more money available moving back to the cities. Any comments, Mr. White? Thank you, Mr. Chairman.

Mr. TAYLOR. Thank you, Congressman Allen.

Mr. ALLEN. Thank you, Mr. Chairman. And thank all of you for being here today. This is a hearing of special interest to me. I was on the Portland city council—Portland, ME—from 1989 to 1995. One of those years I served as the so-called part-time mayor. It turned out to be pretty much the full-time job.

Mr. MCCRORY. We have visited your city to look at your best practices.

Mr. ALLEN. I'm glad you have. In fact, what I was going to say was that Mayor Golding began by talking about good practices or best practices. And I think that is one half of the coin, one half of the issue that we have to deal with. And the other half is related to what many of you, and particularly Mayor White, said about neighborhoods. And about making sure that people feel they have a voice in local government, that they are included, that they are part of that government.

If I were to try to summarize what I think you are saying, it is on the one hand there have to be a series of incentives to motivate public employees to want to serve the public well, and ways of holding them accountable, and on the other hand, the citizens need to feel that the government listens to them, that they are part of the government, that they own the government, that it's theirs, and it's responsive.

I want to give you a couple of examples and then ask you for some examples from your communities. One of the things we did in Portland was to try to motivate parks and public works to do a better job serving our customers, was to break them up by region of the city—one team for each district. And that team did all of the snowplowing, all the repairing of potholes, all of the other work in that district. They came to own the district and feel that the district was theirs.

They were highly motivated. And once this program was in place, we started getting letters from citizens who said, "I called city hall and said our sidewalk is a mess, I wish it would be repaired. And

I thought I'd be on a list and a year and a half from now something would happen. But within 3 days someone was out to repair the sidewalk. I never thought it would happen in this city."

That is the intersection between a motivated work force and an engaged public. And when you're talking about community policing or parks and public works or schools or whatever, any community, whatever its form of governance—and governance matters, but frankly, not as much as this stuff—any community that can find that intersection, to connect its work force with its public, I think is going to do very well. And I was wondering—you're free to disagree—but if you had examples one way or another that would support or challenge that view.

Mr. GOLDSMITH. I wonder if I could briefly answer your question and then, with permission of the chair, to excuse myself to go down the hall and testify. Let me just real briefly and then, with the chair's permission—this is really a fascinating issue and it's a result of a monopoly which is that people, public employees need customers. And so what we ended up with is functional specificity and geographic generality when what we really needed is geographical specificity and functional generality so people owned.

The same thing that makes community policing work, as you said, is what connects the public employee—I want to make that urban area better. And we have tried to make that conversion possible. I just wanted to close by saying, in this conjunction, I think all of us—and I particularly feel strongly about this—view these tools as a way not to save money, as a way to improve the quality of life of urban residents.

It's not the money. It's not the savings from privatization. It's how we create viable neighborhoods. And that comes from both the service attitude on the part of government, the economic opportunity that we present the people. The quality of the chances they have to flourish in an urban community. That's why taking the savings from privatization and investing it in \$700 million of roads and streets and sewers and houses is important.

That's why it's important that neighborhood residents have a chance to participate in defining what they need in their neighborhood. That's why it's important that public bureaucrats connect and are held responsible for customer service in those areas. So, I appreciate your question because it allows me, I think, to connect the dots. We spent a lot of time here talking about the efficacy of public services, which all of us sincerely believe, but as a way to enhance the quality of life in our communities, not just as a way to save money. Now, with the permission of the chair, I'd like to be excused so that I can testify down the hall.

Mr. TAYLOR. Reluctantly. Thank you.

Mr. GOLDSMITH. Thank you very much.

Ms. GOLDING. If I could ask the chairman, because I will have to follow the mayor out also, because I have to leave at 3:30 p.m. What you're saying is not only correct—I don't think, particularly, as a city grows, that it can grow well without both preserving and enhancing the life in the neighborhoods. I think we've taken—I've lived in a lot of other cities before I moved to San Diego, including New York.

And when you lose the identity of the citizen with the location in which he or she lives, you have lost the identity that makes someone like to live somewhere and invest in it. By invest, I mean volunteering at the library or watching the neighbor's house or the little things that really make life work. So, I wanted to emphasize the neighborhoods immediately.

And we are establishing a system of neighborhood service centers. And I'm taking some good ideas from other cities and adapting them to San Diego, so that ultimately—and in certain neighborhoods now, you don't even have to go downtown, you don't even have to go to city hall, everything is connected fiberoptically. And, so, all those things, whether it's to apply for a permit, get information on housing, all of those things, instead of going downtown, taking a day off from your business or a day off from your kids, and standing in long lines, you can now go—not in every neighborhood yet, but we will be expanding it into every neighborhood of the city—but those that are up and running, you can do all that at your neighborhood service center which is not very far from your home.

And we are moving city employees. I'm not talking about adding. We're moving city employees out of city hall into the neighborhoods, some on a rotating basis, because of the cost of increasing them, which we can't do at this time. The ultimate goal is to have—whether you call them mini city halls, I prefer a better name that people relate to better, whether it's a neighborhood service center, or something like that.

And we've tracked the usage of the ones we have up and running now, and it's tremendous, the number of people who go to use it. We first surveyed the neighborhood to find out what the people in that neighborhood wanted. And each one is different depending on the needs of the neighborhood. And there is an individual who is charged with making sure the neighborhood works such as street repairs or other things that need to be done.

That individual is going to be in charge, not some nameless, faceless person downtown, but someone that the neighbors actually know. In fact, we have reorganized the city because I saw that streets were being done and all of the infrastructure was being done, but they didn't know what each one was doing in that neighborhood. So, we restructured. We now have a department of neighborhoods so that we look at things on a neighborhood basis as opposed to street basis or sewer basis or something like that.

I would agree that infrastructure is real important to all the neighborhoods. And we've invested over \$600 million just in sewers alone. But it's the decay in the neighborhoods. And that's what the community policing also turns around, because the police officer is charged not just with catching somebody, but if they see something wrong, whether it's a crack house or cracked window, they'll call the owner of that building. They'll be pro-active with the community. But all of it is neighborhood based. And I don't believe it works otherwise.

Mr. TAYLOR. Thank you.

Ms. GOLDING. Thank you, Mr. Chairman. I'm sorry. I do have to excuse myself.

Mr. TAYLOR. Thank you.

Ms. GOLDING. But I appreciated the opportunity to testify.

Mr. TAYLOR. We appreciate it. I know in the some 2½ hours we've had, it's been hard to give this much time. And we especially appreciate it. I'd like to go ahead, perhaps, with the remaining three witnesses, with their indulgence, to be able to question. And I'll start with Mayor Rendell.

I was intrigued and have admired the work you've done in Philadelphia. And you mentioned earlier in your opening statement, you might make some more comments about the areas of privatization and working with unions, how you put that together to keep massive layoffs from happening, at the same time bringing in the efficiencies you've brought to your city. Can you comment about that, sir?

Mr. RENDELL. Yes. I think it's obviously—look, all of us believe that we ought to consider the individual people involved in any change first, if we can. And if you manage the privatization—and we all prefer to talk about it as competitive contracting—but if you manage that process well, you can require—we essentially required from our vendors that if we were unable to place any of the workers in a function—let's say we were closing the city print shop—if we were unable to place those workers in the government, which was always, because of benefits and pensions and things like that, always the first desire of the work force—but if we were unable to do so, the vendor was required by obtaining the contract, the vendor was required to hire those city workers for the expanded use that the vendor was going to undertake by doing our contract.

And I think that won us, as Steve said about his example, won us a lot—in the long run—a lot of grudging acceptance of the process by the work force. We had the wonderful occasion—you know, privatization was hated by the unions and hated by the work force, but we had the wonderful occasion in two or three times of having workers who were privatized out of their city jobs in this function, been hired to do another function at increased salaries because that level just happened to have—in one case we privatized prison food services.

Our prison food services were awful. And we were able to privatize and save \$2 million, and have ARA, which is a worldwide food provider, provide the resources. Well, some of the people in prison services were able to qualify for correctional officer jobs at \$7,500 more than they were making. So, there is no reason that the basic human sensitivity and dignity has to be eliminated from the process.

Our city workers were never the problem. They were never the enemy. Certain things have to be changed. And even in benefits—we saved over \$400 million a year in total benefits. But we targeted the benefits, Congressman, that didn't affect the security of the family. Having free—no premium—entrance into the three best HMOs in the city of Philadelphia keeps you in pretty good shape. Eliminating—we had a system of 14 BETAL—we ratcheted down to 9.

No one is going to suffer because they have to work those 5 days, particularly when you compare it to the private work force. We had 20 paid sick days. We knocked it down to 15. Still extraordinarily generous. You could get disability pensions and workman's comp at

the same time under our system. You were getting paid more money to stay off of work than if you returned to work.

So, we changed all of those things. But it can be done without armageddon. People will resist change because it's change. And you know that from the culture here. But you have to have the political fortitude to make those changes, to believe in the process and know in the end goal you will be there. I'll just give you one political anecdote. My first year in office, I was picketed everywhere I went—in parades, in public appearances.

We opened a little sidewalk cafe outside city hall and when we had the press conference to announce it, nobody could hear me because the municipal workers were chanting so hard. And I felt so sorry for the vendor. Well, 4 years later I ran for reelection and, according to a poll we took a week before the election, which turned out to be accurate as to the percentage of vote I got, I got 60 percent—a little under, about 59.5 percent—of all the votes of municipal workers and their households. If you'd have followed me in year one, you'd have thought I'd have been lucky to get 5.9 percent of the vote in municipal workers' households.

Mr. MCCRORY. He had protestors here in Washington, I think.

Mr. RENDELL. Absolutely.

Mr. MCCRORY. I saw them.

Mr. RENDELL. It's true.

Mr. MCCRORY. I recall.

Mr. TAYLOR. Your police, fire workers and so forth, do you have a residency requirement?

Mr. RENDELL. Yes. And I do believe in it. I don't know what the pool—again, no city is, as we said, exactly the same, but for a city of 1.6 million people, there is enough in that pool. And think about what we said about neighborhoods and think about the value you lose by not having police live in the neighborhoods, the tremendous value you lose between the relationship between city employee and the people of the neighborhoods.

If your city police go home and they experience the same things, it will serve as a motivation for them to protect their own kids, just at the same level that we want all of our kids protected.

Mr. TAYLOR. Sometimes there are those who say that inside the boundaries of a city, you cannot get a quality police force because you limit your area to pick. How would you respond to that? Or perhaps firemen or other city employees.

Mr. RENDELL. Again, in a city of 1.6 million people, we have not found that. And, by the way, you don't have to be a city resident at the time you're hired.

You have 6 months to move in. So, even if that were the case—and it's not the case in Philadelphia—but the 6 month requirement to move in obviates that as a problem.

Mr. WHITE. I think it's particularly—for senior department heads, no matter what size the city may be, I think there's almost no excuse for not encouraging that strongly or having a policy.

Mr. TAYLOR. If you're building a community, it's hard to build it if your key leadership, city employees and especially fire and police and others who are your leaders, are looked up to in the community—it's hard to build it if they're not in the community.

Mr. RENDELL. Absolutely. And think of what it would do. And I assume by your question that Washington doesn't have that requirement.

Mr. TAYLOR. It doesn't.

Mr. RENDELL. Think of what it would do to build middle class neighborhoods back up again in Washington if you brought those thousands of employees and said, "You've got to live here, guys. Men and women, you have to live here." All of a sudden, you'd be building middle class neighborhoods. And it's not the rich neighborhoods. You know, downtown Philadelphia is doing great. We're losing 10 percent of our population and yet you cannot rent an apartment in downtown Philadelphia. It's gone from 72 percent to 99 percent.

But in the neighborhoods where the middle class is the rock, we're having problems. But if I could bring—you know, we've got 7,000 policemen and 3,000 fire—if I could bring 10,000 middle class wage earners and say, "You've got to live here." Think of what that would do for the stability of my neighborhoods.

Mr. TAYLOR. Mayor McCrory, you mentioned volunteerism, and I know that's quite a spirit. Could you elaborate on that and how that—how do you motivate that? How have you brought that into the communities and what type of leadership do you provide to get that?

Mr. MCCRORY. One thing we're proud of in Charlotte is we're a very open city. You don't have to have five or six generations of blood lines to get involved in local politics or any community or civic activities. In fact, we almost pride ourselves, if you live in Charlotte for 6 months and you're not in leadership, we're wondering what's wrong. So, we very much open ourselves up to new people who are arriving in Charlotte.

But we have a very, very close relationship with our business community and also our neighborhoods. As mayor, I meet once a month with a chamber of commerce. And, in fact, I meet with the chamber of commerce, and the county chairmen and myself have a 2-hour meeting once a month. In fact, we rotate the location of the meetings. One time it will be in my office. The next time it will be in the chamber office. The next time it will be in the county commission chair's office.

So, we're constantly building relationships and trading off names to serve on committees. We try to work as one because I know if it's good for business, it's good for Charlotte and vice versa. We're in this game together, so we have a very open business environment. Another thing we're very proud of, we're a very clean city from ethical standards. And we're going to keep that reputation. But volunteerism is probably our greatest attribute.

In fact, today, I'm supposed to co-chair the strategic session for our United Way strategy for the next 2 years. And I'm here instead. But that's the involvement. The United Way asked the mayor of Charlotte to co-chair their strategic session for the next 2 years for the United Way. That's the type of relationship we have with the private sector.

Mr. TAYLOR. Mayor White, you look like you're ready to say something. I have a question, but would you like to comment. I know you mentioned a lot of public/private cooperation. In fact, for

a city of your size to have the arts center, the stadium you mentioned a moment ago, the large sports complex that's being planned and the other things in the city. Tell us a little bit about how you did that.

Mr. WHITE. We have a very fine tradition—we're fortunate to have a fine tradition of business people in town and people across the strata who do jump in to projects, who come to the aid when a need is enunciated and who also get involved in whatever the latest project is the community feels is a priority. And we sort of go from one priority to the next priority to the next to the next.

And, obviously, that goes back, again, to whatever sense a community can build that when people live there, they really have a stake in the community, that it's not some place they're just passing through. And that's something that I think is often lacking in some communities around the country.

Mr. TAYLOR. You mentioned some of the downtown festivals in some of the poorest parts of the city, the dilapidated parts, and how you use that to renovate or put a spirit of renovation back in. How do you get those started and how do you draw crowds into it, protection and all the other problems that might be involved?

Mr. WHITE. Well, to revitalize areas I think cities around the country have found that you've got to encourage residential, you've got to create a 24-hour life in that sector of the city that can't be simply a 9-to-5 kind of situation. One way of doing that, we have found, in other communities, is through special events and festivals. And we do, indeed, move festivals around. If one area has been revitalized and investment has, indeed, followed the people to that area, we'll move it around to another side of town where we think, perhaps, a little more vitality is in order.

Mr. MCCRORY. Representative Taylor, I would like to also make one other comment, that I think you—and I know Philadelphia and Greenville and other cities are doing this, is that the customer is saying we can't hire anymore people except for police officers. And public safety is a major issue. We are having a major truancy problem, major murder rate problem in Charlotte. We're at 115 killings in 1 year in Charlotte 5 years ago.

We're down now to about 65, which is far too high. But we're improving drastically. But the truancy problem is so high that the immediate solution is let's hire truant officers. Well, instead of hiring truant officers—because we have limited budgets and we can only hire so many police, we've made every single resident in the city of Charlotte. And every police officer's major duty, now, is truancy.

And it's called the Tolerate No Truancy Program, where, if you have someone who you see obviously belongs in school on a school day, you call a special hotline that the police will respond to and deal with it as an emergency call, and will take that person to the school system and put him together with a dropout prevention counsellor and will track down the parents. But that's an issue, again, we couldn't hire more truant officers, per se, we just used existing resources. And we've had a tremendous decrease in youth crime.

Mr. TAYLOR. We now would like to go to the other Members if they'd like to question. Senator Boxer.

Senator BOXER. Thank you. Thank you for your patience and your time and your insights and your wisdom. And I would say it seems like I hit a raw nerve when I asked about community policing. You know, we had comments from my colleagues. That's very unusual. So, I would like to kind of rephrase and do it in a way that will not put you on the spot.

Because I think four of you said you're not sure if you'd support President Clinton's proposal until you see the details. And Mayor Rendell said although, of course, cities love block grants, that he thinks it's a good program and he would support it. Now, did you participate in it, Mayor McCrory, the last time?

Mr. MCCRORY. Yes. We did. And, in fact, we've got a proposal in for more Federal money this time with the understanding—and this is the dilemma in accepting any Federal money. For example, for the police, it's a 3-year money. I've got to budget long-term and that's a situation.

Senator BOXER. I understand.

Mr. MCCRORY. But, you know, North Carolina, we're a donor State—at least we think we are—and statistics prove that point. We want to get that revenue back.

Senator BOXER. So you did apply and—

Mr. MCCRORY. We applied. And one thing—

Senator BOXER. Yes?

Mr. MCCRORY [continuing]. And my police chief would also say this, is that give us as much flexibility as possible, because 1 year we might need equipment versus work force. For example, a major issue in Charlotte right now is having the proper computers in cars.

Senator BOXER. Well, I just want to state on that point, I think the President has determined—and now he may be changing this next round—

Mr. MCCRORY. We love flexibility.

Senator BOXER [continuing]. That he wanted—but I think the President is thinking of more police on the beat. I think he wants to reach his goal of 100,000. But the reason I'm pressing it is, it's a place that I could help. I can help. So I want to know what you think.

Mr. MCCRORY. Right.

Senator BOXER. Did you or Mayor White apply?

Mr. MCCRORY. Yes. We have. And we've also—

Senator BOXER. So you participate in the program?

Mr. MCCRORY. Yes. And we've programmed to take it over in a few years. Exactly right.

Senator BOXER. Fine. And I know that San Diego also has applied and received over \$10 million. I think it's important that, although there were some reservations—I don't know about Mayor Goldsmith, so I can't put him in the category—the vast majority did apply. The reason I raise it is what Congresswoman Norton said, which is, all of you, in your presentations talked about the importance of community policing. And I am such a champion of it that when I want to reach out to help DC, or all the cities in the country, I'm going to do whatever I can to make sure that it happens.

Way back in the 1970's, I was on a local board of supervisors. And in my particular district, we started the first tiny little sub-station in my district. And it was just two little officers right there in Marin County and it was a huge success. Way before anyone ever gave a name to it. We called it neighborhood police. But I think it really does work.

I'm the ranking member on the DC Appropriations Subcommittee and I want to work with all of my colleagues—in particular Congresswoman Norton. As I listen to you all—you've all given us ideas. I think you've given us ideas on bonded indebtedness, to keep our eye out that you don't do too much. You've given us ideas on involvement of the community. You've given us ideas on the morale of city employees. All of these things are absolutely crucial. Ways to open up competitive bidding between the private sector and the city itself, which is very intriguing and exciting.

And I think all of these ideas are quite relevant. I do want to say this as the ranking member of the subcommittee, I would hope as we look at ways to help and be a partner in doing so, that we will always remember something that you all said, which is how important it is to involve the people of the city. People are dying around the world to get the opportunity to vote.

We can't forget that. And we must be, as we look at DC, very aware that if we don't allow the community to participate, then we're cutting the heart out of democracy in the capital city. So, whatever proposal we move forward, I hope we will keep that in mind. And I just want to thank all of you and the two mayors and the two mayors who had to leave for your participation.

Mr. RENDELL. Mr. Chairman, may I just say one thing about what Senator Boxer said?

Mr. TAYLOR. Sure.

Mr. RENDELL. And about our discussion on the crime bill. Because she's absolutely right. All of us would absolutely agree that unless we can improve the public safety of our cities across the board, every neighborhood, every area, that we'll never truly recover, that what we have done here is made the dying patient feel a little more comfortable and live a little longer. And point No. 1, it is true, as one of the Congressmen pointed out, that these grants only last for 3 years.

But when you are planning long range—and all of us plan long range—having that money allows you to phase in your assumption of operating budget cost. If I had to put 753 police officers—new police officers in Philadelphia on in 1 year, I could never do it. The shock to the system—the saving dollars, generating more revenue, couldn't have absorbed it in 1 year. But thanks to the crime bill, I'll be able to phase those officers in over about a 5½ year period.

And, as a result, I can't absorb it in my budgeting process and plan. Would I have liked to see the Federal money go on forever, of course I would have, because I could have taken that one third and used it to hire more police or used it to do something else. But it's still valuable. And second—and, again, the Congressman who asked this question is unfortunately no longer here—there are parts of the crime bill program—and they all have names like Cops Ahead or Cops More or cops this or cops that—but there are parts of that that do allow us to use dollars for overtime.

We won a competitive grant under the cops program to use money for overtime to go after quality of life crimes that have a tendency to really erode neighborhoods. Not the murders and the rapes, but the vandalism and the graffiti and things like that. And then, second, we won, also a competitive grant for the installation of MDTs, which the mayor of Charlotte was talking about in our patrol cars. So, there is flexibility in the program. It's not all money for just cops on patrol.

Mr. MCCRORY. I would add to that. It's also moneys for backup support. Because sometimes, instead of hiring a police officer—and, politically, you don't want to say I don't want to hire a police officer—but the fact of a matter is the police will say, well, wait a minute, each police officer also takes amount of support—not only support within the police department, but support within the judicial system.

And we have areas in our judicial system that don't have copy machines to process some of the arrests. And, so, we might want to divert the money elsewhere. And that's where we'd like to have the authority and the flexibility to make those decisions locally. Where Mayor Rendell may have one specific need in Philadelphia we may have another need in Charlotte or in San Diego. And that's what we'd like to have.

Senator BOXER. Thank you very much.

Mr. TAYLOR. I'd like to comment there. I think what you gentlemen are describing is how the Congress amended the President's program to make flexibility through block grants. And one of the things that convinced me was the sheriff of Greenville County, who is a Democrat and president of the National Sheriff's Association—not now, but was a few years ago—who did not want to participate in the program as it was, because he was afraid of being locked into officers, and then have to find the revenue inside the county to pay for it in the future years.

And what you're describing, molding the two things together, some Federal help but the flexibility where you can work it in, you can use it on equipment, you can do the things with it that works with your budget, I think, is what makes the program successful. And I think that's important.

Mr. RENDELL. I would agree. There's no question that from the time the President's crime bill came out, the modifications that Congress made, I think, did improve it. And, also, I was the district attorney of my city, which is also a county, for 8 years. So I've been in the business for 20 years.

And make no mistake about it, the crime bill, again, a collaborative effort of Republicans and Democrats that wouldn't have passed without Republicans, that has been the most meaningful thing for local crime fighting in the two decades that I've been involved with local government. There hasn't been anything that comes close to it.

Mr. TAYLOR. Thank you. Chairman Davis.

Mr. DAVIS. Yes. Let me just put this in context. We just got a study back from Mr. Allen that I don't think you've had the opportunity to see yet. It shows the city has a higher per capita police ratio than any city in the country, over seven to one. It's much

higher than Philadelphia. The problem we have is a deployment problem and an equipment problem.

I think, in looking at limited resources, we have to ask ourselves where those resources can best be deployed. That is why I favor flexibility in these issues, and, frankly, some better management solutions, which each of you have displayed in your own jurisdictions and which I hope the city can take heart from.

Mayor Rendell, I wanted to ask you. I'm very, very impressed with the job you have done over the years in a city that was on the brink of disaster.

Mr. DeSeve of the Office of Management and Budget has worked with us on a lot of legislation pertaining to the District in the administration, so this will be a bipartisan effort this year to help bring the city back. Hopefully we'll come up with something that we can all feel some ownership and pride in at the end of the day.

There is a proposal for an economic development corporation in the Nation's Capital that the President is going to be announcing in just a few minutes. It's my understanding this has been very successful in Philadelphia. I wonder, Mayor Rendell, if you can elaborate on that for us; tell us what has worked about it, and where we might improve it.

Mr. RENDELL. Well, our economic development corporation has worked for a number of reasons. No. 1—and you put your finger on the whole ball of wax—it's always had good management. It has never been politicized. It's always had first rate managers. It's set up in a way that the political system, interestingly, shares 50 percent of the appointment to the board with the chamber of commerce, a very interesting concept, so that no mayor can come in and say, "Boom. Out with all of you guys. I don't care how good you did. I want those jobs and I want those pretty decent salaries."

The chamber would put its foot down against that approach. so, right away, the overall management of the managers lends itself to a non-political—

Mr. DAVIS. May I ask you a question?

Mr. RENDELL. Sure.

Mr. DAVIS. Institutionally, did the Chamber of Commerce name these—was it named as an institution or was this—

Mr. RENDELL. It was in the original by-laws creating the corporation, that half of the appointees be from the Chamber of Commerce. I think that's a superb—

Mr. DAVIS. Who made the appointments? Did the Chamber make them?

Mr. RENDELL. Yes. The president of the Chamber—the CEO of the Chamber makes half the appointments, I make half the appointments. And, so, we can't even elect a chairman unless we both agree.

Mr. DAVIS. Interesting.

Mr. RENDELL. We can't hire an executive director. It's a great way of insulating it from politics and the political change. Second, the corporation, itself, is outside of the ordinances and—we have a city charter—the requirements of the city charter. And that makes it effective. Third, by being outside of the governmental flow—there was a time when the city of Philadelphia absolutely couldn't borrow money.

But PIDC never had any of those problems because it was viewed as an independent agency. And it was quasi. It wasn't totally independent, because just as I can't name a chairman without the chamber, the chamber can't name a chairman without me. So, I think the independence of the agency is very, very, very important. It will get you through the fiscal hard times. And it has a professional staff.

Right now our executive director is a man by the name of William Hankowsky, who could leave me—he's the highest paid person in the government, if we count him as being in the government—and he certainly is. By far, he makes about \$75,000 more than I do. And he should, because he could leave right now and double or triple his salary. But he believes in the professional nature of the mission. And he believes that—and it's the whole ball of wax.

What we are talking about in managing the government better and reducing deficits, we are talking about taking a patient with a cancer that is potentially fatal cancer and a bullet wound to the chest, we're talking about patching up the bullet wound to the chest so the patient won't die in the short run. But creating economic development and jobs, broadening that tax base so they don't have to come back here 20 years from now, that's the whole ball of wax. That's the cancer.

Mr. DAVIS. That's the chemo.

Mr. RENDELL. That's the cure for the cancer.

Mr. DAVIS. Yes.

Mr. MCCRORY. Representative Davis, you might want to also check into Charlotte's uptown development corporation, which is a very similar set up regarding my appointment—I appoint—our economic development chairman is a member of the uptown development corporation, and each of our major CEOs who work in uptown Charlotte are now members of the board of directors.

And they have their own budget. They have their own tax in the uptown area. The uptown area of Charlotte is 10 percent of our tax base, which is fairly substantial for us. So we have a separate corporation and they have special street cleaning and other things. But we have a management director for that, also.

Mr. DAVIS. Pat, if you could enter that—if you could send us some information, I ask unanimous consent, Mr. Chairman, that be entered into the record.

[Note.—The information referred to was not available at time of printing.]

Mr. RENDELL. That's called—those are called business incentive districts or special service districts. Our downtown is 40 percent of our tax base—of our property tax base and about 30 percent of our wage tax base. And we have the same thing. It's a slight surcharge on the taxes, independent management on certain issues and a commitment from the government that we don't go below the baseline that we had there before they came on board.

Mr. MCCRORY. Our goal is to increase ours from 10 to 15 to 20.

Mr. RENDELL. Right.

Mr. MCCRORY. Because the more investment we have, the greater return I have to pay for other services.

Mr. DAVIS. I want to hear how Mayor White is stealing your people and your businesses from you. What are they doing in Greenville?

Mr. WHITE. The State of South Carolina is very aggressive on a State level, as the chairman knows.

Mr. MCCRORY. Very aggressive.

Mr. WHITE. The fee in lieu of taxes and other good incentives.

Mr. DAVIS. Let me just say, that after hearing all of you testify, I notice there's a constant refrain by all. Part of it is good management. Part of it is understanding that a partnership between the business community and city hall is critical to success. A good attitude in working with the business community is critical for any comeback. Would everybody concur with that?

Mr. WHITE. Absolutely.

Mr. RENDELL. Absolutely.

Mr. DAVIS. It's something that, here in the Nation's Capital, we need to think very long and hard about to make sure the city has the tools. Right now, the playing field is not level. I represent a suburban district where the rents are cheaper. More workers are out there. In my judgment, we can do some things for the city that won't even be at the expense of the suburbs. We can expand the pie for the whole region if it's done correctly. That's why I'm interested in some of the models that have worked in—

Mr. WHITE. But every area has strain. So, you can list a long list of negatives for the District of Columbia and every community. But every community also has assets and strengths and reasons why people want to be here if given a chance. And that's what you have to focus on.

Mr. DAVIS. Well, Philadelphia was literally on its back not that long ago, and it has come back. It needs constant vigilance and attention or it may disappear as you know. You need to give it continued focus. Mayor Rendell, let me just ask you. You had a city that's a little close to Washington because of some of the traditions in the northeast as opposed to the south.

Mr. RENDELL. Well, again, I don't want to paint too rosy a picture of Philadelphia. As I said, we still have our systemic inherent problems that all big cities do. But I also think one thing a big city has to do—and I didn't hear Mayor White's testimony on festivals—but if you look at cities and the age old reasons that we had cities, they were places to do business, for commerce.

Because the businesses had to be near their customers. And the lawyers had to be near their clients. And the accountants had to be near everybody. Well, as technology changes, and we can e-mail and we can fax and we can video teleconference, there's hardly any need for anybody to be near anybody anymore. So, if there's going to be a rationale for cities in the future, it has to be a number of things, but they mainly have to be the centers of areas where people can come to have fun, to experience art, cultural and historical experiences, and to gather together.

And our festivals—and, again, I didn't hear Mayor White, but assume I know what he says—cities have to be dynamic, vibrant, fun places. And I will tell you, that's the one area where Washington, DC, has the ability to knock everybody dead. You should be clobbering everybody. We have a July 4th, 10-day celebration that

leads up to July 4th, where we bring 3 million people downtown—3 million in 10 days downtown.

And we don't have half the assets that would be attractive to people from the region. Forget tourists, you do OK with tourists. But go around to some of your television market and ask those people the last time they were in Washington. And it's probably been a while ago. And every time they come, even if they come in for a free festival, you can just see the cash register going. Because they have to park somewhere. They have to eat somewhere. They buy a souvenir. Boom, boom, boom.

Mr. DAVIS. There goes the budget right there in this town.

Mr. RENDELL. That's right.

Mr. TAYLOR. Thank you, Chairman Davis. Ms. Norton.

Ms. NORTON. Gentlemen, we have kept you too long. I will ask you only one question. If you were to ask residents of the District of Columbia today what was the problem that most disturbed them, they would probably say crime.

Mr. RENDELL. Right.

Ms. NORTON. Has the crime rate in all of your cities gone down in the last couple of years, and if so, what do you regard as the major reason for the decline?

Mr. MCCRORY. The answer is yes. It's gone down drastically. One area we're still having problems with is car break-ins. But, as I said, our murder rates were decreasing every single year. And we were having a major, serious problem with crime in Charlotte.

Ms. NORTON. So what happened?

Mr. MCCRORY. Well, I'd contribute three things. One is we did hire over 225 new police officers, which helped tremendously. We forged a relationship with our DA's office and with the county and others to try to streamline some efforts where people were falling through the cracks. We started enforcing things like truancy laws, which we weren't enforcing in the past. We have now a program called Target 100, which we implemented last year, which we now identify as our top 100 people who are getting arrested over and over again in the city of Charlotte, and we treat them as a customer.

Just like your top 100 customers if you were working in business. These are the people we're going to give special VIP treatment to. Because they're using our resources over and over again in addition to causing havoc in our community. And we're working with the DA and with the other people in the criminal justice system to, again, target especially those people who are committing—you know, been arrested 20, 30, 40, 50 times.

And other things other cities are doing also. We're targeting the smaller crimes, too. Once you let the graffiti or once you let minor crimes occur and you do nothing about it, you know that's going to escalate into more serious crime. And so we're starting at the lowest level possible and the message is going out interviewed the city of Charlotte, and we're very proud of that reduction in crime. Those are a few examples.

Ms. NORTON. Mayor Rendell.

Mr. RENDELL. Yes. All of those things that the mayor said are correct. We have, as I said, almost 400 more police on the street, which is a tremendous step in the right direction. All of those law

enforcement things are important. But it's also demographics. Crime tends to reflect the number of people in the prime crime producing age brackets, which are 15 to 26. We've gone through a demographic trough.

We're now, unfortunately, about to enter into an up period, where we have a lot more people in those age brackets than we've had in the nineties. And our crime statistics are down significantly. But the problem is, if you look at the crime statistics nationally, Charlotte, Philadelphia, I don't know about Greenville, but the one area where crime is increasing—overall crime is down—violence among young people is increasing.

And all the law enforcement in the world, all the police in the world, all of the better streamlined courts, tougher sentences, that's not going to make a difference. There are too many young people in the city of Philadelphia who grow up and look around them when 12, 13, 14—and they may even be school dropouts, but they're awful street smart—and they see in their neighborhood no male working other than the drug dealers.

And even the drug dealers they know end up getting shot or thrown in jail. And that absence of hope, that absence of visible economic opportunity does more to produce crime among young people than any single factor that I can think of, any single factor. It's interesting, crime among juveniles has gone up. And we're incarcerating more juveniles.

And unless we come to grips—and those are the—when I said I don't want to paint too rosy a picture of Philadelphia—I could take you to neighborhoods of Philadelphia that are just—that just have awful problems. And the biggest problem is lack of hope in those neighborhoods. And they're not all African-American. They're latino.

They're poor white. And unless we do something to reverse the absence of economic opportunity, things aren't going to change. Have you wondered why in all of this evidence, this mountain of evidence about how smoking is terrible for you, that among minority youth smoking is actually increasing. Well, you try to go tell a 16 year old kid in some of my neighborhoods, "You better not smoke. You're going to die of lung cancer when you're 55."

That young kid doesn't believe he's going to be 25, no less 55. So, I think when we look at the crime problem, we can't be too patting ourselves on the back for the national decrease, because the increase in juvenile violence and that demographic trend that's going to start going up are ominous figures for us. And, again, we ought to have more police and we ought to have stronger systems. But we've got to look at economic opportunity.

And, to me, we need a bipartisan approach to economic opportunity. Capital gains, absolutely. But only capital gains that's going to produce jobs. No capital gains tax relief for someone who buys and sells art or collects gold coins. That's ludicrous. But if someone wants to invest in a job producing enterprise, we ought to give them, I think, capital gains exemption if they are going to produce jobs. And, this may be my last chance to speak. I just want to say one more thing.

From our point, where we live—and now I'm talking more as a citizen than as an elected official, we really want you to act to-

gether. And we don't want it to be Republican or Democrat. We don't want there to be winners or losers in this process—individual winners or losers, or parties that are winners or losers. We have real problems. Even cities that are success stories have real problems. And we need your help and we need your leadership.

And we need you to—once the election is over—and I am a combative person come election time—but once that election is over, you can't be Democrats or Republicans anymore. And I know the chairman said that that's the approach you're going to take to Washington, DC. And I hope you do, because this is our Nation's Capital, and it's a great city. And we've got to save it. And you ought to do that with Washington, but you ought to do that with all of our problems. And if you can do that, it's amazing how much progress I think you're going to get done.

Ms. NORTON. Yes. Mayor White.

Mr. WHITE. We've seen an improvement. I want to comment about community policing. That's one of the ironies about community policing is that you put officers into a neighborhood and they become a part of the neighborhood, is that your crime rate actually goes up. It makes sense. More reports. They see things they didn't see before. And people feel more comfortable coming forward with information.

So, you see that little blip up on the screen sometimes, and I mentioned that because I don't want folks to think that community policing raises the crime rate. But, ironically enough, it just might in some neighborhoods for a while. But I think it's one of the big reasons we've been able to target high crime areas in a lot of cities, target high crime areas with an effective weapon. And that is community policing.

Ms. NORTON. If I might say, Mr. Chairman, that I don't always learn something from every hearing. And the reason I am particularly grateful for the appearance of you all here today is that I can truthfully say that I have learned something from each of you, and I think that you have, training, contributed. To the extent that we can take what we have learned and actualize it, that you have contributed to the revival of the District.

I do want to say one word about Mayor Rendell, because when the District went down, the city that most approximated where we were going was Philadelphia—a huge city, helped build its State. And Mayor Rendell came in to find it on its knees. You talked about how the city employees were—that you got 60 percent of their vote. The word from Philadelphia is that, as to the rest of them, you got your elections by acclamation, which says to me it is possible to do tough things if one exercises the kind of skillful and dedicated leadership you apparently had.

Frankly, as far as I am concerned, Mayor Rendell, I distill my view that Philadelphia wrote the book for and on cities that have gone down. I regret that this city has not followed more closely. I think we'd be further along. It has been the bane of my existence. I want the control and the city to live in Philadelphia until they absorb—instead of reinventing the wheel here. In a real sense, Philadelphia has been there and done that, is a role model for cities that find themselves on the bottom and lift themselves up.

talked to members of your city council when our control board statute was being written.

And to see people who would say, "Look, we were real doubtful about having a control board." And that in less than a year, they did not believe that a control board could have brought them back so far. We still, when I go into the neighborhoods, people are still talking about we know where the before is, where is the after. And we're continuing to lose people because we are not seeing—we're not seeing change—and we have very patient people. Even small change matters.

I just want to say to you just how smart Philadelphia has been. It's great to see a city that was just so smart in going at a tough problem that did not continue to engage in crisis management reform. And I am still interested in learning more about Philadelphia because it so approximates what we're going through. And I am certainly not interested in reinventing the wheel, and believe that one of the major mistakes we have made in this city is to reinvent the wheel instead of to sit at the wheel with Philadelphia.

And I believe that today's testimony helps us to get out of the mode of reinventing the wheel. I may ask that—I think you do us a great service if, beyond the testimony from your aids, who came so generously to testify when we were setting up the control board, if there is other written material on what you have done in Philadelphia, whether it's been material written about you in the popular press that describes how you did that, or whether it is material from the inside of your government, I would certainly want to make it part of the record.

I would want to pass it on to our own city officials and control board. And I just want to say again, you are a role model city as far as the District of Columbia is concerned and I congratulate you on what you have done.

Mr. RENDELL. Well, thank you Congresswoman. And the only thing I'd say is, I think as all five of us would attest, there's nothing that involves rocket science. It involves, as you said, the fortitude to make tough decisions—and every one of the five of us has done it—and leadership and bringing everybody together, community groups, business groups, et cetera. And that's the reason why I think there's every reason to be hopeful that with your leadership—and if you stay on the case and continue to apply the pressure, Washington, DC, can come back, as well. There's no question in my mind.

Because we all borrow from each other. I have a list of some of initiatives that we undertook, and a third of them were borrowed from other jurisdictions, a third of them were from comptroller's reports before I became mayor. I mean, it isn't rocket science. And if the District hope officials have the will, that's great. But if not, if you and the control board can impose that will, I think it can be done.

Mr. TAYLOR. Thank you. I agree with several of the things that have been said. This should not be Republican or Democrat issue. This is America's capital. There's no question, though, that the theme that has run through this hearing—and it's been a very, very valuable hearing for me, and Congresslady Norton just mentioned for her, and I'm sure for the whole staff and members who

were here—is that there needs to be a philosophical change, certainly, in approaching the problem. You cannot use a lot of the old methods that were ineffective, there need to be new methods tried, whether you're dealing with a young city that's growing, such as Charlotte or Greenville, or Philadelphia, which has had many of the problems which Washington, DC has.

Privatization, which I've heard throughout from all of the mayors, done in a way that does not dump the city employees and the talents of those employees on the street. Privatization in a way where the competition raises the level of the departments and allows the public departments to bid. And if they can win the bid, then they are much better and the city is much better for it. Cutting regulations and taxes is, as you mentioned a moment ago, wherever possible, and especially if they're excessive, is common sense.

People do not come to regions where they are overtaxed when they can go to areas with much lower tax and perform the same purpose. And the mayor pointed out, with today's technology, you do not have to be in the center of a downtown area. You can be outside. And, so, it's necessary to be competitive, also, with the lower taxes and abolishing useless regulations. And, of course, then, the quality of life: the school system, the law enforcement agencies we have.

Here, again, the problems of crime are broad and deeply rooted in all of our society and have to be attacked in a variety of ways. But the basic ways I think each of you has talked about is, first of all, having competent law enforcement in place, enforcing the law, from juveniles all the way, so that the example is set from beginning all the way up, and taking repeat offenders off the streets and incarcerating them for reasonable periods of time based on their offense.

Now, these are basic common sense practices. But they seemed to run throughout. And, so I'd like to say to you today, you've made a national contribution, I believe, with your testimony and your appearance. I appreciate, as Congresslady Norton mentioned, any other suggestions, any other programs that you have that you weren't able to articulate today. If you could pass them on to this committee. Mayor Golding, Mayor Goldsmith, Mayor McCrory, Mayor Rendell, Mayor White, I especially applaud your 3 hours plus time that you've spent with us and the contribution you've made in what I think is a national debate to improve the Nation's Capital. I believe that working with the control board and with the Capital's citizens, and the Congress working together, we can improve this city. And I want to thank each of you for being here. I appreciate the use of the hall from the Government Reform and Oversight Committee. And this committee is now adjourned, subject to call of the Chair.

[Whereupon, at 4:15 p.m., the subcommittees were adjourned, subject to the call of the Chair.]

[Additional information submitted for the hearing record follows:]

**TESTIMONY ON THE PRESIDENT'S NATIONAL REVITALIZATION
AND SELF-GOVERNMENT IMPROVEMENT PLAN****Submitted by the Honorable Sabrina Sojourner
U.S. Representative, District of Columbia**

Chairman Davis, Delegate Norton and members of the Committee, thank you for allowing me to present testimony on President Clinton's National Revitalization and Self-Government Plan. My name is Sabrina Sojourner, and I am the United States Representative for the District of Columbia. The reason I have this title instead of your distinguished colleague, the Honorable Eleanor Holmes Norton is because the citizens of the District of Columbia lack full voting representation to the House of Representatives. For the record, I want to note that we have no representation to the Senate. I was elected to this position by the citizens to push for full Federal representation and self determination for the District of Columbia. Like many other citizens before us, we have adopted the Tennessee Plan to further our goal of becoming full citizens of the United States.

Background

Our unique status, Chairman Davis, brings us to why we have the President's proposal and these committee hearings. In fact, Mr. Chairman, our unique status is why we have this committee. Article I, Section 8, Paragraph 17 of the Constitution established the District of Columbia and Congressional control of this Federal enclave. The major reason Congress wanted control of the local environment in which they operated was because of a tiff they had with the Continental Army. After Congress failed to pay them for three months, the Continental Army surrounded the legislative body as they met at Constitutional Hall in Philadelphia. After the city's Mayor and

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Governor of Pennsylvania both refused to help them, Congress vowed to never, again, be at the mercy of a local government.

In the more than 200 years since the establishment of the District of Columbia, we have had more than a few different types of government. Interestingly enough, each of them has had financial problems — some much more devastating than what we now face. Each time, the Congress has contributed both to the creation of the financial problems and to the subsequent bailout. (Our current situation is no exception, though this fact is often ignored or denied.) During each period of reform, participants on all sides talked a good game regarding the future and changes. Still in 1997, we are in the middle of yet one more such cycle.

While there are many specifics regarding how each District of Columbia government got into financial trouble and how each was rescued by the Federal government, only one thing can be said to be a constant — the local governing of this jurisdiction has remained out of the control of its local citizens. Prior to 1974, there was one short period in which home rule was granted, then snatched back. It is too short and too controversial to determine what did and did not work.

The President's Plan

Overview. I begin my testimony with this bit of history because I believe it little matters what the President, or even you, Mr. Chairman, propose for the District of Columbia as long as we — the citizens of the District of Columbia — lack full voting representation in the House of Representatives and the Senate. Not one of the people who will be voting on final passage of the eventual legislation is accountable to us. We are dependent on "good will" to get the best deal for us. Though, I trust that Delegate Norton will do the best she can to help shape the legislation, all of this good will could

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be undone next year or in the next Congress as it may suit others and their political agenda. I hope, Mr. Chairman, you will keep our tenuousness in mind as you work with the vote carriers to shape a final deal. The final deal must be what is fair, just and equitable for us, the citizens of the District of Columbia. What is good for us, I'm sure you recognize is good for the region. Anything less is unacceptable.

Certainly President Clinton's plan attempts to change the scales in a way no previous president has. To that end, I applaud and extend thanks to President Clinton for making the District of Columbia a priority for his administration. His efforts to reinvent the District of Columbia as a well-maintained, successful national capital have been well received. However, the proposals within the plan do not adequately meet the needs of our glorious and globally important city.

Unfunded Pension Liability. I strongly support the President's desire for the Federal government to assume responsibility for its own obligations. The President's Plan requires the Federal government to resume responsibility for the \$4.3 billion unfunded pension liability. (The original debt accrued by the Federal government and with which the District of Columbia government was saddled upon the 1974 advent of Home Rule was \$279 million.) By acknowledging the unfair burden placed on the government of the District of Columbia, this portion of the President's Plan is a step in the direction toward our economic and structural restoration.

Medicaid Payment. The President's Plan also attempts to remedy the District's liability for the funding of Medicaid. Every city in the United States is supported by a Medicaid system paid for by its state government. With the exception of New York City, cities assume no financial responsibility for Medicaid services. Under the current system, the District of Columbia pays 50% of its Medicaid expenses, over \$450 million in the past year alone.

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The President has proposed a reduction in the District of Columbia financial commitment from 50% to 30% of the total cost. Although a definite improvement, it simply is not enough. For us to be financially sound, the Federal government should be required to provide at least 75% percent of the funding. This would free up more dollars and be closer to an appropriate share.

Prisons and the Courts. Any individual who has been acquainted with the District of Columbia knows the existing prison system has been a continuous stain on our reputation and a strain on our budget. Conditions in our prisons are unacceptable, and the system faces the real possibility of absolute decay. For these reasons, I support and advocate the Federal management of budgetary responsibility for District prisons. No other city operates a prison with felony inmates. It is only fair, as well as necessary, that the Federal government assist in repairing this devastated structure. Such a change, however, must continue to respect our will as citizens of the District of Columbia. It is for this reason that I find the current proposal problematic.

The most dangerous aspect of the Federal prison reform is its attack on the local jurisdiction. The President's Plan requires the District of Columbia to surrender its control of criminal laws and sentencing standards in order to obtain relief from the prison crisis. The responsibility to determine appropriate criminal sanctions will be taken from the local officials. What is important to us — our sensibilities, our values and understanding of what is fair and just — will no longer matter. This condition is unacceptable. The Federal government is capable of providing relief without destroying the rights of District of Columbia residents to determine criminal laws for their citizens.

A Federal takeover will allow our prisoners to be moved to facilities far from their families and community. A detachment from family and friends will make it easier for a

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convict to continue, and then return to, a life of crime. This type of separation will be injurious to a forgotten goal of imprisonment: rehabilitation.

I have the same concern regarding the Federal assumption of District of Columbia courts. Bearing in mind that judges are Federally appointed, it is logical for the Federal government to pay for the operation of our court system. But, once again, I strongly oppose the imposition of Federal sentencing standards and the removal of local involvement in parole and probation services. The attempt to remove local control from the court system is a direct attack on the foundation of Home Rule, contradicting the President's goal to improve the prospects for Home Rule to succeed. This cannot be tolerated.

Federal Payment. In exchange for the increase in Medicaid, assumption of the pension debt, and enhanced funding to District of Columbia agencies and bureaus, the President's Plan proposes to eliminate the Federal payment. The justification for its elimination is that by supplying extra dollars for services, the Federal government is meeting, and increasing, its financial obligations to the District of Columbia. However, such logic is flawed. It fails to recognize the purpose of the Federal payment and ignores the point that the payment has always been inadequate. Savings are not revenue. They are savings. Future savings do not account for future increases in service needs or inflation. Exchanging dollars for services is akin to placing a Band-Aid on a gunshot wound. It is simply another way for the Federal government to evade its responsibility. The Federal payment is not a handout or a gift. It is not a pity fund for what is perceived to be a poorly managed jurisdiction.

Currently, the payment stands at \$660 million per year, equally 19% of the District of Columbia's revenues. It is payment in lieu of taxes (PILT), money owed to us for the 41% of our land that is tax exempt. Approximately 65% of that land is owned by

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the Federal government. The rest is occupied by foreign embassies, not-for-profit organizations, and other tax-exempt entities designated by Congress. It is supposed to pay for the services the Federal government and the above mentioned entities receive from the District of Columbia. It doesn't even come close. I must say, Chairman Davis, I was quite surprised to discover that every State receives a PILT from the Federal government. That we receive Federal money is the reason used to justify the torture and scrutiny with which our budgets and our governance are reviewed. Not only is the ratio used to determine our PILT among the lowest in the country, the total amount of dollars we receive are among the lowest. Therefore, all things being otherwise equal, there is a need for a change. Either other states need to receive the same scrutiny we receive, or Congress needs to leave the District of Columbia alone as it does other jurisdictions.

Revenue. In addition to the services outlined in the President's Plan, the District of Columbia also needs supplemental revenue to meet its financial obligations. While the President's Plan assists us in cutting program-based expenses, it fails to address the revenue needed to meet continually growing costs. The whole issue of revenue is skillfully avoided by the President's plan. The District of Columbia is the only jurisdiction forbidden by law to tax revenue at its source. Everyday, 1.2 million people come here to work. At the end of the day, they take their earnings back to their home communities and states.

If Congress adopts the entire White House proposal, the District of Columbia will still be crippled by costs unrivaled by those of other cities. The District of Columbia is without a state government and the crucial support it offers. It is necessary for the Federal government to provide significant assistance to subsidize the cost of state services which are currently the responsibility of the District of Columbia government.

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Local Control. President Clinton has made an attempt to enhance the health of our nation's capital. It is the most serious effort in over a century to remedy the financial ills of the District of Columbia. But we must not mistake a formidable attempt for success. There is much to be done. My most serious reservations regarding the President's Plan is the degree to which it impedes on Home Rule. This plan detracts from the momentum of Home Rule by establishing new corporations and authorities to provide for local services, instead of providing the tools and resources to allow the District of Columbia to succeed on its own.

For instance, an Economic Development Corporation will be created to revitalize our economy. I fervently believe such an organization is needed as a means to encourage both job growth and investment in the District of Columbia. It can provide a number of wonderful opportunities, including establishing light industry, boosting the retail sector, and providing jobs for local residents. All of these can serve to enhance local educational goals and opportunities. However, there is something inherently wrong with a structure that allows seven of the nine members to be chosen by the President. It should actually be seven for the District of Columbia and two for the Federal government. This is a local matter. It is a responsibility attended to by local governments nation-wide. In order to sanction the creation of the EDC, the citizens of the District of Columbia need assurance that there will be greater local representation on the board. It is distressful to think that District of Columbia residents must give up more democracy in order to receive what it has been due for a very long time.

The same holds true for the National Capital Infrastructure Authority. I will advocate its creation only if any independent authorities associated with the NCIA have majority local representation. Furthermore, the President's Plan should reflect the need

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to enhance and maintain local roads, and to augment funding for roadways that are already entitled to funding from the federal highway system.

Summary. As I evaluated the many proposals set forth in the President's Plan, I began to identify the root cause of struggle over the future path of the District of Columbia. There seems to be a pervasive attitude that the District has somehow failed to manage itself properly and is looking to Congress to rectify the predicament we, alone, created. I am here to challenge that point.

Mr. Chairman, *The Washington Post* recently reported that you would like to see the President's plan retain at least a portion of the Federal payment, and that you and your colleagues shared reservations about the management of that money. "Will the money be spent efficiently?" you asked. You expressed concern that many legislators lack confidence in the District of Columbia to successfully manage any enhanced revenue.

Historically, including recent history, the erosion of our nation's capital has been a joint effort. However much local authorities are responsible, the Congress and past presidents are also responsible. The District of Columbia has had to endure benign neglect and mean-spirited meddling. Depriving the nation's capital, not just of extra money, but of the basic resources and tools it needs to survive will not rectify any mismanagement problems we have. It will only serve to compound them severely. If the District of Columbia is truly our nation's capital, and if it is to serve as the city which represents America world-wide, I urge Congress to wisely use its responsibility and take a serious interest in our success.

The current Home Rule Charter allows local residents to elect a city council and a mayor. However, the negotiations that must happen with Congress regarding our budget, our laws and changes in governance structure have never allowed local

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officials to truly govern locally. Therefore, it can be argued that Congress has not received our best ideas and best efforts in a long time. Early on, people learned that it didn't matter how excited or committed they were to a particular path, if it didn't fly on the Hill it didn't happen. Until just a few years ago, the Chairmen of District of Columbia Committees in both Houses who prided themselves on the fact that nothing happened for the District of Columbia during their watch. (Senators John Tyler Morgan, Theodore Bilbo, Reps. Ross Collins and John L. McMillian, to name a few). That is hardly a way to run a jurisdiction — any jurisdiction.

It can easily be argued, Mr. Chairman, that no municipal or state governance structure could endure or survive the scrutiny given to the District of Columbia. Have mistakes and missteps been made by local politicians? Yes. Is there a will to change? Yes. Are we capable of doing better? Absolutely!

For over 200 years, the Congress has been a stern parent berating its child, the District of Columbia, to grow up and be responsible at the same time it has failed to provide us with the tools, the resources, and the power to act responsibly. At some point, in order to determine if a child is ready to be responsible, that is exactly what every parent must do: provide the power, resources and tools for their child to succeed. It is my hope, Mr. Chairman, that you, as the lead parent, are ready to do just that.

Thank you for your time and consideration of my testimony.

