



# E-PARCC

COLLABORATIVE GOVERNANCE INITIATIVE

Syracuse University

Maxwell School of Citizenship and Public Affairs

Program for the Advancement of Research on Conflict and Collaboration

## Tobacco Settlement Distribution Simulation

### Introduction

You live in the State of Confusion. This is a fast growing state with a robust economy and low unemployment. The needs of the state are typical of growth states—education, health care, public safety, public assistance and economic development are among the greatest needs. The business leadership has promoted growth and improved quality of life while maintaining support for tax policies that attract business and industry. The political leadership has been fairly conservative for several years and a general atmosphere of tax aversion prevails.

The State of Confusion joined in the multi-state lawsuit against major tobacco companies in the mid-nineties. Confusion's share of the settlement proceeds may approach \$2.5 billion over the next 25 years, or roughly \$100 million per year. It is probable that less than the \$2.5 billion may materialize due to a variety of issues (detailed in the Morrison Report on Arizona). The state has no restrictions on how it can spend the money.

One of the issues that could adversely affect the flow of dollars is the failure to achieve State Specific Finality due to pending lawsuits by the counties in the State of Confusion for their fair share of the proceeds.

This simulation was an honorable mention winner in our 2007 "Collaborative Public Management, Collaborative Governance, and Collaborative Problem Solving" teaching case and simulation competition. It was double-blind peer reviewed by a committee of academics and practitioners. It was written by Linda Blessing and Bette F. DeGraw of Arizona State University and edited by Laurel Saiz. This case is intended for classroom discussion and is not intended to suggest either effective or ineffective handling of the situation depicted. It is brought to you by E-PARCC, part of the Maxwell School of Syracuse University's Collaborative Governance Initiative, a subset of the Program for the Advancement of Research on Conflict and Collaboration (PARCC). This material may be copied as many times as needed as long as the authors are given full credit for their work.

There are many worthy competing demands for spending the settlement money in the State of Confusion. Various perspectives are represented by the stakeholders in the debate, such as taxpayers, business leaders, health and welfare agency directors, child welfare advocates, educators, county officials and, of course, the elected state officers, including the Governor and the Legislative leadership.

Your task is to aggressively advocate for your assigned stakeholder's perspective and obtain the best arrangement you can to meet those interests within the timeframe allotted. Good luck!

### **List of Roles/Characters**

Child Welfare Advocates: Karla Caring and Mike Merciful

Taxpayer Coalition (ATACC): Max Taxless and Hannah Hardheart

Health Agency Director, Dr. Price S. Rising

Mental Health Assistant Director, Dr. I. M. Knotnuts

Welfare and Employment Agency Director, Dr. Kathleen Krises

Child Protective Services Chief, Dr. Kit Kidlove

Governor, The Honorable Ace Ventura and Governor's Chief of Staff, Artie Dodger

Educators: University President Dr. Leonard Learned and University Provost

Superintendent of Education, Dr. Ed U. Cajun

Legislative Leadership:

Senator Buford Argyle, Senate Appropriations Committee Chair

Senator Prudy Spendy, Member, Senate Appropriations Committee Member

Representative Penny Wise, House Appropriations Committee Chair

Representative Lex Luvr, House Appropriations Committee Member

County Managers Association: County Manager Georgia A. Custard, Chair and Executive Director of the County Managers Association

Reporter, J.E. Martini

Confusion Public Service CEO, Electra Powers

## **Child Welfare Advocates—Karla Caring and Mike Merciful**

The Child Welfare community is extremely frustrated over inadequate funding for children's programs in the State of Confusion. Confusion has been at the bottom of the national rankings for child deaths, child abuse, teen pregnancy, and school dropouts among other measures for the last twenty years. Families in the State of Confusion do not have affordable childcare or health care available to them. The Legislature has been unresponsive to these problems and the tobacco settlement monies seem to be the only hope for addressing these pressing needs.

Because of a long history of tax cuts, growth in entitlement programs and court-mandated expenditures, all state agencies and programs are facing cutbacks in the next legislative session, unless new sources of revenue can be found. Even though the economy is strong in the State of Confusion, conservative voters are tax averse.

Your organization has estimated the most critical annual needs for children as follows:

Child health care	\$70 million
Child development	\$10 million
Child protective services	\$20 million
Day Care (working poor)	\$15 million
Children with Developmental Disabilities	\$10 million
Foster Care payment increases	\$ 8 million
Teen pregnancy prevention	\$ 2 million

You are committed to targeting the total tobacco settlement proceeds to these unmet critical needs of children. You are willing to use just about any means possible to achieve this end.

Good luck!

**Taxpayer Coalition—ATACC (Association of Tax Averse Citizens in Confusion)  
Chair, Max Taxless and Vice Chair, Hannah Hardheart**

You retired in the State of Confusion ten years ago after a successful career running your own small manufacturing business. You are concerned about the disturbing trend you see in other states with regard to tax increases used to fund growing state bureaucracies that create red tape and produce no saleable goods. You have joined fellow citizens interested in protecting their income from further raids by the state.

ATACC believes that the settlement monies should be returned to taxpayers in the form of tax cuts, given that taxpayer money has already been spent for medical expenses related to tobacco. ATACC has lobbied the Legislature to reduce taxes directly or face a ballot initiative sponsored by ATACC to let the voters decide if the money should be returned to taxpayers. Early polls indicate support for such a position and ATACC is well on its way to having sufficient signatures to get the measure on the ballot.

The business community perceives tax cuts as advantageous for attracting new business and is willing to invest in getting the initiative on the ballot and passed. Certain segments of the business community are also threatening to redirect campaign contributions to those legislators more favorably inclined to support tax reductions. You believe that Rep. Penny Wise may be somewhat favorably inclined to your position given that some of your more prominent members are her constituents. You are committed to a tax cut whether or not the settlement dollars are used to make up the lost revenue. You have your work cut out for you. Good luck!

**Health Agency Director—Dr. Prices Rising**  
**Mental Health Assistant Director—Dr. I. M. Knotnuts**

You direct the agency responsible for both public and mental health. You are an advocate for meeting the unmet health needs of the citizens of the State of Confusion. You are a distinguished public health doctor, committed to improving health in Confusion. Your mental health assistant director is a prominent psychiatrist.

Due to rising costs and population growth, especially of minority populations, your department is facing a deficit in entitlement programs in excess of \$60 million this year. In addition, program enhancements are needed to cover the costs of providing health care to low income, uninsured children; these costs are estimated at \$50 million annually. Also, several years ago, your department lost a lawsuit on mental health. Unless you garner sufficient resources to build a new state hospital (\$75 million) and provide adequate community care (\$50 million), you are risking the appointment of a court monitor who will probably add to the bureaucratic hurdles you have to overcome.

You believe strongly that the tobacco settlement funds should be used for health related purposes and these funds could go a long way toward meeting the important needs affecting your agency. You are committed to targeting the tobacco settlement dollars to these unmet health needs. This will be a tough sell, but you are passionate about the need. Good luck!

**Welfare and Employment Agency Director—Dr. Kathleen Krises**  
**Child Protective Services Chief—Dr. Kit Kidlove**

You direct the largest state agency and your needs are great. Once a child in a family receiving public assistance, you are now a PhD with a distinguished career in public administration. Your CPS Chief is a former child advocate. Your agency is responsible for child protective services. Due to a shortage of 400 CPS workers, thousands of cases are not investigated, thereby exposing children to great danger and your agency to lawsuits. The estimated costs for workers and services exceed \$20 million. As a result of welfare reform, thousands of former public assistance recipients have been placed in jobs; however, \$30 million is needed for childcare so that these individuals can stay employed. Federal funds have been tapped out and are not available for this purpose.

One of your special interests is creating a program to insure long-term upward mobility opportunities for former welfare recipients placed in entry-level jobs. You have proposed a comprehensive education and training program with an estimated cost of \$50 million. The business community is quite receptive to this workforce development proposal. Since there are no dollars available for new programs, you are proposing tobacco settlement monies as an appropriate funding source.

In addition, short-term disability programs (which have been phased out in other states) are running a \$10 million deficit. The Governor supports disability programs because of a personal experience, and has instructed you to find funding for this purpose.

The State of Confusion is a popular retirement location; consequently, the aging population is growing almost as rapidly as the under-18 population. There is a very aggressive advocacy group that is demanding new funding for prescription drug subsidies for that population, totaling \$20 million per year. The Governor is up for re-election and has encouraged you to remember that seniors vote.

You are committed to targeting the tobacco settlement funds to meeting these unmet needs. You are most passionate about the welfare-related proposals and are highly motivated to protect your agency from lawsuits and to find the funding for the Governor's funding priorities as well.

Good luck!

**Governor of the State of Confusion, The Honorable Ace Ventura  
Chief of Staff, Artie Dodger**

You were elected Governor three years ago and will be running for re-election next November. You are a lung cancer survivor and due to your illness, you spent several years on disability while you fought your lung cancer. This experience affected you profoundly and you became a compassionate conservative as measured on the political spectrum. You have made health care the hallmark of your administration; however, the Legislature and its leadership does not share your commitment to health care and has continued to fight you. This tobacco settlement situation is your opportunity to finally direct resources to the issue you care about the most.

You are anxious to make your mark. You have always felt that you have lived your life in the shadow of your famous brother, Jesse, former wrestler, elected Governor in another state. This is your chance to really shine nationally by directing the tobacco settlement proceeds to improving health care in the State of Confusion. You are also supporting disability programs in the state and are sensitive to the demands of seniors for drug-subsidies. You are putting pressure on your agency directors to find a way to provide for all of these needs.

Your chief of staff is your lead policy person and trusted political advisor. Your re-election is really important to you. Good luck!

## **Confusion State University President, Dr. Leonard Learned**

### **CSU Provost**

You are the President of CSU, the state university system in the State of Confusion. You have spent the last decade building the reputation of CSU and the institution is on the brink of greatness. You are committed to convincing the Legislature and the Governor that a significant portion of the tobacco settlement proceeds must go to improving the research and teaching capacities of CSU. You have identified several areas for this investment—all of these areas are critical to the future economic and social development of this state. These crucial investment initiatives for the university include:

- Research on health-related issues, such as cancer research, bio-medical technologies and diabetes research (\$20 million a year);
- K-12 improvements—teacher shortages, facility problems, teacher pay, high drop out rates, growth in minority populations—all of these problems facing the public schools could be more adequately addressed by the schools and the university if resources were made available (\$200 million);
- Distance technologies—investment in the state’s technology infrastructure is critical to maintain competitiveness and to make education accessible and available in the rural areas of the state. These technologies will also be used to increase the availability of expert health care in the rural counties (\$100 million).

Until now, the elected officials of the state have not been receptive to your eloquent pleas for resources. You are contemplating a high profile media campaign to get your message across to the public. The governing board that oversees the university is watching your actions and considering whether or not you have been effective in obtaining resources for the university; their observations will undoubtedly affect whether or not you will receive a contract renewal and salary increase. Good luck!

## **Superintendent of Education, Dr. Ed U. Cajun**

You are the elected superintendent of the Department of Education in the State of Confusion. You have spent your professional career in education as a teacher, principal and district superintendent and you are passionate about improving public education in the State of Confusion. You are so single-minded in your mission that you are not even particularly supportive of higher education, since the university represents a competitor for scarce public funds.

You have a difficult task. A majority of the school districts in the State of Confusion report extremely low test scores on standardized test. Dropout rates are among the highest in the nation as are teen pregnancy rates. Not surprisingly, high school graduation rates are the lowest of any state. Teacher salaries are in the lowest quartile. One of your campaign pledges was to put a computer on every student's desk. The cost of all these improvements is more than \$300 million a year and you are determined to get the Legislature to support you. You have been courting a business-led coalition to improve education and you are hoping they will help you lobby the Legislature for all of the tobacco settlement funds and a substantial tax increase as well to fund these critical needs. Good luck!

## **Legislative Leadership—Senator Buford Argyle, Chair, Appropriations**

You have served in the Legislature for 10 years and because of term limits, this will be your last term in the Senate. You want to make a lasting mark on the state. You are a retired rancher and represent a rural county as a member of the Conservative Party. While you know that you have been elected to control the growth of taxes and state government, you know that your constituents expect you to target the proceeds of the tobacco settlement to the education and health needs of rural Confusion.

You are not very sympathetic to the needs of urban poor people, given your strong belief that people should "pull themselves up by their own bootstraps." The urban areas are always trying to pull resources from the deserving folks who struggle to earn a living from the land and you feel it is your duty to protect the resources needed by good, hard-working rural citizens.

You have been assigned by the Senate President to work with your colleagues to find a solution to this tobacco settlement conundrum and to make the final agreements on the budget. Sen. Prudy Spendy, a member of the minority Progressive Party, is on your committee. You rather admire her spunk and some of her ideas, but the Senate President has warned you that he would not take kindly to your agreeing to her ideas. He might even remove your chairmanship if you defy him.

Your task is difficult and complex. The legislative leadership and the Governor have already agreed to significant deals on large parts of the state budget. The only agency budgets not settled are those related to the tobacco settlement—Health, Welfare and Employment, and the University. The continuation budget for these agencies is already \$70 million in deficit and each agency is requesting large sums of additional resources for many politically popular initiatives, such as drug subsidies for seniors and day care for children. Because tax cuts over the last decade have severely eroded revenues, you are looking at cutting these agencies and/or at using some or all of the tobacco settlement dollars for meeting these needs.

You were really hoping to retire from the State Legislature as a hero and you fear that this assignment from the President will create a no-win situation for you as you try to negotiate with your colleagues and the House Committee, chaired by that difficult woman, Rep. Penny Wise. Good luck!

## **Member of the Legislature—Senator Prudy Spendy, Member, Appropriations Committee**

You are a new member of the Senate and because of the turnover caused by term limits, you were assigned to the Appropriations Committee. You represent a poor district in the heart of the largest city in the State of Confusion. You are a member of the Progressive Party and, therefore, a member of the Minority Caucus.

Before you were elected, you taught elementary school in the poor public school district where you grew up and raised your own children. You are deeply committed to improving the lives of the poor people in your district and throughout the state.

You have been assigned by the Senate President to work with your colleagues to find a solution to this tobacco settlement conundrum and to make the final agreements on the budget. Senator Buford Argyle, a rural Conservative Party member who doesn't seem to want to rock the boat, chairs the committee. You rather admire his dedication to his rural constituents and his down-home charm and humor, but the Minority Leader, who encouraged the President to appoint you to the committee, has warned you that your job is to create a political embarrassment for the Conservatives. He might even remove you from the committee if you defy him.

Your task is difficult and complex. The legislative leadership and the Governor have already agreed to significant deals on large parts of the state budget. The only agency budgets not settled are those related to the tobacco settlement—Health, Welfare and Employment, and the University. The continuation budget for these agencies is already \$70 million in deficit and each agency is requesting large sums of additional resources for many politically popular initiatives such as drug subsidies for seniors and day care for children. Because tax cuts over the last decade have severely eroded revenues, the committee is looking at cutting these agencies and/or at using some or all of the tobacco settlement dollars for meeting these needs. You want to raise taxes to pay for the deficits and to use the tobacco settlement funds for children's programs and for poor people.

You are ambitious and you want to retain your newfound influence in order to assist your constituents. This could be your big chance to make your mark and position yourself and your district for the future. Good luck!

## **Legislative Leadership—Representative Penny Wise, Chair, Appropriations**

You are in your second term in the House and because of your careful approach to distributing resources (and your support of the Speaker), you have been given the chair of the powerful Appropriations Committee. You are a member of the Conservative Party that has been in the majority in the House for the past several decades. You represent a well-to-do suburban district and some of your constituents are members of ATACC.

You and the Speaker are committed to using the proceeds of the tobacco settlement to create a trust fund for health programs, especially children's health programs. You believe that this trust fund should be used to fund all of the high demand programs, including the funding required for a new State Hospital and to extend health benefits to low-income individuals. You are absolutely convinced that the dollars from the settlement must be preserved for the future - and the trust fund concept is the way to do that. Otherwise, the money will be spent too quickly and the state will not have the resources to maintain the investments. Tax increases are out of the question, as far as you are concerned. Besides, you suspect that your chairmanship would be at risk if you failed to support the Speaker's position on these issues.

You have been assigned by the Speaker to work with your colleagues to find a solution to this tobacco settlement conundrum and to make the final agreements on the budget. Rep. Lex Luvr, a member of the minority Progressive Party, is on your committee. You find him tedious and misguided, and the Speaker has advised you to ignore his progressive ideas.

Your task is difficult and complex. The legislative leadership and the Governor have already agreed to significant deals on large parts of the state budget. The only agency budgets not settled are those related to the tobacco settlement—Health, Welfare and Employment, and the University. The continuation budget for these agencies is already \$70 million in deficit and each agency is requesting large sums of additional resources for many politically popular initiatives such as drug subsidies for seniors and day care for children. Because tax cuts over the last decade have severely eroded revenues (to you, a welcome outcome), you are looking at cutting these agencies and using some or all of the tobacco settlement dollars that would be available from the trust fund for meeting just a fraction of these needs.

You must show your skill at influencing your colleagues and in negotiating with your nemesis in the Senate, Buford Arygle—that curmudgeon rancher from the sticks. You must get agreement on the trust fund. Even though it means less money available to spend each year, it means the dollars will last longer. That is the idea you must sell. Good luck!

## **Member of the Legislature—Rep. Lex Luvr, Member, Appropriations Committee**

You are a third term member of the House, a member of the minority Progressive Party and newly appointed to Appropriations. You are an instructor for the University. You have always been a free spirit and many of your colleagues think of you as a wild-eyed liberal. You love to point out the absurdities of the majority Conservative Party policy positions and you believe that the current debate over the tobacco settlement proceeds is just the latest in a set of policies that show their long lack of regard for the people in the State of Confusion.

You have been assigned by the Speaker to work with your colleagues to find a solution to this tobacco settlement conundrum and to make the final agreements on the budget. Rep. Penny Wise, a rich, suburban Conservative Party member who shows you real disdain, chairs the committee. You thoroughly dislike her and her politics. The Minority Leader, who encouraged the Speaker to appoint you to the committee, has warned you to try to get along - although you believe your job is to create political embarrassment for the Conservatives.

Your task is difficult and complex. The legislative leadership and the Governor have already agreed to significant deals on large parts of the state budget. The only agency budgets that are not finalized are those related to the tobacco settlement—Health, Welfare and Employment, and the University. The continuation budget for these agencies is already \$70 million in deficit and each agency is requesting large sums of additional resources for many politically popular initiatives, such as drug subsidies for seniors and day care for children. Because tax cuts over the last decade have severely eroded revenues, the committee is looking at cutting these agencies and/or at using some or all of the tobacco settlement dollars for meeting these needs.

Rep. Wise and the Speaker want to use the tobacco settlement monies to create a trust fund. You think that is a stupid idea because only the interest on the annual amount could be spent. You would be willing to agree to the idea, though, if you could get support from the majority party for some important capital outlays for the University. That would make you look good to your constituents and would probably guarantee your re-election.

In your heart you would like to see taxes increased to support further growth and economic development in the state. You believe this will never happen because of the taxpayer revolt mentality that is so prevalent in the State of Confusion. So, creating the diversion of a trust fund could be fun and might help you “bring home the bacon.” This could be your big chance to make your mark and position yourself and your district for the future. Good luck!

**County Manager—Georgia A. “Fall on Your Sword” Custard, Chair and Executive Director of the County Managers Association**

You represent the county managers in the State of Confusion. The counties are quite angry—they have provided years of health care services to indigents, treating tobacco-related illnesses and similar problems. Now the counties believe the Governor and the Legislature are ignoring them. State tax cuts have affected their revenues; they are facing service cuts unless tobacco proceeds are directed to their budgets. The counties are demanding 50 percent of all the tobacco settlement proceeds and have sued the state for that amount. This lawsuit is a major stumbling block to achieving State Specific Finality and if a settlement cannot be reached by December 31st, the state will forfeit all of the tobacco settlement proceeds. The counties, therefore, have a great deal of leverage and you know it.

You were elected by your peers to lead the County Managers Association because of your tough and aggressive reputation. You are retired from the military and you believe that the best defense is a strong offense. You are undoubtedly the right person for this job! Good luck!

**J.E. Martini—Reporter for the local leading newspaper, The Confusion Conversation**

You cover the state government beat for the paper. You are an experienced journalist and your stories are taken seriously. You know all the elected officials and most of the appointed ones. You consider it your job to get the word out about the poor policy choices that the Legislative majority seems to favor. You have a wry sense of humor and enjoy going for the jugular.

You can “publish” your daily headlines and brief story line on the whiteboards and/or flip charts so that your readers can stay informed on your take on the world. Have fun!

## **Confusion Public Service CEO, Electra Powers**

You head the State of Confusion's largest public utility, Confusion Public Service. You are an active community leader. You chair a task force on improving mental health services (one of your family members suffers from mental illness) and you chair a business coalition that is actively lobbying in support of public education. Business leaders are concerned about the state's high dropout rates and low high school graduation rates.

From a corporate perspective, you are lobbying the Legislature to not raise taxes and you are especially concerned that the Legislature retains the tax exemptions you enjoy in the districts where your power plants are located.

Accordingly, you are in support of using tobacco settlement proceeds to support both an expansion of mental health services and improvement of public education. Mental health advocates are demanding in excess of \$125 million for a new state hospital and expanded community services. Education advocates are insisting on \$200 million per year for the next five years to bring teacher salaries up to national norms and schools up to minimum standards. You know that \$100 million is predicted to be available from the tobacco settlement funds each year. You must figure out a way to try to support mental health and education without raising taxes. Good luck!