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The term “two Georgias” rises in innumerable conversations about metropolitan Atlanta and different parts of the state. Like a phoenix, the idea may spontaneously take wing and fly into any given discussion about differences in economic activity and opportunity, education or the flow of public finances.

Policymakers and media have made claims about the geographic imbalance between the state’s revenues and expenditures for decades. However, there had been no scientific attempt to document these flows until the Fiscal Research Center decided to do a study, says FRC Director David Sjoquist.

In a report released February 2009, “Georgia Revenue and Expenditures: An Analysis of their Geographic Distribution” (FRC Report/Brief 188), Research Associate Peter Bluestone estimates the flow of revenue from and public expenditures into metro Atlanta and the rest of the state. He uses standard tools employed in fiscal policy analysis to determine who pays what share of state taxes and who benefits from what share of state public expenditures.

“Determining the burden and benefit of public finances is not an easy thing to do. First one must determine who really pays specific taxes and who benefits from specific expenditures,” writes Bluestone, who is also an AYS alumnus (Ph.D. in Economics ’07). For example, children in school, their parents, businesses and the general community all benefit from public school expenditures. Bluestone presents his analysis under alternative assumptions and finds they make very little difference in the results.

The 10-county core metro Atlanta area provided 49-51 percent of Georgia state revenues and received approximately 37-41 percent of Georgia state benefits in 2004. In other words, this area generated approximately $500 per capita more in revenue than it received in expenditures, he finds.

The 28-county Atlanta metro area as defined by the Census Bureau provided 59-61 percent of state revenues and received about 47-51 percent of state benefits. Its per capita revenue and expenditure picture mirrors that of the 10-county area.

“The Atlanta metropolitan area generates more revenue than it receives in expenditures, a result that is not surprising,” writes Bluestone, who suggests that additional fiscal policy research would be appropriate to further address the “two Georgias” question. “The policy question is: Is the magnitude of the net flows appropriate?”

**Additional Research**


THE FISCAL YEAR FOR MOST STATES ended on July 1, not soon enough for states struggling to balance their budgets during the nation’s longest recession. At the end of FY2009, the budget shortfall for 48 states combined (except Montana and North Dakota) was an estimated $111 billion according to the Center on Budget and Policy Priorities. The shortfall in FY2010 is estimated to reach $163 billion.

In these challenging times, Georgia policymakers frequently turn to the Fiscal Research Center of the Andrew Young School to help them independently analyze existing and proposed fiscal policy. In March 2009 the FRC released two briefs that measure tax buoyancy – the fluctuation in tax revenues with respect to Georgia’s economic growth – for the state’s two largest sources of revenue. “Buoyancy of Georgia’s Personal Income Tax” (FRC Brief 190) and “Buoyancy of Georgia’s Sales and Use Tax” (FRC Brief 191) review trends and provide insights regarding changing patterns for each type of tax.

“Buoyancy indicates whether a tax keeps pace with economic growth,” says Professor Sally Wallace, author of FRC Brief 190. “It indicates the volatility of the tax and a government’s ability to meet its constituents’ demands. If personal income grows, but tax buoyancy measures less than one, we would not forecast revenues to grow at the same rate as the economy.”

Personal income tax accounts for half of Georgia’s state tax revenue. Yet long-term trends suggest that personal income tax collections have not kept up with the rise in personal income. “Changes in the tax rates, tax base and in administration and compliance may explain this trend,” says Wallace. “Personal income is moving away from taxable wages to less-taxable fringe benefits. Retiree income exemptions, wage income stability, tight resources at the Department of Revenue and income composition may all contribute to the decline.”

FRC Brief 191 shows how earlier policy decisions continue to impact Georgia’s sales and use tax revenue.

“From FY1977 to FY2007 its growth pattern has been influenced by two major policy changes as well as five economic recessions,” says Professor David Sjoquist. “During this period, Georgia’s sales tax revenue per $1,000 of income has declined 34.4 percent, from $21.20 to $13.90.”

Purchases of goods as a share of personal consumption have declined significantly while purchases of services, most of which are not subject to sales and use taxes, are increasing as a share of personal consumption. A growing number of targeted tax exemptions, such as for food for home consumption, and issues of tax compliance and administration, such as Internet purchases, also contribute to this tax’s falling buoyancy, Sjoquist writes.
Georgia collected $239.7 million in tobacco taxes in fiscal year 2008, 1.4 percent of the state’s total revenue according to the Fiscal Research Center. When combined, federal and state tobacco taxes represent about $22 billion annually.

Despite its standing as a major source of revenue for the federal and state governments, this tax is also a policy intended to reduce tobacco consumption. So who bears the burden of the tax – the retailer, his employees, her shareholders or the consumer – and what real impact does it have on buying habits?

In “The Incidence of Tobacco Taxation: Evidence from Geographic Micro-Level Data,” Assistant Professor Andrew Hanson and Ryan Sullivan of Syracuse University measure who pays this tax. Using Wisconsin’s recent tobacco tax increase and price data from a unique survey of more than 1,000 retail establishments in the state, Hanson and Sullivan show how the economic burden of the tobacco tax increase is divided between retail cigarette suppliers and consumers. The paper is forthcoming in the National Tax Journal.

Wisconsin’s tobacco tax increase was over-shifted to consumers who paid not only the new tax, but also a premium as high as $.17 per cigarette pack. Using geo-coded data, the authors find that retailers near Wisconsin’s border also shifted the entire tax burden to consumers, but they reduced the premium by up to 54 percent of what other retailers charged.

“Our paper is unique in that we are able to estimate how sensitive the tax incidence is to the distance that a retail location is from the state border,” they write. “The relationship between cigarette prices, smuggling and distance to a state’s border suggests that policymakers may want to coordinate tax rates or tax increases with neighboring states if the goal is to reduce tobacco consumption.”

Hanson and Sullivan suggest that the premiums retailers add to the tobacco tax are a result of the market structure: those who continue smoking offset the profit lost from those who stop or never start. However, they do not attempt to address whether the tax reduces overall consumption. “More research on the consumption response to tobacco tax changes is necessary to determine if it is long-term or addicted smokers who pay the tax or if these taxes prevent new smokers from starting,” they conclude.

Additional Reading

“IT does appear that policy decisions such as to exempt more and more items from the sales tax and to not include services in the tax base explains a sizeable portion of the reduced buoyancy,” he concludes.

Additional Research
By the end of 2007, more than 20 countries had introduced flat tax legislation and several other countries were considering the reform. Advocates were crediting flat tax reform with significant revenue turnarounds and the stimulation of economic activity in these countries, although little research had been conducted that would confirm these claims.

“So far, very little solid evidence has been provided on its impact on tax evasion or the real side of the economy,” write Regents Professor Jorge Martinez-Vazquez, Assistant Professor Klara Sabirianova Peter and Yuriy Gorodnichenko of the University of California, Berkley, in the article, “Myth and Reality of Flat Tax Reform: Micro Estimates of Tax Evasion Response and Welfare Effects in Russia,” published in the Journal of Political Economy.

Using micro-level data to examine the effects of Russia’s flat tax reform on consumption, income and tax evasion, the article offers a general exploration of the relationship between income tax rates, tax evasion and work effort based on Russia’s experience with flat tax reform.

Looking at the survey data over time, the researchers found that the gap between consumption and income decreased considerably in the years after the tax reform. In other words, the amount of income Russians reported got closer to the amount they spent. This effect was strongest for taxpayers who experienced the largest decrease in tax rates. The other implication they found in the data is that the flat tax seems to have done little to increase real income for taxpayers.

Their research offers some important policy implications: “The adoption of a flat rate income tax generally is not expected to lead to significant increases in the tax revenues because labor supplies are believed to be fairly inelastic. However, if the economy is plagued by ubiquitous tax evasion, as was the case in Russia, then flat rate income tax reform can lead to substantial revenue gains via increases in voluntary compliance.”

Additional Reading


### Local districts respond to cuts in state education funding

In late July, Georgia Superintendent of Schools Kathy Cox asked state lawmakers to consider exempting the state’s K-12 education budget from future cuts. “Local school systems are down to the bone,” she told Sen. Ed Tarver (D-Richmond) in a July 30 interview published by Georgia Public Broadcasting.

How does state and local financing of K-12 education respond to negative economic conditions? Professors James Alm and David Sjoquist examine state and local education spending in Georgia during and after the 2001 recession and discuss the implications of their findings for the current economic environment in their article, “The Response of Local School Systems in Georgia to Fiscal and Economic Conditions,” forthcoming in the Journal of Education Finance.

Their analysis relies upon various sources of descriptive data and regression analysis to answer three questions: How did the 2001 recession and resulting cuts in state aid vary across Georgia school districts? Did local school systems respond differently in the initial years of the recession than in those that followed? Did local school districts attempt to offset reductions in state aid by increasing their own local revenues for education?

“Our analysis indicates that most school systems in Georgia experienced a decrease in real revenue per student during the 2003 through 2005 period, and indeed that the reductions in state plus local and in state real revenue per student were greater in Georgia than the U.S. average,” they write. “However, not all Georgia school systems suffered a decrease, and the decreases (when they occurred) varied widely across the state’s school systems.”

“In Georgia, local school systems are legally permitted to raise property taxes to enhance state funds, including replacing reduced state aid. Our results suggest that Georgia school systems responded inversely to changes in state real revenue per student, increasing local revenues when state revenues decline.”

Although Alm and Sjoquist recognize that their research covered a specific time and place, they believe the results offer lessons for any state during changing economic periods.

“They write. “If citizens value local education spending (as well as other types of local government services), then it seems likely that local governments will make efforts to maintain their expenditures.”

In the current environment, Alm and Sjoquist suggest, local governments will again attempt to cushion the effects of state reductions in education spending by increasing local revenues. However, given the decline in property values, they feel the traditional response – raising property taxes – is a less viable option than in the past. “It is hard to avoid the conclusion that this recession will have large and negative effects on local school systems, not only in Georgia but nationwide.”

### Additional Reading
Policies that improve poor communities may promote segregation

Despite improvements in education, jobs and the election of the country’s first African American president, de facto racial segregation remains a prevalent social issue and is often the focus of policy research.

Many of the policy remedies for reducing minority group inequities focus on investments in minority communities, yet none of the prominent research that models group segregation has considered the impact of place-based policy shocks, according to AYS Associate Professor H. Spencer Banzhaf and Randall Walsh of the University of Pittsburgh.

Banzhaf and Walsh, who are also faculty research fellows with the National Bureau of Economic Research, examine the relationship between policies that improve communities and their impact on group-based sorting in their paper, Segregation and Tiebout Sorting: Investigating the Link Between Public Goods and Demographic Composition. Support for their research was provided by the National Science Foundation.

“We look at the way demographic groups respond to policies intended to make their communities nicer or more attractive and find that some pretty counterintuitive things can happen when people prefer to be with their own group,” says Banzhaf.

Place-based policies designed to reduce group inequity may include education initiatives and investments, Community Development Block Grants, Environmental Protection Agency Superfund and brownfields programs, enterprise zones, and/or Fannie Mae/Freddie Mac investments in low-income communities. “Place-based policies are some of our primary policy tools for reducing or compensating for segregation,” write Banzhaf and Walsh. “Yet at the same time, some activists express concern that they may trigger gentrification that ultimately harms incumbent residents and benefits absentee landlords or gentrifying households.”

In their paper, Banzhaf and Walsh combine two forces: people prefer to live near nice amenities and among other members of their own group.

They then look at the demographic patterns that arise when people “sort” themselves across communities according to these social forces. They find that when communities differ greatly by amenities, people will sort by income, with richer people getting the nice amenities, regardless of race. When communities are similar in terms of amenities, people tend to sort more by racial or other social groupings.

Finally, they look at the effects of policies that change the patterns of amenities. Among their findings, they show that “place-based interventions that improve the public good in a low-quality, high-minority community may actually increase group segregation, as richer minorities are more likely to migrate into the community following the improvement. Essentially, when differences in public goods become less important, group-based sorting begins to dominate income-based sorting vis-à-vis the public good.”
Do ethnic social networks overcome geographic barriers to employment?

U.S. cities are experiencing major changes in immigration and job composition – both industrial and spatial – says AYS Assistant Professor Cathy Yang Liu. While job opportunities move to the suburbs, more minority workers remain in the central cities. Their difficulty in accessing suburban jobs, particularly low-skilled jobs, leads to higher unemployment rates, longer commutes and lower wages.

“A lot of the minority residents attempt to leave the central cities to take suburban jobs,” says Liu. “But they are finding that – for housing costs and other reasons – they cannot suburbanize, which creates a spatial mismatch.” This mismatch has been the focus in urban policy literature, and most of the traditional debate has centered on its impact on urban African Americans. However, the urban immigrant population is growing faster, and Latinos make up more than half.

“Despite its policy significance, the effect of living in ethnically concentrated enclaves on the employment prospects and quality of Latino workers, especially Latino immigrants, has not been adequately addressed,” writes Liu in “Ethnic Enclave Residence, Employment, and Commuting of Latino Workers,” which was published in the Journal of Policy Analysis and Management (September 2009).

Liu’s research examines how residential location and residence-based social networks – ethnic enclaves – shape the employment outcomes of low-skilled Latino workers, especially immigrants. Evidence is collected from three different immigrant gateway cities: Chicago, Los Angeles and Washington, D.C. Research on Atlanta is underway.

Liu identifies ethnic enclaves and non-enclaves in central cities and suburbs, both inner-ring and outer-ring, to evaluate the relative strength of the spatial mismatch and ethnic enclave effects by comparing the employment outcomes of residents in each area. She finds the ethnic enclave effect in the inner city is either muted or reinforcing of the existing spatial constraints. In both types of suburban areas, however, enclave residents are as likely to be employed as their non-enclave counterparts, but their jobs are farther away. In total the immigrant Latino population “features high overall employment rates, but the physical accessibility of their jobs is not as satisfactory,” she writes.

continued on page 8

For example, in the final section of their paper they use large changes in the distribution of air pollution in a section of California in the 1990s to test the predictions of their model. “Consistent with our model’s predictions, we find that large scale improvements in the dirtiest sites are associated with increased racial sorting and decreased income sorting relative to exposure to toxic air pollution.”

“Improving public good levels in disadvantaged communities can actually increase segregation,” their study concludes. “This result has two important implications. For the empirical and econometric literature, it suggests that structural parameters can very greatly over time, implying caution is required when using differences-in-differences estimators.

“More importantly, it suggests that segregation may be a deeply ingrained feature that is difficult to shake.”

ADDITIONAL READING

This study sheds new empirical light on the different views regarding the role of space and residential location on immigrants’ labor market performance in selected metropolitan areas,” Liu concludes. “In an area in which immigrants’ residential mobility follows a path of both dispersion and concentration, it is important to break the ‘central city enclave and suburban mixed neighborhood’ stereotype and incorporate these new spatial patterns into the discussion of employment accessibility.

Liu’s research suggests a number of policy implications for communities: develop more suburban residential options for immigrants, improve transportation options, promote entrepreneurship and small business development within ethnic communities and attract appropriate businesses to these communities.

Social networks play an important role in directing immigrants to job opportunities, particularly suburban Latino residents, Liu writes. “Policies that formalize the circulation of job information and encourage job referral practices through community one-stop job centers and peer mentoring mechanisms, among others, might achieve desirable results.”

**Additional Reading**

This analysis reveals several facts, the authors conclude: “First, the surrounding counties dedicate a large portion of their budget to the provision of municipal-type services. … Second, in the case of mandated services there is a greater degree of uniformity between the counties in terms of the percentage of the funds dedicated to these services than one might expect. Lastly, we find the difference in expenditures between the counties lies in those services that are more discretionary in nature and that reflect the demographics of a population, such as is found in the case of expenditures on health and human services.”

The AYS authors use this report to support their analysis in *Estimated Costs and Revenues for the Proposed Milton County*.

Using a finite list of essential county services, two alternative measures of cost per unit, and a population of just over 311,000, they estimate Milton County’s expenditures at a range of $133.1 million to $148 million and revenues at $209.6 million. At first glance, a new Milton County appears to be fiscally feasible. However, the AYS researchers conclude this report with several important considerations for policymakers.

“While anticipated revenues exceed expenses, these expenses include only the minimum level of required county services and do not incorporate capital expenditures which are expected to be significant. Nor do the estimates incorporate growth in population or prices which are expected to cause costs to increase at faster rates than revenues,” they write. They note that the report may underestimate true costs because the new county would not experience a significant economy of scale, yet it would incur a number of major financial obligations not included in the analysis, such as long-term debt, unfunded pension obligations and the acquisition of space and equipment.

All reports for “Creating a New Milton County” are online at http://frc.gsu.edu/miltoncounty.html.
Child care subsidies contribute to childhood obesity

FEDERAL AND LOCAL governments are working to stem the epidemic of childhood obesity. However, in one important area – child care subsidies for working mothers – they may be unintentionally adding to the problem, according to Associate Professor Erdal Tekin.

“By encouraging low-income mothers to work at sub-standard jobs and by creating incentives to shift children into formal child care settings with less than ideal quality, subsidies place children in environments where the average child is more likely to be overweight and obese,” he writes in NBER (National Bureau of Economic Research) Working Paper No. 15007, “Child Care Subsidies and Childhood Obesity,” with Chris M. Herbst of Arizona State University. Tekin is a research associate for the NBER and a research fellow at the Institute for the Study of Labor headquartered in Bonn, Germany.

“No previous research had looked at the effect of subsidized care on preschoolers,” says Tekin. “Yet with most of the policy response to childhood obesity aimed at older children, we were neglecting 13 million preschoolers who spend a significant amount of time in non-parental child care arrangements.”

Tekin and Herbst use sophisticated empirical analysis to study the impact of child care subsidies on the weight outcomes of low-income kindergartners using a nationally representative sample of children. “We seek to understand the relationship between child care subsidies, measured in the year before kindergarten, and children’s weight outcomes throughout kindergarten,” they write.

“Our findings suggest that child care subsidy receipt is associated with increases in BMI [Body Mass Index] as well as increases in the likelihood of being overweight and obese. We also find initial support for the claim that the estimated subsidy effects operate through children’s participation in non-parental child care settings,” they write. Nearly a third of all preschoolers of working mothers who receive child care subsidies are enrolled in center-based care.

Child care subsidies are an effective policy tool for increasing the labor force participation of single mothers, says Tekin. Families allowed to use their subsidy to select from a choice of child care services are better able to balance their work-life obligations. However, he and Herbst find that some design features associated with federal and state subsidy plans may create disincentives that prevent parents from choosing high-quality care and providers from making costly quality-enhancing improvements.

They find that “child care subsidies induce mothers to choose formal arrangements that are of questionable quality… [T]he principle of ‘parental choice’ allows parents to purchase child care services operating outside states’ regulatory regimes… [C]onditioning eligibility for subsidies on employment settings.”

Georgia officials

Prior to the 2009 legislative session, 15 Georgia lawmakers and staff spent a half day in front of laptops using a proprietary computer simulation to test their assumptions about policies to reduce childhood obesity. They gained a better understanding of the potential long-term impacts of their policy decisions in this critically important area. The course was part of the Legislative Health Policy Certificate Program, an eight-part educational series developed by the Georgia Health Policy Center.

The computer simulation was designed by a collaborative system dynamics modeling team that included state legislators and legislative staff – and experts in nutrition, exercise physiology, epidemiology, pediatric medicine and system dynamics. The team and the
and income creates challenges for maintaining stable child care arrangements.

“States’ reimbursement rates can also influence quality. If reimbursements are below the federally recommended level, families may not have access to high-quality care, thereby reducing incentives for providers to make important quality enhancements.”

In their article, Tekin and Herbst cite several recent studies that confirm their findings: “Several studies find that subsidized children receive lower-quality care than other low-income, unsubsidized children. Another body of evidence suggests that many child care centers in the U.S. fail to provide children with healthy foods and sufficient opportunities for physical activity.

“The growing use of non-parental care has raised awareness among health officials of the critical role that child care settings play in shaping children’s eating and activity habits,” they write. “Child care providers lay the foundation for food consumption and exercise patterns.”

Their research provides evidence that the use of subsidized non-parental child care, rather than maternal employment, can influence a young child’s weight.

“This finding has the potential to provide policymakers with guidance on the most effective methods for reducing the prevalence of childhood obesity by targeting quality initiatives within the child care system,” says Tekin.

**Additional Reading**


**session were led by GHPC Research Associate Rachel Ferencik.**

“We took an area of concern to state policymakers and developed a computer simulation that would show them the effect of policies on obesity trends ten years down the road, before limited resources are invested,” says Ferencik. “The model does not give you the answer; rather it is a tool to help generate more rigorous conversations.”

She says the simulation and “systems thinking” principles allowed the session participants to quickly explore the future health and economic impacts of specific policy changes in a real-time, hands-on learning lab environment, where they were encouraged to express theories, predict outcomes and inquire into differences between their expectations and the model’s outcomes. The model helped Georgia policymakers use the best available science to identify six policies with strong potential to reduce childhood obesity in the state. After testing these policies in the computer simulation, they found that a sustained investment in a combination of the six interventions could reduce childhood obesity significantly in Georgia over the next decade.

“Systems thinking is a great tool to get people to think about the big picture and examine the relationship between various parts in a system,” says Rep. John Lunsford (R-McDonough), a session participant and member of the first class to be awarded the Legislative Health Policy Certificate. “In this case, we could test the impact of various policy changes before actually putting those policies into effect.”

Some of the legislators who participated in the childhood obesity collaborative modeling project were instrumental in the crafting and passage of House Bill 229, which requires local school systems to conduct annual fitness assessments, comply with state physical education instruction requirements and report their results to the governor’s office.

Ferencik says that the GHPC hopes to refine and expand the model and apply a similar collaborative systems process to other challenging policy issues, such as teenage pregnancy prevention, developmental disabilities, HIV/AIDS and birth outcomes.
Seamless, accessible long-term care is goal of GHPC evaluations

BABY BOOMERS are poised to create a “senior tsunami” beginning in 2011, says Glenn Landers, a senior research associate with the Georgia Health Policy center. By virtue of its size, this generation has driven many policy decisions since 1946 with the first wave of what eventually became more than 75.8 million Americans born from 1946-1964.

Now, as Boomers age into their 60s, public attention is shifting to the area of long-term care.

Georgia’s elderly population is projected to increase 143 percent between 2000 and 2030. “This growth will double the number of people over the age of 65 with disabilities which, in turn, will drive up the need for and cost of long-term care services,” says Landers, who notes that the cost of Medicaid-supported long-term care in Georgia grew 82 percent between FY2000 and FY2005, before the first Boomer turned 60.

To better meet this growing need, Georgia’s Aging and Disability Resource Connection (ADRC) provides a one-stop resource for information on the full range of options available in public and private long-term support services and benefits. Launched in 2004 as part of the national ADRC initiative with funds provided by the Administration on Aging and the Centers for Medicare and Medicaid Services, Georgia’s ADRC has expanded to six regions serving 70 counties.

“ADRCs are a new way of delivering information, referrals and assistance to those with aging and/or disability needs. Their three central functions are information and awareness, assistance, and access to public and private resources related to long-term care needs,” says Landers. In 2007 he began evaluating the effectiveness of Georgia’s ADRCs and produced three reports.

“Final ADRC Process Evaluation,” describes the GHPC’s evaluation of three ADRC expansion sites, the role of the ADRC coalition and the collaboration between the state’s Area Agency on Aging and its Mental Health, Developmental Disabilities and Addictive Diseases regions. It was prepared by Landers and Amanda Phillips Martínez for the Georgia Department of Human Resources Division of Aging Services.

In “Regional Training Workshops Evaluation Results,” Landers and Martínez evaluate five Division of Aging Services regional trainings held in 2008, measuring gains in knowledge, changes in participants’ attitudes and the overall effectiveness of the workshops. They conclude that the division met all of its ADRC training objectives and recommended ideas on reaching more potential trainees. “ADRCs expect long-term care service providers and program personnel to collaborate in new ways. The training workshops help attendees understand the new way of doing business,” says Landers.

In “Fiscal Impact of ADRC,” Landers describes preliminary information about the fiscal impact of the ADRC by comparing Medicaid data in areas with ADRCs and all other areas. Georgia is one of only two states attempting to quantify the impact of the program with the analysis of Medicaid data before and after ADRCs have been implemented.

“Research in this area is important because information, services and financial support for those with long-term care needs have traditionally been fragmented,” says Landers. “As we move to a system that aspires to be seamless and more accessible for the long-term care consumer, we need to be certain that real system transformation is taking place.”

Additional Reading
ADRC reports: www.georgiaadrc.com/site/431/georgia_adrc_reports.aspx
GHPC research publications: http://aysps.gsu.edu/ghpc/publications.html
Atlanta is one of seven national sites for Building Strong Families, an intervention to help low-income couples who have recently had or are expecting a baby with the skills necessary to promote healthy relationships.

The Georgia Health Policy Center implements and oversees the Atlanta program under contract with Mathematica Policy Research, which was contracted by the ACF (U.S. Department of Health and Human Services’ Administration for Children and Families) to develop, provide technical assistance and evaluate this national cross-site study.

“We’re the programming element for the Georgia site and provide information that Mathematica will extract for their research and publish,” says Principal Investigator Chris Parker, a senior research associate with the GHPC. Funded by the ACF, the program will run to June 2010.

“For example, we don’t focus on the new baby. That’s not going to bring the father in for counseling. In fact, we don’t call it counseling. If a father gets yelled at a lot at home, he wants to know, ‘How do I get my partner to stop yelling at me?’ We deal with immediate needs. The baby might not get the father in our door, but helping this couple communicate better at home – what the father said he needed – will help their baby.”

Ferrell says that the composition of her counseling staff – half of whom are male – has also been important to recruitment. “Our clients appreciate folks who can relate. Our recruiters and session leaders are similar enough to our clients that our clients can see themselves in them – and will listen – while they are also different enough that our clients will learn from them.”

Additional Reading
Georgia Health Policy Center publications: http://aysps.gsu.edu/ghpc/publications.html
Departments of transportation throughout the United States operate in an environment of unprecedented change, says Professor Ted Poister. Leading this change is the need to find multi-modal solutions to congestion, mandates to support economic development and environmental sustainability, pressure to become more customer-oriented, and new processes for developing transportation plans and programs.

In 2005 the Georgia Department of Transportation contracted with Poister and Professor John C. Thomas to survey its various stakeholders. Five years later, they have produced a series of reports that the GDOT is using to make significant improvements.

“The GDOT wanted to strengthen its working and client relationships, so they hired us to do a stakeholder audit. We developed a stakeholder map of the full array of internal and external entities that influence the department’s ability to pursue its mission and then identified needs for additional feedback from some of them,” says Poister.

According to Thomas, they took an approach used widely in human resources but is novel in the field of public administration. “The original model is a 360-degree performance assessment of a manager,” he says. “We generalized it to an entire public organization, which had not been done before.”

In the original model, managers are rated by their superior; the employees they supervise and their counterparts or external contacts. “That’s the idea: top, bottom and around the sides,” says Poister. “At the top of our model is the General Assembly as governing body; at the bottom are the employees who are asked to rate the organization and their managers; at the right were customer groups such as motorists and professional drivers; and on the left we looked at partners and suppliers including professional consultants, contractors and road builders, and local government elected officials and administrative professionals.”

To date, Poister and Thomas have developed and piloted nine different surveys, several of which they have replicated. The results provide a picture of GDOT’s performance from several different vantage points. Four articles describing various aspects of the project have been published or are forthcoming. Two new papers are under review, and they will soon finish their seventh study. “We’re on the home stretch,” says Thomas, who credits alumna Anita Berryman (M.S. in HRD ’00) and more than 15 graduate research assistants for their significant contributions to the project.

Poister and Thomas believe the GDOT should continue to do these surveys periodically. “We’ve established a baseline, and they’ve seen how the efforts bear fruit,” says Poister. “Further iterations of the surveys can track changes in stakeholders’ assessments of GDOT’s performance and identify newly emerging issues the department needs to address.” Moreover, the professors believe that their 360-degree organization assessment approach could help add public value to many other kinds of agencies that increasingly work through networked governance structures.
Managing the Human Factor: The Early Years of Human Resource Management in American Industry
By Bruce E. Kaufman

Despite the fact that its scope only includes the mid-1870s through 1933, this book is destined to become a landmark in human resource management (HRM) for several reasons, not the least of which is the 57 pages worth of amazingly detailed and precise examples, quotations and citations that support Kaufman’s arguments.

The book documents a stunning transition in the management of people from the dawn of the Industrial Revolution, when the “Labor Problem” emerged as the nation’s primary domestic policy concern, to 1933. As Kaufman notes, “The end year 1933 marks a huge inflection point in the field … and the transition from a largely nonunion HRM model of welfare capitalism of the 1920s to the mass unionism and HRM model of collective bargaining spawned by the events and policies of the Great Depression and New Deal.”

One of its important contributions is to bring into the debate the observations and conclusions of the numerous foreign industrial delegations, journalists, and workers who came to America to observe and experience welfare capitalism. As Kaufman concludes, “No one can read these accounts and not conclude that, even with all the caveats and discounts, American industry had transitioned [by the 1920s] to a distinctly more progressive, rational, and efficient employment model. Indeed, the visiting delegations were all coming to America to learn the secret of high productivity, high wages, and labor peace. Further, their positive assessments were broadly matched by the conclusions of some of America’s most noted labor experts.”

Managers and academics today (and tomorrow) will gain a whole new perspective of HRM after reading this book. More importantly, they will know whom to acknowledge as they develop their own theories and practices to advance HRM even further.

— Wayne F. Cascio, University of Colorado Denver

Go to www3.interscience.wiley.com/cgi-bin/fulltext/122519833/PDFSTART for the full review.

Additional Reading


Citizens and stakeholders have found their voice and are more willing to exercise it than they were a half-century ago, says Professor John C. Thomas, who calls this shift a “citizens’ revolution.” He believes that for public administrators to be effective in shaping community decisions and administering government programs, they must be able to recognize when this voice is needed.

“[A]dministrators still frequently struggle with when and to what extent to invite public involvement in their decision-making, and scholars of public administration have not offered much helpful counsel,” he writes in a paper titled “When Should the Public Be Involved in Public Management? Design Principles with Case Applications.” “Scholars frequently encourage public managers to engage citizens and other stakeholders more actively, but they have formulated few theories or guidelines for when and how to do so.”

Thomas’s paper will be published in the forthcoming book, The Future of Public Administration Around the World: The Minnowbrook Perspective, edited by Rosemary O’Leary, David Van Slyke and Soon Hee Kim. He presented it at the prestigious Minnowbrook III Conference September 2008 in Lake Placid, New York. The event continued the tradition of two earlier Minnowbrook conferences, all sponsored by Syracuse University’s Maxwell School of Citizenship and Public Affairs, for which scholars from around the world had assembled to assess the status and set the future agenda for the field of public administration.

Drawing from his work in public involvement, Thomas presents guidelines for administrators seeking answers to the first questions they should ask about public involvement: “That is, should I involve the public and other stakeholders in making this decision, and, if so, to what extent?” He then presents a series of case studies that illustrate his principles for public and external stakeholder involvement.

“Potential public involvement may be useful in decisions as varied as determining how to combat gang violence, where to locate a hazardous waste facility, or how to allocate community development block grants,” says Thomas. “Public administrators should consider two factors before they decide whether and to what extent they need to involve the public in these decisions: What kind of information do they need to make a better decision? How important is public acceptance of the action to its implementation?”

“[A]dministrators who are charged with launching a program in a community may lack information on what citizens would like to see the program offer. Or, they may see a need for technical information from other external stakeholders who are often excellent sources of such information.”

After reminding administrators that many actions do not require citizen acceptance to be implemented, Thomas writes: “For the most part, though, administrative decisions that substantially impact the public or other external stakeholders require they be extensively involved in order to gain the acceptance necessary for implementation. U. S. highway engineers learned this principle the hard way by attempting to run highways through neighborhoods without consulting residents.” He offers a series of five options, or design principles, to guide the decision-making approaches with public and other stakeholder involvement.

Because public administrators cannot always determine in advance whether citizens and stakeholders can provide useful information, their involvement is necessary or they are sympathetic with agency goals, Thomas cautions officials.
Performance-oriented management, POM, has been in practice much too long to consider it a fad. During the last two decades, in fact, a number of governments have implemented this popular management reform, says Assistant Professor Yoon Jik Cho. But little is known about just how well it works. Does it truly help organizations improve their performance?

Few large-sample evaluations of POM reforms exist, says Cho. “Scholars … have paid much attention to various POM initiatives across governments, but their studies are largely limited to normative discussions or case illustrations,” he writes with his co-authors Jung Wook Lee of the University of Illinois and Seok Eun Kim of the University of Arkansas in “Improving Performance: Does Performance-Oriented Management Really Matter?” Their article was published in 2009 in the International Review of Public Administration.

Cho’s team draws on data from the Merit Principles Survey 2000, a large-scale survey of federal employees, to test whether performance-oriented management reforms can be proven to improve productivity and work quality. “For this purpose, we focused on two basic elements that are commonly found in many POM practices – goal setting, and design and implementation of performance management systems – and tested whether each of these basic components contributes to improving productivity and work quality in federal agencies,” they write. They also use the data to examine whether POM implementation can be conditioned by external political influences.

They find that both of the core POM elements studied contribute importantly to an organization’s productivity and work quality, which indicates that performance-oriented management can be a significant performance driver in governmental settings. “The empirical evidence regarding the effectiveness of POM in governmental settings clearly suggests that POM as a reform idea cannot be lightly dismissed as suggested by some POM skeptics,” Cho and his co-authors conclude. They also find that “the mean scores of the two POM activities indicate that these two are not implemented as successfully as proponents expected.”

In their subgroup analysis of whether a highly political environment may condition POM’s effectiveness, Cho and his team found that goal setting, a critical POM component, has a lesser effect in highly political agencies than in those with low political standing. “Careful consideration of the political environment is critical for setting up a more realistic expectation about the positive effects of POM on organizational performance,” they write.

**Additional Reading**

Empirical study refutes a central argument against protected areas

According to World Wildlife Fund Senior Science Fellow Paul Ferraro, an AYS associate professor, this question has become the subject of heated debate among conservation and development experts, particularly in developing nations where protected land areas have rapidly expanded and where alleviating widespread rural poverty is a paramount concern.

“The debate has only intensified as policymakers design schemes to reduce greenhouse gas emissions from deforestation and degradation in developing countries,” he says.

Do efforts to protect biological diversity hurt the poor by restricting land uses? According to Ferraro, no credible empirical study had satisfactorily answered this question. Using new data and statistical methods, Ferraro attempts to do so in a working paper entitled “Do Protected Areas Increase Poverty? Evidence from Costa Rica and Thailand,” written with alumnus Kwaw Andam (Ph.D. in Public Policy ’08), Katherine Sims of Amherst College, Margaret Holland of the University of Wisconsin and Andrew Healy of Loyola Marymount University.

“Previous studies do not measure poverty directly and do not use appropriate comparison groups to account for baseline differences in affected communities. They do not clearly demonstrate a causal link between protected areas and poverty,” he says. “Yet without controls, one cannot answer the central research question: How different would poverty measures have been in communities around protected areas in the absence of these areas?”

In their paper, Ferraro and his colleagues make this comparison through a quasi-experimental design that improves upon previous studies in four ways: basing poverty measures on household-level surveys that provide reliable comparative indicators of human welfare; analyzing local impacts, matching the scale at which protected areas are likely to affect communities; employing matching methods to compare communities heavily affected by protected areas (treated) with communities that are less affected by protected areas (controls); and testing the robustness of the estimates to the presence of hidden bias from unobservable differences in treated and control areas.

They apply their new approach to Costa Rica and Thailand, two biodiverse developing nations with reliable national statistics that were early adopters of protected area systems.

“We find no evidence that their protected area systems have had a net negative effect on local populations,” they conclude. “In fact, we find the opposite: the evidence suggests that, if anything, protected areas have had a net positive effect on indicators of local social welfare.”

Ferraro and the co-authors suggest that “[I]n principle, our approach to evaluating impacts could be applied to any measures of well-being, and thus, future collaborative evaluations among anthropologists, economists, and local people would be fruitful.”

Additional Reading

Open space referenda are successful, but are opportunities missed?

**Conservation Groups** are successfully targeting communities to pass referenda preserving open spaces. From 1998 to 2006, almost 80 percent of the 1,500 plus referenda targeting open space passed, says Associate Professor Spencer Banzhaf. Of the 2,220 referenda held since 1988, 76 percent have passed, most by a wide margin.

In “The Conservation Movement: Success through the Selection and Design of Local Referenda,” Banzhaf, Wallace Oates of the University of Maryland and James Sanchirico of the University of California at Davis assess the conservation preferences of voters and how effective national and local land trusts are in targeting communities. Originally published by the Lincoln Institute of Land Policy, the paper is published in the SSRN Working Paper Series.

“The remarkable success of these measures is not random,” says Banzhaf. “The communities that hold referenda and the types of financing used are based on the local knowledge of community activists and the broad experience of the national organizations that provide detailed guidance on the ‘how and where’ of designing and introducing conservation referenda.”

The primary objectives with this paper are to revisit and extend the existing empirical work on which communities support conservation and to shed light on the behavior of the conservation community.

“Does the current process … place conservation measures on the ballot in those jurisdictions most likely to pass them? Does it select financing mechanisms most likely to appeal to voters in that jurisdiction? Does it place conservation measures in jurisdictions with more ecologically sensitive lands? Our results indicate that overall the conservation movement has done very well in identifying communities in which to place such measures on the ballot and selecting preferred financing mechanisms,” Banzhaf and his colleagues write.

The land conservation movement appears to have been successful at targeting communities based on observable factors, they conclude. “Communities actually holding referenda are predicted by our models to have higher average support than those communities which do not hold them, by 6-7 percentage points at the polls,” they write.

There is room for improvement in the open space movement. “Our model identifies a number of communities whose characteristics suggest unexploited opportunities for open-space conservation. … [The] process may be over-stereotyping, missing opportunities in southeastern, suburban, minority and Republican areas.”

**Additional Reading**


The United States passed the Dolphin Protection Consumer Act in late 1990, which established protections for dolphins, provided dolphin-safe labeling standards for tuna products and set a penalty for noncompliance, or unlabeled product. Many of the studies following this act have examined the impact of dolphin-safe “eco-labeling” on demand. Associate Professor Kurt Schnier decided to show how eco-labeling may change the behavior of producers.

In “Eco-labeling and dolphin avoidance: A dynamic model of tuna fishing in the Eastern Tropical Pacific,” published in the *Journal of Environmental Economics and Management* (2008), Schnier and co-author Robert L. Hicks of The College of William and Mary use data collected by the National Marine Fisheries Service to examine the impact of dolphin-safe eco-labeling on two decisions producers make: where to fish, and whether they will follow the labeling requirement. Are they more willing to pay to avoid dolphins or to pay to remove the labeling requirements?

“Whether a labeling program is likely to send positive signals to producers depends on the relative cost of the ‘green’ method of production, along with consumer preferences and the degree of consumer uncertainty due to the credibility of the label certification program,” Schnier and Hicks write. “With a high enough price premium for the green good, producers may alter production methods to meet labeling certification requirements.”

Schnier and Hicks apply a dynamic discrete choice model to the Eastern Tropical Pacific (ETP) tuna fishery, finding that the policy appears to have segmented fleet activity to a large degree. The purse seiners that attempted to follow the dolphin-safe labeling requirement were forced to pursue their fishing in a smaller viable area to avoid dolphin sets. (Dolphin sightings – sets – are one of three methods used to find tuna.)

“We show that the enactment of dolphin-safe tuna labeling altered the spatial distribution of production behavior with the ETP tuna fishery. This generated a shift in the fleet’s willingness to pay for increasing the amount of log sets [floating debris known to attract tuna] within the tuna fishery during this time period. These results suggest that the dolphin-safe tuna labeling did have a substantial short-run effect on the tuna fleet,” they conclude.

“This evidence, coupled with the exodus of many ETP seiners to the Western Tropical Pacific and/or the re-flagging of these vessels in foreign waters, provides evidence that the costs of meeting the dolphin-safe requirements were not compensated by the consumer willingness to pay for labeled over unlabeled product.” The authors suggest that combining this research on producers with the eco-labeling marketing literature “could provide a fruitful extension to determine the asymmetries in production and consumer behavior.”

**Additional Reading**


employing undocumented workers at wages lower than the
true value of their work, a wage-setting practice known as
monopsonistic discrimination.

The implications of this practice are both economic and politi-
cal. “Economically, any reduction in the supply of undocumented
workers will raise production costs and likely, prices paid by
consumers,” she says.

“Politically, these results provide strong predictions about the
design of and response to policies to reduce the supply of
undocumented workers. Strong resistance to tougher enforce-
ment will come from industries that employ larger shares of
undocumented workers, while groups representing documented
workers in those same industries will call for tougher enforce-
ment to help improve their depressed wages.

“Policies that force firms to treat undocumented workers the
same way they do documented workers, or, rather, eliminate
monopsonistic discrimination, will remove the competitive
advantage to hiring undocumented workers, which will lower
demand for those workers,” says Hotchkiss.

Additional Reading
Hotchkiss, J.L., & Quispe-Agnoli, M. (June 2009). Employer
Monopsony Power in the Labor Market for Undocumented
Knowledge and incentives increase purchase of catastrophic insurance

Damages incurred during September’s north Georgia floods were estimated at more than half a billion dollars according to the state’s insurance commissioner, who stated that most structures affected were not insured for catastrophic losses. “Purchasing flood insurance is an important consideration for Georgia’s consumers, even if you think a flood is unlikely in your area,” Commissioner John Oxendine said in March press release used to encourage Georgia consumers to purchase flood insurance. “Twenty-five percent of flood claims occur in areas considered medium- or low-risk for floods.” Yet in 2007, just 2.2 percent of the state’s nearly four million housing units – only 87,870 homes – were protected with flood insurance policies.

“It is widely accepted that people tend to under-insure against low-probability, high-loss events relative to high-probability, low-loss events,” says Laury. “Yet there is very little experimental evidence that would support this conventional wisdom. The economic and social costs of failing to insure against catastrophic losses can be quite large.

“If our goal is to develop a policy solution to address this very costly problem, it is important to understand why so many people fail to purchase this insurance. If consumers do not accurately process low probabilities, offering policies bundled to protect for a broader range of events may be the answer. However, if they do not insure because costs are too high, then offering credible, subsidized insurance should help.”

Laury, Swarthout and McInnes implemented real, high-consequence losses in the experimental lab to learn how people respond to changes in loss probability. Their results suggest that this response can be determined by the way the loss is framed and whether incentives are real or hypothetical. “We find no evidence of underinsurance of low-probability losses when incentives are real and large,” they write. “Therefore, a policy focusing on probability misperceptions may be fundamentally misguided and may not solve the problem of underinsurance in the field.”

Additional Reading

“EXPERIMENTS PROVIDE insight into the ways in which economic and game theory succeed – or fail – to accurately predict behavior, and hence guide improvements in the theory,” says Professor James C. Cox, a Georgia Research Alliance Eminent Scholar and director of the Experimental Economics Center headquartered at the Andrew Young School. Cox and his expert team of experimental economists promote the development and application of economics and related disciplines as empirical social science.

Recognized as one of the nation’s leading experimental economists, Cox was called to contribute seven chapters to the *Handbook of Experimental Economics Results, Volume 1*, edited by Charles R. Plott of the California Institute of Technology and Vernon L. Smith of George Mason University (Elsevier, 2008). Each chapter briefly describes specific experiments in a format that allows the reader to quickly understand the nature of the experiment and its results.


In “Preference Reversals,” he writes that the study of preference reversals has spread to experimental economics because of its relevancy. “Preference reversals can call into question the empirical validity of economic theory because they provide support for the conclusion that the preferences that subjects reveal vary with the response mode (choice or validation) that is used to elicit the preferences.” Cox asks whether the preference reversal phenomenon is robust to repetitive decisions in markets and finds that it is not.

Interest in the theory and behavior of procurement contracting stems mainly from government’s multiple, possibly conflicting, objectives in procurement and an asymmetry in knowledge of some production costs, Cox and Isaac state in “Procurement Contracting.” They write that “budgetary cost minimization and economic efficiency maximization can be conflicting objectives when there is a cost information asymmetry.” They use a model of cost information asymmetry to provide examples of inefficiencies that may allow contracts to be awarded to suppliers other than those with the lowest costs.

“Experimental methods in economics respond to circumstances that are not completely dictated by accepted theory or outstanding problems,” reads the description for the *Handbook of Experimental Economics Results* on publisher Elsevier’s Web site. “Although many [questions] cannot be answered by experimental methods, there are questions that can only be answered by experiments.”

**Additional Reading**

In November 2008, Professor James Cox became president-elect of the Southern Economic Association and program chair for its annual meeting that will be held in Atlanta in November 2010. He will serve a year as SEA’s president.
To attract the type of top-tier corporations that drive economic development in better-paying industries, Georgia must have a higher skilled workforce relative to that of its neighbors. College-educated individuals aged 26-35 are the population to attract, as their presence helps improve the overall quality of the state’s labor pool. “With firms looking for a well-educated workforce to draw upon, growth in this segment of the population can be an important precursor for future economic growth,” write Assistant Professor Jonathan Rork and Ph.D. candidate Chandler McClellan (Economics) in “Georgia’s Brain Gain” (FRC Policy Brief No. 194, 2009).

“College-educated individuals earn more on average than their counterparts and are less at risk of becoming unemployed during a recessionary downturn,” they write. “Higher wages and job stability translate into larger consumer spending and increased tax revenues for the state. Further, high concentrations of these individuals create a network effect, which leads to higher productivity and increases the attractiveness of the state to other highly educated individuals and ‘knowledge-based’ businesses.”

Although Georgia consistently ranks among the top states in overall net migration, the composition of those moving in is rarely addressed, write Rork and McClellan. Using data from the U.S. Census Bureau’s Integrated Public Use Microsample and American Community Survey, they examine the composition of people moving into Georgia to determine whether state policies designed to increase the net migration of highly skilled workers have had any effect on attracting this population segment to Georgia.

“Overall, this segment’s migration to Georgia has been high and consistent,” says Rork. “We found trends that indicate that Georgia’s population is experiencing a shift towards a higher skill level. However, when we looked only at this demographic as a percentage of Georgia’s total net migration, we found that Georgia in 2005-2006 moved behind other southeastern states, particularly North Carolina, Florida and Arkansas.”

In their conclusion, Rork and McClellan suggest that Georgia should consider emulating states more successful at attracting a higher share of knowledge workers. “While Georgia may become bigger than her neighbors, it will not necessarily become smarter and more skilled than her neighbors. Without a highly skilled ‘knowledge-based’ workforce, Georgia will not

In annual Census reports, Georgia continues to rank among the top ten states for its population growth, with people relocating to the state responsible for a significant share. This growth has been heralded by chambers of commerce around the state. However “who” is moving to Georgia is as important a policy concern as “how many.”
Factors behind wage and earnings inequality include a higher return to education via technology, the minimum wage decline, de-unionization of industries, job outsourcing and the increase in performance pay at the top, according to Professor David Sjoquist, the Dan E. Sweat Distinguished Chair in Educational and Community Policy and director of the Fiscal Research Center and Domestic Studies.

Factors specific to family and household income inequality at the bottom of the income distribution include the relative decrease in two-earner families, while households at the top end are experiencing greater labor participation of two-career couples, larger increases in the wages of secondary earners and the growing importance of non-labor income sources, like capital gains.

Professor Sjoquist and Ph.D. student Rayna Stoycheva (Public Policy) use Census Bureau data to show the extent to which these factors changed the income distribution in the state in the FRC Policy Brief Number 199, “Household Income Inequality in Georgia, 1980-2007.”

“The most noticeable change is that the income share for the top ten percent of all Georgia householders increased from 29 percent to 33.2 percent of total income, a 14 percent increase, between 1980 and 2007,” they write. Among African American households, income inequality slightly decreased over this same period. Income inequality for Hispanics showed the most significant drop; in 2007 it was lowest among the three demographic groups.

“Overall, the patterns observed in Georgia confirm the national trend,” Sjoquist and Stoycheva conclude. “However, there are differences by race and some differences in magnitude when compared to the overall national trend. Inequality did not increase as much for all Georgia residents as it did nationally.”

Additional Reading


Addition Al ReAding

Publications of the Fiscal Research Center can be downloaded at http://aysps.gsu.edu/frc/publications.html.
The economic recession has impacted the balance sheets of nonprofits even more severely than those of households and corporations. According to one survey, only 16 percent of 986 nonprofits surveyed expect to be able to cover their operating costs in 2009 and 2010, says Professor Dennis Young, the Bernard B. and Eugenia A. Ramsey Chair of Private Enterprise and director of the Nonprofit Studies Program.

"All income sources have been impacted: contributions, government funding, earned income and investment income," says Young. "While more than a third of the nation’s nonprofit organizations are experiencing salary freezes and layoffs and are cutting services, demand for nonprofit services has risen in many areas, particularly health and human services."

In looking at the income sources that make up a nonprofit organization’s financial portfolio — its revenue mix — Young has developed a “benefits theory” to explain why nonprofits vary widely in their mix of sources. He and AYS Ph.D. candidate Amanda Wilsker explain and test a hypothesis they have derived from the benefits theory in several working papers and forthcoming publications. They have presented these ideas, as they have evolved, at the 2007 ARNOVA annual conference and the 2009 AICPA Not-for-Profit Industry Conference.

"Nonprofit financing is outstanding in that the mix of nonprofit revenues from alternative sources, which normally include earned income, charitable contributions, government funding and investment income, varies dramatically by field of service,” they write. “This has led us to propose that nonprofit income portfolios are strongly influenced by the services and benefits that a nonprofit organization produces.

"Given that such services and benefits vary in their public vs. private nature, we presume that their means of financing are likely to vary correspondingly — with fee revenues reflecting private benefits, charitable contributions reflecting collective group benefits, and government support indicative of society-wide benefits. Since nonprofit organizations vary widely in their missions and services, we surmise that their income portfolios will vary accordingly.”

The results of their tests “clearly show a strong tendency to conform to the hypothesized patterns,” they write.

"The benefits theory is important not only because it explains observed empirical patterns of nonprofit finance, but it also suggests a strategic direction for nonprofits to follow when they look at their support,” says Young. “They would be most effective pursuing their unique mix of fees, contributions and government funding as determined by their mission rather than following general formulas or chasing particular sources of income based on generic parameters, or the latest financing fashion, like endowments or earned income ventures.”

Examples of nonprofits that have successfully tapped into their unique sources of support range from Habitat for Humanity, which has added demolition and home repair micro-financing to its program portfolio, to universities that are changing their fund-raising focus from buildings and programs to student aid.

"Nonprofits should tie their financial strategies to the work of the institution, which helps determine what kinds of mission-related activities, programs and services can best be supported in today’s environment,” says Young. “Those that realign their programs and finances to take maximum advantage of their potential support will be well-positioned for the future.”

**Additional Reading**
Nonprofit Studies Program working papers are published online at http://aysps.gsu.edu/nsp/papers.html.


Complexity a necessity for nonprofit advocacy groups

“Nonprofit organizations are at the heart of advocacy activity that shapes laws and society. They lobby lawmakers, educate the public on issues, and stimulate citizen action and voter turnout at election time. Indeed, many nonprofits … act as a bridge between politics and policy by influencing legislatures, parties, and elections,” write Janelle Kerlin and Elizabeth Reid in “The Financing and Programming of Advocacy in Complex Nonprofit Structures,” an article forthcoming in the Nonprofit and Voluntary Sector Quarterly.

Kerlin, an assistant professor at the AYS and Reid, formerly at The Urban Institute, analyze the complex structures of five environmental nonprofit groups to demonstrate the impact of federal regulation on nonprofit organizations that do advocacy work.

“Regulatory policy encourages nonprofits interested in advocacy work to create complex nonprofit structures,” says Kerlin, “yet little is known about how this policy shapes the organizational structures, finances and programming of nonprofits that do advocacy work.” The authors demonstrate the impact of Internal Revenue Service and Federal Election Commission regulations that form charitable organizations (501(c)(3)), social welfare organizations (501(c)(4)) and political action committees (PACs), and find several ways that these regulations encourage nonprofits to form additional, related tax-exempt entities to achieve their full missions.

“These complex nonprofit structures relate to each other through overlapping boards, shared finances and policy agendas. They report to their respective authorities as separate legal entities and may coordinate their efforts to finance and advocate for policy reforms,” says Kerlin. “Combining different types of tax-exempt organizations with common advocacy creates a complex structure that can facilitate a broad range of advocacy efforts at the most efficient cost within the law.”

Some nonprofits may avoid these complex arrangements because of the perceived legal risk and cumbersome administrative procedures. “Indeed, many 501(c)(3)s avoid advocacy work in general simply because they are worried about IRS sanctions. … However, the violation of advocacy thresholds and restrictions and loss of 501(c)(3) status occurs much less often than commonly feared,” they write.

Additional Reading

DEKALB AND FULTON counties, two of the most populous counties in Georgia, also contain the highest number of public charities per capita, the greatest amount of public charity revenues per capita, and the highest ratios of public charity revenues as a percent of county income. These ratios fall dramatically in the rest of Georgia, especially in suburban and rural counties across the state.

The distribution of public charities relative to population and income is one of several resource questions analyzed by authors Janet Johnson, Shena Ashley and Grace Chikoto in “Nonprofit Georgia: Geography,” the second of two reports on Georgia’s public charities and foundations conducted by the Nonprofit Studies Program and funded by the Wilbur and Hilda Glenn Family Foundation. Johnson is a senior researcher and associate director of the Nonprofit Studies Program. Ashley (Ph.D. ’07) and Chikoto (Ph.D. ’09) are graduates of the Department of Public Management and Policy.

Upon examination of data from the National Center for Charitable Statistics and the U.S. Census Bureau, the study reveals distinct differences in access to nonprofit resources and revenues by geographic location that are configured and analyzed for core urban counties, the suburbs and rural areas. This study is unique in its detailed analysis of the nonprofit sector within a state.

“Philanthropic wealth is not evenly distributed throughout Georgia,” says Johnson. “Our analysis looks at what this means for the nonprofit resources and operations within the state. Is there an urban/rural divide? Where do nonprofit revenues come from and where do they go? How does the nonprofit sector affect the flow of resources within the state and across state lines, and how well does the nonprofit capacity meet the needs of various Georgia locations?”

“Fulton and DeKalb … hosted more than one-third of Georgia’s public charities in 2005, which comprised more than half of all Georgia’s public charity revenues. Forty-three percent of all foundations in Georgia were located in [these
two core counties] in 2005, and these foundations comprised over 70 percent of Georgia’s foundation assets,” the authors write.

“On the other end of the urban/rural continuum, the 89 rural counties in Georgia contained 14 percent of the state’s public charities and only 7 percent of all public charity revenues. These rural counties contained 13 percent of Georgia’s foundations and only 6 percent of statewide foundation assets,” they continue.

The report also offers important analysis of public support and government grants to public charities, the geographic distribution of grants by Georgia foundations, and the distribution of foundation grants to different types of nonprofit organizations.

Johnson reports that nonprofit organizations have found the analysis useful in understanding where Georgia’s foundations are distributing grant dollars. “The foundations themselves have a better understanding of where philanthropic dollars may be lacking in the state,” she says. “Community foundations, in particular, have been eager to know more about the capacity of nonprofit organizations in their regions.”

**Additional Reading**
The Nonprofit Georgia series is available at http://aysps.gsu.edu/nonprofit.
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