

behind the RESEARCH



PUBLIC FINANCE
& BUDGETING
CITY MANAGEMENT
& URBAN POLICY
PUBLIC MANAGEMENT
& ADMINISTRATION
HEALTH POLICY
& MANAGEMENT
PUBLIC POLICY ANALYSIS

Policy research, pure scholarship,

OR BOTH?



Mark Rider (left), Roy Bahl and Carolyn Bourdeaux

We think of our school as a leading center of scholarship in policy studies. The goal is to improve the debate by providing hard analysis of the issues. Our faculty has much to bring to this table, including an understanding about how theory informs practice and a strong methodological toolkit.

However, is policy research worth it for young faculty members who are trying to get over the tenure hurdle? So follows the big question: "Should our faculty invest its time in doing policy studies that are not immediately recognized in purely academic circles?"

I vote yes. The scholarship mandate in our college is to do relevant research and to advance knowledge. An understanding of the practice ought to lead to better academic research, and better scholarship ought to lead to better policy work. Faculty ought to be able to do adequate amounts of both kinds of research.

Carolyn Bourdeaux is an assistant professor in public administration. Her research area is governance and budgeting. Yet even with her tenure clock running, she took a semester to assist and advise the Georgia State Senate Budget Office on budget preparation and its transition to program budgeting. The opportunity cost may have been another paper in a scholarly journal. But her long-run return on this investment will be a deeper knowledge of the budgeting process and enhanced credibility as a policy research scholar.

Mark Rider is an untenured faculty member in our economics department. He did his policy homework, first with a stint at the United States Treasury, and later by digging deeper into the detail of income taxation and intergovernmental fiscal relations. He writes scholarly papers, but goes the last mile to make his research relevant, as evidenced by prominent coverage of his work in *The Wall Street Journal*. He has taken his work and his learning around the world as a fiscal advisor to developing countries.

Carolyn, Mark and many of our colleagues are working on both tests of research at the Andrew Young School: policy relevance and good scholarship. I admire their scholarship strategy for three reasons. First, much of what is done under the flag of policy research is, in fact, publishable in traditional academic journals. Second, how in the world can a faculty member working in a policy field adequately bring the issues to students if she or he is not a player in policy research? Third, being a good faculty member in a policy school means having a depth of knowledge of the policy process, and of the institutions that determine policy outcomes, that only involvement can bring. Part of the deal for our faculty is to invest in getting this background.

As our students and alumni will tell you, this investment pays off handsomely in the classroom and beyond.


Roy Bahl
Dean

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Research conducted by the Andrew Young School of Policy Studies is published in academic journals and cited in a number of related studies. It is used in instruction in classrooms around the world. This issue of *The Briefing* is an introduction to the breadth and depth of the research conducted by our expert faculty and staff. You are invited to go to our website at www.andrewyoungschool.org to find our full list of research citations in our AYSPS annual reports.

AYSPS celebrates . . .

exceptional faculty members

YOU ARE JUDGED BY THE COMPANY YOU KEEP



Roy Bahl (left), Georgia State University President
Carl Patton and Andrew Young

In any educational setting, the strength of a school is fairly measured by the talent of its faculty and staff. Many factors will contribute to a school's success – talented students and alumni, a strong advisory board, generous resources, excellent programs – but the bottom line is the faculty member whose teaching, research and outreach rises to a level of excellence.

In its decade of existence, the Andrew Young School has been fortunate to add many highly regarded faculty and staff members to an existing base of talented academicians, all experts in their chosen areas within public administration, urban studies and economics. Key to attracting and retaining this talent is Dean Roy Bahl, professor of economics, who aims high and rarely misses. "We will be the best policy school in the world" is his mantra.

Dean receives prestigious national award

This fall at the National Tax Association annual meeting, Bahl was recognized as a leading thinker and practitioner in public finance when the NTA presented him the Daniel M. Holland Medal.

In being selected for the NTA honor, Bahl joins the rarified company of past recipients Charles McLure, Jr., senior fellow at the Hoover Institute at Stanford and former deputy assistant secretary of the U.S. Treasury; Harvard economist Martin Feldstein; and Arnold Harberger, professor of economics at UCLA and professor emeritus, University of Chicago.

"Roy Bahl has been able to apply insights from his outstanding research to practical matters of tax policy and administration. This combination has truly served the goal of achieving good tax policy and practice, not only in our own country but in many other places around the world," says NTA President Jane Gravelle, senior specialist in economic policy for the Congressional Research Service,

Library of Congress. "He richly deserves this award from his colleagues, friends and students in the National Tax Association."

Bahl is considered one of the world's foremost experts on fiscal policy. When he is not running AYSPS, Bahl consults countries on tax policy, tax administration and fiscal decentralization issues. His work hits all of the big areas and issues in public finance: state and local finance, fiscal decentralization and tax reform. His experience and expertise likewise enrich the school.

"Roy's contributions to tax policy, particularly in terms of reforming developing country tax systems, are renown," says Bill Fox, director of the Center for Business and Economic Research at the University of Tennessee and past president of the NTA. "It is hard to go to any country where Roy has not been first, and where he has not already had a profound effect."

Fox joined several distinguished economists who commented on Bahl's achievements during the medal presentation. Other presenters included Johannes Linn, executive director of The Wolfensohn Institute at The Brookings Institution; Charles McLure, Jr.; Richard Bird,

behind the research

professor emeritus of economics at the University of Toronto and distinguished visiting economist at AYSPS; and David Sjoquist and Jorge Martinez-Vazquez from AYSPS.

"The Dan Holland medal is a very suitable honor to bestow on Roy," says Linn. "He could always be relied upon to combine a keen sense of economic and institutional theory with a great interest in getting data to determine a trend or prove a point. He has a sure orientation towards policy action and institution-building informed by a good appreciation of political reality and of the importance of personalities."

Bird says he finds it particularly fitting that Bahl receive the Daniel Holland medal. "Roy so clearly embodies many of the same qualities that made Dan a special person to all who worked with him – his deep involvement in what he is doing, the competence with which he does it, his refreshing ability to look past current fashionable ideas to the real underlying issues, his genuine interest in the ideas of others and not least, his wonderful humor."

"There can be no question that Roy's scholarly work over the years constitutes an outstanding contribution to public finance, which is precisely what the Holland medal recognizes."

"Moreover, in addition to solving the problems of what seems like every country in the world, Roy has somehow managed to find the time to create and nurture the Andrew Young School, which has become one of the leading centers of the discipline in a surprisingly short time," he says.

One medal alone is not enough to recognize Bahl's contribution, says Bird, "but it is a good, and certainly well-deserved, start."

McLure, Bahl's colleague for more than 30 years, says his analysis of fiscal problems in developing countries and countries in transition from socialism is marked by "an enormous attention to detail and emphasis on basic economic analysis, rather than fancy theory. Both are crucial to understanding local issues, and clear and convincing communication with policymakers."

"Perhaps as important as the contributions Roy has made directly in these countries," says McLure, "is the policy advice provided by the former students he has trained to follow his approach."

Those who know Roy Bahl know how important his students are to his work. "One of the things he might view as a big success is what his students have gone on

to achieve. Some examples would include ministers of finance in developing countries and the revenue commissioner in Indiana, successful Wall Street professionals and professors at many leading universities," says Sally Wallace, an associate professor of economics at AYSPS who works on major projects with Bahl. "He always put a lot into his students."

Bahl says he has tremendous respect for Holland and his work, and he is honored to receive the award. "What a humbling experience it was to receive the Holland award. It is one of those special things that you never imagine can happen to you. For me, it is especially sweet because of what I know about Dan Holland and what he stood for in the profession," he says. "And Dan was a good friend."

Faculty are frequently honored for research

Following are just a few examples of the many prestigious awards with which the work of our faculty is recognized.

- Professor **GREG LEWIS** (PAUS) learned this summer that his proposal, *Increasing Public Support for Same-Sex Marriage: What Can Existing Data Sources Tell Us?*, won the 2005 Wayne F. Placek Award competition of the American Psychological Foundation. His research was approved for \$50,000 in funding.
- In other news, Professor **JOHN THOMAS** (PAUS) was named part of a research team centered in Chattanooga's Community Research Council that was recently awarded a \$100,000 grant from the Alfred P. Sloan Foundation as part of its program, Performance Assessment of Municipal Governments.
- In economics, **RAGAN PETRIE**, assistant professor, was awarded a \$40,000 grant by the Inter-American Development Bank to study discrimination in Peru. The research study, "Ethnic and Social Barriers to Cooperate: Experiments Studying the Extent and Nature of Discrimination in Urban Peru," begins in the spring. Co-Principal investigators are Marco Castillo, Georgia Institute of Technology, and Maximo Torero, International Food Policy Research Institute.
- Economics Professor **BRUCE KAUFMAN'S** book, *The Global Evolution of Industrial Relations*, was selected by the American Library Association's *Choice* magazine in January for inclusion in its list of "2005 Outstanding Academic Titles: The Best of the Best."

Research is a necessary program in any university worth its salt. President Carl Patton and the Andrew Young School promote the university's goal to make Georgia State the best urban research university in the country. Research done by AYSPS faculty is not only sought after and awarded, but also put into practice around the globe. It makes a "big noise," helping to set our university apart from a crowded field.

Expert in experimental economics joins the school



Professor James C. Cox, widely recognized as a world leader in experimental economics, has joined the Andrew Young School as the Noah Langdale, Jr. Chair in Economics and director of the newly created Experimental Economics Center. Cox was recruited to the state as a Georgia Research Alliance Eminent Scholar from the University of Arizona.

"This is really fabulous news," says Economics Department Chair James Alm. "It represents a major, major step for us in a number of dimensions. The Experimental Economics Center will help advance economic theory, will work with the state and the Georgia Research Alliance, will get more involved in all of our activities, and will make our department, school and university more prominent ... the list goes on."

While at Arizona, Cox and his team created EconPort, a digital library of economics education materials that support instruction in economics and game theory and software for running instructional and research experiments with human subjects. EconPort was created with a \$700,000 grant from the National Science Foundation, which is now providing Cox and his team another \$900,000 grant to conduct a series of national dissemination workshops. EconPort and the workshop series have moved with Cox to the Experimental Economics Center at AYSPS.

Upon arriving, Cox and colleagues submitted a new proposal to NSF for a five-year, \$2 million grant to support innovations in teaching economics with experiments at Georgia State and across the United States.

"The overall objective is to create in the Andrew Young School a world-class experimental economics pro-

gram," says Cox. His center's strategy includes disseminating EconPort nationally, making Georgia State a laboratory for teaching innovations in economics, and conducting original research in frontier areas of economics. The center will generate immediate international professional visibility at the June 2006 International Meeting of the Economic Science Association to be held at Georgia State. Cox is also planning with colleagues to add a new field to the AYSPS graduate program.

"We plan to make our program and lab at Georgia State a center for experimental economics in greater Atlanta," says Cox. "We started with a strong faculty here, and are extending invitations to faculty from other universities to become affiliated here, do research in our lab, and participate in our workshops.

"Atlanta is clearly a great place for this field because it has so many institutions of higher education in close proximity. It is an ideal place to set up a regional center.

"Additionally, the Andrew Young School provides a fine opportunity to do this because our dean and faculty are highly supportive of this program. The provost and school have contributed significant support to make it happen," he says.

Cox earned a Ph.D. at Harvard. He has served as president of the Economic Science Association and sits on the editorial board of *Experimental Economics*. Along with co-researchers from the University of California at Santa Cruz and IBM's Almaden Research Services unit in California, Cox is beginning a new research program on the economics of information technology supported by a \$250,000 NSF grant.

related reading

Cox, James. "Trust, Fear, Reciprocity, and Altruism: Theory and Experiment." *International Conference on Experiments in Economic Sciences: New Approaches to Solving Real-world Problems*, Springer Verlag (forthcoming).

_____, with J. Todd Swarthout. "EconPort: Creating and Maintaining a Knowledge Commons" *Understanding Knowledge as a Commons: From Theory to Practice*, Charlotte Hess and Elinor Ostrom (eds.), MIT Press (forthcoming).

For more information on the Experimental Economics Center, go to expecon.gsu.edu/.

FISCAL RESEARCH CENTER informs STATE POLICY

When Georgia General Assembly members consider state tax reform measures during the legislative session, the Andrew Young School's Fiscal Research Center often plays a primary role in informing the debate.

"Our center provides Georgia's fiscal decision makers nonpartisan policy research and technical assistance. We help design, evaluate and often educate on tax and expenditure issues as well as economic policy," says FRC Director David Sjoquist, the Dan E. Sweat Distinguished Chair in Educational and Community Policy. "Governments see the FRC as a credible, knowledgeable resource. Policy makers know they'll find the fiscal expertise they seek at our center, a short walking distance from the Capitol."

Well in advance of every legislative session, FRC examines prominent tax reform measures. In 2005 those measures were House Bill 191, which was proposed to amend the Georgia Code to restructure the state's corporate income tax, and House Resolution 58, a proposed amendment to the constitution that would eliminate the collection of local ad valorem (property) taxes for school purposes.

Among the provisions that HB 191 would change is the basis for determining, for multi-state firms, the share of profits that would be taxed in Georgia. FRC addresses the reform in "The Disappearing State Corporate Income Tax," and "Trends in Corporate Income Tax Receipts." (See Research 2004 issue.) FRC

affiliate faculty member Martin Grace served on a state committee that explored possible changes to the corporate income tax. Grace is the James S. Kemper Professor of Risk Management and Insurance, and associate director of the Center for Risk Management and Insurance Research in the Robinson College of Business at Georgia State.

The measure passed and was signed into law.

HR 58 replicated HR 1264, which was proposed in the 2004 session. It did not come up for a vote in 2005, but its pros and cons were weighed by legislators, constituents and the media well into the fall until sponsors of the resolution decided not to reintroduce it in 2006. Per this proposed measure, Georgia would fund education with a state sales tax of up to three percent, disallowing current exemptions unless decided otherwise by the General Assembly.

Findings released in several FRC reports contribute to the deliberations of these policy leaders. Sjoquist says the center makes several presentations of its work and responds to numerous press inquiries.

FRC Policy Brief No. 109 (July 2005), "Tax Revenues Volatility and a State-wide Education Sales Tax," by FRC Research Associate John Matthews, examines the argument favoring property tax and its inherent predictability versus other taxes that are more sensitive to short-term changes in economic conditions and tax law changes.

If local property tax funding for schools is eliminated, education funding in Georgia becomes entirely the responsibility of the state. In "Financing an Increased State Role in Funding K-12 Education: An Analysis of Issues and Options," FRC Report No. 114 (October 2005), authors Peter Bluestone, Matthews, Sjoquist, William J. Smith, Sally Wallace and Laura Wheeler address issues related to this shift. Wallace is FRC associate director and associate professor of economics. Wheeler is a senior researcher and Bluestone and Smith are research associates. These authors show how considering many relevant issues is critical to understanding other financial obligations the state might face in making proposed changes to financing education.

"The Fiscal Research Center strives to deliver research and analysis that will give our state and local leaders the information they need to formulate policy. We do not lobby for nor lead their decisions, but help them answer questions and suggest others that must be addressed to come to a sound decision," says Sjoquist.



“Our center provides Georgia’s fiscal decision makers nonpartisan policy research and technical assistance.”

DAVID SJOQUIST

related reading

These and more Fiscal Research Center publications are online at <http://frc.gsu.edu/publication.htm>.



Public finance experts examine FISCAL REFORM IN INDIA

India, a federal nation of nearly 1.1 billion people, has experienced strong economic growth the last 15 years. Its economy has grown an average 6.8 percent annually since 1994, reducing the country's poverty rate by about

10 percentage points. (*The World Fact Book 2005*)

Yet the fiscal condition of India's states is deteriorating. A lack of fiscal discipline among the states has led to inefficiency and poor quality in the delivery of services and infrastructure.

"At least a third of India's states are so deeply in the red that they should be in an intensive care unit," says Mark Rider, associate professor of economics. Rider headed the International Studies Program team that worked with India's Ministry of Finance to explore fiscal policy options and develop a set of decentralization reforms.

"These states are running unsustainable deficits that are causing the country a lot of problems," he says. "Nearly every state in the United States has a balanced budget requirement. The same controls do not exist in India or in many other federal countries that have similar issues with the lack of fiscal discipline at the state level. It's not an uncommon problem."

The Indian government contracted with ISP in late 2004 to examine the lack of fiscal discipline among the states, diagnose its source and offer options for reform. The ministry was particularly interested in the lessons that ISP's international experience would offer in improving

fiscal management – including crises – at the sub-national, or state, level.

Rider took Indian ministry personnel on tours of Australia and Brazil to examine the successes and problems other federal countries have had in dealing with decentralization reforms. The officials also toured Canada, Russia and the U.S.

Rider, principal investigator, reports the ISP team's findings in "India: Fiscal Condition of the States, International Experience, and Options for Reform" coauthored with ISP Director Jorge Martinez-Vazquez, Dean Roy Bahl and student Eunice Heredia-Ortiz, who is earning her Ph.D. in economics at AYSPPS. The project was funded with a \$175,000 grant from the U.S. Agency for International Development.

This report reviews key issues responsible for the current fiscal condition of Indian states, provides an analysis of relevant international experience, and evaluates options for reform suggested by the lessons drawn from international experience. It closes with a set of recommendations for reform to be considered by India's policy-makers. Goals for these reforms include improving the quality of public services, imposing fiscal discipline on the states, extending decentralization to the local level, getting the intergovernmental system in sync with economic reforms, and redesigning institutions to match the new realities of Indian federalism.

The study was timely, says Rider, as the lack of infrastructure investment and its low level and quality of social services, particularly education and health, may jeopardize the country's future growth and progress on important social indicators (i.e., infant mortality and nutrition, poverty and illiteracy).

In April 2005 Rider and his team presented the report to members of India's Ministry of Finance at a three-day roundtable in Jaipur, Rajasthan. "We are confident that our work will help lay the groundwork for India to shape useful fiscal reforms," he says.

“These states are running unsustainable deficits that are causing the country a lot of problems.”

MARK RIDER

related reading

Bahl, Roy, with Eunice Heredia-Ortiz, Jorge Martinez-Vazquez, Mark Rider. "India: Fiscal Condition of the States, International Experience, and Options for Reform: Volume 1." Working Paper Number 05-14-1 (June 2005).

_____. "India: Fiscal Condition of the States, International Experience, and Options for Reform: Volume 2." Working Paper Number 05-14-2 (June 2005).

Martinez-Vazquez, Jorge. "Making Fiscal Decentralization Work in Vietnam." Working Paper Number 05-13 (June 2005).

Tanzania's fiscal reforms progress steadily



Council officials in Morogoro Rural District discuss capital development priorities for their village.

Jamie Boex, a senior associate in the International Studies Program and assistant research professor of economics, traveled to Dar es Salaam, Tanzania, in September with Paul Kagundu, an economics doctoral student at AYSPS, to assist Tanzania's Local Government Reform Programme in developing a formula-based, unconditional equalization grant. Then they went to Morogoro for a week to deliver a training workshop in partnership with Mzumbe University on local government finance reform that was attended by 20 senior ministry officials.

Kagundu remained at the capital into December to help the country's Ministry of Finance and the President's Office of Regional Administration and Local Government draft its second annual Local Government Fiscal Review for 2005. From Atlanta, Boex returned to Tanzania in December to assist in completing the document.

Since 2002 the Andrew Young School has provided the country with

public finance technical assistance through an ongoing, Danida-funded project, "Technical Support for the Implementation of Formula-Based Block Grants in Tanzania."

On the heels of the rapid, ongoing reform of the country's transfer system, the Government of Tanzania in 2004 contracted with Georgia State to provide a comprehensive review of the policy framework that underpins the structure financing the country's local governments. (See "Tanzania's route to fiscal reform," Research Issue 2004.) AYSPS has since assisted Tanzania in developing an overall strategic framework to guide the structure of financing its Local Government Authorities, including intergovernmental transfer schemes, specific local taxes and local borrowing. The study was commissioned by the Local Government Reform Programme and the Ministry of Finance with support from the Royal Netherlands Embassy.

The study team led by Boex consisted of Dean Roy Bahl, ISP Director Jorge Martinez-Vazquez and colleagues Philip van Ryneveld and Andrey Timofeev. The team's final report, "Development of a Strategic Framework for the Financing of Local Governments in Tanzania," was completed in June.

In the report, the team notes that Tanzania has made substantial progress "on transforming the previously highly discretionary transfer system into an objective, transparent, stable and pro-poor funding mechanism for local governments." They rate the overall structure of the country's system of local government finance quite sound, despite some shortcomings, and expect that further fine-tuning will help the country "arrive at a comprehensive local government financing framework that is well-integrated and internally consistent." The report closes by recommending three areas of reform that Tanzania should pursue to achieve its desired goals.

Today the school continues to provide support to Tanzania's local government finance reforms under a new agreement with PO-RALG's Local Government Reform Programme.

related reading

All reports associated with this project, including presentation slides from a stakeholders workshop held in Dar es Salaam in May, are available via a link at <http://isp-aysps.gsu.edu/projects/tanzania/lgfstudy2004.html>.

TANZANIA

“International organizations and bilateral donors have come to realize that no aid program can be effective in the developing world unless the problem of corruption in government is directly addressed.”

JORGE
MARTINEZ-VAZQUEZ

USAID-sponsored research seeks solutions to corruption and poverty



The International Studies Program takes a new look at the connection of public finance to poverty and corruption in studies sponsored by the U.S. Agency for International Development initiative, Fiscal Reform in Support of Trade Liberalization. Also known as the Fiscal Reform Project or FRTL, this program provides research, training, assessments and technical assistance to help developing countries around the globe implement sound fiscal reforms.

Fiscal reform effective in fighting corruption

A “data revolution” in the corruption literature supports the perception that fiscal corruption by public officials knows few boundaries. This form of graft is prevalent in countries like the U.S. and France as well as in developing and transitional countries.

After a history of being downplayed by governments, international organizations and policy experts because it was seen as a cultural or political issue nearly impossible to erase, its elimination is increasingly being touted as a necessary economic objective. Awareness is growing of corruption and poverty’s close interaction among countries, as is a new understanding that fighting corruption is possible and worth doing.

“Fiscal corruption” is the abuse of public office for private gain by government officials in the areas of public resources, taxation and spending policies. This behavior is likely to be rational and self-interested, suggesting that economic measures and policy reforms may be more effective than a Sunday sermon in fighting it.

Such are some of the findings of Jorge Martinez-Vazquez, Javier Arze and Jamie Boex in their research, “Corruption, Fiscal Policy, and Fiscal Management,” an overview of corruption in public finance. Martinez-Vazquez is an economics professor and director of the International Studies Program at AYSPS. Boex is a senior associate of ISP and assistant research professor of economics, and AYSPS alumnus Arze is an economist with the World Bank.

This study is a comprehensive analysis of fiscal corruption that offers practical solutions to countries committed to fighting waste and corruption in the public sector, says Martinez-Vazquez. The study provides an overview of current research in the areas of fiscal corruption, policy and management; analyzes the economics and fiscal dimensions of corruption and the fiscal responses that reduce it; and examines regional patterns of corruption around the world. It closes by offering a series of preliminary lessons and practical guidelines that countries can follow to formulate an anti-corruption strategy.



"International organizations and bilateral donors have come to realize that no aid program can be effective in the developing world unless the problem of corruption in government is directly addressed," says Martinez-Vazquez.

Although this study goes far in helping countries understand how their fiscal policies and management can either expand or reduce fiscal corruption, its authors suggest that many important questions about anti-corruption policies remain to be answered. They also offer an important conclusion. "Even when the most sophisticated and sound anti-corruption strategies and institutional structures are technically in place, their success depends critically on the details of their implementation and the de facto mechanisms that may bend or weaken the strategy to corrupt practices," they write.

Fiscal decentralization a way to combat poverty

"Poverty is not only about a lack of resources but also about risk, uncertainty regarding the future, vulnerability, powerlessness, lack of voice and representation, and limited freedom. Similarly, (fiscal) decentralization is more about the level of genuine autonomy exercised by local governments in their revenue and expenditure decision and the integrity of the system's design rather than just the percentage of public spending going through local government budgets," writes a team of ISP public finance experts in its new USAID report on poverty and decentralization.

Although fiscal decentralization is an important reform found in many developing and transition countries, little is known about the overall impact of this reform on poverty reduction. In their report, "Fighting poverty through fiscal decentralization," Boex, Martinez, Eunice Heredia-Ortiz and Guevera Yao, doctoral students in economics, and Andrey Timofeev, an ISP research associate, attempt to show how fiscal decentralization can better deliver key services, empower local governments, and increase transparency and equity in public resource allocations, all of which – when done right – are proven to eliminate poverty.

The study suggests how development agencies and international financial institutions can support fiscal decentralization reforms in a manner that more effectively serves the poor. Its authors try to strike a balance between the issue's comprehensive scope and practical policy applications its readers can follow to achieve their desired results.

"By presenting a better understanding of how these two areas intersect, our study provides specific recommendations on how, and why, international development agencies and financial institutions successfully fight poverty when they support these reforms. We show them what elements are necessary for a properly designed reform, and why systematic evaluation of the intergovernmental fiscal arrangements is important," says Boex.

relatedreading

Boex, Jameson, Eunice Heredia-Ortiz, Jorge Martinez-Vazquez, Andrey Timofeev, Guevera Yao. *Fighting Poverty through Fiscal Decentralization*. United States Agency for International Development (January 2006).

Martinez-Vazquez, Jorge, F. Javier Arze, and Jameson Boex. *Corruption, Fiscal Policy, and Fiscal Management*. United States Agency for International Development (October 2004).

These reports are available online at www.fiscalreform.net/research/research.htm. For more information on ISP research and activities, go to isp-aysps.gsu.edu.

Research grants send doctoral student to Uganda



Ask economics Ph.D. candidate Abdu Muwonge what some farmers in Uganda think about the delivery of privatized agricultural extension services. He has an answer.

For several months this academic year, with the support of an in-country internship and competitive grants, Muwonge is conducting quality assurance evaluations in Uganda's farmlands.

In June, Muwonge received notice he would be awarded a Competitive Research Grant from Strategies and Analysis for Growth and Access in support of his dissertation. The SAGA project, administered by Cornell and Clark-Atlanta universities and funded by a cooperative agreement with USAID, provides research and technical assistance in Africa.

Muwonge, whose hometown is Kampala, Uganda, says he felt his project was a long-shot for the award, at best. "Given the high competition, having emerged a recipient made me smile for the first time since I started working on the proposal."

For his dissertation, "Local Government Financing and Provision in an Institutionally Constrained Decentralized System: Agricultural Extension in Uganda," he is conducting evaluations in selected National Agricultural Advisory Services districts.

"The question that motivated me to study contracting for pro-poor service delivery arrangements in a decentralized developing country context is: Do the private service providers contracted by sub-national governments execute their contractual

obligations, and if so, what is the impact of their services on the livelihoods of the poor? If no, then we need to understand why service delivery arrangements may fail in a decentralized system," he says. His research includes reviewing survey documents and collecting secondary data on NAADS financing and primary data from farmers. Data are collected on agricultural outcomes and the factors that affect these outcomes.

While in Uganda, Muwonge is interning for the National Agricultural Advisory Services Secretariat, where he will help review the national and international standards of the agency's strategic enterprises, conduct a policy review and collect secondary data as well.

A recipient of the Carolyn McClain Young Scholarship Award, Muwonge earned a B.S. at Makerere University, Uganda, and an M.A. in Economics at the University of Dar es Salaam, Tanzania. He was awarded the Dan E. Sweat Dissertation Fellowship, which will enable him to complete his field work. "I am grateful to the SAGA program and the Andrew Young School for all their support," he says. His faculty advisor is Professor Sally Wallace.

In showing their support for Muwonge's grant proposal, the CRGP/SAGA reviewers noted that extension delivery in Africa is in great need of sound analysis and improvement. "This research can give relevant information for policy decisions," they wrote.

Muwonge plans to carry on in this important effort. "My vision is to provide evidence-based information for policy in those regions of the world where the vast poor live," he says.



Above, Abdu Muwonge interviews farmer in her kitchen. Right, Muwonge reviews piggery project with farmer.

PUBLIC FINANCE TRAINING BRINGS THE WORLD to Atlanta

As often as projects carry them around the globe, the nomadic AYSPPS faculty and staff can also be found on campus promoting the school's mission. Training workshops, seminars and conferences bring senior policy experts together with academics and policy makers from around the globe to Atlanta to share their experiences and research findings.

Everyone benefits. The economists gain a better understanding of the fiscal issues they frequently address in their countries, and the school meets its goal of promoting excellence in the analysis, design and implementation of public policy. Recent ISP programs illustrate the school's contribution to the practice of public finance.

Prestigious Summer School in Public Economics

The Summer School in Public Economics in July brought 24 young assistant professors of economics from Spain to the Andrew Young School to learn from leading economists from the U.S. and Canada. The week-long training exercise was sponsored by the Fundación Rafael del Pino, a prestigious Spanish foundation, in collaboration with the Instituto de Estudio Fiscales, an extension of the Ministry of Finance in Spain.

The Spanish professors, many just starting their careers, participated in lectures given by public finance experts who discussed the "hot" issues in their fields, according to Emilio Albi, an economics professor

at the Complutense University of Madrid. "The goal every summer is to get our young professors in touch with new areas and challenges within the wider field of public economics," he said.

"Our participants really enjoyed the lectures," agreed Jorge Martinez-Vazquez, professor and director of the International Studies Program. "In learning from the crème de la crème of public finance experts like Arnold Harberger and Wallace Oates, they were exposed to some of the most brilliant minds in public finance." Albi and Martinez directed the program.

The school's ability to attract these speakers was critical to moving it to Georgia State, said Albi. "It is difficult to get these big names." The Andrew Young School is the first location outside of Spain to be selected by the Instituto for its summer school, which has operated more than 20 years.

Conference examines experimental economics

During its Annual Conference on Public Finance Issues in an International Perspective, ISP brings a variety of public finance experts together to discuss their research on important policy themes. Participants have included Richard Bird, Charles McLure, Sri Mulyani Indrawati, Paul Smoke, Anwar Shah, Milka Casanegra, William Fox, Frederick Schneider and Victor Thuronyi.

A select group of distinguished scholars met at this year's Experimen-

tal Public Economics Conference in May. The economists examined a range of public finance issues, and presented ten original papers that applied experimental methods to emerging issues in public economics.

These conferences were webcasted and can still be viewed over the Internet. The next annual conference, scheduled for June 5 and 6, 2006, is on the flat tax.

Conference papers, presentation slides and audio for the 2005 conference are available online at <http://isp-aysps.gsu.edu/academics/conferences/conf2005/index.html>.

Annual policy training expands

The International Studies Program successfully conducted another popular series of Fiscal Policy Summer Training Courses last summer, and has posted its program for 2006. Led by a panel of distinguished faculty and leading policy experts with worldwide experience, the courses are designed for government officials and policy makers from developing and transition countries and their counterparts in international donor agencies.

Information on the 2006 program, including details and dates for the four courses, is available online at isp-aysps.gsu.edu/summer.htm.



FORMER MANDELA SCHOLAR



ACTIVE IN SOUTH AFRICA'S FISCAL REFORM

How would it feel to play a role in developing and implementing a portion of “one of the most important pieces of legislation passed by a country’s first democratic government,” according to that government?

Andrew Young School alumna Lesley Fisher can tell you.

As staff in the National Treasury, Fisher assisted the South Africa Parliament through passage of its new Municipal Finance Management Act enacted in July 2004. She is now helping to implement the act in the municipalities. Fisher, a former Mandela Fellow, is director of local government legislation and regulation for the National Treasury of the Republic of South Africa.

The new act will help the country:

- Modernize the system of financial management in local government;
- Enable public sector managers to manage, but at the

same time be held more accountable;

- Ensure the timely provision of quality information; and
- Eliminate the waste and corruption in the use of public assets.

Its underlying principles are: accountability for decision-making, transparency, and separating roles and responsibilities. “The idea is to get uniformity,” says Fisher. “So all municipalities must report in the same format, and accounting standards are uniform. The goal is that you will see a standardized format for each municipality on any report of South African municipal finance.” This will be relevant for international investors and donor agencies like World Bank and the International Monetary Fund.

As a member of the National Treasury team, Fisher contributed to the Parliamentary discussions and recorded minutes. “We debated the legislative policy framework that governs municipal finances in the country.

THE MANDELA PROGRAM'S LEGACY

According to Lesley Fisher, the Mandela Program is considered a huge success by the South African government. The National Treasury employs the largest number of scholars. “They seem to like the outcomes of the program and the quality of the students. And they kept on recruiting.”

Other Mandela Scholars from AYSPS working for the South African government include:

- **VERONICA MAFOKO**, now at the national office of the Department of Provincial and Local Government;
- **VUYELWA VUMENDLINI**, director, Personnel Policy for the National Treasury;
- **PERCY MOLEKE** at the Human Science Research Council;
- **GABRIEL DISENYANA** at the Department of Trade and Industry; and
- **PETER MOGOANE** at the Provincial Government in KwaZulu, Natal Province.

“The Mandela Scholars went to universities all over the country,” says Fisher, “yet I think those of us at the Andrew Young School got a far different reception, treatment and support compared to the other students. We still keep in touch – we’re like a big family.

“Also helpful was the fact that Dean Bahl and some of the other AYSPS faculty were very familiar with the South African economy and our government system. They had been to our country, so they worked to make our studies practical. James Alm (Economics Chair) and others came to our class just to talk about practical issues.

“Most of us had entry level experience – I was in local government before – but I was a very junior-level official and certainly not involved in policy making, whereas now I am. It has been very useful to have that background,” she says.

I was part of that process, where we developed the policy for the act," says Fisher.

As South Africa's legislative body, Parliament makes laws. "They tell us what they think should be contained in the laws, but they do this in consultation with departments, the National Treasury in this case," she says.

Fisher says the most interesting thing about being in on the ground floor of such a major piece of legislation was seeing how it evolved over time. "We started out with some principles and ideas. But with the governing party, the opposition and relevant stakeholders all involved in the discussion, the degree to which they consulted with each other was quite widespread. A lot of compromises are reached at the end of the day.

"Parliament did not just decide the act unanimously. They actually asked local governments and told them, 'This is what we are thinking. How would it work in practice?'

"It's democracy in action," she says.

Once the act was passed, Fisher's role shifted to implementing the act in 284 municipalities, each with different levels of capacity. "We spent a lot of time developing an implementation strategy," she says. It will take five years to phase it in. "People were resisting it initially, because it's a new way of doing things. But they can see the benefits. They are coming around to it. They're getting used to what is required of them.

"Our objective is to get a sustainable local government system, where people are responsible for the money of taxpayers," says Fisher. "In public finance, you decide how to allocate the funds. Everyone wants a share... the MFMA policy will make sure that everyone gets what they are entitled to get."

Fisher says her training at the Andrew Young School was very relevant to her current position. "I specialized in local government finance. Most of my electives were taxation policies and revenue kind of issues. Although the MFMA is legislation, this informed everything we did – the principles underlying this act, and the legislation we drafted at the end of the day."

Although she has little time for activities outside of work, Fisher says she is happy to play such a key role in contributing to fiscal reform in South Africa. "This is a very satisfying job. It's a lot of work, but I really enjoy what I am doing. I can see the difference I make in everyday life."

ANDREW YOUNG SCHOOL FISCAL EXPERTS AT WORK THROUGHOUT ASIA

AYSPS faculty and staff in the last few years have traveled to China, Indonesia, Nepal, Thailand, Sri Lanka, Bangladesh, Bhutan and Papua New Guinea to conduct training and technical assistance projects. They are currently working on projects in Vietnam and Pakistan.

In April the school conducted a five-day workshop for government officials in Rajendrapur, Gazipur, Bangladesh. Titled "Fiscal Decentralization: A Review of Concepts and Applications for Bangladesh," the training was attended by 18 senior officials from the country's Local Government Division, Ministry of Finance, LGED and other government ministries, and six officials from Nepal. The program was developed and delivered by the Andrew Young School in collaboration with the United Nations Capital Development Fund.

For more information on ISP's training and technical assistance projects, go to isp-aysps.gsu.edu/projects/countries.html#asia.

EAST TIMOR FISCAL DECENTRALIZATION TRAINING



ISP Senior Associate Jamie Boex and Eunice Heredia-Ortiz, a Ph.D. candidate in economics, in October delivered training on fiscal decentralization to 30 senior policy makers and government officials in Dili, Timor-Leste (East Timor). Participants from Timor-Leste included the Minister of State Administration and the Vice-Minister of Finance. The one-week workshop was developed by AYSPPS in collaboration with the UN Development Programme and support from Development Cooperation Ireland.

PRIVATE EMINENT DOMAIN IN GEORGIA:

Just Peachy or the Pits?



Author Geoffrey Turnbull, professor of economics, coordinates the Urban Regional and Analysis Group in Domestic Programs. URAG brings together scholars at Georgia State to encourage research of urban and regional issues, disseminate results and facilitate interaction among each other and with other leading scholars in their disciplines.

EXCERPTED FROM RESEARCH NOTES
(February 2006, Number 4)

Railroad, electric transmission, and petroleum and gas pipeline companies have long enjoyed various degrees of eminent domain powers in the U.S. As common carriers, these firms serve the public interest by servicing all users at regulated prices. The process of obtaining the land corridors necessary for long-distance electric transmission systems or petroleum pipelines resembles the land assembly problem confronted by a government acquiring the land needed for a public highway. Reducing the transactions cost of acquiring essential land routes lowers common carriers' prices. Thus, eminent domain powers can translate into more efficient provision of these important goods and services.

Georgia is one of a handful of states granting private firms extensive eminent domain powers. Nonetheless, these powers are controversial. Given the necessity of such powers, the U.S. and individual state constitutions define restrictions on the uses for which property can be taken as well as how the owner must be compensated. Concerns about private eminent domain, however, do not appear to touch on either of these two issues. Instead, this debate is really over procedure, that is, defining "who" has the power to initiate condemnation – and whether or not it matters.

Eminent domain allows common carriers to more easily obtain an essential resource – land – needed to fulfill their special roles in the economy. Thus, common carriers have long satisfied the public use doctrine for eminent domain. Even Justice O'Connor's opinion in *Kelo v. City of New London* points to eminent domain exercised by common carriers as a noncontroversial illustration of narrowly defined public use – in contrast with the controversial local government eminent domain condemnations that are the focus of that recent decision.

Cobb, Dawson, Forsyth, Hall, Lumpkin and Rabun counties in Georgia have each tried to use their own regulatory powers to control power transmission line routes in recent years. These attempts have been unsuccessful so far; the Georgia Supreme Court reaffirmed that the eminent domain powers of the private firm preempt local zoning and land development laws in *Cobb County v. Georgia Transmission Corp.* The relevant question is whether the preeminence of private eminent domain over local governments' zoning and other regulatory powers makes economic sense.

Efforts to stem private eminent domain appear to be motivated by concern that regulated utilities with eminent domain powers do not carefully consider the costs of their decisions. Does allowing these firms to freely choose their land routes create incentives to choose inefficiently long routes or to use more valuable land when less valuable land is available?

This study by Turnbull shows that the private firm does not have an incentive to use either more or more costly land than it must because doing so needlessly sacrifices profitability.

While the debate over private eminent domain in Georgia rests on the premise that state or local government eminent domain will function better, this need not be true. In fact, the more responsive the government is to its constituents, the greater the expectation that local interests will dominate, leading to routing decisions driven more by NIMBYism than by any motives to efficiently allocate land among competing uses.

Finally, equitable compensation is another concern raised. Questions about appropriate compensation are endemic to takings in general and therefore do not reflect an inherent weakness of private eminent domain over government eminent domain.

related reading

Research Notes is published periodically by URAG. Find this report and more online at aysps.gsu.edu/urag/workingpapers/index.htm.

Fulbright Scholar to bring lessons home from Colombia

Bogotá, Colombia, has a thing or two it can teach Atlanta and other cities about cultivating citizen participation in government, believes student Rebecca Serna (M.S. in Urban Policy Studies). She left for Bogotá in January as a Fulbright Scholar to measure the city's 15-year program to improve citizen participation. Her research will examine the connections between public space and civic culture in this South American city.

"I plan to explore whether Bogotá's elected leaders were able to incorporate meaningful public participation into their investments in public space. In Atlanta, activists are free to speak, but their ideas are often solicited simply to meet the community feedback requirement for federal funding," says Serna. "A critical aspect of my research will be to answer whether the kinds of change effected by Bogotá can be replicated elsewhere."

Serna suggests it is important to understand Bogotá's success within the context of the conflict and cultural climate of Colombia. In 1991 the country adopted a new constitution that made mayors elected rather than appointed, gave them greater responsibility for public safety, and wrote citizen participation requirements into the planning process. Colombia was in the midst of an escalating 40-year insurgent campaign to overthrow the country's government, fueled in part by funds from the drug trade, according to the CIA World Fact Book.

"Bogotá, the capitol city, was an incredibly dangerous place and people were afraid to leave their homes,"

says Serna. "Then two creative, visionary mayors were elected, Antanas Mockus and Enrique Penalosa. Mockus focused on renewing the civic culture; he was quite creative, going on television to demonstrate water conservation in showers and hiring mimes to encourage better driving behavior and respect for pedestrians, for example. Penalosa invested in libraries and

"These innovative mayors asked residents to change their behaviors while promising that the city would change with them. ... they created new responsibilities of full citizenship."

REBECCA SERNA

museums, parks, bike paths and a new public transportation system. He created spaces where people could share their renewed sense of what it means to live in the city.

"These innovative mayors asked residents to change their behaviors while promising that the city would change with them. By encouraging residents' greater cooperation, conservation and adherence to social norms such as traffic laws, they created new responsibilities of full citizenship."

These mayors and civic leaders championed the creation of a shared civic culture, says Serna. "They built places to express that culture, and actively sought to broaden participation in city planning and governance." Serna will analyze their achievements by reviewing the existing literature and surveys and conducting interviews with government officials and private citizens, and will construct an index to measure citizen participation as it changed over time.

She plans to write a few articles about Bogotá's innovations. "I would like to share the city's experience with an American audience."

Serna says her background in anthropology gives her a great appreciation for active involvement in research and planning. Her resume already features an impressive record of volunteer and advocacy work. Among other activities, she is co-founder and president of Citizens for Progressive Transit, an Atlanta-based public transportation advocacy group, and founder of PUSH, a networking and volunteer group for women. She says that all of the interests she brought into the Andrew Young School were strengthened by seeing their real-world applications. "I have been motivated to take an active role in issues that matter to me."

Fulbright Scholar Rebecca Serna offers herself as a prime example of what she likes best about AYSPS: "What I love about this school is the way it combines theory with practice. It both draws from and fertilizes the rich soil of urban life."



ECONOMIST REVEALS THE ART OF ESTIMATING ECONOMIC



What is economic impact?

It is creating a new destination that inspires visitors to stay and spend money in downtown Atlanta, according to Bernie Marcus, benefactor of the Georgia Aquarium. "When you bring people in they're going to spend money, and spending money is going to create jobs in this state and create an environment where this state can prosper better than it did ever before," he says in a press release on the impact of the aquarium, which opened in November.

More precisely, the aquarium is estimated to bring Georgia a total direct and induced economic impact of \$175.1 million and 2,951 jobs the first year, writes Bruce Seaman in his report, "The New World of Coca-Cola and The Georgia Aquarium Economic Impact Study." The new \$200 million, 400,000-square-foot facility is projected to host 2.2 million visitors who will spend more than \$116 million in Atlanta for hotel rooms, souvenirs, food and transportation, as well as directly at the Aquarium. These projections level at a "steady state" average of nearly \$91 million after the second year.

The Coca-Cola Company and the aquarium leadership contracted with Seaman, an associate professor of economics in the Andrew Young School, to create an economic impact study prior to their redevelopment of two downtown blocks into major cultural attractions. The New World of Coca-Cola, which at 75,000 square feet will replace the company's existing downtown attraction, will open in 2007.

Combined, the two facilities are estimated to add \$200 million a year to Georgia's economy.

Coca-Cola contacted Seaman to do the study after getting proposals from several firms. "Coke was critical of the proposals," he says. "They didn't think they took into account enough of the problems that might occur."

In his methodology, Seaman identifies some of the pitfalls such a study may overlook.

"The first question you have to ask is, 'impact on what?' Two of the simplest errors occur when researchers don't adequately account for sources and uses of spending," he says.



IMPACT

"For example, when the Georgia Dome hosts statewide high school football tournaments, it attracts huge numbers of people from around the state. Georgia dollars are recycling in Georgia. If anyone were to ask what the economic impact of this activity is on the state, the answer is 'almost none.' But if Valdosta people spend money in Atlanta, and the study is about Atlanta, there is an economic impact."

The bottom line, says Seaman, is if these attractions did not exist, would we notice it? Would we expect to see fewer tax dollars, fewer jobs, less gross state product? If the answer is no, then the actual incremental effects are zero.

related reading

Seaman, Bruce. "The Economic Impact of the Arts." *Handbook of Cultural Economics*. Ruth Towse (ed.), Chapter 28. Edward Elgar Publishing (2003).

_____. "The Supply Constraint Problem in Economic Impact Analysis: An Arts/Sports Disparity." The University of Chicago, Cultural Policy Center, Irving B. Harris Graduate School of Public Policy Studies. (May 2004).

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RESEARCH ATLANTA FORUM DRAWS POLICY-MAKERS



John Matthews

Tax increment financing, or tax allocation districts in Georgia, are a powerful tool in a local government's economic development arsenal, but the policy is not without cost or risk write Carolyn Bourdeaux and John Matthews in their report, "Georgia's Redevelopment Powers Law: A Policy Guide to the Evaluation and Use of Tax Allocation Districts." The report covers how TADs operate, their benefits and risks, and how they might be distributed across different stakeholder groups and policies to minimize costs and risks.

Bourdeaux, assistant professor of Public Administration and Urban Studies, and Matthews, research associate in the Fiscal Research Center, were invited by Research Atlanta, the research arm of the Regional Atlanta Civic League, to present their report on a panel last spring. Other panelists, all experts in TAD financing, included Greg Giornelli, president of the Atlanta Development Authority, which recently spearheaded



Carolyn Bourdeaux

the approval of the Atlanta Beltline TAD; Sharon Gay, an attorney with McKenna Long & Aldridge LLP and a leader in promoting this approach to urban redevelopment; and Dick Layton, managing director of A.G. Edwards in Atlanta.

The event drew a crowd of public officials and private developers, among others interested in this popular financing tool. The full report is available at www.researchatlanta.org.



Citizens get a second opinion at AYSPS

Sandy Springs, located 15 miles north of downtown Atlanta, is Georgia's seventh largest city. It is also Georgia's youngest city, having opened for governance on Dec. 1, 2005.

Led by Eva Galambos, a Georgia State alumna with a Ph.D. in economics, many Sandy Springs residents had worked for decades to wrest local control from Fulton County. Yet some remained skeptical the new municipality would have the means to meet estimated expenditures, even after a report from the Carl Vinson Institute of Government at the University of Georgia confirmed that it would.

Economic Sandy Springs, a group of area residents and business leaders, called upon the fiscal experts at the Andrew Young School to render a second opinion about the financial feasibility of incorporation. The result was the Research Atlanta report, "An Analysis of the Expected Revenues and Expenditures for an Incorporated Sandy Springs," which was published May 16, 2005, five weeks before a June referendum to adopt or reject the Sandy Springs Charter.

"Some feared that the UGA study was too optimistic in the surplus it estimated for an incorporated Sandy Springs," says Robert Eger, assistant professor of Public Administration and Urban Studies. "It was in the range of \$17 million to \$20 million, or 30 percent of the city's operating budget, which is quite a substantial margin.

"The group had not come out for or against incorporation, but its members were fairly skeptical of the analysis. They didn't feel it was necessarily realistic," he says. "They hired my team to re-examine the financial feasibility of Sandy Springs using the UGA study as a base." Eger says he had some conversations back and forth with the institute while working on the new report.

In their analysis, Eger, Michael Rushton and John Matthews found that incorporation of the city would leave a reserve (revenues minus expenditures) ranging from an estimated \$135,000 to \$402,000, depending on the city's bond rating. In their analysis, revenue adjustments increased total revenue estimates by 5.6 percent. Capital expenditures were also estimated up. Rushton is associate professor of PAUS and associated faculty with the Fiscal Research Center. Matthews is an FRC research associate.

"Our conservative estimate shows the revenue surplus is marginal, well below the UGA estimate," says Eger. "But we still show the city in the black. It is feasible."

Eger says that Economic Sandy Springs issued a press release supporting creation of the City of Sandy Springs after receiving the Research Atlanta report. The referendum passed, the citizens elected their mayor, Galambos, and six city council members, and a private company was hired to operate many of the city services.

Eger has been tapped to do similar studies for Chattahoochee Hills and South Fulton in Fulton County. He also looked at the issue from the county's perspective by chairing the Blue Ribbon Commission on Fulton County Governance, which presented a report to the Fulton County Board of Commissioners on January 31. "Our goal was to look at the governance, service structure and service delivery for all unincorporated areas in Fulton County, as well as the services provided countywide."

A copy of the Sandy Springs report is available online at www.researchatlanta.org/FullReports/05_sandysprings.pdf.



Eva Galambos is sworn in

ALUMNA THE FIRST MAYOR OF GEORGIA'S NEWEST CITY

Eva Galambos, a resident of Sandy Springs for nearly half a century, led the move to incorporate Sandy Springs from its beginning. In November, 30 years of effort were rewarded when she was elected the city's first mayor.

Galambos is a retired economist specializing in urban finance and labor economics. She founded and has long presided over the Committee for Sandy Springs, created to promote the incorporation of Sandy Springs as a city. It was created in 1975, shortly after the City of Atlanta attempted to annex the community.

Galambos's first connection to Georgia State was as a teacher. "I taught a course in labor economics in the evening school before it was a separate university, at a time when most students were full-time employees who wanted to improve themselves," she says.

She returned to pursue a Ph.D. in economics, with a major in urban and regional development. Her doctoral thesis dealt with revenues and expenditures of local governments in the Atlanta area and land use issues. "This was a perfect introduction for what I now face as mayor of a major city," she says.

Sandy Springs has long benefited from Galambos's dedicated and extensive contributions to the community.

PAUS professor

“Grading the States”

As states play an ever-growing role in framing and managing domestic policy, it is important to know how well they are doing. “If the states do not perform, citizens suffer,” write Katherine Barrett and Richard Greene in “Grading the States ’05,” a story about the Government Performance Project published in *Governing* magazine. (February 2005)

GPP is a nonpartisan, independent evaluation of state management practices in the areas of money, people, infrastructure and information. Each state is graded to bring attention to how well it performs its basic management functions. Just as important, however, is what it reveals in innovations and best practices that other states can use.

Funded by The Pew Charitable Trusts, the project brings together academic experts with journalists from *Governing* to conduct the research. Don Kettl of the University of Pennsylvania’s Fel’s Institute of Government served as dean of the academic team.

Katherine Willoughby, professor of Public Administration and Urban Studies, is the academic lead on the “money” evaluation. AYSPS students David Weir, Katie Sobush, Melissa Mason, Emily Evans, Andy Haas and Kenya Reed, all M.P.A. candidates during the study, and Hai (David) Guo, Ph.D. in Public Policy candidate, provided graduate research assistance.

“This public management report is a great avenue for states to look at how they’re doing compared to other

states,” says Willoughby. “Whether they have good grades or not, the states can make comparisons and use the information from the GPP to initiate innovative changes in their management practices.”

States are responding to the report, she says. “States have e-mailed questions to the GPP team. Since the grades came out last February, many practitioners have requested feedback regarding issues particular to their state.”

For the report, the academic teams developed criteria that measure good management practices in each area. Willoughby and her team looked at how well each state manages its fiscal resources, including budgeting, revenue forecasting, debt, procurement, contracting and financial accountability. They examined and graded sub-criteria regarding each state’s long-term outlook, budget process, structural balance, contracting/purchasing, financial controls and reporting.

The journalists conducted over 1,000 interviews with state officials, administrators and staff. Data from their interviews was used in conjunction with that from the survey and academic research to determine final grades. Willoughby says the collaboration between the academics and the journalists strengthened the project.

“The bottom line for us is that if the journalists are not involved, it becomes an academic exercise. Public officials read *Governing*. It gets more media play than an academic journal.



Katherine Willoughby with Hai (David) Guo

We view this project as an important way to get out good information on how states are managing in these important areas.” *Governing’s* circulation is 85,000.

Willoughby and Guo will work on the project through June 2006, analyzing the data and presenting new information under the “Money” tab on the GPP website. “An innovation to the GPP itself is its online capacity. Now it offers states a continually updated resource.”

Willoughby’s work earned her the attention of Gov. Sonny Perdue, who appointed her to his Procurement Transformation Governance Council.

She was recommended by Dana Russell, Commissioner of Georgia’s Department of Administrative Services, who’s on the MPA Advisory Board.

related reading

To view the “Grading the States ’05,” go to www.governing.com/gpp/2005/intro.htm. The Government Performance Project is online at www.results.gpponline.org.



Greg Streib (left) and Ignacio Navarro

E-GOVERNMENT:

Does demand meet the hype?

Discussions about the promise of E-government generally stress three things: easier access to information, more efficient service delivery and improved communication, write Gregory Streib and Ignacio Navarro in their article, "Citizen Demand for Interactive E-Government: The Case of Georgia Consumer Services," forthcoming in the American Review of Public Administration.

They find, however, that making citizens use online government services can be as difficult as making a horse drink water. More often than not, they won't be led to the site.

Streib and Navarro used data from the Georgia Poll, a quarterly series of telephone surveys, to determine the true demand for interactive government tools. "The Internet is big business," they write. Yet much of the published information about specific service delivery options is associated with vendors, who often give the impression that citizens are eager to use anything that governments put online. They call this conclusion strange "when a large proportion of the population does not visit the Internet at all.

"The current atmosphere of marketing hype and idealistic hopes could lead government officials in the wrong direction," they write. "Assessing levels of demand is one way to match service provision and use." Streib is professor and chair of Public Administration and Urban Studies and Navarro is a Ph.D. candidate in Public Policy and holds an M.A. in economics.

Georgia's Office of Consumer Affairs funded their study to help determine whether an enhancement of its online services would serve a public need. OCA provides information and education about consumer issues, mediates complaints and enforces various related laws and acts. Citizens can contact OCA by mail, fax or phone, or can download forms from the OCA website. Currently, most citizens phone the agency, which OCA finds challenging given its small size and fixed budget that serves a growing state.

"It is a given that some consumer complaints need individual attention," write Streib and Navarro. "However, it is not possible for them to continue offering personal attention for every caller without a steady decline in service quality. New Internet tools may provide an opportunity to change that scenario." But is this option viable?

The findings are a surprise. While a majority of respondents viewed E-government options effective, they favored in-person contact by far greater margins. "We did not expect such broad-based agreement

on the effectiveness of the Internet tools that we researched; nor did we anticipate the relative lack of interest in using them," they write.

Streib and Navarro conclude that their research suggests a trust factor may influence how citizens perceive the value of Internet services and recommend that future researchers incorporate measures of trust in any additional quantitative studies. They also offer advice to public officials who are considering offering more government services online.

"For the near future, Internet communication methods are unlikely to replace traditional options. Cost savings will be at the margins, or they will come at the expense of customer satisfaction. Any efforts to build support for Internet communication options should seek to address trust-related concerns, promise a quick response to e-mails and stress the privacy of all communications. It may also help to move to more advanced Internet applications that mix online forms, frequently asked questions and direct communications.

"This will help to meet a wide range of needs on one Internet site."

related reading

Streib, Gregory, and John Clayton Thomas. "E-Democracy, E-Commerce, and E-Research: Examining the Electronic Ties between Citizens and Government." *Administration and Society* (2005) 37:3, 259-280.

GHPC finds health status varies considerably among states

As a service to Georgia legislators, GHPC recently explored health care spending and outcomes in Georgia and eight additional states. The study focused on three major state health care programs: Medicaid, the State Children's Health Insurance Program and the State Health Benefit Plan. It examined each state's need for publicly-financed health services, state health spending, health outcomes, and program initiatives and changes.

The other states in the study include Colorado, Illinois, Massachusetts, Missouri, North Carolina, Tennessee, Virginia and Washington.

State populations range from 4.5 million people in Colorado to more than 12 million in Illinois. Regardless of size, GHPC finds all states are experiencing a growing need for publicly-financed health care services, driven primarily by growing numbers of elderly residents, greater numbers of uninsured and high rates of poverty.

For most states, the number of uninsured appears directly related to the prevalence of poverty; the higher the poverty rate, the higher the percentage of uninsured.

GHPC Director Karen Minyard says that while rising numbers of uninsured citizens put a significant

strain on state budgets, the demand for health spending in the next 15 years will be even greater because of the aging baby boomer population. "Southern states, in particular, will face a more difficult set of circumstances because of the larger share of elderly who reside in rural areas, where there is less access to health services," she says.

The cost of meeting health care needs is rising in all comparison states, creating a heavy burden on taxpayers. For these states in 2001, the portion of the budget devoted to health spending averaged 31.3 percent. North Carolina's spending was highest at 39 percent; Virginia's at 19 percent was lowest.

"Medicaid and SHBP expenditures account for the majority of all state health spending. They are the natural places to look when states want to reduce their budgets," Minyard says. "SCHIP programs enroll large numbers of children, but they are the least expensive coverage group. The budget impact of changes to SCHIP programs is typically limited because of the low cost per enrollee."

The GHPC study finds that the health status of these states varies considerably, and not always in relation to their level of spending. Colorado

and Virginia achieve fairly high health status with relatively low per-capita spending, while North Carolina spends relatively generously but ranks fairly low on health status in comparison with other states.

Minyard says that how health outlays are directed has an impact. "If expenditures are targeted, they may result in improved health and lower costs over the long term," she says.

“GHPC finds all states are experiencing a growing need for publicly-financed health care services ...”

The report shows how most states are trying to reign in costs across programs through their own initiatives or by direction of the Centers for Medicare and Medicaid Services.

Although these states have common problems with state health spending and are employing common efforts to control costs, she says, no turn-key solution exists. "A state's public and private insurance markets, culture and larger policy environment all drive what is possible and needed to support better health for more people at less cost," she says.



Karen Minyard



Report projects impact of Georgia's aging population

Georgians are aging at a faster rate than the United States.

The state's 65-plus population is expected to increase 143 percent between 2000 and 2030. The number of people over the age of 85 will grow faster than any other age group in the state.

This demographic shift can have a substantial impact on public finances and systems. To determine its significance, GHPC collaborated on a study led by the Fiscal Research Center, *Georgia's Aging Population: What to Expect and How to Cope*, which shows how this shift will impact the state's revenues and expenditures. The goal is to inform Georgia policymakers about the impact an aging citizenry likely will have on the state budget and provide insights into options for how the state might best prepare for baby boomers who mature into frail elderly.

"This shifting landscape in the composition and quality of life of Georgia's older adults is something for which most of us are not adequately prepared," says Gary Nelson, president of Healthcare Georgia Foundation, which funded the study. "The authors of this report remind us all of the immediate and long-term costs and

consequences of insufficient planning.

"Healthcare Georgia Foundation welcomes this analysis and the opportunity it presents to strategically support organizations that drive positive change, promote programs that improve health and healthcare for older Georgians, and to connect people, programs and resources in cost-effective ways."

The report tracks changes in the ratio of working-aged individuals and their impact on social security revenues and benefits. It finds that Georgia's income tax exemptions for retirees are among the most generous in the U.S., and shows how aging baby boomers' spending habits may force a shift in state sales tax revenues.

"As people age, they spend down their savings, earn less labor income, buy different types of goods and services, and demand different types of public services, especially medical services," says Sally Wallace, associate director of the Fiscal Research Center and professor of economics. "These factors increase stress on the state budget."

One major stressor on the state budget will be the growing number of elderly with chronic health conditions. Older Georgians who need the highest level of care and those eligible for a variety of public programs are projected to more than double between 2000 and 2025. Those with general chronic conditions will double to more than a million individuals.

"These estimates suggest that

caring for the elderly using the current inventory of health services could double in cost if there are no innovations or increased efficiencies in the system," says Glenn Landers, a senior research associate with GHPC.

Over the next two decades, Medicaid costs under Georgia's current system are projected at nearly \$17 billion per year, approximately \$58,000 per elderly enrollee. Nursing facility recipients are expected to double to more than 80,000, and will account for a projected \$130,000 cost per enrollee.

"All things being equal, by 2025 Georgia's Medicaid system could be caring for more than 280,000 elderly citizens, and every one of those individuals could be entitled to long-term care services if eligibility guidelines stay the same," says Landers.

"The unprecedented shift in Georgia's population over the next century will be characterized by increases in life expectancy, continued racial and ethnic health disparities, and changes in social and economic conditions," says Nelson. "Georgia's aging population will have profound implications for health status and health service delivery, employment and retirement, families and communities, and Georgia's economy."

Georgia's Aging Population provides information about the future Georgia is likely to confront. It provides a basis for thoughtful long-range budgetary planning in the face of this rapidly growing population.

related reading

Landers, Glenn and David Sjoquist, Sally Wallace, Angelino Viceisza, with Claire Ritchie. *Georgia's Aging Population: What to Expect and How to Cope*. Fiscal Research Center Report (September 2005).

GHPC wins federal contract to improve health in 40 states

The Georgia Health Policy Center has been awarded a \$1 million federal contract to improve availability of health and human services in select rural and medically underserved areas throughout the United States.

The grant allows GHPC to partner with 75 grantees in some 200 communities across 40 states to develop and sustain rural health organizations whose mission is to improve access to quality health care. As partners, GHPC will help the organizations identify community needs and provide any tailored technical assistance needed to develop and sustain innovative partnerships and programs that positively influence the health of their citizens.

On average, rural Americans are older, poorer and sicker than urban residents says GHPC Director Karen Minyard. Many rural areas have a limited economic base; as a result, rural residents are less likely than their urban counterparts to be covered by health insurance.

"Rural health organizations help bridge the gap between rural and urban areas to meet the needs of the communities they serve," she says.

The contract was awarded by Health Resources and Services Administration's Office of Rural Health Policy. Effective in September, it contains five one-year options that, if exercised, could bring its total value to nearly \$6 million.

Patricia Kota, director of Community Health Systems Development at GHPC, will lead implementation of the HRSA contract.

The Georgia Health Policy Center began its work with rural Georgia communities in 1997. In 2001 its programs expanded to meet rural health needs across the U.S.

Dean Roy Bahl applauds HRSA's choice of GHPC for its new, competitively awarded contract.

"Because the real impact of any policy-making decision is realized locally, the depth and breadth of the Georgia Health Policy Center's work at the community level is central to its decade of success in providing high-quality and relevant policy information and recommendations," he says. "This major federal contract is yet another sign of the center's and the Andrew Young School's rising national prominence."

"This contract allows us to improve the health of communities nationwide."

PATRICIA KOTA

ASSESSMENT ADDRESSES CHILDHOOD OBESITY

The Philanthropic Collaborative for a Healthy Georgia recently launched the Georgia Youth Fitness Assessment to address a critical missing link in the control of childhood obesity. The project will add dimension to existing knowledge about childhood obesity in Georgia. It will provide policymakers a way to measure progress in efforts to reduce this growing health problem.

It will serve as a "powerful tool for change," says GHPC Senior Research Associate Mary Ann Phillips. "The assessment is meant to encourage and enable effective allocation of scarce resources to implement targeted strategies for improving the health and fitness of Georgia's youth."

"Decision makers need comprehensive and reliable data about the physical activity levels of this population," she says. "Information gained from this assessment could be used by health professionals, educators, researchers, policymakers and parents to better understand the current and future impact of fitness on the health of Georgia's children."

The assessment will evaluate body composition, muscle strength, endurance and flexibility, and aerobic capacity in a statistical sampling of 4,000 elementary and middle school students. It will yield reliable, statewide information by race, gender, age, ethnicity and urban/rural geographic location.

The survey tools, FITNESSGRAM and ACTIVITYGRAM, will produce objective, personalized feedback and positive reinforcement vital to changing behavior.

On behalf of the collaborative, GHPC is working with a firm to conduct the assessment. Teamed with the U.S. Centers for Disease Control and Prevention and the Georgia Division of Public Health, the project will give Georgia the opportunity to be a national leader in assessing youth fitness. Few states have the benefit of this method of assessment.

GHPC has published reports related to childhood obesity in Georgia available at www2.gsu.edu/~wwwghp/publications.htm.



Economic experiments expand understanding of discrimination



Paul Ferraro (left) instructs subjects in the experimental lab

Culture, ethnicity and race, the bedrocks of “cultural differences” that distinguish groups of people in a community or society, can have a measurable impact on economic outcomes. Yet economists often ignore how individuals who share the same culture behave when they interact with those from a different culture in their society.

Economists Paul Ferraro and Ron Cummings have found that lately more economists are taking a closer look at the role of cultural identity. Ferraro, an assistant professor, and Cummings, retired Noah Langdale Jr. Eminent Scholar, use laboratory experiments to examine the role cultural diversity plays in determining economic outcomes and to explore the underpinnings of discrimination.

One path of existing research focuses on cross-cultural differences in behavior. Another carries the question further: if cultural differences affect behavior and outcomes, do inter-cultural relationships affect behavior and outcomes? Also, although empirical studies provide evidence that

discrimination exists in various markets, rarely do they allow an analyst to draw conclusions concerning its nature.

“Our paper provides an experimental framework that can tie together these disparate literatures and help economists move toward a synthesis of the effects that ‘culture’ has on economic behaviors and outcomes,” Ferraro and Cummings write in their study, *Cultural Diversity, Discrimination and Economic Outcomes: an experimental analysis*.

Their analysis complements existing research in three ways: by controlling for the many factors that may affect observed outcomes, including the cultural diversity within laboratory sessions; by distinguishing between statistical and preference-based discrimination during the experiments; and by looking at whether cross-cultural differences in economic decision-making can be detected within cultures that co-exist in the same industrialized society.

To address these issues, Ferraro and Cummings organized experimental sessions in a simple bargaining environment, the Ultimatum Bargaining Game. Participants were drawn from Hispanic and Navajo cultural groups in New Mexico. Two players, a Proposer and Responder, were instructed to bargain over \$10 in a portable experimental laboratory. They communicated via networked notebook computers and wireless connections.

In summary, they find that both Hispanics and Navajos appear to discriminate against the other group.

“Our results clearly demonstrate that culture can matter in explaining variability in economic outcomes, and in more ways than previous research has suggested,” they write. The distinction is important because if cultural diversity can affect individual behavior, “economists may need to reconsider the way in which they control for cultural differences in empirical analysis.

“Throughout the world, policies are formulated in societies characterized by mixed ethnicity, race and religion, in which there are clear majority and minority groups. Allocating the costs and benefits of public decisions across citizens (e.g., setting tax policy, providing public goods) is a crucial policy issue. The way in which citizens value the potential policy outcomes, however, may not only be affected by the cultural group to which they belong, but also by the group’s size in the society.”

related reading

Ferraro, Paul, and Ron Cummings. “Elucidating conflict over natural resources: an experimental approach.” *Using Experimental Methods in Environmental and Resource Economics*. J. List (ed.), Edward Elgar (forthcoming).

Experimental Economics Lab research is available online at expecon.gsu.edu/ and on AYSPPS faculty websites.

HOW DOES ethnic diversity in neighborhoods IMPACT VOTES?



Social context influences the way voters become informed about policy write Michael Rushton and Christine Roch in their article, “Social Context and Voting over Taxes: Evidence from a Referendum in Alabama.” Voters who do not under-

stand a complex proposal often look for guides, “informational shortcuts” that may include endorsements from those they consider to be more knowledgeable. They also gather information from their social networks, some of which may be limited by racial segregation that may also restrict the information they receive.

It is important, says Rushton, to understand how the demographic composition of a community may impact policy. “How does the mix in a multi-ethnic environment impact a proposal to develop more progressive taxation that may finance public goods?” he says. “Specifically, are white voters in the U.S. more or less inclined to support redistributive taxation when they live in more racially diverse areas? To date, the evidence has been mixed.

“Older histories claimed that whites living in the ‘black belt’ tended to be most against any policies that helped blacks, but is that still true?”

Tax policy is typically complex. The 2003 Alabama tax referendum Roch and Rushton analyze was very complex, involving many taxes. It failed by a two-to-one margin. Had it passed, it would have raised substantial additional revenues for public education while making the state’s tax system much more progressive. “The vote provides an interesting case study, given the magnitude of the proposed reforms and Alabama’s racial history,” says Roch.

In their research, Roch, a political scientist and Rushton, an economist, look at the relationship between racial diversity and support for the referendum. Both are associ-

ate professors of public administration and urban studies at the Andrew Young School.

Their article reviews the Alabama tax system, its history, and some of the challenges to raising revenue in the state under its current system that led Gov. Bob Riley to propose the constitutional referendum of 2003. Roch and Rushton use ecological inference, a statistical method, to obtain county-level estimates of white and black voter turnout and votes.

They find that white support for the referendum, although significantly less than black support, was larger in counties that are racially and ethnically diverse. Although diversity seems to have only a weak effect on black support, it remains significant in explaining white support. White voters in counties with better educated populations were more likely to support the referendum. A county’s economic environment had greater influence among black voters, with more voters in poorer counties voting to support it.

“Our findings suggest that diversity significantly influences support for redistribution,” says Rushton. “White support for the proposed referendum increased with the degree of racial and ethnic diversity within the county.”

The article cautions, however, that the conclusions may be limited since they were drawn from a single referendum vote in one state. “Future work might shed further light on whether the racial diversity has different effects on white voter behavior in the South than in the rest of the U.S., as well as on the dichotomy between the results of economists studying economic policy and recent results that suggest diversity might impact voter behavior,” says Rushton. Clearly more research is needed to clarify the link between diversity and economic policy.

related reading

Roch, Christine. “The Dual Roots of Opinion Leadership.” *Journal of Politics* 67(1) (2005): 110-131.

Rushton, Michael. “Support for Earmarked Public Spending on Culture: Evidence from a Referendum in Metropolitan Detroit.” *Public Budgeting and Finance* (Winter 2005): 72-85.

“Voters who do not understand a complex proposal often look for guides, “informational shortcuts” that may include endorsements...”

Pre-K program fosters early academic success



Georgia students enrolled in the state's Pre-K program made major academic progress as they advanced through first grade, eclipsing national norms in both math and language skills, according to "The Georgia Early Childhood Study (2001-2004) Final Report."

This study analyzes the progress of four-year-old children enrolled in the Georgia Pre-K program and children

in other early childhood education settings such as Head Start and private pre-schools and day care centers. The study was conducted by Principal Investigator Gary Henry, a professor of Public Administration and Urban Studies at AYSPS, and Senior Research Associate Dana Rickman, with research associates Bentley Ponder, Laura Henderson, Andrew Mashburn and Craig Gordon. Henry has led a number of major research efforts tracking Georgia's Pre-K programs, including the Pre-Kindergarten Longitudinal Studies, as well as other educational initiatives including the state's HOPE scholarship.

Children enrolled in Georgia's Pre-K program gained substantially on their U.S. peers on the language and cognitive skill assessments used throughout the study. Although they began preschool behind national norms on three of four skill assessments, they learned well enough in first grade to score well above the norm on two assessments and on par on the third. By the end of first grade, says Henry, they exceeded national norms for overall math skills and their ability to identify letters and words. "The children posted significant gains compared to where they started, although the tests did show a slight turndown in language skills compared to national norms during the first grade. These children put Georgia in a good place to improve student achievement throughout the elementary grades and beyond."

Henry says that child and family characteristics play an influential role in all children's development processes. "Nearly a third of the children whose mothers did not fin-

ish high school ended up repeating either kindergarten or the first grade, and they scored much lower on standardized tests, especially math," he says. Other factors such as family income, race and living with both parents since birth also influenced their development.

Henry's study shows that children living in poverty clearly benefit from the state's free Pre-K program.

"It is clear this program has taken root," says Henry. "Working with children who know and can do more from the first day of kindergarten is steering the state's education reforms in the right direction.

"Also, for the first time, this study provides evidence that children learn better when they are in classrooms with more of their highly skilled peers. This study supports the argument for universal pre-kindergarten programs. Children who enter Pre-K with lower levels of social and language skills get a boost from being in mixed classrooms where they can learn directly from their interaction with these peers."

The report makes several recommendations, such as preschool for three-year-olds from poor and working-poor households, to better prepare these children for school success.

"This study indicated that Georgia Pre-K is a very viable choice for parents who wish to enroll their children in a four-year-old program," says Marsha Moore, commissioner of Bright from the Start: Georgia Department of Early Care & Learning. "Indeed, our program has been a model for other states, and the study reinforces that it is working to close gaps and better prepare young children for kindergarten."

Karin Koser, contributing writer

related reading

Henry, Gary, and Dana Rickman. "Do Peers Influence Children's Skill Development in Preschool?" *Economics of Education Review* (forthcoming).

Henry, Rickman, and Craig Gordon. "Early Education Policy Alternatives: Comparing the Quality and Outcomes of Head Start and State Pre-Kindergarten." Paper presented at the American Association for Policy Analysis and Management. Atlanta (October 2004).

AYSPS research on education policy, including the study above, is available online at aysps.gsu.edu/epg/index.htm.

Disability policy in transition,

SAYS AYSPS EXPERT



Awareness of disability policy generally peaks during major crises or debates, like the controversy over Terri Schiavo, whose medical and legal battles fueled an onslaught of media and advocate attention, or the contentious passage of the Americans with Disabilities Act in the early 1990s.

Disability policy, however, is too important to be decided in the heat of highly emotional events believes Deon Locklin, director of the Program for Rehabilitation Leadership at AYSPS. Policy discussions about how our federal, state and local governments can best meet this community's needs are better left for a calmer day, she says.

Locklin offers ideas to consider when setting a framework for disability policy.

"We're in a transition from viewing disability as a physiological phenomenon to more of an environmental one. Disability is caused by tangible or attitudinal barriers in our environment, therefore it is a societal problem, not an individual one," she says.

Our public service delivery systems are predominantly based in medical model paradigms: policies and resource allocations are aimed at solutions designed to "fix the person," says Locklin. "An alternate view emphasizes disability as a natural part of the human experience and sanctions self-advocacy. It shifts the policy focus to eliminating environmental barriers to full access and indepen-

dence for individuals with disabilities, and providing them full decision-making control in their lives, particularly regarding the types of services and supports they receive."

Yet the trend today is to cut back or consolidate federal human services programs. Locklin observes federal programs that focus on the employment of individuals with disabilities are being targeted for consolidation into more generic workforce development systems. This shift is resisted by many who believe that set-aside dollars and services for people with disabilities are necessary to ensure they don't get lost in a crowded, shared resource pool.

The challenge, she says, is to create national policy that streamlines the service delivery system while assuring the quality of outcomes for persons with disabilities — as defined by people with disabilities. "This is a difficult challenge in a public climate that is no longer all that excited about federally created social service programs."

Locklin believes policy will continue to lean toward state and community solutions. "But states and communities have traditionally relied on federal funding to create

and maintain the system infrastructure. State budget shortfalls are forcing difficult choices as to which programs can stay and which have to go. And each state differs in terms of its value and commitment to disability-related services.

"Community non-profit organizations are part of the solution, but there are many who raise the concern that the quality and scope of services is inconsistent throughout states or regions. In addition, there is concern that accountability is impossible without some federal or state oversight."

Polymakers and the public will undoubtedly continue the debate over the rights and resource priorities for individuals with disabilities. Says Locklin, "the emotional maelstrom that surrounded the Schiavo case last March reflects the diversity of beliefs and the fears many have regarding people with disabilities. So much of the debate was based on an assumption that some individuals are 'better off dead than disabled.'"

"Sound policy promotes the viewpoint that people with disabilities have the same right to life and liberty as the rest of us."

relatedreading

For more information on the core activities of the Program for Rehabilitation Leadership go to www2.gsu.edu/~wwwprl/PRL/coreactivities.htm.

Private schools have little impact

ON PUBLIC SCHOOL PERFORMANCE

Despite all the fanfare surrounding school choice during the last several years, school voucher programs are slow to spread to the states. As recently as January 2006, school districts in only six states – Maine, Florida, Utah, Vermont, Ohio, Wisconsin – and the District of Columbia had enacted voucher programs.

*Andrew Young
School Research
helps sharpen
the debate on
education policy.*

Yet calls to privatize public education via vouchers continue to feed a popular policy debate. Advocates in favor of school choice support such recommendations with the belief that choice between public and private schools fosters competition, thereby improving public education.

Until recently, research investigating the impact of private school competition on public school performance has shown mixed results. Some studies show a significant positive effect while others find no significant effect whatsoever. Other studies have shown that any improvements that do occur are modest.

The importance of this policy issue and the lack of empirical results indicate that further work is needed, says David Sjoquist, director of the Fiscal Research Center and Dan E. Sweat Distinguished Chair in Educational and Community Policy. "It is necessary to move the discussion on school vouchers from rigid positions around whether or not this choice improves public schools to understanding with greater clarity the conditions and situations in which it has

an impact, and those in which it does not," he says.

In their research paper, "The Effect of Private School Competition on Public School Performance in Georgia," Sjoquist, Mary Beth Walker and Christopher Geller provide additional empirical evidence to help sharpen the focus of this policy debate. Walker is associate professor of economics at the Andrew Young School and Geller, an AYSPPS graduate, is a lecturer in economics at Deakin University in Geelong, Victoria, Australia.

The researchers investigate whether increased private school competition results in enhanced performance of Georgia's public schools using data from its school systems for both third and tenth grades. Their research specifications differ from earlier empirical models in several ways that they describe in the study.

Their research finds that test scores in public schools are not measurably or significantly higher in counties that boast greater private school competition. "Overall, our results yield very little evidence that public

school performance is enhanced by competition from private schools," they write. In fact, they find that an increase in the number of private schools has a small, but statistically significant negative impact on public school test scores. "Roughly speaking, the results imply that an increase of one private school per county ... would reduce average math scores by about one-quarter of a point." The effect on reading scores is similar, although smaller.

In concluding the study, Sjoquist, Walker and Geller discuss possible reasons why existing private school competition may not have a measurable effect on public school performance. They also note that these are results for Georgia and may differ from those found in other states.

"Policies to promote private schools in order to prompt public schools to improve their performance must be tailored to fit that agenda," the report closes. "Merely increasing the number of private schools may not improve public school performance in all environments."

Choice not guaranteed to expand private schools

Two assumptions lie behind the current interest in school choice and voucher programs: one, that the number of private schools, or seats available in existing private schools, will grow in response to the greater demand generated by vouchers.

The other is that private school competition will increase public school performance, which David Sjoquist, Mary Beth Walker and Lakshmi Pandey examine in their report, “Births and Deaths of Private Schools.”

Sjoquist, Walker and Pandey, senior research associate and data manager in the Fiscal Research Center, address the fact that few have paid attention to the question of private school supply. “If the necessary supply of private schools is not available to students who choose to use vouchers, having a voucher becomes irrelevant,” says Sjoquist.

Several studies focus on the demand for private schools, they find. Yet only two authors address the question of supply. Sjoquist and his team use data sets from the state of Georgia and the National Center for Education Statistics to focus on the births and deaths of private schools.

There is a standard assumption in voucher literature that private schools will expand rather than raise tuition, that new schools will form if tuitions get out of line, and that the ability to charge higher tuitions would make operations easier for private schools, says Sjoquist. “Yet our find-

ings suggest that private schools that have been in operation several years are not likely to expand. Most private schools will limit tuition increases as much as possible, and several key conditions must be met for new schools to open.

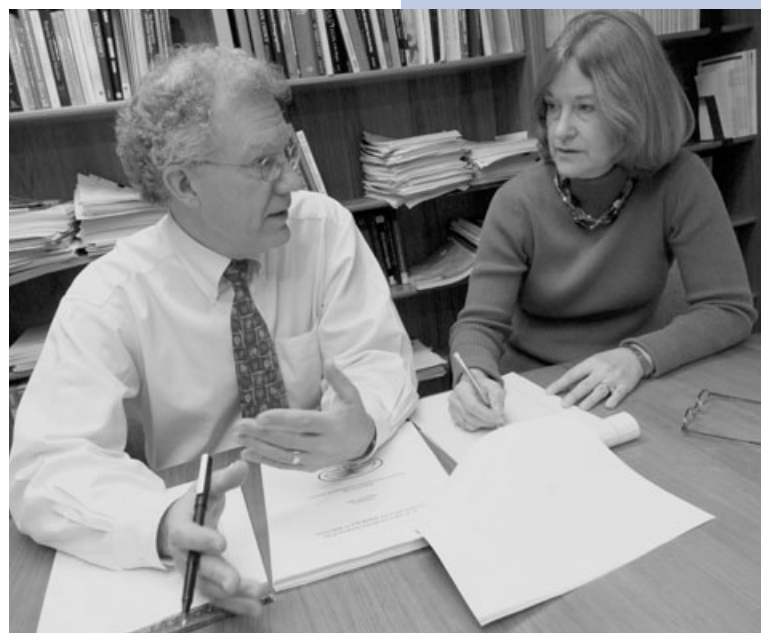
“Because private schools probably face barriers to entry, it is unlikely

“If the necessary supply of private schools is not available to students who choose to use vouchers, having a voucher becomes irrelevant.”

DAVID SJOQUIST

that there could be a quick supply response to changing demand conditions,” they write.

Conditions that might close private schools include falling demand, including a decline in the number of



David Sjoquist and Mary Beth Walker

school-age children or a change in the composition of their number. If more private schools open than can be supported by market size, some will close. Also, as the quality of public school instruction increases, they draw more students, decreasing the potential population of private school students.

“We were surprised at the amount of turnover of private schools we found,” says Walker. “In Georgia over a 22-year period, 988 private schools opened, but 701 schools closed.”

A big unanswered question in investigations of the effects of private school vouchers is whether private nonprofit schools are like private for-profit businesses in how they respond to increases in demand, says Sjoquist. “Our research suggests that they are.”

related reading

Fiscal Research Center publications are available online at <http://frc.gsu.edu/publication.htm>.

Nonprofit managers must address unique mission-market tension



Dennis Young and Michael Rushton

A successful private nonprofit organization is like a happy, long-running marriage or partnership.

It has found a way to combine two significant, often competing interests – a public service-oriented mission and a need to prosper in the marketplace like a business – without losing sight that achieving the mission is the bottom line.

“It is clear that nonprofit organizations should ultimately judge their performance in terms of impact on social mission,” writes Dennis Young in his report, “Mission-Market Tension in Managing Nonprofit Organizations.” However, in reality, nonprofits operate in a market environment. “Tensions between responding to the incentives of the marketplace and addressing the mission pervade virtually all dimensions of their economic decision making.”

The challenge every nonprofit faces is that to maintain its viability, it must break even financially while it addresses its designated social mission. Young is the Bernard B. and Eugenia A. Ramsey Professor of Private Enterprise in the Andrew Young School and directs the school’s Nonprofit Studies Program within Domestic Programs. This paper was presented to the Academy of Management in Honolulu in August, and is forthcoming in *Social Security* (in Hebrew) and *Nonprofit Leadership and Management*.

“Nonprofit managers and leaders are as likely to be judged by their contribution to the organization’s sustainability and growth as they are by how well it achieves its mission,” says Young. “Yet choices that have the greatest impact on mission may differ from choices that are more financially rewarding.”

“Nonprofit managers require clear focus, strong discipline and appropriate measurements to keep on track and deal with the tensions that often pit organizational prosperity against accomplishing the organization’s mission,” he says.

In his research paper, Young considers how tensions between mission and market manifest themselves in a variety of nonprofit decision-making applications. He uses a set of reports generated by the National Center on Nonprofit Enterprise to review the issues and challenges to nonprofits in eight areas of nonprofit decision making: service pricing, staff compensation, outsourcing activities and programs, fundraising costs, investments and expen-

ditures, new ventures and venture philanthropy, institutional collaboration, and e-commerce. His conclusion suggests that nonprofit managers must adopt a decision-making framework that answers four key questions as posed in the report.

Young closes by writing that the richness and complexity of this subject suggest it is fertile ground for future research. He points to the need for appropriate metrics: those that would directly measure mission impact in terms of social benefit, and those that would indirectly measure any mission-related social benefits generated by financial gain or opportunity cost.

“Metrics that would bring the financial and social dimensions of performance together, and could then be adapted to a variety of nonprofit economic decisions would be an important step forward,” says Young. “Alternative policy designs for the various decision-making realms considered in this paper – pricing, compensation, etc. – need to be analyzed to show how each contributes to both financial and program impact, and ultimately to the nonprofit’s mission.”

related reading

Young, Dennis (ed.). *Financing Nonprofits: Bridging Theory and Practice*. AltaMira Press and the National Center on Nonprofit Enterprise (forthcoming).

Nonprofit Studies offers a series of working papers online at aysps.gsu.edu/nonprofit/working/, including the study profiled above.

AYSPS analysis aids efforts to end homelessness

Is mass urban homelessness an intractable problem? Yes. Is it impossible to correct? Many think so, after decades of throwing various solutions at the issue. However, the Regional Commission on Homelessness has come together to find a permanent solution. Its members believe that with the right plan and resources, its work can help end chronic homelessness in this region by 2013.

Key to this conviction is analysis led by Janet Johnson, a senior research fellow in the Nonprofit Studies Program. Shena Ashley, a Ph.D. student in public policy, provided research support.

The commission is a coalition of government, faith, civic and nonprofit organizations, businesses, philanthropic organizations and individuals from throughout metro Atlanta. It was originally convened in 2002 by Atlanta Mayor Shirley Franklin. In March 2003, it published the "Blueprint to End Homelessness in Ten Years," defining its course of action. Now operating through the United Way of Metropolitan Atlanta, this commission has moved steadfastly and systematically towards finding policies and programs that work.

Research is recognized as a cornerstone of the commission's work. Who are the homeless? How did they get on the streets? What do they need to get back into housing? In order to find a solution, the commission needed to better understand the problem. Homeless counts and social services data do not tell the entire story.

Two nonprofit organizations, Pathways Community Network and the 2005 Homeless Census Advisory Council, conducted a point-in-time homeless census and a survey of 800 homeless individuals in 2005 to develop a better-informed profile of these individuals, who they are and their needs. The Andrew Young School, under Johnson, was contracted to provide important analysis critical to understanding the characteristics of this population.

Many of the survey findings confirm those from another conducted in 2003. Johnson notes that the latest survey went deeper in its questioning to help develop a better understanding of the conditions of those interviewed.

"Nearly three-quarters of the homeless surveyed in 2005 reported having a high school or higher education,"

she says. "This fact elicits the most surprise when we present our findings.

"About 60 percent of those who reported they would not stay in a shelter the night they were surveyed (in April or May) indicated that it was a matter of preference. They dislike shelters or feel safer outside. Surprisingly, less than half of all surveyed indicated they were getting any social services from an agency or program, except for food, although more than 60 percent normally slept in shelters, transition housing or treatment programs. Many of them do not apparently believe that these programs provide help beyond a place to sleep."

Johnson and Ashley have presented their analysis at a Symposium on Homelessness sponsored by the Nonprofit Studies Program at Georgia State and to the Regional Commission on Homelessness. Pathways will conduct another census in 2006; another full survey is planned for 2007. Johnson hopes AYSPS will continue to provide analysis for the surveys as they are conducted every two years.

"This project provides a good example of policy research that matters," she says.

Adding resources to the commitment to find a solution, Atlanta Mayor Shirley Franklin appears to agree. In her January state of the city address, she announced plans to spend nearly \$40 million in public and private money to help eliminate homelessness.



Janet Johnson (left)
and Shena Ashley



related reading

For a copy of the report above, go to aysps.gsu.edu/nonprofit/researchreports.htm.

Find additional information on the research conducted through the Nonprofit Studies Program available online at aysps.gsu.edu/nonprofit/research.htm, including links to its working papers and research reports.

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