ABOUT THE ART:
The paintings accompanying this report are the work of Joey P. Mánlapaz of Washington, D.C. Mánlapaz’s work has been exhibited at the Corcoran Museum of Art and the National Endowment for the Arts, among others. She is in the faculty of the Corcoran College of Art & Design.

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DESIGN:
Levine & Associates, Washington, D.C.
It is both exciting and humbling to assume the chairmanship of the Urban Institute’s board of trustees. I was elected in late 2003 to step into the impossible-to-fill shoes of Dick Fisher, the Institute’s previous long-serving, devoted chairman. Barely one year later, Dick passed away, depriving us of his wise counsel, his unerring judgment, and his warm companionship. We will always remember his friendship, however. In his death, the nation lost a perceptive, ethical, and deservedly admired leader in the world of international finance, as well as a discerning and generous supporter of cultural and educational institutions. The combination of conviviality, probity, good humor and financial acumen that Dick brought to our board is rare—perhaps even unique—and will continue to influence the Institute and all of us who were blessed so greatly in our work with him on behalf of this institution to which he gave so much. All of us will miss him.

As I look at the many serious policy challenges facing the nation, I cannot help but take pride in the major contributions that the Urban Institute has made to improving programs and developing new solutions to continuing problems. It has repeatedly earned its spurs as it tackled, over more than 36 years, some of the most difficult, complicated, and perplexing challenges faced by our country. During that same period, I have had the privilege of observing the Urban Institute’s ascent to the pinnacle of the nation’s premier independent public policy research organizations, and I have been able to do so especially closely because I was in the same line of business in a succession of good vantage points—from the position of Associate Provost for Urban Studies and Programs at Yale when the Institute was founded in 1968, then from 1971–1983 as the founding director of what is now Duke University’s Terry Sanford Institute of Public Policy, and somewhere in between as the founding president of the Association for Public Policy and Analysis Management. With ever greater admiration, I have watched as Bill Gorham and Bob Reischauer led the Institute into new areas, always guided by the highest scholarly standards, as well as with keen policy instincts and the ability to relate long-term research to the issues and practical challenges of the day.
Over the past 20 years, my own research and teaching interests have moved steadily into the study of the not-for-profit sector, which I have long regarded as one of America’s greatest contributions to democracy. I was therefore delighted when several leaders of that sector concluded that the National Center for Charitable Statistics should find a new and permanent home in an institution with the highest standards of research and further concluded that, if the Urban Institute were willing to be such a home, the NCCS should be located there. And so was born one of the Institute’s newer fields of focus, the Center on Nonprofits and Philanthropy. In collaboration with scholars all over the United States, and with other fine organizations, that Center maintains by far the richest data bank anywhere on America’s not-for-profit sector with its 1.8 million tax-exempt organizations, two-thirds of which are partially fueled by more than $241 billion in charitable contributions annually. That Center not only gathers, cleans, and makes accessible all relevant data on the sector, it also spearheads the objective analysis of those data and publishes a steady flow of evidence-based studies on the not-for-profit sector. The Urban Institute’s Senior Fellows and research staff easily distinguish the Center as the highest-quality group of scholars anywhere studying primarily that sector. At a time when Congressional committees are considering revisions of the laws regulating not-for-profit organizations, the Center’s respected researchers are well positioned to help guide any changes with the data-backed judgment and the proven wisdom that characterize everything that the Urban Institute does.

I look forward to continuing my association with the Urban Institute and its board of trustees, which has now been augmented by three exceptional new members, all of whom I welcome enthusiastically. They are Jamie S. Gorelick, a Washington attorney and former member of the 9-11 Commission; Mary Miller, an executive at a leading global investment management firm and former Urban Institute researcher; and Dr. Melvin Oliver, a distinguished sociologist and educator.

JOEL L. FLEISHMAN
CHAIRMAN
HOW THE POLICY ENVIRONMENT HAS CHANGED

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. population</td>
<td>200,706,000</td>
<td>295,112,000</td>
</tr>
<tr>
<td>Minimum wage in 2004 dollars</td>
<td>$8.46</td>
<td>$5.15</td>
</tr>
<tr>
<td>Dow Jones Industrial Average</td>
<td>944 (Dec 31)</td>
<td>10,783 (Dec 31)</td>
</tr>
<tr>
<td>% of families headed by female with no husband present</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>% of adult women in paid jobs</td>
<td>46</td>
<td>73</td>
</tr>
<tr>
<td>% of federal spending (discretionary vs. mandatory)</td>
<td>66 vs. 34</td>
<td>39 vs. 61</td>
</tr>
<tr>
<td>% of employed labor force with a college degree</td>
<td>14 (1970)</td>
<td>33</td>
</tr>
<tr>
<td>Average SAT score of entering college classes</td>
<td>math 533 verbal 541</td>
<td>math 518 verbal 508</td>
</tr>
<tr>
<td>GDP per capita (2004 dollars)</td>
<td>$19,838</td>
<td>$39,777</td>
</tr>
<tr>
<td>National health expenditures as share of GDP</td>
<td>6.1%</td>
<td>15.4% (projection)</td>
</tr>
<tr>
<td>Urban % of total population</td>
<td>70</td>
<td>83</td>
</tr>
<tr>
<td>% of voting age population who voted in presidential election</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Violent crimes per 100,000 people</td>
<td>298</td>
<td>470</td>
</tr>
<tr>
<td>Share of total household income received by poorest fifth richest fifth</td>
<td>4.2%</td>
<td>42.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The election campaign of 2004 broadened the nation’s policy agenda as the candidates homed in on issues of most concern to voters. National and homeland security—most notably, Iraq—continued to dominate discussion, though domestic social and economic problems began to receive increased attention. But this attention was framed by the growing recognition that any new initiatives or any solutions to old problems would have to be constrained by austere fiscal realities.

For several years the nation’s large and growing budget deficits had been downplayed, excused as the temporary effect of a weak economy and the unavailing consequence of responding to terrorist attacks and threats in the Middle East. But in 2004 concern began to build over the possibility that persistent deficits could spark short-run economic instability and depress long-run economic growth. A consensus also began to emerge that the fiscal imbalances would not correct themselves—that policymakers would have to impose substantial sacrifice.

With the election over and many new officials at the helm for at least the next two years, the list of major issues the public wants policymakers to address is daunting. Baby boomers are only a few years away from eligibility for Social Security and Medicare benefits, the long-run sustainability of the government’s entitlement commitments has taken on an added sense of urgency.

Fiscal and demographic pressures and public expectations will combine over the next few years to create a period of significant policy change. In this environment, the Urban Institute will continue to provide dispassionate, objective, and methodologically sophisticated analyses and relevant data that will inform public debate and assist policymakers. As elected and appointed officials make tough decisions, they will need to know which programs work best, what the consequences would be if a program were scaled back or eliminated, how those consequences might play out geographically and across different subgroups of the population, and what public- and private-sector policy options are available for dealing with emerging problems. Building on over three decades of research, the Institute will help answer these questions.

In 2004 our analysis influenced how policy choices were framed and discussed. Perhaps the best illustration of this salutary effect was the work of the Tax Policy Center (a joint venture with the Brookings Institution), which provided objective analyses of both presidential candidates’ tax plans and clear descriptions of the burden the current tax code places on families of various types and at various income levels. As the media tried to sort through complex tax policy issues, it relied heavily on the estimates and explanations available on the Tax Policy Center’s web site (http://www.taxpolicycenter.org). Our Contemporary U.S. Tax Policy (C. Eugene Steuerle, UI Press, 2004), which was awarded a coveted Choice award for scholarly excellence, put the current tax debate into historical context.

CONTINUED
As healthcare spending reached a record 15 percent of gross domestic product, Urban Institute analysis examined options for holding down cost growth. Our researchers explored the potential benefits and costs of relying more heavily on private health plans to deliver services to Medicare beneficiaries. Our analysis of the changes in health insurance coverage during the 2000–03 economic slump revealed the important role that public programs can play when workers lose or cannot afford the health insurance provided through their employers. With policymakers searching for affordable coverage for the uninsured, the Institute also analyzed how uninsured lower-income Americans would fare under various proposals to establish tax credits for health insurance.

In keeping with the Institute’s mission and reputation, our researchers filled information gaps, scrutinized current social policies and programs, and brought new policy challenges to light in 2004. Our Gay and Lesbian Atlas (Gary J. Gates and Jason Ost, UI Press, 2004) mapped the state-by-state and community-by-community prevalence of same-sex couples. Applying our own work to find better ways to measure high school graduation rates, we found that just over two-thirds of all teens who enter ninth grade graduate with a regular diploma four years later, but only half of minority teens do. Our third annual report on housing in the Washington, D.C. metropolitan area showed that the region’s continued prosperity and surging demand for housing have pushed rents and housing prices out of reach for many who live here. Our prisoner reentry project documented the fivefold growth of Texas’s prison population since 1980 and identified the factors that help to determine whether those released from Maryland’s prisons will successfully reintegrate into the community. And analyses by our National Center for Charitable Statistics found that nearly 20 percent of all nonprofits newly registered with the IRS since 2000 are faith-based organizations. This sampling of work completed and new findings doesn’t do justice to the breadth of Institute research. Nor does it reflect our efforts to tie together the many strands of analysis into comprehensive, yet understandable, stories. Prime among these latter efforts is the Herculean task, initiated in 2004, of consolidating the roughly 450 reports, briefs, and books the Institute has produced over the past decade under the Assessing the New Federalism project. This synthesis of research on the social safety net and the federal and state roles in maintaining it will help policymakers assess the effects of welfare reform and the best ways to help poor working families and their children in the future.

An important focus of the Institute’s mission remains abroad with developing economies and transitional societies. From Armenia to Indonesia, from Moldova to Zimbabwe, the Institute’s staff works collaboratively with both governments and local nonprofit groups to develop policies and systems that promote meaningful dialogue, build consensus on objectives and methods, and lead to palpable results. The aims are to strengthen local governance, make local service delivery more efficient and effective, energize economic development programs, and build institutions to fortify civic engagement. In 2004, we worked in 17 countries.

As this glance backward shows, 2004 was another year of institutional growth and consolidation, a year in which our research was used heavily on the front lines of policymaking and program evaluation. Combined, our practical approach and enormously talented and dedicated staff will ensure that the Institute’s voice will be heard as policymakers begin their fiscally driven review of public programs.
COLLECTING AND ANALYZING DATA

- simulation modeling
- designing and analyzing surveys
- tracking trends
- measuring discrimination
- mapping data
- managing databases
- counting vulnerable populations
- developing performance-management techniques
- analyzing state and federal budgets, taxes, and revenues

Examples from 2004:
- Assessed state and federal spending on child welfare and showed how federal, state, and local funding interact.
- Surveyed 500 organizations providing community-based HIV-prevention programs on how they measure outcomes for their clients and track results.
- Examined the effects of employer characteristics and job mobility on the advancement prospects of low-wage workers.
- Providing data on and analyzing the status of children and families in Washington, D.C., for the 2004 Kids Count fact book.

CONDUCTING POLICY RESEARCH

- picking the right issues
- choosing or creating the right methodologies
- assembling the right team
- following the facts wherever they lead
- finding the right words
- subjecting our findings to outside review
- reaching the right audiences
- appreciating the practical difficulties of implementing policy

Examples from 2004:
- Created a new framework for measuring high-school graduation, completion, and drop-out rates.
- Analyzed the tax and spending programs behind higher education financing.
- Analyzed how state children’s health insurance programs in 13 states fared in the recent economic downturn and how cuts may affect children’s access to coverage.
- Determined that cutting cost-of-living adjustments to curb rising Social Security costs would substantially cut the family income of the oldest and poorest retirees.
- Analyzed the potential impacts of proposed block grants to fund such programs as Food Stamps, Medicaid, and Head Start.
- Laid out return-to-work options for Social Security Administration disability program beneficiaries and applicants.

EVALUATING PROGRAMS AND SERVICES

- understanding policy objectives
- identifying indicators of success
- examining how services and programs are structured
- distinguishing policy impacts from other influences
- weighing social costs and benefits
- staying independent

Examples from 2004:
- Critiqued evaluation designs for the Substance Abuse and Mental Health Services Administration.
- Examined how well the federal “One Stop” career centers are meeting the needs of people with disabilities.
- Evaluated a program aimed at helping more minority students get undergraduate and graduate degrees and, later, jobs in science, math, and engineering.

REACHING THE PUBLIC

- building and staying in touch with key audiences
- connecting research findings to Americans’ concerns
- bringing fresh facts to debates
- correcting the record
- reaching decisionmakers and the public through reports, scholarly books, our web site (www.urban.org), e-newsletters and “e-lets,” press releases and briefings, testimony and opinion pieces, talks and presentations, conferences, and other events

Examples from 2004:
- Briefed Senate, House, and joint committees on findings from our latest child-welfare financing survey.
- Provided many commentaries to the public radio program Marketplace.
- Made a presentation to the National Research Council on the use of research in decisionmaking.
- Addressed the Conference of Black Mayors on prisoner reentry issues.
- Posted on our web site more than 370 new charts and tables on tax revenues and burdens.
- Published The Gay and Lesbian Atlas, which got coverage in more than 75 newspaper articles, e-zines, and radio interviews.

Our data-based research, policy analysis, program evaluation, and communication activities complement and build upon each other. Together, they help government and the public understand which policies and programs work and why and which show results that justify their costs.
Hard facts—like these from Urban Institute research—can be debated, but that debate improves public policies and programs.

For around $10 billion a year, 70 percent of the 10.6 million uninsured parents with modest incomes—below $35,300 for a family of four—could be insured through Medicaid.

Women who raise kids alone are 55 percent more likely than married mothers to be poor in old age, even when educational and other differences are taken into account.

States spent at least $22 billion in child welfare in fiscal year 2002, up 8 percent since 2000.

Local nonprofit organizations serving children and youth in the Washington, D.C., region had revenues totaling more than $1.5 billion in 2000.

Under current policy, income net of both taxes and health-care spending for older couples will not rise between 2000 and 2030.

Child-support policies and the aftereffects of incarceration helped depress the employment rate of young less-educated black men in the past two decades.

Three-fourths of children under age 5 whose mothers work are in non-parental childcare every week.

Between 2000 and 2002, median home prices shot up by 37 percent in the Washington metropolitan region while wages rose only 9 percent.

49 million people had no health insurance at some time in 2001 or 2002. Half went without for at least twelve months.

The juvenile drug courts that states and local jurisdictions started establishing in the mid-1990s numbered almost 300 by 2003.

The Arizona charitable tax credit program helped prompt $2.4 million in charitable giving for nonprofits in 1999, though donors directed nearly half this sum to four large nationally affiliated organizations.

Retirees born from 1946 to 1965 can expect to be wealthier than previous generations but may need to save more or work longer to maintain their living standards.

Of all students starting ninth grade in 2000, an estimated 68 percent graduated in 2004 with a standard high school diploma.

An estimated 2.4 million taxpayers in 2003 and 3 million in 2004 had to pay the Minimum Alternative Tax. By 2006, barring changes in tax law, that number will reach 18 million.

In the ten states where the prison-construction boom was greatest in recent decades, facilities were located in 13 percent of all counties in 1979 and in 31 percent by 2000.

In 2005, Medicare’s private health plans will receive about 116 percent of what it would cost to deliver that care through traditional Medicare.
The Assessing the New Federalism Project won the American Association for Public Opinion Research’s first annual award for improving policy decisions, practice, and discourse.

Duncan Chaplin of the Education Policy Center was appointed to the National Task Force on Graduation, Completion, and Dropout Indicators.

Jane Hannaway of the Education Policy Center was elected to the Executive Board of the American Education Finance Association.

Julia Lane won the 2004 Vladimir Chavrid Memorial Award of the National Association of State Workforce Agencies for her work on labor market information.

Linda Lampkin of the Center on Nonprofits and Philanthropy received the IRS Commissioner’s Award for her work facilitating electronic filing of forms by nonprofit organizations.

Robert Lerman, Senior Fellow, was named a Research Fellow at the Institute for the Study of Labor in Bonn, Germany.

Rudy Penner, Senior Fellow, was elected President of the American Tax Policy Institute and was also picked to chair a panel charged with finding new funding sources for the Washington Metropolitan Area Transit Association.

Lynette Rawlings of the Center on Metropolitan Housing and Communities won the American Political Science Association’s award for best dissertation in urban politics.

Nonprofit Accountability

Nonprofit organizations are increasingly called upon to be more accountable. But to whom and for what? They must answer to clients, members, contributors, institutional funders, regulators, and the public for the effectiveness of their outcomes, the efficiency of their operations, and the honesty of their activities. June 2004 Senate Finance Committee hearings indicate the depth of public concern about accountability.

A mainstay of accountability is disclosure of information on finances, particularly fundraising and administrative costs. The primary vehicles of disclosure are the Forms 990 (filed annually with the IRS by charities with more than $25,000 in annual gross receipts) and Forms 990PF (filed by all foundations). Making these forms widely available through the National Center for Charitable Statistics, GuideStar, and the Foundation Center has been a major advancement in disclosure. Yet, Urban Institute research indicates, errors and omissions on Forms 990 and on audited financial statements limit understanding of nonprofits’ costs and achievements.

What are these errors and omissions and why do they occur? Fundraising and administrative expenses and program achievements are commonly underreported. Some errors trace back to inadequate financial systems and lack of expertise. Others stem from misreporting and from efforts to keep administrative and fundraising costs within the guidelines of charity-rating organizations and funders.

How can we improve disclosure? Mechanical errors and omissions will end once Forms 990 are all filed electronically. Then regulators will be able to monitor reports and provide feedback too. But financial systems will not improve until boards, staff, and donors invest far more in organizations’ internal controls and management capacity—and increase their oversight of financial and program reporting.

While financial profiles and fundraising and administrative cost ratios may signal efficiency and integrity, program effectiveness is harder to measure. Sorely needed are better methods of measuring and reporting program achievements. Outcome measures must do justice to nonprofits’ wide-ranging qualitative and quantitative outcomes—and provide the public with the information needed to keep organizations accountable.
In 2004, Assessing the New Federalism (ANF) brought new information about children and families into the policy discussion with analyses of the most recent round (2002) of the Urban Institute’s National Survey of America’s Families. Our research broadened to take in a cross-section of working American families often seeking to move out of poverty with the help of such public and private supports as child care, health insurance, the Earned Income Tax Credit, and food stamps. Looking at employer benefits, for example, we found that more than half of poor workers do not have any paid leave, not even one sick day.

ANF won the first annual Policy Impact Award, presented by the American Association for Public Opinion Research in 2004, in recognition of “outstanding research that has had a clear impact on improving policy.” For example, ANF data on food stamp participation provided an early warning that case loads declined dramatically after welfare reform, as those leaving welfare often did not know they were still eligible for help. Federal and state policymakers responded, and as a result, food stamp participation rose among families leaving welfare in 2002 compared with those who had left earlier.

Our core task in the second half of 2004 was to synthesize eight years of findings about how low-income families and children fared through a full economic cycle. With three rounds of a national survey and over 450 publications, our research helps to draw lessons from welfare reform and to define next steps.

A daylong meeting among key researchers and outside experts in October designed ways that our work can best inform the continuing policy debate at the federal and state levels. Indeed, the shifting balance of state and federal policy responsibility and funding in welfare, Medicaid, and child welfare are back on the national agenda with reauthorizations or legislative proposals associated with deficit reduction.

**SELECTED PUBLICATIONS:**

The Education Policy Center revealed an education crisis in high school completion in 2004. We refined the conventional math, showing that the national graduation rate is 68 percent, not the widely referenced figure of 85 percent. More alarming, minorities have little more than a 50/50 chance of earning a diploma. Using accounting based on the No Child Left Behind Act (NCLB) we calculated graduation rates for all 50 states and the District of Columbia as well as selected large school districts—data we disseminated extensively in 2004.

As schools and school districts strove to meet the NCLB targets, we carefully noted the progress firsthand. For instance, we evaluated standards-based reform in Baltimore and in San Diego in 2004, the most visible change in Baltimore stems from restructing the district’s high schools into small learning communities. Our evaluation of Florida’s “Opportunity Scholarship” Program allows us to investigate what goes on inside the black box of schooling under pressure to be more accountable. Nationally, we evaluated how technology fits into reform efforts and whether the flexible use of federal funds works. Crossing the Atlantic, we joined with the British Embassy, Temple University, and others to conduct a three-part dialogue comparing education reform in the United States to changes underway in the United Kingdom.

What happens to students when they are out of school? We conducted an extensive review of after-school programs. We also tracked over 700 applicants to the Bell Accelerated Learning Summer Program to see if an academically enriching summer program model can curb summer learning loss.

Our multiyear study of the National Science Foundation’s (NSF) Louis Stokes Alliance for Minority Participation program shows ways to encourage academically qualified minority students to pursue graduate degrees. Likewise, the Institute’s evaluation of NSF’s Achievement and Collaboration for Teachers and Students (NSF-ACTS) initiative to improve mathematics and science education in the Washington, D.C. public schools continued throughout 2004.

SELECTED PUBLICATIONS:
- “School-Based Drug Abuse and Violence Prevention Programs: A Review” by Duncan Chaplin. The Urban Institute, 2004.

Look Before You Leap into High School Reform

Why are governors, advocates, foundations, interest groups, and President Bush himself all crusading to save America’s high schools? One reason is failure over past decades to raise teenagers’ academic performance and to fare well in international comparisons seen as proxies for competing in the increasingly global labor force. Also fueling concern is new research showing that high school graduation rates are far lower than previously realized. Estimates based on our analyses show that only 68 percent of all students in 2004’s graduating class who enrolled in the ninth grade finished high school with a diploma. Only about half of students from historically disadvantaged minority groups passed that milestone.

High schools are large and complex organizations. Size can depersonalize the learning environment and complexity can muddy the academic mission. Meanwhile, the older adolescents who populate high schools are fighting with the psychological and cultural demons of disengagement, which makes it all too easy to drop out.

Before they can make common cause to fix American high schools, the diverse groups pushing for education reform need to find common ground, and further research can make a huge difference. More work on who graduates, who doesn’t, and why, on who should be accountable for academic failure, on how to allocate resources to improve outcomes, and on whether smaller schools might better serve the needs of aging adolescents should help policymakers, advocates, and the school administrators set their priorities and choose among the disparate interventions that have been tried or will be proposed.

The Education Policy Center
With the number of uninsured at 45 million and health care costs rising rapidly, the Health Policy Center looked in 2004 at why the number of uninsured has continued to grow. We showed that the increase in the uninsured between 2000 and 2003 occurred largely because of declines in incomes and in rates of employer-sponsored insurance. Expansions of Medicaid and the State Children’s Health Insurance Program (SCHIP) offset these declines for children but not for adults, leading to a large increase in the number of uninsured adults.

We also showed in 2004 that there are significant differences between those uninsured for short periods and those who are chronically or long-term uninsured. The latter are more likely to be minorities and to be poorer and sicker. Variations among states were also explained by differences in the long-term uninsured, not by variations in the short-term uninsured.

In 2004, we estimated the cost of medical care for the uninsured in Massachusetts to be about $1.1 billion. These are costs that fall on federal, state, and local governments. The Center’s findings in 2004 showed that, for those needing care, having a safety net provider matters far less than having insurance.

Besides continuing our work on SCHIP, in 2004 we evaluated the Los Angeles Healthy Kids program, which extends health insurance to children from birth to age five whose family incomes are three times the federal poverty level. Many of these children aren’t eligible for Medicaid on SCHIP coverage. Do those who lack insurance prior to age 65 enter Medicare in worse health than the insured? Our medical spending simulations suggest that if people approaching 65 had continuous insurance coverage, public medical spending for 66 to 69 year olds would be nine percent lower, even though more people would survive to age 65. We also found that the decline in elderly disability can be related to health care utilization and costs in Medicare and the use of assistive technology in reducing dependency among the elderly.

SELECTED PUBLICATIONS:

The fast-approaching retirement of aging baby boomers stirs new thoughts on old debates. For instance, why shouldn’t work pay at older ages? In 2004, we detailed how current benefits and taxes discourage work for those 62 and older. Yet many could enjoy greater economic security over time if they stayed on the job longer. Rising health care costs also erode the security of older Americans. Our projections show, despite 30 years of productivity growth, income after taxes and health care spending for the typical older couple will be no higher in 2030 than in 2000.

In 2004, we analyzed proposals from the President’s Commission to Strengthen Social Security calling for personal savings accounts and price indexing of the formula that determines initial benefits. These changes, we told the Social Security Administration, would significantly affect poverty rates among older Americans. Even under a more optimistic personal account scenario, some vulnerable groups—divorced or never-married people, African Americans, and those without a high school diploma, for instance—would be pushed closer to poverty if benefit formulas change.

Eight years after welfare reform, we’re studying an increasingly complex picture as each state sets its own rules for cash assistance to needy families. Our Welfare Rules Database ranks among the principal information sources on state policies. In 2004, we made 2001 and 2002 data available on our web site and in published form. We’ve also analyzed the welfare population in detail, comparing those recently on welfare to low-income families with no welfare experience. How well are the children doing? We continue to probe this critical issue, partly by studying living arrangements to inform the debate on marriage promotion.

SELECTED PUBLICATIONS:


In 2004, the International Activities Center worked with USAID to strengthen local governments in 12 Eastern European and former Soviet Union countries. Our challenges included finding ways to boost citizen communication with public officials and to improve municipal services and local financial management. In Armenia, for instance, we’ve helped strengthen institutions that encourage the participation of women and youth in building a stronger government. Eight cities, with our technical support, have undertaken new economic development strategies. In Uzbekistan, through public awareness campaigns and a large training program, we facilitated the creation of small, resident-controlled housing associations.

In October, the fourth in a series of workshops was held for USAID project officers on urban-rural linkages. Workshop participants took away a new appreciation that the dichotomy between urban and rural is a false one, and that successful development work must take into account the many connections between urban and rural areas.

In Honduras, a large project started in October will build close working relationships between local governments and the organizations of civil society that need. In South Africa, we concluded a four-year project to buttress the housing sector with technical help, grant support, and workshops. Among other things, we demonstrated that using a savings-linked-to-credit lending model for the poor works. We reared the end of our work in Indonesia to transform a center for local governance innovation established by USAID into a sustainable, self-directed Indonesian institution supported by the public and private sectors.

To help local officials tally and better use the results of their work, we held training workshops in 2004 for the World Bank in Cambodia and Laos on methodology development and outcome monitoring. We also trained legislators and legislative staff in the Ukrainian Parliament to make better use of their outcome information.

SELECTED PUBLICATIONS:

Although the nation continued to see reductions in violent crime in 2004, urban areas still grappled with homicide, gang violence, and serious offenses—and want hard facts on what works in reducing crime. The Justice Policy Center remained at the forefront of criminal justice program evaluation, applying rigorous evaluation designs, state-of-the-art mapping technologies, and new methods in cost-benefit analysis to a range of critical public safety issues.

Successful reintegration of prisoners into productive social roles is vital in the wake of rising rates of imprisonment. Our studies in 2004 included a multisite evaluation of the federal Serious and Violent Offender Reentry Initiative, a longitudinal study of released prisoners in four states, the impact and cost benefit evaluations of a Nevada faith-based transitional housing program, and an evaluation of a Tennessee employment-focused reentry initiative.

In the area of crime prevention, we evaluated an initiative to build and demonstrate more effective, integrated, community-based solutions to substance abuse and violence. Preliminary findings released in 2004 suggest that the initiative has developed strong partnership capacity, which has, in turn, produced such desirable service outcomes as resource sharing and treatment effectiveness. We also conducted large-scale, multisite evaluations of innovative crime prevention programs involving high-risk youth and youth gangs. Our widely used work on juvenile offenders was capped in 2004 with the publication of Juvenile Drug Courts and Teen Substance Abuse. As the first book to examine juvenile drug courts, it reveals how little guidance these courts get from federal or state policy-makers. The programs vary greatly because they take cues from local jurisdictions.

Committed to producing sound statistics for policymakers, we continued in 2004—for the tenth year—to collect and disseminate data from eight federal justice agencies through our in-house Federal Justice Statistics Resource Center, sponsored by the Bureau of Justice Statistics. Our web site featuring this data receives tens of thousands of hits annually.

SELECTED PUBLICATIONS:


STAFF:

Terence Dunworth (Director)
Bill Adams
Martina Argenta-Meija
Christine Arriola
Demetra Barst-Bostits
Karen Beckman
Avi Bhati
Lisa Brooks
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Samuel Wolf
Ashley Wolff
Janine Zweig

THE JUSTICE POLICY CENTER

When The Prison Doors Are Unlocked

Each year, about 650,000 men and women are released from prison and return home. Their sheer numbers, coupled with growing concern about the formidable challenges that ex-prisoners face as they return to families and communities, have elevated prisoner reentry on the public agenda. When prisoners return home, they have much to cope with—trying to secure stable living arrangements, find employment, reconnect with family, and more. On top of that, many encounter family members anxious about their return, employers reluctant to hire them, and neighbors unresponsive to their very presence. Within three years, seven in ten will be rearrested and half will be back in prison, either for a new crime or violating conditions of their release.

Reintegrating prisoners into families and communities is arguably one of the most important dimensions of an effective criminal justice system. Yet, remarkably little is known about how to do it. To help fill this knowledge gap—and to provide an empirical foundation for new policy discussions on improving reentry outcomes for individuals, families, and communities—the Urban Institute launched Returning Home: Understanding the Challenges of Prisoner Reentry. By intensively interviewing former prisoners and their families in four states, we’re bringing rarely heard voices into policy discussions on helping released prisoners succeed. Listening to and documenting the experiences of these prisoners, along with those of members of the communities to which they return, should help state and local officials make policy decisions and program innovations more empirically grounded, pragmatic, and realistic.

Turning the current explosion of interest in prisoner reentry into sound policies and effective programs requires much greater knowledge about the pathways of successful reintegration, the social and fiscal costs of current policies, and the impact of release, sentencing, and reentry on individuals, families, and communities. It’s a challenge of a different order from that faced by returning prisoners, but one that must be shouldered with the same determination if it’s to succeed.
We launched the Child Welfare Research Program within the Center on Labor, Human Services, and Population in early 2004 to fill research gaps by studying, for instance, services for children placed in the care of relatives by child protective agencies. We found that many, if not most, families that could be eligible for the most generous payment do not receive it. With proposals pending on Capitol Hill to reform federal child welfare financing, we released a report in late 2004 that became the only complete data source on total federal spending on neglected and abused children. On National Adoption Day in November, we released our U.S.-wide findings on significant barriers and promising approaches to adoption.

Because the child care field has lacked a basic profile of relative care use in the United States, in 2004 we calculated how many families rely on relatives to care for their children. In one example, when families get child care help shortly after leaving welfare, they are less likely to return to the rolls. As Urban Institute researchers track public and private sector policies that affect working families—including Food Stamps and private food pantries, the Earned Income Tax Credit, child care subsidies, and public health insurance (Medicaid and the State Children’s Health Insurance Program), which has expanded as employer coverage erodes, they seek ways to help both public and private sectors achieve America’s values of work and family.

We also found that rising incarceration rates and child support enforcement stymied job prospects among young men. We also examined whether the use of computers can improve the performance of small minority- and women-owned businesses. Currently, minorities and women fall short of achieving the business success that they might if equipped with better technology and the skills to use it.

SELECTED PUBLICATIONS:

SELECTED PUBLICATIONS:

STAFF:
- Matthew Stagner (Director)
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- Frederick Andersson
- Laulau Ann-Turham
- Pati Bangert
- Sara Bernstein
- Roseana Bess
- Marthia Burt
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- Randy Capps
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- Henry Chen
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- Harriet Duleep
- Mary Elsen
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- Alexandra Forino
- Michael Fix
- Gary Gates
- Rob Goen
- Everett Henderson
- Shinta Henawantor
- Pamela Holcomb
- Robin Karterik
- Julia Lane
- Sheila Lopez
- Jennifer Erin Mecomber
- Regan Main
- Kain Main
- Karin Martinson
- Robin McCullough-Harlin
- Signe-Mary McKernan
- Deborah Melos
- Julie Murray
- Carolyn O’Brian
- Kathy Osborne
- Jason Ost
- Jeffrey Passari
- Nancy Pindus
- Caroline Ratcliffe
- Monica Rohacek
- Harold Salzman
- Cynthia Scarcella
- Amber Sears
- Kathleen Snyder
- Wayne Yovan
- Pamela Winston
- Douglas Wissaker
- Mildred Woodhouse
- Erica Zielewski
- Wendy Zimmermann
What’s happened to the residents of public housing transformed through the HOPE VI program? The Metropolitan Housing and Communities Policy Center wrestled with this critical question in 2004. Our study of residents from five HOPE VI developments highlights the vulnerability of these families. For example, 41 percent report fair or poor health. That’s more than three times the rate reported by all adults and about twice that of black women nationally. Also, employment rates among relocated families barely budged, registering 45 percent in 2001 and 46 percent in 2003. The good news is that families who received vouchers to relocate generally live in better housing in safer neighborhoods now, and their children attend better schools.

A community’s quality of life is shaped not only by economics but also by artistic and cultural activities and by parks and recreational opportunities. In 2004, data on who used city parks consistently showed that parks programs rank among the most highly prized of all municipal agency services.

As resources for social investments shrink, public programs increasingly need to document their performance and effectiveness. We visited several communities in 2004 to gauge their experiences with measuring the performance of neighborhood development programs and investments, accumulating a body of useful practices for the field. We also continued our work with 21 local partners to develop and use neighborhood information systems in policymaking and community building.

Under the banner of democratizing information, our primary purpose is to build the capacity of institutions and residents in urban neighborhoods to plan and advocate for positive change. The Washington, D.C. metro area has been experiencing an economic boom in recent years, and although our prosperity creates tremendous opportunities, it also creates painful housing market pressures. Our 2004 report on housing conditions and trends in the nation’s capital documents a shortfall in new housing construction and confirms that, for most families, home prices and rents are rising faster than incomes. The consequences of the region’s current growth path are already raising alarms, but the experience of other metros around the country suggests that housing prices, sprawl, congestion, and pollution are likely to worsen unless Washington-area jurisdictions begin to manage growth more strategically.

SELECTED PUBLICATIONS:
- HOPE VI: Investing in Creativity
- Community Partnerships for Cultural Participation
- Performance Measurement
- Neighborhood Indicators

THE CENTER ON METROPOLITAN HOUSING AND COMMUNITIES

STAFF:
- Margery Austin Turner (Director)
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- Michael Eisenman
- Julie Fenderson
- Kadija Ferrymen
- Jeremy Gustafson
- Laura Harris
- Harry Hatry
- Christopher Hayes
- Diane Hendricks
- Maria Rosario Jackson
- Deborah Kaye
- G. Thomas Kingsley
- Mary Koczymski
- Diane Levy
- Carlos Manjarrez
- Elaine Morley
- Kathryn Pettit
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- Peter Tatian
- Shawsone Thompson
- Maida Tryon
- Christopher Walker
- Tim Ware

Over the past decade, HOPE VI has brought new energy and creativity to the public housing program. It has produced some of the most promising innovations in the history of federal efforts to revitalize distressed urban neighborhoods. But it is also responsible for some dismal failures, particularly when it comes to the relocation of vulnerable residents.

Under HOPE VI, public housing developments that were uninhabitable by any standard have been demolished, replaced with new, high-quality housing. And HOPE VI has generated benefits for the neighborhoods that surround- ed these developments. The program has spurred important innovations in design, management, and financing. Through HOPE VI, many former public housing residents received vouchers and moved to better housing in safer neighborhoods.

But relocation planning and services have failed to meet the challenge at most HOPE VI sites, leading to mixed outcomes for many residents, especially the “hard to house” residents who ended up in distressed housing as a last resort. And some housing authorities have failed to implement their HOPE VI plans effectively.

Today, HOPE VI has been slated for elimina- tion on grounds that it has served its purpose, costs too much, and takes too long. But tens of thousands of distressed public housing units remain that are not currently scheduled for demolition and replacement. Clearly, the problem that HOPE VI was created to tackle persists; at their worst, these severely distressed developments endanger the lives of the families and children they house and blight the neighborhoods that surround them. The challenge for policy makers is to continue to address these problems in an era of increas- ingly scarce resources for affordable housing.

Hope For HOPE VI

Susan Popkin is a Principal Research Associate in the Institute’s Metropolitan Housing and Communities Policy Center.
Do people choose the charities they donate to, or do the charities choose them? The Center on Nonprofits and Philanthropy in 2004 developed a guide that helps donors make informed decisions about giving. Among other things, our Nonprofit Overhead Cost Project investigated how nonprofits raise, spend, measure, and report funds for fundraising and administration. Armed with this type of information, donors can more carefully choose the charities they want to support and potentially have a greater impact with their dollars.

Our National Center for Charitable Statistics (NCCS) worked closely with the Internal Revenue Service in 2004 to complete an online system for electronically filing the Form 990, the annual reporting form for charities. E-filing should produce higher-quality information with fewer errors. When the Senate Finance Committee proposed more stringent regulations for charities, the NCCS data from Forms 990 were used extensively to assess different policy options.

Recruitment and retention of volunteers was another key focus in 2004. We released the first national study on volunteer management capacity in February. We found that four out of five charities use volunteers. While most organizations were ready to take on more volunteers, they were stymied because they often lacked resources to ensure that volunteers are used effectively. When organizations can’t properly manage volunteers, the volunteers leave.

In April, we released our study, *Attitudes and Practices Concerning Effective Philanthropy*, at the Council on Foundations’ annual conference in Toronto. This first-ever survey on the tenets of effective philanthropy found that many grantmaking foundations are not engaging in practices that, according to their own standards, are keys to effectiveness. For instance, only 38 percent of foundations that value outside advice had solicited any input from their grantees.

We also studied nonprofit providers of child and youth services in 2004 and found that many face the complex and dual challenges of elevated community demand for services and government budget shortfalls that jeopardize funding flows. Closer to home, we released a series of reports on the 1,500 organizations in the Washington, D.C. region that work to improve the lives of local children. Even with more than $1.5 billion in revenue in 2000, nearly one-third of the nonprofits that focus on the region’s children and youth lost money in 2000.

**SELECTED PUBLICATIONS:**
- “Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness.” *Nonprofit Overhead Cost Project Brief 3*. The Urban Institute and the Center on Philanthropy (Indiana University), August 2004.
- Organizational Factors Influencing Advocacy for Children by Carol J. De Vita, Maria Montilla, Betsy Reid, and Omolara Fatiregun. The Urban Institute, January 2004.
- Partnerships between Large and Small Cultural Organizations: A Strategy for Building Arts Participation by Francie Ostrower. The Urban Institute, June 2004.
Throughout the 2004 election, our Tax Policy Center was the major independent source of analysis on both presidential candidates’ tax plans. Our numbers showed, for example, that Senator Kerry’s proposal to repeal the Bush tax cuts for households with incomes over $200,000, while making the middle-class tax cuts permanent, would have amounted to a tax cut of about $395 billion over ten years compared with present law. We also published a series of studies on tax policy in the Bush Administration. Our analyses informed press coverage and the public debate.

In all, we posted more than 170 charts and tables showing the effects of various policies on tax revenues and the distribution of tax burdens in 2004. We expanded our ... some alternatives. We also produced a report on higher education financing from both the tax and spending sides.

Contemporary U.S. Tax Policy, by center codirector C. Eugene Steuerle, was selected in 2004 as an “Outstanding Academic Book of the Year” by Choice magazine. The book details how the tax code has become the tool of choice for changing Americans’ behavior or the economy.

With tax reform again on the agenda, some have suggested the individual alternative minimum tax (AMT) as a replacement for the regular income tax. Our analysis ... would penalize many married couples and families when compared with current law.

SELECTED PUBLICATIONS:

THE URBAN-BROOKINGS TAX POLICY CENTER

STAFF:
Len Burman (Codirector)
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State and Local Tax “Obligations”

State and local governments provide more than 80 percent of the nation’s non-defense public spending. Sustaining their fiscal health is key to the American social contract, which is in jeopardy due to erosion of state-local tax bases, aging of the population, and long-term federal tax policies that could weaken fiscal federalism and short-term efforts to curb the deficit.

Consider the growth of remote retail sales via mail order and Internet. States may not require vendors to collect the retail taxes unless they have significant business activities within the state. Ten years ago, this meant that 2.5 percent of state/local sales and use taxes revenues went uncollected. Today, some estimates are double that and growing. Congress can remedy the situation, and federal, state, and local practitioners are working on a solution. Meanwhile, more of the tax base will escape taxation.

Then, there is the interplay of demographics and the erosion of the state personal income tax. In some states, nearly all pension and other fringe benefit income is exempt from state taxes. By 2010, the largely exempt over-65 population will begin rising as a share of population from its 1990s level of 12 percent to 16 percent by 2020.

Replacing the federal income tax with a federal consumption levy would markedly change federalism’s character. Dual-consumption tax systems, while feasible, would require dramatic rethinking of ways to pay for services and of local fiscal autonomy. Phasing out the income tax would jeopardize comity in taxation. Other fiscal strains would arise if Congress eliminates federal deductibility of state and local income and property taxes. If we care about delivery of public services to working families, to the poor, and, indeed, about the social contract, we need to focus on the integrity and sustainability of the system of state and local taxes upon which that social contract rests.

Robert Ebel is a Senior Fellow in the Institute’s Tax Policy.
Information technology specialists are full partners with researchers in the Institute’s research activities.

In 2004, our programmers helped refine the Income and Benefits Policy Center’s microsimulation modeling work for the Social Security Administration (SSA). The aim was to enhance SSA’s ability to assess the likely costs and impacts of current law and proposed policy initiatives on various demographic groups. Institute and SSA analysts can now view graphical results from the model, obtain up-to-date documentation, and securely download the latest source codes.

Another microsimulation model—TRIM, or Transfer Income Model, which was developed at the Institute to estimate the costs and household effects of government programs both current and proposed—is also being enhanced. Once this work is finished, policy analysts and others will be able to profile couples by demographic, asset, and income characteristics to compare how well each member of the hypothetical pair would fare under three scenarios—single and living apart, single and living together, or married and living together. Taking into account taxes and public program benefits, this complex model will help federal policymakers consider and compare initiatives to promote healthy marriages.

In related work, the information technology group devised a way to incorporate monthly data from the National Survey of Income and Program Participation into TRIM and to improve the model’s estimates of how many are eligible for programs and how many take part.

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Longer Lives, Shorter Careers

The rapid growth in average life spans over the past century represents one of humankind’s great achievements but threatens to bankrupt Social Security. People now collect retirement benefits longer than ever before because the retirement age has fallen while longevity has increased. In fact, people are retiring earlier today, using their rising incomes to work less but still live comfortably in old age. More than half of today’s retirees begin collecting Social Security benefits at age 62, and the typical man retiring now will collect benefits for nearly 20 years, more than twice as long as a typical 1950 male retiree. If left unchanged, Social Security will soon pay more out in benefits than it collects in taxes.

One way to restore balance to the system would be to delay the age at which retirees can begin collecting benefits. Raising the retirement age is not popular, but setting aside more resources for the oldest retirees by over-riding across-the-board benefit cuts would help the neediest most. With improvements in health and declines in physical job demands, people now are generally better able to work into their late 60s than they were half a century ago.

Even without an increase in the Social Security entitlement age, encouraging people to work longer—possibly through changes in pension and tax law—is a worthy goal. As the population grows older, the labor force will be hard-pressed to produce the goods and services demanded by the population. But much of that strain could be eliminated if older people worked as long as they did 50 years ago, when jobs were more physical and health problems more widespread.

Richard Johnson is a Principal Research Associate in the Institute’s Income and Benefits Policy Center.
Public affairs, the publications group, UI Press, and the web site team work together to help researchers communicate their findings and commentary to policymakers, program administrators, the media, the research community, advocacy groups, and students.

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**CONFERENCES, FORUMS, AND BRIEFINGS**
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Research findings, results from program evaluations, and analyses of emerging trends.

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Facts, background, commentary, and research findings delivered to members of Congress and other decisionmakers, fellow researchers, and program managers.

**E-NEWSLETTERS**
A weekly electronic newsletter highlighting Institute-wide events, research, and publications and a monthly e-newsletter on issues of special interest to states; electronic mailing lists from many Institute research centers on new work in their fields.

**WEB SITE** ([www.urban.org](http://www.urban.org))
An award-winning electronic tour of the Institute's research, publications, experts, and activities.

The Urban Institute Press publishes books and reports by researchers and analysts at the Urban Institute and elsewhere to improve thinking and discourse on pressing social and economic problems.
Urban Institute staff work abroad in nearly 20 countries, carrying out these and many other activities:

- Worked with the Ukraine legislature to help develop a process for “legislating for results.”
- With British researchers and policymakers, started a bilateral dialogue on urban education reform.
- Trained local government officials in Honduras to monitor municipal service delivery outcomes and execute plans to improve services.
- Helped local government in Montenegro increase revenues by improving collection procedures and installing info-tech systems.
- Led training seminars to improve city services in Kyrgyzstan for joint government/citizen working groups.
- Helped create the Center for Local Government Innovation in Indonesia to provide training and technical assistance to local governments there.
- Convened a working group of public policymakers and representatives of private financial markets in Southeastern Europe to help these decisionmakers develop primary and secondary mortgage markets.

AND CLOSE TO HOME

We conduct national and state-level studies and also carry out research on the Washington D.C. area—our home base and a region beset by many of the social policy challenges faced by other large metropolitan areas. Recent findings include:

- Washington’s recent housing boom has made renting or buying difficult for low-income residents, and economic growth and investment has passed some neighborhoods by.
- Violent crime among juveniles in Washington has decreased significantly since the mid-1990s, but the city faces an enormous challenge re-integrating 2,500 released prisoners—one for every 225 residents—each year.
- Local nonprofits serving children and youth in the greater Washington, D.C., area are plentiful, diverse, and long-lived but unevenly distributed throughout the region.
The Institute’s research agenda typically includes both short-term and multiyear projects. New examples of both to begin 2005 include:

- Creating and updating a web-based bank of state and local tax facts and trends.
- Analyzing the third round of our National Survey of America’s Families.
- Helping design a congressionally mandated study of teacher-preparation programs.
- Studying the history and educational impacts of collective bargaining in schools.
- Developing and disseminating a model for evaluating efforts to increase the diversity of the science, math, and engineering workforce.
- Studying how low-income peoples’ awareness of the safety net influences insurance coverage choices and healthcare access.
- Assessing options for and issues in the design of government healthcare reinsurance programs.
- Consolidating in a textbook our knowledge of policy analysis and its application.
- Exploring how nonprofit organizations emulate business in adapting creatively to a changing environment.
- Examining programs that address sexual violence in prisons to find out how departments of corrections are responding to the problem and trying to prevent it.
- Collecting data in seven states on policies and practices that improve access to childcare subsidies.
- Convening forums on Social Security’s future.
- Analyzing how developing spaces for artists to live or work in contributes to urban revitalization.
- Assessing evaluations of programs designed to strengthen marriage and extracting lessons about which work best.
- Exploring how nonprofit organizations emulate business in adapting creatively to a changing environment.
- Examining programs that address sexual violence in prisons to find out how departments of corrections are responding to the problem and trying to prevent it.
- Collecting data in seven states on policies and practices that improve access to childcare subsidies.
- Convening forums on Social Security’s future.
- Analyzing how developing spaces for artists to live or work in contributes to urban revitalization.
- Assessing evaluations of programs designed to strengthen marriage and extracting lessons about which work best.

**F I N A N C I A L S U M M A R Y**

Summary of Financial Information for Fiscal Years Ending December 31, 2004 and 2003 (in thousands)

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