the urban institute
To promote sound social policy and public debate on national priorities, the Urban Institute gathers and analyzes data, conducts policy research, evaluates programs and services, and educates Americans on critical issues and trends.

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The devastation wrought by hurricanes Katrina and Rita along the Gulf Coast and, most vividly, in New Orleans confronted local, state, and federal policymakers, as well as governments themselves, with unprecedented challenges. The storms not only laid bare the area’s deep and long-standing structural and socioeconomic deficiencies, but they also revealed our federal system’s limited ability to grapple quickly and effectively with large, complex, and multifaceted problems. For policy analysts, like those at the Urban Institute, the situation presented an unprecedented opportunity to think big and creatively because the challenge was not simply to repair or restore what was there before, with all its shortcomings. Rather, the imperative was to suggest new and better futures that could provide greater opportunity and equity while both preserving the best of the past—especially the area’s cultural richness and racial diversity—and recognizing the limitations of government.

The Institute, with its nearly 40 years of experience in examining the social and economic workings of big cities, the factors that make communities tick, the needs of vulnerable populations, and the roles culture and the arts play in city life, was well positioned to contribute ideas to the discussion on New Orleans’ future. We pooled our expertise and dug deeply into our accumulated understanding of social and economic policy to produce After Katrina, a series of reports aimed at spurring policy debate, informed action, and efficient resource use. These essays focused on strategies to help New Orleans and the surrounding area build a future free from some of the disadvantages and injustices that characterized the region before the hurricane hit. With both the city’s unique storm-related problems and those it shares with other central cities in mind, we examined the school and health care systems, neighborhoods and businesses, housing, culture, employment prospects, nonprofit services, information and tax bases for governing, programs for children and other vulnerable populations, and federal–state relations. We proposed both road-tested and innovative policies. Our recommendations ranged from restructuring federal flood insurance and funding one-time home-purchase vouchers to creating a funding intermediary to help revitalize the city’s arts and culture.

While offering a unique opportunity for policy analysts to apply their know-how to an important, immediate, and interdependent tangle of problems, the urgent task of coping with the hurricanes’ aftermath was just one of the policy challenges that Institute researchers investigated in 2005. Analyzing the seemingly inexorable rise in the ranks of the uninsured, our researchers found that roughly
half of the increase between 2000 and 2004 was accounted for by young adults, over half by whites, and close to three-quarters by the native-born; the number of uninsured children fell as public programs picked up both uninsured kids and the many children no longer covered by their parents’ work-related policies.

Turning the research lens to the state level, our health care analysts provided wide-ranging analyses and advice to public and private stakeholders in Massachusetts who were considering enacting fundamental state-assisted health reform. Among our findings was that the additional costs of making basic health insurance and preventive care universal would not be significantly higher than paying the current costs of uncompensated care and treating the uninsured in the state’s emergency settings.

Taxes also occupied center stage in the national policy debate as defense spending and tax cuts competed with social programs for scarce revenues. The Institute’s tax experts analyzed why many low-income families receive no or reduced child tax credits, suggested ways to modify the tax code to encourage homeownership among low- and moderate-income households, and described the steadily expanding reach of the alternative minimum tax. Other timely tax issues on our research agenda were health-related tax preferences and the effects of repealing the deductibility of state and local taxes.

Among the many other Institute studies on critical issues in 2005 were our research on the growing federal deficit’s likely impacts, housing inflation’s toll on the poor, teachers unions’ effects on public education, nonprofit management practices, the economic value of older Americans’ unpaid work, and ways to strengthen Social Security’s financial footing. Also of note was the Institute’s cross-center work on what level and type of support low-income working families need to survive in today’s economy. Rooted in and resting upon the Institute’s depth of experience and skill in program evaluation and interdisciplinary inquiry, as well as a decade of close scrutiny of welfare reform’s impacts, this research will contribute to the ongoing debates on family and child-welfare policy, employment opportunity, the social safety net, and the cost-effectiveness of government spending.

In this year of surprises, we are both proud of how nimbly our research staff juggled standing commitments so that they could accommodate disaster-related work that couldn’t wait and impressed by how much of what we do at the Institute has practical application. Coupled with hard work and the grit to resist partisanship, these strengths are what keep the Urban Institute vital to the policy world and attuned to the nation’s emerging challenges.

On a personal note, we are pleased that Freeman Hrabowski, III, president of the University of Maryland, Baltimore County, and Afshan Beschloss, president of the Rock Creek Group, joined the Institute’s board of trustees in 2005. We look forward to the benefits of their energy, insight, and counsel.

Joel L. Fleishman
Chairman of the Board

Robert D. Reischauer
President

How the policy environment has changed

<table>
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<tr>
<th></th>
<th>1968*</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. population</td>
<td>200,706,000</td>
<td>296,410,000</td>
</tr>
<tr>
<td>Minimum wage in 2005 dollars</td>
<td>$8.74</td>
<td>$5.15</td>
</tr>
<tr>
<td>Dow Jones Industrial Average (Dec 31)</td>
<td>944</td>
<td>10,718</td>
</tr>
<tr>
<td>% of families headed by female with no husband present</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>% of women age 25 and older in paid jobs</td>
<td>46%</td>
<td>72%</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 age 25 and older with a college degree</td>
<td>14% (1970)</td>
<td>33%</td>
</tr>
<tr>
<td>Average SAT score of entering college classes</td>
<td>verbal 533</td>
<td>verbal 508</td>
</tr>
<tr>
<td>GDP per capita (2005 dollars)</td>
<td>$20,100</td>
<td>$42,100</td>
</tr>
<tr>
<td>National health expenditures as share of GDP</td>
<td>9.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Urban % of total population</td>
<td>70</td>
<td>83</td>
</tr>
<tr>
<td>% of voting-age citizen population who voted in presidential election</td>
<td>64</td>
<td>62 (2004)</td>
</tr>
<tr>
<td>Violent crimes per 100,000 people</td>
<td>298</td>
<td>466</td>
</tr>
<tr>
<td>Share of total household income received by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>poorest fifth</td>
<td>4.2%</td>
<td>3.4%</td>
</tr>
<tr>
<td>richest fifth</td>
<td>42.8%</td>
<td>50.1%</td>
</tr>
<tr>
<td>Foreign-born population</td>
<td>9.7 million (1970)</td>
<td>35.2 million</td>
</tr>
<tr>
<td>% of U.S. population that is foreign born</td>
<td>4.8 (1970)</td>
<td>12.1</td>
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* Year Urban Institute founded

CONTINUED FROM PREVIOUS PAGE
what we do day to day

1. DATA COLLECTION
How many immigrants live in the United States? How many Americans are home-
less? How many taxpayers will have to pay the alternative minimum tax if the law isn’t
changed? Back-of-the-envelope estimates aren’t good enough when huge sums of
money and the well-being of huge numbers of people are at stake. Policymakers need
hard facts to make hard decisions, and the media need reliable numbers to report ac-
curately on public policy. Providing timely accessible policy data is one of the Institute’s
fundamental contributions.

Examples from 2005:
- Charting federal tax expenditures on housing
- Calculating minorities’ high school graduation rates in the South
- Updating our Welfare Rules Databook on state welfare policies
- Determining what percentage of low-income parents filing tax returns knows about the earned income tax credit
- Examining expense and compensation patterns in the nation’s 10,000 largest independent, corporate, and community foundations
- Developing facts and figures on low-income working families
- Compiling background data on the assets of low- to moderate-income families
- Tracing the work and savings behavior of baby boomers
- Conducting a national survey of cultural participation
- Preparing a fact book for the D.C. Kids Count Collaborative on the District of Columbia’s children

2. POLICY ANALYSIS
Who wins and who loses when Social Security, Medicare, or Medicaid benefits are changed? How do tax cuts influence federal discretionary spending? How do educa-
tional reforms affect student achievement? Answers to important questions like these require meticulous and dispassionate analy-
sis—aided by the most advanced research methodologies—whether computer modeling, survey design and analysis, cost-benefit analysis, regression analysis, site visits, focus groups, or others in our toolkit.

Examples from 2005:
- Using new census data to follow low-wage workers for nine years and identify success factors
- Comparing the retirement prospects of baby boomers with those of previous generations
- Tracking how single working mothers fared during and after the 2001 recession
- Estimating financial support for kinship caregivers
- Recommending ways to improve the odds that adults released from prison will become productive workers, family members, and citizens
- Determining the poverty rates of immigrant families with young children
- Figuring out whether expanding health care coverage through the tax system would be effective
- Weighing the pros and cons of private long-term health care insurance

3. EVALUATION
Good intentions and adequate funding don’t guarantee that public programs will deliver as promised. What if families eligible for benefits never hear about them or don’t think they qualify? What if low-income working moth-
ers need additional supports to enhance the impact of the ones they are getting? What if programs designed to help vulnerable groups are getting in each other’s way for lack of coordination? By assessing the structure, operations, and outcomes of programs, researchers at the Institute help government and philanthropies deploy limited resources where they will do the most good.

Examples from 2005:
- Evaluating the administration and reach of the State Children’s Health Insurance Program
- Determining who participates in “one-stop” employment and training programs for job seekers
- Assessing the cost-effectiveness of a National Institute of Justice demonstration program that uses DNA samples in crime-solving
- Evaluating the effects of local outreach efforts on the use of food stamps
- Studying the implementation and impacts of the Los Angeles Healthy Kids Initiative

4. PUBLIC EDUCATION
Sharing policy information and perspec-
tives can prompt civic participation, increase government’s accountability, help nonprofit institutions stick to their missions, and spark healthy debate on the nation’s future. The Institute’s researchers and communications group make good on these promises by sharing data, maintaining an award-winning web site, convening forums for debating policy, educating and informing the media, testifying before Congress, advising executive branch officials, and making public presentations.

Examples from 2005:
- A seminar on taxing capital income
- Testimony before Congress on saving and investment incentives
- A conference on the impacts of collective bargaining by teachers
- An op-ed in USA Today on proposals to add personal accounts to Social Security
- A new series of briefs on child welfare research
- A roundtable on working families
- A forum on disclosure by nonprofit organizations as an accountability measure
- A conference on using longitudinal databases in education
- A new Urban Institute web site that’s easy to search
findings from 2005 research

One of every four U.S. families with at least one full-time worker is low-income (less than 200 percent of the federal poverty level).

Federal spending on the health safety net per uninsured person fell by 9 percent between 2001 and 2004 (adjusted for inflation).

Two-thirds of Medicaid spending is on the 8 percent of enrollees with annual expenditures over $10,000.

Parents of 7 percent of uninsured children from low-income families believe that their offspring don’t need health insurance.

In 2002, the value of the time spent by older Americans volunteering and caregiving totaled almost $162 billion.

Ten percent of U.S. public schools enroll 70 percent of all children with a limited command of English.

Among the 10,000 largest U.S. foundations, only about one-quarter of large independent foundations and less than one-third of corporate foundations have paid staff.

The poorest fifth of Americans 65 or over in 2002 rely on Social Security for 85 percent of their income.

Federal spending on the health safety net per uninsured person fell by 9 percent between 2001 and 2004 (adjusted for inflation).

Ten percent of U.S. public schools enroll 70 percent of all children with a limited command of English.

More than half of all federal tax deductions for state and local taxes are claimed by the 8 percent of taxpayers with incomes over $100,000.

Between 2000 and 2003, the share of minority home buyers in Washington, D.C., fell from 43 to 37 percent.

Two-thirds of Medicaid spending is on the 8 percent of enrollees with annual expenditures over $10,000.

In 2001, annual Medicaid spending per foster child ranged from $1,309 in Arizona to $19,408 in Maine.

In Chicago, about 55 percent of ex-prisoners return to their old neighborhoods to live.

In Texas, 71 percent of ex-prisoners interviewed upon leaving thought it would be easy to support themselves, but only 15 percent had jobs lined up.

In 2001, annual Medicaid spending per foster child ranged from $1,309 in Arizona to $19,408 in Maine.

In 2001, annual Medicaid spending per foster child ranged from $1,309 in Arizona to $19,408 in Maine.

Low-earning single mothers raised their real hourly wages by 14 percent from 1996 to 2000 and by another 5 percent by 2004.

Nearly 50 percent of black parents and 46 percent of Hispanic parents receive a reduced child tax credit, or none, because their incomes are too low.

Eliminating the alternative minimum tax could cost as much as $1.2 trillion over the next decade.

Fewer than 60 percent of students in racially and economically isolated public high schools graduate.

At some point between the ages of 51 and 61, three-quarters of all adults experience a major threat to their income—job loss, widowhood, divorce, a new health problem, or the onset of parental frailty.
staff honors and awards

**Linda Blumberg** received an Ian Axford Fellowship in Public Policy for research with the New Zealand Ministry of Health on health insurance coverage.

**Harriet Duleep** was named a deputy editor of *Demography*.

**Rob Geen** was named a W.T. Grant Distinguished Fellow to work with the staff of the U.S. House Committee on Ways and Means.

**Harry Hatry** became the Urban Institute’s first Distinguished Fellow for his lifetime contribution to his field and the Institute.

**John Holahan** and **Arunabh Ghosh’s** “Understanding the Recent Growth in Medicaid Spending, 2000–2003” was among *Health Affairs*’ ten most-read articles in 2005.

**Linda Lampkin** was awarded the IRS Commissioner’s Award for outstanding contributions to the Form 990 e-filing program.

**Caterina Roman** received a Law Enforcement Award for Excellence in Service from the U.S. Attorney’s Office for the District of Columbia.

**Eugene Steuerle** received the Bruce Davie-Albert Davis Public Service Award from the National Tax Association.

**Urban Institute statistical analysis tools** were used to teach sociology in *Hands-On Sociology* (Pearson Education) by William Feigelman and Yih-Jin Young, which won the 2005 IPSR Prize for its outstanding contribution to instruction in the quantitative sciences.

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**Programs for Children with Disabilities**

- About 9.3 million children under age 18 have a chronic physical, developmental, emotional, or behavioral condition requiring services beyond what most kids need.
- Disability rates among children are rising, especially for low-income children.
- Family-centered, community-based care is essential to rationalizing the $60 billion in public benefits provided to these children and making the benefits as effective as possible.
This was a pivotal year for Assessing the New Federalism (ANF). Distilling the lessons learned from eight years of surveying American families dominated the first months of 2005, culminating in an April release of a major synthesis study. A key finding was the large number of families with at least one full-time worker that still struggle to make ends meet.

In May, we brought state and local policymakers together with experts on poverty, health, labor, child care, and other key areas to start building an agenda to bolster the lives of working families on the edge. This productive roundtable spawned two new publication series on working families’ problems and prospects.

ANF continued in 2005 to delve into state budget and policy choices, examine emerging trends in the demographics of families, and explore important trends in service delivery. For example, our researchers analyzed the interaction of faith-based organizations with state and local agencies in several policy arenas that relate to vulnerable families. And our researchers provided up-to-date information about the circumstances of immigrant families.

To close the year, we developed a series of papers that zeroed in on how children fared over the past decade. The papers provided a starting point for a January 2006 session bringing together experts and state and federal leaders around the children’s agenda.

SELECTED PUBLICATIONS

- Assessing the New Federalism: Eight Years Later by Olivia Golden and the ANF research team, April 2005.

STAFF:

Olivia Golden, Director & Senior Fellow
Natalie Abi-Habib
Alisha Archie
Ranee Hendley
Olga Popovic
Timothy Triplett
Bonnie Turpen
Laura Wherry
The Education Policy Center was asked in 2005 to track students’ achievement gains—by ethnicity/race, gender, and economic status—at different grade levels and in different subjects. Working with the National Center for Education Statistics, our researchers are combing longitudinal databases, from which educational gains can be attributed to schools versus families for different student subgroups—something never before done systematically.

A national survey of school districts and neighboring private schools that we undertook in 2005 will clarify whether such federal services as special education reach all eligible students. The 1965 Elementary and Secondary Education Act—reauthorized in 2001 with the No Child Left Behind (NCLB) Act—requires that school districts also serve those not in public schools.

Additional work examined whether school districts asked to be more accountable are receiving greater flexibility in the use of federal funds in exchange. Specifically, we observed NCLB’s Ed-Flex provisions and found that few districts took advantage of them. Most considered the trade-off a bad bargain, so we were asked to suggest ways to redesign the provisions.

The Education Policy Center in 2005 also continued examining efforts by minority-serving colleges and universities to engage and retain minority students, monitoring high school graduation rates, and assessing the National Board for Professional Teaching Standards.

### SELECTED PUBLICATIONS

Federal government spending of $22.8 billion for children—11 percent of all
children—lacks health insurance coverage. The Health Policy Center continued to evaluate three county-
based expansions of children’s health insurance coverage in California that were
financed by a combination of tobacco tax revenues, local government funds, and
private and philanthropic donations. How much do various government sources spend on the uninsured? We answered that broadly in 2005 and, specifically, estimated how Medicaid dollars are divvied between
how Medicaid dollars are divvied between

SELECTED PUBLICATIONS

- "Asset Transfer and Nursing Home Use" by Korbi Li and Timothy Waldmann, Kaiser Commission on Medicaid and the Uninsured, 2005.
- "The Impact of Disability Trends on Medicare Spending" by Brenda Spellman, Department of Health and Human Services, October 2005.
- "Three Years of State Fiscal Struggles: How Did Medicaid and SCHIP Fare?" by Teresa Coughlin and Stephen Zuckerman. Health Affairs Web Exclusive, August 2005.

STAFF:
- John Holahan
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- Matthew Buettingers
- Fredric Blavin
- Linda Blumberg
- Randy Brosgart
- Julie Christenberry
- Lisa Ciemars-Cope
- Mindy Cohen
- Allison Cook
- Teresa Coughlin
- Briquette Courtot
- Matthew Cravens
- Lisa Dubay
- Bixen Garrett
- John Graves
- Bradford Gray
- Jack Hadley
- Ian Hill
- Emily Howell
- Genevieve Kenney
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- Joshua McFetser
- Marlene Niefeld
- Barbara Ormond
- Matthew Pantel
- Laurie Smith
- Anna Simmons
- Brenda Spellman
- Althea Swett
- Timothy Waldmann
- Justin Yee
- Stephen Zuckerman

2005 ANNUAL REPORT

17
the income & benefits policy center

Health Care for Native Americans

- American Indians and Alaska Natives have higher rates of food insecurity, hunger, obesity, diabetes, and tooth loss than other Americans.
- Although American Indians and Alaska Natives have constitutional and other legal rights to health care, the Indian health system funds only about 60 percent of the care needed.
- Recent changes in Medicaid and expected future cutbacks will reduce the Indian health system’s capacity.

KENNETH FINEGOLD
INCOME AND BENEFITS POLICY CENTER

State Budgets

- State budgets have largely recovered from the 2001 recession, but inflation-adjusted revenues are still below their peak 2000 levels.
- Medicaid expenditures make up the largest shares of state budgets, surpassing education spending in 2004.
- Pressure on state budgets will increase as federal dollars for domestic programs shrink and states pay an increasing share of education and health care costs.

KIM RUEBEN
INCOME AND BENEFITS POLICY CENTER

Quick Points

The Income and Benefits Policy Center studies how government policies and individual behavior affect people’s economic well-being throughout their lives, from balancing child-rearing with work to preparing for retirement. Our ability to gauge long-term ramifications of certain behaviors and proposals through complex microeconomic computer models deepens the research. For instance, we can simulate how a new or revised government program might boost family income or alleviate poverty. We can assess how current savings patterns will affect future retirement incomes.

Two new policy brief series launched in 2005 spotlight the challenges and opportunities of an aging America.

- Older Americans’ Economic Security documents retirement prospects for the upcoming generations, pointing to increased pressure on Social Security financing and the needs of vulnerable populations. Perspectives on Productive Aging offers an assessment of older adults’ contributions, rather than costs, to society.

Researchers also explored how family structure, work patterns, employment benefits, government program participation, and private income can boost struggling families above the poverty level. Findings showed how few eligible families received such work supports as child care subsidies, food stamps, or Medicaid. Other analyses on children’s living arrangements found that the benefits of marriage over cohabiting are small.

Our researchers also examined how disabilities affect work and other life choices. Current government support programs force many young people with severe disabilities to choose government cash assistance for life.

SELECTED PUBLICATIONS

The International Activities Center (IAC) combines research with implementation to help developing and transitioning countries around the world improve local governance and reform financial and housing sectors. In 2005, we worked intensively in Ethiopia to strengthen decentralization by providing expertise in municipal finance, land management, and infrastructure rehabilitation. Work included analyzing citizen surveys, preparing regional strategies on urban development and housing, and examining sources for local revenue. We also researched policies in Tanzania, Uganda, Zambia, and Ghana to develop mortgage markets and explore home financing options for low-income households.

In Eastern Europe and the former Soviet Union, we continued local government reform projects and embarked on new initiatives. Projects in Albania, Central Asia, Croatia, Georgia, and Moldova, for example, continued to assist with decentralization, public finance reform, and participatory local government. In Serbia, we began a project to introduce local economic development offices in 10 municipalities and provide assistance with training and strategic planning. The goal was to reduce high unemployment rates.

We greatly increased our involvement in South Asia with projects in Pakistan to strengthen local government capacity using performance-based grants and in India to improve data-based decisionmaking in state governments and promote sustainable urban management in three cities.

In 2005, IAC also expanded efforts to develop civil society and build linkages between citizens and government. Examples include facilitating civil society in Azerbaijan, promoting citizen engagement in municipal governance in Russia, and mentoring policy research organizations in Bosnia and Herzegovina. In Honduras, we began working with joint groups of civil society and municipal staff in more than 30 cities to identify priority problems, set outcome targets, and develop plans to improve services.

Selected Publications

In 2005, the Justice Policy Center (JPC) reviewed safety strategies for several multi-year projects. JPC experts worked within and around schools to develop data-driven ways to measurably decrease crime as part of Project Safe Neighborhood’s School Violence Prevention Initiative. We also evaluated preventative strategies to improve school environments as part of this federal, state, and local government initiative. In other research, we evaluated public safety partnerships in public housing developments at ten sites.

JPC researchers are monitoring the development of Reclaiming Futures—a five-year initiative to demonstrate more effective community-based solutions to substance abuse and delinquency. Ten communities have begun “systems of care” for young offenders by drawing on juvenile court and adolescent drug-treatment agencies, plus faith-based and other private organizations.

We used a pre- and post-comparison design to study interventions for youth gangs in Los Angeles, North Miami Beach, Milwaukee, and Richmond. Each city developed a strategic plan for combating gang formation that considered primary prevention for children under age 7, secondary prevention for youth age 7 to 14 at risk of joining gangs, removal of active members from gangs, and services for former gang members released from prison.

The challenge of reintegrating former prisoners into communities continued to galvanize our research. Early in 2005, our study finding that supervised parole did little to dampen rearrest rates sparked considerable attention. Profiling prisoners reentering Chicago, we found that their average age was 34 years, less than half had high school diplomas, and the majority reported some drug use before prison. Our work in Texas drove home the point that released prisoners require support to turn their lives around. At least two-thirds of those surveyed agreed they would need help getting both education and job training.

One of our newest efforts started in 2005 is an evaluation of the DNA Expansion/Demonstration Program started by the National Institute of Justice to test the cost effectiveness of using DNA in high-volume serious crimes. Each test site—Denver, Orange County, Topeka, Phoenix, and Los Angeles—will be required to collect and analyze at least 1,000 DNA samples from at least 250 residential burglary crime scenes. Each site will use different investigative strategies.

**SELECTED PUBLICATIONS**

- The Economics of Juvenile Jurisdiction by John Roman and Jeffrey A. Butts. August 2005.
Many federal subsidies to build assets come through the tax system, such as the mortgage interest deduction and tax breaks for retirement accounts. Low-income Americans typically get no asset-building subsidies because they are less likely to have tax liability, homes of their own, or retirement accounts.
the center on metropolitan housing and communities

We gained considerable insights from four major projects in 2005: studying residents from public housing developments demolished and redeveloped under the HOPE VI program, surveying households in the target neighborhoods of the Making Connections initiative, releasing our fourth annual report on Housing in the Nation’s Capital, and building our National Neighborhood Indicators Partnership to inform policy and practice. Also, new research built on our accumulated expertise and experience—for instance, art and culture’s role in neighborhood revitalization.

Our researchers conducted a third wave of data collection in 2005 on what has happened to original residents of developments demolished under HOPE VI, a program seeking to transform the nation’s most severely distressed public housing. We also interviewed participants in the Moving to Opportunity demonstration, which enables low-income families to move from distressed public housing to low-poverty neighborhoods. We examined how families and children adjusted to their new neighborhoods and how the changes affected their mental and physical health, social networks, educational achievement, and employment prospects.

Better assessment of efforts to enhance communities was another 2005 goal. Surprisingly little is known about “what works.” We continued to design and test strategies for rigorously measuring the long-term impacts of housing and economic development on distressed communities.

With researchers from the Center on Nonprofits and Philanthropy, we also developed practical guidebooks on outcome management for nonprofit organizations.

Publications in 2005 using our survey of the 10 neighborhoods targeted by the Making Connections Initiative, in cities ranging from Seattle to Milwaukee to Hartford, explored questions about the well-being of families and children in these neighborhoods, including their access to economic opportunities, their satisfaction with local public and private services, their sense of commitment and connection to their communities, the strength of informal social ties, and the extent of civic and community activism.

SELECTED PUBLICATIONS


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Margery Austin Turner
Director
Martin Abravanel
Brian Bajaj
Jessica Cigna
Jennifer Comey
Elizabeth Cree
Jake Corran
Michael Eisenman
Julie Fenderson
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Timothy Ware
Barbara Williams
Mary Kopczynski Winkler
Mark Whisley
The Center on Nonprofits and Philanthropy (CNP), in collaboration with the Foundation Center and GuideStar, did the first comprehensive financial analysis of the nation’s major foundations in 2005 and found few questionable expense and compensation practices. Although some foundations warrant further scrutiny, most had reasonable levels of expenses. In fact, 30 percent reported no charitable operating and administrative expenses, and 66 percent do not pay any compensation to staff or trustees, relying on volunteer labor.

Our National Center for Charitable Statistics (NCCS) continues to compile timely facts on nonprofits, giving researchers the data to research trends and practices in the sector. In the wake of Hurricanes Katrina and Rita, NCCS data on Louisiana and Mississippi were widely cited by the media and used by local organizations to illustrate the devastation of nonprofits in the storm-struck areas. A CNP survey of Louisiana-based charities also investigated their current capacity to provide services and their plans for rebuilding.

Improving the measurement of nonprofit performance remained a major goal in 2005. CNP, in partnership with The Center for What Works, started identifying common outcomes for a dozen nonprofit program areas and constructed a common framework to help nonprofits identify what outcomes can and should be measured. The project is designed to build capacity to collect more standardized and useful outcome data that will help track the effectiveness of nonprofit programs.

**SELECTED PUBLICATIONS**


**Effective Philanthropy**

- Substantial numbers of foundations don’t adopt practices that—according to their own standards—are important to effectiveness.
- The enemy of increasing effectiveness is often the failure to define effectiveness and institutionalize regular self-assessments.
- When foundations try to strengthen their performance, even small or incremental changes can yield considerable benefits.
Four Tax Policy Center (TPC) experts testified before the President’s Advisory Panel on Federal Tax Reform in 2005 on such key proposals as eliminating the individual alternative minimum tax (AMT) and switching to a consumption tax base. These experts spelled out the proposals’ consequences in plain terms.

The backbone of TPC research is a detailed model of the U.S. tax system that estimates the revenue and distributional outcomes of tax policy options. This model showed that, barring new legislation, the complicated individual AMT will hit 31 percent of taxpayers by 2010. Other TPC research indicated that the tax rate under a broad-based national retail sales tax discussed and rejected by the tax panel would have to be at least 44 percent. That would make a $2 carton of milk cost nearly $3—more when the rampant evasion that would accompany such high rates is factored in.

TPC researchers significantly expanded their analysis of state and local tax issues in 2005. Eliminating the state and local tax deduction, as the tax panel had recommended, would increase tax receipts by about $65.8 billion in 2005 but impose significant new burdens on some states. New York and California, for example, would resist the change since residents in those two states claimed 29 percent of the deductions.

TPC papers released in 2005 showed that policies that expand and modify the child and dependent care tax credit, the saver’s credit, and subsidies for health insurance or that restructure homeownership subsidies by moving away from deductions and toward capped credits for homeownership could improve economic opportunities and incentives for working families.

A close look at the child tax credit found that fewer than half of black children and about half of Hispanic children were eligible for the full $1,000 credit in 2005, compared with 62 percent of white children. Most telling, black and Hispanic children are more than 10 times as likely to see their credit reduced because their families’ incomes are too low than because their incomes are too high. White children are most likely to lose credits because their families’ incomes are too high. The tax reform panel proposed modifying the credit.

**SELECTED PUBLICATIONS**

new research directions for 2006

20 questions:

1. What are the strengths and weaknesses of public programs for supporting work, family income, and child development?
2. Are state resources a match for state needs for supporting working families?
3. What are colleges and universities doing to engage and retain minority students?
4. What effects do state education-accountability initiatives have on student achievement?
5. How do employers’ fringe-benefit policies affect low-wage workers’ compensation?
6. How has child poverty changed over the past decade?
7. How do tighter budgets affect state policies toward people with disabilities?
8. What are the special housing needs of low-income elderly people with custody of young children?
9. How do Medicaid and private health care plans cover and pay for new technology?
10. How would shifting more Medicaid costs to Washington cost federal government and save states?
11. What are the conditions for “sustainable employment” in the global economy?
12. How much would shifting Medicaid costs to Washington cost federal government and save states?
13. How much would shifting more Medicare costs to Washington cost federal government and save states?
14. How will legislative reforms change the way nonprofits are governed?
15. To what extent are nonprofits increasing their commercial activities in response to tough economic times?
16. What policies and programs can help bridge the growing wage chasm?
17. What are the conditions for “sustainable employment” in the global economy?
18. What are the conditions for “sustainable employment” in the global economy?
19. How will legislative reforms change the way nonprofits are governed?
20. How would shifting from federal income-based to consumption-based taxes redistribute tax burdens and incentives to work, save, and invest?

Information technology

Information technology (IT) specialists work hand in hand with the Institute’s research teams. In 2005, our programmers supported data collection and analysis in all nine of the Institute’s domestic policy centers.

Our experts developed a way to permit researchers to study alternative Medicare payment systems for nursing home care, to calculate Medicare expenditures for patients during the last year of life, and to assess the use of outpatient therapies. IT staff also brought evolving Internet technologies to research projects, making them more efficient through web-based surveys and online data-collection systems. Using the Internet, we helped disseminate research results in accessible forms, set up data collection for No Child Left Behind initiatives, and helped researchers design a way to study private school participation.

We also worked with researchers on data collection on housing settlement costs, sexual violence in prisons, and a broad span of other policy issues.

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Performance Management for Local Governments Worldwide

- Performance management isn’t necessarily technically demanding and can be applied successfully to local governments in the developing world.
- With performance management, developing-world cities can often improve services and increase transparency without spending more.
- In developing countries, performance management can increase trust and partnerships between citizens and local governments while improving services.

KATHARINE MARK
INTERNATIONAL ACTIVITIES CENTER
### Financial Summary

Summary of Financial Information for Fiscal Years Ending December 31, 2005 and 2004 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
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<td>$98,500</td>
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<tr>
<td>Total Liabilities</td>
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<td>14,500</td>
</tr>
<tr>
<td>Net Assets</td>
<td>93,400</td>
<td>84,000</td>
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<tr>
<td><strong>Liabilities and Net Assets</strong></td>
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<tr>
<td><strong>Operating Activities</strong></td>
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<tr>
<td>Revenues</td>
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<td>$80,200</td>
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<td>Expenses</td>
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<td>(80,600)</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td>400</td>
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<tr>
<td><strong>Non-Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>7,800</td>
<td>9,000</td>
</tr>
<tr>
<td>Expenses &amp; Transfers</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,800</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total Change in Net Assets</strong></td>
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<td>8,600</td>
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<tr>
<td>Net Assets Beginning of Year</td>
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<td>75,400</td>
</tr>
<tr>
<td><strong>Net Assets End of Year</strong></td>
<td>$93,400</td>
<td>$84,000</td>
</tr>
</tbody>
</table>

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