

A large, stylized number '30' is the central graphic. The '3' is formed by two thick, grey, curved lines that meet at a point. The '0' is a single, thick, grey, oval-shaped line. The background is a dark grey-blue gradient, with a solid black horizontal band across the middle and a solid bright blue vertical band on the left side.

The Urban Institute

1968

1998

annual report

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Chairman's Message

As milestones go, 1998 was historically significant for the Urban Institute. The first milestone was turning 30 under the leadership of our founding president, Bill Gorham. That length of tenure is uncommon under any circumstances, but sustained leadership of Bill Gorham's quality and compassion is very rare indeed. Those of us listed on this page who have had the privilege of serving as chairman of the board of trustees have offered strategic advice here or there and supported the Institute in other ways, but it is Bill Gorham who forged the Institute out of hopes and aspirations. For people with a bottom-line bent, this annual report presents compelling evidence of the valuable organization he has built and of the quality staff he has attracted and retained. What are not obvious in the report, though, are the intangibles that mark Bill's leadership: vision; a tough intellectualism that demands the best and usually gets it; a decentralized and democratic managerial style; a quiet, unselfish temperament nourished by the accomplishments of others; and strength of character.

The other milestone was Bill Gorham's announcement that he would retire from the presidency of the Urban Institute at the end of 1999. Finding another leader as gifted and committed is a daunting challenge. It is made easier by the Institute's reputation, but Bill will be sorely missed. Reading Bill's own 30th anniversary letter, which follows, reveals just how much.



1968-73

Arjay Miller

1974

Robert S. McNamara

1975

William W. Scranton

1976-77

Charles L. Schultze

1977-83

William D. Ruckelshaus

1983-88

Carla A. Hills

1989-94

David O. Maxwell

1994-95

Joel L. Fleishman

1995-present

Richard B. Fisher

Richard B. Fisher

A large, stylized handwritten signature of Richard B. Fisher in a dark grey color, positioned below the typed name.

President's Letter

In the four years before the Urban Institute was founded in 1968, hundreds of laws directed to one or another domestic purpose were passed. It was an uncommon political period; Lyndon Johnson had the power to make things happen and he used it to put more social problems on the federal government's "can fix" list.

The Urban Institute: 30 Years of Service

Many of these were landmark laws—clear at the time and still clearer today. Many sprang from a widely held sense of injustice, fear, or unmet needs; it was, after all, a time of widespread urban unrest and assassinations. Many were promising ideas but were underfunded, caught in the "guns or butter" milieu of the Vietnam War. And others were stabs in the dark—the form that dollars thrown at problems took.

Most were also based on sparse knowledge of who would benefit and how the programs would be carried out. Most were built on ideas drawn from academic brainstorming or very small, unevaluated "demonstrations." A few were designed to be field experiments. The intention was to promote the successful approaches and fund them in other cities. But often the proposed legislation fell victim to the traditional congressional imperative of spreading around the "goodies" and emerged with an ineffectually small stash of funds for each of hundreds of cities.

The responsibility for fielding these programs was loosed mainly on public state and local workforces with little directly relevant experience. Nor was there much of the experience or interest in evaluation needed to learn from and build on the bulk of Great Society programs.

A flashback is worth sharing here. When I joined the Department of Health, Education, and Welfare to start a Planning and Evaluation function (ASPE), I interviewed about three dozen officials responsible for programs and found that few had any concept of how, or for that matter why, to measure the contribution of their programs to society. Administrative data, such as it was, was exclusively fiduciary—who got the money, whether it was properly accounted for, and, sometimes, how many people participated. The information routinely collected could not be used to assess the program's worth. To improve prospects, I suggested that a clause be inserted in all new legislation directing the department to evaluate newly funded programs under its purview and that 1 percent of all appropriated funds be allotted for that task. This was 1966.

At the time I didn't realize that the "evaluation industry" would grow the way it has or that I would be involved with it for most of my professional life. Toward the end of the 1960s recognition had grown that resolving tough social problems required more understanding, and that meant more investment in intellectual resources. That recognition was the impetus for creating the Urban Institute.

In the 30 years since then, the Institute has been true to the purposes for which it was created. This annual report offers our view of the Institute's more significant contributions to understanding the nation's collective efforts to address social problems. Since we are part of that larger community of policy analysts, economists, and other social scientists, most of the contributions we have been privileged to make are built on the work of many social scientists, predecessors and contemporaries in other institutions. Cases in which we have had the last stick on the puck before a goal was scored are the exception. Most of the time we are moving the puck along—toward, we believe, the goal of wiser policy. If the

Urban Institute plays a good game, it's for several reasons, none of them terribly surprising but all of them important.

Credibility. In a nutshell, credibility means that you are believed—that what you say is as close to the truth, the whole truth, and nothing but the truth as funding, time constraints, and sound social science allow. No expert or group of experts is always right, but the belief that they strive to get at the truth and are skilled enough to succeed most of the time is crucial to the effectiveness of a research organization. Few in public policy roles—including the press—who need the data, the findings, and the conclusions of our work have the time or the background needed to judge for themselves the research behind our reports.

Because the Urban Institute itself does not “speak”—only our researchers do—our organizational credibility comes from the perceived objectivity and quality of our researchers’ work and the belief that the organization is not biased, does not sanction bias among its staff, and does not cater to the biases, if any, of its funders. Our funders, including the government, have honored our independence by not interfering with the work they funded. There have only been one or two exceptions in over 30 years, resulting only in the delay of publication of the reports.

Our credibility is a prime product of our independence. Our independence, along with rigorous analysis, defines our competitive advantage.

Relevance. Our research agenda covers dimensions of American society subject to public-sector involvement. Since 85 percent of that agenda is financed by public agencies or foundations devoted to public issues, relevance is all but assured. Moreover, unlike for-profit organizations, the Institute has no imperative to grow, so we can confine our research to problems or issues that

we regard as important. As a result, we mostly study the long-term challenges to our country’s social and economic well-being.

A continual challenge to public policy researchers is having vital information on an issue precisely when that issue is on the table. The best way is to maintain a research agenda on domestic public policy perennials: education, entitlements such as Social Security and Medicare, taxation, poverty, criminal justice, or immigration. While no one institution can stay with the full gamut of important public policy concerns, the Institute’s agenda has covered critical aspects of most for many years.

Since our beginning, another primary concern has been developing the tools for acquiring data and information—and for using this information effectively. These tools and know-how have allowed us to provide timely estimates and comparisons of the costs and benefits of various policy paths to the same end. Sharing models with fellow researchers, public officials, and others concerned with public policy assessment has been one of the Institute’s most important contributions.

Relevance is also a by-product of scanning the horizon for emerging issues. We follow statistical trends or survey data either to spot new problems or to be ready with timely information when the problem matures and policy change is in the air. We have been able to support such research with the help of private foundations or with limited, treasured internal resources. Examples of providing early warning



“ Since we are part of that larger community of policy analysts, economists, and other social scientists, most of the contributions we have been privileged to make are built on the work of many social scientists in universities and other research institutions. ”

of impending issues are described in this report. Of particular note are the emergence of federal budget deficits (1984), the roots and scope of homelessness (1988), the rising number of medically uninsured (1986), and the plight and public burden of immigrants, both legal and illegal (1994).

Staff. The reputation and contribution of the Institute depend on the quality, motivation, and output of the research staff. The Institute's wisest investment has been in an environment attractive to first-rate social scientists and other policy analysts. And those who leave almost invariably remain friends and emissaries, and many return after a stint in public office or in another sector.

Why? The Urban Institute has since its inception been participatory. Staff members are involved in most of the decisions that affect their workplace and work lives, including promotion and salary setting. We limit bureaucracy to that necessary for prudence and to comply with funders' requirements. Also, the Institute is highly decentralized for purposes of agenda setting, fundraising, recruiting, and both conducting and reporting research.

Intellectually, the Institute is a wellspring, offering many opportunities to stay abreast of the work of fellow researchers and, in scores of annual briefing sessions, that of outside researchers.

The Enablers. Our trustees—each distinguished and wise—have contributed to the direction our work takes and our ability to do it—some with significant financial support, some with good counsel, and some with both. The foundations and agencies of government who fund and use our work also, from time to time, cooperate in our efforts to improve it.

Most of our funds are raised in formal or informal competitions. Recently, over-the-transom projects have widened our options and reduced the

time spent on fundraising. Foundations, now supporting about half of our domestic research, have been the major funder of our broad policy studies. Prominent among these are the eight-year study of the impact of the Reagan administration's policy initiatives, immigration studies, work on the changing role of women in the workforce, our earliest studies of the welfare system, research profiling the non-profit sector, and our largest project ever (*Assessing the New Federalism*).

The major source of self-initiated research has been our endowment, developed over the past eight years. We owe it to the generosity of several foundations

and trustees. By the end of 1998, with astute financial guidance from our trustees, the endowment totaled over \$50 million, a little less than the Institute's current annual operating budget.

Ultimately, though, what makes us (and social policy research) possible and useful is the character of our society itself. First, Americans generally believe that improving one's own life and the lot of one's fellow citizens is both desirable and possible. Most also believe that these goals require collective action. Second, America's unique democracy views its public sector as everybody's business. This democracy is relatively open and transparent and the press is free and nosy. Americans not only tolerate criticism and evaluation of its public sector, they demand it.

William Gorham

“ While no one institution can stay with the full gamut of important public policy concerns, the Institute's agenda has covered critical aspects of most for many years. ”

The Urban Institute grew out of the fertility of the Great Society and the legislative genius of President Lyndon Johnson. Today we consider it a significant achievement if a president proposes and a Congress enacts two or three major programs in a year. But during LBJ's years in office, the President proposed and Congress enacted about 100 programs a year.

Among the landmarks were:

- In education, Head Start, Aid to Elementary and Secondary Education, and Special Education, to name a few.
- In health, Medicare and Medicaid, centers of medical excellence across the nation, Community Health Centers, and health professions training.
- For urban America, the Public Housing Act of 1968, Model Cities, Urban Mass Transit.
- In Civil Rights, the 1964 Civil Rights Act, which opened public accommodation to all and prohibited employment discrimination, and the Voting Rights and Fair Housing Acts.
- In the environmental area, the Clean Air and Water Acts, Motor Vehicle Pollution, Solid Waste Disposal, and the Clean Rivers and Wilderness Areas legislation.
- For the consumer, Auto and Highway Safety, Truth in Packaging, Truth in Lending, the National Transportation Safety Board, and the Product Safety Commission.
- And don't forget the War on Poverty, the Freedom of Information Act, the Food Stamp program, and the hike in Social Security benefits that lifted two and a half million people out of poverty.

Did we legislate too much? Perhaps. Make mistakes? Of course. But it was to capitalize on government's successes and learn from mistakes that the Great Society created the Urban Institute. The Institute was founded on the recognition that mistakes can be corrected, that compassion uninformed by competence leads to chaos, that efficient government depends on facts, and that only an effective government will earn citizens' trust and confidence.

As parents of these programs, we knew we were in no position to see their warts, much less remove them. Only a premier policy research facility independent of government and political bias could take a fair measure of what we had done—an organization that could conduct quantitative analyses and objective program evaluations, as well as suggest creative solutions to the problems of the day.

Three Decades Ago

With a little arm twisting, we persuaded every cabinet-level agency with a social mandate to help fund such an institution. We assembled a stellar group of incorporators—including Charles Schultz, Kermit Gordon, McGeorge Bundy, Irwin Miller, Arjay Miller, Richard Neustadt, Cyrus Vance, and Robert McNamara—with experience at the highest levels of government, academia, and business. We found in Bill Gorham a president who could provide the needed intellectual leadership and commitment to nonpartisan research.

And what happened? For 30 years now, the Urban Institute has earned the respect of official and unofficial Washington as a nonpartisan shop with no political agenda. Since its creation in 1968, every administration has sought its advice. The Institute has set the gold standard for science-based policy analysis and invented many tools that social scientists use today. Among its many firsts are the use of "paired tester" applicants in employment to uncover discrimination, microsimulation to predict the household effects of proposed programs and policies, and spearheading federal, state, and local efforts to deliver customer-friendly services.

With its exceptional track record, the Urban Institute is poised for the tasks of its fourth decade—among them, assessing changes in our welfare system, comparing proposals for dealing with the retirement of the baby boomers, and tracking the nonprofit sector as it moves to center court in social service delivery.

From an address by Joseph A. Califano, Jr., at a celebration of the 30th anniversary of the Urban Institute, November 17, 1998.

Joseph A. Califano, Jr., is chairman and president of the National Center on Addiction and Substance Abuse at Columbia University. From 1965 to 1969, he was President Lyndon Johnson's special assistant for domestic affairs.

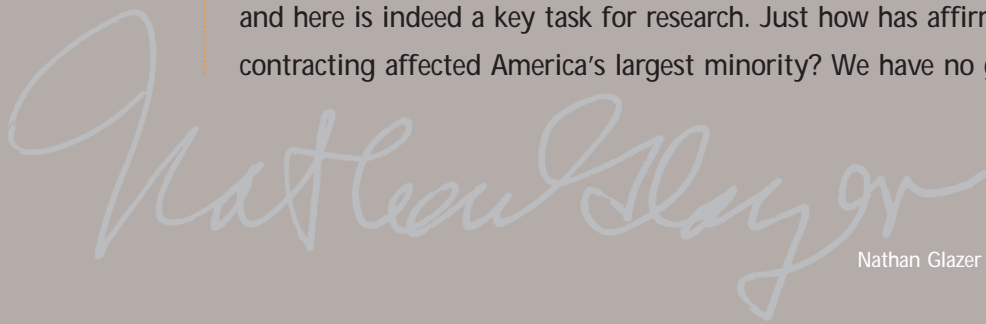
The Urban Institute's 30 years just about parallel the 30-year history of affirmative action. The birth of affirmative action can be dated to the late 1960s. It was not intended by the supporters of the important civil rights legislation of 1964, 1965, and 1968 and was in no one's mind in those years of struggle: I am sure Hubert Humphrey was perfectly honest when he asserted, during the debate on the Civil Rights Act of 1964, that there would be no quotas and that indeed they were specifically prohibited by the law. But Humphrey and others had not thought

Thoughts on Affirmative Action

through the question of how to administer a new law against discrimination in the absence of numbers, how to root out discrimination in the absence of numbers. And once the numbers were required, under the law, many unforeseen consequences followed. A pattern of

institutionalized racial preference was created—in employment in major companies and in government, in the distribution of government contracts, in admissions to selective institutions of higher education. This so contradicted the expectation of and hope for a color-blind society that it was inevitable there would be fierce resistance to it. But what was most astonishing was that the resistance was isolated—and maintained more by individual intellectuals than by any organized interests. Society's major institutions—government, business, educational, philanthropic—all acceded and said it was good. And so things stood until the late 1990s, when mass resistance emerged in admissions to institutions of higher education, concentrating all our minds. Just why did we create this elaborate system of racial preference? Was it needed? Is it still needed? And how is it to be justified? We are all thinking harder about these issues now than we were in 1968.

Affirmative action in public higher education seems on the way out, though it remains firm in elite private higher education. Public referenda—in California and Washington—and Circuit Court decisions signal its demise, though the Supreme Court has not yet ruled on these important lower court decisions. But will the principles, drawn from Constitutional and statutory law, that are outlawing affirmative action in higher education be applied to employment, public and private? Up to now what we have seen is a clash of principles, rather than the impact of research. Indeed, research on the effects of affirmative action in employment has been neither massive nor decisive, and we have nothing equivalent to the research of William Bowen and Derek Bok on the effects of affirmative action in elite private higher education. While facts may not determine principles, they do affect how single-mindedly and firmly we adhere to them, and here is indeed a key task for research. Just how has affirmative action in employment and contracting affected America's largest minority? We have no good answer to this question.



Nathan Glazer is professor emeritus at Harvard University.

1968

1972

New Knowledge From New Techniques

The Urban Institute got its start in 1968 as the brainchild of a blue-ribbon panel set up by President Lyndon Johnson to monitor and evaluate the Great Society initiatives that sprang from some 400 laws that had been passed since 1964. The Institute answered a need for independent analysis of government performance and for data-driven research on America's cities and their residents in the wake of widespread urban unrest. The founders' fear was that, without both, government programs would be flying blind. The hope was that better research would lead to better social policy.

In its early years, the Institute worked mainly on persistent domestic problems that might yield to government action. The agenda included poverty, education finance, unemployment, urban housing shortages and decay, urban transportation gaps, and the need for welfare reform. Audience definition would later expand but in

1968
it was
simple:
municipal,

state, and federal policymakers.

The first major project borrowed an analytic approach pioneered at the U.S. Department of Defense. Examining how four cabinet-level agencies evaluated the social programs they sponsored, this study led to an influential report that assessed evaluation methods. Soon after, we sized up the impacts of the Model Cities program of the 1960s and new secondary education programs for disadvantaged children. From here, the Institute's research branched out in many directions:

- **Low-Income Housing:** innovative subsidies, housing vouchers, management of public housing
- **Transportation:** travel forecasting models, transport planning techniques

- **Education:** school expenditures by pupils' race and income level, impacts of alternative methods of financing kindergarten through 12th grade
- **Local Governance:** citizen participation and community control, the case for metropolitan-wide solutions to urban problems and for metropolitan governance
- **Fiscal Systems:** federal grants reform, municipal capital markets and borrowing, impacts of economic cycles on city budgets
- **Public Service Delivery:** user charges, technology lags and management problems with city services, performance measurement
- **Income Transfer:** income maintenance and distribution, criteria for redistributing income
- **Employment:** creating jobs for the urban poor, urban economic development
- **Urban Indicators:** developing and refining measures of cities' and citizens' well-being and public employee compensation, comparing U.S. metropolitan areas using such measures

During these years, systems analysis and other new ways to approach the complex issues that governments face were emerging. As computer technology revolutionized research, we complemented our more traditional methodologies by developing models that could predict how various types of households might respond to and be affected by various policy proposals.

The first of these new models were static—projections grounded strictly in the here and now. But they gave birth to dynamic “companion models” that simulate

the responses of families and other groupings over time and predict longer-term trends in household income, wealth, labor force participation, and more. Other research at the Institute varied from the purely qualitative to statistical to a mixture of both.

Regardless of approach, certain topics persisted: the problems faced by America’s cities and those who design and administer federal, state, and local programs to alleviate them.

By the early 1970s, however, Washington’s political climate had changed. Anxiety about the

“urban crisis” had lost its edge, and faith in government’s power to conquer it had begun to fray. “Think locally” had become the watchword. The social ills that the Institute was set up to track and analyze still dogged the nation, but more Americans were looking closer to home for solutions.

In response, we redoubled our work with state and local governments. We helped many find and institutionalize ways to better design, manage, and evaluate programs and services. We also explored and compared options for dividing up fiscal responsibilities in metropolitan areas, and we added land-use and zoning issues to our research agenda. We helped municipal governments pursue efficiency, equity, accountability, and responsiveness without tripping over ideology or intellectual fads.

We also pushed the definition of urban. The more we probed the problems plaguing America’s cities, the more we came to believe that these constituted the country’s domestic policy agenda. When many U.S. cities were set ablaze after Martin Luther King, Jr., was assassinated, health care and education may have seemed only remotely at issue. But ultimately these and other social supports influenced the prospects of center city residents, the poor,

The Policy Environment Has Changed

	1968	1998
U.S. population	200,706,000	270,627,443
Minimum wage relative to cost of living in 1998 dollars	\$6.19 (1967)	\$5.15
Dow Jones Industrial Average (Dec. 31)	944	9181
% of families headed by a never-married mother	1 (1970)	11 (1996)
% of adult women in paid jobs	40	58
% of federal discretionary vs. already committed funding and interest payments	66 vs. 34	33 vs. 67 (estimated)
% of U.S. workers with a college degree	13	30
Average SAT scores of entering college classes	math 533, verbal 541	math 531; verbal 509
GDP per capita (1992 dollars)	\$16,408	\$27,786 (2nd quarter)
National health expenditures as share of GDP	6.1%	13.5% (1997)
Urban % of total population	70	75
% of voters in presidential election	61	49 (1996)
Violent crimes per 100,000 people	298	634 (1996)
Share of total household income held by poorest fifth vs. richest fifth	4.2% vs. 42.8%	3.6% vs. 49.4%

1968

1972

children, immigrants, and the rest of us. So any concern that “urban” might not do justice to our ever-broadening research agenda slowly dissolved.

In the Institute’s first five years, some forays took us to new territory that we still occupy. Others didn’t. The Cable Television Information Center was started in 1972 to help local governments handle complex new franchising arrangements. When it became an independent nonprofit corporation in 1980, we ceased such work rather than duplicate it. The Public Interest Research Project, launched in 1972 to track social policy cases before U.S. courts and provide politically neutral evidence, wound down because potential funders feared that the Institute might be perceived as partisan. On the other hand, studies of health care for the poor, national health insurance options, private insurance, cost containment, physician fees, and related topics gradually fueled development of what today is the

Institute’s largest research center—Health Policy.

Some early methodologies proved durable too. The basic microsimulation model created in 1972 (Transfer Income Model, or TRIM) lives on as TRIM3, a methodological workhorse used in the mid-1990s to estimate the costs and insurance coverage implications of health reform options, as well as the impacts of federal welfare reform proposals and many other policy options.

Much of our research changed course gradually. Our early work on transportation planning and modes, for instance, evolved into analysis of gas consumption, traffic congestion, and public transport policies in the mid-1970s. As transportation research questions got more region-specific, they were taken on by consulting firms while we confined our role to occasional studies tied to national policy analysis—job access in welfare-to-work programs, for instance.

The accomplishments of this era weren’t just a matter of picking research topics with staying power in the marketplace of ideas. The Institute’s record also traces back to the decision made as a young organization to bring relevant data and analytical rigor to bear on policy choices.

“

The Urban Institute was founded to bridge “the gulf between the... scholar in search of truth and the decision-maker in search of progress.”

President Lyndon B. Johnson

”

SENIOR FELLOWS

1968-1998

Frank deLeeuw

James O. Gibson

Jack Hadley

Erwin Hargrove

Gary Harvey

Marilyn Moon

Richard Muth

Eleanor Holmes Norton

Janet L. Norwood

John L. Palmer

Rudolph G. Penner

George E. Peterson

Henry Ruth

Isabel V. Sawhill

Allen Schick

John Shannon

Thomas Sowell

C. Eugene Steuerle

Raymond J. Struyk

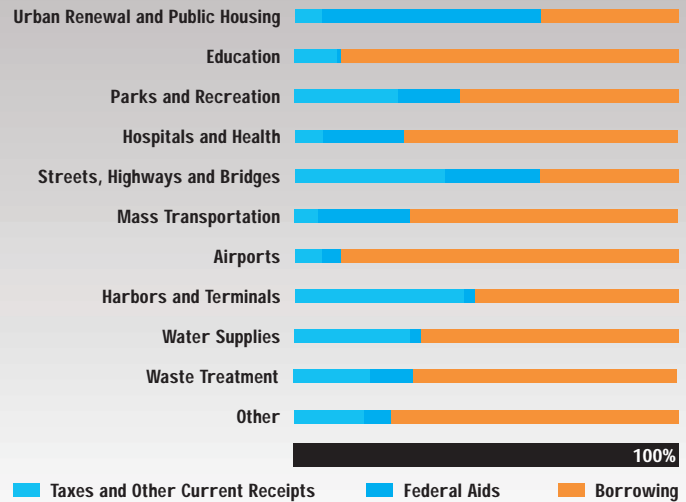
Lawrence H. Thompson

Michael Wiseman

Other choices made early on also served us well later: To ground policy perspectives in experience evaluating programs. To make the Institute hospitable to academic research but to stay out of ivory towers. To leave politics to others. To take a variety of approaches to answering a question. To create a distinguished board and listen to what it says. And to get the numbers right.

DATA FLASHBACK

Financing City Infrastructure



Source: Harvey Galper and John Peterson in *Nation's Cities*, 1970

1968
1972

Key Publications

- "Thinking about Housing: A Policy Research Agenda" (1968)
- "Citizen Participation: The Local Perspective" (1970)
- "Community Control: The Black Demand for Participation in Large American Cities" (1970)
- "Federal Evaluation Policy: Analyzing the Effects of Public Programs" (1970)
- "Blacks and Whites: An Experiment in Racial Indicators" (1971)
- "An Evaluation System to Support Planning, Allocation, and Control in a Decentralized, Comprehensive Manpower Program" (1971)
- "Guide to the Assessment of Day-Care Services and Needs at the Community Level" (1971)
- "Selected Education Indicators for 21 Major Cities" (1971)
- "The Absence of Program Evaluation as an Obstacle to Effective Public Expenditure" (1972)
- "The Challenge of Productivity Diversity: Improving Local Government Productivity, Measurement, and Evaluation" (with the International City Management Association, 1972)
- "Fertility Experimentation: A Technique to Evaluate Alternative Population Control Policies" (1972)
- "The Fiscal Impact of Residential and Commercial Development: A Case Study" (1972)
- "Housing Allowance Household Experiment Design" (1972)
- "How Shall We Collect the Garbage? A Study in Economic Organization" (1972)
- "Measuring the Effectiveness of Local Government Services: Transportation" (1972)
- "Microanalytic Simulation Modeling for Evaluation of Public Policy" (1972)
- "National Health Insurance: Costs and Distributional Effects" (1972)
- "Obtaining Citizen Feedback: The Application of Citizen Surveys to Local Governments" (1972)
- "Practical Program Evaluation for State and Local Governments," (1972, 2nd edition, 1981)
- "Public Prices for Public Products" (1972)
- "Public School Finance: Present Disparities and Fiscal Alternatives" (1972)
- "A Study in Comparative Urban Indicators: Conditions in 18 Large Metropolitan Areas" (1972)

The contours of knowledge building run wide and deep in this society, and the U.S. Department of Housing and Urban Development (HUD) and other large public institutions must contend with that complexity. HUD is a knowledge producer, a consumer of ideas, and sometimes even the victim of ideas about cities and neighborhoods—a victim when those ideas strike a deep chord with the public but reveal more political muscle than genuine merit.

In these multiple roles, HUD has developed a healthy skepticism about science in the realm of policy and the detachment of research from short-run political cycles. Take urban renewal. HUD learned long ago that simple top-down ideas about “renewing” inner cities provided little more than a veneer of legitimacy for local “growth machines.” These machines were driven by narrow financial interests that invoked progress but destroyed vibrant communities rich in affordable housing and patterns of exchange and trust—what we now like to call “social capital.” The ugly truth about urban renewal, a sad but defining chapter in the last half century of urban policymaking, was not to be found in statistical counts but in *seeing* urban places (especially low-rent ones) in new ways and in rethinking the word “slum.”

On the other hand, knowledge-using institutions can learn, and one way to gauge their learning is to look at how long it takes them to launch a new approach, document its effectiveness, *and* change gears when needed. On this score, the last 30 years of knowledge building in urban affairs stack up well. At HUD, unpleasant truths about cherished approaches now get aired earlier and to greater effect. Fewer grand schemes proceed far without the benefit of performance measurements and heated conversations with skeptics.

What do the past 30 years on the learning curve suggest about the next ten or so? Research will be an important tool as HUD and others wrestle with huge questions: How do we house the nation’s booming population of elders? What comparative advantages do faith-based institutions offer in our changing safety net? How can people throughout a metro area share in its prosperity? In lieu of big government, what array of institutions and specific community-building skills can effectively “broker” markets for housing, jobs, and capital to spread the wealth? How can we grow smarter—recycling and reusing buildings and land to retain market choices without devastating our environment or losing a sense of community and human scale? And how can information technology serve all these aims without creating a new “information underclass”? If, as a Peruvian poem contends, “The world will only be changed by those with burning patience,” then let knowledge builders, in their humility, be at the heart of the flame.

Knowledge and Learning at HUD

Xavier de Souza Briggs is acting assistant secretary for policy development and research at HUD and a faculty member (on leave) at the John F. Kennedy School of Government at Harvard University.



Education

1973

1977

Healthy Skepticism

The recession that engulfed the U.S. economy in the early 1970s lent urgency to the Urban Institute's research on poverty, employment, and social services. Hard times also heightened interest in our work on tax reform and government efficiency. There were more questions about the effectiveness of public programs and services, and disgruntled taxpayers seemed more interested in fact-based analysis like ours than in economic theory or partisan conviction.

In this climate of skepticism, the Institute continued its push toward the quantitative and the analytical. One example illustrates how. With funds from the Department of Labor, the Ford Foundation, and the National Science Foundation, we began to frame the trade-offs between taming inflation and curbing unemployment. We developed a model of

labor market dynamics that translated the impacts of various public policy scenarios into state-by-state statistics on labor turnover and numbers of job seekers and job holders. The model also helped us tally job losses during the recession and estimate the comparative prospects of African Americans, teenagers, and women seeking work during economic recovery.

Other modeling efforts also gathered force. We added components to TRIM, our microsimulation model of U.S. households, so we could simulate who would get Social Security income supplements, Medicaid, and benefits for the elderly under various proposals. TRIM also enabled us to assess the household impacts of President Nixon's Family Assistance Plan. Staff at the White House and the U.S. Department of Health, Education, and Welfare (HEW)

used the model in the debate over the Nixon plan and welfare reform. And offices in HEW, the Department of Housing and Urban Development (HUD), the Department of the Treasury, and the Department of Agriculture would later form a users group to back the model's further development.

Another microsimulation model developed at the Institute enabled us to project supply and demand in housing services. This breakthrough helped HUD estimate the total costs of its housing subsidy programs by household type. By 1974, we could predict ten-year changes in household moves, as well as the quantity and quality of urban housing available and the impact of restrictive building regulations on housing prices—critical information for city planners and policymakers.

From 1973 on, both our modeling and other research deepened our expertise on poverty. We were among the first to see the problems posed by the rapid rise in the number of female-headed households and teenage mothers. We investigated the root causes of this trend, then the broader economic conditions transforming families by pushing or pulling more women—single and married, rich and poor—into the workforce.



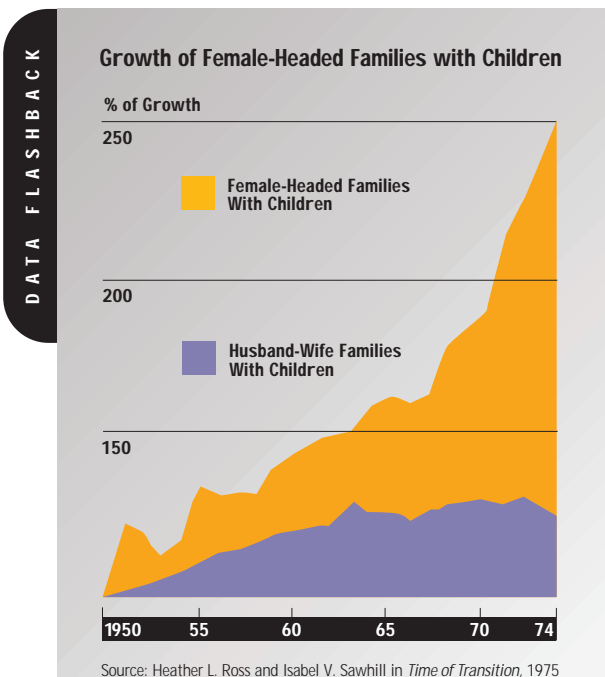
Other research on how the nation provides for the needy led us to examine what states were doing under Title XX of the Social Security Act, which gave them block grants for administering social services. We identified which services such vulnerable groups as the handicapped, aged, and disabled needed and how they were being delivered. We also checked to see how changes in federally funded services influenced participation rates. A key finding was that states were spending most of the federal funds on programs they had formerly supported themselves, thus raising the issue of “grant substitution,” which would mark much of the social policy debate in the next decade.

Many projects started in the Institute’s first five years grew or evolved during the next half decade. Work on low-income housing expanded to cover discrimination in the housing market. Descriptive studies of mode-of-transportation choices became the basis for forecasting use patterns and comparing ways to relieve congestion. New education financing studies moved beyond straightforward comparisons of expenditures to show *why* funding disparities among districts occurred and where inner-city schools stood.

All research on urban areas during this period was highly influenced by scarcities of data. Problems such as the tides of violence that had ripped through Atlanta, Detroit, Washington, D.C., and other cities in the mid-1960s would never be resolved by statistics. But other questions—whether public revenues were being channeled to where they would make the most difference, or which economic development policies were working best—could be addressed more effectively with more and better data in hand.

To help fill the gap, the Institute collected and analyzed information on where industries cluster and why and on where public revenues and benefits flow within greater metro areas.

Drawing on related work on housing markets, rehabilitation, and management, we brought new information and analytical consistency to housing allowance experiments in three cities and used local results to project a national picture. Looking at urban finance, we brought useful facts to public decisionmakers on job initiatives, the battle with congestion, and—in the wake of New York City’s financial crisis—the cost-effectiveness of city services delivery, compensation for municipal workers, and the hidden deficits represented by pension obligations and infrastructure decay. Other studies tracked the gradual shift of responsibility for education, health services, and transportation to the states and the cutback in federal aid to cities—trends that would accelerate in the next decades and figure centrally in our research.



Model Research

Staying faithful to the data led the Institute to some findings that upset the conventional wisdom at the time. A few examples of such findings:

- Property taxes *aren't* necessarily regressive.
- Some of the negative effects on children usually attributed to the absence of a father at home actually reflect the absence of a father's *income*.
- Delinquency rates *do* drop as expenditures on police rise.

Findings like these helped some governments avoid expensive mistakes. So did the development (with the International City/County Management Association) of new outcome-based performance management measures, which prompt state and local officials to pay more heed to what public servants actually deliver instead of to how busy they might be.

In program evaluation, one thing led to another. For HEW, we evaluated Head Start curricula and the Health Start program. In California, we evaluated legal services for the poor. For the Law Enforcement Association and Administration, we evaluated how the Safe Streets Act was put into practice. From these and many other assessments, we concluded

In the late 1960s, when the Urban Institute was created, computer modeling techniques first developed for strategic defense and scientific purposes were invading social science research. Microsimulation models that estimated the impacts of policy proposals on individuals held great potential for analyzing government tax and transfer programs, so from the beginning creating, refining, and adapting models has been part of the Institute's work.

The first microsimulation model developed at the Institute—in 1969—estimated the short-term costs and household effects of policy proposals, including President Nixon's Family Assistance Plan. TRIM (or Transfer Income Model), a direct descendent of that prototype, estimated costs and effects for a host of government programs—cash assistance, food stamps, and health and employment programs.

Another Institute model, DYNASIM (Dynamic Simulation of Income Model), was developed in 1973 to project how the population's composition and income change over long periods. Knowing this allows researchers to analyze the effects of programs such as Social Security or private pensions on the incomes of individuals over many years.

These and other microsimulation models created or refined at the Institute have been used to project the effects of tax, welfare, and jobs programs on income distribution and labor supply, of changing the age of eligibility for Social Security benefits, of health system reform, and more.

Today, such information is taken for granted in policy debates. But, as Senator Daniel Patrick Moynihan wrote in 1973 in a book on President Nixon's Family Assistance Plan, thanks to the Urban Institute's 1969 model, "Congress was to have before it the same data as the executive branch had worked from. So did persons outside government, persons for the program and persons against it. This was a situation probably without precedent in the development of major social legislation . . ."

By 1998, efforts to share both data and the microsimulation techniques used to generate it had come an enormous distance. TRIM3, a so-called client-server system, allows users to easily set up simulations on their PCs by simply pointing and clicking. This system enables policy analysts without computer programming skills to analyze tax, income transfer, and health policy proposals.

policy outcomes

that programs usually fail for one or both of two reasons: The same outcomes aren't desirable and shouldn't be expected in every application, and it's not clear enough who or what is responsible when results do vary.

Consolidating other insights from the Institute's by-now-numerous evaluations, we also started guiding officials through the steps required to evaluate programs. For the Alcohol, Drug Abuse, and Mental Health Administration, for instance, we studied the technical and organi-

zational problems encountered doing evaluations. For the Ford Foundation, we spelled out ways to judge the effectiveness of Community Development Corporations in a belt-tightening era. Throughout this period, we also coached program managers and officials in evaluation design and conducted research on evaluation's role in public policy.

By the Institute's tenth year, 1977, what we had learned was greater than the sum of our research findings. We had

learned to live with the natural tension between a tight focus and concentration of energy on the one hand and the pursuit of messier, interrelated questions on the other. We had learned to balance competing social goals and private interests. And because the long-run value of research was never in doubt, we had learned not to get demoralized when political forces or bureaucratic inertia proved stronger than a carefully reasoned and conclusive policy study.

1973
1977

Key Publications

- "Income and Urban Home Ownership" (1973)
- "Measuring the Effectiveness of Basic Municipal Services: An Initial Report" (with International City Management Association, 1974)
- "Program Analysis for State and Local Governments" (1976, 2nd edition, 1988)
- "Neighborhood Team Policing" (1973)
- "Operating Costs in Public Housing: A Financial Crisis" (1974)
- "The Urban Predicament" (1976)
- "Perspectives on Women and Work in America" (MIT Press, 1973)
- "The Missing Link: The Study of the Implementation of Social Policy" (1975)
- "How Effective are Your Community Services?" (with ICMA, 1977, 2nd edition, 1992)
- "Property Tax Reform" (1973)
- "Time of Transition: The Growth of Families Headed by Women" (1975)
- "Private Provision of Public Services" (1977)
- "Public Policy for Day Care of Young Children" (Heath-Lexington, 1973)
- "Evaluating Community Development Corporations: A Summary Report" (1976)
- "Procedures for Improving the Measurement of Local Fire Protection Effectiveness" (with the National Fire Protection Association, 1977)
- "The Atlanta Project: How One Large School System Responded to Performance Information" (1974)
- "Policy Exploration through Microanalytic Simulation" (1976)
- "Restructuring Federal Medicaid Controls and Incentives" (1977)
- "Equality of Distribution of Recreation Services: A Case Study of Washington, D.C." (1974)
- "Keys to Successful Housing Management" (1974)

The health insurance debates over the past 30 years have centered on the large and growing number of Americans without health insurance and on the high and rising costs of health care. The two problems are related. Rising costs make the consequences of doing without health insurance more serious, as well as making insurance more expensive to purchase or provide.

These problems defy simple solutions because 9 out of 10 Americans have insurance coverage, most have been reasonably content with their own access to the health system, and most have been at least somewhat protected from its costs.

Indeed, the early and mid-1990s saw a brief respite from both threats. Medicaid was expanded to cover

children and pregnant women, and a strong economy kept the number of uninsured from rising significantly. Meanwhile, the

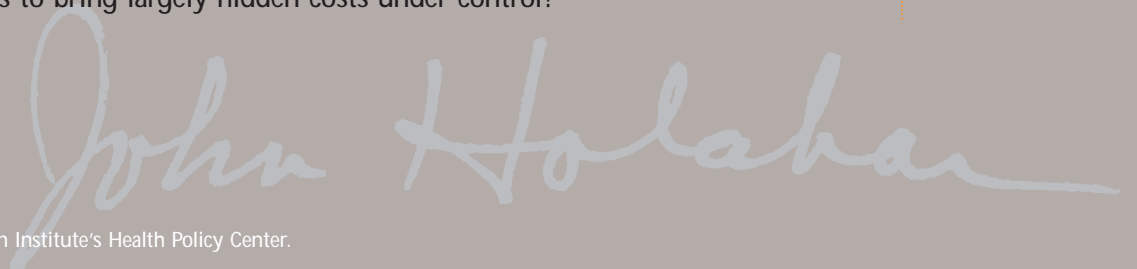
growth of health care costs slowed as managed care spread. Particularly private but also public payers took advantage of the system's abundant overcapacity to negotiate fee and rate reductions, move enrollees to less-expensive hospitals, and reduce the use of hospital specialists and emergency rooms.

Unfortunately, both problems are likely to return soon, and when they do health care debates will intensify. Medicaid rolls are falling sharply as welfare reform takes hold, increasing the number of uninsured. Although the new federal children's health insurance program will cover many children, the number of uninsured adults could increase sharply. Moreover, employer-sponsored insurance is likely to decline because health insurance costs are beginning to grow faster than wages. A recession will make it even harder for employers to offer insurance and for employees to pay their share of the premiums.

Health care costs are likely to increase for other reasons, too. The market power of managed care plans will begin to erode as hospitals and doctors consolidate, and consumers are choosing more open-ended and less-effective forms of managed care. Increased federal and state regulation of managed care may benefit consumers, but it is also likely to undermine cost control by managed care plans. The introduction of new technologies and pharmaceutical products and the aging of the population will also drive costs up.

As these events unfold, the nation will again face issues it has not been able to solve for three decades: How can it either extend insurance coverage or support the institutions that provide care to the uninsured while health care costs are growing faster than personal incomes and government tax revenues? And will Americans sacrifice choice of providers and ready access to new technologies and drugs to bring largely hidden costs under control?

Round and Round on Health Care



John Holahan directs the Urban Institute's Health Policy Center.

When the Urban Institute was founded, the amount of good information available about America's social problems was laughable—or cryable, if one cared. Today, thanks in large part to the Institute and other institutions founded in that era, much excellent information is available and aggressively disseminated to the people who develop, enact, implement, and monitor policy.

of where research points. The institution in which they work, whether a government department or a legislature, imposes constraints on their latitude to undertake new policy initiatives or modify old ones. Every institution has a history, tradition, culture, set of standard operating practices, and routines. Some issues are fair game and others cannot be raised. Things are done a certain way. Some people's preferences have to be consulted and others are nonnegotiable. All four of these contending factors limit how much influence research can have at a given time.

How Information Matters

The policy science community believes that policy predicated on good information will be more successful than policy made without regard for information about the state of the problem, the trends over time, or the probable effectiveness of alternative policy approaches.

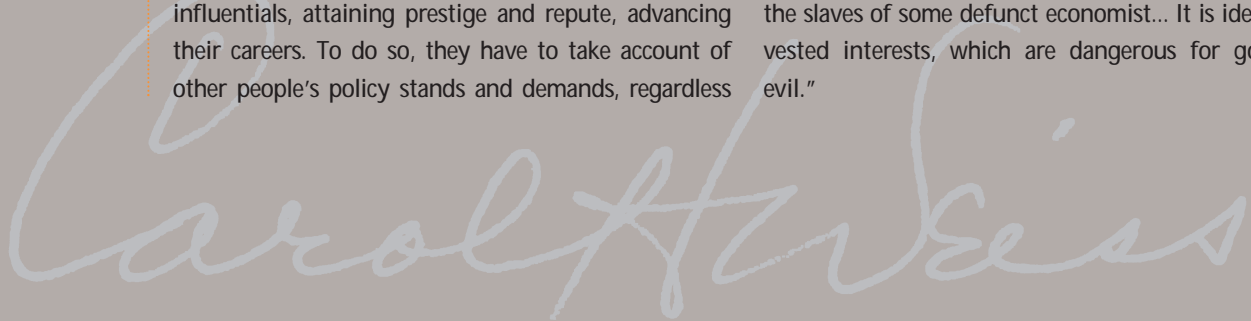
However, experience shows that much policy is made without consulting the available information or considering the four competing influences I call the 4 I's—ideology, prior information, interests, and institution.

Ideology, the values and beliefs that underlie the policy positions of individuals and administrations, inevitably influences which policy issues are construed as “problems” to be solved and which are accepted as unavoidable conditions. Information from prior sources has already structured the cognitive field. New research enters an arena often saturated with information from officials' personal experience, regular bureaucratic reporting, newspapers, TV, and the whole array of modern communications technologies. Interests are omnipresent. Officials have interests in satisfying constituents, maintaining the support of influentials, attaining prestige and repute, advancing their careers. To do so, they have to take account of other people's policy stands and demands, regardless

Yet even within these constraints, research often has lasting influence on public policy. Not usually direct and immediate influence (though that occasionally happens), but a shift in the ways people think about issues—which aspects they see as fixed and unchangeable and which can be altered, how serious the problem is, what conditions give rise to it, what levers are apt to be effective in coping with it, and what interactions are likely with other problems and other policies. The gradual percolation of new concepts from research into the policy arena has had important consequences over time.

Tracing a policy back to its roots in earlier research is difficult, and often the policy would not have emerged had it not been for supportive conditions (such as the mobilization of citizen action, changes in economic organization, dissatisfaction within the bureaucracy). But in many areas research has been an important contributing factor. As John Maynard Keynes (1936) said in a quote we have come to know and love:

“Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist... It is ideas, not vested interests, which are dangerous for good or evil.”



Carol Hirschon Weiss is a professor in the Harvard University Graduate School of Education.

1978

1982

Results

By 1978, the Urban Institute had advised

government agencies under three successive administrations—those of Presidents Nixon, Ford, and Carter. Besides informing many debates, including those over welfare reform and both the creation and the early performance of the Congressional Budget Office, we had seen many of our findings and insights make their way into practice.

Examples abound. We had provided an intellectual basis for shifting federal low-income housing policy from “If you build it, they will come” to one of upgrading downtown housing and easing access to homes and apartments outside the inner city.

We had seen our microsimulation models widely adopted to test new policy ideas and our performance measurement techniques put to use by scores of local and state governments. We had influenced national transportation policy by demonstrating that using cars, buses, and taxis more efficiently would be more cost-effective than investing in commuter trains and advanced technologies.

Our research agenda during these years also reflected new concerns dictated by social change. The recognition that government needed to join hands with business to meet urban challenges led us into more analysis of markets, especially for housing and labor. It gave new impetus to our long-standing work on improving public agencies’ “customer orientation,” an idea once associated only with profit-making enterprises. Our analysis of the economic performance of all U.S. cities with at least 100,000 people revealed the need to pair private job creation with federal employment subsidies for the long-term unemployed. Joint work with the Committee for Economic Development—a private organization of business executives—documented the successes and failures of public/private partnerships to stimulate economic development in six cities.

Another new feature of the American social landscape during these years was the women’s movement. As the roles of women and the shapes of families changed, we explored the origins of the male/female earnings gap, job prospects for empty-nest mothers, and income sources for elderly women. We also looked at how what teenage girls study in high school influences occupational choices and earnings capacity, at the public and private burden of teen pregnancy, and at the childrearing and housing costs of nontraditional families.

Besides tracking trends, we shifted our research priorities to stay aligned with national priorities. By 1979, Social Security and welfare programs constituted the largest slice of the federal budget. Earlier modeling work now allowed us to project Social Security and private pension benefits to 2020, sketch how various retirement program proposals might boost or shrink benefits, and estimate the costs of program changes. In related studies, we modeled the Federal Civil Service Retirement System so we could estimate reform’s costs and benefits, and we helped HEW figure out how workers’ income needs change after retirement.

Other research on the well-being of the elderly centered on what happened after a 1978 law raised the permissible mandatory retirement age to 70 and what might happen if mandatory retirement were outlawed. Examining both private plans and Social Security, we found that the new law had triggered only a small increase in the number of elderly still working and that under current pension plans aging workers had strong incentives to retire early. Related studies turned up more policy grist: the income of the elderly had been slipping

since the mid-1970s, urban revitalization schemes often displaced the elderly poor, and older Americans whose nursing home bills were paid by Medicaid could not count on getting the same treatment as others or the same place in line at all facilities.

Another national priority reflected in the federal budget was health care. The crux of our work continued to be containing costs and expanding access, especially for vulnerable populations. But new studies tackled manpower issues, medical care's measurable impacts on health, and the affordability of new medical technologies. Our 1980 book on national health insurance pointed out the advantages of state-administered insurance plans and of limits on hospital and doctors' fees. Another study showed how cities were coping with federal and state cutbacks of Medicaid and other program funds.

Reading the 1980 election partly as a vote of mounting dissatisfaction with government performance and spending, the Institute saw increased support for its basic commitment to practical problem-solving. In our work on public management, we increasingly married institutional and political analysis with technical and quantitative approaches to



the same problems. In our public finance program, we melded theoretical research on depreciation, inflation, and taxation with more practical studies of how tax policy changes condition regional economic growth and capital investment. We also looked at how federal block grants—one answer to the call for less federal intervention—were working and at whether federal assistance to cities shielded them from economic fluctuations or created a fiscal dependency that made normal cyclical swings worse.

With the federal government willing to give ground to both markets and states, our work on vouchers gained momentum during these years. How could these in-kind subsidies be designed and regulated to promote public goals? What would the full public costs be? And who would benefit? We applied these questions to housing, transportation, and food stamps.

DATA FLASHBACK

Average Miles Traveled Between Vehicle Breakdowns, 1978

City	Miles Traveled
New York	750
New Orleans	869
Denver	1,106
Cincinnati	1,208
Charlotte, NC	1,300
Detroit	1,603
Des Moines	2,025
Kansas City	2,047
Cleveland	2,210
Louisville	2,231
Baltimore	2,486
Minneapolis	2,792
Seattle	2,800
Milwaukee	3,289
San Jose	3,500
Portland	3,800
Tucson	4,100
Pittsburgh	5,041
Dallas	6,507
Buffalo	9,578
Oakland	13,394
Atlanta	15,285

Source: Peter Wilson in "The Future of Dallas' Capital Plant," 1980

Making Headlines

By 1982, the broad shifts in the nation's economic and social policies began to seem like history in the making. To help Americans understand these shifts, we initiated a new project—Changing Domestic Priorities—to monitor and analyze how people, places, and institutions were faring under the Reagan administration's policies. The task was daunting, but our researchers already covered all key domestic issues except for national defense, and we were willing to find collaborators to plug gaps in our knowledge. This project would build capacity and encourage cross-disciplinary policy analysis at the Institute, as well as provide a nonpartisan guide to the Reagan Revolution.

The Institute started two other timely projects in 1982. One would probe the issues surrounding the tide of immigration into southern California. How does immigration affect employment levels, wages, and the skill composition of the labor force? What demands do the newcomers place on schools and other public services? And how can communities avert strife and seize opportunities as they change?

Urban Programs Face a Sharper Scrutiny September 14, 1968 • <i>Business Week</i>	Hispanic Tie to Jobless Rate Is Discounted February 28, 1984 • <i>San Diego Union-Tribune</i>
"Think Tank" Aims at Cities April 8, 1969 • <i>Detroit News</i>	Analysts Say Cuts in Aid Hurt Young September 1, 1985 • <i>New York Times</i>
Operating Costs Found Too High for Tenant Income in Public Housing Crisis June 25, 1970 • <i>New York Times</i>	Study Finds Cities Fared Well Despite Recession, Reagan Cuts September 28, 1986 • <i>The Washington Post</i>
Study Finds Federal Employment Test Fails Too Large a Share of Black College Graduates September 26, 1971 • <i>New York Times</i>	Integration Rose in U.S. in '70s, Researchers Say February 7, 1987 • <i>The Washington Post</i>
Cable TV Gets \$2.5 Million and Capital Center January 12, 1972 • <i>New York Times</i>	Urban Institute Study Puts Number of U.S. Homeless at Close to 600,000 November 4, 1988 • <i>The Washington Post</i>
The Quality of Life Here is Rated High in Survey October 21, 1973 • <i>New York Times</i>	Poverty's Grip on Children Widens March 12, 1989 • <i>Boston Globe</i>
A City Raises Police Pay if Crime Rate Goes Down November 10, 1974 • <i>New York Times</i>	Immigrants Cited as Key to Population Growth of 1980s August 31, 1990 • <i>Los Angeles Times</i>
Does Busing Lead to Resegregation? June 8, 1975 • <i>New York Times</i>	An Acid Test of Job Discrimination in the Real World October 21, 1991 • <i>Business Week</i>
Economy Called Key to Urban Plight August 9, 1976 • <i>New York Times</i>	A Diverse Team Aids Clinton on Health Care October 27, 1992 • <i>The Washington Post</i>
The Explosive Issue of Youth Employment October 10, 1977 • <i>Business Week</i>	Group Says Up to 4.9 Million Elderly Suffer Food Shortages November 17, 1993 • <i>Chicago Tribune</i>
Half of Black Children Born to Unmarried Women; Out-of-Wedlock Births Rise May 4, 1978 • <i>The Washington Post</i>	Do Bigger Welfare Checks Mean More Kids? Not Really January 31, 1994 • <i>Business Week</i>
College Board Tests Show a Black-White Disparity December 9, 1979 • <i>The Washington Post</i>	Values Program for Teen Mothers Tries to Stop Cycle August 7, 1995 • <i>Los Angeles Times</i>
High Cost of Child Rearing—\$85,000 Each, and Going Up October 6, 1980 • <i>Christian Science Monitor</i>	Number without Health Insurance Rises April 27, 1996 • <i>Los Angeles Times</i>
Wage Gains of Black Men Overstated, Study Says February 11, 1981 • <i>New York Times</i>	Seniors More Inclined to Accept Increases in Medicare September 14, 1997 • <i>Los Angeles Times</i>
Institute Says Reagan Widening Rich-Poor Gap; Study Notes Shift of Funds to Sunbelt September 14, 1982 • <i>The Washington Post</i>	New Study Says It Pays to Work While on Welfare July 28, 1998 • <i>Boston Globe</i>
Middle Class Shrinks as Poverty Engulfs More Families, Two Studies Say December 11, 1983 • <i>New York Times</i>	

Along with immigration issues, we also began studying the scope and structure of the nonprofit sector—the universities, social welfare agencies, hospitals, neighborhood and civic associations, museums, and other institutions that serve communities. As more of these organizations began to receive public funding to carry out programs and deliver services,

concern about their efficiency, accountability, and reach needed to be answered with level-headed analysis of their finances and operations.

The Urban Institute’s own finances shifted in 1982. Federal grants and contracts had become harder to get in the new political climate, and for the first time most new research funds came

from foundations and corporations. Since the new funders themselves were not the primary audience for our research findings, this shift also meant that we would increasingly disseminate our results ourselves—a challenge we would meet partly by participating in the communications revolution that was rapidly gathering force.



Key Publications

- “The Application of Technological Developments to Physically Disabled People” (1978)
- “The Better Jobs and Income Plan: A Guide to President Carter’s Welfare Reform Proposal and Major Issues” (1978)
- “The Harried Staffer’s Guide to Current Welfare Reform Proposals” (1978)
- “Housing Policies for the Urban Poor: A Case for Local Diversity in Federal Programs” (1978)
- “How Housing Allowances Work: Integrated Findings to Date from the Experimental Housing Allowance Program” (1978)
- “The Impact of Beltways on Central Business Districts: A Case Study of Richmond” (1978)
- “The Persistence of Racial Segregation in Housing” (1978)
- “Financing Health Care for the Elderly: Medicare, Medicaid, and Private Health Insurance” (1979)
- “The Future of New York City’s Capital Plant” (1979)
- “The Subtle Revolution: Women at Work” (1979)
- “Congress and Money: Budgeting, Spending, and Taxing” (1980)
- “Congressional Budgeting” (1980)
- “Motivational Approaches for Improving State and Local Government Productivity” (1980)
- “National Health Insurance: Conflicting Goals and Policy Choices” (1980)
- “The Aging of America: A Portrait of the Elderly in 1990” (1981)
- “Housing Vouchers for the Poor: Lessons from a National Experiment” (1981)
- “Insuring the Nation’s Health: Market Competition, Catastrophic, and Comprehensive Approaches” (1981)
- “The Potential Impact of the Increase in the Mandatory Retirement Age on Younger Workers, Female Workers, and Minority Workers” (1981)
- “Productivity and Motivation: A Review of State and Local Government Initiatives” (1981)
- “Shades of Gray: A Portrait of the Elderly in Five Metropolitan Areas” (1981)
- “Teenage Childbearing and Welfare: Policy Perspectives on Sexual Activity, Pregnancy, and Public Dependency” (1981)
- “The Federal Budget and the Nonprofit Sector” (1982)
- “Housing Assistance for Older Americans” (1982)
- “Linkages: Improving Financial Management in Local Government” (1982)
- “Metropolitan Housing Needs for the 1980s” (1982)
- “More Care, Better Health” (1982)
- “Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing” (1982)
- “The Reagan Experiment” (1982)

In a recent *New Yorker* cartoon, a sign next to a harried road crew in Hell reads “Your good intentions at work.” The joke was probably not lost on public administrators grappling with the Government Performance and Results Act of 1993. Although it’s built on the sound principles of measurability and accountability, the law holds public servants’ feet to the fire in ways that might seem like torture. Yet experience does suggest how to ease the way.

The 1993 law asks much of federal managers. Besides preparing strategic five-year plans, they must develop performance indicators for each program under their wings. Such indicators often must be keyed to “outcomes” based on data supplied by states and localities, which employ any number of usually incompatible data collection procedures. From this mash, managers must develop short-term targets and report yearly on the results.

Add to this tall order additional pressures and pitfalls. Congress wants all annual and five-year plans to take account of all related programs, including those in other agencies, and from day one to specify how to validate and verify data. All this without additional resources! Meanwhile, far too many legislators, administration officials, and reporters still don’t recognize that outcome data explain only what happened, not how.

Fortunately, savvy managers can keep an eye trained on results and make this new system useful. Many years of experience with performance management before the Government Performance and Results Act passed point to several ways:

- Call for regular, at least quarterly, performance reports, so program personnel have timely performance information.
- Set internal targets with staff on each performance indicator for each reporting period—as a motivational device.
- Hold “How Are We Doing?” sessions with staff shortly after each performance report is produced—initially to identify needed improvements and in future reports to assess the outcomes from those actions.
- Call for explanatory information from staff for unexpectedly poor or good outcomes. Use this information to help determine future program actions, and transmit it to higher levels with performance reports to minimize misinterpretation.

Common sense? Maybe, but not commonly practiced. Since 1993, many, if not most, federal program managers have become so bogged down responding to reporting requirements that they scarcely have time to use performance data to upgrade the services they provide. Additional training would help. But even without this, capitalizing on what is now known about performance management’s pitfalls could take some of the torture out of the well-intentioned attempt to improve government services.

Performance Management in Practice



Harry Hatry is a principal research associate in the Urban Institute’s State Policy Center.



neighborhoods

1983

1987

Challenges To Sound Policy

In the five years beginning in 1983, the federal government's relationships to business, state and local governments, nonprofit organizations, and individual citizens were all being renegotiated in a politically charged atmosphere and an uncertain economy. Inflation had been tamed—but not unemployment. Record deficits threatened national savings and private investment. Productivity growth had slumped. Medicare expenditures had quintupled in the previous decade to become the second-biggest domestic budget item, and, after 40 years of growth, federally financed social services and benefits were coming under the scrutiny of taxpayers and legislators.

The Urban Institute saw the times as both dangerous and rife with opportunity for the country. On one hand were pressures to control spending and shrink government. These could prompt decisionmakers to make hasty across-the-board cuts in public programs and services instead of preserving the best and ending the worst. On the other, an openness

to new ideas invited policy experimentation at all levels of government. The first

made our commitment to careful nonpartisan program evaluation more important than ever; the second expanded the need for independent policy analyses like ours. The challenge would be balancing the roles of analyst and

evaluator and getting our work out in time to inform the fast-moving debates.

Federal expenditures, taxes, and regulation dominated our evaluative work. Looking at Medicare, we assessed recent hospital payment reforms and developed new methods of paying doctors' fees. Examining the landmark Food Stamp program legislation of 1981, we tracked its impacts on recipients and showed how changes in this and other public benefits affected the lives of the poor.

Evaluating tax policy, we scrutinized the investment incentives built into the current tax code. One finding was that the code—by default, the country's industrial policy—favored smokestack over high-tech firms, supposedly the

“ When I first came to Washington we had almost no reliable information about the costs of government programs, or about who would gain or lose from proposed policy changes. In the years since the Urban Institute was founded such information has become standard, in no small measure because of the central role the Institute has played in developing microsimulation. ”

Senator Daniel P. Moynihan

economy's leading edge. We later analyzed Treasury Department proposals to level the playing field for all industries by revising depreciation schedules and rules.

As part of the Institute's assessment of sweeping policy changes under the Reagan administration, in 1984 we studied the Executive Office of the President itself. Our researchers gave President Reagan high marks for revitalizing the national debate on policy, rebuilding military strength,

overhauling the tax system to make it more efficient, and boosting public confidence in the presidency, but low marks on developing a durable bipartisan governing coalition, bringing the poverty rate down, and containing the national debt.

Many of the policy proposals and initiatives that we analyzed during these years furthered the shift of responsibility for the social safety net from the federal to state and local governments.

Tracking this shift as it gathered force, we found that poor states lost the most federal dollars as funding for education increasingly took the form of block grants. We also established that some types of federal cutbacks were offset by increased state spending on social services while others were compounded by parallel state-level cuts. And we determined that which programs survived depended more on politics than on the availability of state funds.

Capital Ideas

In the early 1980s, unsafe bridges, dilapidated buildings, broken water and sewer mains, and pitted streets were becoming a headache—and occasionally a migraine—for America's local governments. When the U.S. Department of Housing and Urban Development surveyed local officials about their priorities in 1981, problems with these capital facilities came out near the top. The "crumbling infrastructure" of America's cities was featured on the covers of *Time* and *Newsweek*.

The Urban Institute had anticipated this issue. For two years, the Institute had been working with Cleveland, New York, and other cities to assess decay in old infrastructure systems, put together maintenance and reinvestment plans, and find ways to finance the investment backlog with public support.

In Cleveland—perhaps the most distressed big city in America at the time—the Institute helped establish a coalition of the CEOs of the area's major industrial firms, the mayors of Cleveland and surrounding suburbs, and the directors of county and regional infrastructure systems. One result was agreement on a capital renewal plan, supported by business and partially financed through an increase in the local income tax, approved at referendum

by Cleveland voters as long as the revenues were earmarked for infrastructure improvement. The Institute and Cleveland collaborated for 10 years until the reinvestment plan was completed.

In 1984, the Institute published six guides that consolidated its expertise on urban capital management and formed a small reference library for beleaguered officials. Based on best practices, the guides covered assessing capital condition, creating benchmarks for use in evaluating capital facilities and monitoring breakdowns, designing cost-effective maintenance strategies, and financing both investment and maintenance plans.

In association with these publications, the Institute formed a network of 12 large cities, including Seattle, San Jose, Boston, New York, and Oklahoma City, that undertook to reform their capital management practices and put together public-private commissions that would make sure that road, bridge, and water investments helped restore their cities' economic competitiveness.

The capital management guides were also translated into Japanese and used by the Metropolitan Tokyo government in organizing its infrastructure reinvestment program.

1983

1987

States had to contend with high unemployment during these same years. Despite cuts in state unemployment benefits, joblessness had forced states to borrow more than \$20 billion from Washington by 1983 to keep their unemployment trust funds solvent, and states also had to deal with the net loss of 1 million jobs in a growing array of industries following trade liberalization after 1980. Institute research showed that recessionary unemployment hurt minorities most: proportionally more were unemployed, more saw their federal income support cut, and fewer benefited from the tax cuts that tempered the recession for many Americans.

Two other issues high on our research agenda during the mid-1980s were poverty and immigration. Asking why Americans fall into poverty, we found that many of the poor were homemakers forced to become breadwinners

after divorce, abandonment, or the death of a spouse. Many others lost their economic foothold when government changed or terminated social programs or when absent parents stopped paying child support.

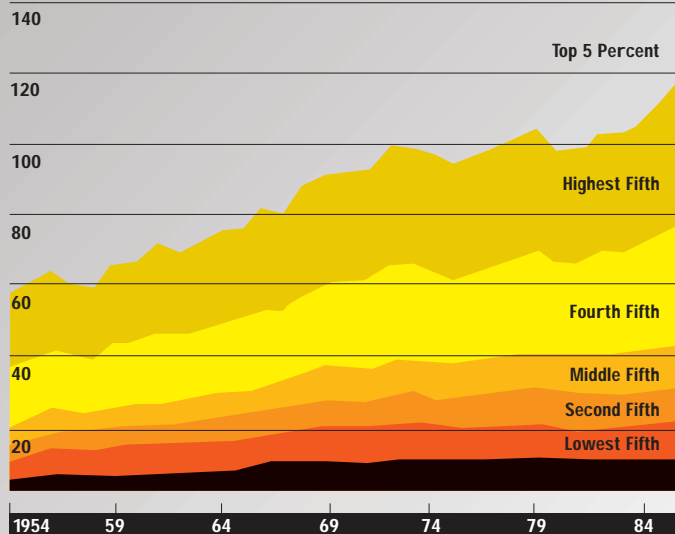
We also asked what the tide of immigrants into the United States brought to and demanded from the communities where the newcomers settled. In a study confined to southern California, we found that the net economic impact was positive. Few workers lost their jobs to immigrants, local industries prospered with cheap labor readily available, and though education costs were high,

health care cost increases were minimal, and police and welfare costs didn't rise at all. This finding addressed widespread fears that the costs of accommodating immigrants might prove overwhelming.

Another public concern was that America's middle class was thinning, so the Institute began to take this group's measure. One study showed that over the previous decade young middle-class families had lost buying power, postponed childbearing and home-buying, and amassed more consumer debt even as more women took paid jobs. Related research revealed that a 30-year-

Only Upper Incomes Are Growing

1986 Dollars (Thousands)



Source: Joseph J. Minarik, research for "Growth and Distribution of Incomes in the United States," 1988

DATA FLASHBACK

reason

methodology

old man's earnings were about the same in 1983 as they had been in 1959 if inflation is taken into account. This generation also faced high housing costs.

Perspective-giving studies like these were complemented by those trained on the nitty-gritty of government operations, management,

and finance. We pointed out the uncertainties in predicting tax reform's impacts on housing costs and values. We reviewed the Office of Management and Budget's procedures for evaluating federal credit programs. We spelled out the issues health care agencies would need to

1983

1987

Counting

How can policymakers help the homeless or the uninsured as effectively and efficiently as possible without knowing how many homeless or uninsured there are? As debates over the best way to carry out the year 2000 census indicate, counting large numbers of people is neither simple nor necessarily straightforward. Yet counting is one mainstay of policy research and one of the Institute's greatest strengths.

Three examples show the breadth and depth of our work:

- **Organizing to Count.** This 1995 Urban Institute Press book by senior fellow Janet Norwood documents long-standing public and governmental neglect of the federal statistical system and the costs to the nation. According to Dr. Norwood, the former Commissioner of Labor Statistics in the U.S. Department of Labor, the United States risks losing its role as leader of the world in the development and application of statistics—and the increasing decentralization of government functions, lack of coordination, and slippage in standards are to blame.
- **Counting the Homeless.** In 1987, we conducted the first credible national survey of America's homeless, giving policymakers what for a decade were the only reliable data on who and how many are homeless. In the early 1990s, Institute researchers helped design a federal government survey that extends our 1987 effort, and in 1996 we collected more data. We also produced a manual to help localities quantify the needs of their homeless populations and held training sessions around the country on methodologies for counting the homeless.
- **Counting the Uninsured.** In 1985, Institute analysts were the first to count the number of Americans without health insurance. By quantifying the problem—fewer than 30 million people were then without coverage, a figure that has since grown to 43 million—we enabled policymakers and the public to see that it deserved more attention than it was getting. Subcounts also showed that most of the uninsured are either workers or their dependents—an important finding for those weighing proposals centered on employment-based insurance.

address to develop fair and workable fee schedules for Medicare. We compared ways to reimburse states for the costs of fulfilling federal mandates, analyzed public/private cooperation in service delivery in 16 communities, and weighed the pros and cons of using grants, loan guarantees, regulation, and the other tools government can wield to realize public goals.

Methodological leaps at the Institute made many of these studies possible and replicable. In 1985, we devised a methodology for finding out which groups would bear the brunt of the federal deficit. In 1986, we modified our TRIM model to assess how various segments of the population would fare under various tax reform proposals. By 1987, the Housing Market Simulation Model we had built and refined over many years covered most regions of the country, and fine-tuned work was beginning on simulating housing market dynamics in six metropolitan areas.

Changing Domestic Priorities

The domestic policy changes set in motion by the “Reagan Revolution” were dramatic but difficult to document and analyze. In 1982, the Institute took on the hydra-headed task anyway and spent eight years tracking and assessing the impacts of policy change during and immediately after President Reagan’s tenure. Thirty-two volumes and scores of reports, articles, and seminars later, the research yielded a telling history of an important political era and showed how empirical work could help the country grapple with its most persistent policy challenges—among them, poverty, health care, crime, drug abuse, economic growth, retirement obligations, and fiscal discipline.

In 1982, 26 Institute researchers collaborated on *The Reagan Experiment*, a volume that analyzed the major concerns, new policy directions, and first steps of the Reagan administration. *The Reagan Record*, published in 1984, revealed a mixed record in achieving such goals as shrinking government’s size and scope, reducing taxes, strengthening the military, streamlining regulation, and cutting entitlements. Four years later, *Challenge to Leadership: Economic and Social Issues for the Next Decade* outlined overarching issues for the nation to grapple with: the economic outlook, commitments to the next generation, the obligations of the haves to the have-nots, and trade-offs between individual liberty and public safety and well-being.

Findings from Changing Domestic Priorities touched every sphere of policy and American life. Those that follow illustrate the breadth of the project. They also show the Institute’s commitment to grounding policy research in data and putting public choices into context:

- On Family Incomes: Established that family incomes were growing more slowly than in the past and began to document the growing inequality in the distribution of family incomes from the late 1970s onward.
- On Family Structure and Roles: Analyzed how rising divorce rates and women’s greater work-force participation create needs to reform child care and child support practices.
- On Economic Growth: Showed how federal deficit reduction measures of the 1980s translated into per capita income gains over the next five years and the longer term.
- On Persistent Poverty: Assessed the social costs of the emerging urban underclass and its root causes—family weaknesses, joblessness, and lack of education.
- On Elder Care: Extrapolated demographic changes and rises in health care costs to predict a cost crunch and propose ways to ease it without scrimping on care for the truly sick and poor.
- On Taxes: Provided an historic record of the extraordinary shift in the 1980s in tax rates and the tax base.
- On Fiscal Choices: Compared belt-tightening strategies and found program cuts and revenue raisers that together could reduce the deficit *if* tough political choices were made.
- On International Trade: Determined that the trade deficit of the 1980s stemmed from unsound policies, not an underlying lack of competitiveness, and warned against protectionism.

The Changing Domestic Priorities project had a lasting impact on the Institute. Through it, we gained experience monitoring policies and programs at the same time, and we learned how to respond quickly and strategically to rapid changes in the policy environment without undermining our commitment to conducting research of enduring value.

Our contributions to methodology were cited in a comprehensive 1987 evaluation by the Ford Foundation of the Urban Institute's first two decades. In interviews with the federal agencies and congressional committees that Ford considered our most important "customers," other strong points emerged: our grasp of the policy environment, our fast start-up capability, and our ability to make timely projections. After the Ford Foundation report appeared, our board chairman at

the time, former Secretary of HUD Carla Hills, noted that these core strengths stemmed from concentrating on well-defined problems affecting vulnerable groups and from urging skepticism about quick fixes.

Hills also cited the Institute's willingness to start research on important emerging problems before outside funds had been lined up. In fact, though small, our "intellectual venture capital fund" had allowed us to break ground on issues ranging from

possible futures for private non-profit organizations to the root causes of high childbearing rates among African-American teenagers. It had also helped us respond swiftly to demands for legislative analysis and information on programs. By giving our researchers a head start and thus resolving some of the inevitable tension between timeliness and quality, internal research funds helped guarantee both, as they would in later years as well.



Key Publications

- "Deficit Dilemma: Budget Policy in the Reagan Era" (1983)
- "Economic Policy in the Reagan Years" (1984)
- "Relief or Reform? Reagan's Regulatory Dilemma" (1984)
- "Directory of Incentives for Business Investment and Development in the United States: A State-by-State Guide" (with National Council on Urban Economic Development and Council on Urban Economic Development, 1983)
- "The Fourth Wave: California's Newest Immigrants (A Summary)" (1984)
- "The Social Contract Revisited: Aims and Outcomes of President Reagan's Welfare Policy" (1984)
- "Federal Housing Policy at President Reagan's Midterm" (1983)
- Guides to Managing Urban Capital, Assessing Capital Stock Condition, Benchmarks of Urban Capital Condition, Selecting Maintenance Strategies for Capital Facilities, Setting Priorities for Capital Investment, and Financing the Capital Budget and Maintenance Plan (six volumes, 1984)
- "Medicaid: The Trade-off between Cost Containment and Access to Care" (1986)
- "Medicaid in the Reagan Era: Federal Policy and State Choices" (1983)
- "Investing in Children" (1984)
- "Medicare Physician Payment Reform: Issues and Options" (1986)
- "A Review of Private Approaches for Delivery of Public Services" (1983)
- "The Legacy of Reaganomics: Prospects for Long-Term Growth" (1984)
- "Reagan and the Cities" (1986)
- "Saving Social Security: The Short- and Long-Run Effects of the 1983 Amendments" (1983)
- "The Reagan Record: An Assessment of America's Changing Domestic Priorities" (1984)
- "Single Mothers and Their Children: A New American Dilemma" (1986)
- "State and Local Fiscal Relations in the Early 1980s" (1983)
- "Perspectives on the Reagan Years" (1987)

Anti-poverty policy, as the sociologist Lee Rainwater wrote of the War on Poverty, often is the “political outcome of research.” To follow the evolution of the nation’s poverty programs is also to follow the course of research on the causes of poverty and the testing of hypotheses about the most effective ways to combat it.

The War on Poverty tackled two sources of poverty that have remained at the core of anti-poverty programs: the isolation of poor communities (urban and rural) and poor households’ lack of work skills. Research at the time indicated that neighborhood isolation cut off families from the traditional institutions that supported upward mobility, like good public schools, and amplified behaviors that, though necessary for survival in the community, made connecting with the world of work more difficult. The Community Action Program, Model Cities, and other initiatives sought to empower communities to collectively reorganize themselves. The lack of job skills was addressed largely through public-sector job creation, in the hope that work experience would introduce households to the labor market and equip them with marketable skills.

Today’s anti-poverty programs reflect 30 years of further research and experimentation. After a period of relative dormancy, community building has reemerged as an essential ingredient of anti-poverty efforts. Evaluation of past initiatives, however, has created a consensus that community-building programs cannot be shaped in Washington or created in the laboratories of model cities and then transplanted by federal agencies across the country. Community building is now seen as necessarily more local in content—originating within the community and supported by local business and civic coalitions, with only broad encouragement from the federal government.

The idea that public-sector jobs effectively prepare low-skilled households for the work force has been replaced by strategies that more directly connect workers with the private labor market. Research has found that temporary public-sector employment is not a cost-effective way to help low-skilled workers

find long-term employment in the private sector.

Current anti-poverty policy places much more emphasis on work *incentives* for the household. Formerly, households that earned income, and thus began pulling themselves out of poverty, found that reductions in welfare benefits and lost eligibility for housing and other federal assistance made work financially unrewarding. Now, after the overhaul of

Poverty Research and Public Policy

federal welfare programs, states can build in much greater incentives for poor households to earn income, by allowing them to retain their earnings and to acquire and keep assets, such as a car or savings account. These financial incentives are the other side of a program that also sets time limits on eligibility for cash assistance and requires recipients to look for jobs.

Financial incentives reflect the belief that poor households differ less from other households in their labor force calculations than once was thought—or that, at least in the new environment of time-limited welfare assistance, incentives can strongly influence poor households’ work decisions, just as they do for other families. Research is just beginning to catch up with this hypothesis. Large-scale experimental evaluations of earnings-supplement programs in Canada and in such states as Minnesota and New York show that work incentives have resulted in more work and higher earnings for welfare families—though sometimes the favorable impacts can be slow to materialize.

Welfare reform, like many drastic shifts in public policy, was less the outcome of research demonstrating what *would* work in anti-poverty program design than the result of research (and observation) of what failed to work. However, new evidence on the impact of work incentives is now accumulating and will be available before 2002, when the Personal Responsibility and Work Opportunity Reconciliation Act is due for renewal and modification.



George E. Peterson is a senior fellow at the Urban Institute.

Growing income disparities in the United States have been widely noted. To many, they suggest the need to provide more welfare assistance to the poor or impose higher taxes on the most affluent. But such remedies address the symptoms, not the causes, of current disparities. Where one ends up in the income distribution reflects, after all, where one began, who one's parents were, what kind of education and parenting one received, which type of community and time one was born into, and a host of choices made about education, childbearing, and marriage during adolescence and early adulthood. If we don't like the results, better to intervene early in the

Shrinking The Income Gap

life course than to wait until the damage has been done. And since the choices parents and adolescents make matter, social assistance should be linked to individual responsibility, wherever possible. Government can't solve the problem of inequality alone.

What might this mean in practice? In my view, we should entitle every child to a preschool education, subsidize health care and child care for lower-income families, remove children from dysfunctional homes, and help adolescents navigate through the shoals of drugs, early sex, and delinquency by engaging them in constructive activities in safe environments. As for the parents of today's children, I would supplement their wages, if necessary, but in a way that encourages both work and marriage. Above all, I would improve schools, especially those serving large numbers of disadvantaged children.

The public sector currently has the resources to act on such an agenda. States have extra funds, thanks to the steep decline in welfare caseloads since 1993. And the federal government is projected to enjoy large surpluses that ought to be partially invested in improving children's prospects, remembering that it is today's children who, as tomorrow's taxpayers, will be the real "saviors" of Social Security. But resources alone are not enough. The trick is to design programs that actually *work* to achieve these objectives.

The reality is that too little thought has been given to program details, that policy has too often been driven by the latest polls or the demands of powerful groups, and that far too much money has been squandered on ineffectual efforts. In the face of these realities, careful research free of any particular view about how best to improve opportunity in the United States serves as an important counterweight.



Isabel V. Sawhill, formerly an Urban Institute researcher and senior fellow, is now a senior fellow and Johnson Chair at the Brookings Institution.

1988

1992

Ready for Change

By 1988, public policy research outside and inside the Institute had entered a new phase. Fiscal constraints were greater than they had been 20 years before. Learning from government's failures and successes was still too often hit or miss, though the analytic tools at hand were far more sophisticated and powerful than ever. Meanwhile, new technology that made it easier to collect, manage, and share information cut both ways: data on programs, policies, and people was better and more plentiful, though information overload sometimes clouded thinking about the nation's problems.

Nobody at the Institute was caught off guard by these changes, and in some ways we had contributed to them. But in the new milieu, the pressure to collect and interpret data strategically and to bring what we had learned as an institution to bear on new research intensified.

One response was to undertake studies broader than our customary program evaluation research. The most ambitious institutewide initiative during these years was a reexamination of urban America. Research completed long before 1988 showed that U.S. cities were no longer functioning well as escape routes from poverty. Looking at cities through the "prism of opportunity," we set out to learn which paths still led to economic and social advancement and which public policies had widened those paths in the past 25 years. Case studies of several metropolitan areas grounded this analysis, which we also applied to work abroad. When violence erupted in Los Angeles in 1992, we relied on this research to help the country's urban officials understand what was happening, why, and what might help bring more opportunity to inner-city residents—and, with it, safer streets.

Other work at the Institute also addressed root causes. Tracking the steady weakening of traditional family structures, we found that government welfare programs had not been a primary cause. Probing drug use among teen males amid the cocaine and crack epidemic in inner cities, we found that teens who sold but didn't use drugs were in the trade mainly because no legitimate job open to them paid nearly as well, and we recommended creating different information and treatment programs for users, abstainers, users who also sell drugs, and abstainers who are also sellers.

Our simulation work continued to be of practical use, as a few examples show. Our simulations of the impacts of over a dozen proposals for child care and per-child tax credits revealed that these types of expansions helped the middle class more than the working poor—a finding that fanned interest in making the dependent care tax credit refundable. We estimated the costs to both employers and workers of offering health insurance to more Americans. We also found that if all custodial mothers received the full amount of court-ordered child support, total welfare costs would fall by only 8 percent.

In 1989, President Bush's announcement that he would be the "education president" reflected renewed national interest in schools and learning. Our research at the time indicated that because economic returns to education were rising, more and better schooling for workers was government's best defense against

welfare dependency and the widening income gap. Other studies supported the view that educating youth was the most promising way to help people exit the underclass. One evaluation of 24 school-business partnerships aimed at helping the future labor force acquire essential science and mathematics training led us to

develop guidelines and identify best practices for setting up more such alliances.

Although no Oval Office occupant was about to call himself the "elderly president," national interest in the fate of Americans over 65 swelled along with their numbers during this period. Studies at the Institute helped frame the issues. One called attention to preventive health care as a way to reduce the suffering and costs of disability among the elderly.

Another argued that providing group housing with some on-the-spot services for the frail elderly would be cost-effective as part of the long-term care system and urged HUD to experiment with such programs. Yet, our researchers also reminded policymakers that older Americans as a group were *better* off than the nation's children and that nearly all domestic budget growth in the prior decade had been for Social Security and Medicare, which mainly benefit the elderly.

Poverty's many faces occupied our researchers as the country tamed unemployment only to watch the poverty rate (10 percent in 1988) climb to the highest point since the 1970s. In 1988, the Institute redefined the underclass, emphasizing behavior instead of income. The next year we looked at emergency housing for welfare families and came up

Testing For Discrimination

Since the 1980s, the Urban Institute has been measuring racial discrimination in U.S. metropolitan areas. Three examples show how new work builds on old, as well as how persistent discrimination is, even in the wake of the landmark Civil Rights Bill of 1964.

In 1989, the Institute carried out the first nationwide housing discrimination study in a decade and found that no measurable progress had been made in reducing housing discrimination. The 25-city study uncovered both blatant and subtle discrimination, including steering African-American and Hispanic home-seekers exclusively to poorer or more racially mixed neighborhoods.

In 1990, we examined how matched Hispanic and Anglo-American job seekers fared in entry-level labor markets in San Diego and Chicago. The results? The Hispanic—but not the Anglo—candidate was denied a job application, an interview, or an offer in one out of every three job searches.

In 1991, our researchers produced the strongest evidence to date that hiring biases still remained for African-American job seekers. When equally qualified African-American and white candidates

competed for entry-level openings, whites often got farther in the hiring process. They came up against unfavorable treatment in only 7 percent of job searches, compared with 20 percent for African Americans.

All of these findings on discrimination in employment and housing rest on a research technique called paired testing or auditing. The basic idea is that two or more individuals with different racial or ethnic backgrounds but nearly identical job-related skills and abilities or—in the case of housing—credit, employment, and income histories, apply for the same job, apartment, or home. How they are treated and whether they get the job or the place to live is documented to reveal patterns of discrimination.

Paired testing was first developed to enforce new civil rights laws in the 1960s and first used in large-scale research by HUD in its 1979 survey of housing market practices. But the Institute was the first to apply the technique to examine patterns of hiring discrimination, and our most recent report on the subject concludes that results from both housing and employment testing belong on the "national report card" on discrimination proposed by the Clinton administration.

1988

1992

with a better solution than “welfare hotels”—paying nonprofit community groups to develop temporary housing. In 1990, we showed that men stuck in poverty were being neglected since most support programs helped only single mothers. To the public debate on poverty, we brought evidence that though investing in people is seldom considered a measure of national saving and wealth, it is vital to long-term economic growth.

The Institute also studied the economic performance and prospects of the Baby Boomers. A striking finding was that though they fared better than their parents at the beginning of their work life, they would have to curb consumption and save more if they hoped to retire as comfortably or provide as well for their children as the previous generation did.

Numerous “firsts” punctuated these five years of building new research on old. Our researchers conducted the first nationwide

survey of procedures for establishing paternity. We pioneered a national survey of male teenagers’ sexual and contraceptive behavior that, along with later work, would prompt the National Center on Health Statistics to include males in their next national fertility survey. We developed a new way of projecting population growth rates for each generation—a methodological breakthrough that allowed us to predict that the Hispanic population in this country would outnumber African Americans before 2010. And we developed guidelines for counting the homeless in new ways.

The Institute fertilized many policy debates with new ideas and information during these years. We demonstrated that welfare caseloads rose rapidly during the 1960s because a higher percentage of eligible Americans were applying for aid, and not—as had been assumed—because the number of needy was growing. In other studies, we showed why three million more Americans were without health insurance in 1991 than in 1989 and how Medicaid expenditures doubled between 1988 and 1992.

These and scores of other findings were shared at workshops and symposia. Among the highlights: in 1988, we convened nine related policy seminars that helped define the nation’s housing

Six Good Years in Moscow

From the early 1980s, the Urban Institute has done some consulting and research abroad, notably in Korea, the Philippines, Indonesia, and Jamaica. But in 1992 it took a major step into the international policy arena by setting up an office in Moscow. There, under contract to the U.S. Agency for International Development (USAID), it provided technical assistance on housing to the Russian Federation. From this base, it spent the next six years helping Russian municipalities and enterprises privatize housing, develop ways to finance construction and infrastructure, and think through housing policy reform.

Concrete social gains trace back to this project, which one USAID official in Washington claimed had more macroeconomic impact for the money spent than any other USAID project. It helped 54 cities throughout Russia launch housing reforms. It helped municipal utilities and their regulators set fair and efficient tariffs and established a functioning regulatory system. It helped cities finance infrastructure using bank loans and bonds, a step that later made it possible to create Russia’s first credit rating agency. It advised the Ministries of Construction, Finance, and Economy as they drafted laws, resolutions, and presidential decrees aimed at reforming the housing, real estate, and municipal utilities sectors. And it helped the Russian government conceptualize the new Agency for Mortgage Lending, which helps private commercial banks stay liquid so they can increase their lending.

What may turn out to be the project’s most significant outcome was seeding a nonprofit think tank formed in late 1995 by senior Russian researchers on staff. In its short life, the Institute for Urban Economics has become the recognized national leader on housing, real estate finance, and communal services, including municipal provision of water and district heating services. The Urban Institute schooled the new research center in financial and project management and helped it find clients.

The final years of the Urban Institute/USAID work in Russia built on earlier successes. Priorities were networking and disseminating information on real estate reform, helping both banks and would-be investors size up real estate markets, decentralizing land use planning, and helping the already forward-looking Novgorod Oblast region attract further investment.

One Urban Institute employee remains in Moscow today to advise the Institute for Urban Economics and look for new opportunities to make a difference in the region. From the beginning, the idea was to lay the technical groundwork for reform and then to turn the responsibility over to Russian counterparts, and so far it seems to have worked.

needs for the next decade and reviewed proposals for meeting them. In 1989, a conference on states' progress in complying with groundwater regulations enabled states to share information and promising practices. In 1990, our Roundtable on the President's Budget and the Economy was the first of what would become an annual meeting of leaders from Congress, the media, government, and policy and advocacy groups to take a first critical look at the current administration's policy and budget priorities.

In 1991, our researchers briefed policymakers and the media on proposals to reform the nation's health care system and on testing for discrimination in hiring, housing, and mortgage lending, and the Institute sponsored the first U.S.-U.S.S.R. population symposium. In 1992, press and legislative briefings covered tax policy changes over the past decade and growing income inequality in America, while workshops and conferences covered urban anti-poverty strategies and ways to nurture young African-American males.

As we consolidated data,

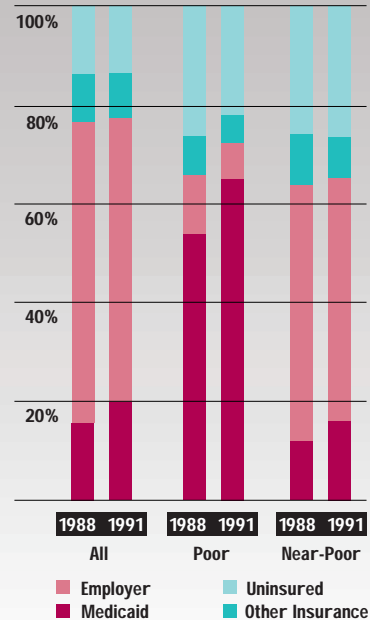
knowledge, and insight during these five years, the constant reward was in deepening and broadening our expertise. In the early 1990s, for instance, we applied experiences helping U.S. metropolitan areas tackle housing issues, public finance, and management to collaborative work with cities in Eastern Europe and developing countries. But we also built on work conducted in some of those countries to develop computer-assisted ways to assess housing needs in urban America. In this way, new ideas coalesced with valuable experience.

1988 1992 Key Publications

- "Assessing Housing Needs and Policy Alternatives in Developing Countries" (1988)
- "Broken Purse Strings: Congressional Budgeting, 1974-88" (1988)
- "Challenge to Leadership: Economic and Social Issues for the Next Decade" (1988)
- "The Changing American Family and Public Policy" (1988)
- "Civil Rights and the Reagan Administration" (1988)
- "Income Security in America: The Record and the Prospects" (1988)
- "Subsidizing Shelter: The Relationship between Welfare and Housing Assistance" (1988)
- "The Vulnerable" (1988)
- "America's Homeless: Numbers, Characteristics, and Programs That Serve Them" (1989)
- "Beyond Privatization: The Tools of Government Action" (1989)
- "A Decade of Devolution: Perspectives on State-Local Relations" (1989)
- "Housing America" (1989)
- "The Medically Uninsured: Special Focus on Workers" (1989)
- "Opening and Closing Doors: Evaluating Immigration Reform and Control" (1989)
- "Rethinking Employment Policy" (1989)
- "The S&L Insurance Mess" (1989)
- "Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy" (1990)
- "National Child Care Survey" (1990)
- "Beyond Bricks and Mortar: Re-examining the Purpose and Effects of Housing Assistance" (1992)

DATA FLASHBACK

Changes in Health Insurance Patterns for Children: 1988-91



Source: Teresa A. Coughlin, Leighton Ku, and John Holahan, *Medicaid Since 1980, 1994*

Great headway was made during the twentieth century in increasing economic security in America. Recent gains may lack luster, but for most citizens both income and consumption are multiples of what they were 100 years ago. As a result, the new North Star for social policy can and should be greater opportunity for all Americans. Basic economic security still matters, but there's no reason now to devote ever more new public resources to programs set up to meet needs as perceived and defined by policymakers decades ago. Indeed, only by containing our commitments to the growth of programs with no pull dates can we expand opportunity.

To simply continue income redistribution solely through transfer programs—such as old-style welfare or larger rental housing vouchers or Social Security—is selling ourselves short in two ways. First, a society that stresses *both* opportunity and security is more democratic and dynamic than one that prizes only security. An opportunity-based society creates new possibilities. True, equal opportunity does not mean equal outcomes, but it usually results in greater aggregate economic growth and greater chances for those who start with less to climb the economic ladder. Growth and mobility, in turn, increase democratic participation and expand access to knowledge and capital.

In practice, of course, it's easier to assure people some minimal low level of consumption than to provide them with more opportunity. Giving the poor some food and housing, even if they end up zoned off from mainstream society, entails fewer risks than figuring out how to enhance the real value of their education, expand their job opportunities, build up their pension saving, and encourage them to become homeowners. Security, while necessary, is not enough to provide the fuller societal membership that comes

with greater knowledge and a larger share of financial wealth and physical capital.

A second reason for setting our sights on opportunity is that an income and services safety net, however vital, can inadvertently exacerbate inequality. Redistribution of income does not create wealth. In such programs as rental housing assistance and welfare, paying out annual cash or in-kind benefits

Opportunity: Social Policy's New North Star?

discourages those on the receiving end from saving and from accumulating—potentially making before-tax incomes and private wealth more *unequal*. In short, redistribution can help equalize consumption, but alone it merely sustains disparities in private wealth, power, and opportunity.

Creating wealth is harder than redistributing income and takes far longer. No law can force people to learn, save, or hang onto whatever wealth they may have, and no policy can induce individuals to see or seize an opportunity. Yet individuals can be empowered to save, to learn, to invest, and to take advantage of incentives. Efforts to promote opportunity must aim at giving more Americans a good education in a nondisruptive environment and better access to owner-occupied housing, private retirement pensions, and capital for starting businesses or investing in other ways.

Incentives can be organized to spur wealth creation much more than current law does. In a democracy like ours, distributing opportunity and encouraging Americans to build both financial and educational wealth can help equalize power among races and classes. No other strategy would do more to break down those divides.

C Eugene Steuerle

C. Eugene Steuerle is a senior fellow at the Urban Institute, and Demetra Smith Nightingale is principal research associate in the Human Resources Policy Center. Taken from *The Government We Deserve*, coauthored with Hugh Hecl of George Mason University and Edward M. Gramlich (at the time of authorship, dean of the School of Public Policy at the University of Michigan).

Demetra Smith Nightingale



quality of life

1993

1997

New Business

In the early 1990s, the call for “reinventing government” was in the air. For the Institute, this was a new opportunity building on old business. More than two decades earlier, we had pioneered work on performance measurement and managing for results, and for years we had been working with states on program design and evaluation as Washington ceded them ever more responsibility for the social safety net. But though many states for decades had been creating innovative public programs, few were fully prepared to pick up where the federal government had left off. There would be options to weigh, pilot projects to evaluate, data collection systems to design, new information to analyze, management tasks to shape and assign, costs to consider, best practices to compare, and programs to monitor. We would

be involved in much of this state-level work while we also continued to offer ideas and technical expertise to the many parts of the federal government trying to reinvent themselves.

Since states acquired much of their newfound power through federal waivers, our researchers looked at how these exemptions from federal rules were working. One such study examined initiatives in nine states using Medicaid funds under these waivers to expand insurance coverage and health care services. Early results indicated that states can gear up quickly to cover previously uninsured groups and to switch beneficiaries to managed care, but that such changes should be phased in to minimize confusion.

Program evaluations also took us to dozens of states. Studying demonstration projects in Colorado, Iowa, Michigan, Utah, and Vermont, we examined how effectively states were moving welfare recipients into jobs. In 61 cities, we continued evaluating community block grant programs—major vehicles of devolution—and concluded that the grants had served local needs, along with local political agendas and had, as intended, helped low- and moderate-income Americans most.

In 1993, the Institute advised Vice President Gore’s National Performance Review board on performance indicators and other methodologies for calibrating and measuring government’s performance. This framework for deciding what to measure, how, and when reflected decades of work helping governments at all levels hold their own feet to the fire. We drew on the same experience to evaluate the Department of Education’s progress toward its goal of delivering technical assistance to states and school districts instead of concerning itself mainly with regulation and compliance. At about the same time, we helped the Department of Health and Human Services, the Department of Justice, the Environmental Protection Agency, and the Department of Education mark their progress under the Federal Government Performance and Results Act of 1993, which embodied administrative principles developed at the Institute and a handful of other research organizations.

Efficiency and responsiveness were also pressure points in debates over health care during these years. In the debate surrounding President Clinton’s attempt at health care reform, we proposed ways to finance coverage of more Americans. In other

Assessing the New Federalism

In 1996, the Urban Institute launched the biggest research project in its history. Landmark welfare reform legislation that year and a more gradual shift in responsibility for health, employment, and social service programs from the federal to state governments led our researchers to raise urgent questions. *What is the nature and extent of this shift? What policy choices do states make and what constraints do they face? And how will children, families, and individuals—especially the poor—fare under the new regime?*

Neither monitoring state policy choices nor measuring their impact on families is easy, and both may take more time than those interested in how welfare reform and the “new federalism” are working may have hoped. On the eve of welfare reform in 1996, no two states had exactly the same caseloads or programs, and the quality of life for low-income people varied by state. Consequently, enormous volumes of data must be collected and “cleaned” to compare and do justice to the diversity of state policy responses.

In the project’s first 30 months, several types of research products were released. A database with nearly 900 variables—demographic, economic, and others—characterizes all 50 states and the District of Columbia. Two sets of case studies (26 in all) describe the health policy environments and social services in 13 states that include half the nation’s population. Research papers address cross-cutting issues suggested by the data, including competition in health care.

In 1998, the first National Survey of America’s Families was completed. Based on data from extensive telephone interviews conducted in 1997 with nearly 45,000 households with children, the survey describes the well-being of the nation’s families. The survey goes beyond such common indicators as household income and health insurance coverage. It uses non-traditional measures—among them, how often parents read to their children and how many parents are suffering from symptoms of poor mental health—to measure Americans’ quality of life. The survey also provides a benchmark for comparing the results of a second survey scheduled for 1999.

Besides broad dissemination and public participation in releasing results, another hallmark of the project is far-reaching collaboration. Child Trends helped us design the study and analyze the findings, while Westat worked with us to conduct the survey. Some 16 foundations have funded the work and its dissemination.

studies, we warned against mergers and the vertical integration of health care providers without measures to guarantee competition. We carried out research showing that insurance reform can oil the market but alone can’t contain costs or expand coverage significantly. And we compared various ways of making sure that providers don’t deny coverage or service to high-risk clients.

We also examined the Medicare program. Analyzing the early impacts of major changes legislated in 1997, we found evidence that Medicare’s spending growth can be reduced, though not without some negative consequences for beneficiaries and care providers. Such insights and our continuing analysis of options for restructuring the program fed into the Medicare reform debate, which seems likely to continue for the foreseeable future since political consensus on the basic issues has evaded policymakers.

Our work on Social Security during these years also provided a framework for thinking about what a public program can and can’t deliver and who needs it most. An Urban Institute book offered a blueprint for reform based on four principles—the redistribution of income from the better off to the worse off, fair returns on contributions, equal treatment for those in similar cir-

cumstances, and economic efficiency. A related study found that some combination of savings, pensions, and Social Security allows most Americans to maintain their preretirement standard of living once they quit working.

Immigration was another hotly debated subject at the time, and the Institute’s research on immigration and immigrants found a ready audience. Much of our work continued to address Americans’ fears about immigration. Looking at job loss, we found that in general immigrant workers don’t take jobs away from native-born workers, though in some poor areas where high concentrations of new immigrants live, competition for low-paid positions is a problem. Examining welfare, we found that only aged immigrants and refugees draw significant amounts. Other research showed that 70 percent of all funding for public education for immigrants goes for those here legally, though the remaining 30 percent—spent on undocumented workers, refugees, and amnesty immigrants, who typically qualify for bilingual education and other expensive services—involves higher per capita costs.

Our research on welfare reform and work during this period served as another reality check. We asked hard questions as the nation tried to get more people

1993

1997

ISSUES *immigration*

off welfare rolls and into the workforce, and we came up with some sobering findings:

- An estimated one of five new welfare recipients are too handicapped or too overwhelmed by family burdens to find unsubsidized work, and of those on welfare for many years, even fewer land jobs.
- Historically, two-thirds of all women who leave for work return to welfare within five years.
- Doubling efforts to collect child support from parents who don't have custody and don't pay would decrease welfare costs only slightly and poverty hardly at all.

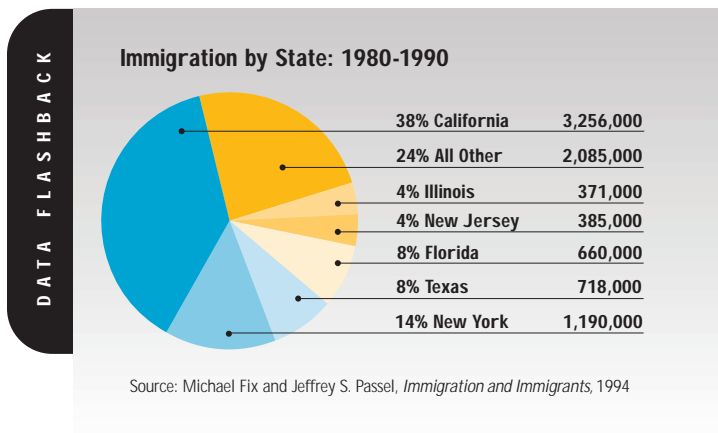
We shared such findings in a book and in evening forums on welfare reform that were keyed to the congressional debate. Our welfare experts also analyzed a Clinton administration proposal for one-stop career centers for dislocated and unemployed work-

ers, pointing out the need to remove federal legislative and regulatory barriers to integrating services. And we explored "career ladder" strategies for workers caught in low-paying dead-end jobs or trying to find employment after years of not working. Under such public/private approaches, employers would have incentives to provide training, workers would earn credentials for completing training or meeting certain job requirements, and employers, high schools, and community colleges would team up to develop work-based training courses and monitor local job market trends.

Our international work during the mid-1990s took us in some new directions, as a few examples show. In Slovakia, we lent technical assistance that sparked the creation of more than 100 condominium associations in 15 cities. In the Czech Republic, we helped develop a system of commercial bank lending and municipal bond financing to help pay for vital urban infrastructure investments in a sustainable way. In six Latin American countries, we reviewed how housing subsidies for would-be homebuyers are working. We also convened international symposia in the U.S. and Japan, where economists and government officials from many OECD countries grappled with shared

challenges, including aging populations, fiscal deficits, and a growing shortage of uncommitted funds to meet changing needs.

Three new initiatives launched during these years showed the confidence that government and foundations placed in the Institute's analytical and data management capabilities. In 1994, we took on responsibility for the Federal Justice Statistics Center for the U.S. Department of Justice. Managing and integrating seven massive databases, the Center began issuing statistical reports, including the annual *Compendium of Federal Justice Statistics*, and answering congressional requests for rapid analyses. Two years later, we received a grant to deepen understanding of today's non-profit and philanthropic organizations and to build and share databases tracking their activities and evolution.



The Age of Retirement

In 1997, growing public anxiety about what will happen when the huge baby boom generation starts retiring prompted the Urban Institute to launch a new project to find out. During the quarter century starting in 2010, the number of

Americans over age 65 will grow ten times faster than the number of workers paying into the Social Security system. Simply monitoring the growth promised today in Social Security, Medicare, and other major programs for seniors could shortshrift other priorities.

How is the Urban

Institute contributing to the national search for answers? First, we're bringing extensive databases, quantitative models, and high-level experience in government to the debate. Second, we're looking at how policy reform in both the public and private sectors might play out. Third, we're bringing health care for an aging population into the picture. Fourth, we're examining incentives to save and work among the elderly. Finally, we're daring to ask what it means to be old. Is age 65 old if it means nearly two decades of life expectancy?

Our goal is not to advocate some one-size-fits-all policy but to use nonpartisan findings and freely shared information bases to help build the public confidence needed to retool retirement policy for the twenty-first century.

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In 1996, the Institute was asked to undertake the biggest research project in its history. *Assessing the New Federalism* monitors and analyzes the well-being of American children and families as states assume dominant responsibility for health care, income security, social services, and job training programs for low-income Americans. A state database, case studies, survey results, and briefs from the project are designed to help both policy-makers and the public recognize changes, problems, and opportunities in how states finance, structure, and administer these programs.

The *Assessing the New Federalism* project draws on all the Institute's strengths—from data collection to trend spotting to policy analysis. It tests our commitments to nonpartisan scholarship, cross-disciplinary thinking, and communication with all stakeholders in public policy. It is forcing researchers throughout the Institute to work together in new ways and combinations. We welcome these challenges and others that the Institute's future will bring.

1993

Key Publications

1997

- "Medicare Now and in the Future" (1993, 2nd edition 1996)
- "State-Level Databook on Health Care Access and Financing" (1993, 2nd edition 1995, 3rd edition 1998)
- "Big-City Politics, Governance, and Fiscal Constraints" (1994)
- "Confronting the Nation's Urban Crisis: From Watts (1965) to South Central Los Angeles (1992)" (1994)
- "Immigration and Immigrants: Setting the Record Straight" (1994)
- "Nurturing Young Black Males" (1994)
- "Retooling Social Security for the 21st Century: Right and Wrong Approaches to Reform" (1994)
- "Welfare Reform: An Analysis of the Issues" (1995)
- "Does Training for the Disadvantaged Work?" (1996)
- "Reality and Research: Social Science and U.S. Urban Policy since 1960" (1996)
- "Serving Children with Disabilities: A Systematic Look at the Programs" (1996)
- "Helping At-Risk Youth: Lessons from Community-Based Initiatives" (1997)
- "Involving Males in Preventing Teen Pregnancy: A Guide for Program Planners" (1997)
- "Kids Having Kids: Economic Costs and Social Consequences of Teen Pregnancy" (1997)
- "Poverty amid Prosperity: Immigration and the Changing Face of Rural California" (1997)

Federal income support policy has shifted considerably over the last 30 years with changes in public opinion about government's role in reducing poverty, the kind of assistance government should provide and to whom, and the level of government that should be responsible for America's most vulnerable.

Before the 1960s, federal support for low-income Americans was limited to cash assistance for single mothers and their children through the Aid to Families with Dependent Children (AFDC) program and a small rental assistance program. From 1965 on, the federal role expanded substantially as public awareness of poverty increased during President Johnson's War on Poverty, and consensus that government should guarantee a basic level of income to all Americans began to build.

New federal initiatives enacted over the next decade included a universal Food Stamp program, guaranteed minimal cash income for all aged and disabled, refundable tax credits for poor working families with children, and new commitments to subsidized housing and employment and training programs. During this decade, three presidents put forward proposals that would have guaranteed a basic level of income for all Americans.

A major rethinking of the federal role in income support began in the late 1970s with a slowdown in economic growth and growing public discontent with America's welfare system. In 1981, President Reagan cut federal income support programs for all but the elderly. In the mid-1980s, Congress emphasized policies to increase the work effort of low-income able-bodied adults by expanding tax credits to workers and adding a mandatory work component to the AFDC program.

The growing consensus that welfare for the able-bodied should provide a bridge to work and that states should be more involved in income support for the nonelderly culminated in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. This federal reform package ended AFDC, giving states block grants to run temporary cash assistance programs and wide-ranging authority to require welfare recipients to work. PRWORA also scaled back the Food Stamp program and imposed time limits on benefits for able-bodied adults without children.

Today, many of the federal income supports ushered in with the War on Poverty remain intact, along with the notion that the federal government should guarantee a minimum income to all Americans. The federal safety net now provides a minimum cash income for the elderly and disabled, food stamps, refundable tax credits for poor working families, and housing assistance for many low-income families. But decisions about other strands of the safety net now rest with the states, which receive substantial financial help from the federal government.

Thirty Years of Income Security Policy

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year in review

Assessing the New Federalism

As responsibility for social programs moves from the federal government to the states under the banner of welfare reform, will states finance, structure, and administer the programs in new ways? Will the well-being of children and families also change? *Assessing the New Federalism* answers these questions and examines the relationship between them. Institute researchers are looking mainly at income, job training, health care, and social services.

Three major bodies of information inform our work and are shared with other researchers and the public—a state database posted on the Internet, intensive case study data from 13 states where more than half the nation’s population lives, and the National Survey of America’s Families, which interviewed nearly 50,000 people in 1997 and will do so again in 1999.

The cross-disciplinary project team provides timely information to enrich the public debate on devolution and to help state and local decisionmakers carry out their new responsibilities more effectively. Findings are disseminated through national networks of administrators, advocates, and elected officials; state and community outreach activities; and the print and broadcast media.

Current Topics

- Child Care
- Child Support
- Child Welfare
- Emergency Services
- Employment and Training
- Family and Child Well-Being
- Fiscal Incentives and Policies
- Health Insurance Coverage
- Income Support
- Long-Term Care
- Medicaid Managed Care
- Safety Net Health Providers

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Education Policy Center

Do systemic educational reforms give at-risk students more equal chances of success while raising standards for all? With this basic question in mind, the Institute's education policy researchers analyze factors influencing the SAT performance of African-American students, teacher shortages and teaching opportunities, decentralization and other structural and governance changes in the school system, and instructional changes in the classroom. Key issues include promoting mathematics and science education for minorities, girls, and women; developing performance indicators; identifying which attempts to promote higher standards stand the best chance of taking hold in local schools; and measuring the differences between large inner-city school districts and their suburban counterparts. New research will include college attendance by African-American students given changes in affirmative action, and the effects of out-of-school experiences on student achievement and youth well-being.

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Current Topics

- Career Choices of High-Achieving Minority Students
- Contracting as a Management Mechanism in Education
- District Size and School-Level Reform
- Evaluation of National Science Foundation Program for Women and Girls
- Evaluation of Title I
- Financial Aid and Persistence in Graduate Education
- Micromechanisms of Education Reform
- Minority Teacher Education Programs
- Program of Standards-Based Reform
- Secondary Education of Immigrant Students

Health Policy Center

How do the dynamics of health care financing and delivery affect who gets care and how much and who pays? Who is left without access to care is a critical issue as the number of uninsured rises. For these reasons, Medicare and Medicaid, the two largest public health care financing programs, rank high on the Institute's health policy analysis agenda. But the picture would be incomplete without also examining private insurance.

The health care market is definitely changing as health care costs come under greater scrutiny. For our analysts, key topics are the spread of managed care, the growing importance of for-profit providers, the viability of safety net providers, and the impacts of all these changes on access for low-income Americans. Because policy responses have varied across the country, the Health Policy Center increasingly focuses on state initiatives.

As the population ages, long-term care and Medicare are also becoming increasingly important. By examining options to ensure Medicare's future financial viability and state initiatives to reform nursing home and home care, the Institute will help prepare citizens and policymakers for the tough choices ahead.

A major effort in the coming year will be to analyze the *Assessing the New Federalism's* National Survey of America's Families so as to better understand the impact of state policies on health care for the low-income population.

Current Topics

- Acute and Long-Term Care: Use, Costs, and Consequences
- **Beneath the Averages: In-Depth Analysis of Medicare and Private Insurance**
- Consumer Choice of Health Plans, Employer Contribution Policy, and Plan Prices
- **Evaluation of State Medicaid Waiver Programs**
- The Faces and Future of Medicare
- **Health Care Market Changes in the District of Columbia**
- Insurance Market Reforms and Insurance Coverage
- **Malpractice Risk and Defensive Medicine in Obstetric Care**
- Medicaid Eligibility and Service Expansions to Children
- **Medicaid Managed Care, Prenatal Care Use, and Birth Outcomes**
- Medicare Program Changes' Influence on Medicaid
- **No-Fault Compensation Programs in Florida and Virginia**
- State Health Care Reform Initiatives

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Human Resources Policy Center

How can the United States improve the chances of all Americans to support themselves and their families while ensuring that the most vulnerable do not fall through the nation's safety net? Urban Institute researchers in human resources policy examine several approaches to overcome the tension between promoting self-sufficiency and ensuring adequate incomes. Analysts cover trends in the structure of jobs, options for older workers, and the health care and information technology sectors, as well as policies that smooth the transitions between welfare and work and between school and careers. Researchers also assess the effectiveness of such tools as enhanced work incentives, job training and labor market information, child care, child support, and industry restructuring.

Institute researchers document problems and consider policies aimed at helping America's vulnerable populations—long-term welfare recipients, low-skill workers, homeless people, children at risk of abuse, victims of domestic violence, and disadvantaged youth.

Current Projects

- Analysis of Homeless Assistance Providers and Clients
- [Assessing Developments in the U.S. School-to-Career System](#)
- The Changing Welfare System: Impact on Rural Areas
- [Costs of Family Violence in Maryland](#)
- Evaluating a Health Passport Demonstration
- [Evaluating Child Support Enforcement](#)
- Evaluating South Carolina's Welfare Reform
- [Implementing Welfare Reform in Indiana](#)
- Integration of Welfare and Workforce Development Systems
- [National Evaluation of the Welfare-to-Work Grants Program](#)
- Providing Tools to Public Agencies on Early Welfare-to-Work Programs
- [Re-engineering the Welfare System](#)
- Research on the Low-Wage Job Market
- [The Role of Public Job Creation](#)
- Spending Patterns of Midwestern States
- [Welfare Reform and Services for Victims of Domestic Violence](#)
- Welfare Reform and Policies for Serving Individuals with Disabilities

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Income and Benefits Policy Center

How can public policy actualize America's commitment to alleviating poverty, especially among families with children, those in poor health, and those growing old? Grappling with this overarching question, analysts in the Institute's Income and Benefits Policy Center mainly address three concerns. One is how public policy influences the behavior and well-being of the most vulnerable groups in our society. Another is how current federal and state means-tested income support programs, social insurance programs, and tax policies affect the composition and distribution of income. And a third is how private, employer-provided benefits and individual savings intersect with government programs to ultimately support society's most vulnerable groups.

Microsimulation modeling figures centrally in this research. This approach allows analysts to understand complex interactions of current public and private income support systems and to project the effects of alternative policies on the economic well-being of America's families.

Current Projects

- Analysis of the Disability Supplement to the National Interview Survey
- **Are There Enough Jobs for Welfare Recipients? A Cross-City Examination**
- Labor Supply at Midlife and the Care of Elderly Parents
- **Low-Income Noncustodial Fathers and Public Policy**
- Microanalytic Simulation and Modeling Support
- **Modeling the Distribution of Older Americans' Incomes in 2020**
- Older Americans' Health Insurance: Emerging Concerns
- **Pensions in the Context of the Total Wealth of Older Americans**
- State General Assistance Programs
- **The Status of Low-Wage Workers**
- The Status of TANF Leavers in the District of Columbia

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International Activities Center

How can the Urban Institute use its research and analytic strengths to help other countries develop, reform, and enhance government performance to improve citizens' lives? The question isn't just academic. We have worked as partners in more than 40 nations, analyzing policy reforms, privatization, the rise of civil society, housing and urban development, public administration, and local government finance.

In the Czech Republic, Macedonia, Romania, and South Africa, the charge has been to reshape local government financing and improve municipal access to capital financing for needed infrastructure investments. In Slovakia, Romania, and Russia, we have helped promote solutions to housing problems through homeowner associations and other nongovernmental organizations (NGOs). In Hungary, Poland, Russia, and Zambia, Institute researchers have been providing assistance on housing issues ranging from overall housing policy to developing more affordable approaches to mortgage finance.

The Institute's work internationally has expanded into social safety net reform. Institute researchers are providing assistance on pension reform in Russia and the Philippines; on housing subsidies in Poland, Russia, and Slovakia; and on unemployment programs in Ukraine.

Current Topics

- Capital Financing for Urban Infrastructure
- Economic Development
- Housing Finance
- Housing Privatization and Policy
- Intergovernmental Fiscal Relations
- Municipal Finance and Administration
- NGO Development
- Social Safety Net Reform
- Urban Land Development and Real Estate Markets
- Urban Services Management and Regulation

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Metropolitan Housing and Communities Policy Center

The housing developments, neighborhoods, cities, and suburbs that make up America's urban regions help determine access to opportunity and quality of life. What forces shape these communities? And what roles do federal, state, and local policies play? Work on metropolitan communities builds on a long tradition of field research and encompasses five interlocking clusters of research issues: community building and community development capacity; housing programs and policy; residential location and access to opportunity; jobs and economic development in metropolitan communities; and indicators of neighborhood health and change. In short, the Metro Center is where Urban Institute researchers focus on the importance of *places* and their impact on people's quality of life and economic prospects.

Current Topics

- Access to Economic and Social Opportunities in Urban Neighborhoods
- Arts and Culture in Community Building
- Characteristics and Needs of Potential Homebuyers
- Discrimination in Housing, Employment, and Other Economic Transactions
- Housing and Community Development in America's Cities
- Impacts of Subsidized Housing on Property Values
- Indicators of Neighborhood Health and Well-Being
- Linking Poor Communities to Economic Opportunities and Growth
- Performance of Affordable Lending Programs
- Regional Economic Growth Strategies
- Revitalization of Distressed Public Housing
- Role of Faith-Based Institutions in Community Development

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 Charlene Wilson

Center on Nonprofits and Philanthropy

What resources, networks, and relationships define civil society? Urban Institute researchers study nonprofit organizations' roles and impacts in democratic societies largely to answer this question. We probe the relationships of nonprofits to government (including tax policies governing philanthropic giving and advocacy activities), the contributions of religion and the arts to communities, the impact of commercial activities on nonprofit missions, and the role of nonprofits in low-income families' lives. We also try to assess how much faith-based organizations can do to provide social services—long-uncharted waters of little concern until the advent of welfare reform.

In the District of Columbia, Institute analysts are compiling information on nonprofit organizations and congregations to create an asset-based portrait of the community. Surveys and focus groups help us gauge the reach and contributions of community-based organizations and activities. We are also creating local maps of the location of nonprofit entities and of the social, economic, and demographic characteristics of the residents. These tools can help service providers, donors, and policymakers identify service gaps and determine priorities. Our work in the District will also provide a model for analyzing other communities.

The National Center for Charitable Statistics—a repository of national, state, and community-level data on nonprofit organizations—is also housed at the Institute. This rich source of information based on IRS Form 990 reports is used by researchers at the Institute and throughout the country to study nonprofits. We maintain the system that we developed for classifying nonprofits and make both the system and all related data available to researchers on our Web site and by special request.

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Julian Wolpert

Current Topics

- Advocacy in Nonprofit Organizations
- [Charitable Giving Microsimulation Model](#)
- Civil Society in the District of Columbia: Community Organizations and Neighborhood Networks That Strengthen Families
- [Devolution, Welfare Reform, and Nonprofit Organizations](#)
- An Evaluation of Community Partnerships for Cultural Participation
- [The Finances of Nonprofit Organizations](#)
- Improved Classification System for Nonprofits
- [Mapping of Nonprofit Organizations to Show Neighborhood Demographic and Economic Characteristics](#)
- Nonprofit Organizations and Government: Collaboration and Conflict
- [Services and Capacity of Religious Organizations in the District of Columbia](#)

Population Studies Center

How do demographic changes affect public policy? And how are they affected by policy? To find out, Urban Institute researchers study fertility and family planning, children and families, immigration and immigrants, and civil rights. One example is our work on the reproductive behavior of young men and health promotion initiatives aimed at reaching them. Another is tracking how families and agencies care for children as federal reforms shift responsibility for social programs to states and localities. Still others are immigrant integration into U.S. society, immigration's fiscal impacts on the communities where these newcomers live, and government efforts to stem illegal immigration. Our work on civil rights centers on access to employment, housing, and government contracts.

In the coming year, the Population Studies Center will mount an intensive data collection effort in Los Angeles and New York to learn about the economic and health status of immigrants, their communities, and the organizations that serve them. We will also evaluate one of the most widely used life skills training programs for deterring drug use among adolescents. Another project will identify promising preventive health approaches for school-based health centers. Other initiatives will examine how public policies influence care arrangements for children.

Current Topics

- The Changing Face of Rural America
- Child Care Arrangements Made by U.S. Families
- Development of a Report to Congress on Kinship Care
- Effects of "Life Skills" Prevention Programs on Drug Use
- Effects of Sex Education on Young Men's Behavior
- The Health and Economic Status of Immigrants and Organizations That Serve Them
- Immigration and Immigrant Policy
- Impact of Welfare Reform in New York State
- Involving Males in Teen Pregnancy Prevention
- National Survey of Adolescent Males
- State Policies Toward Immigrants under Welfare Reform
- Health Promotion through School-Based Health Centers
- Testing for Racial and Ethnic Discrimination in American Economic Life
- Undocumented Aliens in the Criminal Justice System

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State Policy Center

Center researchers develop planning strategies and monitoring systems for federal, state, and local government. They conduct evaluations that range from small-scale studies and process assessments to large-scale “random assignment” experimental and quasi-experimental longitudinal analyses to determine program impacts, costs and benefits, and cost-effectiveness at multiple sites. Researchers apply these techniques in two primary fields.

The Law and Behavior Program studies police and the courts, corrections, and community-based programs, focusing on drug use, juvenile justice, sentencing policy, gun control, and family and youth violence. It also maintains the Federal Justice Statistics Resource Center for the Bureau of Justice Statistics in the U.S. Department of Justice.

The Public Management Program works closely with federal, state, and local public and private agencies to improve quality, efficiency, and results. A specialty is providing critical expertise on programs under the jurisdiction of more than one agency or level of government.

Center researchers in the Law and Behavior Program have achieved national prominence as analysts knowledgeable about drug courts, community-oriented policing, and combating violence against women. New work includes evaluation of juvenile justice programs and the use of Geographic Information Systems in analyzing the impacts of justice policies.

Public Management Program researchers have embarked on a multi-year study of the use and effectiveness of performance measurement and results-based systems for state and local governments. They continue to assist a wide range of government agencies and private non-profit organizations that hope to introduce new management methods.

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 Ruth White
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Current Topics

In Law and Behavior

- [The Assault Weapons Ban](#)
- Children at Risk
- [Community-Oriented Policing](#)
- Curfews
- [Domestic Violence](#)
- The Gun Market
- [Hot Spots](#)
- Juveniles in Court and in Jail
- [Police Reform](#)
- Reducing Offenders’ Drug Use
- [Sentencing Policy](#)
- Victims of Crime
- [Violence against Women](#)

Current Topics

In Public Management

- [Comparative Performance Measures for Large Cities and Counties](#)
- Federal, State, and Local Government Performance Management
- [Governing for Results at the State and Local Levels](#)
- Outcome Measures for Education
- [Performance Management in the Nongovernmental Sector](#)
- Performance of Regulatory Agencies
- [Technical Assistance to Agencies Responding to the Government Performance and Results Act](#)

Information Technology

How can policy analysts easily find comparable state-level data on public welfare policies when such information is typically published by 50 states in nonstandard formats? Working in tandem with research teams, Information Technology professionals supply the technical expertise needed to increase access to social science data. One example: Creating an Internet web site presenting a state database for the *Assessing New Federalism* project. The site provides policy analysts, media representatives, and the general public with easy, free access to a wealth of information, including state measures of income, health, child well-being, social services, demographics, and fiscal status. Users can download the entire database or perform easy queries on-line.

Another example: Urban Institute analysts addressing the crucial questions surrounding the federal criminal justice system benefit from the creation of standardized files that combine previously unlinked data from multiple federal agencies and thus provide a comprehensive picture of the entire federal justice process. External analysts benefit too: on compact disk, they can get federal justice datasets, an electronic data dictionary, and copies of the computer programs used to generate them. In this way, outside researchers can replicate, validate, and extend Urban Institute research.

A third example: Continuing development of TRIM (Transfer Income Model)—a microsimulation model that calculates the effects of complex governmental tax, income transfer, and health programs on individuals, households, and public-sector budgets—ensures the continuing value of this tool for understanding potential outcomes of such issues as welfare, tax, and national health care reform. The latest version allows Urban Institute researchers and government agencies to conduct simulations and share results over the Internet.

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Communication

The communications umbrella covers the Urban Institute Press and the Office of Public Affairs, which work as partners. Key functions and activities include:

BOOKS

In-depth analyses of public policy and program issues.

EXAMPLES: *The Government We Deserve: Responsive Democracy and Changing Expectations* and *Older and Wiser: The Economics of Public Pensions*

CONFERENCES

Briefings and roundtables for policy analysts, program practitioners, and the media.

EXAMPLE: Annual Roundtable on the Budget and the Economy

CHECKPOINTS

Reproducible graphics based on key policy-related statistics from Urban Institute research.

DIRECTORIES AND GUIDES

Information-rich compendiums for policymakers, program managers, and researchers.

EXAMPLES: *Customer Surveys for Agency Managers*, *State Nonprofit Almanac: 1997, State-Level Databook on Health Care Access and Financing*.

EDUCATION

Briefings and lectures on the Institute's work, structure, and history for students, practitioners in training, researchers and dignitaries from abroad, and public officials.

FIRST TUESDAYS

Monthly luncheon roundtables on issues of national interest.

EXAMPLE: "Diversifying the Urban Teaching Force"

IN BRIEF

A monthly notice of upcoming events, current research, new publications, and outreach activities.

MEDIA LIAISON

Close work with the national press corps and state newspapers and broadcast media to provide facts and perspectives on emerging trends and breaking news.

POLICY BRIEFS

Concise and timely explorations of policy issues and choices.

EXAMPLES: "Health Care Quality: At What Cost?" and "Viewing Nonprofits Across the States"

OP EDs

Policy perspectives for broad distribution to state, regional, and national newspapers.

EXAMPLES: "Teen-age Pregnancy—the 50 Percent Solution" (*San Diego Union-Tribune*) and "Discretion to Do the Right Things" (*Washington Post*)

REPORTS

Research findings, results from program evaluations, perspectives on emerging trends, and policy analyses.

EXAMPLE: "Does Work Pay? An Analysis of the Work Incentives under TANF [Welfare Reform]"

SOURCEBOOK FOR REPORTERS

A biennially updated guide to Institute expertise.

SPECIAL PROJECTS

One-off publications or events that highlight unexpected research findings or extraordinary scholarship, bring cross-cutting or synergistic work from two or more centers to the fore, or sharpen the public debate on pressing issues.

EXAMPLE: *Community Development in the 1990s*

TESTIMONY AND PRESENTATIONS

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

UPDATES

Bulletins on recent Urban Institute conferences and legislative testimony to keep the public posted.

WEB SITE

An award-winning electronic tour of the Institute's research, publications, staff roster, and activities.

Staff

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Research Sites

In 1998 the Urban Institute worked in all 50 U.S. states, the District of Columbia, and the following countries:

Albania
Armenia
Bermuda
Bulgaria
China

Croatia
Czech Republic
Georgia
Hungary
Japan

Macedonia
Moldova
Poland
Romania
Russia

Slovak Republic
South Africa
Zambia

Welfare

Financial Report

The following financial information was derived from audited financial statements, a copy of which is available at the Urban Institute.

Statements of Financial Position

as of December 31, 1998 and 1997

	1998	1997
Assets		
Cash and cash equivalents	\$ 7,694,745	\$ 1,197,848
Receivables	13,309,691	13,491,850
Prepaid expenses	461,755	259,103
Furniture, equipment and leasehold improvements (net)	3,169,451	2,879,121
Other assets	705,876	656,910
Long-term investments	49,160,202	48,502,672
Total assets	\$74,501,720	\$66,987,504
Liabilities and New Assets		
LIABILITIES		
Accounts payable	\$ 5,899,385	\$ 6,669,105
Accrued payroll and annual leave	1,282,386	1,696,944
Other accrued expenses	951,303	930,905
Deferred revenue	13,327	100,069
Grant balances	5,835,252	424,104
Total liabilities	13,981,653	9,821,127
NET ASSETS		
Unrestricted	48,989,684	44,273,351
Temporarily restricted	3,530,383	4,893,026
Permanently restricted	8,000,000	8,000,000
Total net assets	60,520,067	57,166,377
Total liabilities and net assets	\$74,501,720	\$66,987,504

Notes to Financial Statements

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, and repurchase agreements with original maturities of 90 days or less. Long-term investments are carried at market value which is based on quoted market prices. Interest and dividend income is accounted for on the accrual basis.

Statements of Activities

for the years ended December 31, 1998 and 1997

	1998	1997
Operating Activities		
OPERATING REVENUES		
Contract and project grants	\$49,173,552	\$52,124,676
Contributions and other income	2,083,476	1,304,797
Total operating revenues	51,257,028	53,429,473
OPERATING EXPENSES		
Research program costs	50,944,735	53,926,540
Other costs	1,668,235	1,235,645
Total operating expenses	52,612,970	55,162,185
Operating revenues over (under) operating expenses:		
Unrestricted	6,701	9,584
Restricted	(1,362,643)	(1,742,296)
(Decrease) increase in net assets	(1,355,942)	(1,732,712)
Non-Operating Activities		
Contributions	254,946	(4,840)
Income from long-term investments	5,039,686	11,238,900
Amount used for operating activities	(585,000)	(880,000)
Increase in net assets	4,709,632	10,354,060
Total increase in net assets for the year	3,353,690	8,621,348
Net assets at beginning of year	57,166,377	48,545,029
Net assets at end of year	\$60,520,067	\$57,166,377

Notes to Financial Statements

Method of Accounting for Contracts and Grants

A substantial number of the Institute's contracts and grants are with departments or agencies of the United States Government and are subject to audit by government auditors. Income under federal and non-federal contracts is recognized on the basis of direct costs incurred plus actual overhead, which is allocated by the application of rates approved by the Institute's cognizant federal audit agency, plus an allocable portion of fixed fee. Program and project grants represent resources received for restricted operating purposes as provided by each specific grant. Each grant is accounted for separately, and related expenditures constitute current revenues in the year expended.

Statements of Cash Flows

for the years ended December 31, 1998 and 1997

	1998	1997
Cash flows from operating activities		
Change in net assets	\$ 3,353,690	\$ 8,621,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized/unrealized gain on long-term investments	(5,063,849)	(11,294,649)
Increase in accounts receivable	(1,458,099)	(1,382,246)
Decrease in contributions receivable	836,291	1,688,750
(Decrease)/increase in accounts payable	(769,720)	1,623,510
Increase/(decrease) in grant balances	5,411,148	(4,152,917)
Other adjustments	1,093,223	1,013,423
Net cash provided by (used in) operating activities	3,402,684	(3,882,781)
Cash flows from investing activities:		
Sales less purchases of investments	4,406,319	1,586,760
Capital expenditures	(1,312,106)	(1,360,057)
Net cash provided by investing activities	3,094,213	226,703
Net increase/(decrease) in cash and cash equivalents	6,496,897	(3,656,078)
Cash and cash equivalents at beginning of year	1,197,848	4,853,926
Cash and cash equivalents at end of year	\$ 7,694,745	\$ 1,197,848

Notes to Financial Statements

Classification of Contributions

The Institute reports contributions of cash and other assets, including promises to give, as restricted support if they are received with donor stipulations that restrict the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor stipulated restrictions which are met within the same reporting period are reported as unrestricted. General support grants and contributions are not designated for specific purposes but are received for general support of the Institute's research program.

Expenses By Natural Classification

	1998	1997
The Institute incurred the following expenses in 1998 and 1997, respectively.		
Salaries, wages and benefits	\$24,834,754	\$20,791,738
Subcontracts	13,675,571	21,745,121
Consultant fees and expenses	3,517,586	2,660,651
Professional services	421,948	326,007
Travel	1,099,512	1,751,313
Facilities costs	2,151,565	1,934,659
Depreciation and amortization	1,021,776	697,530
Telephone	335,707	340,757
Postage and delivery	302,254	283,574
Publications/library services	1,227,771	564,788
Expendable supplies	519,725	400,238
Other	3,504,801	3,665,809
Total	\$52,612,970	\$55,162,185

Rental Expense and Lease Commitments

The Institute currently leases space for its office facilities pursuant to a ten-year operating lease expiring April 30, 2004, with a renewal option for an additional five years. Rent expense under the current lease was approximately \$2,063,300 and \$1,908,800 for the years ended December 31, 1998 and 1997, respectively. Other rental expenses amounted to \$205,900 and \$148,500 in 1998 and 1997, respectively. Future rental payments due under the operating lease for the years 1999 through 2004 total \$13,109,300 and are subject to annual adjustments for increases in operating expenses, real estate taxes attributable to the leased property, and in the Consumer Price Index.

Grant Balances

	1998	1997
Grant balances at December 31, 1998 and 1997 consisted of the following:		
Balance, January 1	\$ 424,104	\$ 4,577,021
Received	29,334,220	22,767,620
Expended	(23,923,072)	(26,920,537)
Balance, December 31	\$ 5,835,252	\$ 424,104

Private Sponsors*

American Association of Retired Persons
American Educational Research Association
American Express Foundation
Anonymous
ARCO Foundation
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Association of Public Policy Analysis and Management
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National Council of State Boards of Nursing
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Washington Mutual Foundation
The Washington Post Company
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*Private sponsorships include project support and contributions to the general program fund and the Endowment.

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National Science Foundation
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State of New Jersey
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State of Wisconsin
U.S. Agency for International Development
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U.S. Department of Commerce
U.S. Department of Education
U.S. Department of Health and Human Services
U.S. Department of Housing and Urban Development
U.S. Department of Justice
U.S. Department of Labor
U.S. Department of Treasury
U.S. Sentencing Commission

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Japan Institute of Social and Economic Affairs



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