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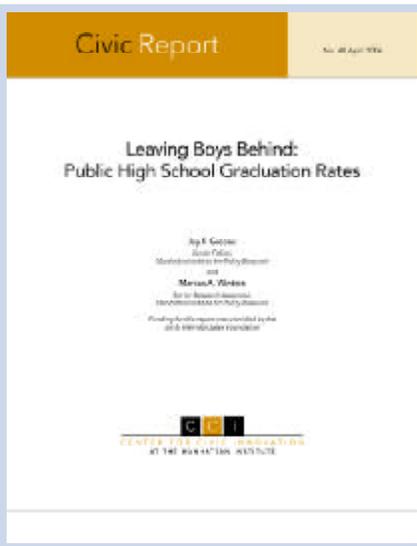
The Center for Civic Innovation (CCI) recently released Civic Bulletin 40, "Making Cities Skilled," showcasing the work of Harvard economics professor and urban population expert Edward Glaeser. This bulletin is adapted from a presentation of his given in New York City in January.

Glaeser sees the attraction and retention of skilled workers as a keystone to the economic success of any city. He offers a stark counter-thesis to the vision presented in Richard Florida's book *The Rise of the Creative Class*. Instead of arguing, as Florida does, that they want bohemian thrills from their city neighborhoods, Glaeser suggests that the needs of today's skilled workers are not very different from those of the majority of city residents: fair taxes, decent schools, and safe streets.



Harvard economics professor *Edward Glaeser*

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New Report Finds Gender Gap in High School Graduation Rates

In April, CCI released a Civic Report on public high school graduation rates, *Leaving Boys Behind*, by Jay Greene and Marcus Winters. The authors find that only 70 percent of all enrolled seniors graduated from public high school in the class of 2003. Of this class, 78 percent and 72 percent of white and Asian students, respectively, graduated from high school, while only 55 percent of African-American students and 53 percent of Hispanic students earned a diploma.

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Creating a Capital Market for Nonprofits

In January, the Manhattan Institute hosted a discussion featuring George Overholser of NFF Capital Partners and Robert Steel of Goldman Sachs, on methods of creating a viable capital market for nonprofits. The event was moderated by Howard Husock, director of the Manhattan Institute's Social Entrepreneurship Initiative and research fellow at the Kennedy School of Government's Hauser Center for Nonprofit Organizations.



Overholser and Steel argue that while ample capital investment opportunities exist for both established and new business entrepreneurs, almost no use is made of America's sophisticated market system to provide the creators of not-for-profit enterprises with access to investor dollars.

Overholser and Steel are eminently qualified to address this topic. Overholser founded NFF Capital Partners after helping spearhead Capital One's venture capital operations. Steel is a senior director at Goldman Sachs and a senior fellow at the Kennedy School of Government. Both bring their financial expertise to bear on the issue of rebuilding the nonprofit model in order to make philanthropy more efficient.

Over one million nonprofits currently operate in the U.S. Even with an increasing infusion of funds, nonprofits struggle to be financially sustainable. As Steel points out, fundraising costs can consume as much as 20 percent of funds raised—enviable rates in the world of banking, but hardly helpful to a struggling nonprofit.

Overholser explains that there is a considerable difference between the accounting practices of nonprofit and for-profit sectors, which prevents nonprofits from achieving comparable growth. While for-profits distinguish between capital and revenue, the nonprofit sector doesn't normally make a distinction as far as its accounting is concerned. "This masks one of the primary goals that we need to have in place," says Overholser. "Capital builds the capacity of the firm to please philanthropic customers, so they will say, 'I'd like to buy some tutoring from you on behalf of these kids.'" Overholser is currently working with a number of nonprofit organizations to monitor growth-capital and progress toward sustainability.

Overholser sees the need to replace traditional, smaller donations with large-scale infusions of capital, using the placement-services model that has served venture capital so well.

Market forces have provided the central engine for centuries of economic growth in America's private sector. Why not harness them to the public good as well?

The substance of this talk can be found in the Civic Bulletin "Going to Scale: A New Era for Funding Nonprofits."

Access this report online at http://www.manhattan-institute.org/html/cb_39.htm.

Making Cities Skilled *continued from page 1*



Among the most telling predictors of urban growth, according to Glaeser, is the density of colleges in a city, because they produce educated and skilled workers. As Glaeser puts it: “Moving ideas and skilled people has been what made cities work. It’s no longer about the port; it’s about the people.” He also finds a correlation between crime rates and the growth or decline of urban populations.

“A reasonable starting point for urban growth is focusing on skilled workers and on how to make the place friendly for entrepreneurship.”

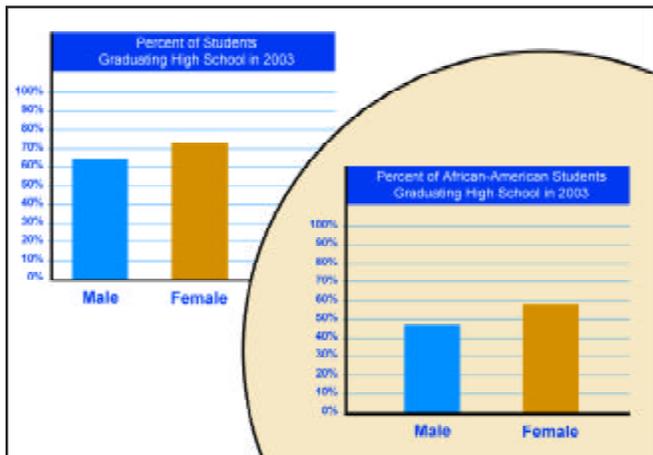
To make cities skilled, Glaeser envisions not the high-density downtowns advocated by Florida, but something between urban overcrowding and rural emptiness. These medium-density communities will attract skilled workers from

less urban environments, who are used to more space and quicker commutes. Glaeser also stresses the importance of making cities entrepreneur-friendly, creating an economic landscape attractive to those who trade in new ideas.

Glaeser’s vision is an important one for the future of urban America, and CCI is proud to endorse it. Access this report online at http://www.manhattan-institute.org/html/cb_40.htm.

Civic Report *continued from page 1*

The authors also found troubling differences in graduation rates between men and women. While 72 percent of female students graduated from high school in 2003, only 65 percent of male students received a diploma. This breakdown occurs across ethnic borders, with the largest gender gap in graduation rates occurring among African-American students. Fifty-nine percent of African-American females graduated, compared with only 48 percent of African-American males.



The study also shows that graduation problems increase in severity with increases in size in individual school districts. Among the lowest of graduation rates for the largest 100 school districts were Detroit and San Bernardino City Unified Districts, at 42 percent, and New York City, at 43 percent.

The Greene and Winters study shows the perilous state of urban public education. In other reports and articles, Greene and Winters discuss a battery of remedies ranging from merit pay for teachers to public school choice. They note that “to ensure the proper implementation of both the immediate and long-term reforms, we will need independent estimates to verify the official statistics.” Education reform is an indispensable part of improving urban communities, and *Leaving Boys Behind* provides a starting point for discussing needed change.

Access this report online at www.manhattan-institute.org/html/cr_48.htm.



Jim Chrisinger, an accountability expert and official in Iowa's Department of Management, presented a talk on the theme of much-needed structural change in state governments at a CCI luncheon in March. Chrisinger is one of the pioneers in Iowa's Charter Agencies program, a policy initiative aimed at effecting a fundamental revolution in the relationship between state government, state agency, and citizens. The Iowa Charter Agencies program is one of four programs honored in 2005 with the Innovations in American Government Award, administered in partnership by the Ash Institute at Harvard University and the Council for Excellence in Government.

Bureaucracy drags down state governments, increases costs, and makes services inefficient, but Chrisinger has blazed an innovative trail in the world of agency reform. Iowa has, under the auspices of its Charter Agencies program, brought unprecedented measures of accountability into state government.

State agencies volunteer themselves to be held accountable to quantifiable measures of user satisfaction. In return, the state government cuts them free from the tangle of constricting red tape that delays services to Iowa's citizens. This allows agencies to experiment and develop new means to better serve the population, while permitting state government to make sure that the agency delivers consistent and timely results.

This program has resulted not only in red-tape reductions, but in a significant increase in government savings: over \$15 million annually since its inception in 2003. Chrisinger sees the Iowa charter model as eminently exportable to other states.

Access Chrisinger's remarks in Civic Bulletin 41, online at www.manhattan-institute.org/html/cb_41.htm.

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