Privatization Watch

Analyzing privatization developments since 1976

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Is the air *really* making us sick?

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Privatization Watch

Editor

Ted Balaker (ted.balaker@reason.org)
Reason's Jacobs Fellow spent five years with ABC Network News producing pieces on government reform, regulation, and privatization.

Writers

Robert W. Poole, Jr. (robert.poole@reason.org)
A pioneer in privatization and transportation policy, Poole has advised several presidential administrations. His transportation work has spurred innovations in toll roads, congestion pricing, airport privatization and air traffic control corporatization.

Geoffrey F. Segal (geoffrey.segal@reason.org)
As Director of Privatization and Government Reform Policy at Reason, Segal has authored many studies on privatization, competitive sourcing, and government management.

Lisa Snell (lisa.snell@reason.org)
A leader in education policy research, Snell has authored many studies and articles on education reform and child welfare.

Vice President, Reason Foundation

Adrian T. Moore (adrian.moore@reason.org)
Frequently cited by journalists and sought after by policymakers, Moore is one of privatization's leading authorities.

President, Reason Foundation

David Nott (david.nott@reason.org) Nott leads Reason Foundation, a national organization dedicated to advancing a free society through the promotion of choice and competition.

Published by Reason Foundation
3415 S. Sepulveda Blvd., Suite 400 ■
Los Angeles, CA 90034 ■
310/391-2245; 310/391-4395 (fax) ■
www.privatization.org ■

Heard the Good News?

By Ronald Bailey

People need only look around to see that the state of the natural world in the United States and much of the world has greatly improved.

Some the best news is on air quality trends. According to the *Index of Leading Environmental Indicators 2005* (pacificresearch.org/centers/ces/), "air pollution fell again in the United States to its lowest level ever recorded." The Environmental Protection Agency (EPA) reports that since 1976, when national measuring began, levels of ozone in the air have dropped 31 percent, sulfur dioxides are down 72 percent, nitrogen dioxide was cut by 42 percent, carbon dioxide plunged 76 percent, and particulates (smoke and dust) fell by 31 percent. Air quality in the 10 largest metropolitan areas (four of the five most improved are in California) has improved an average of 53 percent since 1980.

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Despite ongoing suburbanization, between 1990 and 2000, U.S. forests expanded by more than 10 million acres. *The Index*, a project of the American Enterprise Institute and the Pacific Research Institute, notes that "for the eastern half of the United States, land cleared for farming and grazing in the 19th century has been reverting back to forestland at a net rate of one million acres a year since 1910." A big part of the reason that forests are expanding is that we no longer use horses for transport (land cleared for their grazing) and wood for fuel. Annual use of wood for noncommercial fuel has fallen from 5 billion cubic feet in 1900 to about 500 million cubic feet.

These improvements in environmental quality are the result of a combination of increasing economic efficiency and, yes, some heavy-handed government regulations. AEI scholar Roger Bate highlighted the point that wealth creation and the institutions that underpin wealth creation (property rights, rule of law, democratic governance) precede environmental clean up. Policies that slow down economic growth also slow down eventual environmental improvement.

Ronald Bailey is Reason's *science correspondent and author of the new book* Liberation Biology *(Prometheus Books). A longer version of this piece is available online: reason.com/rb/rb042205.shtml* ■

Privatization Briefs

Reforming the Endangered Species Act

The 1973 Endangered Species Act may be in for some reforms. There appears to be bipartisan support not only for the idea of reform, but also for which aspects need to be reworked. Both sides like the idea of giving federal tax grants or incentives to landowners who maintain key habitat for endangered plants and animals. Both sides also recognize the need to relax constraints on developing private property and favor changing the process that designates critical habitat so that land-use regulations take effect only after federal scientists have come up with a formal recovery plan.

Water Privatization and Child Mortality

In the 1990s Argentina privatized local water companies, covering about 30 percent of the nation's municipalities. Recently, researchers from U.C. Berkeley and two Argentine universities examined the effect privatization had on child mortality.

What happened?

> *[C]hild mortality fell 8 percent in the areas that privatized their water services and that the effect was largest (26 percent) in the poorest areas … While privatization is associated with significant reductions in deaths from infectious and parasitic diseases, it is uncorrelated with deaths from causes unrelated to water conditions.*

The complete findings were published in February's *Journal of Political Economy.*

[C]hild mortality fell 8 percent in the areas that privatized their water services and that the effect was largest (26 percent) in the poorest areas …

A Measure 37 (of Sorts) in Texas?

Coming on the heels of Oregon's controversial Measure 37 initiative passed late last year, the Texas House is considering House Bill 2833, which would force local governments to compensate landowners when strict environmental regulations reduce property values by more than 25 percent. Bill 2833 appears to be much more limited in scope than Measure 37, which allows for compensation (or waived regulations) for zoning, environmental, and a variety of other sorts of regulations that reduce private property values.

Was School Privatization Failure Predictable?

The private for-profit company hired to operate eight schools in Chester, Pennsylvania has decided to pull out. Edison Schools made the decision partly because it had not been paid roughly $4 million in fees, and the company and the schools have faced much turmoil in the four years since a state board hired Edison to oversee the troubled 6,000 student Chester Upland School District. The past year was particularly tumultuous, and included everything from book and teacher shortages to a high school riot and a principal-student sex scandal, which ended recently when the 16-year-old accuser recanted her story.

Edison found that it lacked the authority to turn the district around. The company was often locked in a power struggle with the board and central administration. Edison did not control the district's finances, could not hire or fire teachers, and often had trouble simply getting accurate student enrollment information from the district. Poor accounting by the district even concealed a $35 million budget deficit.

In a 2001 *Policy Update* (rppi.org/pu14.html) Reason's Lisa Snell cited Edison's lack of control and predicted the contract would fail. ■

Is the Air *Really* Making Us Sick?

Interviewed by Ted Balaker

Polls often reveal that Americans think air quality is bad and getting worse. Naturally, they worry about the consequences of polluted air. Will it make them sick? Will it make their children sick?

This frustrates Dr. John Dunn, an physician and expert in toxicology. For decades Dunn has practiced medicine and studied the relationship between air pollution and public health. He sees thousands of patients each year and teaches emergency medicine at Darnall Army Community Hospital in Fort Hood, Texas. He understands what makes people sick and he says it isn't air pollution. Since he's also an attorney who has taught environmental law at the college level he can tell when policy protects public health and when it merely stirs fear. In an interview with *PW's* Ted Balaker, Dr. Dunn discusses his stance.

What do you think of the public's understanding of environmental health risks?

They're generally scared to death and the reason is the public health authorities have taken an irresponsible position with regard to the effects of air pollution and the magnitude of air pollution.

How would you assess the state of the air today?

The state of the air today is clearly so much improved over the last 20 years that even the EPA's favorite researchers have had to produce papers that say essentially at this point there is no danger in the air from ozone precursors, nitrogen compounds, sulfur compounds, lead compounds or any of the other pollutants that were a major concern 25 years ago.

Media reports give the impression that each year thousands of Americans die from air pollution.

In the old days of the 1940s and 50s and even before, we had reports of what was called "killer smog." They happened in Pittsburg, they happened in England and people were dying from the amount of soot and particulate pollution. There just weren't many things you could do for patients then. There weren't very many medications and frequently patients with pulmonary disease who were exposed to high concentration smog and dust and soot would have an increased rate of death.

What these new researchers are trying to do is show that that sort of thing happens even though the toxicology says

that can't be. Toxicology is basically the science of how much poison can you stand. Everything is about dosage. You can tolerate almost anything provided you don't have to deal with too much of it. That would include arsenic, cyanide, in fact various substances that are toxic at one level are present in human beings as a part of the normal environment of the body. Lead for example. Lead is not necessarily a toxic thing until it reaches a certain level.

Here's a quick lesson in epidemiology. If I'm exposed to something compared to somebody who's not exposed to something, the way that you establish a causal relationship is that my rate of disease as compared to a controlled population that's cleaned out for any confounders has to be 200 percent greater than the rate for people who are not exposed. In other words, if in a regular population of people who don't smoke the rate of cancer of the lung is one in 100, then you have to show that the rate in the smokers is two in 100. Researchers can't show that for air pollution.

Guess what the actual increase in the rate of cancer of the lung is in smokers? It's 20— that's *2000* percent. So there's no doubt that cigarette smoking causes lung cancer. If you're talking about air pollution, those who exaggerate the health risks use the word "association." Remember this: association does not mean causation.

The American Lung Association says that over 150 million Americans live in areas that violate federal government air quality standards.

How many times do you think an area has to violate the air quality standards before they're included on that list? One violation! One day of non-compliance. They aren't reporting on places that are polluted day after day; they are reporting a non-compliant day that covers the population of people on a particular monitor that doesn't necessarily apply to the whole population of that city.

A recent CDC report found that Maine had the highest rate of asthma among adults.

Does Maine have any big cities? No. Any man-made pollution of any significance? No. How about a good allergen load, like pine trees?

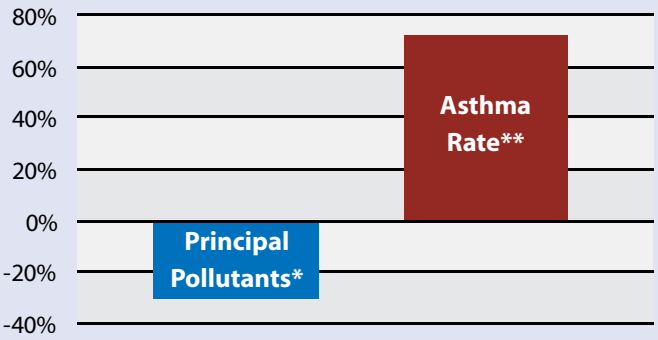
The rate of asthma in the United States is directly related to airborne allergens.

Asthma is caused by an allergic reaction to things that are in the air, regardless of the concentration. Now if you're sensitive to pine pollen or to cedar pollen it doesn't matter how much is in the air. It may be enough to make you—personally—allergic.

You also have to remember that asthma is not caused by air pollution as much as it is caused by allergies.

Sometimes legislators hope that more stringent air quality standards will reduce asthma in children.

Kids are getting more and more asthma now and it's probably because when they're young they're not exposed to as many allergens as they used to be exposed to. In the old days, a kid was exposed to lots of stuff and he was not nearly so likely to be an asthmatic because he had exposures that overwhelmed his normal allergic creation system. When you're young it's better to be a little bit dirty than to be extremely clean. We have a lot cleaner society and that contributes to a higher tendency towards allergies.



* Combined Principal Pollutants (CO, NOx, PM10, SO2, VOC, Lead) in Millions of Tons per Year. Source: U.S. Environmental Protection Agency

** Rate for children ages 5-14. Last year measured is 1993-94. Source: National Center for Health Statistics

The reason that young black males are the ones that die from asthma is that they don't get medicine. If you're a black male there's a good chance that you're unemployed or underemployed and most asthmatic medicines cost a lot of money.

An individual person can't control air pollution concentrations, but that person can control other aspects of health, such as diet and exercise. Compare the health impact of the things we can control versus those we can't.

Here's the way to look at it. If you live in America you are a very lucky person. You benefit from an advanced society that has the luxury of being able to control the sorts of air quality problems that in the old days really did kill people.

The second thing is that every person has to take a look at their lifestyle and remember that Aristotle had it right: moderation in all things. Drink a little, work a little, exercise a little, eat a little. For the vast majority of us, if you maintain a healthy weight, if you keep exercising, if you keep using your brain, moderate your activities—you will live a high quality life and you will benefit from your discipline.

For more straight talk on health and public policy, visit the American Council on Science and Health (acsh.org). ■

Out of the ANWR Morass

By Michael De Alessi

The following is an excerpt of the policy brief, *Digging Our Way Out of the ANWR Morass: A Performance-Based Approach to Protecting Habitat and Managing Resources,* rppi.org/pb37.pdf

One of the more spirited debates over the use of public lands in recent years has focused on oil and gas exploration in the Arctic National Wildlife Refuge (ANWR) in Alaska. Opposing sides tend to take an absolutist view. The pro-development side claims that exploration of the ANWR is necessary for jobs and energy security, among other things. Environmentalists and other opponents believe that the arctic environment and its wildlife are too precious and fragile to risk what will inevitably be a significant ecological impact due to oil and gas development.

Arguments on the impact of oil and gas exploration in the ANWR are deeply divided. Some want to protect wildlife from harm using advances in technology to dramatically reduce the impact of drilling operations. Others argue that extracting oil and gas will endanger millions of birds and other wildlife, and that new technologies are not reliable in protecting the arctic environment.

To date this polarized debate has produced little more than rancor, but with the results of the most recent election, it seems inevitable that some drilling will take place in the ANWR. And political battles aside, there is no doubt that the ANWR lies atop a rich oil field. Just how much oil and gas might be exploitable depends on uncertain geological measurements, fluctuating world oil prices, and the ever-changing state of technology. Current estimates (depending on oil prices) peg oil reserves at between 6 and 16 billion barrels, and the mean estimate for technically recoverable gas at 4.8 TCF (trillion cubic feet).

The most important issue is how to realistically balance any exploration that does take place with an effort to minimize the environmental impacts of that exploration.

Nevertheless, the pertinent question to ask now is not whether drilling will take place or not, but what will be the extent of the drilling, and what will be the environmental effect of that drilling. The most important issue is how to realistically balance any exploration that does take place with an effort to minimize the environmental impacts of that exploration.

Managing Outcomes

Economic viability is crucial for industry. Environmental groups prioritize environmental protection. Government advocates encompass all sides. And even native groups are split—the Gwich'in have been opposed, while the Inupiat welcome development. Both groups obviously need to be a key part of the process. What is left for the middle ground is a tradeoff—a way to ensure that economically viable development also minimizes environmental and cultural impacts. And that means measuring performance.

If drilling in the ANWR must meet a set of environmental performance measures, then industry can use it as a basis to plan its operations, and environmental groups will have not only the assurance that a certain level of environmental protection will be met, but the leverage to hold industry and government to those standards.

In addition, probably some of the revenues from developing the ANWR would go to conservation, much as they do on private land. This is the reason why some, such as the CATO Institute, have proposed turning over the ANWR to a conservation group, which, faced with the possible revenues, would almost surely allow for some drilling in the ANWR, but just as surely would demand that any contractors meet a high standard of environmental performance.

Private Land as a Model for Conservation through Commerce

Despite the rhetoric in politics and in the media demanding a choice between conservation and commerce, and despite what we so often read about loggers loathing owls and developers fighting every regulation in the book, conservation is

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Improving Parks with Pricing

By Adam B. Summers

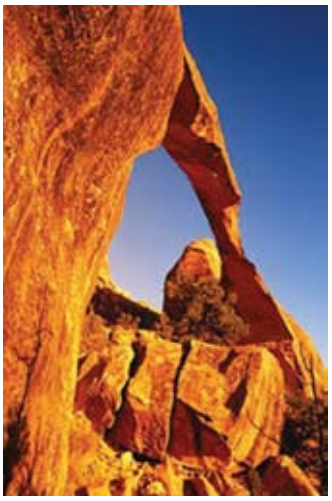
The following is an excerpt from the study, *Funding the National Park System: Improving Services and Accountability with User Fees*. The full report is available online: rppi.org/ps325.pdf

In recent years, at all levels of government, user fees have provided an attractive alternative to general appropriations funding. Since 1996, the National Park Service, Forest Service, Bureau of Land Management, and Fish and Wildlife Service have used the Recreational Fee Demonstration Program to experiment with user fees and obtain needed funding for recreational site facilities and operations.

User fees, also known as "impact fees," differ from general taxes in that they are incurred only by those who benefit from the service provided, while taxes are collected on the entire population (or on particular subgroups, as determined in tax legislation and regulations). For example, if someone wants to go hunting in a public park, he may have to pay a fee for a hunting license. Ideally, the money generated from the license fees is then used to provide services to those paying the license fees. In this scenario, only the hunters (and other park visitors paying fees to use the park) are required to finance the operations of the park, not the entire taxpaying population. Another key distinction between a tax and a user fee is that user fees are voluntary—one must choose to use a particular service and agree to pay the cost associated with that service in order to receive it—while taxes are compulsory and collected regardless of whether or not one uses the services provided by the government.

The Recreational Fee Demonstration Program

In 1996, prompted by years of budget-cutting and the resultant deterioration of park facilities, Congress granted the Park Service, Forest Service, Bureau of Land Management (BLM), and Fish and Wildlife Service (FWS)—collectively the "land management agencies"—additional powers to levy and increase user fees. This Recreational Fee Demonstration Program, signed into law as Public Law 104-134, applied to 100 of the nation's 375 parks. Perhaps more importantly, the enacting legislation guaranteed that a substantial amount of the fees collected—80 percent—was spent within the area that collected them. The "Fee Demo Program" was established as a three-year pilot program and has been extended several times, most recently December 2004 with a 10-year extension.



The Fee Demo Program has proven quite successful, allowing the land management agencies to collect over $1.1 billion in fees from FY 1996 through FY 2003. These fees have been used to complete numerous important projects, including deferred maintenance, trail, campground, and visitors' center improvements, and educational programs. In fiscal year 2002 alone, the Fee Demo Program "allowed the National Park Service to complete 136 deferred maintenance projects, 80 of which related to natural resource protection, and to make some facilities accessible to the handicapped."

Implementation of the Fee Demo Program has not scared off park visitors, either. According to the land management agencies, "Aggregate visitation to recreation sites participating in the Fee Demo Program continues to be unaffected in any significant way by fees." In addition, the program appears to be rather efficient. The average cost of fee collection for Fee Demonstration projects as a percentage of fee revenue for the four land management agencies has remained stable over the past five fiscal years at approximately 20 percent. The land management agencies responsible for implementing the Fee Demo Program have strongly endorsed it and have called upon Congress to make the program permanent.

Advantages of User Fees over Taxes

User fees have many advantages over general appropriations funding, including: greater fairness, greater flexibility for the agency managing operations, greater freedom of choice for consumers over whether or not government services are required or worth the price, and the elimination of the free-rider problem. Here we will examine another advantage: better fiscal incentives.

Better Fiscal Incentives: Responding to Visitors' Wants and Improving Management

The reason that state park and wildlife agencies whose fees are regulated by legislatures tend to be in a state of perpetual financial crisis is that the price rigidity imposed by legislatures diminishes the relationship between park user demand and

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Do Hybrid Cars Deserve Special Perks?

By Ted Balaker

Lawmakers are anxious to show their enthusiasm for hybrid cars. The federal government and some states offer tax breaks for hybrid purchases, some cities give hybrid drivers free parking, and there is a big push to grant hybrids access to carpool lanes, even if there is only one person in the car.

With all the perks they're offering it may seem like lawmakers have to twist arms to get people to buy hybrids. But hybrids are already wildly popular. Over the past five years hybrid sales have shot up nearly 90 percent, and auto manufacturers reacted swiftly, offering more and more hybrid models. Even without special carpool privileges, Americans love hybrids. And why not?

Hybrid owners save money at the pump. Thanks to recent improvements hybrid performance is on a par with regular cars, and unlike the first generation of hybrids, many of today's models don't skimp on roominess.

So if Americans are already in love with hybrids, why the political push for special perks? And is this the best way to improve air quality?

Consider Virginia. Last year the state opened carpool lanes to single occupant hybrids, and recently a task force of transportation officials found that the influx of hybrids clogged the carpool lanes, leaving them nearly as congested as the regular lanes. As hybrids continue to grow in popularity, officials expect the problem to get even worse.

Here hybrids may have ironically hobbled environmental improvement. Cars stuck in traffic burn more fuel and emit more emissions than those driving in free flow conditions. And if the presence of hybrids is the tipping point that drags a lane into gridlock, their eco-friendliness is beside the point. As long as most of the cars on the road are gas burners, the result will be more pollution and more gas wasted.

Undaunted, states like Massachusetts, Minnesota, Georgia and California are eager to follow Virginia's lead. In the Golden State, half of the carpool lanes are already at or near capacity, but leaders insist the plan won't increase congestion. If hybrids do end up clogging carpool lanes, just end the policy, right? That's easier said than done, for interest groups, once given a special privilege, tend to fight hard to hold onto it. When lowered vehicle occupancy requirements for carpool lanes (for example, from HOV3 to HOV2) bring gridlock, officials have a tough time bringing back the old standard because all those 2-person

carpoolers rather like the new policy.

Simply crafting a more restrictive policy from the get-go invites different troubles. Unlike Virginia's more open-ended approach, California lawmakers would grant carpool access only to the most fuel-efficient hybrids—those that get at least 45 mpg.

Problem solved. Or is it?

Hybrids' actual mileage is often lower than advertised. Consider Honda's Civic hybrid. The EPA says it gets 48 mpg. But when *Consumer Reports* tested it in real world driving conditions it got only 36 mpg. Would the Civic hybrid make the cut?

More restrictions also mean more headaches for law enforcement. The more straightforward Virginia law would seem to be easier to enforce, yet even there cops have had to spend more time grabbing carpool violators. Frustrated officials even turned to the rather desperate move of sticking multiple offenders with $1,000 fines.

Perhaps its time to reexamine our enthusiasm for hybrids, or rather, perhaps it's time to include many regular cars in our enthusing.

There is, for example, only about seven miles-per-gallon difference between the hybrid and the regular Civic. Today's cars are about 98 percent cleaner than those built during the 1960s, and dozens of popular car models have earned the PZEV (Partial Zero Emission Vehicle) designation, which means that compared to most cars they emit at least 90 percent less hydrocarbons, nitrogen oxides, and carbon monoxide. Joe Nordbeck, a University of California at Riverside environmental researcher, has tested PZEVs for years. He says their emission levels are "almost below detection level."

Recognizing the progress most non-hybrids have made wouldn't just give credit where credit is due; it would also produce greater air quality gains. Most pollution comes not from new cars, most of which are already extremely clean, but from a small

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Hydrogen Hype

Why hydrogen cars have little impact on CO_2 emissions

By William J. Korchinski

The following is the executive summary of the study, *Fueling America: How Hydrogen Cars Affect the Environment*. The full study is available online: rppi.org/ps322.pdf

In recent years, the use of hydrogen as a fuel for cars has become an increasingly popular idea. Many influential people endorse the idea as an important milestone on the road to U.S. energy independence. Others support it because they see hydrogen as the ultimate clean fuel to help the environment. But can the mass conversion of vehicles to hydrogen power significantly improve the environment? And given the high cost of building the infrastructure necessary to transport and distribute hydrogen, would it be worth it? This report sets out to answer these very questions.

When a vehicle's engine burns gasoline, carbon dioxide (CO_2) is produced in the exhaust gases that then enter the air around the car. Proponents of using hydrogen to power automobiles generally point out that a hydrogen-fueled car produces only water in its exhaust, and no CO_2. While this is true, it is an incomplete picture. We need to examine how CO_2 emissions are measured, to include not only the release caused by vehicles, but the emissions caused by the manufacture, transport and distribution of both hydrogen and gasoline, to foster a more accurate comparison of their relative benefits. Using various hydrogen production methods depicted by 11 case studies, this study measured hydrogen fuel cells and liquid fuel cells against a base case of the modern, internal combustion engine, gasoline-powered vehicle to assess which would result in the least CO_2 emissions and the relative value of converting vehicles to hydrogen power.

We performed a simulation for each case study based on a 300-mile drive for the candidate vehicle. Results, including raw materials, energy requirements, and atmospheric CO_2 production, were calculated based on the resources required to generate the fuel necessary to drive the car 300 miles. To standardize for the various types of power generation infrastructures, we used the state of California as the geographic area for this study. Additionally, hydrogen-powered vehicles require a far heavier weight to achieve the same horsepower performance of gasoline-powered vehicles. We therefore did not normalize for relative vehicle performance; as a result, the

fuel cell vehicles used in this study did not perform as well as the gasoline-powered one.

We found that while hydrogen fuel cell cars powered by hydrogen manufactured using hydroelectricity resulted in the least CO_2 emissions, this case was rendered impractical due to the limited amount of electricity generated by a hydroelectric source. In California, hydrogen would most likely be manufactured through electrolysis produced via natural gas, which resulted in the highest CO_2 emissions.

We found the decline in emissions to be barely discernible, leading to the conclusion that the reduction in CO_2 emissions gained by using hydrogen-powered vehicles is not significant.

To assess the significance of the impact of converting to hydrogen-powered cars we projected the effect on CO_2 emissions if all cars in California had converted to hydrogen in 1981. We found the decline in emissions to be barely discernible and probably not even measurable, leading to the conclusion that the reduction in CO_2 emissions gained by using hydrogen-powered vehicles is not significant.

The most compelling reason for the inability of hydrogen-powered vehicles to significantly affect CO_2 emissions is that total vehicular emissions pale in comparison to the total CO_2 emitted statewide from all hydrocarbon (fossil fuel) combustion. In fact, this study found that if vehicular emissions were entirely eliminated, total emissions statewide would fall by 10 percent or less. This fact, combined with the CO2 emissions generated by hydrogen manufacture and distribution, calls into question the value of converting the present gasoline-

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Why Corporate Reformers Are Ignoring Homeschooling

By Greg Beato

In 2002, when the national average SAT score was 1020, homeschoolers averaged 1092. In 2003, 248 homeschoolers achieved semifinalist status in the National Merit Scholar program, with 109 of them winning Merit Scholarship awards. In 2004 homeschoolers scored an average of 22.6 on the ACT college entrance exam. By comparison, public school students scored an average of 20.9.

All of these statistics are mitigated by the fact that relatively few homeschoolers take national achievement tests (or at least identify themselves as homeschoolers when they do). While more than 1.1 million public and private school students took the ACT exam in 2004, only 7,858 self-identified homeschoolers did so. It's possible, skeptics argue, that their strong performances aren't representative of all homeschool students (many of whom, of course, are too young for high school achievement tests).

Still, as the number of homeschooled test-takers grows, their overall average stays higher than their traditionally schooled counterparts. In 1997, when 1,927 homeschoolers took the test, they averaged 22.5. During the next eight years, as the number of homeschoolers taking the test increased 307 percent, their annual average score topped the national average every time.

Thanks in part to such statistics, the general take on homeschooling is starting to change. Or at least the media's take is. You can still occasionally find articles that stereotype homeschoolers as "gubmint-hatin' religious wackos," or fretfully posit the demise of Miss Grundy's English class as the end of democratic pluralism. (Never mind that old Abe Lincoln himself was a homeschooler!) These days, though, homeschooling mostly gets good press and college admissions officers are also warming to homeschoolers. A decade ago, homeschool students rarely were accepted by top universities such as Harvard or Stanford, but now such events are commonplace. More than 1,000 colleges in the United States will consider applications from homeschooled students.

Yet corporate philanthropists haven't shown a similar interest. They promote charter schools and champion school vouchers, but generally ignore homeschooling. Why?

Part of the reason is that it's not very convenient to give money to homeschoolers. "If you're a foundation or a corporate gifts program and you can't find a 501(c)3 to give your money to, you're not getting the tax deduction," says Justin Torres, research director of the Thomas B. Fordham Foundation, a Washington, D.C., think tank devoted to education reform. "Then you're just giving money to an individual, and there are all kinds of IRS headaches with that."

As homeschooling evolves, though, more homeschooling groups are filing for 501(c)3 status. There are national groups such as Brian Ray's National Home Education Research Institute and regional ones such as the California Homeschool Network. But while headache-free giving opportunities in the world of homeschooling do exist, size matters too. If you really want to turn a philanthropist on, it helps to be big. Hewlett-Packard, for example, doesn't consider requests from individual K–12 schools, and IBM's Reinventing Education program set its sights on the vast forest of the public school system, not mere trees. "Rather than creating a model school or enriching a few classrooms with technology, our goal is to use technology to jumpstart comprehensive and lasting school reforms," the company announced at the program's inception.

"Business leaders focus on how to get the most impact with the least effort," says Matt Gandal, executive vice president of Achieve Inc., an education reform group that features such high-profile executives as Prudential CEO Arthur Ryan and Intel CEO Craig Barrett on its board. As with many business-driven reformers, Achieve's mission is to strengthen standards, assessments, and accountability—in effect, to homogenize the school system to ensure uniform levels of achievement. Homeschooling, on the other hand, is essentially an attempt to diversify education. Some homeschoolers are just as focused on standards as groups like Achieve are. Others have little interest in tests or assessments of any kind. "You can have more impact on something that's actually a system," Gandal concludes.

Since homeschoolers value their autonomy so strongly, it's easy to assume they have no interest in outside assistance. In a two-income society, however, homeschooling is something of a financial anachronism, and many homeschoolers are thus less closed-minded on the subject than one might assume.

Take the financial assistance offered by the Children's Scholarship Fund, an organization co-founded by Wal-Mart heir John Walton that makes private and parochial schools a more viable option for low-income families by granting partial scholarships. As part of its efforts, it offers scholarships to homeschoolers as well, but hasn't emphasized this fact in its outreach efforts. When the organization first publicized its program in 1999, it received applications for more than 1.25 million eligible children. Currently, around 24,000 children receive support from the Fund Scholarships, with an average grant of $1,200 each. Of those 24,000, just 110 are homeschoolers. Since all applicants are chosen by lottery at odds of about 1.9 in 100, however, what this means is that more than 5,700 homeschooling families have sought assistance from the Children's Scholarship Fund, even though the organization has done little to court them.

As homeschoolers organize, sharing communal space and equipment, and sometimes even hiring teachers and other personnel, the impact a philanthropist can have on their efforts becomes substantial.

But in an era when the phrase "school choice" has become the mantra of so many education reformers and philanthropists, homeschooling, a choice that millions of parents and children have already enthusiastically embraced, remains the most unleveraged asset in the education universe.

Greg Beato has written for dozens of publications, including SPIN, Wired, Business 2.0, *and the* San Francisco Chronicle. *A longer version of this piece is available online: reason.com/0504/fe.gb.homeschooling.shtml* ■

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HYPE

powered vehicle into the expensive hydrogen-powered vehicle considered by so many to be the answer to today's global warming problems.

The report concluded that converting vehicles to run on hydrogen would have at best a marginal effect on CO_2 emissions. In fact, if hydrogen-powered vehicles are made to have the same performance characteristics as gasoline-powered ones, the use of hydrogen may actually increase atmospheric CO_2 emissions.

There are far simpler, less expensive, and more effective ways to reduce carbon dioxide emissions. People and businesses already have strong incentives to conserve energy, and competitive electricity markets and real-time pricing of electricity will strengthen those incentives. Gasoline cars are increasingly efficient and targeting gross polluting vehicles on the road today will greatly reduce auto emissions. None of these alternatives requires constructing a hydrogen generation and distribution infrastructure, a massive and expensive undertaking.

William J. Korchinski is a chemical engineer and owner of Advanced Industrial Modeling, Inc, in Santa Barbara, California. ■

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PARKS

park expenditures. When a fee structure is handed down from above (or when tax revenues are distributed) once a year, there is little room to adjust to user preferences. In a system of truly flexible (i.e., market-based) pricing, people reveal their preferences by how much they are willing to pay for something.

In 1991, New Hampshire passed a law requiring all of the state's parks to be self-sustaining.... After 13 years of self-sufficiency, New Hampshire's parks are still in solid financial shape.

If the demand for, say, camping increased, park managers could maximize revenue by instantly charging higher fees. Park managers may even wish to auction off very high-demand activity permits over the Internet to ensure that the park is capturing revenues appropriate to the true value of the services being provided. (The true value is what people are willing to pay to use a service.) If managers are concerned that this pricing system would result in fees that are prohibitively high for the poor, they could easily set aside a certain percentage of licenses or permits that would be excluded from the auction process and sold at reduced prices on a first-come, first-served basis. This would allow the poor to compete evenly with the rich for park access using their time (arriving early and likely waiting in line) instead of their money. This demand information is a valuable tool that park managers need in order to make proper management decisions.

In the example above, note that the park manager's job is not done once he increases fees to take advantage of higher demand for camping. He must now ensure that demand is satisfied, and perhaps even spur additional demand for camping by devoting more resources to campground facilities improvement. As a result, the park increases revenues and visitors receive better services tailored to their desires.

Better Fiscal Incentives: Eliminating Pork-Barrel Spending

Under the current system, cost savings is one of an agency's last considerations because any money appropriated to the agencies that goes unspent must also be returned to the Treasury. Even worse, since unspent funds imply that an agency is overfunded, bureaucracies have an incentive to exaggerate or overestimate their costs in order to maintain an environment of fiscal crisis sufficient to justify ever-increasing budgets, and pork-barrelling abounds.

CASE STUDY: New Hampshire

In 1991, New Hampshire passed a law requiring all of the state's parks to be self-sustaining. By using a variety of pricing strategies, cutting costs, and entering into corporate sponsorships to obtain additional funding for educational programs, the state's park system quickly was able to generate enough revenue to cover its entire operating budget of nearly $5 million—and even pay for some capital investment. After 13 years of self-sufficiency, New Hampshire's parks are still in solid financial shape.

Examples of such "political entrepreneurship" include:

- A $333,000 "state-of-the-art," "environmentally friendly" outhouse at the Delaware Gap National Recreation Area in Pennsylvania ("The two-toilet outhouse has a gabled roof made of Vermont slate, a cobblestone foundation built to withstand earthquakes, and porch railings made from quarried Indiana limestone.");
- A $1 million outhouse in Glacier Park;
- An $8 million civic center in Seward, Alaska [population: approximately 4,000]; and
- Numerous new employee housing units in Yosemite at a cost of $584,000 per unit.

Self-sufficient national parks could realize significant cost savings as the federal level of the bureaucracy would diminish, allowing managers to devote more of their valuable time to actually managing parks, and costly "park-barrel" projects contrary to the interests of park users (and even conservationists) would not be forced upon park administrators. The Fee Demonstration Program may be a vast improvement over decades past, but until the national parks become completely self-sufficient, expenditure decisions and other management policies will continue to be based on the preferences of Congress and special interests, not the average park-going member of the public.

Adam B. Summers is a policy analyst at Reason Foundation. ■

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ANWR

happening out there. And it's going on amidst commercial activities, especially on private lands.

For every spotted owl controversy, there are thousands of cases where conservation and commerce happily get along, from ranchers protecting stream beds to the Louisiana Audubon Society operating oil and gas drills in one of their bird sanctuaries. The Audubon case is especially illuminating because it mirrors the ANWR controversy. On its own land, Louisiana Audubon understands the tradeoffs involved and the opportunity to turn oil and gas revenues into more conservation elsewhere. And it trusts itself to ensure that its land is developed responsibly.

The Rainey Wildlife Refuge

Deep in the marshes of Louisiana, oil and wildlife have mixed. The Paul J. Rainey Sanctuary's 26,000 acres of brackish and freshwater marshes are a rich feeding area for wintering waterfowl. In fact, it is such an important bird sanctuary that even the public is not allowed to visit, but because they own the land, many years ago Audubon weighed the benefits of oil and gas development against the environmental hazards, and chose to go ahead. From the 1940s until drilling stopped in 1999, Louisiana Audubon took the precautions it thought were necessary to protect the birds.

In the early 1980s, gas wells in Rainey brought in close to a million dollars in revenues; money that could then be reinvested in protecting other sensitive areas. The wells at Rainey were in operation for decades, and the wildlife didn't seem to mind. The National Audubon Society now claims that canals built in the refuge caused permanent damage to their wetlands. That may very well be, but one wonders why they only mentioned it after over 50 years of operation.

On public lands National Audubon understands perfectly that it doesn't have the power to ensure that drilling is environmentally responsible, nor does it have the ability to turn some of the revenues from that drilling into other conservation projects. So National Audubon vehemently opposes any exploration of the ANWR. But the experience at Rainey shows that performance measures can work.

Enlibra

One of the best templates for approaching environmental performance is a set of principles known as Enlibra, a made-up word that originated with an effort by the Western Governors Association to deal with the declining effectiveness of many federal environmental regulations. One of the leaders of this policy is Mike Leavitt, the former Governor of Utah and former U.S. EPA Administrator.

The idea behind Enlibra is that the low-hanging regulatory fruit has been picked, which means that stricter regulations often result in very little or even no improvement in environmental quality, while imposing much higher costs and regulatory burdens. Water pollution regulations, for example, initially targeted point sources of pollution. Cleaning up these large, single outfalls of industrial or municipal pollution greatly improved environmental quality. Now, however, most water pollution problems result from non-point sources, that is, a multitude of small inputs that add up to problems in a watershed. Because these sources are difficult to pinpoint or even measure effectively, regulatory approaches have been cumbersome, expensive, and far less effective.

In other words, Enlibra is an attempt to shift regulation to measuring results instead of inputs, and any efforts to impose performance measures on drilling in the ANWR should follow that same principle. Another important facet of Enlibra is its emphasis on depoliticizing science, something that is easier said than done, but separating subjective choices from objective data-gathering is worth striving for.

Michael De Alessi is the Director of Natural Resource Policy at Reason Foundation. ■

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PERKS

percentage of older, dirtier cars often called "gross polluters."

The meatiest air quality improvements will come from targeting these gross polluters—for example with remote sensing technology—not from convincing new car drivers to become new hybrid car drivers. Even the natural process of fleet turnover, in which drivers trade old cars for new, will clean the air more thoroughly than granting hybrid owners special perks.

And air quality has been improving even before hybrids. The EPA notes that during recent decades—though vehicle miles traveled increased 155 percent—pollution has been cut nearly in half. And since we're just now beginning to feel the effects of more stringent air quality standards and better technology, the air we breathe in the future will be cleaner still—whether or not hybrids get special treatment. ■

Government Offshoring—Less Common Than You Think

By Ted Balaker and Adrian Moore

The following is an exerpt of the study, *Offshoring and Public Fear: Assessing the Real Threat to Jobs*. The full report is available online: rppi.org/ps333.pdf

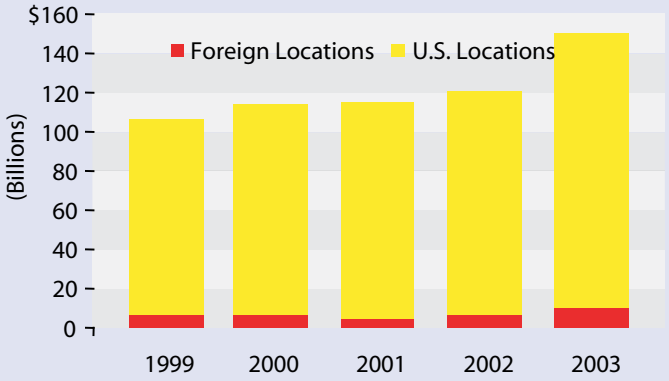
In recent years, state and federal legislators have proposed over 200 pieces of anti-outsourcing legislation. The National Foundation for American Policy notes that lawmakers have actually picked up the pace of anti-outsourcing bill-writing. Legislators have introduced more anti-outsourcing bills in the first three months of 2005 than they did in all of 2004. Although some bills address the private-sector variety, most focus on government offshoring.

Governors in Alaska, Massachusetts, Michigan, Minnesota, New Jersey, and North Carolina have issued executive orders designed to restrict outsourcing, and recently seven states passed laws designed to discourage the practice.

How widespread is government offshoring?

Legislators' attention to government offshoring may seem especially curious since the practice is especially rare. Though growing, the amount of private-sector offshore outsourcing is still quite small. Government-sector offshore outsourcing is smaller still.

Is Government Work Going Overseas?
Dollar Value of Federal Government Procurement of Services by Location



Source: United States Government Accountability Office, "International Trade: Current Government Data Provide Limited Insight into Offshoring of Services," GAO-04-932, September 2004.

Although precise figures are hard to come by, offshore outsourcing by the federal government has increased in recent years, from $6.4 billion worth of service contracting in 1999 to $10.6 billion in 2003. Yet offshore outsourcing has remained a small portion (about 6 percent) of total federal government outsourcing.

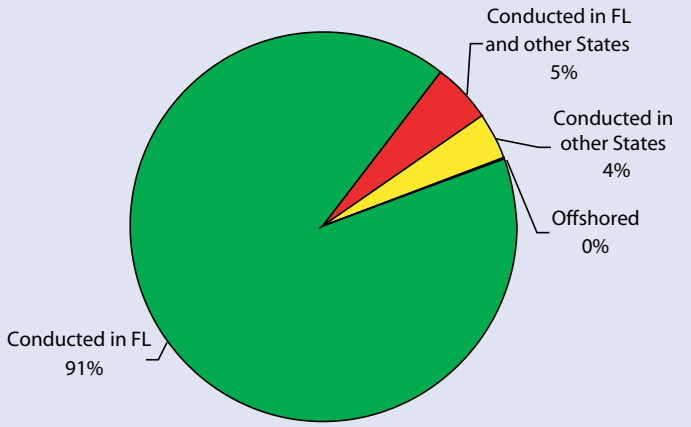
It is even more difficult to assign a dollar figure to the amount of offshore outsourcing done by state governments, largely because the practice is so uncommon. For example, an

State Level Anti-Outsourcing Laws

State	Effect of law
Alabama	Encourages state and local entities to use in-state services. Does not restrict or place mandates on procurement decisions.
Colorado	State agencies can contract for personnel services performed outside the United States if it is clearly demonstrated that there will be no reduction in the quality of services and contracts contain confidentiality and right to privacy safeguards.
Indiana	Preferences between 1 and 5 percent for Indiana companies in the awarding of state contracts.
New Jersey	Prohibits state contracts to be performed by anyone other than U.S. citizens or those authorized to work in the United States.
North Carolina	Preference for in-state or U.S. products and services within bounds of federal law provided that there is no loss of price or quality.
Tennessee	Preference for U.S. contractors in state contracts for the provision of data entry and/or call center services.
Missouri	Preference to in-state providers for state contracts.

Source: National Foundation for American Policy, *Star Ledger*

Where Florida Government Outsourced Services are Conducted
(138 outsourcing initiatives conducted since 1999)



Source: The Center for Efficient Government

analysis by the California State Auditor concluded that the available evidence suggests "the state is spending little on services performed offshore." An anti-outsourcing group recently documented roughly $75 million worth of government work sent overseas by the 50 state legislatures. Although the report was intended to stir fears about the rise of offshore outsourcing, it actually revealed how infrequently states make use of the practice. Seventy-five million dollars may seem like a huge amount of money, but state and local governments contract for over $100 billion in services, so offshore outsourcing does not even amount to one-one hundredth of a percent of government outsourcing.

Instead of charging taxpayers $162,000 for each job brought back from India, Indiana could have spent tens of thousands in severance pay and job training for each outsourced worker.

In some cases states have offshored services, only to bring them back after getting stung by bad publicity. Last year, North Carolina legislators voted to spend $1.2 million to bring 34 child support call center jobs back from India. Perhaps the case that received the most attention was New Jersey's decision to bring back a dozen call center jobs that had gone overseas, a move that cost taxpayers $100,000 per job per year. Indiana's cancellation of a $15 contract million was probably even more costly. The cancelled bid was $8.1 million less than the next closest competitor, and by one estimate, state taxpayers paid $162,000 for each of the roughly 50 jobs "saved."

Instead of charging taxpayers $162,000 for each job brought back from India, Indiana could have spent tens of thousands in severance pay and job training for each outsourced worker. The state could have used the savings for higher priority issues, returned the savings to taxpayers, or devised some combination of the two.

Some legislators have thought twice about thwarting offshore outsourcing. Kansas lawmakers were initially so outraged by a plan that would send food stamp call center jobs overseas, that they moved to ban it. Once they learned the ban would make providing the service 40 percent more costly, they discarded it. The governors of Maryland and Massachusetts vetoed anti-outsourcing bills passed by their legislatures in 2004, and Governor Schwarzenegger did the same in California when he shot down five such bills. And yet the anti-outsourcing bills keep coming. Five more emerged in California, and nationwide well over 100 were written in just the first three months of 2005. Since most are still under consideration, we are now entering a crucial period, one that will likely determine the direction of American policy for many years to come. ■

Who, What, Where

Reason Studies

Funding the National Park System: Improving Services and Accountability with User Fees, Adam B. Summers, Project Director: Adrian T. Moore, Policy Study No. 325: rppi.org/ps325.pdf

Digging Our Way Out of the ANWR Morass: A Performance-Based Approach to Protecting Habitat and Managing Resources, Michael De Alessi, Policy Brief No. 37: rppi.org/pb37.pdf

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Rethinking the California Air Resources Board's New 8-hour Ozone Standard, Joel Schwartz, American Enterprise Institute: rppi.org/Schwartz_CARB_ozonestandard.pdf

2005 Index of Leading Environmental Indicators, Steven F. Hayward with Michael De Alessi and Joel Schwartz, Pacific Research Institute: pacificresearch.org

Rescuing Water Markets: Lessons from Owens Valley, Gary D. Libecap, Property & Environment Research Center: perc.org

Conservation Biodiversity Through Markets: A Better Approach, R. David Simpson, Property & Environment Research Center: perc.org

Clearing the Air in North Carolina: Pollution Myths and Realities, Joel Schwartz, John Locke Foundation: johnlocke.org

Leasing the MassPike to Private Operators, Ted Bunker, Pioneer Institute: pioneerinstitute.org

Events

State Policy Network 13th Annual Meeting, State Policy Network, Charleston, S.C. September 29-Oct 1: spn.org

Transportation Finance Summit, International Bridge, Tunnel and Turnpike Association, Washington, D.C., November 15-17: ibtta.org

PRIVATIZATION WATCH
Reason Foundation
3415 S. Sepulveda Blvd., Suite 400
Los Angeles, CA 90034
www.privatization.org

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