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THE EFFECTS OF MOTOR VEHICLE WEALTH TAXES ON HOUSEHOLDS' VEHICLE PURCHASE DECISIONS

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ABSTRACT

Wealth taxes on motor vehicles, in the form of personal property or privilege taxes, are utilized in nearly half of the states in the U.S. The taxing methodologies implemented in these states result in effective tax rates that are a declining function of vehicle age. Under such tax structures, consumers are expected to make adjustments in their consumption portfolios in favor of older vehicles since they receive preferential tax treatment. As a result, vehicle taxes may have unintended environmental consequences since they provide households with the incentive to keep or purchase older vehicles with higher emissions.

I examine the effects of these taxes on households' vehicle purchases using data from the 2001 National Household Travel Survey. These data include a wealth of information on the current vehicle stock and demographics of households across the U.S. The analysis identifies households that purchased a vehicle in 2001 and models their choice of vehicle age to determine whether the relatively favorable tax treatment encourages the purchase of older vehicles. The results indicate that wealth taxes have a statistically significant negative effect on the probability that a household purchases a vehicle but have virtually no effect on vehicle age at the time of purchase.

ASSESSING GLOBALLY THEMED LEARNING OBJECTIVES USING OBJECTIVE EXAMINATION RESULTS

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ABSTRACT

In any course the instructor is faced with the need to structure the course material and pedagogy in such a way to promote student learning, and to assess the degree to which learning has happened. The added challenge in the courses of the author is that their courses are heavily laden with authentic learning projects, interventions to develop communication skills, and interventions to increase student motivation, all of which place increased demand on course time over and above what covering the material in a standard lecture format would require. An old standby—the multiple-choice examination—has been retained in the author's courses as a means to conserve on precious time while still assessing student learning beyond simply the level of student recognition of terms to comprehension, application, analysis, and evaluation cognitive levels. These higher cognitive levels indicate increasing student ability and sophistication with material in a course. Assessment of learning at these multiple cognitive levels can be achieved through use of Bloom's taxonomy of the cognitive domain in construction of examinations as well as evaluation of learning patterns with specific foci such as learning of international subject matter within a course. This paper outlines how objective exams can be analyzed to determine the level of cognitive learning attained, how existing exams can be modified or appended to reach higher levels of cognitive learning, and how an instructor can use the information distilled from the project to assess overall learning patterns in a course which in the case of this paper is focused on the attainment of learning goals related to global themes.

A MODEL FOR SELF-EMPLOYMENT TRAINING FOR PEOPLE WITH DISABILITIES

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ABSTRACT

Entrepreneurship and small business have received considerable attention in recent years. As a result, new business start-ups have been rapidly increasing. There are many forces driving the expansion, including higher levels of participation from all demographic segments of the population. One sector of the population which has experienced significant increases in support is people with disabilities. Several studies have suggested a need for systematic outreach programs to this segment of the economy. One research group at the University of Montana's Research and Training Center on Rural Rehabilitation (RTC) has proffered a policy model which would serve as the basis for such outreach efforts. However, the researchers report that only a relative handful of agencies currently offer such a program. This paper describes a program that fully satisfies the recommended components of the policy model recommended by the RTC.

INTRODUCTION: THE GROWTH OF SMALL BUSINESS AND THE DISABLED

A recent estimate by the U.S. Small Business Administration puts the number of small businesses in the U.S. at 25.8 million ("Small business effects, 2006). In addition, there were 647,914 new businesses and 565,351 business deaths for the period 2003-2004, a net increase of 82,563 firms (U.S. Census Bureau, n.d.). Estimates by New Business USA for the year 2000 show that more than 900,000 home-based and 600,000 commercial-site businesses were started (Lambing & Kuehl, 2007). There are a number of driving forces behind the increase in new start-ups: growth of the service sector, rapid advances in technology, high rate of change, creation of the virtual corporation, growth of global trade, desire for individual autonomy and security, business ownership as the way to wealth, and high public interest in entrepreneurship.

These forces are attracting numbers from every demographic segment of the population, including persons with disabilities. The 2002 U.S. Census Bureau indicated that 18 percent (51.2 million) of the U.S. population had a disability (U.S. Census Bureau, 2002). Members of this group are nearly twice as likely as non-disabled persons to be self-employed. While accurate, current data are difficult to gather, a 1995 U.S. Census Bureau report showed that 1.7 million of 9.4 million sole proprietors in the U. S. indicated they had some sort of disability. Of these, 323,000 were identified as having a severe disability (Nelton, 1998).

According to the 1990 Census of Business 12.2 percent of persons with disabilities were self-employed in contrast to 7.8 percent for non-disabled. The Rural Institute of Disability at the University of Montana found that more than 500,000 persons with a disability reported owning their own business (The Abilities Fund, 2007). Also, the Rehabilitation Services Administration (RSA) statistics for 1997 show that 2.7 percent of 223,668 vocational rehabilitation clients with successful closures became self-employed or started a small business (Mathis, 2003).

State-funded vocational rehabilitation agencies and other social services organizations have increased their focus on assisting people with disabilities who are interested in self-employment. For example, in 1992 the University of Montana's Research and Training Center on Rural Rehabilitation (RTC) evaluated policies and procedures concerning self-employment for people with disabilities. The result was a model program for self-employment in which they identified eight components:

- Assess individual's business potential
- Develop a business idea and assess its feasibility
- Individual obtains needed education or training
- Obtain technical assistance
- Develop a business plan
- Explore and apply for resources from other sources
- Agency review of the self-employment plan
- Follow-up

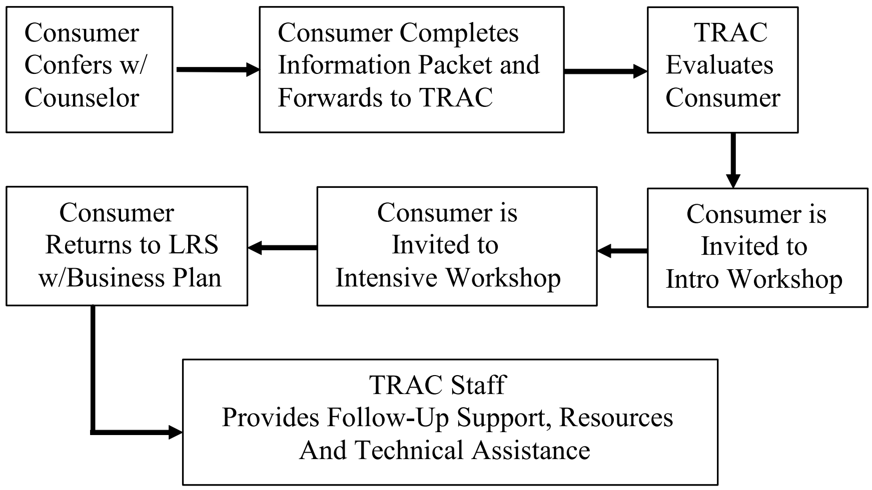
In 2002, RTC conducted a follow-up study to determine changes and trends during the interim ten-year period. Using the same methodology from the 1992 survey, researchers found a number of significant changes, most of which they attribute to the 1998 reauthorization of the Rehabilitation Act (The Workforce Investment Act). They found various agencies in most states committed to some, but not all, of the eight policy components identified in their model. Despite strong advocacy of their policy model and the encouraging study findings, the authors stated there is no cookie cutter method for achieving a self-employment outcome. (Arnold & Ipsen, 2003.)

Despite varying economic conditions in different states and their ability to mobilize resources, the model can easily be embraced and should be as a matter of economic and workforce development. For example, Louisiana offers the Exceptional Entrepreneurs of Louisiana (ExcEL) program. This prototypical model has been in place for ten years at The University of New Orleans (UNO) and has processed over three hundred consumers with a 60% success rate. The remainder of this paper contains a brief description of the ExcEL program and how it more than adequately addresses the eight policy components of the RTC model.

THE EXCEPTIONAL ENTREPRENEURS OF LOUISIANA

The creation of the Exceptional Entrepreneurs of Louisiana (ExcEL) program began with a focus on the logistics--who, where, when, how--of meeting the needs of disabled entrepreneurs while working within the requirements of the Louisiana Rehabilitation Services, the state's vocational rehabilitation agent. To gain needed insight, the authors of this paper and staff members of The University of New Orleans Training, Resource, and Assistive Technology Center (TRAC) conducted a series of focus group interviews with LRS counselors. As a result of the findings from the focus group interviews, the authors recommended a new four part process. The individual steps and the process are illustrated in Figure 1.

Figure 1
ExcEL Process Flowchart



Introductory Workshop

The introductory workshop is a day and a half program which takes place at the Training, Resource, and Assistive Technology Center on the UNO campus. The program is comprised of four basic parts:

- Consumers are provided a description of the ExcEL program and services
- Consumers complete the Entrepreneurial Quotient, an assessment diagnostic
- The basic components of a business plan are described and discussed in detail
- Consumers participate in a series of exercises which require them to describe their business idea

A major purpose of the introductory workshop is evaluation. First, it allows the TRAC staff the opportunity to further evaluate each consumer and decide whether or not to invite them back for the intensive workshop. It also affords the consumers the opportunity to realize the expectations and commitment involved if they continue in the ExcEL program.

Intensive Workshop

The intensive workshop is a two-week program and takes place at the UNO-TRAC facility (currently off-campus due to Katrina). On-site room and board are provided for the consumers. Organized meetings and activities are scheduled daily (Monday-Friday) from 8:30 A.M. to 4:00 P.M. The first week of the workshop addresses basic business concepts in finance, marketing, operations, legal issues and LRS policies and procedures. Expert practitioners are scheduled to address the class and consumers are given a variety of exercises and practice opportunities to demonstrate their understanding of the basic concepts. This is a significant departure from most other sources of assistance which simply provide help with the creation of a business plan, but not the necessary foundation for implementation of the plan.

The second week is devoted to collecting information and writing the actual business plan. Consumers are provided a template on a CD which allows them to easily assemble the information they gather. Once a plan is completed, it is approved by the TRAC staff and a letter is issued to the consumer's counselor. At this point, the consumer qualifies for a state grant with a maximum of $20,000. The consumers are required to provide a 20% match.

FOLLOW-UP ASSISTANCE

Follow-up begins initially as consumers attempt to implement their business plans. The ExcEL program features a variety of sources of technical assistance. As part of the University of New Orleans, ExcEL has access to the university's technical expertise. In addition, ExcEL participants have access to other agencies throughout the state such as the numerous Small Business Development Centers, the Small Business Administration, the Service Corps of Retired Executives, all state universities and libraries, and campus experts. Additionally, the ExcEL staff continually identifies experts in the private sector who are willing to provide assistance to ExcEL participants (e.g., economic development agencies, chambers of commerce).

PROGRAM ASSESSMENT: EFFECTIVENESS OF EXCEL

The real test of any service program is the rate at which it successfully accomplishes its objectives. The ultimate objective of the ExcEL program is to approve consumers for the start-up of new businesses. Figure 2 shows a list of eight components of the RTC model and the phase(s) of the ExcEL program where each is addressed.

Figure 2
Comparison of RTC Model and ExcEL Programs

RTC Model Policy Components	ExcEL Components
Assess individual's business potential	Initial Assessment/Intro Workshop
Develop and assess idea	Intro Workshop
Individual education or training	Initial Assessment, Intensive Workshop, Follow-up
Obtain technical assistance	Intensive Workshop, Follow-up
Develop a business plan	Intensive Workshop
Explore and apply for resources	Intensive Workshop, Follow-up
Review of the self-employment plan	All phases
Follow-up	Follow-up

CONCLUSION: PROGRAM SUSTAINABILITY/REPLICATION

There are a number of different public and private programs being developed across the country. For example, state vocational rehabilitation agencies have revised their self-employment policies and procedures, begun conducting self-employment training, and/or developed cooperative agreements between vocational rehabilitation and SBDCs. States doing one or more of these include Alabama, Alaska, Arizona, Colorado, Idaho, Iowa, Montana, Nebraska, Nevada, South Dakota, Vermont and Virginia.

On the private side there are many new developments. WorldShopper.org is a multi-product, multi-vendor e-commerce web site for small enterprises. The Disabled Businesspersons Association is a national non-profit organization created to help disabled entrepreneurs maximize their potential in the business world. And the Businesspeople Overcoming Limitations from Disabilities (BOLD) provides resources, consulting services and training for organizations that want to start, modify or expand entrepreneurship programs for people with disabilities.

These developments indicate the strong trend of resources migrating toward disabled entrepreneurs. This trend suggests that programs similar to ExcEL are not only possible, but inevitable. The success of the ExcEL program thus far suggests that it is a workable model and can be replicated in other states.

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DISTRICT LEVEL MANDATES AND HIGH SCHOOL STUDENTS' UNDERSTANDING OF ECONOMICS

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ABSTRACT

This paper investigates the impact of district-level course mandates on students' end-of-course economic understanding. Data were collected from Mississippi high school students studying economics in three different course environments. Students were either enrolled in a one semester economics course required for graduation, enrolled in a one semester course taken as an elective, or studying economics as an infusion subject within a United States history course. A regression-based selection model was estimated to control for students' demographic characteristics, educational attributes, market experiences, and school attributes. The results indicated that student test scores were significantly less for those students studying economics as an infusion subject and when taking a mandated stand-alone course, ceteris paribus. The authors conclude that course mandates may result in teacher and student issues that reduce the overall observed level of test performance.

ECONOMIC FACTORS AND DEMAND FOR APARTMENTS

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ABSTRACT

This paper investigates the demand for apartment units in the Houston area from 1981 to 2006. Economic factors such as the change in employment level, new units constructed, change in number of units available, vacancy rate, and rents are presented. Relationships between these variables are studied to determine which variables might be most helpful in forecasting future price for apartment space. An all-possible regressions model was used to determine which of the variables were most significant in predicting the price for apartment demand.

DIVERSITY AND SCHOOL DISTRICT SPENDING

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ABSTRACT

This paper is an empirical investigation of the hypothesis that the degree of homogeneity within a school district affects the mix of funding that the school district receives. The changing mix of school district finance has received a great deal of attention recently (Murray et al 1998, Hoxby 1998,1996, Hanushek 1986, Card and Krueger 1996). While there has been a great deal of work on the equity and efficiency of funding types, there has been little inquiry into the nature of the variance in the mix of school district financing. In this paper we develop a framework that investigates the variance in the mix of output based on the relative homogeneity of the school district population. More specifically we hypothesize that the more homogeneous the population, the more likely the funding will come from local property tax base while the more heterogeneous populations will receive more financing from higher level governments.

INTRODUCTION

There is an extensive body of literature in economics regarding the relationship between school district resources and outcomes, the interdependence between income and education, equalization spending, and demographic effects on school outcomes and finance. However, only recently has attention been turned to the issue of the mix and source of school district financing as both an efficiency issue.

Hoxby (1996) notes that changes in the financing affects the fundamental incentives that schools face, and, thus changing the long term goals that they pursue, regardless of a consensus on a "preferred" system of school finance. It is these incentives that support our hypothesis and are explored in Section three. Pointing out the many ‘reforms' that attempt to either reduce local control or extend it with regards to school finances reinforces the relevance of this issue. Hoxby also points out that one of the most important trends in school finance funding is the decreased reliance on local property tax-based financing in favor of higher-level government finance, specifically state level equalization aid. However, the primary focus of her work is on the efficiency-equity problem of school finance, and contends that local finance resolves much of this problem. Hoxby (1996) argues that the level of Public Schooling is allocatively efficient when the primary source of funding is local property taxed based financing because of the Tiebout process. More importantly, Hoxby notes that in these districts that there was a high degree of homogeneity among households. We contend that it is the degree of homogeneity in the district that leads to more local property tax based finance, thus leading to allocative efficiency. It also begs the question, when the primary source of funding is not reliant on the local property tax base is allocative inefficiency the necessary outcome?

The issue of the source and mix of school finance is also addressed by Murray et al. (1998). They investigate the impact of school finance equalization reform on the distribution of resources and find that these reforms have increased the aggregate level of spending on education, primarily through state funding by means of higher state taxes, and reduced the within-state inequalities in school districts by 19 to 34 percent. Also, they find that from 1972-1992 that the share of local spending is rising while the federal shares were dwindling. They attribute the increased percentage in state and local spending shares to recent legislation and the resulting change in behavior. However, this work does not address why there were differences in the mix of these shares to start with.

Hanushek (1986) extensively reviews the economics of education and schooling, focusing on the production and efficiency aspects of schooling. This deviates from the traditional inquiries into the ultimate uses of education. Hanushek also points out that federal funding jumped during the 60's, slowed in growth during in the 70's and declined during the 80's. Hanushek, like Murray et. al., attribute much of the changing trend in the financing of local to the extensive legislation that restricted the use of local property tax on education funding. One issue that this paper addresses is why these restrictions were put into place to begin with.

We posit that there need not be a "preferred" system of finance for all school districts. We believe that the "preferred" system or mix of finance by the school district is influenced by the relative homogeneity of the jurisdiction. The hypothesis is that school districts are more likely to seek more federal or state funding when the locality is more heterogeneous. The combination of the notion that agents for the school districts engage in rent seeking behavior and the increased costs for heterogeneous groups to engage in collective decision making (reflecting a more diverse set of preferences) support this hypothesis. The question then becomes: Is the locality "financing with the feet". Do Public Schools behave like club goods, if so; does it hold to the standards of the Tiebout model?

We begin by assuming that the agents for school district are utility maximizing bureaucrats whose ultimate goal is to stay elected (Romer and Rosenthal 1978). If so, then the agent(s) would stay elected by maximizing the utility of the median voter in the jurisdiction. We assume that the distribution of preferences in a heterogeneous community will more uniform and the distribution of preferences in the homogeneous distribution to be more centralized around the mean.

Given the above assumptions, we can now examine the dilemma that the agents of the districts face. When the agent is faced with a heterogeneous distribution of tastes and preferences it becomes more difficult for the agents to provide a bundle of services that will satisfy the desires of the local constituency. In attempting to satisfy a more diverse group, the bundle of services that must be offered will be more costly. This will make some of the constituents less willing to pay for the bundle of services. The Tiebout model suggest that those people who are not satisfied with the services or price will vote with their feet. This means that exiting individuals either change public schools (leaving the tax base) or move to a private school (reducing the perceived benefits of local taxes). This implies that we would likely see more private schools in the more heterogeneous jurisdictions than we would in the more homogeneous districts. These relationships assume that the primary source of funding is from the traditional property tax base. The model changes, however, when the agent can seek alternative sources of funding.

With the existence alternative sources of funding, the agent does not have to be as sensitive to the taste and preferences of the local population. The agent can substitute away from local property tax based financing to state and federal sources. The introduction of intergovernmental aid also provides the agent with the incentive to create fiscal illusion. The existence of intergovernmental aid can alter the perceived price of the bundle of services by the median voter. By controlling the amount of information the voters have about the level and type of aid, the median voters perceived price of public schools would be less than the true marginal cost of provision (Mitias and Turnbull 2001). This lower perceived price, caused by fiscal illusion, will allow for more schooling to be provided and satisfy more of the diverse community, thus an incentive for the agent to seek alternative sources of financing.

Now lets turn to the situation faced voters in a heterogeneous district. We adhere to the notion that the job of school finance is to create an environment that induces people to invest for schooling that is socially optimal (Hoxby 1996). Also, we accept that allocative efficiency arises in those districts that are primarily financed by a local property tax because of the Tiebout process capitalizing the value of local schools into local housing prices. However, this does not imply that allocative efficiency does not exist when the school district is not financed primarily through the local property tax base. The reason for this is that the voters have the option not only to vote with their feet (leave the Club) but also "finance" with their feet.

If constituents are not happy with the bundle of services provided some will leave and some will end up substituting away from public to private schooling. Those who are paying for private schooling are not likely to vote for any increases in the local property tax base to finance public schools, since they are paying twice. It is the notion that 'I am only willing to pay the Public Schools if I can get what I want'. If this alienated segment of the population is disenchanted then this leaves the tastes and preferences of the remainder of the local population for the agent to satisfy.

The constituents of the school district are more likely to demand that the agents seek state and federal funding sources in order to provide a bundle of services that will satisfy them.

Our empirical task is to investigate the relationship between measures of the heterogeneity of the population and different types of funding by school districts within those counties. At the county-level of analysis we were able to obtain data on several characteristics of the population for which measures of heterogeneity could be constructed: income, education, race, and age. To do so, we generated Herfindahl-type index numbers for each variable by summing the squares of the percentage of the population that fell into each category. For example, there were six income categories. A perfectly homogeneous population with respect to income would be obtained when everyone in the population reported income in the same category. The Herfindahl index would achieve a value of 1. A completely heterogeneous population would consist of 1/6 of the population falling into each of the six income categories, which would give the Herfindahl index a value of 0.167. There were three education categories: (1) over 25 years of age without a high school diploma, (2) over 25 years of age with a HS degree, and (3) over 25 years of age with a college degree. Again, a perfectly homogeneous population would be characterized by Herfindalal index of 1; a perfectly heterogeneous population would have a value of 0.33. Race was calculated using 5 categories: white, black, native American, Asian/Pacific Islander, and Other. This gives a range of Herfindahl values between 0.2 and 1. Finally, the age variable contained 9 categories, with a Herfindahl Index between 0.11 and 1.

School district information was obtained from the Digest of Education Statistics 2000. From the source revenues by source, and expenditures by type were obtained. The school district data is for school districts with 15,000 or more students. The remaining data were obtained from the U.S. Census.

The specific model we estimated is:

FUNDINGj = 0 + 1INCij + 2EDUCij + 3RACEij + 4AGEij + ij

Where

FUNDNGj	=the level of funding by type, j= federal, state, and local.
INCi	=the Herfindahl-based measure of the dispersion in per capita income in 1992.
EDUCi	=the Herfindahl-based measure of the dispersion in educational attainment in 1992.
RACEi	=the Herfindahl-based measure of racial diversity across a county in 1992.
AGEi	=the Herfindahl-based measure of the dispersion in age groups in 1992.

We expect dispersion in per capita income, education , race and age to be positively correlated with a greater demand for federal funding in a school district. Since the Herfindahl measures achieve higher values with homogeneous populations and lower values with heterogeneous ones, the measured relationships are expected to be negative.

How sensitive are education expenditures to Federal State and Local government funding. Which is more elastic? does the elasticity change with respect to whether the jurisdiction is more or less homogenous.

Table 1: Federal Funding

Blank	Coefficients	Standard Error	t stat	P-value
Intercept	274613.30	59621.81	4.61	8.2E-06
Age	-71.83	37.08	-1.94	5.4E-02
Educ	-11.60	11.30	-1.03	3.1E-01
Income	-24.82	14.65	-1.69	9.2E-02
Race	-10.03	3.02	-3.32	1.1E-03

Our estimation procedure was Ordinary Least Squares regression. Our results for the 179 coterminous school districts and counties across the U.S. are presented in Table 1 and discussed below.

We observe that the income, race, and age measures of population homogeneity all exert a significant impact on the level of federal funding received by the school district. As the measure of dispersion increases (indicating greater homogeneity), the estimated level of federal funding declines, ceteris paribus. The effect is most pronounced with respect to race. The f-statistic of 8.64 is also significant and suggests the coefficients jointly explain the changes in federal funding. As a school district's heterogeneity increases in these categories we see a pronounced move towards more federal funding. This may be the result or rent-seeking behavior by school officials, or a way for the school to reduce the price local price while still increasing the bundles of services offered. Given the previous assumption that schools are club goods, greater heterogeneity will lead to a more diverse bundle to be offered. Consequently, if the necessary conditions for voting-with-the-feet exist, federal funding is a way to finance the current bundle, when the median voter may prohibit an increase in local taxes (an increase in the club fees). The education variable is not significantly different than 0. This may result from the lack of variation associated with only three categories of dispersion.

A second model was run to estimate if the effects of dispersion hold on the level of state funding demanded by a county. The results are presented in Table 2. As the table demonstrates state funding is equally explained by changes in dispersion. The magnitudes are smaller, which corresponds to the smaller contributions given by states. Further, the dispersion on the income variable is much more pronounced at the state-level. This suggests that state legislators, where revenue is generated by an income tax are much more likely to seek financing control when the chance of redistribution locally is greater (as would be the case with increased levels of heterogeneity).

Table 2: State Funding

Blank	Coefficients	Standard Error	t Stat	P-value
Intercept	1321315.50	330660.48	4.00	0.00
Age	-334.63	205.62	-1.63	0.11
Educ	-3.97	62.67	-0.06	0.95
Income	-193.84	81.25	-2.39	0.02
Race	-57.60	16.73	-3.44	0.00

In this paper we demonstrate that there is evidence to suggest that dispersion among groups in a school district leads to greater levels of external funding. This further suggests that schools behave like ‘clubs' and where heterogeneity exists in communities, the school system has to offer an increasingly diverse bundle of goods. This investigation has given rise to several new testable hypotheses. The evidence implies that further theoretical and empirical investigation of these relationships is warranted.

FINANCIAL LITERACY AND "I DON'T KNOW"

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ABSTRACT

Across the past two decades an extensive body of literature has developed to explain the financial literacy. Many of these studies have focused on observed behavior of individuals or have focused on surveys that have allowed us to ascertain survey respondents' level of financial knowledge in a specific area of personal finance or across the broad spectrum of financial knowledge that one needs in the modern world.

On average most surveys show respondents answering about half of questions correctly, implying that they are wrong on about half of the information they have and use to make financial decisions. This suggests that half of the "knowledge" possessed by the average client can be in conflict with the behavior and the financial plan that the financial planner will recommend to the person needing financial planning services.

This study adds to our understanding by examining how we measure financial literacy. Previous surveys have failed to allow respondents to admit not knowing the answer to financial questions posed to them, implicitly not recognizing the difference between a lack of financial literacy and incorrectly thinking that one knows information. As a result of this approach, our first contribution is to broaden the understanding of financial literacy. Our second contribution is to demonstrate that the opportunities for financial planners to educate clients (and potential clients), is greater than previously anticipated.