Buzzer Beaters

Does a Big Sports Win Increase the Number of College Applicants?

Doug Flutie threw perhaps the most famous pass in college football in 1984: a 48-yard "Hail Mary" with just six seconds on the clock that gave Boston College a surprise win over the University of Miami in the Orange Bowl.

Today, the pass is talked about as much in college admissions offices as in sports bars. Applications to BC rose substantially the next year, and the "Flutie effect" has come to describe the boost that schools with big wins anticipate.

This year, two Richmond schools may experience the Flutie effect. Virginia Commonwealth University upset the top-seeded University of Kansas to play in the Final Four of the NCAA basketball tournament. The University of Richmond made it as far as the Sweet 16, where, coincidentally, they were beaten by Kansas. The wins generated tremendous national publicity for two schools that most sports pundits and fans had never heard of. "We're a small place, and we were featured on ESPN and in *Sports Illustrated*. You can't buy that kind of marketing," says Gil Villanueva, dean of admission at UR.

VCU students celebrate their team's success at a watch party in Richmond, Va.

PHOTOGRAPHY: VCU CREATIVE SERVICES

Evidence for the Flutie effect is mostly anecdotal, but economists have tried to determine if it's real. A 2009 study in the *Southern Economic Journal* found that a successful football or basketball season can increase the number of applicants by between 2 percent and 8 percent on average, and by as much as 14 percent for schools in basketball's Sweet 16. The study was conducted by Devin Pope of the University of Pennsylvania's Wharton School and Jaren Pope of Virginia Tech. Earlier studies also found evidence that having successful basketball and football teams led to higher application rates, although they looked at historical success rather than the effect of single season.

The schools themselves aren't convinced that the Flutie effect is real. "It was a nice exclamation point on some other factors," says Reid Oslin, currently the associate director of public affairs at Boston College. Oslin was the school's sports information director in 1984 and was on the field for the famous pass. "But a number of things were coming together at that point in history," including new dorms and academic improvements. Plus, the number of applications has continued to increase every year since then — hitting a record 30,000 in 2010 — so it's hard to say how much credit is due to one famous pass. College applications are increasing nationwide. At UR, they have increased 73 percent in the past five years, according to Villanueva.

It's too soon to tell the extent of the Flutie effect for VCU and UR, since application deadlines had passed by the time the games were played. But the signs are positive. Athletic donations to VCU are 67 percent higher than they were the same time last year, and the number of donors has increased 44 percent, according to Anne Buckley, VCU's director of communications and public relations. On a recent recruiting trip to California, UR's Villanueva ran out of brochures. "That's never happened before," he says.

— Jessie Romero

Appalachian Giant

Buyout Would Create Third-Largest Met Coal Producer

Two Virginia coal producers, Alpha Natural Resources and Massey Energy Company, the country's third and fourth largest, have agreed to combine to create the world's third-largest producer of metallurgical (or "met") coal, used to make steel.

Both firms would keep their headquarters in Virginia. Massey is based in Richmond and Alpha in Abingdon. When combined, the company would own a third of the central Appalachian basin's coal production and reserves. Currently, strong demand is creating high prices for met coal. The company also expects to benefit from geographical and asset diversification that includes Alpha's assets in the Powder River Basin of Wyoming.

The deal would produce what analysts dub "an Appalachian mining giant," and combine complementary assets, which include more than 110 mines and combined coal reserves of about 5 billion tons.

Production in the Appalachian basin is expected to decline in the coming decades, however, because of challenging geology, more stringent regulation, and legacy liabilities that have driven the cost of production higher than that of western or Illinois Basin coal, according to Morningstar analyst Michael Tian.

Since a mine disaster in April 2010 killed 29 miners, Massey has posted losses for three straight quarters, due to lost productivity and infrastructure problems. Massey has $1.63 billion in debt, according to Bloomberg data.

Alpha would pay $7.1 billion in cash and stock for its former rival, making this the most expensive deal in the industry's history.

Some Massey stockholders are disputing the terms of the buyout and have filed lawsuits in federal court to block it. The lawsuits were still pending at press time.

— Becky Johnsen

Dreamliner Nightmare

NLRB Challenges Boeing's Decision to Build 787s in SC

The National Labor Relations Board (NLRB) filed a complaint in April against The Boeing Company alleging that the aerospace manufacturer engaged in unfair labor practices when it announced plans to build a 787 Dreamliner assembly plant in North Charleston, S.C.

Boeing expects the billion-dollar-plus plant to begin producing 787s, its next generation of airliners, in July. However, the NLRB's acting general counsel, Lafe Solomon, is seeking an NLRB order requiring Boeing to assemble those jets at its existing facilities in the Puget Sound area of Washington.

For nearly 100 years, with few exceptions, Boeing has assembled its commercial aircraft in Puget Sound. And since 1975, the International Association of Machinists and Aerospace Workers (IAM) has represented the company's Puget Sound production and maintenance workers, who went out on strike in 1977, 1989, 1995, 2005, and 2008. As of mid-May, the company's new South Carolina plant employed 1,000 workers, none represented by a union.

"We engaged in serious discussions with the union to see if we could put this additional work in Puget Sound, but we could not do that given the demands the union was making," says Tim Neale, a company spokesman. Instead, the company announced on Oct. 28, 2009, that it would build a plant in North Charleston.

Boeing CEO James McNerney explained the decision during the company's quarterly conference call that day.

PHOTOGRAPHY: BOEING

Boeing produces 787s at its final assembly plant in Puget Sound.

"Diversifying our labor pool and labor relationship has some benefits," he said. "I think the union (IAM) and the company have had trouble figuring it out between themselves over the last few contract discussions. And I've got to figure out a way to reduce that risk to the company. ... The modest inefficiencies, for example, associated with a move to Charleston, are certainly more than overcome by strikes happening every three or four years in Puget Sound."

The NLRB cited portions of that statement and quotes from other Boeing executives as evidence that the company was building the 787 plant in South Carolina to retaliate against workers for past strikes and to discourage them from striking in the future.

"The investigation found that Boeing officials communicated the unlawful motivation in multiple statements to employees and the media," according to an NLRB fact sheet. "For example, a senior Boeing official said in a videotaped interview with the *Seattle Times* newspaper: 'The overriding factor (in transferring the line) was not the business climate. And it was not the wages we're paying today. It was that we cannot afford to have a work stoppage, you know, every three years.'"

Boeing acknowledged those statements (minus the parenthetical wording inserted by the NLRB), but the company denied that its decision to build a plant in North Charleston was retaliatory or coercive. Boeing emphasized that the South Carolina plant is an expansion, driven by strong global demand for 787s, not a "transfer" of existing manufacturing capacity as stated in the NLRB complaint.

"No member of the International Association of Machinists' union (IAM) in Puget Sound has lost his or her job, or otherwise suffered any adverse employment action as a result of the placement of this new work in the State of South Carolina," wrote J. Michael Luttig, Boeing's general counsel, in a letter to Solomon.

The company asserted that its decision to expand in South Carolina was based on many factors, including a favorable business climate, significant financial incentives from the state, and geographic diversity for its commercial airline operations. "Boeing would have made the same decisions," the company said, "even if it had not taken into consideration the damaging impact of future strikes on the production of the 787s."

Basically the company is diversifying, says Barry Hirsch, a labor economist at the Andrew Young School of Policy Studies at Georgia State University. "And that's probably a good economic decision for Boeing in the long run, even independent of the strike issue." But the long history of poor labor relations between Boeing and its Puget Sound workers is also an important economic factor, he notes.

"Part of the cost of workers going on strike is the risk that they will lose future employment," Hirsch says. "Firms might go elsewhere. That's why strikes are so rare. ... Here, where you have had such an unusual history, how could the company ignore that history?"

Even if the NLRB and the federal courts rule against Boeing, the case is unlikely to set a precedent that would significantly constrain firms' ability to relocate for economic reasons. "Certainly the law allows that," Hirsch says. "The legal question here is: Were the statements made by Boeing strong enough to have a chilling effect on protected union actions?"

Technically, the statements may have violated the National Labor Relations Act, says Samuel Estreicher, a professor at New York University's Center for Labor and Employment Law. "But in the context of a longstanding collective-bargaining relationship, employers should not have to speak in code of their concerns about recurrent strikes. Acting General Counsel Lafe Solomon has in general done a very good job in focusing the agency on protecting workers' right to organize, [but] this is not a good use of the agency's resources." — Karl Rhodes

Move Over, George
Baltimore Now Brings Home 'BNotes'

If you visit the Baltimore neighborhood of Hampden, you might notice that some of the residents do business a little differently there. They have their own currency, sporting the faces of famous Baltimoreans instead of the usual presidential visages. Thanks to a new system developed by the Baltimore Green Currency Association, locals can use the "BNote" alongside dollars at more than 60 neighborhood retailers. Participating businesses include Fell's Point Surf Shop, Little Shop of Hardware, and Avenue Antiques.

The BNote is the brainchild of Michael Tew and Jeff Dicken, two area residents. At a local currency interest

Residents of Hampden in Baltimore exchange their dollars for BNotes at the Localize It! Festival in early April. Total circulation at the end of the first day stood at BN2470.

PHOTOGRAPHY: JEFF DICKENS, BALTIMORE GREEN CURRENCY ASSOCIATION group meeting in mid-2009, they met and quickly developed their theories into a plan. They were joined by a group of volunteers, and founded the Baltimore Green Currency Association in spring 2010; the BNote was launched in April 2011. The organization created this currency in an effort to strengthen local businesses and create jobs.

The BNote is currently available in $1 and $5 notes. A 10 percent discount encourages users to convert dollars into BNotes; that is, $10 will buy $11 in BNotes. The creators decided to start small, restricting the currency to Hampden. Located in the heart of Baltimore, the close-knit community is known for its support of small business. If the BNote pilot succeeds, the association wants to recruit businesses across the city.

The BNote joins dozens of local currencies across the country. Some, like Massachusetts' BerkShares, are fully integrated into communities, with more than 500,000 in circulation. In the Fifth District, Maryland and North Carolina have several local currencies.

Some currencies face legislative obstacles, however. Virginia is among the states that prevent the creation of local currencies. According to Virginia law, no individual or entity, unless authorized by law, shall issue any note, bill, scrip, or other paper or thing with intent that the same be circulated as currency. In Roanoke, this law has prevented the launch of the "Nokie."

The Greensboro Currency Project is in the works in North Carolina. If all goes as planned, Greensboro residents will be circulating local currency later this year.

— Becky Johnsen

Layoffs Get Pricier
SC Raises Jobless Insurance Rates

South Carolina revamped its unemployment system in 2010, and now the bills are coming due for employers. Firms face substantially higher rates, not only to help pay off about $272 million in federal loans that have kept benefits flowing but also to replenish the trust fund. The fund has been depleted by years of rates that were inadequate to fund claims and also by permissive eligibility, among other issues. Between the fund deficit and the federal loans, the state owes about $1.8 billion.

Employers with the most claims under the new system could pay as much as $1,128 per worker. Those with no unemployment claims will pay about $10 per employee. (New firms will be assessed a mid-tier rate.)

"We hadn't provided the proper incentives for employers to double-check things in the past," says Erica Von Nessen, an economist and the assistant executive director of unemployment for the South Carolina Department of Employment and Workforce. "If there were errors made and employers didn't catch or appeal decisions or respond to our agencies with requests for information — there really wasn't a high cost to them because the maximum they'd pay was $427 (per employee) for the whole year."

Overall, the new system is fair, says J.J. Darby, state director of the National Federation of Independent Business, representing nearly 5,000 small businesses in South Carolina. The group was involved in crafting the legislation. "We wanted to make sure we didn't penalize those that didn't use the system and that we didn't reward those that used the system more than others."

The new rate structure hits seasonal businesses and temporary staffing companies especially hard. Staffing companies pay unemployment insurance for client firms, and seasonal employees can file unemployment claims in the off-season. The S.C. Legislature recently enacted a law limiting unemployment benefits for people in seasonal occupations.

David McMillan owns Drunken Jack's, a Murrells Inlet seafood restaurant on the coast. The new rates cost him an additional $2,000 per week, so McMillan has put hiring and employee raises on hold for now. "A lot of people are going to take more liberties to hire under the table," he predicts. Seasonal businesses also are hiring more Eastern European student visa workers, he says, who return to their home countries after Labor Day without applying for unemployment. McMillan's unemployment insurance is now 11.2 percent of the first $10,000 each employee earns, an increase of 6 percent.

The former threshold of $7,000 had not been increased since 1983, not even for inflation, Von Nessen notes. This taxable wage base is scheduled to rise incrementally to $14,000 by 2015. The 2011 national average is more than $15,000.

States' reserve funds are at historic lows, according to a 2010 report by the Government Accountability Office. The U.S. Department of Labor reports that 29 states have borrowed from the federal government to pay claims worth about $41 billion.

— Betty Joyce Nash