

Federal Reserve Bank of Boston

# Communities & Banking

Supporting the Economic Strength of Lower-Income Communities

summer 2015  
volume 26, number 3

## Children's Rights

PAGE 4



### Also Inside

Read *Communities & Banking* online at [www.bostonfed.org/commdev](http://www.bostonfed.org/commdev)

**15** Ending Veteran Homelessness in Connecticut

**17** A Maine Island Forms a Co-op

**23** New Materials to Help the Poor Defend Their Rights

**29** Pathways to Prosperity for Massachusetts Youth

# Communities & Banking

*Communities & Banking* magazine aims to be the central forum for the sharing of information about low- and moderate-income issues in New England.

---

## MANAGING EDITOR

Caroline Ellis

---

## DESIGN

Lee Bodzioch

---

## EDITORIAL BOARD

Claritza Abreu  
Michel Bamani  
Katharine Bradbury  
Mary Burke  
Prabal Chakrabarti  
Robert Clifford  
Tom DeCoff  
Claire Greene  
Elbert Hardeman  
Kevin O'Connor  
Jennifer Weiner

---

## PHOTOS & ILLUSTRATIONS

iStock  
Getty Images  
Masterfile

The views expressed are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System. Information about upcoming events and organizations is strictly informational and not an endorsement of these activities.

If you would like to submit an article for a future issue of *Communities & Banking*, please contact the editor.

Articles may be reprinted if *Communities & Banking* and the author are credited and the above disclaimer is used. Please send copies to:

Caroline Ellis  
Managing Editor, *Communities & Banking*  
Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, MA 02210  
(617) 973-3187

For free subscriptions, contact:  
Regional and Community Outreach, Unit 31  
Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, MA 02210  
caroline.ellis@bos.frb.org

Read online at  
[www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b)

## LETTER FROM THE EDITOR

Our summer cover story, by Michael Schmidt, introduces the concept of child-impact statements, documents that were created after the U.N. Convention on the Rights of the Child and that scrutinize public and private investment proposals in light of potential harm to children. A relatively new concept for the United States, it meshes with the Boston Fed's longstanding interest in helping lower-income families.

Other intriguing articles include Claire Greene's on an invented currency that encourages Berkshire residents to shop locally. And Gloria LaBrecque writes about owners of a critical island business deciding to help their employees establish a co-op. There's an article by Anthony Price on the federal Strong Cities, Strong Communities initiative for boosting economic development in struggling cities and one by Daniel Wallace, Julia Harper, and Deborah M. Burd on how a collaborative food council is improving life for lower-income communities in Maine. Nancy Hoffman and Amy Loyd provide insights on helping high school students prepare for careers.

We also learn from Alicia Woodsby why Connecticut is close to ending homelessness for veterans and people with disabilities. Meanwhile, Francesca Forrest explains how assessing cases individually can keep women who have no bail money from unnecessary pretrial detention. Kaili Mauricio's map looks at student debt in the six New England states. And research by D. James Greiner, Dalié Jiménez, and Lois R. Lupica about helping low-income people appear in court to defend themselves offers surprising insights into the kinds of training materials that work best psychologically.

We love hearing from you,  
so please keep in touch.

Caroline Ellis

Managing Editor  
caroline.ellis@bos.frb.org





# Contents

# Summer 2015

## 4 Focusing on Children's Rights to Fight Poverty

by Micheal Schmidt, University of Memphis

Assessing the potential impact of government or corporate investment decisions on children's rights is essential to combatting poverty.

## 7 Locking in the Promise to Buy Local

by Claire Greene, Federal Reserve Bank of Boston

Local currencies, like barter and location-specific gift cards, are ideas for encouraging people to support their local merchants.

## 10 Mapping New England: Student Loans, by County

by Kaili Mauricio, Federal Reserve Bank of Boston

The map shows the proportion of individuals per county aged 18 to 44 who have a student loan. In one county, the average amount is \$14,770; in another, nearly \$35,000.

## 12 Guilty Until Proven Innocent: The Problem with Money Bail

by Francesca Forrest

Pretrial incarceration is expensive for society and can destroy lives, but there are safe, humane, cost-effective alternatives.

## 15 Ending Chronic Homelessness

by Alicia Woodsby, Partnership for Strong Communities

For the first time, ending homelessness among Connecticut veterans and people with disabilities is within reach.

## 17 Retail Co-op: Maine Islanders Band Together to Preserve a Way of Life

by Gloria J. LaBrecque, Cooperative Fund of New England

As owners of a valued island business thought about retiring, helping their loyal workers form a co-op had real appeal.

## 20 Food Council Accelerates Community Transformation

by Daniel Wallace, Julia Harper, and Deborah M. Burd

Now entering its third year, a local food council is connecting across multiple sectors to support the rebuilding of a healthy, community-based food system.

## 23 Engaging Financially Distressed Consumers

by D. James Greiner, Dalié Jiménez, and Lois R. Lupica

Research on low-cost ways to engage consumers holds promise for tackling the high default rates in debt-collection lawsuits.

## 26 Government Contest to Spark Innovation in Hartford

by Anthony Price, Choose Hartford

An innovative contest aims to produce a comprehensive economic development plan and position the Hartford region as an entrepreneurial hub.

## 29 High School Pathways to Prosperity

Nancy Hoffman and Amy Loyd, Jobs for the Future

The Pathways to Prosperity Network helps young people attain an industry credential or associate's degree in a high-demand field.

# Focusing on Children's Rights to Fight Poverty

*Michael Schmidt*, UNIVERSITY OF MEMPHIS

Focusing on children's rights in investment decisions is essential to combatting poverty.

Investment decisions, whether local, national, or global in scope, impact children's rights to survival, development, and protection from harm. Denied their right to living standards adequate for physical, emotional, and intellectual growth, children encounter challenges that exact severe social and financial costs, perpetuating poverty and weakening overall economic growth.



## Childhood Challenges

Child abuse and neglect, which disproportionately affect children of low socioeconomic status, generate per-survivor lifetime costs of \$210,000 in the United States, rivaling stroke and Type 2 diabetes. Accounting for new cases of abuse and neglect in 2008 alone, lifetime costs totaled \$124 billion.<sup>1</sup> With school-age children who have asthma, the economic impact is estimated at nearly \$2 billion annually.<sup>2</sup> And obesity, aggravated by poor nutrition and lack of opportunities to play in neighborhoods, increased children's annual medical costs by \$14.1 billion in a 2009 study.<sup>3</sup>

Direct costs and opportunity costs attributable to childhood poverty (lost earnings and productivity, high crime rates, and poor health) amount to \$500 billion per year.<sup>4</sup> No wonder Federal Reserve Chair Janet Yellen highlighted resources for children as essential to reversing the country's widening income and wealth gaps.<sup>5</sup> Similarly, Minneapolis Fed researchers have noted evidence of high public and private returns for public investment in early childhood education.<sup>6</sup>

Recognizing the barrier that childhood poverty poses to economic development, the World Bank has recommended that child- and youth-development resources form part of every nation's investment strategy.<sup>7</sup> It has also collaborated with the United Nations Children's Fund (UNICEF) to design poverty and social-impact assessment guidelines laying out children's rights and needs.<sup>8</sup> Likewise, multinational corporations have worked with UNICEF to form comprehensive business-investment policies and processes focusing on children's rights.<sup>9</sup>

## Tackling the Issue

The UNICEF collaborations relate to the 1989 United Nations Convention on the Rights of the Child (CRC). To construct their business-impact assessment guidelines, corporate leaders and UNICEF cross-referenced the CRC articles with various business activities. Those insights were then used to inform child-impact assessment guidelines for an array of business decisions. Governments around the world use similar approaches to conduct their child-rights impact assessments (CRIAs), called child-impact statements in the United States.

In Northern Ireland, a CRIA drew attention to potential harm from the 2011 National Welfare Reform Bill, which was then modified.<sup>10</sup> In Scotland, a CRIA stopped legislation that would have compromised the medical privacy and identities of thousands of children and youth.<sup>11</sup> And in western Tennessee in 2010, a CRIA helped prevent state budget cuts that would have closed the Regional Medical Center. The hospital was a critical safety-net, treating the nation's largest number of high-risk pregnancies, dealing with the worst infant-mortality epidemic, and providing the region's most comprehensive HIV/AIDS care.<sup>12</sup>

Economic, social, and human rights imperatives instigated the adoption of CRIAs in Flanders, Sweden, Scotland, and Northern Ireland. Efforts to integrate them in national legislative action are afoot in Finland, England, Wales, and New Zealand. Canadian officials have stepped up efforts to use CRIAs at provincial and municipal levels.

## Elements of a Child-Rights Impact Assessment

- A description of the proposed policy.
- A description of how it is likely to impact children.
- An indication of whether it is consistent with the U.N. Convention on the Rights of the Child.
- Identification of any disagreements over the likely impact on children.
- Where adverse impacts are predicted, how they might be avoided or mitigated.
- An indication of the report's limitations.
- Parents' and children's views.
- A description of what the measure could have done instead and what needs to be monitored and evaluated after the decision has been implemented.
- Explanations of conflicts (that is, where the interests of children conflict with the interests of others)
- An analysis of the proposed legislation or policy that weighs the costs and benefits associated with children's well-being.

Source: Kirsten Hanna, Ian Hassall, and Emma Davies, "Child Impact Reporting," *Social Policy Journal of New Zealand* 29 (2006), and L. Sylwander, *Child Impact Assessments: Swedish Experience of Child Impact Analyses as a Tool for Implementing the UN Convention on the Rights of the Child* (Stockholm: Ministry of Health and Social Affairs and Ministry for Foreign Affairs, 2001).

In the United States, the Environmental Protection Agency integrated additional safeguards for children's environmental health and safety in 1996, soon after the nation signed the CRC. Unfortunately, CRC ratification by Congress is still pending. In the meantime, it is influencing state and local governments, which are moving on awareness campaigns, children's bills of rights, analysis of child-specific legislation, state legislation explicitly calling for child-impact statements, and more.

The U.S. effort with perhaps the widest scope—child-impact statements for all resolutions and ordinances pertaining to safety, health, education, and land use—is in Shelby County, Tennessee, under the division of community services. Using a CRIA mechanism designed by this author and Julie Coffey, more than 200 child-

## Guiding Questions for Process Implementation

- Which person/body has overall responsibility for ensuring high-quality reporting is carried out and results in positive action?
- Which decisions should be subject to child-impact assessments? Who decides when one is necessary?
- When should the assessments be done?
- Who should undertake the assessments (policy analysts, academics, nongovernmental and community-based organizations, a cross-sector team)?
- To what degree, when, and how should parents, children, and children's representatives be consulted?
- What happens to the final assessment, and will decision makers be required to act on them?

impact statements have been drafted since 2009. They address positive and negative consequences of zoning variances; tax abatements; health, early education, and safety program budgets; and state and federal grant dollars for social and behavioral interventions.<sup>13</sup>

As yet, there is no standard format for such statements. The depth of analysis often depends on how much a proposal is likely to impact children. (See "Elements of a Child-Rights Impact Assessment.")

Important decisions need to be made about when, where, how, and with whom to execute the reporting process in each new implementation context. (See "Guiding Questions for Process Implementation.")

Although varied in topics of concern and approach, all CRIA applications examine consequences of decisions for children, ideally before those decisions are final. In Tennessee, cutting Medicaid reimbursements while reducing direct hospital funding might have spared the state immediate expense but would have increased rates of infant mortality, chronic disease complications, and infectious diseases. The consequent price would have far exceeded the cost of continued investment.

\*\*\*

Regardless of the specific issue at hand, decisions that result in deleterious social, health, and economic consequences disproportionately affect families and communities of low socioeconomic status. And disproportionately affected within those families and communities are children. Their developing bodies and brains are more sensitive to physical deprivations and psychological stressors, and the more stressed the parents, the more likely children will suffer abuse and neglect. The effects are lifelong and often multigenerational.

Banks, businesses, and governments are increasingly recognizing the need for child-focused decisions. Ensuring children's rights helps create pathways out of poverty. It is to be hoped that Congress will lead the United States out of the small club of three U.N. member nations yet to ratify the CRC—before Somalia and South Sudan complete the process.

---

**Michael Schmidt** is an associate professor at the University of Memphis and codesigner of *SHELBY Child Impact*, an initiative of the Shelby County, Tennessee, division of community services. Contact him at [mschmidt@memphis.edu](mailto:mschmidt@memphis.edu).

## Endnotes

- <sup>1</sup> Xiangming Fang et al., "The Economic Burden of Child Maltreatment in the United States and Implications for Prevention," *Child Abuse and Neglect* 36 (2012): 163.
- <sup>2</sup> Li Yan Wang, Yuna Zhong, and Lani Wheeler, "Direct and Indirect Costs of Asthma in School-Age Children," *Preventing Chronic Disease: Public Health Research, Practice, and Policy* 2, no. 1 (2005): 1.
- <sup>3</sup> Leonardo Trasande and Samprit Chatterjee, "The Impact of Obesity on Health Service Utilization and Costs in Childhood," *Obesity* 17 (2009): 1750.
- <sup>4</sup> Harry J. Holzer, Diane Whitmore Schanzenbach, and Greg J. Duncan, "The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor" (report, National Poverty Center Working Paper Series, no. 07-04, 2007): 23.
- <sup>5</sup> Janet L. Yellen, "Perspectives on Inequality and Opportunity from the Survey of Consumer Finances" (paper presented at the Conference on Economic Opportunity and Inequality, Boston, October 2014): 9.
- <sup>6</sup> Arthur J. Rolnick and Rob Grunewald, "Early Education's Big Dividends," *Communities & Banking* 19, no. 2 (spring 2008): [http://www.bostonfed.org/commdev/c&b/2008/spring/sp08\\_C&B\\_final\\_021908.pdf](http://www.bostonfed.org/commdev/c&b/2008/spring/sp08_C&B_final_021908.pdf).
- <sup>7</sup> Kevin Hempel and Wendy Cunningham, "Investing in Your Country's Children and Youth Today: Good Policy, Smart Economics," *Child and Youth Development Note* 4, no. 1 (August 2010): 1.
- <sup>8</sup> See "Integrating a Child Focus into Poverty and Social Impact Analysis," <http://siteresources.worldbank.org/EXT/PSIA/Resources/490129-1322765725723/PSIA-Guidance-Note-2011.pdf>.
- <sup>9</sup> See "Children's Rights in Impact Assessments: A Guide for Integrating Children's Rights into Impact Assessments and Taking Action for Children," [http://www.unicef.org/csr/css/Children\\_s\\_Rights\\_in\\_Impact\\_Assessments\\_Web\\_161213.pdf](http://www.unicef.org/csr/css/Children_s_Rights_in_Impact_Assessments_Web_161213.pdf).
- <sup>10</sup> Goretta Horgan, "Making Children Visible in Policy Making in Northern Ireland" (paper presented at the Symposium on Child Rights Impact Assessment, UNICEF Canada and the University of Ottawa, Ottawa, May 2013): 10.
- <sup>11</sup> Laura Patton, e-mail correspondence with the author's staff, September 7, 2009.
- <sup>12</sup> Hospital data were retrieved by the author in 2010 from the Memphis Regional Medical Center website, now offline. Print copies of the web pages are available from the author.
- <sup>13</sup> A recently filed bill in Massachusetts would create a child abuse and neglect task force of agencies whose services address parental substance abuse, mental health, domestic violence, and family homelessness—risk factors that drive families into the child welfare system. When service cuts are proposed, task force agencies would assess potential impacts on child maltreatment incidence rates and Department of Children and Families caseloads and would complete child impact statements to inform legislators.

This *Communities & Banking* article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).



Locking in the

## Promise to Buy Local

**Claire Greene**

FEDERAL RESERVE BANK OF BOSTON

Local currencies, like barter and location-specific gift cards, are ideas for encouraging people to support their local merchants.

BerkShares are a local currency that has been circulating in Berkshire County, Massachusetts, since 2006. BerkShares are denominated in 1s, 5s, 10s, 20s, and 50s. Mohicans are on the 1; Norman Rockwell is on the 50. Printed on security paper in North Adams, Massachusetts, BerkShares have anticounterfeiting features including threads that can be detected under a black light. BerkShares program coordinator Alice Maggio estimates that the equivalent of \$125,000 is currently in circulation in Berkshire County.<sup>1</sup>

To obtain BerkShares, a shopper visits a bank in Berkshire County, pays \$95, and receives 100 BerkShares (or \$19 for 20 BerkShares, and so on). The rate of exchange between BerkShares and the U.S. dollar is fixed; the shopper can return to the bank with 20 BerkShares and receive \$19. Participating banks are Lee Bank, Pittsfield Cooperative Bank, and Salisbury Bank and Trust Company. Some of the banks sell and buy BerkShares only to and from customers.

From Abbott's Limousine and Livery Service in Lee to Zorn Core Fitness in South Egremont, each business can set its own limits for accepting BerkShares. That enables the business to control the amount of discount it is willing to offer. For example, a car mechanic might accept BerkShares for labor but require U.S. dollar payment for parts. A bicycle store might take half of a large payment

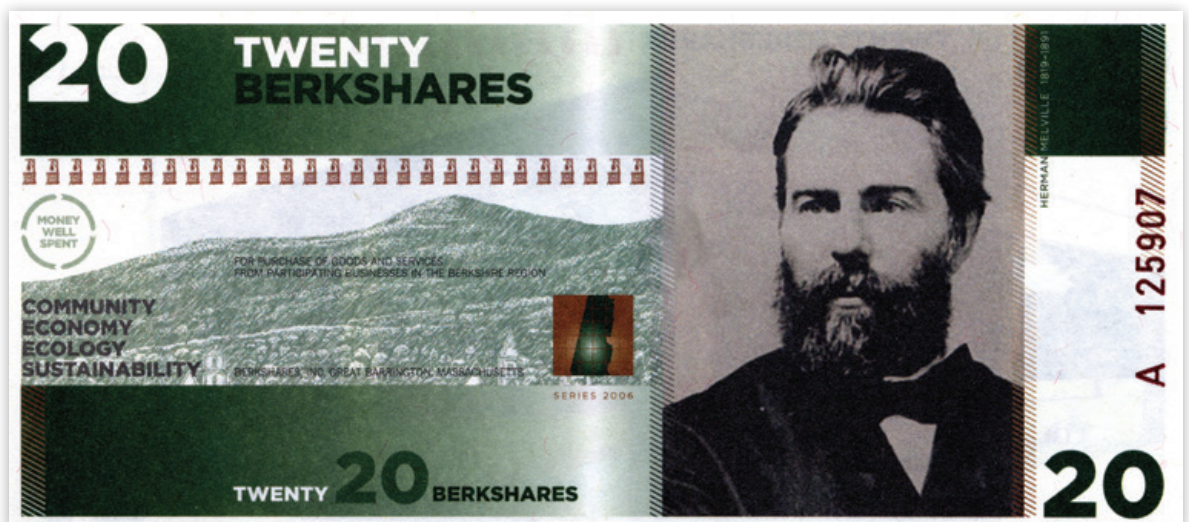
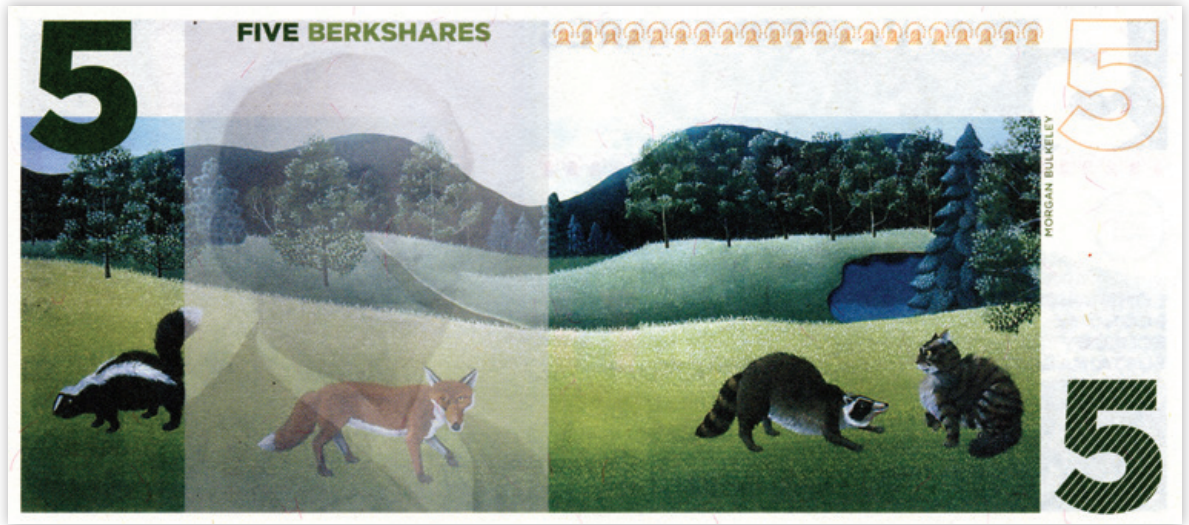
in BerkShares. Merchants may use their BerkShares for purchases of their own or trade them in at one of the participating banks for 95 cents on the dollar.

Buyers who use BerkShares get a discount off the price they pay in the local market, potentially reducing their cost of shopping locally. For example, if the stated price of an item is \$20, the buyer can pay 20 BerkShares (which, as noted above, were purchased for \$19). As long as merchants do not increase prices to compensate for the discount and local prices are not more than 5 percent higher than national or international prices, buyers would benefit from their choice to use BerkShares in their local market.

Inspired by the book *Small Is Beautiful*, the people behind the BerkShares currency conceived of them as a way to support local businesses and encourage economic development in the local regional economy.

### Local Currencies and Economic Development

Inspired by the book *Small Is Beautiful*, which advocated for local production and local consumption, the people behind BerkShares conceived of them as a way to support local businesses and encourage economic development in the local regional economy, according





to Maggio. Proponents of local currencies argue that small businesses create most jobs.

The evidence is mixed as to whether or not the tactic is effective. Nevertheless, many municipalities and regions are looking for ways to encourage local businesses. Local currencies, clearinghouses that facilitate barter, and location-specific gift cards all are ways for people to show their commitment to shopping and buying locally. Local Trade Partners in Fayetteville, Arkansas, is one example. It provides a mechanism called “trade dollars” for local people to trade without using U.S. dollars or other government-backed currency.<sup>2</sup> The Cascadia Hour Exchange in Portland, Oregon, enables members to trade goods and services.<sup>3</sup> And New Haven has a reloadable gift card that can be used for parking and shopping.<sup>4</sup>

### Getting to Critical Mass

Any community can agree to accept community-based private money. (See “To Create a Local Currency, Find Partners.”) For a local currency to succeed, however, sellers must agree to accept it, and payers must agree to carry it. About 400 businesses in the Berkshire region accept BerkShares. They include businesses that appeal to tourists, such as inns and restaurants, as well as businesses providing everyday basics—for example, the Berkshire Co-op in Great Barrington.

Merchants give a variety of reasons for accepting BerkShares. Some see accepting them as a way to increase business or avoid fees on payment cards. For some, BerkShares inspire a feeling of belonging. Alan Glackman is a certified public accountant who accepts payment in BerkShares. Glackman, a Florida transplant who has lived in Great Barrington for eight years, says it gives him “a feeling of community” to receive and spend BerkShares.

For buyers, local currencies become more attractive as they are accepted at more establishments. You can’t use BerkShares to pay your property taxes or a parking ticket. But Glackman mentions using them at “a good number” of restaurants. “The bird store takes them,” he notes. “And I bought tires a couple of months ago using BerkShares.”

Since 2006, BerkShares denominated in the equivalent of \$6 million have gone out from the banks, says BerkShares cofounder Susan Witt, who is executive director of the Schumacher Center for a New Economics in Great Barrington.<sup>5</sup> Witt estimates that BerkShares circulate four times—for example, from the bank to the co-op to the farmer to the yoga studio—before they come back to the bank.

Although merchants may need to pay for wages and materials in dollars rather than BerkShares and should examine the potential trade-offs, many observers believe that BerkShares are a reasonable tool for encouraging people to shop locally and support small business in their communities.



## To Create a Local Currency, Find Partners

BerkShares program coordinator Alice Maggio has some advice for anyone hoping to launch a local currency. “Work with community banks. Community banks represent an essential resource for strengthening local economies—they know the business owners, can be flexible and responsive, and welcome new ideas.

“We deliberately included the banks in the model for BerkShares, because that way we don’t have to reinvent the wheel by trying to replicate many of the functions of banks— currency exchange, accounting, the accessibility of the banks’ Main Street offices in many of the little towns in the Berkshires—not to mention their many connections with business owners and their prominent place in the community.

“It’s important to organize a local currency in partnership with a broad group of community members. The local banks, the chamber of commerce, and the established businesses that signed up right away to accept BerkShares gave our local currency legitimacy and a good amount of buy-in from the start.”

---

**Claire Greene** is a payments analyst in the Consumer Payments Research Center at the Federal Reserve Bank of Boston. Contact her at [claire.m.greene@bos.frb.org](mailto:claire.m.greene@bos.frb.org).

### Acknowledgments

The author is grateful to Scott Schuh, economist and director of the Federal Reserve Bank of Boston Consumer Payments Research Center, for his helpful comments.

### Endnotes

- <sup>1</sup> Although BerkShares may be spent anywhere in Berkshire County (population 131,219 in the 2010 census), the banks that serve as exchange points have so far all been located in Southern Berkshire County (population 30,740 in 2010).
- <sup>2</sup> See <http://localtradepartners.com/content/about-us.html>. “Local Trade Partners is a local, professional trade exchange serving Northwest Arkansas, the river valley and beyond.”
- <sup>3</sup> See <http://cascadiahourexcchange.com>. “Local currency is the key to urban sustainability and global accountability.” See also Anna Afshar, “Giving and Receiving in the Nonmonetary Economy: Time Banks,” *Communities & Banking* 16, no. 4 (fall 2005), <http://www.bostonfed.org/commdev/c&b/2005/fall/nonmonetary.pdf>.
- <sup>4</sup> See <https://www.giftrocket.com/gift-cards-in/new-haven-ct>. “Cash with an ecard for any occasion. Suggest where to spend it. Like a gift card but more flexible.”
- <sup>5</sup> See <http://www.centerforneweconomics.org>. “We believe that a fair and sustainable economy is possible and that citizens working for the common interest can build systems to achieve it.”

This *Communities & Banking* article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

# Mapping New England

## Student Loans, by County

*Kaili Mauricio*

FEDERAL RESERVE BANK OF BOSTON

Individuals just entering adulthood make one of the biggest financial decisions of their lives—how much to borrow for postsecondary education. In New England, almost one in five residents is now saddled with a student loan that, on average, surpasses \$26,000.<sup>1</sup> Nationwide, that adds up. In 2013, U.S. student loan debt totaled \$1.08 trillion, and many debtors were struggling to repay.<sup>2</sup> Over 11 percent were more than 90 days overdue, a higher rate than for any other form of credit.

Using fourth-quarter 2014 data from the Federal Reserve Bank of New York's consumer credit panel (FRBNY CCP), we examine student loan conditions in New England, focusing on the population with a disproportionate share of student loans, individuals aged 18 to 44.<sup>3</sup>

Cumberland and Penobscot counties in Maine have the highest share of individuals with student loans. (Penobscot County hosts the University of Maine, and Portland, in Cumberland, is home to several higher-education institutions and a relatively young population.) The next-highest counties are Rockingham in New Hampshire, Bristol in Rhode Island, and York in Maine. Of those individuals aged 18 to 44 with credit scores, at least 40 percent in the top five counties have student loans.

The county averages range from under \$20,000 in the bottom counties (\$14,770 in Washington County, Maine) to over \$30,000 in the top five. Suffolk County, Massachusetts, tops the list at an average of almost \$35,000, followed by Grafton County, New Hampshire, Norfolk County, Massachusetts, and Windsor and Chittenden counties in Vermont.<sup>4</sup>

<sup>1</sup> Average loan amounts exclude individuals with no reported student loans.

<sup>2</sup> See [http://www.newyorkfed.org/householdcredit/2013-Q4/HHDC\\_2013Q4.pdf](http://www.newyorkfed.org/householdcredit/2013-Q4/HHDC_2013Q4.pdf).

<sup>3</sup> See Donghoon Lee and Wilbert van der Klaauw, "An Introduction to the FRBNY Consumer Credit Panel" (Staff Report No. 479, Federal Reserve Bank of New York, 2010), [http://www.newyorkfed.org/research/staff\\_reports/sr479.html](http://www.newyorkfed.org/research/staff_reports/sr479.html). As our estimates are derived from individuals who have had some contact with the formal credit market, the data ranges may slightly overestimate the proportion of individuals per county with a loan. Some individuals aged 18 to 44 will have no contact with the formal credit market. However, the average loan amounts would not be overestimated since student credit is part of the traditional credit market. Counties with fewer than an estimated 2,000 individuals with student loans were excluded.

<sup>4</sup> The map does not consider the relative ability to repay loans in different counties.



# Guilty Until Proven Innocent: The Problem with Money Bail

*Francesca Forrest*

Pretrial incarceration is expensive for society and can destroy lives, but there are safe, humane, cost-effective alternatives.

The principle of innocent until proven guilty is at the heart of our justice system, and yet in the United States today, 61 percent of people in jails have not been convicted.<sup>1</sup> Although their innocence or guilt has not yet been established, men and women may spend months or even years behind bars awaiting trial—at a cost to the nation of \$9 billion annually.<sup>2</sup> Furthermore, three-fourths of these individuals are charged with nonviolent crimes, including minor drug offenses.<sup>3</sup> Some may not be eligible for pretrial release (parole violators, for instance). But often they are imprisoned because they are unable to pay even the comparatively modest sums set as bail for crimes such as drug possession.

## **What It Means for the Poor**

The bail system affects the poor disproportionately: people trying to cobble together a living from several part-time, minimum-wage jobs may be unable to come up with even \$200 bail to secure release, whereas the more well-off, accused of a more serious crime, may go free because they can afford to pay their bail. (In Massachusetts, the case of Jared Remy, is illustrative. The son of sports broadcaster Jerry Remy, he was repeatedly arrested for assault and easily paid bail whenever it was set. Eventually he pled guilty to murdering a former girlfriend.<sup>4</sup>)

The legal outcomes for those who await trial behind bars are much worse than the outcomes for those who don't. Using data from Kentucky, one study found that, controlling for factors such as prior criminal history or current charge, pretrial detainees are four times more likely to be sentenced to jail and three times more likely to be sentenced to prison—and their sentences are longer.<sup>5</sup>



photo iStock

Those who are found not guilty, meanwhile, may discover that their pretrial incarceration has cost them their job, their apartment, and even custody of their children. The Wellesley Center for Women reported that in 2012 in Massachusetts, 5,300 children were affected by their mothers' pretrial detentions in the Framingham women's prison. Over the course of a year, thousands more women are held pretrial in county jails, and like those in Framingham, the majority are charged with nonviolent offenses.<sup>6</sup>

"When women are incarcerated, whether in MCI-Framingham or in another facility, their children become collateral captives shuffled among relatives or foster care situations. These children in turn are at elevated risks of abuse, high levels of use of [prescribed] psychiatric medication, and ultimately involvement in the juvenile correctional system," reports Susan Sered, a professor of sociology at Suffolk University.<sup>7</sup> The cost to the commonwealth is high, too. A woman held in jail for two months because she is unable to meet bail costs Massachusetts taxpayers a minimum of \$7,000, according to the Massachusetts Pretrial Working Group.<sup>8</sup> (In 2012, the average length of pretrial detention in MCI-Framingham was 77 days. The average length of pretrial detention in the Women's Correctional Center in Chicopee, Massachusetts, for that year was 60 days.<sup>9</sup>)

## Alternatives

Alternatives exist. Maine saves millions of dollars annually by working with Maine Pretrial Services, a nonprofit organization that assesses the risk of a charged person failing to appear for a court date. People who pass the assessment are released pending their court date and are supervised by Pretrial Services caseworkers.

**A woman held in jail for two months because she is unable to meet bail costs Massachusetts taxpayers a minimum of \$7,000, according to the Massachusetts Pretrial Working Group.**

The assessment considers factors such as past criminal history, mental health, presence or absence of substance abuse, employment history, and prior history of failing to appear. As a result of the work of Pretrial Services, Maine's jails are less crowded, saving the state money. In 2013, Capt. Marsha Alexander, Kennebec County jail administrator, estimated the savings from having fewer pris-

## Proposed Legislation in Massachusetts

*Tom Sannicandro*

MASSACHUSETTS HOUSE OF REPRESENTATIVES

As of this writing, Senator Ken Donnelly and I have filed legislation to reform the pretrial and bail system by shifting from a wealth-based to a risk-based system. HD3156/SD1491 creates a uniform bail process that will keep pretrial detention from being based solely on a person's inability to pay cash bail.

The bill has four main features:

- it requires the judicial officer to consult a risk-assessment tool designed to predict the likelihood of a defendant returning to court;
- it creates a Pretrial Services Division that would prepare the risk assessment for each defendant and be responsible for any necessary supervision of pretrial defendants;
- it sets a statutory preference against cash bail, encouraging release and use of other evidence-based conditions and access to services that are more reliable than cash bail in ensuring a defendant's presence at court; and
- it initiates bail data collection and analysis.

oners at approximately \$2 million. The county pays \$130,000 for Maine Pretrial Services assistance.<sup>10</sup> Not all counties in Maine make use of the nonprofit, however, and advocates would like to see its role expanded.

The District of Columbia's pretrial program, run by the Pretrial Services Agency, reports impressive statistics. About 85 percent of all those arrested are released prior to their court date, approximately 88 percent of those released return to court, and less than 1 percent are rearrested for a violent crime. "Most significantly, and unique in the entire nation, the District accomplishes this without using money bonds. Money bonds that detain people are illegal in Washington, DC," says Clifford Keenan, the agency's director.<sup>11</sup>

Not only does pretrial release save the government money and improve outcomes for people accused of crimes, it is also associated with a reduction in crime. Kentucky, another state with a pretrial release program, reported a 4 percent drop in the crime rate at the same time the number of people released into supervision pretrial increased.

The Pretrial Working Group would like to bring those benefits to Massachusetts. The organization is focused on developing and implementing pretrial services throughout the commonwealth and raising awareness about the need to invest in alternatives to incarceration. Lois Ahrens, a cofounder of the Pretrial Working Group and founder of the Real Cost of Prisons Project, says, "Steps to see these significant changes realized include educating legislators,

judges, prosecutors and defense attorneys, and the public about proven alternatives to bail already in use around the country, and urging support for the recently introduced bail-reform legislation.

“We believe the state has the responsibility to ensure that the amount of money a person has does not affect the kind of justice they receive. Rather than investing in new jails to incarcerate people who cannot make bail, we need to invest in pretrial services and community-based, community-run wellness alternatives, which are much less costly in terms of dollars and lessen the damage to men and women who needlessly spend months or even more in jail.” (See “Proposed Legislation in Massachusetts.”)



photo iStock

JusticeHome is an example of the type of program the Pretrial Working Group supports. Proposed by Families for Justice as Healing, a Pretrial Working Group partner, JusticeHome would allow pretrial women to remain in their homes, receiving services such as drug treatment or mental health services, prior to their court date.<sup>12</sup>

Until such alternatives become a reality, another Pretrial Working Group partner may be able to help. The Massachusetts Bail Fund endeavors to post bail for people who are unable to do so, and its volunteers help defendants get addiction treatment and other services in the community after release.<sup>13</sup>

\*\*\*

Requiring money bail has been shown to be ineffective as crime prevention, inequitable, and expensive to society. Replacing it with conditional pretrial release would allow many more people to continue working, paying rent, and taking care of their families. Properly implemented, it poses no increased risk to the community and saves money for the state. Perhaps most important, it helps to restore the principle of innocent until proven guilty.

---

**Francesca Forrest**, a freelance writer, is a volunteer writing tutor at a Massachusetts women's correctional facility. Contact her at [forrestfm@gmail.com](mailto:forrestfm@gmail.com).

#### Endnotes

- <sup>1</sup> Pretrial Justice Institute, “Rational and Transparent Bail Decision Making: Moving from a Cash-Based to a Risk-Based Process” (white paper, March 2012), <http://www.pretrial.org/devsite/download/featured/Rational%20and%20Transparent%20Bail%20Decision%20Making.pdf>.
- <sup>2</sup> Laura and John Arnold Foundation, “Pretrial Criminal Justice Research” (research summary, November 2013), [http://www.arnoldfoundation.org/sites/default/files/pdf/LJAF-Pretrial-CJ-Research-brief\\_FNL.pdf](http://www.arnoldfoundation.org/sites/default/files/pdf/LJAF-Pretrial-CJ-Research-brief_FNL.pdf).
- <sup>3</sup> Richard Williams, “Bail or Jail,” *State Legislatures Magazine*, May 2012, <http://www.ncsl.org/research/civil-and-criminal-justice/bail-or-jail.aspx>.
- <sup>4</sup> Erik Moskowitz, “For Jared Remy, Leniency Was the Rule until One Lethal Night,” *Boston Globe*, March 23, 2014.
- <sup>5</sup> Laura and John Arnold Foundation, “Pretrial Criminal Justice Research,” November 2013, [http://arnoldfoundation.org/sites/default/files/pdf/LJAF-Pretrial-CJ-Research-brief\\_FNL.pdf](http://arnoldfoundation.org/sites/default/files/pdf/LJAF-Pretrial-CJ-Research-brief_FNL.pdf).
- <sup>6</sup> Jean Trounstein, “Why Bail Jails Are a Bad Idea,” *Boston Magazine*, February 6, 2014.
- <sup>7</sup> Testimony before the Massachusetts Judiciary Committee, April 24, 2014.
- <sup>8</sup> This figure is an approximation, as the cost of two months’ incarceration varies from jail to jail. Sources consulted to arrive at the estimate include Massachusetts Department of Corrections Research and Planning Division, *Prison Populations Trends 2012* (Concord, Massachusetts: Massachusetts DOC Research and Planning Division, 2013), <http://www.mass.gov/eopss/docs/doc/research-reports/pop-trends/prisonpopoptrendsfinal-2012.pdf>; and Massachusetts Budget and Policy Center, “Prisons, Probation, and Parole,” <http://www.massbudget.org/browser/subcat.php?id=Prisons%2C+Probation+%26+Parole>.
- <sup>9</sup> Erika Kates, “Pretrial Detention and Access to Bail for Women” (briefing note, 2013), <https://www.wcwonline.org/pdf/ekates/PretrialDetentionAccessToBailForWomen.pdf>.
- <sup>10</sup> Kaitlyn Schroeder, “Panelists Urged to Rethink Maine’s Bail System,” *Portland Press Herald*, October 4, 2013, [http://www.pressherald.com/2013/10/04/maine-urged\\_to\\_revamp\\_bail\\_system/](http://www.pressherald.com/2013/10/04/maine-urged_to_revamp_bail_system/).
- <sup>11</sup> Clifford Keenan, “We Need More Bail Reform,” September 2013, <http://www.psa.gov/?q=node/390>. Broadly speaking, money bail is cash paid by the defendant or on the defendant’s behalf as insurance against the defendant’s failing to appear for his or her court date.
- <sup>12</sup> See <http://justiceashealing.org/>.
- <sup>13</sup> See <http://www.cjpc.org/BailFund.htm>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

# Ending Chronic Homelessness

Alicia Woodsby

PARTNERSHIP FOR STRONG COMMUNITIES



photo iStock

For the first time, ending homelessness among Connecticut veterans and people with disabilities is within reach.

Connecticut's Reaching Home Campaign kicked off in 2004 with a mission many saw as quixotic: to end chronic homelessness in a decade. Essential to the effort was supportive housing for those who had been homeless the longest and had a mental illness or another serious disability—vulnerable individuals often at risk of dying on the streets.<sup>1</sup>

“Ready for Zero?” Community Solutions—a New York-based nonprofit that supports communities and states working to end veteran and chronic homelessness by 2016—has posed that question, and Connecticut feels close to answering yes.<sup>2</sup> Having invested strategically since 2004, the state believes that zero could become a reality in the next couple years.

## Progress and Innovation

Providing homes for people who have been homeless has saved the state and its municipalities millions of dollars by reducing the use of hospitals, nursing homes, prisons, and other temporary, costly responses.<sup>3</sup> Policymakers are seeing that the money saved can be used to prevent homelessness and invest in long-term solutions. Stable homes offer a foundation for formerly homeless individuals to engage with services, improve their health, reconnect with family and friends, and return to school and work.

There is value in housing the homeless. In fact, as the United States Interagency Council on Homelessness recounts, getting people into housing as quickly as possible and then providing services as needed (an approach called Housing First) has been widely embraced. The approach since deinstitutionalization of people with mental illness has shifted from housing readiness (when ac-

cess to housing is based on achieving sobriety or being compliant with treatment) to housing first and harm reduction. The evidence is promising. In a Connecticut-based evaluation, people who were provided with apartments directly from shelters or psychiatric hospitals did not experience an increase in criminal justice involvement, substance abuse, or failure to take medication.<sup>4</sup> Instead they showed improvement, such as fewer problems with psychiatric functioning, less isolation, fewer arrests, greatly reduced inpatient hospital days, and a higher degree of community integration. Studies from other states show similar results.<sup>5</sup>

Armed with such insights, Connecticut agencies and philanthropies are collaborating to test new models.<sup>6</sup> FUSE (frequent users system engagement), for example, is a program that matches homeless data and justice-system data to identify those who previously cycled through homeless services and the corrections system and provide them with supportive housing. The total lifetime cost for jail and shelter services for the first 30 people served had been more than \$12 million.<sup>7</sup> Early outcomes indicate that FUSE participants housed for 12 months or more experienced a 99 percent decline in shelter days and a 73 percent decrease in jail episodes.<sup>8</sup> Philanthropies, government agencies, and the Corporation for Supportive Housing's Social Innovation Fund are testing a similar approach, matching homeless data and Medicaid data to target high-cost Medicaid beneficiaries who are also in the homeless system.

In 2004, there were an estimated 10,000 individuals who were chronically homeless in Connecticut. By 2013, according to the best available data (from the Connecticut Coalition to End Homelessness), there were approximately 1,000 veterans who were homeless in the state and about 2,400 others who were chronically homeless.

## Launching a New Phase

In 2012, Connecticut entered a new phase in its work to end homelessness when it launched Opening Doors-CT, a planning effort

that follows the national Opening Doors model. The purpose is to unify the efforts of federal, state, and local partners to meet the goals of ending, in five years, veteran and chronic homelessness—and in 10 years, homelessness among families with children and youth.

The initiative is being implemented by the Reaching Home Campaign, which has advanced an exhaustive planning process across multiple systems, sectors, and levels of government to align policies and funding. It focuses on populations and strategies beyond chronic homelessness and supportive housing, and calls for the development of a *coordinated-access* system. Coordinated access reshapes a disjointed system of shelters and other housing services into a single point of entry and provides a common tool for assessing vulnerability and need.

“By creating a collaborative team approach in each locality, and then working one person at a time through a shared list according to each person’s level of need, we can use existing resources more effectively and efficiently to end homelessness,” says Lisa Tepper Bates, executive director of the CT Coalition to End Homelessness.

Coordinated access does not work without coordinated exits to permanent housing. By coupling a coordinated-access system with a practice called “The 100-Day Challenge, Rapid Results Approach,” communities are seeing significant improvements in how they identify and prioritize needs and match people with resources. With the 100-day challenge, each community sets an audacious goal (such as New Haven’s goal of reducing chronic homelessness by 75 percent in only three months) and accelerates the pace to try to meet that goal.

According to Nadim Mata, President of the Rapid Results Institute, “There are no silver bullets for complex societal problems. But by spurring local innovation, collaboration, and persistence, the 100-day challenges helped communities get the most out of the assets they had—and built confidence that homelessness can actually be solved.”

Community Solutions partnered with the Rapid Results Institute to apply this approach in a campaign to house 100,000 of the most vulnerable and chronically homeless people in the country. And they succeeded. Connecticut is now part of “Zero: 2016,” a select group chosen to work with Community Solutions to finish the job of ending veteran and chronic homelessness and is launching 100-day challenges statewide.

Linda Kaufman, National Movement Manager for Community Solutions, says, “When I ran a soup kitchen in the 1990s, I could really see no further than getting the next meal ready and providing for folks that day. The 100,000 Homes Campaign convinced me that we can house anybody. We saw 186 communities house folks who had been deemed too challenging. . . . Now we are engaged in the hard work of taking that success to scale.”

Having state resources to draw upon has significantly strengthened the odds in Connecticut. According to Governor Dannel Malloy’s office, investments in housing creation in his first term totaled approximately \$600 million and included significant funds for permanent supportive housing, housing subsidies, an employment initiative for veterans experiencing homelessness, public housing revitalization, and rapid-rehousing assistance for those at risk of experiencing homelessness.

The Corporation for Supportive Housing notes that Connecticut has created 5,758 units of permanent supportive housing in over 80 communities. At least 1,400 more units will be needed to adequately tackle this problem over the next two years.

\*\*\*

Ending homelessness doesn’t mean preventing anyone from ever becoming homeless again. It’s about creating a system such that when anyone enters homelessness in the future, we know how to get them out quickly and prevent them from returning.

It is said that there will be an end to homelessness when it is rare, brief, and nonrecurring. According to the standards set by the federal Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009, this means that no one will be homeless for more than 30 days, there will be substantial reductions in new episodes of homelessness, and no one will return. Zero is reached when the number of people experiencing homelessness in a given population is no greater than the current monthly housing-placement rate for that population. The confluence of a national road map, proven solutions, recent innovations, private and public investments, and local collaboration indicate that Connecticut is ready for zero.

---

**Alicia Woodsby** is the executive director of the Partnership for Strong Communities, based in Hartford, Connecticut. Contact her at [Alicia@pschousing.org](mailto:Alicia@pschousing.org).

#### Endnotes

- <sup>1</sup> Supportive housing is permanent, independent, affordable housing combined with case management and support services. See David Fink, “Supportive Housing: Combatting Homelessness in Connecticut,” *Communities & Banking* 17, no. 3 (summer 2006), <http://www.bostonfed.org/commdev/c&tb/2006/summer/supportivehousing.pdf>.
- <sup>2</sup> The specific goals are ending homelessness for veterans by the end of 2015 (or by 2016) and for the chronically homeless by the end of 2016 or by 2017.
- <sup>3</sup> See, for example, *Connecticut Supportive Housing Demonstration Program*, [http://www.csh.org/wp-content/uploads/2011/12/Report\\_CTDemonstration.pdf](http://www.csh.org/wp-content/uploads/2011/12/Report_CTDemonstration.pdf).
- <sup>4</sup> Linda Frisman et al., *Housing First Pilot Evaluation* (Hartford: Research Division, Connecticut Department of Mental Health & Addiction Services and University of Connecticut School of Social Work, 2012).
- <sup>5</sup> S. Tsemberis, L. Gulcur, and M. Nakae, “Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals with a Dual Diagnosis,” *American Journal of Public Health* 94 (2004): 651.
- <sup>6</sup> “Supportive Housing: Cost Effective and Proven to Work” (report, Partnership for Strong Communities, Hartford, August 2014), [http://pschousing.org/files/RH\\_SupportiveHousing.pdf](http://pschousing.org/files/RH_SupportiveHousing.pdf).
- <sup>7</sup> See <http://www.csh.org/csh-solutions/serving-vulnerable-populations/health-systems-users/local-complex-health-needs-work/connecticut-fuse/>.
- <sup>8</sup> See the Connecticut Frequent Users Systems Engagement (FUSE), <http://www.csh.org/csh-solutions/serving-vulnerable-populations/health-systems-users/local-complex-health-needs-work/connecticut-fuse/>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&tb](http://www.bostonfed.org/commdev/c&tb).



## RETAIL CO-OP

# Maine Islanders Band Together to Preserve a Way of Life

*Gloria J. LaBrecque*

COOPERATIVE FUND OF NEW ENGLAND

A cove near Stonington, on Deer Isle, Maine.

As owners of a valued island business began to think about retiring, the idea of helping their loyal workers form a co-op had real appeal.

On the website of the Deer Isle Chamber of Commerce in Maine, a sign reads, “Welcome to Deer Isle, the Way Life Used to Be.”

Deer Isle is a quintessential New England island, comprising 2,400 residents, beloved businesses (for example, the Stonington Lobster Co-op, Forget-Me-Not Shop, Stonington Farmers’ Market, and Burnt Cove Market), and cultural attractions (a historic farmstead, an opera house, art galleries). From its internationally recognized Haystack Mountain School of Crafts to its lobster and fishing boats in the harbor, the 123-square-mile island has long been a destination for adventurers, seekers of peace and quiet, entrepreneurs, and retirees.

In 2013, however, Deer Isle’s way of life was threatened when the owners of a cornerstone business prepared to retire.

### Three Valued Stores

In 1971, Vern and Sandra Seile bought Burnt Cove Market, a small general store with basic groceries, a gas pump, and some furniture in the back. They updated and added on repeatedly over four decades, turning the store into a 10,000-square-foot, full-service supermarket. In 1972, they added the Galley and, in 1995, V&S Variety, featuring items islanders always need—greeting cards, fabric, yard goods, housewares, small appliances, clothes, hardware, and a pharmacy.

But when the Seiles decided to retire, those conveniences—and 60 employees—faced uncertain futures. Anxiety about job loss was magnified by there being limited work alternatives on the island. And if off-islanders bought the stores, then what?

“An outside buyer would likely have consolidated some operations, cut back on offerings, and cut jobs,” says employee Deanna Oliver. “The profits of these businesses would have left the island.”

As members of the Independent Retailers Shared Services Cooperative (IRSSC), a retail marketing cooperative, Vern and

photo cfwphotography / Getty Images



Photos: Mark Sprackland/Independent Retailers Shared Services Co-operative

Sandra knew executive director Mark Sprackland and turned to him with their concern for their employees and customers. Bringing the Cooperative Development Institute (CDI) into the conversation, Mark encouraged the couple to consider selling to their employees.

Rob Brown, director of CDI's Business Ownership Solutions program, explained how the worker-employer business model could work for the Seiles' businesses and employees. After deciding to pursue a cooperative, Vern spoke to key staff members at the three stores, making presentations about cooperative business planning, financing options, and other basics of worker cooperatives. Although employees would not have to take pay cuts, it was important for them to understand the co-op ethic: Cooperatives are not about what's best for an individual, but for the group.<sup>1</sup>



## Owners should not underestimate the emotional component of the bonds they have forged.

Eighty percent of the staff expressed support for exploring the idea. A dozen experienced employees formed a steering committee and met over three months to learn more about finances for worker-owned businesses, taxation, accounting, valuation, and other critical issues. Sprackland helped them develop a comprehensive business plan, negotiated with suppliers, conducted due diligence, organized documents required by lenders, and trained employees in essential business skills.<sup>2</sup>

The process of securing financing took place in conjunction with steering committee meetings. The committee negotiated with

the transaction, to secure financing, and to gather all employees for regular meetings during the busy retail season of early summer in Maine.<sup>3</sup> Converting the three privately owned local businesses took a year, but as of 2014, there are 45 worker-owners running the Island Employee Cooperative (IEC), the largest worker cooperative in Maine.<sup>4</sup>

"This is a once-in-a-lifetime opportunity," says Alan White, IEC's board president. "Many of us have worked in these stores for decades and never imagined this possibility. We know we have a lot to learn and a lot of work to do to be successful, but success means we will really achieve the American dream: economic security and building wealth through ownership, both for our families and our community."<sup>5</sup>

### Establishing a Co-op

Many business owners invest years in creating successful organizations that help define and sustain their communities, providing jobs, anchor capital, and civic philanthropy to rural and urban areas. When faced with decisions of retirement or succession planning, owners should not underestimate the emotional component of the bonds they have forged.<sup>5</sup>

Worker cooperatives by definition are business entities that are owned and controlled by their members, the people who work in them. The central characteristics are: (1) worker-owners who invest in and own the business together, with any surplus distributed equitably, and (2) decision making that is democratic, adhering to the principle of one member, one vote. When owners do not want their business sold off or moved outside of communities they love, when they want to transfer ownership to employees, they should consider converting the business to a cooperative.

the sellers to ascertain how much they themselves would put into the transaction and then reached out to two New England-area community development financial institutions: Maine-based Coastal Enterprises Inc. (CEI), who are recognized experts in rural business development, and the Cooperative Fund of New England (CFNE), experienced in cooperative financing.

"We work with cooperatives of all sizes and in all stages of growth, from start-ups to mature cooperatives."

Since 1975, the Cooperative Fund of New England has been providing financial and technical assistance to cooperatives and nonprofits that share its mission of equality, justice, and social responsibility. In its 40 years, it has disbursed more than \$33 million in 700-plus loans to co-ops and community organizations—without losing any investor funds.

CFNE was the first lender to commit to the start-up financing for the Island Employee Cooperative and helped facilitate the loan process with the other lenders, CEI and Associated Grocers of New England. The process involved careful review of the business plan, the independent business valuation, the financial history, and the revenue projections. The lenders also joined CDI and the IRSSC in assessing the cooperative's structure and its technical assistance contracts. No lender took an ownership stake.<sup>6</sup>

Says CFNE Executive Director Rebecca Dunn, "We work with cooperatives of all sizes and in all stages of growth, from start-ups to mature cooperatives. ... CFNE works to demystify the borrowing and finance process and gets the job done in a transparent, borrower-friendly manner."

\*\*\*

The summer of 2014 passed successfully for the cooperative's new worker-owners.<sup>7</sup> They have begun learning what they need to know about pricing, marketing, merchandising, and supply-chain analysis in order to improve retail margins. As of this writing, they are embarking on 100 hours of specialized training in customer service, retail performance, business-ownership culture, and financial and business management from Eastern Maine Community College, funded by a grant through Maine Quality Centers.

When owners do not want their business sold off and moved outside of communities they love, they should consider converting the business to a cooperative.

The way that so many organizations have collaborated to ensure the success of this cooperative speaks to the common values and strengths of the movement. Concern for community, autonomy, and independence, along with democratic control are hallmarks of cooperative businesses. The Island Employee Cooperative and its partners are living out those qualities in a very real, everyday way.



The Island Employee Cooperative's Halloween display.

**Gloria J. LaBrecque** is the Northeast loan and outreach officer of the Cooperative Fund of New England. She is based in Portland, Maine. Contact her at [Gloria@coopfund.coop](mailto:Gloria@coopfund.coop).

#### Endnotes

- <sup>1</sup> The success of a worker co-op is often measured by the retention of good jobs and the creation of new ones so that the members of the community have employment and income adequate to meet their needs. The co-op needs to stay profitable, but profit maximization is not the goal.
- <sup>2</sup> Co-ops face challenges similar to other businesses and need to learn the ropes. Poor management decisions, lack of understanding of the democratic process, or inability to delegate authority can contribute to a co-op's demise. Undercapitalization can hamper the ability of the business to weather market fluctuations and maintain cash flow in lean spells.
- <sup>3</sup> The time of transition often depends on the number of worker-owners involved and the time it takes to secure financing.
- <sup>4</sup> The largest in the nation is Cooperative Home Care Associates in the Bronx, with 2,300 worker-owners. Fifteen of the original 60 Burnt Cove employees chose to remain employees rather than become worker-owners.
- <sup>5</sup> Martin Staubus, a Rady School of Management, University of California, San Diego, consultant estimates that every year 150,000 to 300,000 businesses, owned at least in part by baby boomers, become candidates for employee takeovers as owners hit retirement age.
- <sup>6</sup> The businesses and real estate were valued by an independent appraisal company. A lack of collateral required the sellers to put in some money as a loan, but they took last position as lien holders. Since then, National Cooperative Bank has stepped in, and the Seiles have been paid back on their original first-position loan. They still have second position on a note with the cooperative.
- <sup>7</sup> An advisory council composed of the sellers and representatives from each lender is led by members of the IRSSC and the CDI, which provided critical technical assistance in the conversion to a coop structure.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

# Food Council Accelerates Community Transformation



*Daniel Wallace, Julia Harper, and Deborah M. Burd*  
GOOD FOOD COUNCIL OF LEWISTON-AUBURN

Now entering its third year, a local food council is connecting across multiple sectors to support the rebuilding of a healthy, community-based food system.

Much is made these days of food as a pivot point for community development, a sort of lever for community engagement and action. Why? On the face of it, the answer is simple: food can bring people together, and people acting in concert drive change.

One growing though not new model is the community food council. A food council knits together a wide variety of people for a specific set of food-related goals. It can be formed at a local, state, or regional level. The structure depends on how the group organizes itself and the purpose for which it is formed. The motivation to form a council can range from fighting food insecurity to creating food policy, but a common theme is an integrated approach to improving the food system.<sup>1</sup> The approach takes a comprehensive view of all of the players, processes, and infrastructure involved in getting food from land and sea to table. It also incorporates the physical, psychological, and cultural ways in which food touches people's lives. Such a systems approach recognizes interconnectedness, limits unintended consequences, and gives lift to the whole.

## The Good Food Council

The Good Food Council of Lewiston-Auburn (GFCLA) formed in late 2012 as the next step in an effort dating back to 1999, when organizing began around an urban garden project in Lewiston, Maine.<sup>2</sup>

## The Meaning of Good

Lewiston is Maine's second-largest metro area. Its demographic profile speaks to the severity of the challenges it faces. It is home to the state's highest childhood poverty level. Ninety-eight percent of students in a downtown elementary school are eligible for free or reduced-price school meals. And over the last 10 years, the resettlement of large numbers of refugees, mostly from Africa, has presented a different kind of challenge, requiring adjustments for both the existing population and the immigrants.<sup>3</sup>

The GFCLA envisions a community bustling with people sharing *food* that is healthful, affordable, and accessible, one that honors enduring values, cultural heritage, and diverse needs. Food that is good in every way is the GFCLA's central organizing tenet. It is food that provides nutrients for healthy, active lives and enables children to learn better and to play. It fits cultural and religious beliefs, is grown in a way that treats producers with respect and provides them with a livable wage, and supports local businesses. It nourishes not only human bodies but the planet—so that soil and water can provide the nutrients needed to grow food in the future.

## Community Food Assessment

In 2008, a Community Food Assessment (CFA) began in Lewiston.<sup>4</sup> A CFA is a collaborative process that examines food and agriculture issues and assets within a community or region. Key to the effort was grounding the work through citywide charrettes, community-action research, and small planning sessions called "good food gatherings." The idea was to uncover mutual-gain scenarios—ways in which the entire community could benefit from food-related interventions—using existing resources. As the initiative transitioned

from research to planning to implementation, the assessment work expanded to include Auburn, and the council model was adopted.

The GFCLA released the completed CFA in December 2013 at a well-attended community forum.<sup>5</sup> It focused on access to healthful food, particularly among populations with limited income.<sup>6</sup> The CFA and concurrent research highlighted the following:

- healthful food costs on average 40 percent more in downtown neighborhoods than in Lewiston's outskirts, and up to half of households lack access to a vehicle;
- 79 percent and 98 percent of students in Lewiston's downtown elementary schools are eligible for free or subsidized lunch, respectively;
- the percentage of the Lewiston population using the Supplemental Nutrition Assistance Program (SNAP) was 36 percent in 2012—nearly twice Maine's average of 18.5 percent;
- of 64 stores selling food in Lewiston, only seven had at least six types of food identified as healthy;<sup>7</sup> and
- 72 percent of Lewiston's African immigrants face barriers accessing culturally appropriate, nutritious food.<sup>8</sup>
- Armed with this information and the outcomes of community meetings, the GFCLA began its work.

## Community Impact

Much of GFCLA's first two years was spent on internal process, priority setting, and councilor education. But now that many members of the Lewiston-Auburn community recognize the value that agriculture and food play in creating a vibrant, economically viable community, the insights are beginning to have ripple effects:



Gardening together in Maine.

- **Economic Development** – Grow L+A, a nonprofit, seeks to rehabilitate the 345,000-square-foot Bates Mill 5. The 1914 Albert Kahn–designed former textile mill sits along the Androscoggin River in the middle of Lewiston-Auburn's downtown. Its rehabilitation could support a revitalized regional food system, improve downtown viability, create jobs, and strengthen local businesses.



One way St. Mary's Nutrition Center promotes community health is through a year-round farmers market.

The aim is to include a vertically integrated food chain within the facility and to investigate the potential of a local food aggregator. Grow L+A used the CFA to attract grants to fund the research and to conduct a feasibility study.<sup>9</sup>

- **Transportation Planning** – The Androscoggin Valley Council of Governments (AVCOG) is tasked with routinely evaluating the twin city bus routes. The CFA painted a fuller picture of the experience of someone living without a vehicle, including a description of one resident's two-hour round trip to the grocery store. Given that existing bus routes had limited evening and no weekend service hours, expanding the bus routes was identified as critical. Funds were allocated to expand routes and create limited Saturday services. Today the routes are among those with the highest ridership. AVCOG has requested additional input and recommendations from the council to inform its next transit review.
- **Public Health** – Healthy Androscoggin (HA), part of the statewide Healthy Maine Partnership network, is an important public-health advocate.<sup>10</sup> The GFCLA and the CFA provided a framework and direction for HA's food-related policy, systems, and environmental-change work. HA has used the CFA data in grant proposals, including a Community Transformation Grant and a recent Farm-to-School Grant. The council has helped HA identify community partners, clearly define organizational roles, and reduce service duplication.
- **Research** –The work of the council has enabled student and professional research at Bates College, the University of Southern Maine, and the Muskie School of Public Service. Currently a project led by Bates students is assessing the local farm-to-institution landscape and developing a deeper understanding of existing opportunities and challenges to increasing institutional purchase of local foods. This research could be coupled with similar research in other parts of Maine and begin to form a body of knowledge that would support state-level policy initiatives.<sup>11</sup>

- **Priority Setting** – Organizations have used the council to help connect the dots between concurrent yet disparate efforts, thus enabling partners and community leaders to tackle the issues that they are best equipped to address. For instance, early findings of the CFA highlighted the limited access to and high cost of fresh produce in downtown neighborhoods. As a result, St. Mary's Nutrition Center worked to strengthen the local farmers' market and developed complementary programs to support low-income customers. Through this effort, the number of market vendors grew fourfold and both a winter market and a farmers' market incentive program for SNAP- and WIC-eligible consumers were established.



photo Cultivating Community, Portland, Maine

- **Broader Impact** – The GFCLA is a leader in a new movement in Maine. Individuals on the council have been instrumental in building the Maine Network of Community Food Councils. In addition, the council has two representatives on the steering committee of the statewide Maine Food Strategy, an initiative that looks to local councils for data and information to develop clear goals and to become implementation partners down the road.<sup>12</sup>

But the impact of the GFCLA is perhaps more powerfully about individuals and relationships. One council member notes that, as a father, he has gained the knowledge and vocabulary to be able to explain to his children where food comes from and what makes a healthy food system. As a local certified public accountant who has farmers and producers as clients, he is able to bring awareness to his clients about the issue of food insecurity and the potential for expanding into new markets.

\*\*\*

The GFCLA is just beginning to hit its stride. The needs are monumental and require systemic change. The CFA created a data baseline, but the council still needs to develop quantitative measures of progress. To date, the council's greatest success is seen in a deeper understanding of the regional food system, the intangible forma-

tion of relationships, and the network of partners needed to make change within the community. The GFCLA is committed to supporting the greater Lewiston-Auburn community's development of a thriving food system that supports healthy people, vibrant neighborhoods, and a strong local economy.

---

**Daniel Wallace** is a program developer at Coastal Enterprises Inc. and a counselor on the Good Food Council of Lewiston-Auburn. **Julia Harper** is Good Food Council coordinator. **Deborah M. Burd** is grants manager at St. Mary's Health System in Lewiston, Maine. Contact them at [goodfood4la@gmail.com](mailto:goodfood4la@gmail.com).

#### Endnotes

- <sup>1</sup> The USDA Economic Research Service describes *food security* as access by all people at all times to enough food for an active, healthy life. With *food insecurity*, consistent access to food is limited by lack of money or other resources. A *food system* is defined as all the processes and infrastructure needed to get food from the field or ocean to consumers. It includes production, processing, wholesale and retail distribution, waste management, and support systems such as transportation, education, city and town governments, and emergency food providers.
- <sup>2</sup> See Kirsten Walter, "Somalis in Maine: Collaborating on Gardens and Nutrition," *Communities & Banking* 22, no. 1 (winter 2011), [https://www.bostonfed.org/commdev/c&cb/2011/winter/Walter\\_Somali\\_garden\\_Lewiston.pdf](https://www.bostonfed.org/commdev/c&cb/2011/winter/Walter_Somali_garden_Lewiston.pdf).
- <sup>3</sup> For interactive demographics on Lewiston, see the Boston Fed's New England City Data tool, <http://www.bostonfed.org/commdev/data-resources/city-data/index.htm>.
- <sup>4</sup> Kirsten Walter, "Local Food for Lewiston: Exploring the Role of Food Assessment as Part of Broader Work in Community-Engaged Food Systems," *Maine Policy Review* 20, no 1 (winter-spring 2011), <http://digitalcommons.library.umaine.edu/cgi/viewcontent.cgi?article=1041&context=mpr>.
- <sup>5</sup> See <http://goodfood4la.org/resources/community-food-assessment/>.
- <sup>6</sup> Access is defined here as the availability, affordability, and appropriateness of healthful food options.
- <sup>7</sup> The data—high poverty, low vehicle access, very few stores with healthy options—suggest that the population is likely to have poor health outcomes. In fact, 31 percent of adults in the area are obese. As other studies have shown, the connection between poverty and obesity often reveals itself in the food environment. Low-income individuals rely on cheaper, calorie-dense foods, often highly processed and less nutritious, rather than more expensive and less accessible healthier foods.
- <sup>8</sup> Research conducted with the Muskie School of Public Service.
- <sup>9</sup> A grant came through the Local Food Promotion Program, which offers funds with a 25 percent match to develop and expand local and regional food enterprises to increase consumption of, and access to, locally and regionally produced agricultural products and to develop new local market opportunities for farms and ranches.
- <sup>10</sup> A collaborative effort of the Maine Department of Health and Human Services, Maine Center for Disease Control and Prevention, Maine Office of Substance Abuse, and the Maine Department of Education.
- <sup>11</sup> See "Bates Contemplates Food," <http://www.bates.edu/food>.
- <sup>12</sup> See <http://mainefoodstrategy.org/>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&cb](http://www.bostonfed.org/commdev/c&cb).

# Engaging Financially Distressed Consumers

D. James Greiner, Dalié Jiménez, and Lois R. Lupica

Research on low-cost ways to engage consumers holds promise for tackling the high default rates in debt-collection lawsuits.

Over a third of American adults are behind on one or more debts.<sup>1</sup> A staggering number of lawsuits seeking to collect those debts are filed annually. An individual sued on a credit card debt may have several legal defenses available in a court proceeding, but few consumers engage with the court process.<sup>2</sup> Such inaction may have grave consequences. A default judgment will almost certainly be entered against the consumer. This means that her assets or wages may be seized by the creditor, and the judgment could follow her for decades, hurting her ability to get credit, rent an apartment, or find a job.

## Going to Court

A consumer may not show up in court because he was never notified of the lawsuit. The complaint may have been sent to an incorrect address, or the individual tasked with serving the lawsuit notification may not have done so properly.<sup>3</sup> More often, however, consumers have received the summons but have not appeared in court. Reforms to help consumers have been suggested, and the Consumer Financial Protection Bureau is expected to propose new regulations.<sup>4</sup> But there will always be financially distressed consumers who need help to engage in the legal process.

One way to protect consumers is to provide them with lawyers before debt collection becomes a lawsuit. With a lawyer as agent, individuals might negotiate resolutions to their debts, participate more in the court proceeding (albeit through the lawyer), and assert their defenses in court. But lawyers are costly, and debt-collection defendants may be unable to afford legal fees. Unsurprisingly, studies find that upwards of 80 percent of the civil legal needs of low- to moderate-income (LMI) individuals go unmet.<sup>5</sup>

A second option is to provide financially distressed LMI individuals with a combination of self-help materials and limited guidance from a professional—say, a lawyer or paralegal. Indeed, this combination is *the* dominant form of assistance to LMI individuals today.<sup>6</sup> Self-help legal materials are actively distributed by courts, legal aid organizations, public libraries, bar associations, neighborhood advocacy centers, Internet-based networks, law schools, pro bono groups, and even for-profit companies. Sometimes materials are coupled with guidance through a “Lawyer for a Day” program

## Example of a Self-Affirmation Exercise



**Think** of a time you did someone a favor. For example:

- Maybe your coworker couldn't come to work, so you took her shift.
- Maybe you watched your nephew so your sister could run some errands.
- Maybe you gave a lost person directions.

**Now fill this out:** I did a favor for someone when I \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or a telephone hotline. The focus of these currently available materials is on readability, completeness, and access. But are such materials useful? And are unrepresented individuals able to use them successfully in court?

## Plan-Making and Plan-Implementation Strategies



### Step #5: Make the Call.

Now you are ready to call the loan company. Fill out this sheet. You will be prepared to talk to the loan company representative.

My account loan number: \_\_\_\_\_

Current monthly payment: \_\_\_\_\_

Total balance due: \_\_\_\_\_

New option I want: \_\_\_\_\_

What I can afford to pay: \_\_\_\_\_

### The Quest for Evidence

Little empirical evidence exists to answer such questions. Court observations have long suggested that unrepresented individuals have trouble making use of self-help materials. Two decades ago, one author related the story of a tenant who received limited advice from a legal aid lawyer and fully accessible self-help legal materials before her eviction hearing. She came to the proceeding armed with damning photographic evidence of problems in her apartment and with knowledge of favorable law. During a hallway negotiation, she failed to produce the evidence she had in hand or to raise the legal defenses she knew about. Her explanation: “It didn’t come up.”<sup>7</sup>

That tenant had no issues with access. Her problem was deployment, particularly a lack of knowledge about how to negotiate. She also may have struggled with debilitating emotions—fear, shame, guilt, or hopelessness.

Our hypothesis is that similar cognitive, psychological, and emotional challenges prevent individuals in a debt-collection pro-

ceeding from putting the information found in self-help materials into action. Unfortunately, currently available materials do not address such deployment barriers. We’re investigating whether reimagining self-help materials to address those challenges could significantly affect the number of consumers who respond to lawsuits and assert defenses in court.

As part of a research study, dozens of undergraduate students from Harvard and the law schools of Harvard, the University of Maine, and the University of Connecticut have been working to develop self-help materials tailored to individuals in financial distress. The reimagined materials cover topics including defending a debt-collection lawsuit, negotiating with creditors, and filing a simple liquidation bankruptcy. Under our direction, the students have also developed original content using insights from, for example, psychology, sociology, public health, education, and product marketing to address the barriers. They also have conducted field interviews and focus groups in the target population.

### Addressing Feelings of Shame

Our first hypothesis is that notification of a debt-collection suit produces feelings of shame, guilt, and anxiety, along with uncertainty about sources of help. Even if the individual overcomes any emotional challenges and takes action such as accessing helpful information, feelings of threat and impending disaster may trigger performance-minimizing and solution-inhibiting mental states.<sup>8</sup> Such debilitating emotions might explain why such a high percentage of consumer debt-collection defendants do nothing in response to lawsuits and simply default.<sup>9</sup>

To counteract such feelings, our materials borrow the power of self-affirmation theory from psychology. Self-affirmation theory suggests that individuals may respond more constructively to a challenging message (such as, “You should go to court”) if, for example, they are first prompted to recall one of their own past acts of kindness, generosity, or forgiveness.<sup>10</sup> Our materials incorporate self-affirmation techniques by asking readers to, for example, recall a time they acted with kindness before engaging them in more difficult material, such as calling a debt collector to negotiate. (See “Example of a Self-Affirmation Exercise.”)

### Setting a Goal

Second, we hypothesize that many of the tasks that financially distressed individuals need to perform to respond to a lawsuit require goal identification, goal pursuit, persistence, and plan-making and plan-implementation strategies. In a debt-collection case, that may involve responding to the lawsuit with an answer. It may also involve juggling one’s schedule and arranging transportation to appear in court on the hearing date. Our materials include Post-it notes to be placed on a calendar and blank lines for recipients to write down the dates, times, and locations of court hearings.<sup>11</sup> (See “Plan-Making and Plan-Implementation Strategies.”)

### Knowledge in Advance

We also hypothesize that knowledge of what to expect in court will help individuals feel more confident, thus increasing participation. We believe that how such knowledge is communicated matters.



## Preparing for What to Expect

### Option 1: Going to Mediation



From the public-health literature, we learned that stick-figure illustrations are superior to photographs in explaining complex topics.<sup>12</sup> Novices in a field, presented with photographs or detailed drawings, are generally unable to distinguish important features from irrelevant details.<sup>13</sup> Thus, our materials explain basic debt-collection court procedure using simple cartoons, including drawings of the courtroom that indicate where the judge, plaintiff, and consumer defendant sit. (See “Preparing for What to Expect.”)

\*\*\*

One of the goals of our project is to understand whether these reimagined self-help materials work. More broadly, we are interested in the effect the materials have on the outcome of debt-collection cases and the credit scores of individuals in financial distress. Our larger research project uses a randomized, controlled trial design—as is used to test new drugs and medical devices—to compare the effectiveness of the new self-help materials with representation by an attorney.<sup>14</sup> We hope that our research will have a real-world impact on the ways in which we help individuals in financial distress and design self-help materials.

---

**D. James Greiner** is a professor of law at Harvard Law School. **Dalié Jiménez** is an associate professor of law and the Jeremy Bentham Scholar at the University of Connecticut School of Law. **Lois R. Lupica** is the Maine Law Foundation Professor of Law at the University of Maine School of Law. Contact the authors at [jgreiner@law.harvard.edu](mailto:jgreiner@law.harvard.edu), [dalie.jimenez@uconn.edu](mailto:dalie.jimenez@uconn.edu), or [lupica@maine.edu](mailto:lupica@maine.edu).

#### Endnotes

<sup>1</sup> Caroline Ratcliffe et. al., “Delinquent Debt in America” (report, July 2014, Urban Institute, Washington, DC), <http://www.urban.org/publications/413191.html>.

- <sup>2</sup> Peter A. Holland, “Debt-Buyer Lawsuits and Inaccurate Data,” *Communities & Banking* 25, no. 2 (spring 2014): <http://www.bostonfed.org/commdev/c&b/2014/spring/index.htm>; and Dalié Jiménez, “Dirty Debts Sold Dirt Cheap,” *Harvard Journal on Legislation* 52 (2015).
- <sup>3</sup> See, for example, Ray Rivera, “Suit Claims Fraud by New York Debt Collectors,” *New York Times*, December 30, 2009.
- <sup>4</sup> Peter A. Holland, “The One Hundred Billion Dollar Problem in Small Claims Court,” *Journal of Business and Technology* 6 (2011): 259; Mary Spector, “Debts, Defaults, and Details,” *Virginia Law and Business Review* 6 (2011): 257; and Rachel Witkowski, “The Trickiest Part of the CFPB’s Pending Debt Collection Proposal,” *American Banker*, December 23, 2014.
- <sup>5</sup> Henry J. Scudder, “Hearings Shed Light on Unmet Needs,” *New York Law Journal*, January 24, 2011, <http://www.nycourts.gov/courts/ad4/clerk/Notice-PR/PJ-hearing.pdf>.
- <sup>6</sup> Herbert M. Kritzer, “The Professions Are Dead, Long Live the Professions,” *Law and Society Review* 33 (1999): 713.
- <sup>7</sup> Erica L. Fox, “Alone in the Hallway,” *Harvard Negotiation Law Review* 85 (1996).
- <sup>8</sup> See Sendhil Mullainathan and Eldar Shafir, *Scarcity: Why Having Too Little Means So Much* (New York: Macmillan, 2013).
- <sup>9</sup> See Rebecca L. Sandefur, “The Importance of Doing Nothing: Everyday Problems and Responses of Inaction” in *Transforming Lives: Law and Social Process*, eds. Pascoe Pleasence et al. (Norwich, England: Stationery Office Books: 2007).
- <sup>10</sup> See, for example, Geoffrey Cohen et. al., “Recursive Processes in Self-Affirmation,” *Science* 324 (2009): 400; Brandon J. Schmeichel and Kathleen Vohs, “Self-Affirmation and Self-Control,” *Journal of Personality and Social Psychology* 96 (2009): 770; and Mary E. Charlson et al., “Randomized Controlled Trials of Positive Affect and Self-Affirmation to Facilitate Healthy Behaviours in Patients with Cardiopulmonary Diseases,” *Clinical Trials* 28 (2007): 748.
- <sup>11</sup> John Beshears et al., “A Nudge to Help Employees Follow through on Their Best-Laid Plans,” [http://www.law.northwestern.edu/research-faculty/colloquium/law-economics/documents/2014\\_Greiner\\_Fin\\_Distress\\_Court\\_Combined.pdf](http://www.law.northwestern.edu/research-faculty/colloquium/law-economics/documents/2014_Greiner_Fin_Distress_Court_Combined.pdf); Katherine L. Milkman et al., “Using Implementation Intentions Prompts to Enhance Influenza Vaccination Rates” (National Bureau of Economic Research, working paper no. 17183, 2011); and David W. Nickerson and Todd Rogers, “Do You Have a Voting Plan?” *Psychological Science* 21 (2010): 194.
- <sup>12</sup> See J.M.H. Moll, “Doctor-Patient Communication in Rheumatology,” *Annals of Rheumatic Diseases* 45 (1986): 198; Chris Delp and Jeffrey Jones, “Communicating Information to Patients,” *Academic Emergency Medicine* 3 (1996): 264.
- <sup>13</sup> Moreover, various studies suggest that picture placement on the page is as important as content. See Peter C. Whalley and Richard W. Fleming, “An Experiment with a Simple Recorder of Reading Behavior,” *Programmed Learning and Educational Technology* 12 (1975): 120; and Wolfgang Schnotz, “An Integrated Model of Text and Picture Comprehension” in *Cambridge Handbook of Multimedia Learning*, ed. Richard E. Mayer (New York: Cambridge University Press, 2005): 49.
- <sup>14</sup> See Dalié Jiménez, D. James Greiner, Lois Lupica, and Rebecca Sandefur, “Improving the Lives of Individuals in Financial Distress Using a Randomized Control Trial,” *Georgetown Journal on Poverty Law and Policy* 20 (2013): 449.

This *Communities & Banking* article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).



## Government Contest to Spark Innovation in Hartford

*Anthony Price*

CHOOSE HARTFORD

An innovative contest aims to produce a comprehensive economic development plan and position the Hartford region as an entrepreneurial hub.

The U.S. economy is the largest on earth, totaling \$17.7 trillion in gross domestic product in 2014.<sup>1</sup> It's not easy to keep it on a smooth trajectory without disastrous economic cycles along the way. When the economy struggles, as it did during the Great Recession, the results can be severe for millions of Americans, not to mention the interconnected global economy.

Tough times call for innovative solutions, especially in the areas hit hardest. That's why the federal government launched the Strong Cities, Strong Communities Visioning Challenge in 2011 to fund economic development.<sup>2</sup> In New England, Hartford was the only city designated for prize money.

### Innovation Helps the Economy Grow

Innovation is a key component for keeping an economy moving. Wikipedia defines innovation as a new idea, device, or process. Governments, businesses, organizations, and individuals innovate by improving a way of doing something or by applying technology in a new way. The federal government has helped to facilitate innovation by funding research that has led to life-changing medicine, the Internet, global-positioning-system devices, and more.

America is known for innovation and for innovative adaptations of existing technologies. In the early 1900s, Ford Motor Company mastered Model T mass production with the assembly line, but Henry Ford invented neither the assembly line nor the automobile. He just made the process better and the cars more accessible to the middle class, with a profound impact on U.S. economic development. Similarly, Steve Jobs didn't invent the smartphone, but Apple's iPhone improved upon the BlackBerry to elevate the standard. The role of innovation in Apple's climb to the most valuable American company—with a market capitalization of \$668 billion—is legend.

Unfortunately, there are pockets of the country that are not sharing in that sort of prosperity. What the federal government is trying to do with initiatives such as the Strong Cities, Strong Communities is to create the conditions to build an economy that benefits everyone—whether through educational institutions in New England, automobile manufacturing in the South, farming in the Midwest, or consumer electronics in the Northwest.

To boost innovation and economic development, the government is borrowing the playbook of innovators in the private sector who offer prizes. For example, back in 1919, New York hotelier Raymond Orteig posted a \$25,000 reward for the first Allied aviator to fly nonstop from New York City to Paris or vice versa. The

offer was reissued in 1925, and Charles Lindbergh claimed it 1927.<sup>3</sup> The Orteig Prize helped to spawn today's commercial aviation industry. Other prizes have nudged entrepreneurs, scientists, and tinkerers of all sorts to solve other complex problems.

On January 4, 2011, President Obama signed into law the America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science (COMPETES) Reauthorization Act of 2010 to usher in a new wave of government and private-sector cooperation involving prizes and challenge grants. The administration also launched [www.challenge.gov](http://www.challenge.gov) to serve as a single location for a wide variety of federal competitions designed to accelerate job and economic growth.

Of course, the idea of creating competitions and incentives to solve real-world problems is even older than the Orteig Prize. According to Jaison Morgan, the managing principal of The Common Pool, a company that creates and manages competitions, "governments and philanthropists have been using [challenges and prizes] since the 1500s to solve important problems. By opening participation and rewarding winners based on the merit of their achievements, governments attracted mindshare and investment from people who were otherwise disenfranchised."<sup>4</sup>

Morgan, referred to by the British Broadcasting Company as "the world's leading expert" on challenges and prizes, has designed competitions for the Bill and Melinda Gates Foundation, the United Arab Emirates, Google, and the X Prize Foundation, among others.<sup>5</sup> Today he is plying his skills on behalf of the Strong Cities, Strong Communities Visioning Challenge.

### Hartford and the Visioning Challenge

The Strong Cities, Strong Communities Visioning Challenge (SC2) is a contest to create development plans for communities in need of comprehensive economic revitalization. According to a White House press release, "The goal of the competition is to generate innovative ideas, strategies, and perspectives that cities can use to develop long-term economic and job growth plans."

In September 2012, three distressed communities—Greensboro in North Carolina, Hartford, and Las Vegas—were awarded \$1 million each from the federal Economic Development Administration to produce comprehensive economic development strategies through local prize competitions.

The award gave a breath of hope to Hartford, a city that has seen some hard times. Since the end of World War II, a steady flow of people has been moving from the city to the suburbs. In 1950, Hartford had a population of 177,000. Today it is 125,000, whereas the Greater Hartford region has a population of 898,000. Hartford ranks 35<sup>th</sup> in income inequality among American cities. Within city borders, 38 percent of the population lives in poverty. The median household income is \$28,931, far below the state average of \$69,519. The city's homeownership rate is 24.7 percent, compared with the state average of 68.3 percent. Insurance and financial services remain large employers, but fewer than 5 percent of residents actually have jobs at those companies. Today, Hartford seeks to identify, attract, assist, and retain first-time entrepreneurs, serial entrepreneurs, and second-stage companies that have the potential to grow.





mism for the future. A panel of 10 local judges will pick the winners, which will be announced in June 2015. A pool of \$800,000 in cash prizes will be awarded to the top six teams, with the top team receiving \$500,000.

\*\*\*

Local and state governments are continuing to develop environments conducive to innovation, company formation and growth, and job creation. Many observers hope that the federal government will keep pushing innovation to the state and local levels by fostering challenges, prizes, and competitions that can keep the American economy growing and solve complex societal problems. We all benefit when the best ideas build a stronger and more innovative American economy.

Second-stage companies, according to the Edward Lowe Foundation, are fast-growing businesses with 10 to 99 employees and annual revenue between \$1 million and \$50 million. These companies differ from many small business entrepreneurs because they have particularly high growth potential and, often, national or global growth ambitions. According to YourEconomy.org, the Lowe Foundation's online research tool, second-stage companies generated 34 percent of jobs and about 34.5 percent of sales from 1995 to 2012—even though they accounted for only 11.6 percent of U.S. establishments.

The Hartford competition attracted 60 registered teams, and ultimately 25 proposals qualified for submission. During the first phase, contestants developed proposals that highlighted their economic thinking. The winners for the first round were (1) Hartford.Health.Works, which was awarded \$60,000; (2) Community Solutions, which was awarded \$30,000, and (3) Hartford Rocks, which was awarded \$10,000.<sup>6</sup> To quote Julianne Avallone, a participant in the competition and a finalist with CJM Innovations, "It is clear from this competition that the Hartford area has a wealth of talent eager to promote the city as a hub of entrepreneur activity. ... By opening up the SC2 competition to such a broad field of applicants, the city received diverse perspectives on how to foster small business and fuel the creative class."

In late November 2014, Hartford officials announced that 10 finalists would enter the final phase of the competition, scheduled to close in April 2015, at which time they were to present a comprehensive economic development plan for Hartford that would benefit the region. At the 2014 event, Hartford Mayor Pedro E. Segarra observed, "Hartford has always been a place for innovation, and for a couple of decades, a little bit dormant." He expressed his opti-

---

**Anthony Price** is an economic development executive at Hartford Economic Development Corp. (HEDCO Inc.) and the team leader of Choose Hartford, a team participating in the SC2 challenge. Contact him at [aceaprice@gmail.com](mailto:aceaprice@gmail.com).

#### Endnotes

- <sup>1</sup> See <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.
- <sup>2</sup> See <http://www.eda.gov/challenges/sc2challenge/>. SC2 is supported by the Economic Development Administration, which is part of the U.S. Department of Commerce.
- <sup>3</sup> See [http://en.wikipedia.org/wiki/Orteig\\_Prize](http://en.wikipedia.org/wiki/Orteig_Prize).
- <sup>4</sup> See <http://www.eda.gov/news/blogs/2012/01/01/qa.htm>.
- <sup>5</sup> The X Prize Foundation is a nonprofit that creates and manages public competitions to benefit society through the use of technology and innovation. See <http://www.xprize.org/>.
- <sup>6</sup> "Hartford.Health.Works consists of health-care and medical-technology companies and a medical-device trade group. The team seeks to leverage health-care technology to attract entrepreneurs, capital, and jobs to Hartford. [The Community Solutions] proposal, Made at Swift, seeks to establish a 'food cluster' at the Swift Factory, a long-abandoned factory in the city's North End. The team seeks to eliminate homelessness by targeting root causes. Hartford Rocks is focused on marketing Hartford as a destination city for America's young entrepreneurs through four interrelated components: streetscapes, transportation, economic development, and arts and entertainment." See Kenneth R. Gosselin, "Economic Development Contest Enters Second Round," *Hartford Courant*, December 1, 2014, <http://www.courant.com/business/hc-strong-cities-strong-communities-hartford-connecticut-20141201-story.html>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

photos Anthony Price



# High School Pathways to Prosperity

Nancy Hoffman and Amy Loyd  
JOBS FOR THE FUTURE



Marlborough's spring STEM 2014 Showcase.

The Pathways to Prosperity Network helps young people attain an industry credential or associate's degree in a high-demand field.

Roughly 30 percent of the job openings projected for the United States over the next decade will require some education beyond high school, not necessarily a four-year degree. Currently, barely 50 percent of today's young people arrive at age 25 with any postsecondary credential.<sup>1</sup>

That disconnect is the focus of the 11-state Pathways to Prosperity Network, created in 2012 by Jobs for the Future (JFF) and the Harvard Graduate School of Education in response to the 2011 report *Pathways to Prosperity: Meeting the Challenge of Preparing Young Americans for the 21<sup>st</sup> Century*.<sup>2</sup>

The report argued that the U.S. education system had been too focused on preparing all young people to pursue four-year degrees immediately after high school. It called for early pathways to high-growth, high-demand occupations—through community or technical college, with the option of going on to complete a bachelor's.

## Promising Approaches

The Pathways to Prosperity Network's goal is to build career pathways from grade 9 to 14 (the first two years of postsecondary education), focusing on high-demand sectors and providing students with useful credentials while keeping options for further education open. Network participants are encouraged to work on early and sustained career advising, employer engagement, infrastructure to support work-based learning, and state policy.

In Massachusetts, the work began in Boston, West Springfield, and Marlborough, with Brockton joining later. The Boston effort

focuses on health-care careers, West Springfield on advanced manufacturing, Marlborough on jobs in science, technology, engineering, math (STEM), plus information technology. Each collaborative effort features a school, a postsecondary institution (Framingham State University or a community college such as Bunker Hill, Massachusetts, Quinsigamond, or Springfield Technical), the region's workforce investment board (WIB), and one or more employers.



Community College's engineering-technology department. Thanks to the leadership of the Hampden County Regional Employment Board, IT and health-care pathways are scheduled to begin in 2015 at other comprehensive high schools in the area.

Marlborough, meanwhile, launched its STEM early-college high school in fall 2011 with funding from a Race to the Top grant and with technical assistance from Jobs for the Future. Early colleges provide low-income students a mix of high school and college courses allowing them to earn up to two years of college credit or an associate's degree while earning a high school diploma.

The Marlborough program immerses 600 young people, grades 6 through 12, in advanced, interdisciplinary, collaborative projects and work-based learning. Starting in 10<sup>th</sup> grade, students earn college credits through partnerships with local colleges and universities. In addition, they explore the world of work through internships, including at Marlborough Hospital/UMASS Memorial, the software company Parametric Technology Corporation, and the medical-device company Boston Scientific. Intended for students at risk of not completing any postsecondary credential, the program serves English language learners, Latino students, and students with disabilities. Nearly half of the participants are eligible for free or reduced-cost lunch.



### Youth CareerConnect

In 2013, JFF applied for a U.S. Department of Labor Youth CareerConnect (YCC) grant, using the Pathways framework as the guiding rubric, and was awarded \$4.9 million to scale up innovative high school models geared to regional labor market needs. Boston, Brockton, Marlborough, and West Springfield became the demonstration sites for YCC in Massachusetts and are expected to serve 1,650 students over four years.

A distinction of the Massachusetts Pathways approach (which became part of the College and Career Ready unit of the Massachusetts Department of Elementary and Secondary Education in 2014) is that community colleges and WIBs, not school districts alone, serve as the organizing hubs. Massachusetts has supported its WIBs by a unique line item in the state budget called "Connecting Activities," which establishes public-private partnerships in ways that support career-development education. Through Connecting Activities, students are provided structured, work-based learning with stipends provided by the private sector.

The job market in Massachusetts demands very high levels of technical skills. The White House's argument for developing Youth CareerConnect through the U.S. Department of Labor was that the country should be growing its own labor force rather than importing immigrants on H-1B visas. H-1Bs are particularly common in New England.<sup>3</sup>

It's true that Massachusetts is the top educational performer in the nation.<sup>4</sup> Nevertheless, the system may not be producing enough

Boston demonstration sites include Edward M. Kennedy Academy for Health Careers and the Community Academy of Science and Health. The software company SAP is sponsoring C-town Tech, an information technology program at Charlestown High School, launching in September 2015. The Private Industry Council, Boston's WIB, is providing workplace opportunities.

JFF has supported West Springfield's advanced-manufacturing pathway, which began in fall 2013 with an exploratory course for 9<sup>th</sup> graders. Students make visits to Hampden County manufacturers and participate in summer enrichment at Springfield Technical

of the middle-skilled workers that companies seek.<sup>5</sup> Pathways students gain credentials in advanced manufacturing, allied health, and IT while also earning general education requirements that could allow them to move on to a bachelor's later.



## Ongoing Work

One challenge in Massachusetts is the absence of policies and sufficient funding to enable high school students to take college courses. As research in other parts of the country confirms, such dual enrollment can give young people a leg up and help them develop a college-going self-image before they actually matriculate.<sup>6</sup> JFF is helping states to develop dual-enrollment policies and funding strategies that give those who are underrepresented in higher education a head start on college.

Today in many states, high school students can take college courses free of charge without exposing the school district or the postsecondary institution to loss of funding. Research shows that students who enter a two-year or four-year college without need for remediation—a goal of early college—have a significantly increased likelihood of completing a degree.<sup>7</sup>

\*\*\*

Much of the optimism about the latest initiatives is based on JFF's work developing early-college high schools across the United States. Now close to 300 strong and serving more than 80,000 low-income students and students of color in 28 states, the schools have seen the average student completing a year of nonremedial college work before graduating from high school. Indeed, about one-third of the students graduate from high school with an associate's degree.<sup>8</sup>

The Pathways to Prosperity Network expects comparable or even better results going forward, given the growing understanding among families and young people that gaining technical skills in high school is more likely to lead to success in the labor market.

Although it's still early for robust results data, we can say that students and their families are taking advantage of the opportunities.

The advanced-manufacturing program in West Springfield, for example, has exceeded its quota of applicants, 10<sup>th</sup> and 11<sup>th</sup> grade Marlborough students are taking college courses, and both Boston health-science schools are preparing students to complete the math and English requirements that will permit them to move to the next level without needing remediation.

Although education is not only for finding a job, the Pathways team believes that, given today's challenging economy and high youth unemployment, helping young people understand the labor market and get some experience in an initial career is a moral and practical imperative.

---

**Nancy Hoffman** is a vice president and senior advisor at Boston-based *Jobs for the Future*, and co-lead of the *Pathways to Prosperity Network*, where **Amy Loyd** is a director. Contact them at [nhoffman@jff.org](mailto:nhoffman@jff.org) or [aloyd@jff.org](mailto:aloyd@jff.org).

## Endnotes

- <sup>1</sup> See <http://nces.ed.gov/pubs2014/2014083.pdf>.
- <sup>2</sup> William C. Symonds, Robert B. Schwartz, and Ronald Ferguson, *Pathways to Prosperity: Meeting the Challenge of Preparing Young Americans for the 21<sup>st</sup> Century* (report, Harvard Graduate School of Education, February 2011), <http://www.nmfoundation.org/resources/multiple-pathways/pathways-to-prosperity>.
- <sup>3</sup> See Robert Clifford, "Demand for H-1B Visas in New England: An Analysis of Employer Requests for Highly-Skilled Guest Workers" (New England Public Policy Center Policy research report no. 14-1, Federal Reserve Bank of Boston, 2014), [http://www.bostonfed.org/economic/neppc/policyreports/2014/neppcpr1401.htm?wt.source=bfo\\_h1bvisas\\_nn](http://www.bostonfed.org/economic/neppc/policyreports/2014/neppcpr1401.htm?wt.source=bfo_h1bvisas_nn).
- <sup>4</sup> The National Assessment of Educational Progress (NAEP), "The Nation's Report Card" and the only nationally representative and continuing assessment of what America's students know, assesses representative samples of students in grades 4, 8, and 12. Massachusetts has led the nation for five consecutive NAEP administrations, the last in 2013.
- <sup>5</sup> See Julia Dennett and Alicia Sasser Modestino, "The Middle-Skills Gap: Ensuring an Adequate Supply of Skilled Labor in Northern and Southern New England" (Federal Reserve Bank of Boston New England Public Policy Center policy brief no. 11-1, Boston, April 2011), <http://www.bostonfed.org/economic/neppc/briefs/2011/briefs111.pdf>.
- <sup>6</sup> See Ben Struhl and Joel Vargas, "Taking College Courses in High School: A Strategy for College Readiness" (report, Jobs for the Future, Boston, 2012), [http://www.jff.org/sites/default/files/publications/TakingCollegeCourses\\_101712.pdf](http://www.jff.org/sites/default/files/publications/TakingCollegeCourses_101712.pdf). The study tracked 32,908 students who graduated from Texas high schools in 2004 and found that those who took college courses in high school were significantly more likely to attend and graduate from college than peers who did not.
- <sup>7</sup> See <http://all4ed.org/wp-content/uploads/2013/06/SavingNowSavingLaterRemediation.pdf>.
- <sup>8</sup> See Michael Webb and Carol Gerwin, "Early College Expansion: Propelling Students to Postsecondary Success at a School Near You" (report, Jobs for the Future, Boston, 2014), <http://www.jff.org/publications/early-college-expansion-propelling-students-postsecondary-success-school-near-you>.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bostonfed.org/commdev/c&b](http://www.bostonfed.org/commdev/c&b).

photos Jobs for the Future



PRST STD  
US POSTAGE  
**PAID**  
REYNOLDS DEWALT

## Communities & Banking

Regional & Community Outreach  
Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, MA 02210

Change Service Requested

# The Color of Wealth in Boston

Income inequality in the United States receives most of the attention, but the “wealth gap”—inequality in different groups’ net worth—is even more dramatic. In a new report, the Boston Fed analyzes the wealth gap in the Greater Boston area according to race, ethnicity, and country of origin.

Visit:

<http://www.bostonfed.org/color-of-wealth>

