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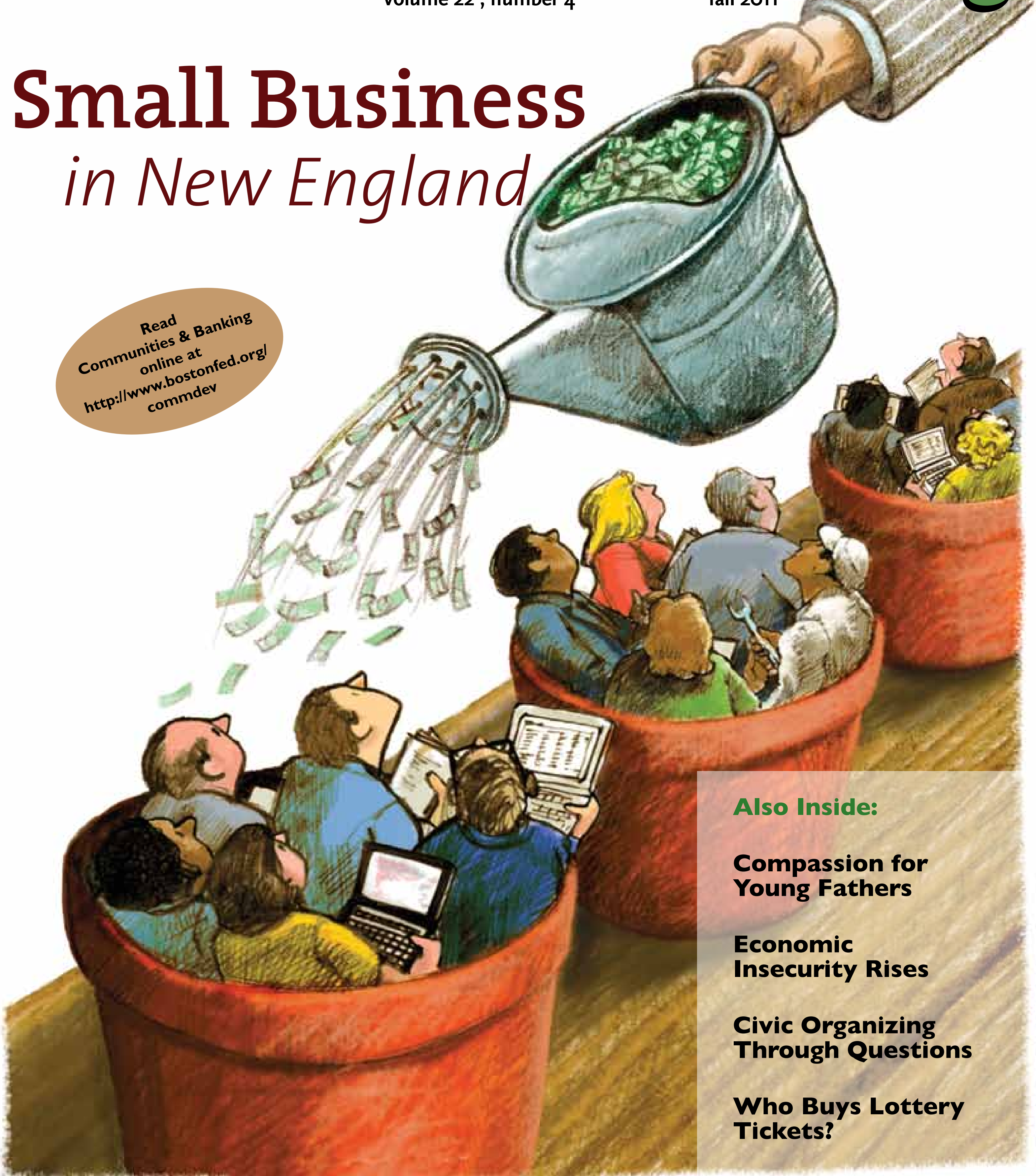
Small Business *in New England*



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

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Cover illustration: Barry Maguire

Letter from the Editor

Thank you for reading *Communities & Banking*, the only magazine focused on building the economic strength of New England's lower-income communities.

We are a forum for the exchange of ideas, whether those ideas come from research on lower-income issues or from practitioners with a detailed understanding of what has worked and what hasn't.

Why does the Federal Reserve care? Ever since the Community Reinvestment Act was passed more than 30 years ago, banks have been tasked with giving support to their local communities, and regulators have been tasked with encouraging that commitment. The Federal Reserve's community development efforts grew out of a need to be more informed about lower-income communities in the 12 districts and more engaged. The recent financial crisis underscored the notion that understanding communities' strengths and vulnerabilities might also lead to a deeper reading of the potential for shocks.

That is one reason that *Communities & Banking*, produced in the community development unit of the Federal Reserve Bank of Boston, strives to cover a wide array of topics affecting low- and moderate-income people in our region. We want to keep our ear to the ground—and to help you do that, too.

The current issue is typical of our variety of interests. We have four articles related to small business. They cover recent lending surveys, entrepreneurship studies from Brandeis and the University of Massachusetts, and an interview with Karen Mills, the head of the U.S. Small Business Administration.

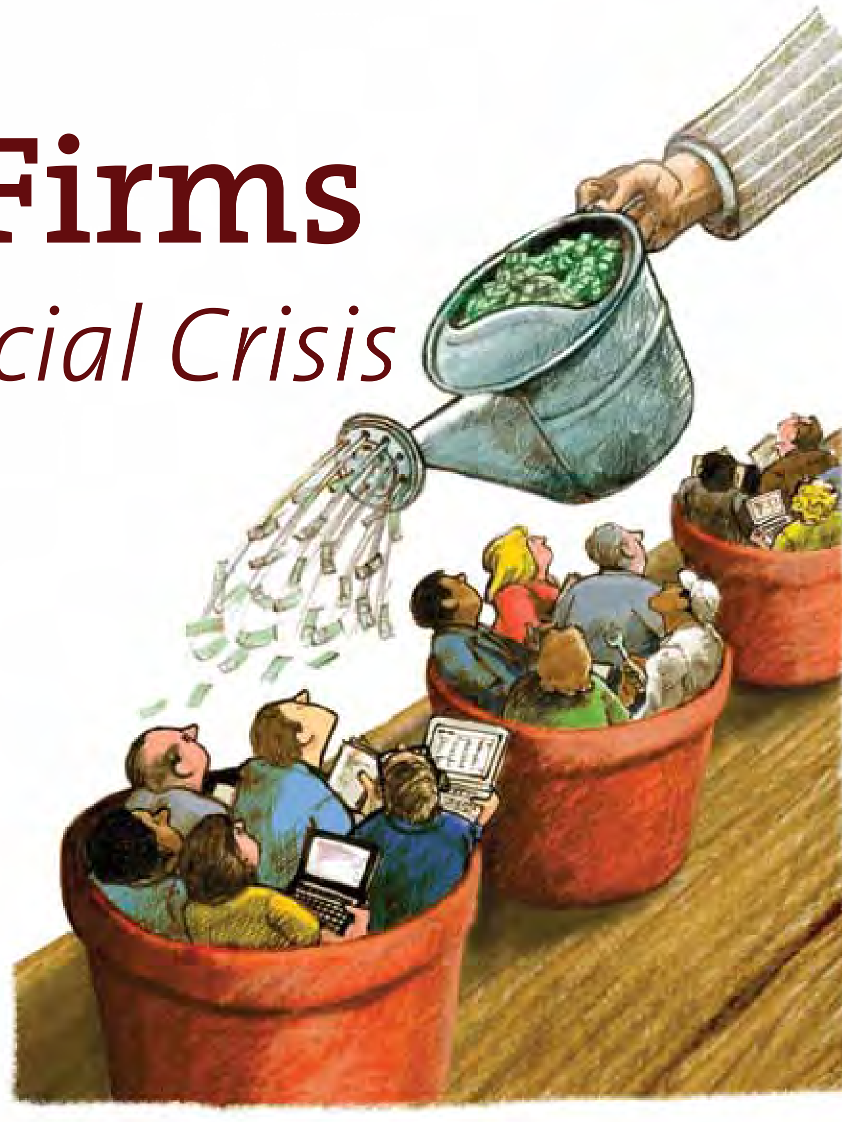
We also present new research on how the middle class may be falling into economic insecurity and on the demographics of people who buy lottery tickets. Additionally, four pragmatic programs captured our attention: one that helps young fathers, one that stimulates grassroots civic engagement, one that helps people fix their credit and buy a car, and one that supports at-risk youth while saving money for taxpayers on the costs of prisons.

Are we providing what you want? I urge you to e-mail me at caroline.ellis@bos.frb.org with your thoughts on what's missing and what you like. How do you use the magazine?

Let's be in touch.

Caroline Ellis
Editor

Start-up Firms
in the Financial Crisis



by Catherine L. Mann
Brandeis University

Start-up firms are a key feature of the U.S. economy.[1] Annually, start-ups account for about 20 percent of all companies.[2] On average, they create 3 million jobs per year, somewhat more than 5 percent of total job creation.[3] But, by 2009, in the depths of the Great Recession, the rate of job creation at start-ups had fallen significantly, to about 2 million jobs per year, as a result of fewer start-ups and/or fewer jobs at each start-up.[4] Although job creation at start-ups should increase as the economy recovers, it is worth asking whether the financial crisis will have a lasting effect.

Overview and Analysis

The Kauffman Firm Survey tracks a panel of about 5,000 businesses from year to year. Each business has a unique identification number. The original survey asked each firm more than 1,400 questions, seeking out details on financial structure, owner and founder characteristics, business and innovation activity, and location. Survey start-ups are not only new but also small. Ninety-eight percent have fewer than 25 employees in their start-up year. But although small by standard metrics, a firm with 25 people in its first year represents real job creation. (See "Financial Structure 2004.")

Summary statistics for the 2004 sample show that for the average start-up, 64 percent of financing at inception is internal equity (primarily the entrepreneur's own resources), 30 percent is external loans (both bank and credit card), and the rest is made up of loans from friends and family and external equity (often from angels or venture capitalists). Compared with previous work on small firms, that suggests a much greater role for internal resources at launch than for young firms with ongoing operations.[5] However, there is significant variation in these averages and the gross distinction between debt and equity does not take advantage of the KFS detail. In particular, distinguishing between bank loans and credit card debt could be important, since the former has a much higher burden of credit assessment than the latter, but both were restricted during the financial crisis.

Start-ups with more physical assets, or those where the owners have more than one business, are more likely than other start-ups to have external debt (for example, a loan from a bank) in the financial structure. The physical assets of the start-up and the assets of the entrepreneur's other businesses can be pledged as collateral since they have some liquidation value. In fact, as tangible capital increases by a thousand dollars, new ventures are 5.7 percent more likely to use bank loans and 3.4 percent more likely to use credit cards to finance their operations than to use personal resources.

Start-ups with mostly human capital (the entrepreneur) or with some intellectual property assets (say, a brand name or trademark) have a lower probability of using debt. That is because such assets are specific to the start-up and its people and are not liquid or valuable as collateral. Start-ups located in the entrepreneur's home are the most opaque in terms of financial structure, which is dominated by credit card debt. Entrepreneurs with home offices are 17 percent more likely to use credit cards than other start-ups.

Team-run start-ups and those started by serial entrepreneurs are more likely than other start-ups to have owner and venture capital equity in their financial structure, consistent with greater personal resources and the availability of information about the principals. A serial entrepreneur is 3.3 percent less likely to use credit card debt for the start-up and 2.6 percent more likely to be financed by other types of external debt, such as government loans. Team-run firms are 35 percent less likely than other start-ups to finance their operations using credit cards and 72 percent less likely to use nonbank loans (as opposed to personal resources and that of family and friends). These results are consistent with serial entrepreneurs and team-run start-ups having a wealth base from which to finance the new enterprise—and in the case of serial entrepreneurs, with their having knowledge of government loan programs. They tend not to use credit cards for financing.

As for owner attributes, older and more educated entrepreneurs are more likely to have debt financing. African American entrepreneurs are more likely to use their own resources or bank loans and are much less likely to use credit card or nonbank debt (even government programs). Controlling for other attributes, there is no difference in the financial structure of women-owned and male-owned start-ups. As for new firms in low- and middle-income communities, it is possible to infer a lower probability of obtaining debt financing (either from banks or credit cards). Lower-income people also have fewer personal resources to tap. Thus more education regarding government loan programs could positively affect the start-up potential of previously underserved owners.

The financial structure of high-tech start-ups is interesting, particularly given the touted role of angel investors and venture capital. Specific factors underpin the different financial structures of high-tech start-ups. Having another high-tech business increases the probability of borrowing from friends and family (who may be the true angel investors), since the likelihood of the high-tech start-up using external equity (specifically coded as VC/angel) is lower than for a non-high-tech start-up. Additionally, serial entrepreneurs in high tech are less likely to use external debt or equity and more likely to use personal resources.

Regional factors and local conditions are also important in start-ups' financial structure. Areas with better-educated resident populations are more likely to finance start-ups using loans from family and friends, sometimes a home-equity line of credit. Start-ups in innovative states (those with high rates of patenting inventions) and states with higher VC activity have a greater probability of having external equity. Start-ups in larger states have a higher probability of bank loans.

Financial Structure 2004: Principal Form of Financing by Number of Start-ups

Friends/family or employees	131
Bank debt	224
Credit card debt	2343
Other loans, including government	199
Angel or venture capital financing	56

Source: Kauffman Firm Survey

More education regarding government loan programs could positively affect the start-up potential of previously underserved owners.

Implications

The research shows that start-ups with more physical assets—or those started by entrepreneurs who have other, similar businesses—are more likely to use external debt in the financial structure because of the high liquidation value. Start-ups with human capital embodied in the entrepreneur or in intellectual property assets have a lower probability of using debt, given their greater asset specificity and lower collateral value. Start-ups characterized as small, unincorporated, solo, first-time, or home-office-based are more likely to be financed by entrepreneurs themselves, family, friends, and credit cards because such businesses have both highly specific assets and information opacity, making them challenging for lenders to evaluate.

The financial crisis, by reducing asset values (such as home values) and by tightening credit assessment of the collateral value of existing business assets, has reduced access to bank debt and likely has hurt entrepreneurs who were planning to open a business by borrowing against their other businesses or their home. Moreover, with financial institutions restricting credit card exposure, and with the market for securities backed by credit card balances currently moribund, start-ups continue to face a crunch on this form of financing. To the extent that such asset valuations and associated credit constraints remain in place, they will continue to undermine start-up formation and job creation.

Nevertheless, states with a less severe drop in home equity—and those with strength in innovation, venture capital activity, and higher education—will offer a relatively better environment and may be poised for a rebound in start-ups and job creation.

Catherine L. Mann *is the Barbara '54 and Richard M. Rosenberg Professor of Global Finance in the International Business School at Brandeis University and a visiting scholar in the Federal Reserve Bank of Boston research department.*

Endnotes

1 This article draws on Paroma Sanyal and Catherine L. Mann, "The Financial Structure of Start-up Firms: The Role of Assets, Information, and Entrepreneur Characteristics," http://www.bos.frb.org/economic/wp/index.htm.

2 John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small vs. Large vs. Young" (National Bureau of Economic Research working paper 16300, Cambridge, Massachusetts, 2010).

3 Tim Kane, "The Importance of Start-ups in Job Creation and Job Destruction" (Ewing Marion Kauffman Foundation report, Kansas City, Missouri, 2010).

4 John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Historically Large Decline in Job Creation by Startup and Existing Firms in the Great Recession" (Ewing Marion Kauffman Foundation report, Kansas City, Missouri, March 2011).

5 A.M. Berger and G.F. Udell, "Small Business and Debt Finance" in *Handbook of Entrepreneurship Research*, eds. Z.J. Acs and D.B. Audretsch (London: Kluwer Academic Publishers), 299-328.

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Credit Crisis SQUEEZES Car Buyers

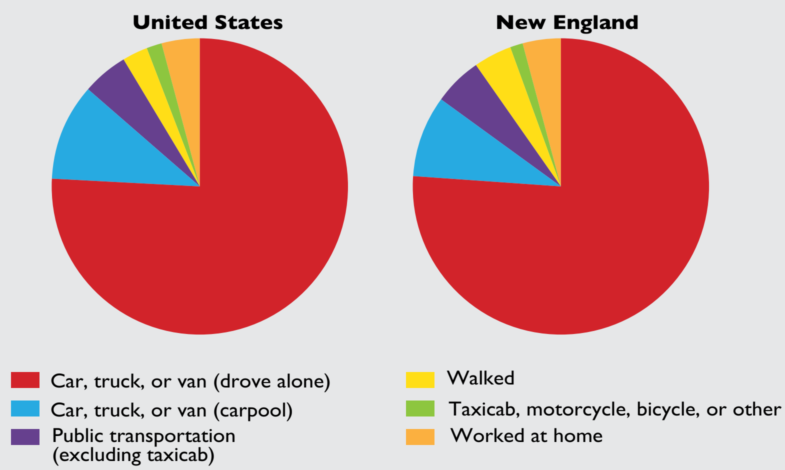
A new partnership between a nonprofit and the banking sector is helping people who have poor credit get financial education, repair their financial standing, and buy a decent car. And not a moment too soon, say advocates for the poor, given that some lenders who made bad home loans before the meltdown are hanging out their auto-loan shingles.

by Debby Miller, More Than Wheels

Buying a Car with Bad Credit

Most of us get up in the morning and get into a car that we know will start and will take us to our destination. (See "Means of Transportation to Work.") But imagine for a moment that your car needs costly repairs and that you cannot purchase a new car because your credit is bad. Worse yet, imagine having a shot at a job that would allow you to become self-sufficient but no way to get there—no car, no public transportation at the hours you need it. (See "Transportation to Work, by Workers' Annual Earnings," p. 9.)

Means of Transportation to Work



Source: 2005-2009 American Community Survey, U.S. Census Bureau.

For many New Englanders, having a reliable car can mean the difference between getting to a job on time and not being able to get to a job at all. If you have good credit, you can usually purchase a personal vehicle for a reasonable amount. Otherwise, the options are few. That has been especially true since the recent economic collapse.

According to the U.S. Department of Transportation, 91 percent of Americans use a personal vehicle to commute to work. Residents of some urban centers may have good public transportation, but other cities' design and the migration of jobs to the suburbs make obtaining and holding a job without a car difficult. The need is especially acute for single mothers trying to get children to day care before work and for employees who have jobs far from home. Families with income above $25,000 are nine times more likely to have a car than families with income below $25,000.

Without a car, a low-income family's opportunities are limited. But if they buy one when they have credit issues, they may find their car is more of a liability than an asset. It is nearly impossible to purchase a functional car at a fair price with affordable financing. Buyers with damaged credit pay excessive prices for older—often unsafe—vehicles at interest rates that are three or five times the rate available to other borrowers. Soon their car needs repairs costing too much for families living from paycheck to paycheck. The car may die before it is paid for or be repossessed soon after the first payment.

Owning a car should help people get out of poverty and into stable employment and a better way of life, not the opposite. Consider the following facts:

- Unscrupulous lenders often coerce borrowers into borrowing more money than they can afford. leading to rapid repossession, while easy access to credit may entice consumers to select ultimately unaffordable models;
- Using a predatory loan to purchase an old, high-mileage car can cost $10,000 to $15,000 more than a traditional loan on a new car over the life of the automobile; and
- In 2005, the average American family spent 20 percent of its household income on transportation, but the poorest one-fifth paid 42 percent.[1]

Many people with poor credit borrow from friends or family or turn to payday lenders, rent-to-own centers, and "Buy Here Pay Here" car lots that can become money traps. But those who improve their credit can avoid predatory lenders and work with mainstream financial services. According to a 2004 CBS Marketwatch program, those with good credit pay approximately $250,000 less in overall interest through their working lives than those with poor credit.

Good credit improves opportunities for rental housing, employment, and access to savings and investment accounts. That is why working on credit repair is so important.

A Purchase that Rebuilds Credit

In 2001, Robert Chambers and Leo Hamill started a nonprofit organization to meet the transportation needs of consumers who had credit problems. It would allow them to purchase new or gently used cars and would provide the financial education and credit-repair tools to create lasting change. That year, the nonprofit More Than Wheels (then called Bonnie CLAC) started up in New Hampshire. Since then, it has helped roughly 1,500 families purchase affordable, reliable, fuel-efficient cars with only a 5 percent default rate. The program expanded into Massachusetts in 2010.

The organization and local lenders agree on rate, terms, and underwriting criteria for clients. More Than Wheels then offers clients a six-week financial education course (including tips on car safety and basic maintenance), credit-repair coaching, counseling on insurance and the like, and help with developing a positive payment history. The lender approves the loan with a low interest rate on the basis of the agreed-on criteria and the changes observed in financial behavior over four to 12 months, depending on the severity of the credit issues. More Than Wheels mitigates risk to the lender through a loan guarantee in case of default. Thus lenders can make loans to borrowers they would not have normally been able to engage, boosting overall loan production.

More Than Wheels gives people a better way to buy a car, providing a proven and effective set of tools that helps them get back on the road to financial freedom. The program demands hard work and diligent financial planning, but the results have been life-changing for customers willing to see it through. The automobile purchase becomes a catalyst to change financial decision making and to encourage choices that build better credit scores and improve economic well-being. Additionally, consumers gain intangible benefits such as empowerment, responsibility, and self-confidence.

The keys to the initiative's success include the following:

- a focus on new cars and good (2-3-year-old) used cars;
- a guarantee of loans at reasonable

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interest rates through unique banking partnerships;
- a program proven to rebuild credit ratings for the long term;
- an effective personal financial course that changes behaviors;
- a focus on giving people the chance to improve their economic position;
- comprehensive support of the car-buying process from beginning to end; and
- ongoing support and advocacy for the life of the loan.

Empowered with new knowledge and skills, many of the participants are now able to improve their job situation, their family's overall well-being, their credit, and their financial stability. In a survey conducted by the University of New Hampshire's Carsey Institute, 75 percent of More than Wheels participants reported spending less on car repairs, 73 percent reported a better overall financial outlook, 50 percent were better able to get to their jobs, 52 percent had improved access to health care, and 38 percent had improved access to nutritious food options. Additionally, More Than Wheels has launched an annual review of credit reports to determine change in credit scores.

The people at More Than Wheels believe that personal-vehicle lending is not just about the car. There is much more that needs to be addressed. Although other entities are suddenly getting into auto lending for people with poor credit, they are not doing credit rehabilitation. In a way, it is good to hear that anyone is thinking about serving the needs of credit-challenged people who need reliable transportation. Nevertheless, if lenders fail to get to the root of what caused clients to be in their situation in the first place, they are just setting them up to commit the same mistakes again.

Lending to consumers with bad credit without providing financial education sends the wrong message, and that message is that it's OK to have bad credit and poor spending habits. Consumers need to get out of the doomed spiral of poverty. They need to learn how to take control of their financial lives and pass along that powerful knowledge to their children.

Financially Healthy Consumers

More Than Wheels sees a wonderful opportunity for banks and nonprofits to work together. They have a lot to learn from each other and together could expand the thoughtful approach described here to helping those who not only need reliable transportation but also have the desire to become financially stable. Working together, banks and nonprofits can ensure that good lending occurs and can fulfill that customer desire.

Such partnerships lend themselves to proactive assistance to consumers before the loan gets made. Community development groups and others should consider providing help to consumers in the form of financial education and credit repair, with the More Than Wheels program as a model. Positively changing behaviors of consumers who have had past credit and money problems not only helps those who have struggled financially in the past but also creates a better customer base for banks. Consumers' need for transportation presents an opportunity that can benefit many stakeholders, but it takes thoughtful lending to create strong, sustainable borrowing.

Debby Miller *is New Hampshire executive director of More Than Wheels. She is based in Manchester.*

Transportation to Work, by Workers' Annual Earnings

Source: 2005-2009 American Community Survery, U.S. Census Bureau.

Endnote

[1] See http://www.transact.org/library/factsheets/equity.asp.

Photograph Courtesy of the SBA

Interview with Karen Mills

In April 2009, President Obama appointed Karen G. Mills to lead the U.S. Small Business Administration. Mills brought to the job a wealth of small business background as an owner and investor. She also had chaired Maine's Council on Competitiveness and the Economy and had written for the Brookings Institution on regional industry clusters.[1] This *Communities & Banking* interview was conducted by Michael Gurau, founder of Clear Venture Partners in Freeport, Maine.

What did you hope to achieve when you joined SBA?

Addressing the three Cs—capital, contracting, and counseling. We're a small agency with a big mission. Two out of three new jobs are created by small businesses. Half of U.S. residents own or work for a small business. When I arrived, small business was in the middle of one of its most difficult periods in recent history. So first we had to address the need for capital. Thanks to the American Recovery and Reinvestment Act and the Small Business Jobs Act, we did help provide capital for small businesses—$42 billion that cost taxpayers only $1.2 billion.

Second, the government contracting program has been putting $100 billion into small businesses annually, with special programs for businesses that are socially and economically disadvantaged, women-owned, or veteran-owned. The third C is represented by our powerful counseling operation, which includes 900 Small Business Development Centers and 110 Women Business Centers. We also partner with 170-plus microloan intermediaries who provide critical training and financing.

Counseling and mentoring are extremely important. And now that we're coming out of the recession, businesses are asking, "How do we get enough liquidity to hire that next person?" We're deeply engaged in helping them grow and create jobs, with particular attention to businesses in underserved communities, where there are lending gaps.

Another area of interest is innovation. SBA sees small businesses in two groups. The first comprises Main Street, the street-level shops like drycleaners and restaurants that are critical elements in communities. But most of the net new job creation comes from the second group—innovative, high-growth companies. We need to support those entrepreneurs differently. That's why the Obama administration launched Startup America, a public/private effort to accelerate high-growth entrepreneurship.[2] We'll deliver impact capital—especially to underserved communities or clean energy projects—through programs serving early-stage and later-stage ventures. As you know, high-growth companies need different approaches to capital, mentoring, and barrier reduction.

We're deeply engaged in helping firms grow and create jobs, with particular attention to businesses in underserved communities, where there are lending gaps.

You're reaching out to entrepreneurs with a listening tour.

The president wrote a memorandum in January about reducing barriers for small businesses, and we're getting started. We're listening at our "Startup America: Reducing Barriers" roundtables. And we're taking action.

What did you actually find yourself doing once you became Administrator?

I originally got involved as part of the president's transition team. It was late 2008, and the credit crunch was in full swing. Once I became SBA administrator, we set goals, and thanks to the Recovery Act and the Jobs Act, we've been able to achieve much of what we thought would help as understood by our analysis during that period. Our current plan involves Startup America and working to fill the remaining gaps in the marketplace.

Do you have funding concerns given today's environment?

People from both sides of the aisle in Congress understand and support small business activity. And we've been able to prove that we give a good bang for the buck. Throughout the budget process, we've focused on programs that put resources directly into small businesses and the programs that strengthen oversight. We're keeping a good watch over taxpayer dollars.

What's on the horizon for underserved communities?

We have a strong effort across all programs to focus on underserved communities and people. And thanks to Deputy Administrator Marie Johns, we now have the Council for Underserved Communities, chaired by entrepreneur Cathy Hughes.[3]

Our role is to provide access and opportunity. If the market will give a loan to a business, taxpayers don't need to. But if you have excellent small businesses that don't have access to opportunity and just need a little wind at their back, our loan guarantees can be effective. According to the Urban Institute, SBA is three to five times more likely to make loans available to women- or minority-owned businesses than others do.

Even though we're starting to see small business lending return, there are still gaps, especially with lower-dollar loans. So SBA has two new programs: Small Loan Advantage and Community Advantage. Both offer a streamlined application process for SBA-guaranteed 7(a) loans up to $250,000. The loans have the regular 7(a) government guarantee: 85 percent for loans up to $150,000, and 75 percent for those greater than $150,000. The programs are aimed at getting lower-dollar loans into the hands of small businesses. SBA and U.S. Department of Commerce studies have shown the importance of lower-dollar loans to formation and growth of small businesses in underserved communities.

Also, we have a program ensuring that 23 percent of all government contracts go to small businesses—$100 billion a year. It's probably the largest program to benefit small businesses across government. The only cost to taxpayers is for managing and oversight. Moreover, government agencies purchasing from small businesses often get lower costs because they aren't paying for big-company overhead and because the most innovative approaches frequently come from these entrepreneurial companies.

We have strong programs that serve socially and economically disadvantaged companies. The 8(a) program not only gives companies opportunities for contracts but also provides advice and counseling.[4] We have mentor-protégé programs, too. And we're proud that we implemented the women's contracting rule passed by Congress back in 2000. Women business owners will start receiving contracts during the fourth quarter of this fiscal year.

In another initiative, we work with inner-city entrepreneurs through the Emerging Leaders program.[5] And we've done significant work with the Native American community by bringing in their entrepreneurs for mentoring and education. People who come out of that program have a strong track record of increased sales and loan approvals. They go back home and hire more people, improving prosperity in tribal communities. That program is now in 27 cities.

Our role is to provide access and opportunity. If the market will give a loan to a business, taxpayers don't need to.

Can you speak to the cohesion of programs across different federal agencies?

We work all the time with Treasury, Labor, HUD—also with the State Department. In regard to programs such as procurement, we supervise all agencies.

There is also a distinct interagency collaboration that focuses on fostering the growth of clusters of small businesses. Through clustering, we can maximize the unique strengths of particular regions and help them compete more effectively on a global scale. Ginger Lew, of the White House Economic Council, has been driving that collaboration. Having written a paper on clusters for Brookings before joining SBA, I was pleased to see the energy throughout the White House and the other agencies behind joining in this effort.[6] SBA is supporting more than 10 regional clusters nationwide, and the clusters are already building businesses and creating jobs. We're joining with other agencies in hopes of doing more.

What are the challenges regarding clusters?

The main challenge is to ensure that we have a sustainable structure for implementing and funding cluster activity. As we begin to see successes in local districts, members of Congress are getting interested in cluster-related economic development for their districts. So far, however, funding has come from traditional program categories. There aren't many ways to do interagency funding. We need to break down silos. A small amount of money galvanizing bottom-up, industry-led cluster activity could lead to vibrant regional economic development. In 2010, we put together the Taskforce on Advancing Regional Innovation Clusters (TARIC), which led to efforts like the Energy Regional Innovation Cluster (E-RIC) program. We now have a cluster in Philadelphia focused on energy efficiency in buildings. Recently, we worked with the Environmental Protection Agency to launch a clean-water cluster around one of EPA's national labs. The University of Cincinnati, the mayor, the EPA's Lisa Jackson, and SBA all collaborated to make this happen.

Where are clusters that benefit economic development more likely to be found?

I don't know if there is any definitive any research on whether they are more likely to emerge in one kind of region or another, but I can tell you that there are clusters in every kind of community—urban, rural, underserved. In Maine, as you know, I was active with the boat-builder cluster, and there's no group less likely to cluster than boat builders in Maine! But it worked. What they saw was that, when they got together, they had more economic power. They were able to attract trained workers and conduct research and development. You can apply that model almost anywhere.

Endnotes

1 Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Companies that are part of a cluster can compete more effectively with other companies.

2 See http://www.sba.gov/startupamerica.

3 See http://www.whitehouse.gov/blog/2011/01/04/sba-s-new-initiatives-underserved-communities.

4 See http://www.sba.gov/content/8a-business-development.

5 See http://www.sba.gov/content/sba-emerging-200-initiative; and http://www.sba.gov/content/sba-expands-%E2%80%98e200%E2%80%99-emerging-leaders-initiative-maintains-focus-underserved-communities.

6 See http://www.brookings.edu/reports/2008/04_competitiveness_mills.aspx.

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Who Buys Lottery Tickets?

iStockphoto

by Brent Kramer

Public lotteries have a long history in the United States, going back to before independence from England. Early leaders of the emerging nation found lotteries to be an effective and politically acceptable way to raise funds. The New England colonies used lotteries to benefit colleges, churches, and public works. Before and after the Revolution, there was "an explosion of public works construction, such as roads, bridges, and canals, much of which was financed by lottery proceeds." [1] Opposition from some churches, the growth of private capital that could be borrowed, and, eventually, the ability of states to tax effectively led to the end of the early public lotteries.

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New England State Lotteries, FY 2009

	Ticket sales in millions of dollars	Prizes in millions of dollars	Prizes as percentage of sales	Net operating income in millions of dollars	Net as percentage of sales	Transfer to state in millions of dollars	Transfer as percentage of sales
CT	$991.3	$604.7	61.0	$282.7	28.5	$282.9	28.5
ME	210.7	130.0	61.7	47.9	22.7	50.6	24.0
MA	4,425.5	3,217.8	72.7	842.0	19.0	859.4	19.4
NH	239.9	142.1	59.2	68.0	28.3	68.2	28.4
RI	2,558.9	2,004.4	78.3	343.3	13.4	344.3	13.5
VT	96.0	60.7	63.2	21.1	22.0	21.1	22.0
New England total	8,522.3	6,159.7	72.3	1,605.0	18.8	1,626.5	19.1
U.S. total	53,062.2	32,222.3	60.7	15,043.4	28.4	17,601.0	33.2

Note: All data except Rhode Island data come from the NH Lottery Commission, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010*, http://www.nhlottery.org/pdf/CAFR.pdf. Rhode Island data come from the Rhode Island Lottery annual report, 2009

In 1964, New Hampshire was the first state in the nation to establish a modern state lottery. The five other New England states followed in the 1970s: Connecticut in 1972, Massachusetts in 1973, Maine and Rhode Island in 1974, and Vermont in 1978. Today, 42 states and the District of Columbia have lotteries, with combined sales of more than $53 billion in fiscal year 2009.[2] Many of these were established as ways for the states to raise money for municipalities, mostly to supplement state grants to school districts. The net collections of the New Hampshire lottery go to an education trust fund. However, in Connecticut, Rhode Island, and Maine, revenues are mixed with all other revenues in the states' general funds. Massachusetts uses lottery money for general municipal aid.

The lotteries in New England, as in the rest of the country, are big business. In 2009, $8.5 billion in lottery tickets were purchased. Of this, $1.6 billion was transferred to the six state treasuries. (See "New England State Lotteries, FY 2009.") Although most of that difference (72 percent) is accounted for by prizes, the operating expenses and retailer commissions cost the programs about 9 percent of sales. Compared with the rest of the country, New England's lotteries (except for New Hampshire) pay out a higher share in prizes and—primarily as a result of higher prize shares—a lower share to their state coffers.

Much of the contemporary opposition to lotteries has come from those concerned with gambling addiction. However, those concerned with tax equity—how various taxes affect people of different means—have noted that state lotteries, like sales taxes, collect revenues disproportionately from people with lower incomes. Numerous studies have shown that residents of poorer areas pay higher shares of their incomes than those in higher-income regions.[3]

Consider Massachusetts—the state with nearly half the population of the New England region and more than half the lottery sales and the highest per capita lottery sales in the nation. An analysis by this author shows that, among the 52 Public Use Microdata Areas (PUMAs) for which the Census Bureau provides annual income data, each $10,000 decrease in median household income for a PUMA corresponds, on average, to a 0.4 percentage point increase in the share of total area income spent on lotteries. The average share of income spent on lotteries in fiscal year 2009 in regions of Massachusetts with median incomes between $50,000 and $70,000 was 2.2 percent, whereas for regions with median incomes between $30,000 and $50,000, the share was 3.4 percent. Although 1.2 percentage points may not seem like a big difference, 1.2 percent of a $40,000 income is $480 per family each year.[4]

Lotteries clearly have an appeal for the general public, both as a means of entertainment and as an investment in hope. And it is understandable that state legislatures, loath to increase taxes, continue to count on these programs for part of needed revenues. But it may not be fair to encourage the public to hold onto the illusion of riches when the "house" (in this case the public as a whole, via the state) always wins. A reasonable question for policymakers would be, "Do we really want to support our public needs by relying on poorer families' desire to gamble on getting rich?"

Brent Kramer *is an adjunct assistant professor at City University of New York and research associate at the Fiscal Policy Institute.*

Endnotes

1 Rhode Island Lottery *Comprehensive Annual Financial Report*, http://www.rilot.com/docs/financial/CAFR-Report-FY-2009.pdf.

2 All national data come from NH Lottery Commission, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010*, http://www.nhlottery.org/pdf/CAFR.pdf. For states, Fiscal Year 2009 is the year ending June 30, 2009.

3 See Brent Kramer, "The State Lottery: Making Massachusetts' Poor Poorer," https://wfs.gc.cuny.edu/BKramer/Who I am/BK_web_page.htm_files/Massachusetts_lottery.pdf.

4 While it is possible that some of the purchases in lower-income regions are by inward commuters, the study referred to here excludes many of these purchases from the analysis. The trend is, in any case, consistently documented.

Mapping New England

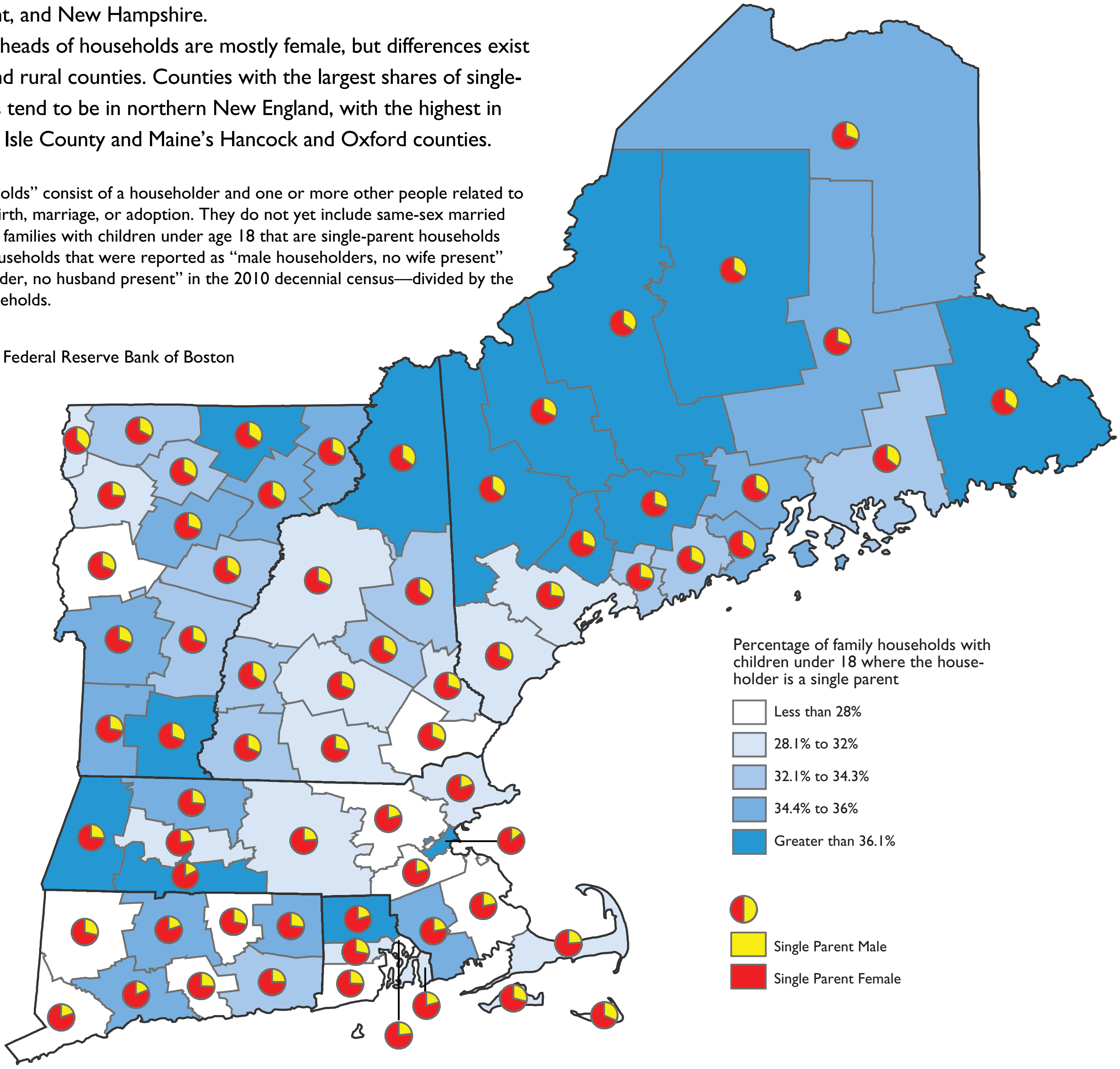
Share of Families with Children under Age 18 That Are Single-Parent Households, by County

The U.S. Census Bureau's 2010 decennial census reports 34.7 million families nationwide with children under the age of 18, of which 32.1 percent (11.2 million) were single-parent households. Of the 1.6 million New England families with children under age 18, nearly 30.9 percent (490,000) were single-parent households. Although a high share of single-parent families may be seen in urban areas, there are similarly high concentrations in rural areas of Maine, Vermont, and New Hampshire.

Single-parent heads of households are mostly female, but differences exist between urban and rural counties. Counties with the largest shares of single-father households tend to be in northern New England, with the highest in Vermont's Grand Isle County and Maine's Hancock and Oxford counties.

Note: "Family households" consist of a householder and one or more other people related to the householder by birth, marriage, or adoption. They do not yet include same-sex married couples. The share of families with children under age 18 that are single-parent households is the sum of such households that were reported as "male householders, no wife present" and "female householder, no husband present" in the 2010 decennial census—divided by the universe of such households.

Map: Robert Clifford, Federal Reserve Bank of Boston



Source: U.S. Census Bureau 2010 Decennial Census, Demographic Profile.

Who Is Lending to Small Businesses?

The Role of Community Banks

by DeAnna Green, Federal Reserve Bank of Boston

Community banks believe they are special.[1] They argue that their strong ties to local communities—whether rural villages or big city neighborhoods—enable them to make a difference economically, despite their small size. And when it comes to small business lending, three recent reports on New England financial institutions tend to support this belief.

Illustration: Barry Maguire

Percentage Change in Small Business Lending Volume at Community Banks

Source: Massachusetts Bankers Association, New Hampshire Bankers Association.
Note: 2010 data is for nine months ending Sept. 30, 2010.

Since the economic crisis, many observers have documented a decrease in lending to smaller businesses. For example, the U.S. Small Business Administration Office of Advocacy found that lending to small business declined by 6.2 percent from 2009 to 2010. The smallest loans—below \$100,000—dropped by 5.5 percent in 2008-2009.[2]

But despite those nationwide statistics, which represent lending by all banks, recent lending data seem to indicate that smaller banks in Massachusetts and New Hampshire continued to lend through the recession. Three recent studies found that larger national banks and out-of-state lenders decreased small business lending in Massachusetts and New Hampshire, while local banks stepped up to provide a greater proportion of small business credit.

Complementing the regional reports, national data from the U.S. Small Business Administration, released in February 2011, show a decline in small business loans by the biggest banks since 2009, while lending by banks with less than \$500 million in assets remained remarkably stable. (See "Value of Small Business Loans.")

Increased Lending

The Massachusetts Community and Banking Council (MCBC) evaluates small business lending trends using Community Reinvestment Act lending data.[3] MCBC found that in 2009, for the second year in a row, local lenders increased market share in small business loans—after years of market share losses to out-of-state lenders.[4] By far, most small business loans in Massachusetts were underwritten by local lenders. For 2009, local lenders originated \$2.6 billion in loans; credit card lenders, \$488.1 million; other out-of-state lenders, \$564.5 million. Overall in 2009, small business lending that banks reported under CRA lending was down, both in the state and nationwide, according to MCBC.

Another Massachusetts study examined all "small business lending" (for smaller banks, small business lending reporting is voluntary under CRA), not just CRA loans. The Massachusetts Bankers Association (MBA) found that local lenders increased lending consistently throughout the recession, between 2007 and late 2010.[5] Nationally, small business lending by community banks increased only in 2008 and declined in the following two years. (See "Percentage Change in Small Business Lending.")

According to the MBA, community banks increased their volume of small business lending by 5.3 percent, 6.7 percent, and 1.2 percent in 2008, 2009, and the first nine months of 2010, respectively. Cumulatively over the two years and nine months reported, community banks increased small business lending by \$1.21 billion.[6]

The New Hampshire Bankers Association also found that community banks in that state increased small business lending between 2007 and 2010. Small business lending volume increased by \$231 million over the three years.

During the same time period, national credit card banks saw a significant reduction of their lending activity in both states, reducing their market share for the first time in years. The dollar amount of credit card loans to small business was down 67 percent in 2009 and 26 percent in 2008. A March 2010 survey by Greenwich Associates also found evidence of a move away from larger banks. Greenwich found that about half the small and midsized businesses it surveyed borrowed from a lender outside the top 20 U.S. institutions.[7]

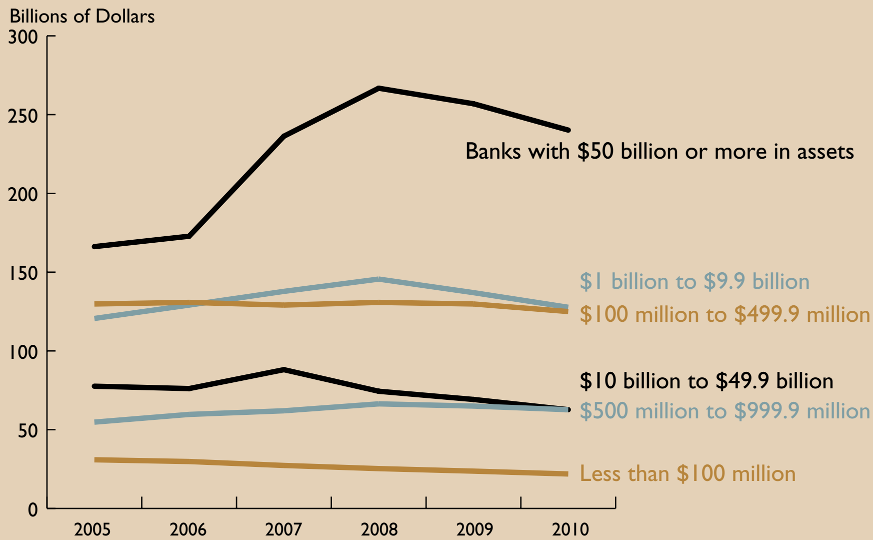
Bruce Claflin, relationship manager in the Boston Fed's Financial Institution Relations and Outreach (FIRO) group, regularly visits financial institutions to talk about the economy and lending trends. He reports that executives at community banks consistently maintain that their small business lending has not been restricted, changed, or otherwise altered in any way that would affect the supply of credit to borrowers. They maintain that the criteria they have used to evaluate qualified borrowers—character, capacity (cash flow), capital, collateral, economic conditions—have remained the same throughout the recession.

They explain that they make their decisions differently from large banks. For example, although they do want to know borrowers' credit scores, that may not be the first consideration during the application process. A 2004 study found that, when deciding whether or not to make a loan, the smallest community banks (under \$1 billion in assets) relied more on a borrower's character. Larger institutions were more likely to use standard criteria obtained from financial statements.[8]

Coming out of the recession, New England community bankers are saying that they perceive a lower overall demand from established businesses. Their observation is supported by a January 2011 National Federation of Independent Business (NFIB) survey, in which 91 percent of respondents said either that credit needs were met or that they were not interested in borrowing. Greg Tewksbury, president and CEO of Savings Bank of Walpole in Walpole, New Hampshire, says, "We have a tremendous desire to lend, but there is still a perception that bankers are being tightfisted. For stronger borrowers it's a buyers' market."

Community bankers note that applicants struggling with recent credit issues or low sales will naturally find it difficult to borrow. Their anecdotal evidence parallels the results of a 2010 Boston Fed survey.[9]

Value of Small Business Loans by Institution Size June 2005 – June 2010



Source: Federal Deposit Insurance Corporation, Statistics on Depository Institutions, June 2005 through June 2010.

The survey asked community bankers to rank reasons for turning down credit applications. Seventy-four percent of banks ranked as their first reason insufficient borrower income, cash flow, or credit score. The same reasons were ranked either first or second by 90 percent of respondents.

Additionally, the National Federation of Independent Business survey found that 73 percent of small businesses using a small bank got the credit they sought in 2010, compared with 48 percent of those using a large bank.[10]

Knowing the Customer

The survey information shows that in difficult economic times, local control and small size can make a difference. As Ben S. Bernanke, chairman of the Board of Governors of the Federal Reserve System, says, "Banks whose headquarters and key decision makers are hundreds or thousands of miles away inevitably lack the in-depth local knowledge that community banks use to assess character and conditions when making credit decisions. This advantage for community banks is fundamental to their effectiveness."[11]

Brian Clarke, the Boston Fed relationship officer who visits community banks in southern New England, says that executives describe their local roots as key to their decision making. "Community banks often describe themselves as local businesses, employing local residents and serving the financial needs of their community," Clarke says. "They interact with their borrowers inside the bank and around the community. They see the results of their loan decisions in the formation of businesses and creation of jobs in their communities every day."

DeAnna Green *is the director of Financial Institution Relations and Outreach at the Federal Reserve Bank of Boston.*

Endnotes

1 Community banks are institutions with less than $10 billion in assets. They typically have a small number of branches within a narrow geographic area.

2 *Small Business Lending in the United States, 2009-2010* (Washington, DC: Office of Advocacy, U.S. Small Business Administration, February 2011), http://www.sba.gov/sites/default/files/files/sbl_10study.pdf.

3 *Small Business Lending 2006-2009* (Boston: Massachusetts Community and Banking Council, 2010), http://www.mcbc.info/PSBL2010Report.pdf.

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5 The Massachusetts Bankers Association defines community banks as state or federally chartered banks with one or more branches in Massachusetts (most are under $4 billion in assets). It calls larger banks with branches in the state "large and regional banks."

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Compassion for Young Fathers

The Fathers Support Service at Catholic Charities North

Photograph: Mark Teiwes

Bennie Ashley Jr. is the coordinator of the Fathers Support Service at Catholic Charities in Lynn, Massachusetts. David Babb is a participant turned program volunteer. *Communities & Banking* interviewed them by phone.

Please describe the program.

Bennie … It's a strength-based, educational program for dads. We use the Five Principles of Responsible Fatherhood: affection, general guidance, financially supporting the mother and the child, demonstrating respect to the mother and the child, and setting an example by living within the law without substance abuse. We prefer guys to come on a voluntary basis, but most are referred through the Massachusetts Department of Children and Families, sometimes through probate court.

Dave … I came voluntarily. With three kids, I felt I'd benefit learning different things from different guys and from Bennie. I like the structure and principles. The respect thing is really crucial, because I have to teach that to my children, and I have to respect the other parent. I'm divorced. Bennie comes over as a very positive person. He doesn't reject your way of doing things. He just shows how your way can become better by interacting with other people's ideas. There's no book that can teach you to be a dad. You pick up a little from everyone.

Bennie, how did you get into this field?

Bennie … The field actually got into me. I have a passion for it as a single dad myself. I saw the ad in the paper, and I said, "This is the work I want to do. I want to help men become more positively involved in the lives of their children." Often men don't know how because they didn't have their father involved in their own lives. I knew the hurt that I felt as a child growing up without my father. I didn't want my children or other children to feel that way. I felt it was important to help men understand the psychological and emotional stress that you put on a child if you are not involved in a positive way.

Where did you work before?

Bennie … I was a corrections officer. I can tell you the exact moment it struck me that someone needed to educate men on the importance of being involved in children's lives. One morning, this young man who was no more than 19 years old asked me to congratulate him. He said, "I'm a dad." I said, "Good for you. How many is that?" And he said three. And I said, "What influence are you going to have on their lives? You're creating a cycle that's going to be repeated by your son one day." That young man went back up to his cell, and he stood there very dejected. That's when it hit me. Having a child should be a joyous occasion. So I went up and congratulated him and embraced him. And I sat down and started having a heart-to-heart talk about how as a man you are defined by what you do and how you enhance the life of the children you bring in this world. I said, "I'm happy for you, but I want to see you do better for your children by making something out of yourself." It was at that point I realized there was a huge need for educating men on the importance of being involved in their children's lives.

How did *you* avoid repeating the cycle?

Bennie … I decided at a very young age I didn't want to follow in my father's footsteps. You always run across people who have influence on you. I remember Miss Finney, a teacher who helped me think about what I wanted out of life. I had uncles if I was looking for a role model, but I wasn't looking for a role model. I was looking for a *dad*, someone to help me define what a man should be. I thank God I was able to figure that out on my own. I became a father very young, 18, and it was sink or swim. You take a look in the mirror and decide that it's time for you to grow up. You brought a child into this world, and that child is dependent on you for everything.

Dave, do you see the program changing the participants?

Dave … I think the majority are growing.

A lot of these guys are lost and don't know who to turn to. It's a big problem today. There are not enough groups like this.

Please address the fear that discussing this topic automatically makes people think of urban minorities?

Bennie … How to be a dad is not something that only one group of men need to learn. If there is a stigma on urban minorities, then society must have made it that way. I know African American fathers that are very involved in their children's lives. I also know some that struggle. Bureaucratic barriers may keep them from being involved. If they don't have a job, they may not be able to pay child support. If they don't have housing, that can become the issue. I think society doesn't consider the mental health or the educational piece enough. In the program, we see a lot of illiteracy. Dads—black or white—may want to be involved with their children but can't because they don't have the education to fill out a job application. No man feels like a man when he doesn't have money in his pocket, especially when all he's hearing is that he doesn't provide. He begins to feel like he is just viewed as a dollar sign. We need to look at the causes that make some men throw up their hands. It's not about color. It's about barriers.

Do you feel like father figures to the class?

Dave … Not really, but they do look to you for guidance about what they need to be doing. My greatest satisfaction comes from taking them somewhere and showing them what they can do, helping them go to court and file to see their kids or to transitional assistance and file for food stamps. Guys don't know. That's what's important today—to show them the avenues and help them feel more confident. All we can do is show them. After that, they need to step up and handle it themselves.

Bennie … My greatest satisfaction is the thought that you can touch the life of a man so he will become involved in his children's lives and touch their lives, and it can carry over. People need to understand the importance of fathers in children's lives. I walk around and look into the faces of children, and I see too much despair, especially in today's economy. I see they're missing something. To me, the father is the piece that's missing.

Varieties of Outreach

Among the initiatives supportive of fathers and fathering are the blog Playground Dad on the West Coast and the Boston-based Good Men Project. Different as they are, they share with the Catholic Charities program a belief in the importance of helping dads engage in their children's lives.

Playground Dad

When Mike Johnson started taking his children to the playground near his California home, he was struck by the numbers of fathers who were there. That seemed new, different from the culture of the Boston suburb where he grew up.

Johnson soon concluded that the difference was generational. For whatever reason, perhaps because they wished their own dads had played with them more, perhaps because more mothers were employed, fathers were increasingly engaged in child-rearing.

Johnson, a veteran of the video game industry and a web designer, saw numerous mommy blogs on the Internet and had an idea. PlaygroundDad.com was born.

"The average dad spends about six hours a week with his kids. That's not perfect," writes Johnson, "but today's dads are doing better than the previous generation. PlaygroundDad.com is for the dads who dare to make the most of these six sacred hours: no Blackberrys, no conference calls, just quality time. Playground Dad connects this new generation of fathers with the events and products that help them spend better time with their newborn to grade school aged kids."*

Johnson routinely scans the Internet for dad-worthy information for Playground Dad and can be found on Facebook and Twitter.

* Johnson's own father contributes here: http://playgrounddad.com/2010/10/04.

The Good Men Project

The Good Men Project magazine, for "thoughtful men with a conscience," is one of many efforts by former venture capitalists Tom Matlack and James Houghton to start what Matlack calls "a national conversation on what it means to be a good man and a good father." There's the book—which captures the voices of men in all walks of life—the DVD, the option for Broadway, the proposed television series.

But a pillar of their work is the Good Men Foundation, which donates to "organizations that provide educational, social, financial, and legal support to men and boys at risk." Matlack and Houghton believe the foundation is helping to generate a "dialogue—by men, among men, and about what it means to be a man in America today" and to create "an increased awareness of the problems specific to at-risk boys and men."

Several of the organizations the foundation assists are in Greater Boston. Street Potential uses art and hip-hop music as vehicles for self-expression and an increased sense of personal accomplishment among men ages 13 to 20 in the juvenile justice system (www.trinityinspires.org). The Boys and Girls Club of Boston helps young people, especially those most in need, to build strong character and realize their full potential as responsible citizens and leaders (www.bgcb.org). Big Brothers Big Sisters of Massachusetts Bay (www.bbbsmb.org) serves 3,500-plus youths through one-to-one mentoring relationships. Dorchester Youth Alternative Academy (www.dyacademy.org) provides education, community services, and counseling to Children in Need of Services (CHINS), an at-risk population of truant youths.

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by John Ward, Roca

Giving *At-Risk Youth* a Chance

In 1988 in Chelsea, Massachusetts, Molly Baldwin founded a nonprofit called Roca to help urban youth cope with the challenges of entering adulthood. An experienced case worker, Baldwin knew that the transition was intensified for young people who lived in under-resourced communities like Chelsea, where youth disengagement and disenfranchisement were rampant. Baldwin saw disenfranchisement as a threat to the nation's future as a prosperous, just society. So she and her staff began a process of intensive community engagement, reaching out to the most high-risk youth and offering them a safe place to spend time and talk about their problems.

Building a Dream

Unlike many observers at the time, Baldwin believed that solving the problems facing urban youth was possible. Today she believes just as deeply, but she also has learned that for maximum impact, the grassroots approach to community and youth development must be complemented by institutional and financial partnerships with government and business. Additionally, she and her staff have refined Roca's intervention model, adopting a codified theory of change and targeting a distinct population. To date, Roca has helped more than 17,000 young people from Chelsea, East Boston, and Revere. In 2010 alone, it served 705 Boston-area youths while launching its first full-scale replication in Springfield, Massachusetts.

iStockphoto

The goal to help youth move out of violence and poverty has not changed, but as Roca deputy director Anisha Chablani explains, the means have become increasingly deliberate and sophisticated. Starting in 2004, Chablani says, Roca engaged in an intensive learning and development process. "We weren't getting bad outcomes, but we wanted solid, proven, positive results across the board. At about the end of 2005 we had an Ah-hah moment. We realized that in order to get better outcomes, we needed to establish a sound theory of change which would drive every aspect of the work." Roca also saw the need to rigorously track staff efforts and participant outcome data.

Roca drilled down into cognitive-behavioral intervention research, field-tested youth-development strategies, and the theories of restorative justice, and synthesized the components into one cogent model. What emerged is Roca's Intervention Model for High-Risk Young People.

The Intervention Model

The intervention model is a two- to three-year, comprehensive, cognitive-behavioral approach based on the Stages of Change framework. Stages of Change incorporates five phases of psychological and behavioral progress toward a goal: precontemplation, contemplation, preparation or planning, action, and sustaining. For at-risk individuals, it is not uncommon to relapse and require repetition of earlier phases to reach sustained behavior change.

Roca's model applies the framework to 16- to 24-year-olds living on the streets or involved in gangs, drugs, or the court system. Participants may also be

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high school drop-outs, young parents, immigrants, or refugees. Initially, Roca had attempted to accommodate many ages, starting with middle school. As staff members increased their understanding of cognitive restructuring, they realized they would have more impact targeting the late-teen and early-adult population.

The Roca model uses a systematized set of stage-based programming, combined with intensive case management to move young people through the stages toward sustainable change. It has four major core components: 1. relentless outreach and follow-up, a strategy for engaging young people wherever they may be; 2. transformational relationships (Roca's long-term case-management model uses positive, consistent personal relationships with adult staff as the primary vehicle for effecting change); 3. stage-based programming, which offers programs for life skills, education, and transitional employment to address each individual's behavioral and developmental barriers to economic and social success; and 4. relationship building with the agencies and public entities that have roles in young people's lives, including the courts, the probation department, the Department of Children and Families (formerly Department of Youth Services), law enforcement, and local governments.

Roca's model is particularly unusual in helping young people who struggle to remain engaged. Most programs dismiss high-risk youth at the most difficult moments. But Roca's Intervention Model was built to support those who relapse multiple times. Staff do not wait for the young people to reengage on their own. They go out and find them wherever they are and bring them back.

By establishing a systematized model for intervening in high-risk young lives, Roca has seen an unprecedented level of success with a previously hard-to-serve, neglected, and over-incarcerated population. In Massachusetts alone, it is estimated that in 2007 roughly 60,000 youths between age 18 and 24 were disengaged—unemployed and uninvolved in any educational programming.[1] Roca's ability to reengage the roughly 1,000 young people it works with annually has made it a vital resource for the Commonwealth. It saves government money by improving public safety, offering a viable path away from crime, and helping youth get jobs and become economic contributors.

Among Roca's recent graduates, there is a 79 percent rate of employment retention, a 98 percent rate of no new arrests, and a 90 percent rate of no new pregnancies. A cost-benefit analysis shows that Roca's $5,000 average annual per-participant programming cost beats incarceration costs by far, which average $45,000 per inmate per year in Massachusetts. With *The Journal of Criminology* putting the lifetime public costs of high-risk individuals between $250,000 and $2 million, organizations like Roca can be critical to saving resources.[2]

Although the National Transitional Jobs Network, the U.S. Department of Justice, and the Gates Foundation have all touted Roca's work, it was a more local fan who pushed Roca to replicate its model outside of Greater Boston. In 2008, Hampden County Sheriff Michael Ashe asked Roca to train his department in a transitional-employment program for young offenders. Roca's leaders were thrilled to work with Sheriff Ashe, who has been nationally recognized for his jail management innovations and his efforts to reduce recidivism. And as the training progressed, Ashe became increasingly interested in bringing Roca's full model to the City of Springfield.

The second poorest Massachusetts city—with high levels of gang violence and sky-rocketing teen pregnancy—Springfield was struggling with an unemployment rate nearly 5 or 6 points higher than the state average. Baldwin could see both the potential and the risks of fully replicating the model. "At first," she admits, "we thought it was crazy. We didn't know if we were ready for such a big undertaking. But thinking about it more deeply, we realized that it was not only possible, but that it was a perfect match."

Replication in Springfield

There were challenges. The complexity of Roca's model demanded a high level of institutional coordination, staff development, and training—plus significant funding and broad-based community support. But with Sheriff Ashe as champion, the pieces fell into place. Baldwin's fundraising and development experience and Ashe's connections in politics, government, criminal justice, and the community helped Roca gain support from key players, including the police, Mayor Domenic Sarno, and city hall. Roca also garnered significant start-up funding from Boston-based Strategic Grant Partners, among others.

Ashe helped to find Yusef Id-Deen, a local activist with experience in social work and youth development, who became Roca's Springfield program director. Having a leader with strong community ties, familiarity with the streets, and social work experience was a tremendous asset. Launched officially in July 2010, Roca Springfield is now serving 50 high-risk young men, all with felony records. By 2014, the program is slated to help 200 young people annually and expand services to Holyoke.

Importantly, the replication project demonstrates the potential viability of Roca's model as a national solution to violence and poverty in urban communities. Though an evaluation by the Crime and Justice Institute in partnership with Abt Associates and Brandeis University is not complete as of this writing, Roca's Springfield work strongly suggests that the model is a replicable, scalable system for addressing high-risk young people's needs.

The next few years will be important for Roca and the future of the model. But with the help of partners from local politicians and criminal justice organizations to federal and state government agencies and private corporations and foundations, the organization is well positioned to expand its success serving high-risk youth.

Twenty-three years since its founding, Roca has inspired leaders throughout Massachusetts to reinvest in the state's most disengaged young people and to recalibrate the Commonwealth's commitment to community development. As Sheriff Ashe said in 2010, "I want everyone to know that Roca has a full partnership in western Massachusetts and that we stand ready, willing, and able to stride together, arm in arm, toward a shared vision of a community, where every youth finds his or her best future as their hearts and minds and spirits take wing in our belief in them, our hopes for them, and our efforts with them."

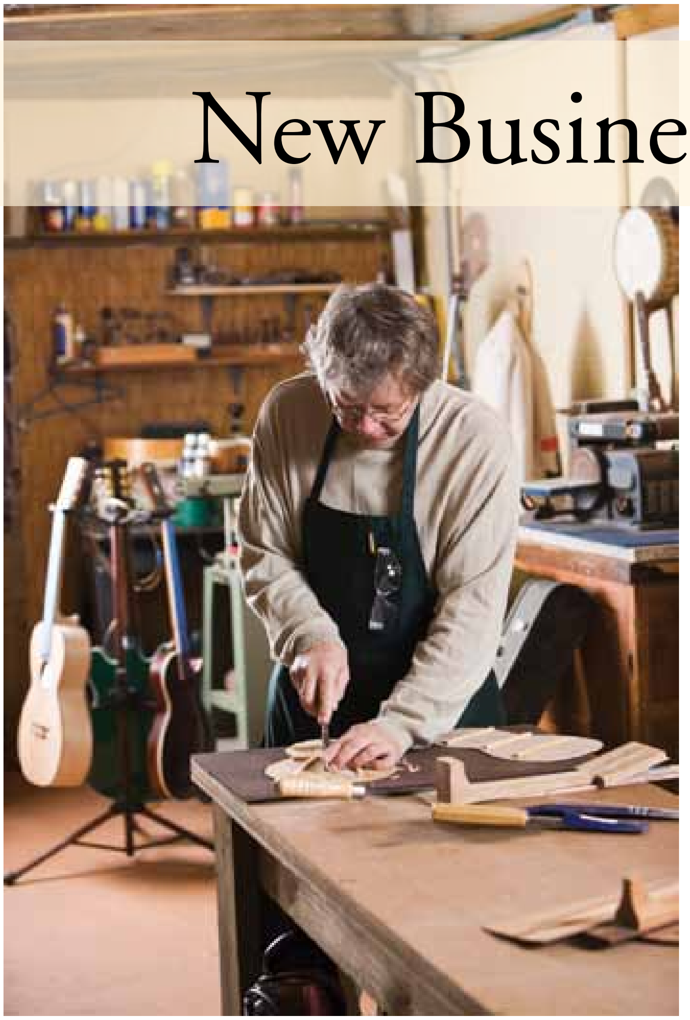
John Ward *is development and external affairs coordinator at Roca. He is based in Chelsea, Massachusetts.*

Endnotes

1 *The Case for The Road to Opportunities Initiative* (Boston: United Way of Massachusetts Bay and Merrimack Valley, 2010).

2 Mark A. Cohen, "The Monetary Value of Saving a High-Risk Youth," *Journal of Quantitative Criminology* 14, no. 1 (1998).

New Business Creation in *Rural* New England



iStockphoto

by Henry Renski
University of Massachusetts, Amherst

Entrepreneurship has been attracting attention as a model for rural economic development following several influential studies showing that new-business formation is strongly correlated with regional growth and job creation.[1] Some observers see a focus on rural entrepreneurship as inherently more cost-effective than traditional business-attraction efforts and more closely aligned with other development goals, such as reducing the dependency of rural communities on a few dominant employers.

Nevertheless, rural areas face challenges that must be understood before an effective entrepreneurial climate can be developed. To gain an understanding of the situation in rural New England, we can look at the U.S. Census Bureau's Statistics of U.S. Businesses (SUSB) and review recent trends in new-business creation. The SUSB reports on the number of independent—that is, nonsubsidiary—business start-ups by county and industry for each year between 1998 and 2006. (It excludes nonemployer businesses, private households, certain types of agricultural production, and most government entities.)

New England has 37 rural counties and 30 metropolitan counties. Four of New England's rural counties are technically metropolitan, but they are designated as rural here because they have low population densities and do not contain a large central city. They are Franklin and Berkshire counties in Massachusetts and Grande Isle and Franklin counties in Vermont.

Recent Trends in New-Firm Formation

On the whole, New England lags the nation in new-firm creation for both rural and metropolitan areas. (See "Year-to-Year Change in New-Firm Formation.") In a few periods, such as 2000 to 2001 and 2004 to 2005, rural start-up rates in New England exceeded national rates, but the gains were not sustained.

On a per capita basis, relatively more new businesses are started in rural areas than in metropolitan areas. That may seem surprising since entrepreneurship is commonly viewed as an urban phenomenon resulting from superior market access, infrastructure, and younger and more highly educated residents. But if we define entrepreneurship as people starting a new business, we often find higher rural start-up rates. The six New England counties with the highest start-up rates are all rural. (See "Formation Rates of New Firms, 2006," p. 24.) The average rate for rural New England counties is 35 new firms per 1,000 residents; the metropolitan average is 23 per 1,000.

Part of the rural-urban divide in the region may be cultural. Rural New Englanders have a reputation for independence and may prefer to "be their own boss." Differences in economic conditions also matter. Rural start-up rates are higher in part because there are fewer options for paid work. Start-up rates also differ by industry, and the rural industry mix favors start-ups—for example, in tourism hot spots.

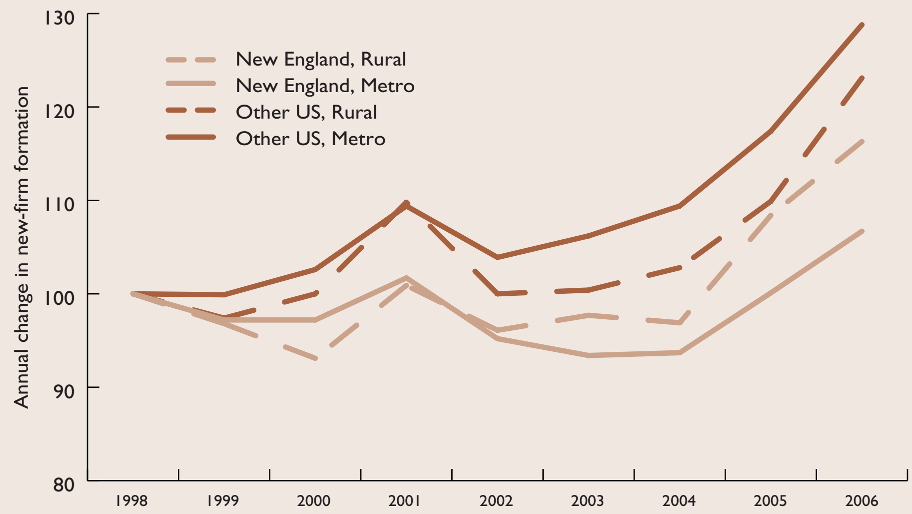
Simply being rural does not guarantee start-ups, however. There are many remote rural counties with low start-up rates. Sparse local markets may limit growth opportunities, and the self-employed may not attain the scale needed to hire others. Still, there may be start-ups in farming and other agricultural production that the SUSB undercounts.

The real challenge of entrepreneurship in rural places is not so much a deficiency of new businesses but fewer new businesses with high growth potential. Rural New England counties have a high concentration of start-ups in construction, retail trade, and accommodation/food services. They are underrepresented in emerging sectors such as professional and technical services, finance and insurance, and information. (See "Percentage of New England Business Start-ups by Industry.") Higher rural start-up rates are seen in industries with low barriers to entry, such as low start-up costs. Low barriers, however, often correlate with heightened competition and thus with high failure rates. And because new firms in such industries typically serve a restricted market, their success often comes at the expense of incumbents—yielding little net change in regional employment growth.

In New England, the retail, accommodation (hospitality), and entertainment industries are often oriented more to tourists than to locals. Tourism industries are typically highly competitive within a spatially constrained market. And although the jobs provide opportunities for young people to gain work experience, they are highly seasonal, affected by swings in the business cycle, and unlikely to offer the kind of long-term career opportunities that entice young residents to return after college.

The industry mix of new firms generally mirrors the region's existing profile. For example, the Pioneer Valley of western Massachusetts, which has

Year-to-Year Change in New-Firm Formation (1998 = 100)



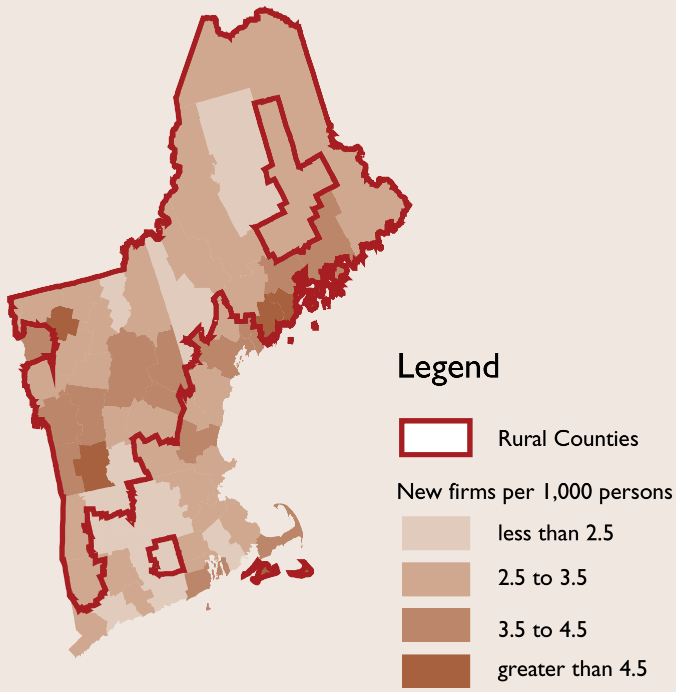
Source: U.S. Census Bureau, Statistics of U.S. Businesses. Author's calculations.

Percentage of New England Business Start-ups by Industry

Percentage of New England Business Start-ups by Industry	Share of "births," annual average 1998 to 2006	
Industry	Rural	Metro
Forestry, fishing, hunting, and agriculture support	1.90%	0.30%
Mining	0.10%	0.10%
Utilities	0.30%	0.20%
Construction	17.00%	12.20%
Manufacturing	4.10%	2.90%
Wholesale trade	3.00%	4.10%
Retail trade	15.10%	12.90%
Transportation and warehousing	3.30%	2.30%
Information	2.10%	3.00%
Finance and insurance	3.70%	6.30%
Real estate and rental and leasing	3.90%	4.30%
Professional, scientific, and technical services	8.10%	12.90%
Management of companies and enterprises	0.30%	0.80%
Administrative & support, waste management & remediation	5.20%	6.00%
Educational services	1.30%	1.20%
Health care and social assistance	7.80%	7.20%
Arts, entertainment, and recreation	2.30%	1.60%
Accommodation and food services	10.60%	9.00%
Other services (except public administration)	7.40%	7.40%

Source: U.S. Census Bureau, Statistics of U.S. Businesses. Author's calculations.

Formation Rates of New Firms, 2006



Source: U.S. Census Bureau, Statistics of U.S. Businesses. Author's calculations.

numerous precision-machining companies, tends to spawn an inordinate share of new precision-machining companies. A recent nationwide study estimated that more than 70 percent of the industry mix of all entrepreneurship is explained by the industry mix of incumbent firms. That is partly because most new businesses are built on the knowledge and experience that the founders acquired while working elsewhere in the same industry in the same region. Such path dependency poses a particular challenge for rural economic developers who struggle to diversify the economic base.

Suggestions for New England

The barriers to successful rural entrepreneurship are daunting, but not insurmountable. Examples of successful companies with roots in rural areas come to mind: for example, Marlborough, Massachusetts, bioenergy company Qteros Inc. Qteros grew out of the discovery of the Q microbe (an anaerobic organism with a combination of natural characteristics that streamline the production of ethanol) by University of Massachusetts Amherst microbiologist Susan Leschine.

Policymakers would do well to promote a positive entrepreneurial climate in rural areas. A healthy balance of trade between local-serving and export-based industries is important. New England's rural areas thrived in an era when exports of manufactured goods and natural resources provided a steady stream of income. That, in turn, supported the growth of local-serving sectors. Today, the mix is unbalanced. And the poorest and most remote areas lack the people and wealth to support the growth of new businesses on their own.

One option is to advance policies that build connections between urban markets and rural producers. Expanding broadband high-speed Internet access would also help. Broadband infrastructure is particularly important to the production and distribution of niche market goods that leverage rural traditions of quality, craftsmanship, and connection to place—goods that do relatively well in rural New England. Stonewall Kitchen of York, Maine, provides an example of a company that started selling jams at local farmers markets in 1991 and grew into a specialty foods phenomenon with more than 6,000 wholesale accounts, nine retail stores, and a workforce of hundreds. Internet infrastructure was critical in helping Stonewall to expand its reach.

Another success, Hodgdon Yachts in East Boothbay, Maine, benefited from a different kind of assistance. Hodgson had been building luxury yachts for decades. Then it partnered with the Advanced Engineered Wood Composites Center at the University of Maine to pursue opportunities in the defense industry. By modifying its methods and materials in order to optimize strength and weight, Hodgdon was able to secure a contract with the U.S. Office of Naval Research to construct prototypes of the Navy's next-generation patrol boats.

Good infrastructure like broadband provides an opportunity to reach larger markets but does not guarantee it. Technical-assistance services for small and home-based businesses, including market development, web design, and business planning are also key. More needs be done to help local manufacturers discover new markets and embrace innovation as a survival and growth tactic. Hodgdon represents an example of a rural manufacturer incorporating new materials, flexible production processes, and quality-control standards to compete in the global economy.

The owners of small companies wear many hats and need help understanding new technologies and how those technologies might let them connect with new markets. Technical-assistance services available at public universities and economic development organizations will continue to play an important role in bringing new ideas and technology to rural entrepreneurs.

Henry C. Renski *is an assistant professor in the department of landscape architecture and regional planning at the University of Massachusetts in Amherst.*

[1] *The Innovation-Entrepreneurship NEXUS: A National Assessment of Entrepreneurship and Regional Economic Growth and Development* (Powell, Ohio: Advanced Research Technologies and the Edward Lowe Foundation, 2005); Z.J. Acs and C. Armington, *Entrepreneurship, Geography, and American Economic Growth* (Cambridge, United Kingdom: Cambridge University Press, 2006); and D.B. Audretsch, M.C. Keilbach, et al. *Entrepreneurship and Economic Growth* (New York: Oxford University Press, 2006).

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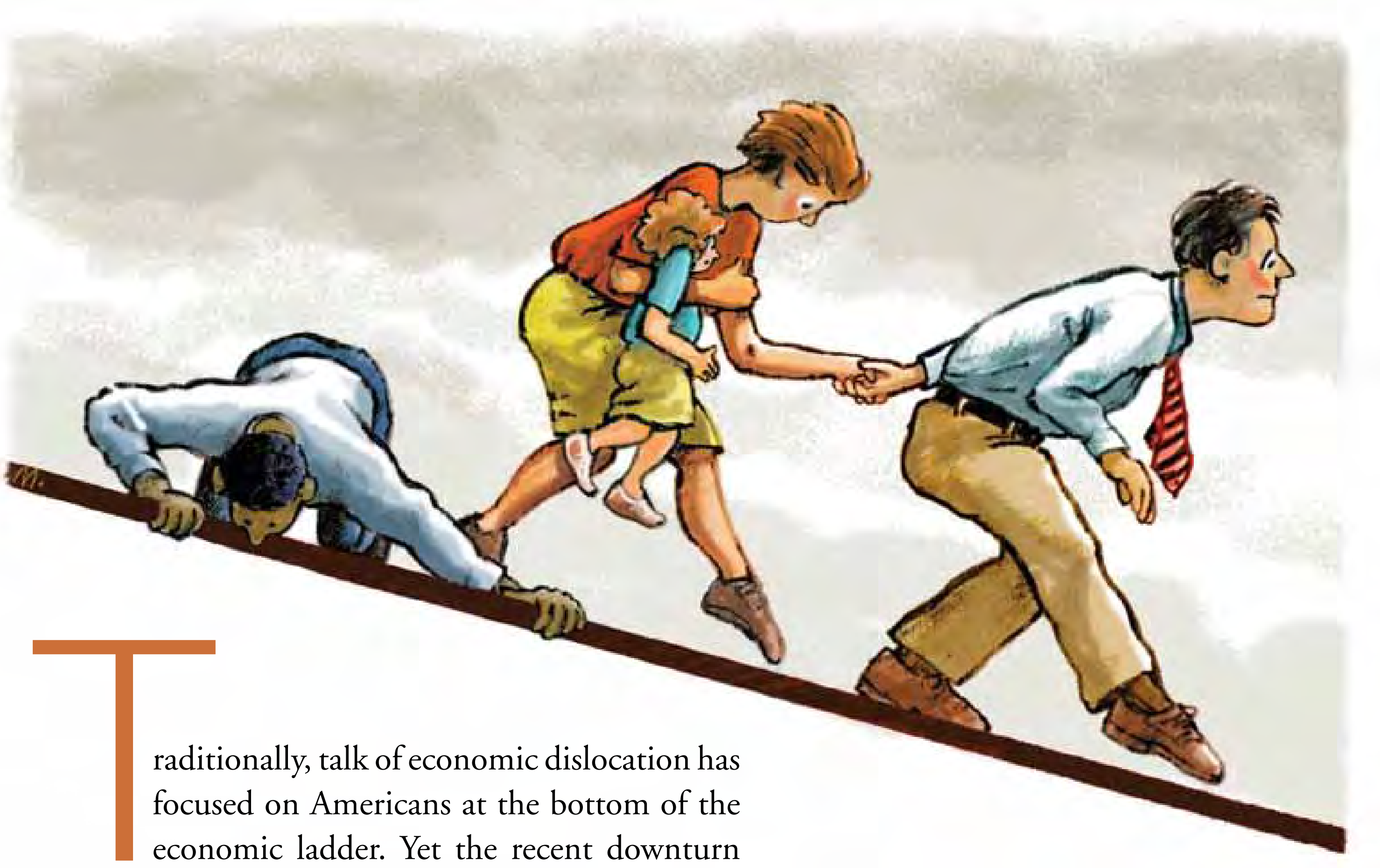
Understanding Economic Insecurity

The Downward Spiral of the Middle Class



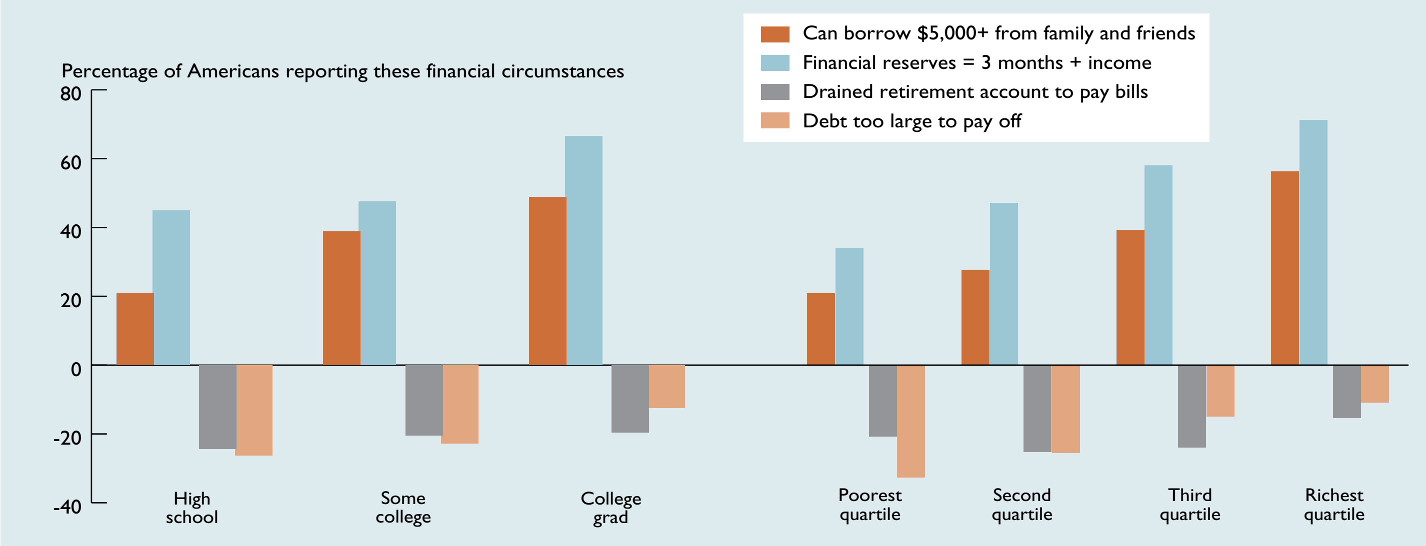
Traditionally, talk of economic dislocation has focused on Americans at the bottom of the economic ladder. Yet the recent downturn has showcased another side: the risk confronted by most Americans, poor and middle class, of tumbling down the economic ladder without an adequate safety net.

This second form of economic hardship is what researchers frequently if imprecisely call *economic insecurity*. Analysts generally use the term to capture the degree to which people are protected against major economic losses. Complicating matters is the fact that economic insecurity is understood to be both a psychological state ("I feel insecure") and an economic condition ("I have a real chance of experiencing economic losses for which I lack adequate protection").

by Jacob S. Hacker
Yale University

Illustration: Barry Maguire

Uneven Financial Buffers Against Economic Uncertainty
Socioeconomic Status, 2009



Source: Jacob S. Hacker, Philipp Rehm, and Mark Schlesinger, "Standing on Shaky Ground."

The study of economic insecurity remains in its infancy. To help fill the gap, I have spent the last several years investigating the key dimensions of economic security and developing a simple integrated measure: the Economic Security Index (ESI).[1] Funded by the Rockefeller Foundation, this project has involved researchers from diverse backgrounds and guidance from a technical committee of top economic experts.

The work's two main parts mirror the two sides of economic insecurity. First, we use the best available panel economic data to develop a measure of the actual risk of economic loss that Americans face.[2] Second, we use opinion surveys to examine how people think about and experience such losses. Our investigations point to a consistent conclusion: The prevalence of insecurity has increased over the last generation, and this insecurity is associated with strong psychological responses and substantial economic hardship.

Economic Security Index

The first major product of our work is the ESI. The ESI represents the first attempt to incorporate into a single unified measure several key influences on economic security: income loss, out-of-pocket medical spending, and households' financial safety net. It is unique in measuring these dimensions using panel data on economic experiences rather than public opinion data on individual perceptions of those experiences.

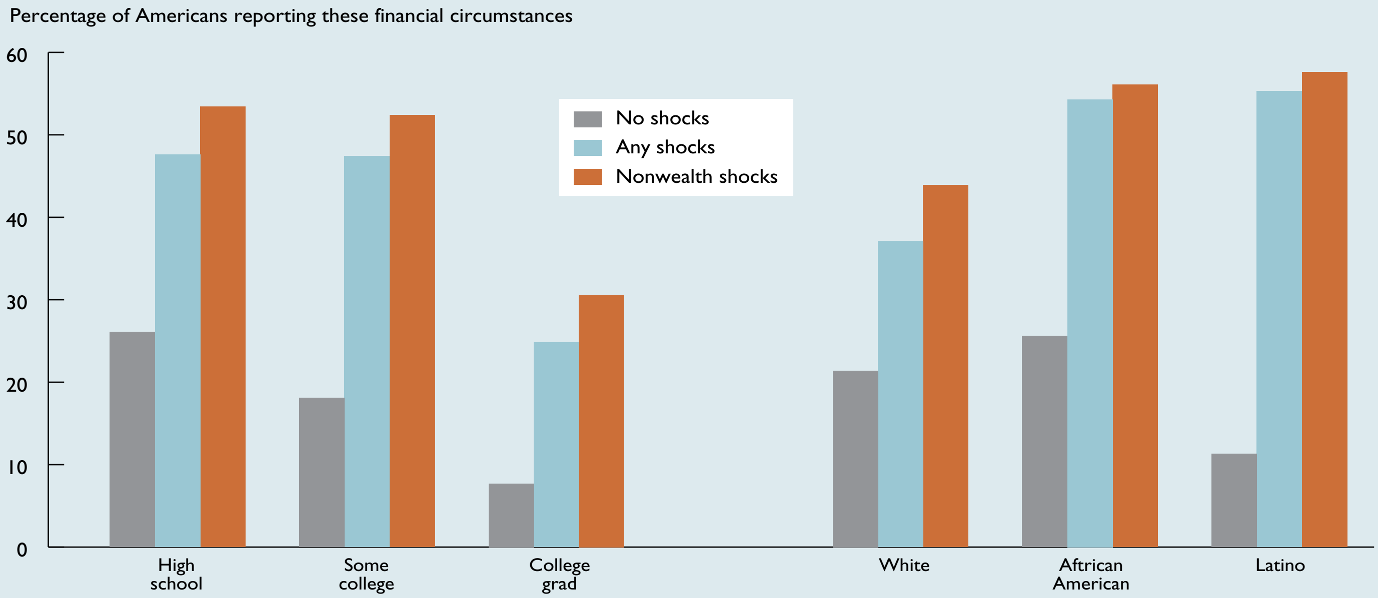
In our index, the insecure are those whose household income declined by at least 25 percent from one year to the next (after adjusting for inflation) and who lacked an adequate financial safety net to make up for that decline. "Income" included not just earnings but all sources of government and private support, including unemployment benefits, gifts from friends, and retirement benefits. We also measured families' out-of-pocket medical spending and subtracted that amount from income. Thus our measure looked at big drops in income occurring either because household income fell or because medical costs spiked. Our definition of an "adequate financial safety net" is based on the typical post-drop recovery paths of people whose incomes fall by 25 percent or more. We excluded those who had enough liquid wealth to compensate for lost income until they regained their prior income level.

For a family making $50,000 a year (close to the national median), a 25 percent-plus drop means a drop to $37,500 or less

The ESI: Americans Experiencing Major Economic Losses, 1985-2007(with 2008-2009 projections)

Source: Jacob S. Hacker, Gregory A. Huber, Philipp Rehm, Mark Schlesinger, and Rob Valletta, *Economic Security at Risk.*

Unmet Needs by Education, Race/Ethnicity (with and without shocks)



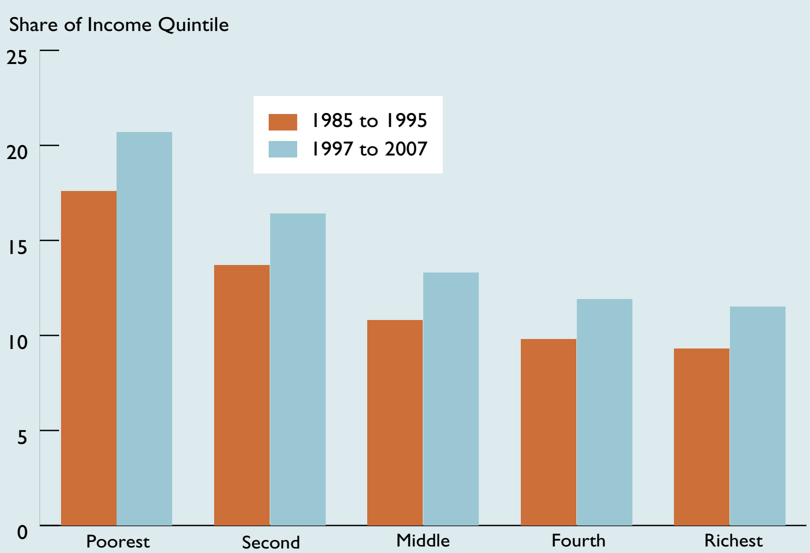
Source: Jacob S. Hacker, Philipp Rehm, and Mark Schlesinger, "Standing on Shaky Ground."

in a single year. In a survey we conducted during the downturn, more than half of respondents reported that they would face hardship if they experienced a drop of that magnitude.

Across the economy's ups and downs there was a gradual but persistent rise in overall economic insecurity. The ESI examines government data from 1985 to 2007, with projections for 2008 and 2009 validated through our independent poll.[3] (See "The ESI: Americans Experiencing Major Economic Losses, 1985-2007.") In 1985, 12 percent of Americans were defined as insecure by the ESI. In 2010, the share was projected to hit 20.4 percent. The long-term trend has been upward. Unsurprisingly, economic security erodes during downturns, but between downturns, it does not bounce back.[4] Using a more limited data source, which allows examination of income drops only (not medical spending or wealth), we find that insecurity started rising in the 1970s.

The extent of economic security varies. Those with the most income and education have faced the least insecurity. The less affluent, those with limited education, African Americans, and Hispanics have faced the most. Virtually all groups, however, have experienced significant increases in insecurity over the past 25 years. For example, the ESI increased by between one-fifth and one-quarter among all income quintiles between 1985-1995 and 1997-2007. (See "The Prevalence of Large Economic Losses by Income.") The risk of economic loss has become an issue squarely confronting the American middle class.

The Prevalence of Large Economic Losses, by Income Quintile and Period



Source: Jacob S. Hacker, Gregory A. Huber, Philipp Rehm, Mark Schlesinger, and Rob Valletta, *Economic Security at Risk.*

Risk Perceptions and Insecurity

The research team commissioned a two-wave survey that was fielded between March

Economic Shocks

Employment

- unemployed not by personal choice (respondent or immediate family member)
- lost more than a month of work be
- cause of serious illness or injury

Health Care

- lost health insurance
- major out-of-pocket medical expenses as the result of serious illness or injury (respondent or immediate family member)
- paid much more for health insurance than expected

Wealth

- retirement benefits at work cut substantially
- value of investments or retirement funds declined substantially
- value of house declined substantially

Family

- divorced or separated from spouse
- spent a substantial sum helping out extended family
- spouse/partner passed away

2008 and September 2009, the Survey of Economic Risk Perceptions and Insecurity (SERPI). The SERPI measures economic insecurity in employment, medical spending, family needs, and wealth. It permits examination not just of the share of Americans experiencing economic shocks, but also of the imprint the shocks have on their lives.

In the 18 months preceding fall 2009, fully 93 percent of households experienced at least one substantial shock to their finances. (See "Economic Shocks.") Although most common were shocks to family wealth—not surprising given the decline of the housing and stock markets—nearly seven in 10 households saw their earnings unexpectedly fall or their nondiscretionary expenses rise.

Furthermore, these nonwealth shocks were associated with serious economic hardship. The SERPI measured households' ability to meet basic needs through a combination of questions regarding food security (members of the household going hungry), housing instability (eviction or inability to pay the mortgage), and unmet medical needs (skipping doctor visits out of concern for costs). Households experiencing major economic dislocations were, on average, three to four times more likely than otherwise comparable households to report being unable to meet more than one basic family need, such as food, shelter, or medical care. Although these economic uncertainties were greatest for the least affluent or educated, they were surprisingly broad based. For example, more than half of families with income between $60,000 and $100,000 that experienced employment or medical disruptions were unable to meet at least one basic economic need.

Nevertheless, personal protections against such risks were less evenly distributed. Buffers such as savings and the ability to borrow from family members were more likely in households with advantaged socioeconomic characteristics, whether advantage was measured in terms of income or education. (See "Uneven Financial Buffers," p. 26.)

The prevalence of insecurity has increased over the last generation, and this insecurity is associated with strong psychological responses and substantial economic hardship.

The consequences of economic shocks for economic well-being were notably more severe for less advantaged Americans—measured here in terms of education. (See "Unmet Needs," p. 27.) Differences by race and ethnicity also loomed large. African Americans face greater risk and report weaker personal buffers and higher levels of unmet needs during economic shocks. Latinos report comparable levels of unmet needs during economic shocks, and both groups report much higher levels of unmet needs than whites. More surprising, Latinos who do not experience economic shocks report lower levels of unmet needs than other groups, suggesting that they may have personal or social supports that are missed in analyses looking only at income or wealth.

Unfortunately, insecurity has become a dominant motif in Americans' economic lives. Yet no measure is offered alongside other measures of economic status, such as the poverty and unemployment rates. Nor does any regularly funded national survey track even a small share of the factors shaping Americans' economic security. The ESI and SERPI partially fill these gaps. There is still a pressing need for more research on the causes, consequences, and differential impact of economic insecurity and its effects on an increasingly broad swath of the U.S. population.

Jacob S. Hacker *is the Stanley B. Resor Professor of Political Science at Yale University in New Haven.*

Endnotes

[1] See Jacob S. Hacker, Gregory A. Huber, Philipp Rehm, Mark Schlesinger, and Rob Valletta, *Economic Security at Risk: Findings from the Economic Security Index* (New Haven: Yale Institution for Social and Policy Studies, 2010); and Jacob S. Hacker, Philipp Rehm, and Mark Schlesinger, "Standing on Shaky Ground: Americans' Experiences with Economic Insecurity," www.rockefellerfoundation.org/news/publications/standing-shaky-ground-americans.

[2] Panel data tracks the same people over time.

[3] The projections were based on a model of the relationship between the ESI and aggregate economic conditions, such as unemployment and growth in gross domestic product.

[4] See www.economicsecurityindex.org.

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Civic Organizing Through Questions

A Model for Inclusive Engagement

by Ceasar McDowell and Vanessa Otero

One of the main problems with U.S. democracy is that the public doesn't see it as their primary business. Although many organizations focus on public engagement, it's usually around issues that have already been defined. Initiatives to broaden public participation have one defining limitation: the number of people who can be involved. That is why most organizing efforts select and define a small group to represent a large variety of interests, demographics, and positions.

What is needed are approaches that have the primary purpose of helping all members of the public to learn from one another, amplify their collective voice, and define the agenda and the future they want. Nowhere is this more needed than in poor, minority, or marginalized communities.

The Power of Questions

A Chicago-based nonprofit called Engage The Power (eTp) has designed what it calls the Question Campaign. The goal is to create an environment in which everyone has an opportunity to raise the questions that they believe are the most pressing for their neighborhood, community, city, state, nation—or world. Using questions is not a new strategy. Indeed, many efforts to support civic engagement have employed question solicitation. What makes the Question Campaign unique is that it allows all members of the public to participate in defining the critical issues instead of merely responding to selections made by others.

Germany

The first implementation of the Question Campaign was in 2006 in Berlin. More than 25,000 questions on any topic that interested the questioner were generated from an online site. In September, 115 people, selected by the public, convened in a Berlin square around the largest round table ever built, the Table of Free Voices. They were there to respond to the top 100 questions, chosen by people from around the world. The 600 hours of video answers were subsequently posted online. The purpose was to demonstrate the power of questions to facilitate broad-based, global public engagement.

Springfield's North End

In January 2011, eTp began working with the North End community in Springfield—the third-largest city in Massachusetts—to design a Question Campaign that would work at the neighborhood level. The predominately Puerto Rican North End, one of 17 neighborhoods in Springfield, has 10,000 residents and two of the poorest census tracts in Massachusetts. It is bordered by the Connecticut River, Springfield's downtown, and an industrial area. Construction of Interstate 91 in 1961 split the neighborhood, so today there is a west side known as Plainfield (or Brightwood) and an east side called Memorial Square.

In 1996, four community-based organizations collaborated to form the North End Outreach Network (NEON), an innovative approach to community health. Over the years, the network grew concerned that residents were not engaging in civic life. In 2010, NEON changed its mission from service provision to community organizing and renamed itself the North End *Organizing* Network.

Although many groups focus on public engagement, it's usually around issues that have previously been defined.

For NEON activists, the Question Campaign had the potential to increase resident participation in organizing efforts and to develop local leadership. NEON saw the Question Campaign as giving a voice to those who were generally underrepresented, the real community experts. If the North End was going to become a place of continuing positive improvements, change would need to be started in the community by the community.

Designing for the Margins

In early 2011, NEON, eTp, and two community partners spent several months designing a Question Campaign that would work at the scale of the neighborhood. The effort was based on *designing for the margins*, an approach that begins with the express intent to include the population that is most marginalized. A neighborhood-scale campaign needs to be informed by three issues affecting participation:

- access to technologies that enable the broadest possible participation;
- the use of *place* to create the familiarity required for gaining trust; and
- the need for a symbolic language that can represent every community member.

First, eTp addressed the issue of access by communicating primarily through cell phones, radio call-ins, and writing on cards, with web-based tools only secondary. As a Pew study on communication has shown, the North End has considerably more cellular phone use than computer use.[1] So eTp designed a system to enable participation through mobile phones. For web-based tools, open-source platforms were chosen to lower the costs.

Second, because collaboration between formal organizations and informal networks is critical, the campaign moved from a purely virtual strategy to one that was more place-based. That led to engagement with numerous North End organizations, which then agreed to bring their constituents and their networks into the campaign. Each organization committed to putting into their annual agendas the top questions that related specifically to their missions. Having more than 20 organizations agree to take on publicly generated priorities represents a model of citizenship based on human relations.

The last step is getting the right symbolism. In today's society, we're bombarded with images that serve as symbols of what is valued. Those who live at the margins often find that such images portray them in a disempowering, rather than in an affirming, manner.[2]

To counter society's dominant symbols, the Question Campaign came up with ads featuring evocative images and community-generated questions—to be displayed in storefronts, as bus wrap, on billboards, and in newspapers. Videos show the questioners asking their questions in relevant settings. Local artists created question ads and partnered with the local PBS station's youth-training program to produce the ads and videos. The public could see itself at the active center of society, instead of at the margins, feeling passive or disempowered.

In April, 250-plus residents showed up for the campaign launch and donated 200-plus questions. Next, NEON worked with media outlets to display as many questions as possible and to inspire residents to ask more. As questions came in, NEON brought together people with similar questions to discuss how their experience led them to that issue. Question donors engaged with appropriate service providers on how to create solutions. Over two months, open public meetings were conducted to sort through the questions and to generate a final slate for a public vote. On June 15, the North End held a closing event in which residents chose the top five questions for the community to work on over the next year. (See "Questions Residents Are Asking.")

Through the campaign, NEON expects that

- residents will feel empowered by being able to develop the solutions they desire for the North End;
- there will be higher rates of community involvement, which will positively impact the health and life of the residents;
- at least 1,000 questions will be collected from the community; and
- at the conclusion of the campaign, residents will be actively engaged in seeking the changes they've identified, and NEON will have a framework to continue launching community-identified campaigns.

In the three years that eTp has been developing, testing, and refining the Question Campaign, it has found the initiative to be an effective means for helping people from all walks of life to raise their questions to the world. Gradually, a modern infrastructure is emerging for the global public to ask questions, get information from one place, and share it with people next door, across the street, in different neighborhoods, states, regions, and on the other side of the world.

Ceasar McDowell *is director of Engage The Power and professor of the practice of community development at Massachusetts Institute of Technology.* **Vanessa Otero** *is director of the North End Campus Coalition.*

Endnotes

[1] *Pew Internet and American Life Survey* (May 2008), http://www.pewinternet.org.

[2] See Stephanie Greco Larson, *Media and Minorities: The Politics of Race in News and Entertainment* (Lanham, Maryland: Rowman & Littlefield, 2006); and C. Cort, *A Long Way to Go: Minorities and the Media* (New York: Pyramid, 1986).

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Questions Residents Are Asking

Residents of Springfield's North End are asking questions as a first step to getting answers that can strengthen their community. No parameters are imposed. Organizers want to know what is uppermost in people's minds. Here are some examples.

Why has the love for our people died?

What can we do together to create a better future for our children?

Why aren't there more consequences for people who abuse or violate children?

¿Cómo se les puede ayudar a las personas desempleadas a conseguir trabajo aún si no saben inglés?
How can we help the unemployed find jobs even if they do not speak English?

How can we increase the amount of fresh, affordable, locally grown produce in the North End?
¿Cómo podemos aumentar la cantidad de comidas frescas, de precios accesibles, y cultivadas localmente en el North End?

Why are three out of the four North End schools level 4?
¿Por qué 3 de las 4 escuelas en el North End están en el nivel 4?

How can we realize the greatness of youth and give them the power to lead?

Why can't we use vacant homes to help the homeless?

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