

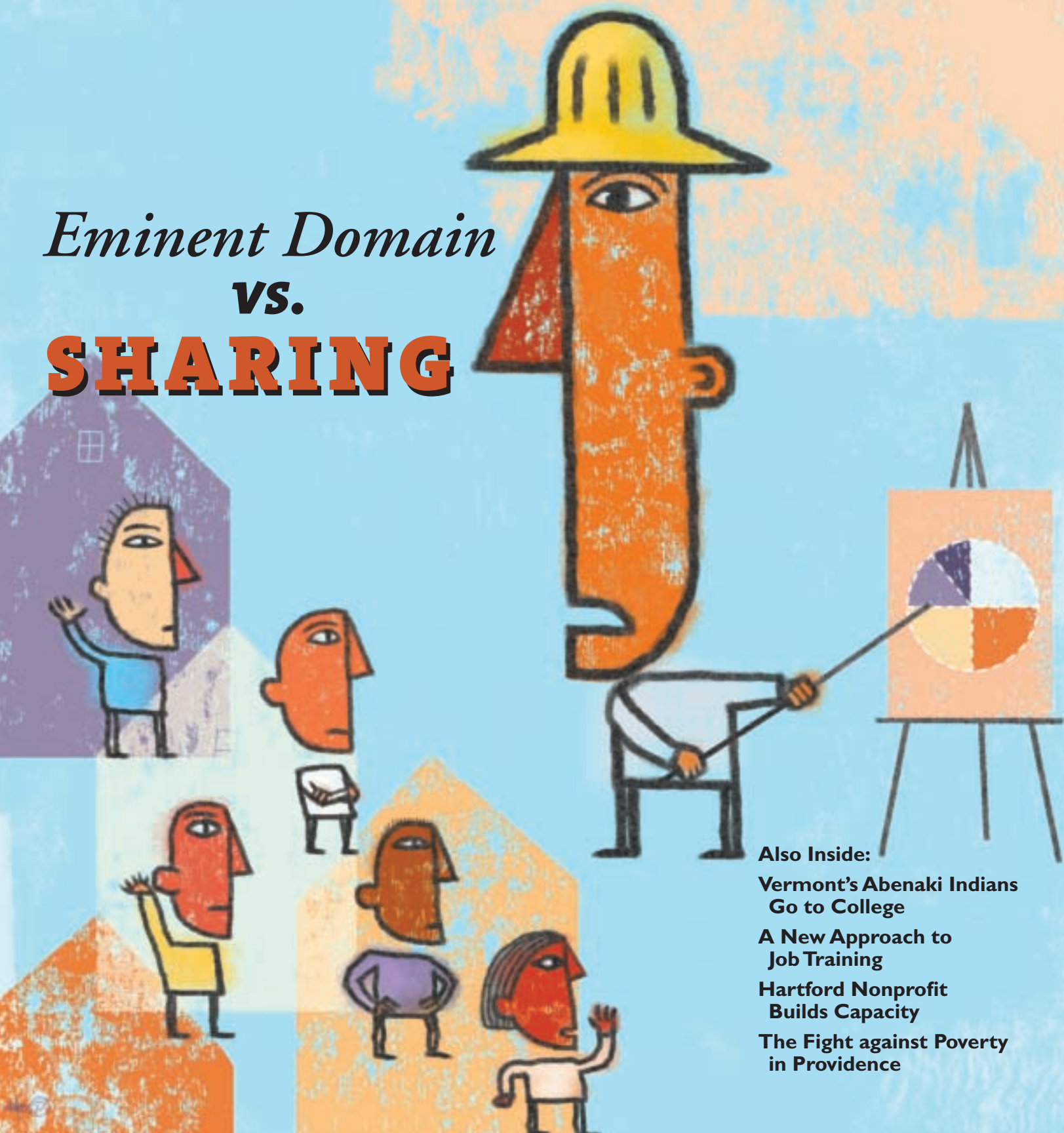
Federal Reserve Bank of Boston

Communities & Banking

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Eminent Domain **vs.** **SHARING**



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Vermont's Abenaki Indians
Go to College

A New Approach to
Job Training

Hartford Nonprofit
Builds Capacity

The Fight against Poverty
in Providence

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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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SHARING vs. *Eminent Domain*

Invoicing *eminent domain* to take private property for public use (while paying owners only what the government deems “just compensation”) can be controversial, as the firestorm following the U.S. Supreme Court’s *Kelo* decision demonstrates. An approach practiced outside the United States offers a possible alternative.



The Kelo discord resulted from a decision by New London, Connecticut, to seize private homes and transfer the properties to other private entities.¹ The goal was to boost economic development by providing land for a Pfizer Inc. project. Although the Court affirmed the legitimacy of New London's taking, the ruling motivated 28 states to pass laws restricting government exercise of eminent domain.² As a result, eminent domain is now less tenable in cases where it is not clear that exercising state power to take private property will benefit the public (as opposed to benefiting a company like Pfizer).

The necessity of assembling pieces of land for public purposes has not gone away, however: roads still need to be built; economically depressed areas need revitalization. That is why policymakers may want to consider *land readjustment* (LR), which balances the public interest with private property rights.³

Land Readjustment

Countries including France, Germany, Japan, and South Korea use LR instead of eminent domain to assemble privately held land parcels for public projects. Typically, LR features four components: project initiation; community support development; land resubdivision and servicing; and land reallocation.⁴

Project Initiation

First, a municipality or a group of landowners initiates the idea of rearranging land parcels in a neighborhood and forms an agency. Members of the agency may include local residents, government officials, and outside developers. For example, in the Netherlands private developers frequently pool their properties and ask the local government to redevelop the land. The group then presents the local planning authority with a readjustment plan that includes new boundaries and proposed land uses. If the plan seems feasible, the initiators reach out to the pub-

lic seeking broad political and community support.

Community Support Development

Second, after the local government has approved the initiative, the agency proclaims the targeted area an LR district and organizes public hearings to enlist the participation of affected property owners. The organizing committee presents a detailed plan. All landowners and leaseholders are invited to join the project by contributing their real properties to the agency as investment capital. (Sometimes the property exchanges will require early termination of rental arrangements, in which case, the landlord must compensate the tenant.)

Returns on investment will take the form of a piece of serviced land or another housing unit at the end of project. The agency gathers preliminary data (on how the area will be redeveloped, the cost of construction, the availability of government subsidies) to estimate how the property exchanges will affect participating owners.

With a reasonable approximation of the before-and-after values of land involved, owners can calculate how much land they must contribute to the project to become participating members. Generally, the guiding principle is to keep the net worth of owners' equity unchanged—often by giving owners a smaller plot of serviced land with a higher value than

the original piece. An assessment of future land value can never be exact, so one popular allocation method maintains the proportionate value of each owner's landholding relative to the total value of all lots. Public hearings facilitate land-allocation negotiations between the agency and property owners. Hearings also address ways to handle any contingencies, such as compensation for opposing landowners and additional land (or cash) contributions if unexpected financial shortfalls emerge.

In most countries, a supermajority vote from owners is required to approve the plan. For instance, consent from more than two-thirds of all property owners owning more than 66 percent of private landholdings in a district is needed to approve a land readjustment proposal in Japan. In Taiwan, the consent requirement is 50 percent.⁵

Dissenting owners have the right to withdraw by selling their interest in the land to the LR agency. If they refuse to sell,



Illustration: Kirk Lyrtle

the agency may ask the government to exercise its authority to take their property, with compensation generally decided not by the courts or outside experts (as with eminent domain) but by the stakeholders at the public hearings. With the consent of the majority of property owners, taking land for community benefit can be justified, but public participation in the decision is essential. Community organizing must be center stage.

Land Resubdivision and Servicing

In the third step, the land readjustment agency draws up a master plan for the district in consultation with the planning department. Again, public hearings are held to solicit comments from participating owners. After the master plan is reviewed and approved by local planning authorities, the agency combines all land parcels for a new subdivision. Because readjusting land for an entire district may take a long time, this procedure can be done with the help of a map or a computer simulation model. Through a virtual process, the agency resubdivides the area and specifies exchanges of land. Owners get to see the locations and sizes of their future land lots.

The LR agency holds the title during the project period. Participants do not need to leave their property until work begins. In large LR schemes, participants in one locale can temporarily relocate to an adjacent area and return to their original sites after readjustment is completed. That way, the operations can be rotated within the district.

Fewer public funds are needed than with eminent domain because parts of the assembled land get devoted to local infrastructure—roads, parks, schools, hospitals, and the like. The infrastructure land gets deducted from the land reallocated to the participating owners on completion of the project. Alternatively, a few reserved parcels may be sold to raise funds for infrastructure. Such land reductions are a way of making

owners contribute to the services that benefit them. In a carefully planned LR project, local infrastructure investment could, in theory, be self-financing.

Land Reallocation

The final stage is to give improved property to the original owners. After site boundaries are readjusted and local infrastructure is provided, qualified appraisers assess the market value of all newly subdivided lots. Each owner receives a new land parcel with a market value that is at least the same as the value of the original land, albeit of smaller size. Swapping property has an advantage over eminent domain compensation in that it allows the original owners to partake in the redevelopment and to enjoy the financial gains the project generates.

Numerous versions of LR exist. In Lebanon, for example, property owners receive stock in an LR-like company known as *Solidere* in return for selling the company their

Policymakers may want to consider land readjustment (LR), which balances the public interest with private property rights.

land.⁶ The amount of stock depends on the value of the land in proportion to the market value of the company's total equity. The company can raise investment capital from both property owners and nonowners. On the completion of project, parts of the available serviced land is returned to shareholders according to prior agreements. Alternatively, shareholders can sell their holdings in the stock market and use the proceeds to buy back land from the company or elsewhere. That gives flexibility to property owners who are interested in participating

as investors but do not necessarily want to return to their neighborhood.

A similar method involves exchanging existing property for the future right to purchase an equivalent housing unit. In Hong Kong, the right to purchase is tradable in the open market.

Implications

In short, LR can engender community-based decision making in land assembly, can allow redevelopment projects to be self-financing, and can encourage public participation in neighborhood revitalization. The downside is that its reliance on persuasion rather than coercion means it often takes a long time to implement.

Nevertheless, LR is a tested alternative to eminent domain. U.S. policymakers would do well to consider using LR and its democratic decision-making approach. Communities will continue to have revitalization needs and other public exigencies, so all tools should be considered.

Yu-Hung Hong is a fellow at the Lincoln Institute of Land Policy in Cambridge, Massachusetts.

Endnotes

¹ *Kelo et al. v. City of New London*, 545 U.S. 469 (2005).

² See the web site of National Conference of State Legislatures, <http://www.ncsl.org/programs/natres/EM-INDOMAIN.htm>, May 2007.

³ See William A Doebele, *Land readjustment. A different approach to finance urbanization* (Lexington, Massachusetts: Lexington Books, 1982); Yu-Hung Hong and Barrie Needham, *Analyzing Land Readjustment: Economic, Law, and Collective Action* (Cambridge, Massachusetts: Lincoln Institute of Land Policy, 2007); and G. Larsson, *Land readjustment. A modern approach to urbanization* (Avebury: Newcastle, 1993).

⁴ As the practice of land readjustment is country specific, only a stylized approach is presented and may not reflect the specificity of individual systems.

⁵ In the United States, a 2007 Utah law prohibits the use of eminent domain without consent from the majority of owners—80 percent for owner-occupied homes and 75 percent for commercial property.

⁶ Solidere is a Lebanese joint-stock company in charge of planning and redeveloping Beirut Central District following the end of the country's civil war in 1990.



It takes more than a village to save one

Holbrook's Wharf, Cundy's Harbor, Maine

For 90 years Holbrook's General Store was the gathering place and seasonal post office for Cundy's Harbor, Maine. But in 1996 a long-time proprietor died. After several unsuccessful attempts to keep the business going, the store and the community connection it represented to the small fishing village seemed to be gone forever.

Perched seaward on the eastern peninsula of the midcoast town of Harpswell, Cundy's Harbor also had long been home to Holbrook's Wharf, one of Maine's oldest continuously operated working waterfronts.

The idea that the Holbrook property could be saved started with five women around Jane Hilburt-Davis's kitchen table in 2002.

Since 1841 fisherman, lobstermen, and others who make their living from the sea, had enjoyed protected access there, deep water at all tides, and a convenient location midway between the larger ports of Portland and Rockland. Two partners from Massachusetts owned the three-quarter acre property, which included the building housing the store, the wharf, a seasonal restaurant, moorings, parking, and the 1860 Trufant House (containing two year-round apartments). One of the partners had used the wharf to buy and process bluefin tuna, but bluefin were getting increasingly scarce. In 2002 the owners decided to put the Holbrook property up for sale for over \$1 million.¹

Where Big Ideas Start

The idea that the Holbrook property could be saved started with five women around Jane Hilburt-Davis's kitchen table in 2002. From that conversation came the seed that grew into the nonprofit Holbrook Community Foundation (HCF). The idea spread its roots and gathered sustenance first among the residents of Cundy's Harbor and Harpswell, and ultimately from hundreds of individuals, dozens of businesses, two land conservation groups, various state and municipal agencies, and a statewide community loan fund.

"There were lots of conversations around town about what would happen to the wharf, the restaurant, and the store," says Josie Quintrell, HCF treasurer. "People speculated that it would be purchased by a private owner who would tear down the existing buildings to build a waterfront McMansion and eliminate all local access to the waterfront. The other prospect was that a buyer would turn it into a big recreational

marina. Both options would have changed the character of the village permanently."

But buying the property seemed a reach. Sue Hawkes, a fifth-generation resident who owns a gift shop near the wharf, says that when one of the owners heard that five women wanted to buy the property, "he started to cross the road whenever he saw me."

Another two years passed before one of the five women, Linda Prybylo, met Wolfe Tone, project director at the Maine office of The Trust for Public Land.

Key Partners Sign On

"When I first met the people in Cundy's Harbor in October 2004," Tone recalls, "I saw right away they had a big vision about how to protect a core component of their community. It was more than just land and working waterfront; it was truly about preserving their community. What they needed was the confidence and support to translate their vision into reality."

He adds that, for the trust, "Holbrook's Wharf was the right project at the right time. Maine's Working Waterfront

Coalition, comprising state agencies and nonprofit organizations, was promoting a \$12 million bond issue on the November 2005 ballot."

The bond was designed to protect fishermen's access to wharves like Holbrook with a \$1.8 million one-to-one matching grant program called the Working Waterfront Access Pilot Program (WWAPP).²

Holbrook Community Foundation emerged out of a May 2005 meeting with representatives from Cundy's Harbor—fishermen and interested residents—the Harpswell Heritage Land Trust, the Maine State Planning Office, The Trust for Public Land, and the community development corporation Coastal Enterprises Inc. The Trust for Public Land, serving as fiscal agent, secured a purchase option with the landowners. Cundy's Harbor residents formed HCF and applied for 501(c)3 status to begin raising \$1.2 million to purchase the property and an additional \$250,000 for emergency repairs and improvements.

In October 2005, as the Working Waterfront bond was headed for state refer-



With the 2005 passage of the Working Waterfront bond package, Holbrook Community Foundation became the first to receive a grant under the Working Waterfront Access Pilot Program.

endum, Bill Mangum became HCF's president. A certified public accountant with a local practice, Mangum was responsible for developing a business plan for the Holbrook project once the purchase could be finalized.

"I've learned a lot from my clients—many of whom own small companies—about how to and how not to run a business," says Mangum, who met with the HCF board weekly for 18 months to strategize.

Their plan included leasing a portion of the wharf to several local fishermen who had not had waterfront access since 1998.³ It also included making the two Trufant House apartments into affordable year-round rental units for local families and renting out the seasonal restaurant and the general store.⁴ The lease revenue and income from outside fishermen using the wharf to land and transport fish would allow HCF to maintain and improve the property and still have funds to share among Harpswell's two libraries, the rescue squad, and scholarships.

"We had to raise a lot of money," Mangum says. With the option scheduled to run out at the end of 2006, board members and volunteers—grant writers, policy consultants, web designers, local historians, graphic designers, fund-raisers, and event planners—threw themselves into the challenge.

Broad Collaboration

The board knew it needed support from all segments of the Harpswell community and hoped that rescuing Holbrook would bring people together. With potluck suppers, community breakfasts, a summer jazz concert, and more, board members began to raise what totaled \$700,000 by late 2006. More than 700 individuals and groups, in-

cluding businesses such as Bank of America and Downeast Energy, participated.

With the 2005 passage of the Working Waterfront bond package, HCF became the first to receive a grant under the Working Waterfront Access Pilot Program and was awarded \$300,000. However, because the grant would not come through until mid-2007 and the purchase option would expire on December 31, 2006, HCF had a gap. It could not pay \$1.2 million that soon.

Fortunately, the Genesis Fund, a statewide community loan fund that lends to and provides assistance to non-profit organizations working with affordable housing and community facilities, could act quickly. It provided a low-interest bridge loan of \$700,000, and HCF bought the Holbrook property on December 27. At the annual town meeting in March 2007, Harpswell also voted to give HCF \$50,000 toward wharf renovations.

A New Spirit

With HCF the new owner, the board began preparing the apartments for lease and developing guidelines for leasing the restaurant and general store. By May 2007 tenants were signed for both apartments, the general store boasted an enthusiastic new proprietor, the restaurant was open, and the wharf, docks, and floats were undergoing repairs. The innovative Holbrook concept—generating income while conserving land and a village center—has led other coastal communities to contact Mangum.

He tells them that the approach builds community spirit and gives as an example a story about a dock that needed to be torn down and replaced. "A local lobsterman

who had been skeptical about our ability to purchase the wharf approached me one afternoon and asked what exactly it is that we're doing," says Mangum. "I told him that we needed to hire someone to tear down the dock. He thought for a minute and said, 'Well, I don't have any money to give, but I can get a couple of other guys and we can pull it down for free.' "

"That's what saving Holbrook is all about," says Mangum. When people save a village, they get more than buildings and wharves—they end up with a true community.

Heidi Shott is communications director of the Genesis Community Loan Fund, which is based in Damariscotta, Maine.

Endnotes

¹ Between 1994 and 2006, Maguro America's landings of bluefin went from 840 to fewer than 50.

² See <http://www.ceimaineorg/images/stories/waterfront/PDF2002%20comm%20fish%20access%20study.pdf>. The Coastal Enterprises Inc. report determined that of Maine's 7,000 miles of coast, commercial fishing tapped only 25 but was worth more than \$740 million to Maine and supported more than 26,000 fishing-related jobs.

³ Harpswell's zoning protects commercial fishing but does not prevent individuals from buying commercial properties and converting them to private use, and the number of commercial moorings decreased from 500 to 480 between 2002 and 2006. Twelve Harpswell fishermen were waiting for moorings in September 2006, compared with seven in 2003.

⁴ According to 2006 statistics from the Maine State Housing Authority (www.mainehousing.org/reports.html), 81.8 percent of Harpswell residents (1,985 households) cannot afford median-priced homes (\$335,000). Between 2000 and 2006 the median home price increased 61.8 percent; median income rose 15.7 percent. The median renter household income is \$30,105, and the average rent for a two-bedroom apartment (\$871 per month) is steep for many renters.

Mapping New England

Owner-Occupied Housing Units

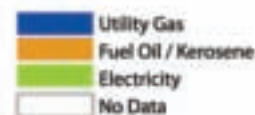
Renter-Occupied Housing Units

Heating Fuel Usage in Southern New England

The U.S. Department of Energy reports that New England used more than one-third of the U.S. residential heating oil consumed in 2005 and more than one-fifth of the residential kerosene.

The maps indicate that most owner-occupied housing units in south and west New England used oil or kerosene. In the east and in renter-occupied units, heating by natural gas was more common. Interestingly, for renters in Litchfield County, Connecticut, electricity edges out other fuels as the primary heating source. The pie graphs clarify relative fuel dominance in each county.

Dominant Type of Heating Fuel Used (2006)



Share of Different Types of Heating Fuel Used in Each County



Source: American Community Survey, 2006

Map: Kai-yan Lee, Federal Reserve Bank of Boston

Note: Four counties are blank because they do not meet the minimum population threshold that the American Community Survey requires, and no data are available.

by Mary K. Grant, Massachusetts College of Liberal Arts



Building a Workforce from Preschool Up

A Western Massachusetts Commitment

Large-scale manufacturing is disappearing from New England, and creativity and innovation are the new drivers of the economy. Can local communities adapt? In the Berkshire Hills of Western Massachusetts, organizing stakeholders was seen as the first step. That is why two years ago, civic, legislative, cultural, and educational leaders came together to explore the barriers to a strong Berkshire economy and develop solutions.

Above: Massachusetts College of Liberal Arts Berkshire Hills Internship Program intern Sara Gately leads an art project at the Kidspace gallery in Mass MoCA (Massachusetts Museum of Contemporary Art).

A Berkshire Coalition

One barrier has been education levels. The new and emerging economy is no longer characterized by large manufacturing companies but rather by small- to midsize businesses in technology, specialty manufacturing, travel and tourism, arts, culture, and health care, to name a few. This increasingly knowledge-based and technology-oriented economy brings with it new opportunities and challenges. It calls for skills and educational achievement different from what helped residents succeed in earlier times.

The concern that the Berkshires—despite rich natural, cultural, community, and educational resources—might be left behind inspired local leaders to act. An intensive assessment of the county's economic strengths and weaknesses was conducted. Demographic changes, the departure of large companies with steady career paths and good salaries, a college-completion rate that lagged behind other Massachusetts communities—all presented challenges. With a wide range of stakeholders signing on, a blueprint for the future called the Berkshire Compact for Higher Education came into being.

The next step was to identify values and goals that could guide the development of strategies. Compact members agreed that progress would depend on a countywide effort to invest in a strong educational continuum—one that would encourage and reward innovation, raise aspirations, ensure access to education, promote lifelong learning, and take advantage of technology's ability to open or widen the doors to education.

It is well documented that higher levels of education translate into higher levels of earning and that the more years of education people have, the more engaged they are in their communities. So it stands to reason that a well-prepared workforce, equipped with the skills to adapt to a rapidly changing, global economic environment, improves a region's competitive edge. As

one study has noted, "Given the economic realities of the 21st century, providing opportunities for residents to prepare for, enroll in, and succeed in postsecondary education is vital to the health of our communities, our states, and our nation."¹

The Compact goal of investing in a strong educational continuum reflects the group's determination to help individuals and the economy simultaneously. The factors defining a region's competitiveness keep changing and will continue to do so, but a defining issue will always be one closely tied to education—namely, the quality and depth of the labor force. Jobs follow people, and a region must ensure that its residents have the skills to compete.

The Berkshire Compact's goal of investing in education reflects the group's determination to help individuals and the economy simultaneously.

Regions always benefit from better education and more jobs. Residents do, too. Indeed, according to the report "Education Pays 2004," the link between postsecondary education and individual earning capacity is strong: "In 2003, full-time workers with four-year college degrees earned approximately 62 percent more than full-time workers with only a high school diploma. Americans with high school diplomas earned an average of \$30,800 a year while those with bachelor's degrees averaged \$49,900 per year."²

A Higher Reach

Compact members want to transform a culture in which the educational endpoint is a high school diploma into one that views

a minimum of 16 years of education and lifelong learning as the norm.

Believing that educational aspirations are often set in childhood, the group advocates an educational system that links early childhood education, grades K-12, and higher education. To guide the next year of work on the educational continuum, they have developed a model called the Berkshire Passport.

Under the Passport, all Berkshire County students, beginning in elementary school, would engage in a series of progressive educational experiences. Those experiences would extend and enrich classroom learning with college visits, summer learning camps, and college-level coursework. They would get students thinking earlier about a brighter educational future. To encourage aspirations, the Compact is exploring incentives such as scholarships for students who accomplish Passport milestones.

Work has begun on a survey of all public school students in grades 6 through 12 to get their perspective on the educational barriers to a better future and to guide the development of new strategies. Other initiatives include one by Massachusetts College of Liberal Arts (MCLA), which has been bringing in middle school students for campus visits and is planning to expand to include elementary students.

Meanwhile, the Compact members are working to identify funding for college and technical programs and for assistance to families that face daunting financial barriers. Government commitment to strong, sustained funding of public higher education is a critical piece of the puzzle, so reversing state and federal student aid reductions is a key goal. Compact members also want to see the Commonwealth increase investment in technological infrastructure and networks in the Berkshire region, where many small, rural communities lack even basic Internet access.

The Compact also emphasizes the role



William Mulholland, of Berkshire Community College, addresses Berkshire Compact members Ann Claffie (Berkshire Visitors Bureau), Maureen Baran (Williamstown Savings Bank), Pam Malumphy (Massachusetts Office of Business Development), and David Crane (Excelsior Printing) at a higher education subcommittee meeting in October.

of employers in lifelong learning. Employer-driven training initiatives can be supplemented by external programs, especially if employers encourage employee participation by providing scholarships or flexible schedules. A new associate's degree program in manufacturing, developed between McCann Technical School, Berkshire Community College, and InterPrint is one example of successful partnering.

The Compact, working with the Regional Employment Board, has also identified best-practice internship programs for both high school and college students to introduce them to career opportunities, and to help create a pipeline of talent for permanent postgraduate employment. MCLA responded to the needs of the creative sector with a program called B-HIP—the Berkshire Hills Internship Program—that links young talent with cultural and creative

sector employers. And a recent graduate of the program in arts management and former B-HIP intern is now a full-time development employee at a major local theater company. MCLA also is launching a Fast-Track degree program to support adult learners in completing a bachelor's in an expedited fashion.

Some of these initiatives have immediate, tangible impacts, while other effects will require a longer-term perspective. The year 2008 will see Berkshire Compact members working on baseline measurements for evaluating progress toward milestones.

Long Term

Following commencement this year, MCLA identified 30 graduates who found employment in Berkshire County. Although the Compact may not be able to take full credit for the accomplishment, the partnership between business and education that has

resulted from months of intensive work is clearly important.

There are no economic development shortcuts. The best tax and regulatory incentives for companies to locate in a region cannot compensate for the quality and depth of the labor force. Today that quality and depth depend on access for all to higher education. The Compact signers believe that Massachusetts must make a bigger commitment to higher education if it wants to keep current population losses from snowballing into broader economic decline.

The challenge for the Compact now is to advance the strategies it has identified and energize the political will. A continued spirit of collaboration and creativity will serve the county and the state well.

Mary K. Grant is president of *Massachusetts College of Liberal Arts in North Adams*, the lead partner for the *Berkshire Compact for Higher Education*.

Endnotes

¹ "The Governance Divide: A Report on a Four-State Study on Improving College Readiness and Success" (working paper, Institute for Educational Leadership, National Center for Public Policy and Higher Education, Stanford Institute for Higher Education Research, Palo Alto, California, September 2005).

² See <http://www.ecs.org/html/Document.asp?chouseid=5664>.

News from the Bank

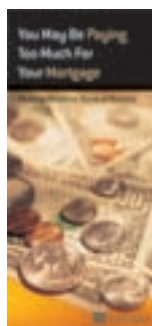
A New Web Site Helps Home Buyers



TheInformedHomebuyer.org

The Federal Reserve Bank of Boston's source of consumer information regarding mortgages and foreclosures

You May Be Paying More Than You Should For Your Mortgage



Did You Know...

That mortgage lenders are not required to give you the best deal possible on your mortgage?

Did You Know...

That while many borrowers got loans that were suitable at the time, some could now qualify for better terms that potentially could save them thousands of dollars?

For example, on a 30-year fixed, \$200,000 mortgage:*

- The going national rate for a borrower with a 700 credit score would be 6.2%. The monthly payment would be approximately \$1,227.
- The going national rate for a borrower with a 620 credit score would be 9.4%. The monthly payment would be approximately \$1,671.

The difference in price of these two loans is **\$444 a month or \$5,328 a year!**

* Based on rates as of September 25, 2007.

Coming Soon.... refinancing, credit reports, foreclosure information

Ask Yourself the Following...

1. Have I paid all of my bills on time over the past two years?
2. Is my credit history free from any judgments, liens, or bankruptcies in the past five years?
3. Is my credit score over 680?*
4. Is my mortgage rate over 7%?

IF your answer to any of these questions is YES, you might qualify for a loan that could save you money in the long run.

Steps You Should Take...

- Talk to your lender! Your lender may be able to help you modify or refinance into a more suitable product.***
- Shop around! It is very important to comparison shop and understand the loan terms and associated benefits and risks before choosing a product. Some mortgage lenders may advertise loans that appear to carry substantially lower interest rates than others. These rates, however, may simply be introductory or "teaser" rates to attract customers.

** To review your credit history and get your credit score, contact the national consumer reporting companies: Equifax, Experian, and TransUnion, at (877) 322-8228 or visit <http://www.annualcreditreport.com>. You are entitled to one free credit report every 12 months at your request. You may, however, be charged a nominal fee to get your credit score.

*** Caution: prepayment penalties and/or decreasing housing values may make it difficult to refinance despite your good credit history.

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Ken Maskell

Coordinator, University of Vermont Abenaki Outreach Program

Jeff Benay

Franklin County Director of Indian Education

IMPROVING OPPORTUNITIES FOR ABENAKI YOUTH



Photograph by Caroline Ellis

Jeff Benay (left) and Ken Maskell flank Chief Grey Lock (c.1670 -1750) in Burlington, Vermont.

Ken Maskell, an Abenaki Indian, coordinates the University of Vermont's Abenaki Outreach Program and works closely with Abenaki youth at Missisquoi Valley Union High School in northern Vermont. He has dramatically reversed the drop-out rate at the high school and has convinced many students to pursue postsecondary education. One day a week he is based at the University of Vermont in Burlington, where for the first time in history Abenaki are students.

Maskell's longtime collaborator is Jeff Benay, Title VII Director of Indian Education. Originally from New York City, Benay has been involved with Vermont Abenaki for 30 years. In addition to working in Franklin County, he is a five-term appointee to the Governor's Advisory Commission on Native American Affairs.

Who are the Abenaki Indians?

Jeff: Vermont's Abenaki are off-reservation, rural Indians. Franklin County has the greatest concentration. Some Abenaki live in Maine. In Canada, there's a reservation.

In 1991, then-governor Madeleine Kunin established the Advisory Commission on Native American Affairs to support Indians in education, culture, and economic development. I've been on the commission since Howard Dean was governor. I've also consulted with the University of Vermont on native issues.

Ken: Jeff was responsible for getting UVM's Abenaki outreach started.

Jeff: In 1984, UVM was considering ways to improve diversity. I was in a meeting with the dean of students, the dean of admissions, and the provost, and I said, "You're spending thousands of dollars to send people out west to recruit Navajos who may last four months in our winter. And just north of here, 20 percent of the Missisquoi Valley Union High School population is Abenaki." They were amazed.

So UVM decided to focus on local Indians?

Jeff: Yes. Their first thought was scholarships. But the tribal council and the parent advisory committee had other ideas. Among Abenaki adults at the time, 70 percent had dropped out of high school. They weren't thinking about college or scholarships. An intermediate step was needed.

Seventy percent is an extraordinary drop-out rate. Could they find jobs?

Ken: They were mostly laborers, seasonal workers. Some lived off the land, the lake—selling fish and furs, hunting muskrat. Some were on welfare. They were the poorest of the poor. We have made startling progress, though. Today fewer than 3 percent drop out of high school, and 38 percent pursue postsecondary education.

Jeff: But in 1984, fewer than 5 percent had any postsecondary experience. Parents decided that visits to UVM were needed before scholarships. They took a campus tour and helped develop the Summer Happening program for kids going into 7th, 8th, and 9th grade. Burlington can seem vast to kids from a town of 5,000, but the program gives them several days on campus. They see not just that there are academic possibilities for them but that Burlington is manageable.

Ken: We also wanted to change some past messages Abenaki kids would hear, like they weren't UVM material.

Jeff: Thanks to Ken and the outreach, nearly 40 percent of the Abenaki at the high school attend a college now.

Ken: We have had eight at UVM. Until the program, there had never been any Abenaki there. When I graduated from high school, we were encouraged to go into the trades. Now our students go to UVM, the University of New Hampshire, Castleton State College, SUNY Plattsburgh, Whitman State College, Johnson State College, University of Maine, Virginia's Tech Academy, among others.

At what point did expectations start changing?

Ken: Well, Jeff played an important role, as did the increased interest and involvement from parents, the Summer Happening program, and the extended outreach that I've been coordinating since 2001.

Jeff: Here's how much things have changed. In 1981, I'd been working in social services with the Abenaki Self-Help Association, when the tribal council said they needed me in the schools. I was hired as director of Indian education for Franklin County. As soon as I was hired, I paid visits to the schools. One principal came outside and blocked my path. He said, "Where do you think you're going?" I said, "I work for the school system now." He knew my connection to the Abenaki, and he shouted, "Over my dead body are you coming in and working with those Johnny-Come-Lately welfare bums." I told him to call the superintendent, and he finally let me in.

Ken: Abenaki kids and their parents and grandparents have suffered from prejudice for years. Overcoming that history is part of my job. I graduated from the school myself, had been employed there from 1991 to 1996 coordinating special education employment programs, and I'd worked for the tribal council since I was 17. So when UVM decided to expand its outreach beyond the Summer Happening, my background made me a natural candidate for the coordinator position.

Today I have offices at both the high school and UVM. I'm at the high school four days a week. I'm on campus one day a week, making connections with students

and with the various colleges. I meet with deans, faculty, and staff, and collaborate to develop programs the kids might be interested in.

During the school year, I do follow-up activities with the Summer Happening participants at the high school. Other Abenaki students have started coming to me for support. With 240 Abenaki students in a school of 1,200, they used to slip through the cracks. Many needs went unmet. Students seek out a caring person who can help them feel part of the school community. In the past, Abenaki kids lacked a sense of belonging, and the same was true for many parents.

What fields are students pursuing now?

Ken: A lot get involved in the sciences, particularly the medical field. The community has developed partnerships with IBM, and some students have gone on to become engineers. Others have started construction businesses.

Jeff: What's unusual is that Abenaki students want to return to the community and contribute. Many work in social services. Tribes west of the Mississippi have a brain drain, with youngsters leaving the reservation, not necessarily to complete college. Youngsters who work with Ken stay in college, but nationwide only about 18 percent of Native Americans stay in college.

Ken: Even the students who don't go to college do better because of the outreach program. I work with all the Abenaki kids. Youngsters who never would have gotten a high school diploma are graduating. They may work as laborers or on the family farm, but having the diploma gives them options if they later decide to pursue different opportunities. Without the program, close to a dozen students would have dropped out this year alone.

How did you keep them from dropping out?

Ken: By providing day-to-day support, a sense of belonging, a place where they can feel cared about. I work in close collaborations with their teachers, guidance counselors, and parents. Jeff's program pays for a tutor for 20 hours a week, and that has made a significant difference. My hope is that when things settle down in their lives, they'll consider college. I went through rough times, too, so I understand.

What improvements would you like to see?

Ken: I'd like to see a greater focus on the kids' innate leadership abilities and creation of opportunities for them to take control of their educational journey. I also hope they will get more exposure to technology—more computers in the school and possibly in homes.

Jeff: A needs assessment we conducted showed that about 38 percent of Abenaki don't have computers at home. Teachers

don't understand that and often assign computer homework. Many teachers commute from Burlington and don't know much about the Abenaki.

Ken: Another thing I'd like to see is more students going on to postsecondary education. I'm always trying to find that silver bullet that will motivate them. I try to get them settled down and focused on learning. They may not see the point of study when they have troubles at home. And often they don't feel smart enough to succeed. I'm trying to undo 40-50 years of things that happened to the Abenaki in the schools. I know where these kids are coming from. I tell them, "You will get through it. This isn't your whole life."

On my days at UVM, I meet with students, and that helps keep them on campus. If the kids go to other colleges, I stay connected through e-mail. They can get in touch with me about anything. Their parents can, too. They are all so appreciative of the program and my efforts that I feel the outreach work I do is making a difference.



Abenaki students with the University of Vermont's John Mejia in August 2007. The students were participants in the 24th Summer Happening, a UVM program to interest Indian youth in attending college.

Photograph courtesy of the UVM Abenaki Outreach Program



Training for Real Jobs

by Gerald Ghazi, Vermont HITEC Inc.

When Motivation

Means Opportunity

In recent years

employers in Vermont and New Hampshire have struggled to find workers with the highly specialized skill sets their companies need. At the same time, many workers have lacked career opportunities, adequate training, and access to well-paying jobs. Although placement agencies have helped workers who have skills, individuals without skills or education have often been on their own.

Today, however, new workforce-development efforts are benefiting both workers and companies. Consider Vermont HITEC (Healthcare and Information Technology Education Center), a nonprofit workforce-development organization. Vermont HITEC has used a program called Information Technology Apprenticeship Readiness (ITAR) to match unemployed and under-

employed individuals with current open positions. It taps employers, government, and other resources to provide free education and training to participants who are screened for motivation, work ethic, and company fit. Workers chosen for ITAR are guaranteed a position with a sponsoring employer in health care or information technology. (See "Training for a New Life.")

The New Face of Recruitment

ITAR's candidate selection process is unusual. Skill sets and technical competencies are irrelevant, and prior experience is weighed only to ascertain the individual's integrity. Those who participate in program orientation, assessment testing, and interviews are evaluated for attitude, enthusiasm for a new career, fit with the employer's culture, and ability to take direction and communicate

effectively. Each step is intense and allows both the job-seeker and evaluators to assess level of commitment.

Reverse-Engineering the Curriculum

In order to fully comprehend the ideal performance indicators for a position and ensure the program's success, the curriculum is designed through a reverse-engineering process. An instructor is placed directly into the job opening at the participating employer to experience the full scope of the work. The instructor then designs the training to blend job-specific skills with general industry skills. In some cases, multiple organizations within a highly specialized industry sponsor positions through a single class that trains students in universal competencies.

Above: Students at Vermont HITEC (healthcare and technology education center) studying to become CNC (computer numerically controlled) machinists.



An ITAR (information technology apprenticeship readiness) instructor helps students prepare for existing jobs as specialized machinists.

Fast-Track Training

The education and training portion of the model is relatively brief but very intense. A boot-camp approach tests the commitment and ability of participants. With successful completion of the program, candidates are well-prepared to face challenges in their new careers. Students work full-time in a virtual 24/7 environment on developing the new skill sets and can therefore be employed sooner—a benefit to both workers and employers. Ongoing mentoring shows students how to use proven strategies in both the learning process and their new careers.

Apprenticeship Readiness

Once students successfully complete the education portion, they become employees of the sponsoring company as well as state-registered apprentices. Apprenticeship lasts one to two years. All education requirements of the apprenticeship are taught during the ITAR before students have to practice them in the workplace. At the employer, they work with a senior mentor to

further develop competencies. Cooperation between employers and mentors allows students to receive the guidance that guarantees success.

ITAR Model Comes to Life

The ITAR model is practiced by VT HITEC in cooperation with Vermont's Department of Labor and the Vermont Department of Economic Development. HITEC receives government grants for recruitment efforts, training equipment, materials, and on-site mentoring.

Within the past seven years, Vermont HITEC has completed programs for both Vermont and New Hampshire employers, and as of May 2007, it had found employment for 307 students. It has filled positions such as software analyst, installation consultant, support programmer, web developer, software developer, IT account manager, medical practice support specialist, medical registration representative, medical transcriptionist, and CNC (computer numerically controlled) machinist. Its clients

include GE Healthcare (formerly IDX Systems Corporation), Spheris Corporation, Fletcher Allen Health Care, Dealer.com, Web-systems, Hypertherm Inc., and Husky Injection Molding Systems.

As Jim Miller, director of operations for Hypertherm's torch and consumables division, says, "How well we meet the challenge [of growing demand for our products] will be determined by how well we can expand

our trained workforce. Vermont HITEC's desire and commitment to recruit and educate CNC machinists meets a critical need."

Meanwhile, employees and companies alike are benefiting from the longevity of employment that results from the program.

In one example, an ITAR program was developed for Dealer.com, a national Internet marketing-solutions provider for automotive dealerships, based in Burlington, Vermont. The company wanted to expand its workforce but could not find qualified applicants. An ITAR program was developed to create 14 IT account manager positions. The eight-week, tuition-free program was followed by a one-year apprenticeship. All 14 students selected for the program graduated and got jobs at Dealer.com. One year later, 13 of the 14 were still working there.

That success led to a program to train Java programmers for Dealer.com. The seven students who graduated and completed their one-year apprenticeship are now

Training for a New Life

An ITAR Student's Story

I had been working with my company for five years when I was unexpectedly laid off. I was worried because I had neither a college education nor trade-specific skills. As I endorsed my unemployment check, I noticed an advertisement on the back for a program offering free training for employment. I kept the thought in the back of my mind a few days as I went through the classifieds. Then I received a postcard about this ITAR program. Evidently I could be a machinist for a local manufacturing company.

Would Someone Want Me?

It sounded interesting, but I doubted this was for someone like me. Then I heard a radio ad that said the same thing as the postcard—I could become a machinist with no prior experience. It sounded too good to be true, so I asked the Vermont Department of Labor about it. They encouraged me to apply and said that I had the requirements: a desire to become a machinist and a positive, willing attitude. I went online at their office and filled out an application.

The web site explained that I would go through a screening process, and if I was chosen, I'd attend a full-time nine-week class. Upon graduation, I would have a guaranteed job with benefits. I attended the orientation with about 75 others. We got details about the training program and about seven companies that were willing to hire a total of 16 people with no current skills. The companies would offer full benefits, including a 401(k). I decided to follow through.

The next day I took four hours of grueling tests. The folks running the program told us it was all about our attitude taking the test. The following week, I was called for an interview. I thought, Now they will see that I just don't have the background. They asked me about my work ethic,

willingness to put in extra time, desire for a new career, and my feelings about intense training—nothing about machining or even math.

It had been 20 years since I was in school, but they said not to worry. A few days later, I got another callback and met with each of the employers and the training instructor. The job I could work toward sounded amazing. It was hard to believe I was sitting in front of such intelligent people, offering me this opportunity. They were looking for fit, and my lack of competencies in machining didn't seem to matter. One week later, I learned that I had made it.

Exhausting and Exhilarating

The following nine weeks were challenging and exhausting. I had class five days a week, eight hours a day, and then four hours of homework each night and on weekends. The instructor was knowledgeable and helped us through the most challenging parts. A mentor met with each student regularly to guide us through difficulties—personal or academic. My mentor helped me retain my unemployment benefits through the training. I needed her encouraging voice when things got stressful.

Now I have finished the first week at my new job. My mentor stopped in this morning. We discussed how everything was going, and I received some good advice on how to approach my manager for feedback on a project I'm working on. I'll meet with my mentor regularly throughout my one-year apprenticeship. I still cannot believe this is happening. My two children have everything they need now, and I am happier than ever before. I consider this my second chance at life.

senior software developers. Altogether, there have been six ITAR programs for Dealer.com. Forty percent of the company's current workforce has been developed this way.

The ITAR model is adaptable to a variety of industries, company sizes, and types of jobs. Policymakers concerned with

workforce development in New England would do well to consider such programs, which succeed through partnerships and through careful screening of candidates for motivation.

Gerald Ghazi is the president of Vermont HITEC Inc., based in Williston.

Regionalism Picks Up **Speed**

New England States Find Common Ground

by Chuck Morgan, Southern Maine Regional Planning Commission

Northern New England has benefited from regional collaboration for centuries, and recent cross-border initiatives suggest that regional economic activity is more important than ever.

Long ago, when settlers traded with one another, with the Algonquins, and with other countries, efforts to increase trade were not focused on boosting individual states. The states as we now know them did not exist. Not until the Missouri Compromise of 1820 were the boundaries of Maine established, for example. Before that it was part of Massachusetts. When the lines were drawn on a map in 1820, they cut through an already thriving region. Business activity, social interaction, and family relationships had long fostered interdependence.

Transportation and Regionalism

The year 1822 saw the opening of a bridge connecting Maine and New Hampshire and giving residents their first non-water-dependent method of crossing the Piscataqua River. Interpersonal connections and economic activity increased between the states. Nearly 200 years later another important transportation system linked Maine, New Hampshire, and Massachusetts—the Downeaster.

In 1995 Maine's legislature created the Northern New England Passenger Rail Authority (NNEPRA), and in 2001 the Downeaster opened for business, ending a 30-year dearth of passenger service. Since then, the total number of passengers has

products industry has been decreasing and businesses have shut their doors. Now a multistate organization, the Northern Forest Center, is tackling issues common to forestry-dependent communities.

The center was founded in 1997 with the idea of using existing networks and partnerships to build a sustainable economy, revitalize communities, and conserve the landscape of the northern forest of Maine, New Hampshire, Vermont, and New York.

The center and the North Country Council of New Hampshire have tapped U.S. Economic Development Administration funds and are combining those funds with private money to pursue economic initiatives. For example, they are developing a strategic blueprint for sustainable

The goal is to reinvigorate the rural economies of the Northern Forest by the following efforts: delivering a regional strategy and action plan; providing a framework for new public and private investment in Northern Forest communities; and leveraging the competitive advantages of the region's forest products, recreation, tourism, energy, and the creative economy.

Shipbuilding

Another industry that has changed over the years is shipbuilding. The region's strong seafaring history has encompassed both the hand-built wooden ships of yore and today's nuclear submarines.

Currently, the largest shipbuilding employer in the border region of Maine and

In 2001 the Downeaster opened for business, ending a 30-year dearth of passenger service.

exceeded 1.4 million. In fiscal year 2006, the Downeaster was Amtrak's fastest-growing service, with overall ridership up 23 percent from the previous year. The Downeaster has made it easier to live in Maine while working in Greater Boston or attending one of its world-class educational institutions. Additionally, downtowns hosting the new depots have become more desirable, which has boosted revitalization.

Industries Across Borders

For centuries, two industries drove the Maine and New Hampshire economies—wood products and marine-dependent businesses (fishing and shipbuilding). Today, although other industries have pulled ahead, particularly in New Hampshire, the old industries are still providing significant numbers of jobs in smaller towns and border regions.

Forestry

Employment in the forestry and woods

economic development in the Northern Forest region—a project that flowed directly from findings presented at the Northern Forest Council 10th Anniversary in 2004.

A forum on that occasion made four recommendations: 1) invest public and private resources to develop and implement community and economic development strategies across the region to reinvigorate the rural economies of the Northern Forest; 2) continue public and private investment in the conservation and forest stewardship efforts catalyzed by the work of the original Northern Forest Land Council; 3) support private forest landowners in practicing sustainable forest management and good stewardship while encouraging public access to private property for recreational purposes; and 4) create a collaborative regional effort to follow through and ensure the implementation of the initiatives in the report. In a letter dated May 27, 2005, all four governors pledged to implement the fourth recommendation first.

New Hampshire is the Portsmouth Naval Shipyard. The facility is responsible for the maintenance and refurbishing of nuclear submarines for the United States Navy. It accounts for 10,000 direct and indirect jobs. More than 80 percent of the jobs are in York County, Maine; 10 percent are in Rockingham County, New Hampshire; the remainder are based in other parts of the two states.

The shipyard is vital to the region, but on a Friday the 13th in 2005, the future did not look rosy. On that day the Pentagon announced that the Base Realignment and Closure Commission was placing the Portsmouth Naval Shipyard on the closure list. Area communities were alarmed. Not only were the 10,000 jobs a significant percentage of the economic base, but they included some of the best-paying jobs in the region.

The threatened closure galvanized people and led to a highly cohesive effort to have the shipyard taken off the list. Led by the governors of both Maine and New

Hampshire, the push involved Congressional delegations, local officials, labor unions, and the business community.

Among the many benefits of their successful efforts was tangible proof that cooperation across state borders is effective. Today the states are looking for additional ways to build relationships.

Collaboration Grows

After the naval base effort, economic development professionals, chamber of commerce directors, and business professionals formed the Bi-State Coordinating Committee, meeting with professors Charlie Colgan of the University of Southern Maine and Ross Gittell of the University of New Hampshire about expanding multistate economic collaboration.

The professors reviewed the existing economic data and the studies that each had previously conducted on York County and coastal New Hampshire. They then identified several possibilities for fruitful multistate projects, including a regional incuba-

tor for technology businesses.

In September 2006, with funding from the U.S. Economic Development Administration and the Maine Department of Labor, the group held a Bi-State Summit. The keynote address focused on the professors' report. Speakers included the current governors of Maine and New Hampshire, a former governor of Maine, and columnist Neal Pearce of the nonprofit New England Futures (an organization that promotes regionalism). As many as 200 people attended.

At a December 2006 follow-up session, participants in small group sessions narrowed the collaborative opportunities to: supporting small business development; expanding and improving the tourism economy; supporting and building the region's high-tech clusters (biotechnology, life sciences); maximizing the impact and benefits of the region's Baby Boomer economy; looking at ways to support the development of affordable housing options; and improving and enhancing the region's transportation systems.

More people are recognizing that collaboration is the key to future success. Increases in domestic and international competition, combined with shrinking markets, have forced industries to become more innovative and efficient. Regions, states, and communities are cooperating to maintain and strengthen their economic base.

As the Maine-New Hampshire experience shows, cooperation improves efficiency—especially needful in an environment of scarce fiscal resources. Further, economic activity does not stop at borders. And lastly, the significance of geographic boundaries is likely to decrease in this era of rapid technological change and globalization. If we are to be successful in growing our economy and creating jobs for residents, we need to cooperate beyond our borders.

Chuck Morgan is the director of economic and community development of the Southern Maine Regional Planning Commission, based in Springvale.

Our Piece of the Pie

See the article on page 26, "Capacity Building for Nonprofits: A Hartford Example," by Anna Sherman, TCC Group



Photograph by Lanny Nagler

NEW HAMPSHIRE'S MINIMUM WAGE

POTENTIAL ECONOMIC IMPACT OF THE INCREASE

by Antoniya Owens
Federal Reserve Bank of Boston

In May 2007, Governor John Lynch signed into law the first increase of New Hampshire's minimum wage in ten years. Prior to this legislation, New Hampshire had been the only state in New England where the minimum wage was set at the federal level of \$5.15. The state bill, which passed overwhelmingly in both the State Senate and the House of Representatives, mandated an increase in the state minimum wage to \$6.50 in September 2007 and to \$7.25 in September 2008.

The New Legislation

This recent movement on the minimum wage issue in the Granite State came, perhaps not coincidentally, at a time when a similar increase was being considered at the federal level. In January 2007, the U.S. House of Representatives passed the Fair Minimum Wage Act of 2007, proposing to increase the federal minimum wage to \$7.25 over a period of two years. One month later, the Senate passed an amended version of the bill aiming to alleviate some of the burden on employers through tax relief provisions for small businesses. The bill was subsequently combined with a war funding bill and passed by a large margin in both the House and the Senate. President Bush signed it into law in May 2007, which means that the final federal minimum wage increase to \$7.25 will take place in the summer of 2009.

The new federal minimum wage legislation ended the longest period without an increase since the first minimum wage was enacted in 1938. Because the minimum wage is not indexed to inflation, its value had eroded by 20 percent over the past 10 years and, in real terms, was the lowest it had been in 50 years. For a full-time worker who earns \$5.15 per hour,



Photograph courtesy of the New Hampshire State House

In May 2007, Governor John Lynch signed into law the first increase of New Hampshire's minimum wage in ten years.

Table 1. Workers likely to be affected by the minimum wage increase

	New Hampshire	United States
Number of workers directly affected	26,108	5,918,000
Affected workers as percentage of total employment	3.7%	4.1%
Distribution of affected workers		
Gender		
Male	38%	41%
Female	62%	59%
Age		
16 to 19	47%	25%
20 to 44	33%	52%
45 and older	20%	22%
Median age (years)	20 years	25 years
Work hours		
Hours vary	8%	13%
1 to 19 hours	38%	16%
20 to 34 hours	29%	27%
Full-time (35 or more hours)	24%	44%
Student status		
Full-time students	43%	23%
Part-time students	1%	2%
Industry		
Retail trade	34%	23%
Food services	22%	23%
Arts, entertainment, and recreation	7%	3%
Family status		
Parents	13%	24%
Single parents	2%	9%
Married workers	24%	30%
Average share of weekly family earnings contributed by affected worker	33%	43%
Share of workers earning 100% of weekly family earnings	21%	26%

Source: New England Public Policy Center calculations using the 2006 CPS Merged Outgoing Rotation Group Files.

this represents a loss of more than \$2,500 per year.¹ Increasing it to \$7.25 per hour by 2009 would eventually bring its real value back to where it was in the early 1980s. (See Figure 1 on page 25.)

Currently at \$6.50 per hour, New Hampshire's minimum wage is still the lowest in the region. State minimum wage levels in Connecticut, Vermont, Massachusetts, and Rhode Island all rank among the top seven in the nation, with hourly rates of \$7.65, \$7.53, \$7.50, and \$7.40, respectively; Maine ranks 16th with a minimum wage of \$6.75. The Massachusetts minimum wage is set to increase to \$8 in 2008,

which—barring any future minimum wage increase legislation by other states—will make it among the highest in the nation, along with California, whose minimum wage will also increase to \$8 in 2008, and possibly Washington and Oregon, where minimum wages are tied to inflation and are currently set at \$7.93 and \$7.80, respectively.

Who the Law Affects

Using data from the 2006 Current Population Survey, a July 2007 New England Public Policy discussion paper estimates that increasing the minimum wage in New

Hampshire would directly raise the wages of 26,000 workers earning between \$5.15 and \$7.25 per hour.² Nine thousand of the affected workers were estimated to have received an immediate raise in their hourly wage to \$6.50 in September 2007, during the first stage of the increase. In September 2008, all workers who received a raise and remained employed after the first increase—as well as all 17,000 workers who earned between \$6.50 and \$7.25 all along—will receive raises to the new state minimum.

In general, it appears that the 26,000 affected workers in New Hampshire are younger and less likely to be married or have children than the workers who would be affected by the federal minimum wage increase in the nation as a whole. They are also more likely to be enrolled as full-time students, to work fewer hours, and to contribute a smaller share of their families' earnings. Two-thirds of the affected workers in both New Hampshire and the United States are women. As is generally true nationwide, half of the affected New Hampshire workers have jobs in either the retail trade or the food services industries. (See Table 1.)

Potential Economic Impact

The discussion paper also evaluated what impact raising the state minimum wage in New Hampshire might have on employment and wages.

Employment

The impact on employment largely depends on how sensitive the demand for labor is to changes in wages. Sensitivity is measured by the elasticity of demand for labor, defined as the percent change in employment that occurs in response to a percent change in the wage rate. For example, if wages increase by 10 percent and as a result employment falls by 4 percent, the elasticity of demand for labor in that case is -0.4. The more sensitive the demand for labor to changes in the wage

rate (the larger the elasticity of demand), the greater the reduction in employment following a minimum wage increase.

Using three different elasticities of demand from the minimum wage literature, the discussion paper estimates the potential employment impact of increasing the minimum wage in New Hampshire for each of the two consecutive stages stipulated in the legislation. The combined employment impact of the two increases is estimated to

The positive wage gains that result from any minimum wage increase are partially offset by the lost wages of the laid-off workers.

be small and negative, ranging from 300 to 1,500 jobs, which is between 1.2 percent and 5.8 percent of workers directly affect-

ed by the law. At the midpoint, employment would be expected to decrease by an estimated 646 jobs, or 2.5 percent of affected workers. This amounts to less than one-tenth of 1 percent (-0.09 percent) of total employment in New Hampshire, which was roughly 711,500 in 2006.

Additional labor costs associated with increasing the minimum wage may not entirely translate into employment losses, however. Rather, some portion of these costs may be either absorbed by employers through lower profits or passed on to consumers in the form of higher prices. Indeed, few studies in the empirical literature find an employment effect for such small wage increases.

Wages

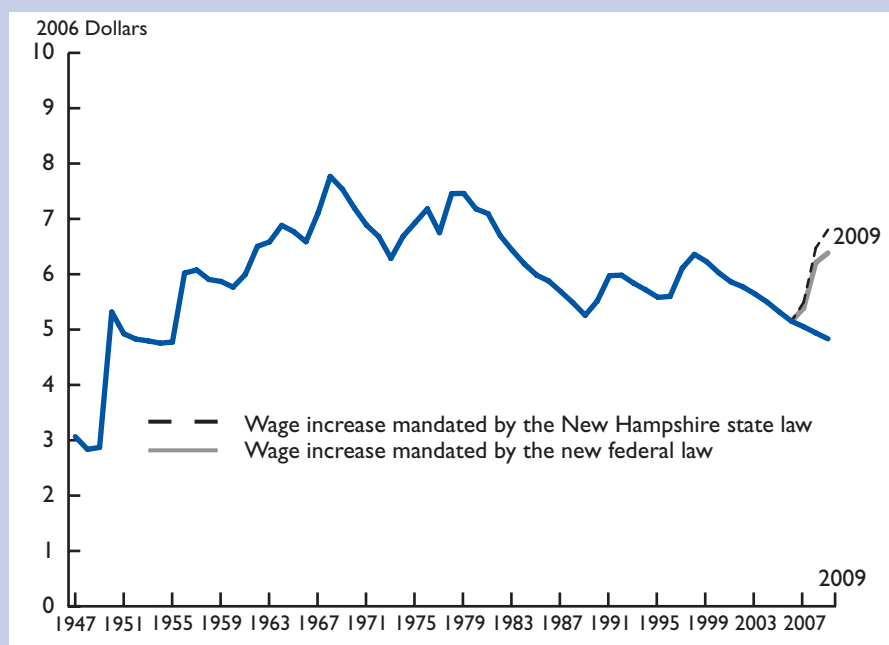
The impact of the state minimum wage increase on aggregate statewide wages and wages per employed worker was also evaluated. The positive wage gains that result from any minimum wage increase are partially offset by the lost wages of the laid-off workers. In calculating the net wage impact

of a minimum wage increase, these lost wages need to be subtracted from the gross annual statewide wage increase.

In this case, although raising the minimum wage would lead to a gross annual wage increase of \$22 million, the lost wages of the 646 laid-off workers would bring the net annual statewide wage increase to about \$17.4 million. That translates into an increase of about \$682 per year for each worker who remains employed. Furthermore, using the lower estimate of the employment impact yields a higher net statewide wage increase of \$19.9 million, while using the upper one projects a net annual wage increase of \$10.9 million.

Increasing the minimum wage may also cause some employers to reduce the hours of their workers. Workers who remain employed but with reduced hours may experience other adverse consequences that are hard to measure: For example, they may now work part-time instead of full-time and lose employer-sponsored benefits, such as health insurance or pension benefits. Alternatively, employers may reduce the amount spent on employee benefits, such as contributions to health insurance premiums. If companies respond to the minimum wage increase by reducing the hours of their workers or curtailing their nonpecuniary benefits, the net gain in aggregate wages may be diminished.

Figure 1: Real value of the minimum wage, 1947-2009



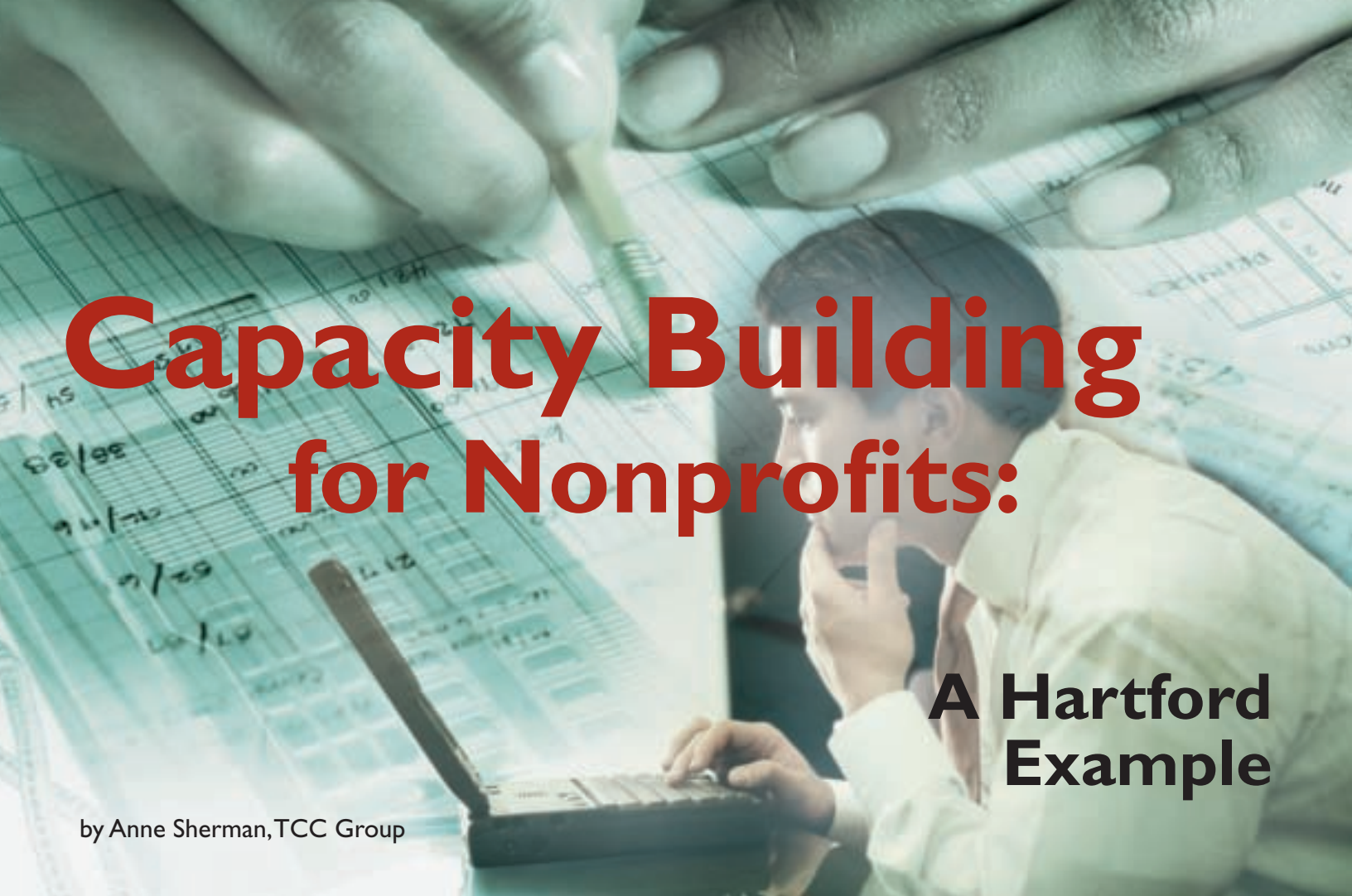
Note: The minimum wage value in years in which the wage changed midyear is the weighted average wage for the whole year.
Source: Calculation based on data from the Bureau of Labor Statistics;
Calculations for 2007-2009 use inflation projections from the Congressional Budget Office.

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Endnotes

¹ Jared Bernstein, "Tax Incentives for Businesses in Response to a Minimum Wage Increase" (Washington DC: Economic Policy Institute, January 2007), http://www.epi.org/content.cfm/webfeatures_viewpoints_minwage_tax_incentives_testimony_01102007.

² Antoniya Owens, "The Potential Economic Impact of Increasing the Minimum Wage in New Hampshire" (New England Public Policy Center Discussion Paper No. 07-2, Federal Reserve Bank of Boston, July 2007), <http://www.bos.frb.org/economic/neppc/dp/2007/neppcdp0702.pdf>.



Capacity Building for Nonprofits:

A Hartford Example

by Anne Sherman, TCC Group

Photograph: Getty Images

Nonprofits are like for-profits in this regard: To ensure effectiveness and meet the challenges that come with growth and change, they need to build strong organizations that will support an excellent product. For the private company, the bottom line is profit; for the nonprofit, the bottom line is achieving mission. Either way, the need for a strong infrastructure is the same.

Accountability

For better or worse, nonprofit leaders live and work in an era marked by a growing emphasis on results. The public is increasingly demanding that nonprofits demonstrate their effectiveness and account for the funds they spend.

There is nothing inherently wrong with accountability. However, because funders have historically supported program development and innovation rather than strong organizations to sustain programs and to create meaningful accountability mechanisms, many nonprofits are challenged to meet the rising expectations. By and large, donors' prevailing attitude has been "every extra dollar should go back into programs." Without strong organizational capacity, nonprofits have found it difficult to consistently develop and implement high-quality, high-impact programs. Put another way, most organizations do not have the systems (the management, technology, board governance, planning, evaluation, professional development, and so on) to help programs

grow, thrive, and have long-term impact.

In response to this vacuum, an entire field—commonly called capacity building—has sprung up over the past two decades. With support for the concept growing, nonprofit organizations and their funders have encountered new questions: How does one define capacity for a nonprofit? Where to begin building capacity?

As the field has matured, definitions of nonprofit capacity and ideas about how to measure it have proliferated. One model of organizational effectiveness, developed by the New York-based firm TCC Group, emphasizes four critical areas:

1. **Leadership Capacity:** the ability of all organizational leaders to create and sustain the vision, inspire,

model, prioritize, make decisions, provide direction, and innovate, all in an effort to achieve the organizational mission.

2. Adaptive Capacity: the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes.¹
3. Management Capacity: the ability of a nonprofit organization to ensure the effective and efficient use of organizational resources.
4. Technical Capacity: the ability of a nonprofit organization to implement all the key organizational and programmatic functions.

Organizational culture can be considered a fifth component of the model since it has a significant impact on each of the core capacities. Organizational culture is an amalgam of the nonprofit's history, language, structure, and values. It provides the context for defining, assessing, and improving effectiveness. Finally, the model recognizes that the operating environment and the available resources are also important in determining effectiveness.

The leadership capacity and the adaptive capacity are the two most important. Without them, it is nearly impossible for an organization to be effective over time. It

A Hartford Nonprofit Grows

When Our Piece of the Pie CEO Bob Rath came on board 12 years ago, the organization was called Southend Community Services (SCS) and was providing neighborhood residents with an array of services that included child care, home care for the elderly, and employment and training programs for youth. With years of experience managing both for-profit and nonprofit organizations, Rath recognized that the organization lacked the focus and vision it would need to distinguish itself as a high-impact program making a tangible difference in the lives of the people it served.

Though clearly an important source of support to many Hartford residents in need, SCS lacked the kind of infrastructure that makes for efficient and effective operations. Furthermore, it lacked a way to document the quality and outcomes of its programs in a systematic, sustainable way that would also allow for accountability to key stakeholders—staff, board, clients, and funders. Like many nonprofits, the agency literally did not have the technological or human resources to efficiently collect and report data on programmatic outcomes.

In 2000, SCS was selected to participate in a special initiative of the Hartford Foundation for Public Giving that paid for local multiservice agencies to contract

Group. As a result of the assessment, the SCS staff and board agreed to embark on the agency's first strategic plan, develop its external communications function, and invest in its IT and data-collection systems.

As valuable as all those enhancements were, says Rath, the assessment's greatest benefits may have been the questions it raised. "The assessment started prodding me to think about, Where are we going to go, what are we going to be good at?" It was the first step in a long journey that forced staff and board members—spurred on by Rath—to think carefully about what effectiveness meant for SCS and to make deliberate, sometimes difficult, decisions.

Both literally and figuratively, SCS no longer exists. Its leaders made a strategic decision to build on a core competency—youth development. The transformation was so significant that SCS eventually adopted the name of its signature program, Our Piece of the Pie. Today, OPP's comprehensive program model, which has garnered national attention, includes education, employment readiness, and small business development. Stronger than ever, the organization is poised for continued growth.

Leadership and Adaptability

OPP's success is a direct result of Rath's strong leadership. Six years ago, when SCS

Accountability = Achieving a Mission

might be *efficient*, but continued effectiveness will be elusive.

One group that demonstrates the power of the leadership and adaptive capacities is Our Piece of the Pie in Hartford.

with consultants to conduct organizational assessments. Based on the assessment, participating agencies would design and implement a multiyear capacity-building plan to address their most pressing needs.

Rath chose consulting firm TCC

was at a crossroads, he presented a risky vision and worked to earn the support of senior managers and board members.

Rath recalls that the team had big decisions to make: "I could see that we couldn't be accountable for anything if we stayed all

over the place. ... People realized that there would be a real advantage in focusing.”

Developing a strong vision was critical. So was a commitment to building the adaptive capacity that would allow OPP to measure its progress toward goals and respond. The strategic plan was an integral part of that process—as was a business-planning process (funded by the Edna McConnell Clark Foundation) that forced staff and board to be explicit about their revenue and expense assumptions.

OPP also took steps to become a learning organization, prioritizing the development of an outcomes-based data-collection system. Today all staff members are expected to use the system so that the group can assess what is working and where improvement is needed. For example, an important goal is working with high school dropouts and getting them to re-enroll. Some stay in school, some graduate, and others drop out again. The new data-collection system allows OPP staff to track the status of each student and link the benchmarks to the student’s interactions with staff, level of program participation, and personal barriers. In this way,

managers can see what is happening and intervene if needed.

After one year, Rath estimates that 90 percent of the staff are committed to using the system. He anticipates that in the coming year, there will be more consistent use of data to understand how OPP programs are working and what constitutes quality. He credits two basic guidelines for the successful implementation: use data to learn and to grow, not to punish; and show staff clearly how the data can lead to higher-quality programs and better results. In the coming years, OPP expects to have rich program data that can help it learn and adapt—and attract new funding.

Our Piece of the Pie continues to build its leadership capacities, knowing that leadership goes beyond the CEO. The agency hired its first chief operating officer—Delia Bello-Davila, a seasoned professional with skills that complement Rath’s—and it made board development a high priority.

For other nonprofits trying to increase effectiveness, Rath suggests seeking out foundations that do not limit their support to projects and programs but that under-

stand the value of capacity building. He himself has learned a lot. “People who are leaders need to remember that they can’t do it all themselves,” he notes. “You had to push me to hire a deputy. I was very resistant. I’ve come to see that building capacity is really all about getting additional talent in place. ... I decided to hire someone that could be me, or better, from day one. And having someone of her caliber is going to pay for itself tenfold.”

Anne Sherman is a senior consultant with TCC Group, a management consulting firm that provides capacity-building services to nonprofit organizations and philanthropies. She is based in New York City.

Endnote

¹Christine Letts, William Ryan, and Allen Grossman introduced the concept of adaptive capacity in *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* (New York: John Wiley and Sons, 1999). Carl Sussman built on this work in a November 24, 2003, working paper, *Making Change: The Role of Adaptive Capacity in Organizational Effectiveness*, which he developed in partnership with Management Consulting Services in Boston, with support from the Barr Foundation.





Photographs by Kristina Lavoie

Providence Business Uplifts the Poor

At a recent expo

in Providence that showcased more than 350 New England businesses, More Than A Meal stood out. Men and women in chef coats carved succulent samples of prime ribs and served steaming Seafood Newburg. Most striking, however, was the fact that the new catering venture was run by Amos House, a nonprofit social service agency that helps the poor and homeless in Rhode Island.

A Social Enterprise Is Born

In the wake of dwindling federal and state funding and increased competition for foundation grants, more nonprofits are launching earned-income ventures. Known as social enterprises, these business endeavors provide a new revenue stream to support the social mission of their nonprofit parents.

According to Social Enterprise Alliance, a Washington, D.C.-based association, the

United States has thousands of social enterprises. Social Venture Partners Rhode Island (SVPRI), which works to advance nonprofits and social change, estimates that the Ocean State has more than 100 social enterprises.

In the last three years, Amos House has watched the venture that started with a program called Amos House Works expand from serving nourishing lunches in school cafeterias to catering fine cuisine for corporate meetings. Revenues help to cover the staff costs of the Amos Culinary Education Program (ACE) and to grow a business that provides training opportunities and jobs for persons who were formerly unemployed and homeless.

Starting from Strength

Founded in 1976 as a small soup kitchen that served 30 homeless men each night, Amos House today operates the largest

dining hall for Rhode Island's hungry and homeless. Most days as many as 800 people receive free breakfast and lunch.

Additionally, the agency's social services department helps 15,000 persons a year. In the last six years, under executive director Eileen Hayes, the nonprofit also has provided transitional and permanent housing for homeless men and women, and has run ACE, a 12-week culinary arts job-training program.

ACE helps poor and unskilled adults secure the skills and support needed to become stable and self-reliant. Recovering addicts, ex-offenders, and college dropouts, among others, are trained in safety, preparation, and handling of food—and restaurant management and customer service. ACE equips them for national certification in the

More Than A Meal Executive Chef Tom Furney (above center) and Amos Culinary Education (ACE) graduates Silvia Vides and Paul LaParle prepare to cater a wedding at the Roger Williams Park Casino in Providence.

safe handling of foods and offers real-world restaurant experience through internships. To date, 189 men and women have graduated from the program, and 60 percent have secured food service jobs.

According to Hayes, the choice of a particular industry for a social enterprise evolved naturally out of the culinary training program. “We had 25 years of experience feeding people,” Hayes adds that another

generate funds for ACE.

With technical and financial support from SVPRI, Amos House developed a business plan and entered it in the Yale-Goldman Sachs Business Plan Competition for nonprofits. The judges selected Amos House as a finalist. Backed by several grants, a new business was born. Today it serves about a thousand school-age children every weekday and provides jobs for four ACE graduates.

to find a balance between running both a mission-oriented enterprise and a business that makes money. Harlam looked for ways to expand into more profitable areas while maintaining the vision of providing jobs. For example, in June 2006 Amos House Works opened a café at Goodwill Industries of Rhode Island, but the location could not generate high-volume sales and soon closed.

Then Harlam remembered that the business had dabbled in catering to satisfy several client requests. Amos House did a feasibility study that led to the creation of a catering division. Both the catering side and the institutional division, formerly Amos House Works, now operate under the name More Than A Meal. The title is the same as the new Amos House brand, which reflects the nonprofit’s growth from a soup kitchen to a major social service agency. It also communicates the idea of high-quality food and service.

Hayes and Harlam attribute the catering division’s immediate success to its twofold benefit to clients: businesses and agencies that contract with More Than A Meal not only receive an excellent product but also know they are generating income to train and employ the poor. More Than A Meal’s catering

prices are competitive with the marketplace because Amos House wants its business to be as good as others both in quality and service.

A Promising Future

Since September 2006, the catering division has served more than 350 meetings and events for 17,000-plus guests. Clients have included nonprofit organizations like the Rhode Island Community Food Bank and The Rhode Island Foundation, plus corporations such as Bank of America and



Left to right: Amos Culinary Education (ACE) Program graduates Silvia Vides, Santiago Torres, and Paul LaParle help More Than A Meal with a catering job.

reason a food service made sense is that “the industry is one of the growing areas of job opportunity in our state.”

The original Amos House Works grew out of conversations with local charter school administrators who were seeking higher-quality meals for students and friendlier service from vendors. Hayes recognized the opportunity to capitalize on an Amos House strength—mass food preparation—by creating a business that would meet schools’ needs and, at the same time,

Overcoming Challenges

Alan Harlam, the enterprise’s first business manager and consultant, admits that the road to success has had twists and turns. Eighteen months after launch, Amos House Works continued to operate in the red. “We were a small player in a very large field and working in a volume-oriented business with very low margins,” Harlam explains. “We were ... not making enough meals to ever really make a profit.”

For months Amos House struggled

Textron Inc. The catering division has exceeded \$150,000 in gross revenues and has provided part-time jobs for ten ACE graduates as well as one full-time position.

More Than A Meal's institutional division continues to provide meals for schools and day camps. Recently, it opened a café at the new Meeting Street School in Providence, which serves 75 children who have disabilities and developmental delays. The school's staff of 150 is helping the café generate more than \$2,500 a month, enough to cover the salary of a full-time employee. Booming contracts from summer school programs and day camps, plus revenues from the café, have helped the institutional side gross about \$200,000 a year. More Than A Meal's divisions together generate about \$350,000 in revenues.

"It's an exciting time at Amos House," says Hayes. "We're on the cutting edge as a leader in the nonprofit sector in that we have launched a successful microbusiness that has accomplished a double bottom line—employment for those most in need and a small profit that goes back into the operation of our training program."

More Than A Meal is helping Amos House advance its social mission. Its two divisions employ a business manager, 14

ACE graduates, an executive chef and a sous chef, a marketing professional, and a general manager. Some people work part-time to build their experience. Others are full-time employees with benefits. Through the venture, ACE graduates learn how to become good employees—and, when ready, they can take their skills to more lucrative food service jobs.

"We are developing workers who are competent and responsible. If we aren't confident enough to hire them, how can we expect others to?" Hayes says.

Amos House continues to oversee the financial management of the business, which eventually will secure its own accountant. Overhead costs are kept low by using kitchens at two other nonprofits—Crossroads Rhode Island and Meeting Street School—in exchange for meals for their constituents. Grantmakers such as the Great Bay Foundation, Textron, and Hasbro Children's Fund have joined the pool of supporters that started with the Rhode Island Department of Labor and Training, Rhode Island Foundation, and United Way of Rhode Island.

Today More Than A Meal is poised to enlarge its territory. Plans are in the works to open a restaurant on Broad Street, a busy Providence thoroughfare, in conjunction with SWAP (Stop Wasting Abandoned

Property), a community development corporation. The nonprofit SWAP will develop the site for mixed use, including 35 residential and eight commercial units. The restaurant will serve as a community gathering space—and a job and training site for Amos House culinary students.

Amos House also is partnering with Sodexho, a food and facilities management services company. Sodexho will help to further develop the institutional-client side of More Than A Meal by providing additional customers to increase sales. Sodexho will hire at least one ACE graduate a year and provide advanced training.

According to Hayes, advancing the social mission of Amos House is more important than making a profit. She warns other nonprofits that it may take three to five years for a venture to break even, so they may need to rely on a combination of grants and revenue to support the development of a self-sustaining business. "The most important thing is that our business is helping people change their lives by giving them tools and resources to take care of their families," Hayes says. "Each job we create through the business is a profit for us."

Linda Watkins is associate director of Amos House in Providence and a professional writer.



Photograph by Fabienne Anselme Madsen

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