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Supporting the Economic Strength of Lower-Income Communities

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Scrutinizing the Military Lending Act

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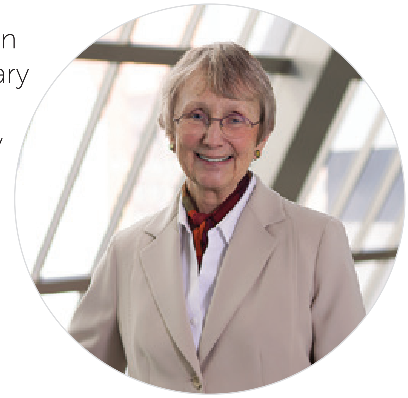
Communities & Banking magazine aims to be the central forum for the sharing of information about low- and moderate-income issues in New England.

LETTER FROM THE EDITOR



For this issue's cover story, Johns Hopkins University's Roman Galperin looks into how the Military Lending Act has affected the use of alternative financial services by military personnel. Other under-banked people, say the César E. Chávez Institute's Belinda Reyes and Elías López, are able to access traditional financial services after going through social-lending programs.

Anna Aizer, Brown University, assesses whether families' receipt of welfare benefits improve outcomes for their children in later life. Other child well-being articles include Mav Pardee's on the importance of well-designed, well-equipped child-care facilities, and Julie Coffey's on the child-care challenges for lower-income Vermont families.

Nancy Wagman, Massachusetts Budget and Policy Center, looks back at the Great Society and reports on what Massachusetts needs to do to fulfill the vision of eliminating poverty. John R. Logan, Brown University, offers data about residential segregation, noting that affluent blacks and Hispanics live in neighborhoods with higher poverty rates than much poorer whites do.

The Boston Fed's Erin Graves finds that fear of violence is a much bigger motivating factor in low-income individuals' decision to move to new neighborhoods than jobs or schools. Madelon V. Baranoski, Yale School of Medicine, provides insights into how the nation got into criminalizing mentally disturbed behavior. Amy Higgins and Erin Graves map New England to pinpoint increases in drug-related crime.

Finally, we offer collaboration techniques based on Maine's Wabanaki tribes' use of diplomacy.

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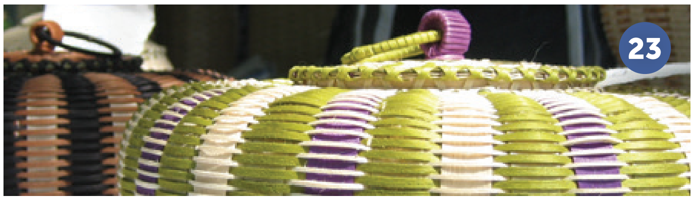
Caroline Ellis

Managing Editor
CommunityDevelopment@bos.frb.org



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COVER STORY

The Military Lending Act

Do Fringe-Borrowing Policies Help?

Roman Galperin
JOHNS HOPKINS UNIVERSITY

A study of the effects of the Military Lending Act suggests that bans on fringe lending should be accompanied by increased access to mainstream credit products.

A 2012 Pew Research report estimates that every year about 5.5 percent of American adults take out payday loans, which carry 400 percent or higher annual percentage rate (APR).[1] Costly borrowing is even more prevalent if we include other alternative, or "fringe," credit products with high interest rates, such as auto-title and pawnshop loans.

State and federal lawmakers and regulators are considering—and some have implemented—laws and regulations that ban such lending. But without understanding why fringe lenders have proliferated and why there is demand for their services, the policies may be ineffective, even misguided.

Last Straw or Life Raft?

Prohibiting fringe loans could deprive households in dire straits of the only available source of credit, escalating small adverse events like a car breakdown into major crises like losing a job requiring transportation. However, if fringe borrowers are misled about true costs, or if they take out loans without any justifying need, a ban on fringe lending could reduce the likelihood of falling into a cycle of debt.

The Military Lending Act of 2007 (MLA) followed a Department of Defense report that concluded fringe lenders target US military bases because young servicemen and women are generally inexperienced with personal finances, have relatively low wages, little credit history, and a virtually guaranteed income. The report found that expensive loans hurt the finances and morale of servicemen and women. The MLA prohibited making expensive loans to members of the military and their dependents.

Military Lending Act Study: Key Findings

- On average, there was no change in credit standing (measured with credit score), but an increase in credit access (measured with cumulative credit limit across all credit cards) by about 13 percent.
- Although there was also no increase in searches for new credit on average, fringe borrowers applied for more credit when severely constrained—that is, when cumulative available credit fell below $300. After the passage of the MLA, the number of credit applications during such times increased by about 13 percent for those who lost access to fringe loans. The number of applications during less constrained times dropped after the passage of the MLA, which explains no average increase.
- The credit-constrained calendar quarters tended to occur in connected spells. It took over nine months, on average, for fringe borrowers to get out of a spell of extremely tight credit. After the passage of the MLA, the spells got shorter by about two weeks for those who lost access to fringe loans.

Eight years later, the Department of Defense, the Consumer Financial Protection Bureau (CFPB), and the White House issued statements saying that the MLA was a step in the right direction but that a stricter law is required to completely stem fringe lending in the military.

But was the MLA good policy? Did it help borrowers? Curiously, none of the statements in support of expanding it refer to any systematic assessment of its effectiveness.

Proposing any policy based on assumptions and anecdotal evidence is, to say the least, problematic. But with fringe lending, the situation is worse, since it is not even clear what the appropriate assumptions for such laws should be.

Contradictory Findings

Deciphering the effects of recent regulation could provide a window into the behavioral mechanisms behind the demand for fringe products. But such studies are rare and their conclusions contradictory, making regulation little more than a shot in the dark.

Several studies of state-level bans on payday lending find that having access to payday loans helps households that have few options. After state bans on payday lending, such households bounce more checks and are more likely to file for bankruptcy, overdraw their checking accounts, be late on utility bills, and suffer foreclosure on their homes after a natural disaster.[2] Those findings imply that households make rational decisions to take out payday loans and a ban would make them worse off.

Other studies seem to contradict the assumption of a strategic borrower, indicating that access to payday loans is associated with higher likelihood of involuntary checking account closure, delayed health care, and difficulty paying bills.[3] Those results imply that fringe borrowers launch a cycle of debt and are likely misinformed, undisciplined, or both. Such conclusions are in line with the assumptions behind expanding the MLA.

Yet another set of findings questions whether the updated MLA will have any effect at all. Two Federal Reserve Board studies report that taking out payday loans has no effect on the borrower's subsequent credit standing, measured with a credit score and the likelihood of future delinquencies.[4]

What to make of such contradictions in light of the proposed MLA expansion?

Addressing the Conundrum

After considering the problem, Kaili Mauricio and I began to systematically assess the MLA's effects on the financial health of the military's likely fringe borrowers.[5] Improving on previous studies, we measured borrowers' financial health on multiple dimensions—changes in credit standing, access, and need (measured with the intensity of seeking more credit). The results suggest that, although the MLA may have done some good, like increasing would-be fringe borrowers' access to less expensive credit products, its effects were uneven. Moreover, our approach resolved many of the contradictions from the previous studies: on some dimensions the law had no effect; on others, it improved borrowers' situation, albeit the improvements were painful in a way fringe borrowing was not.

Measuring the effects of fringe-lending regulation is difficult because systematic data are lacking. The industry was effectively without a regulator until CFPB took on the role in 2011. And since fringe loans are not reported to mainstream credit agencies, private data on the national level are unavailable. Yet we knew that about 60 percent of fringe borrowers also use traditional credit products like credit cards, even if in a limited way. Since many therefore have credit histories, we could establish the MLA's effects on credit health. We decided to measure changes in would-be fringe borrowers' financial health using data about credit history from a sample of US adults provided by Equifax and the New York Fed.

We also understood that the assignment of military personnel to different locations turns MLA implementation into a quasi-experiment: the average characteristics of the military population match across states, but some states did not allow fringe loans even before the MLA. This means that only service members where there was no previous prohibition would lose access to fringe loans, while those in strict states would remain unaffected. By comparing changes in service members' credit standing, access, and credit search across strict and lax states, we could assess the MLA's effects. (See "Military Lending Act Study: Key Findings.")

Our findings suggest that borrowers were forced to replace fringe loans with mainstream credit, which is 10 times less expensive. However, they were increasing their access to mainstream credit in an inefficient way, applying for credit when least creditworthy.

* * *

Making policy on the basis of a simple (and somewhat patronizing) assumption that all, or even most, borrowers need to be saved from predatory lenders may not be optimal. We should shift focus from what fringe borrowers are doing (borrowing from predatory lenders) to what they are not doing (maximizing access to less expensive credit options like credit cards).

Bans on fringe loans may be most effective and least harmful when complemented with increased opportunities for borrowers who have poor credit. Moreover, such borrowers should be encouraged to apply while doing better financially, to avoid inefficient searches during tough times.

Given concerns about American households' growing debt, encouraging low-income borrowers to get more credit cards may sound counterintuitive. But we all need credit to weather tough periods, and reducing the cost of borrowing tenfold or more has to be a good thing.

Roman Galperin, PhD, *is an assistant professor of management at Johns Hopkins Carey Business School and a visiting scholar at the Federal Reserve Bank of Boston. Contact him at galperin@jhu.edu.*

Acknowledgment

This research was conducted with Kaili Mauricio, a senior policy analyst at the Federal Reserve Bank of Boston.

Endnotes

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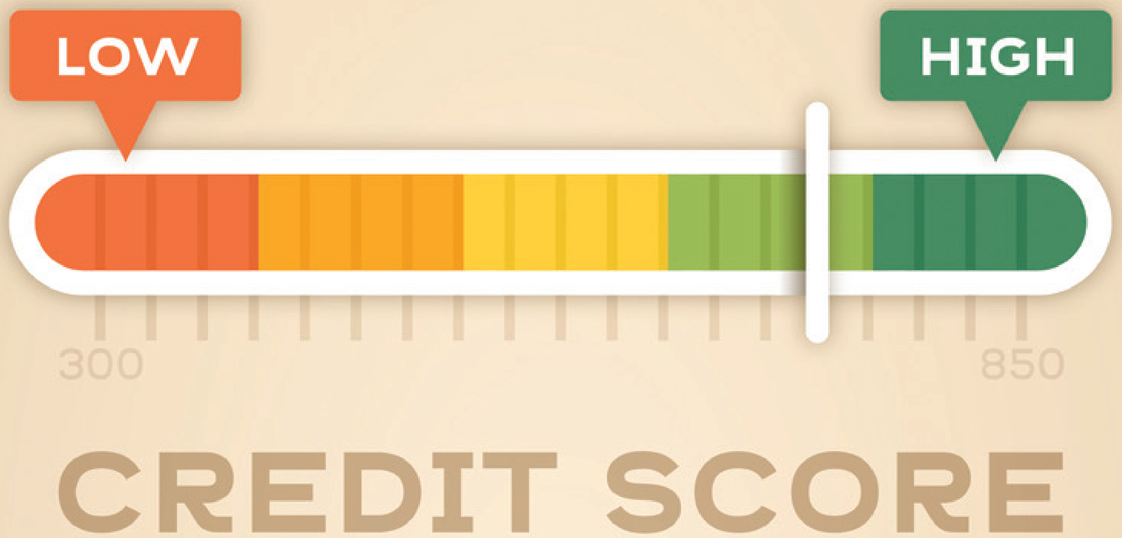
Social Lending

Improving Credit for the Underbanked

Belinda Reyes and Elías López



How a culturally relevant social-lending program benefits people with low or nonexistent credit scores.

Low-income individuals, particularly immigrants, frequently experience difficulty achieving financial stability. Working-poor families that lack a bank account or credit history are locked out of the low-cost loan market and have few options for help balancing their month-to-month finances.[1] They tend to be invisible to financial institutions and barred from low-cost loans to purchase property or vehicles. They may even be prevented from investing in their own education. As a result, they sometimes rely on predatory lenders for basic financial needs.

In a recent report about credit invisibility, the Consumer Financial Protection Bureau estimated that 26 million people, or 11 percent of the US adult population, were credit invisible in 2010, and 19 million, or 8.3 percent of the adult population, had unscorable credit records.[2]

To combat this economic exclusion, many social service agencies, often partnering with financial institutions, are bridging the gap between underbanked consumers and the financial system by offering new credit-improvement products. The products include secured credit cards, accounts that begin with low lines of available credit, loans with terms that improve with positive repayment history, and credit-building loans that allow payments to be deposited into a locked savings account until a predetermined target is achieved. Nevertheless, application requirements and start-up fees for such products may exclude people with low incomes and unfavorable credit histories. In such cases, social lending may be the best alternative for building credit.

Consider Mission Asset Fund's (MAF) innovative lending-circle program, which formalizes a culturally relevant social-lending model while giving clients financial education and helping them to build credit free of charge. MAF's innovation is to convert social loans, in which participants contribute their own money, into formal transactions recognizable to credit bureaus. Through a partnership with Citibank, MAF processes the loans and distributes payments electronically. It then records and reports monthly payment activity to credit bureaus, enabling participants to establish or improve their credit scores.[3]

Lending Circles

In 2008, Mission Asset Fund began piloting, testing, and refining the lending-circle model in San Francisco's Mission District, a historic immigrant gateway community where 44 percent of households have no credit histories.[4] By January 18, 2013, fully 1,111 clients had participated in the program, 62 percent of whom were recruited at MAF.

Participants are economically vulnerable individuals. As many as 42.5 percent have a thin or nonexistent credit history, and 20 percent are unemployed or working part-time.

photo Sarah Peet

Mission Asset Fund staffer shows client Shweta how to sign up for a lending circle on her mobile phone.

Participants take an online financial training class before joining a lending circle. Each individual decides on an amount to contribute and is matched to a group of six to 10 participants who are contributing the same amount. Each person, in rotation, gets a turn to borrow the collected funds. The group decides on the terms of the contract, the duration of the loan, the loan amount, and the distribution of the funds. MAF secures the loans in case any participant defaults.

photo Page Bertelsen

The program aims to help financially disenfranchised populations transition to the financial mainstream by providing education, coaching, and access to social loans. The expectation is that by gaining information, experiencing the benefits of saving, and receiving peer support, clients will be able to improve their credit scores and change their financial behavior.

To study the program, researchers employed a quasi-experimental design. Participants were deemed successful if their credit score saw an improvement of 20 or more points after 10 months. The same criteria were used to ascertain whether the individuals in the control group were successful.

photo Sarah Peet

Zenaida, shown with husband Luis and son Mateo, launched a catering business after improving her credit through a lending circle.

The authors selected as a treatment group a sample of MAF clients who started on their first lending circle between January 2011 and December 2012 and completed it by January 2013. During that period, a total of 260 new participants enrolled at MAF's Mission District office. A survey was administered to the treatment group at the start of their lending circle and 10 months later. The same went for a control group of 383 individuals with similar characteristics, recruited in the Mission District. Researchers collected credit reports at the beginning and end for both groups.

Findings

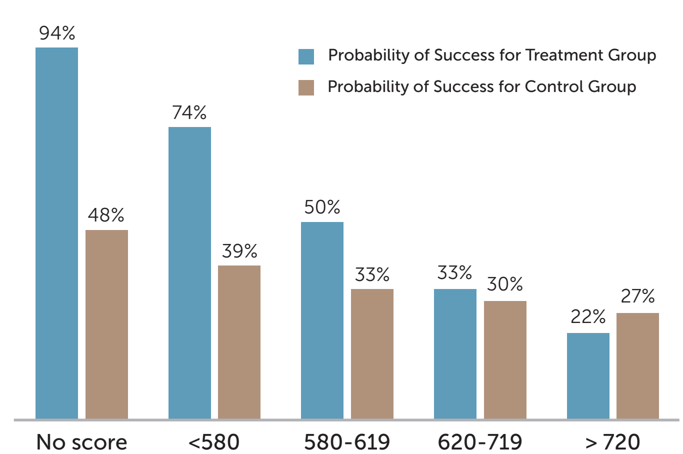
The study found that lending circles are successfully transitioning immigrant women in particular to the financial mainstream and improving outstanding debt. The success of the program is notable in that the study took place in the wake of one of the most severe recessions in California's history.

The program appears to be serving two purposes: for people with no credit history, lending circles allow them to establish credit and reduce their debt. People with an established credit record find that lending circles assist them in getting a handle on their financial situations and improving their outstanding debt.

The likelihood of an improved credit score depended on the credit score in the pretest. (See "Probability of Success Depends on Original Credit Score.") Controlling for all characteristics of the model, individuals in the treatment group were almost twice as likely as those in the control group to succeed if they started with no credit score or a poor score (< 580). As the pretest score increases, the probability of success decreases. There was no significant difference in the probability of success between the treatment group and the control group for people who started with a credit score above 620.

In addition to the changes in credit scores, treatment was associated with significant adjustments to other aspects of the credit report. (See "Changes in Credit Report Elements.") Most striking were the changes in outstanding debt. Clients—particularly people

Probability of Success Depends on Original Credit Score



who started the program already having a credit score—appear to be using funds from the lending circles to pay installment debt. On average, participants in the control group who had a credit score at the start of the study increased their outstanding debt by over $2,772, while clients in the lending circles *decreased* their outstanding debt by over $2,483.

Both participants and agency staff members have noted multidimensional benefits of lending circles. Joining a lending circle provides a safe way for people to begin addressing their financial well-being with the support of peers. For some, being in a lending circle was the first step in receiving financial help.

Changes in Credit Report Elements

	Control Group		Treatment Group	
	Including those with no score	Only those with score	Including those with no score	Only those with score
	Mean	Mean	Mean	Mean
Average Score				
Pretest	456	684	435	614
Post-test	497	668	603	633
Change	41	-16	168	19
Lines of Credit				
Pretest	8	8	6	9
Post-test	9	9	9	11
Change	1	1	3	2
Outstanding Debt				
Pretest	$9,360	$9,491	$9,237	$12,855
Post-test	$12,271	$12,263	$8,186	$10,372
Change	$2,911	$2,772	($1,051)	($2,483)
Number of observations	138	92	209	148

Note: The "Including those with no score" column provides the average for the entire sample, including people who had no score at the start of the study. The "Only those with score" column provides the average for those who had scores at the pretest.

Overall, participants say they gained more awareness and control over their spending habits and felt more confident seeking and utilizing financial services. Many participants expressed a change in their financial knowledge and behavior. Additionally, many gained an increased understanding of the importance of budgeting and maintaining a positive credit rating.

The promise of financial stability is now available nationwide. Since our analysis, MAF has grown beyond its original Bay Area birthplace. Forty-six nonprofit partners across 12 states are working with MAF today, providing lending circles to more than 3,000 participants and guaranteeing almost $4 million in loans. A social-loan platform at lendingcircles.org has also been developed for clients anywhere in the nation to access lending circles on their mobile devices.

Belinda I. Reyes *is the director of San Francisco State University's César E. Chávez Institute.* **Elías López** *is the registrar and the director of the Office of Technology, Division of Student Affairs, at the University of California-Davis. Contact the authors at reyesb@sfsu.edu.*

photo Sarah Peet

Vibrant Mission District of San Francisco

Endnotes

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photo Mission Asset Fund

Zenaida, a lending circle participant, drawing a number that determines the order of loan distribution.

From Poverty to Opportunity: The Challenge of Building a Great Society

photo montiannoowong/iStock

Nancy Wagman
MASSACHUSETTS BUDGET AND POLICY CENTER

With increasingly extreme inequality and an economy creating virtually no wage growth for millions of working people, the challenge of reducing poverty and expanding opportunity is more daunting today than it was 50 years ago—even though we are now a wealthier country. That is a challenge for building what President Johnson dreamed about when he spoke of a Great Society in the 1960s.[1]

Concept vs. Reality

The Great Society was built on two equally important foundations.[2] The first was a strong and growing economy that created prosperity across the income spectrum. The second was the creation of interconnected social programs and community-based initiatives that would provide the necessary boost for people who did not yet have access to the booming economy. Such programs would provide income supports and other basic assistance for people experiencing hard times and would help fill the gaps that come from certain disadvantages. Together, those two foundations would eliminate poverty and expand opportunity for everyone. That was the hope.

At first it looked possible. During the post–World War II period, average wages were growing at roughly the same rate as the overall economy. Although there was still deep poverty, particularly in the rural areas of the South and in the central cities, rising wages generally brought about a rising standard of living.

By 1970, the growing economy and the newly created and expanded programs created by the Great Society were working to keep people out of poverty. Poverty dropped dramatically from 12 percent to 9 percent in Massachusetts alone. Although we don't have data on child poverty in Massachusetts in 1960, we do know that nationally, child poverty dropped between 1960 and 1970 from 27 percent to 15 percent.[3]

In the mid-1970s, however, a notable disruption in the pattern occurred. (See "Growth in Productivity vs. Growth in Wages.") Productivity continued to grow at about the same pace as it had before, but average wages flattened. More of the fruits of economic growth went to profits rather than wages, and to the incomes of CEOs and others at the highest end of the income spectrum.[4]

Since the economic shifts in the 1970s, there has been little progress in eliminating poverty—especially for children.[5] The economy has grown, but that growth is not leading to poverty reductions. (See "Poverty in Massachusetts.") Nearly one in four state residents is now poor or near poor (with income under 200 percent of poverty). For children, the number is closer to one in three.[6]

Child poverty in Massachusetts matters both because children deserve an opportunity to thrive and because their well-being today is a predictor of the state's future economic well-being. Poor children have a higher risk for bad health outcomes, dropping out of school, and a lifetime of poverty.[7] The shift was seen both nationwide and closer to home. Massachusetts is one of the wealthiest states in the nation, and overall income has grown substantially over the past several decades.[8] However, the average masks growing inequality. A comparison of different groups' income growth in Massachusetts since 1979 shows that real household incomes declined for people in the lowest bracket and grew only modestly for people with incomes in the middle. But for the state's wealthiest households, incomes grew by about 50 percent, even after a slight dip since 2010.[9] (See "Income Growth and Stagnation.") In fact, since the mid-1980s, incomes for the wealthiest 1 percent of state households have increased 140 percent.

Low-income women and their families have been hit hard by stagnant wages, particularly working mothers with young children who need to pay for child care. In Massachusetts, close to one out of six working mothers of very young children is in a very low-paying job.[10]

Stagnant wages create particular challenges for families with only one earner. About one-fifth of the Commonwealth's families are headed by a single female, and for them, the median family income in 2013 was only $37,000. That is well below the Massachusetts median family income of $84,000 and twice the poverty level for a family of three. For families headed by a single male, the median income in 2013 was approximately $55,000.[11] Such families find it particularly difficult to earn enough to cover housing, child care, transportation costs, and other basic necessities.

A Continuing Role for Government Action

Even though the economy is no longer producing widely shared prosperity, the benefits created within the Great Society vision, such as Medicare, Medicaid, an expanded Social Security, food stamps (now Supplemental Nutrition Assistance Program, or SNAP), Head Start, and Pell Grants helped reduce poverty in the 1960s and continue to be successful at combatting poverty today. In fact, as recent calculations suggest, public benefits such as SNAP, other food-assistance programs, the Earned Income Tax Credit, Social Security, and housing subsidies have cut poverty dramatically. They helped lift more than 900,000 people in Massachusetts out of poverty from 2009 to 2012, including close to 200,000 children.[12]

This publicly funded array of supports, however, has been crumbling. The highest-income 1 percent of taxpayers in Massachusetts—the people who benefitted from most of the income growth over the past few decades—are paying, on average, a smaller share of their incomes in state and local taxes than the other 99 percent. The loss of tax dollars from these top-income households costs Massachusetts more than $2.2 billion a year, limiting the Commonwealth's ability to make the investments that help expand opportunity and improve the well-being of low-income families.[13]

Without sufficient resources to pay for them, essential services have seen deep cuts. Massachusetts cut spending on early childhood education, higher education, workforce-development programs, cash-assistance benefits, and support for affordable housing between 2001 and 2015 (adjusted for inflation). Those are just some of the supports that can help low-income working families thrive.

The Commonwealth could reverse such cuts and change the trends. We could expand access to affordable, high-quality early education and child care that would provide the best possible start for each child and also make it easier for low-wage parents to go to work. We could provide workforce training and make higher education more affordable to help improve the education and skills of more of our residents. With these and similar investments, we could help build a strong and vibrant Commonwealth and expand opportunity for everyone in Massachusetts.

Nancy Wagman *is the KidsCount director of the Massachusetts Budget and Policy Center in Boston. Contact her at NWagman@massbudget.org.*

Endnotes

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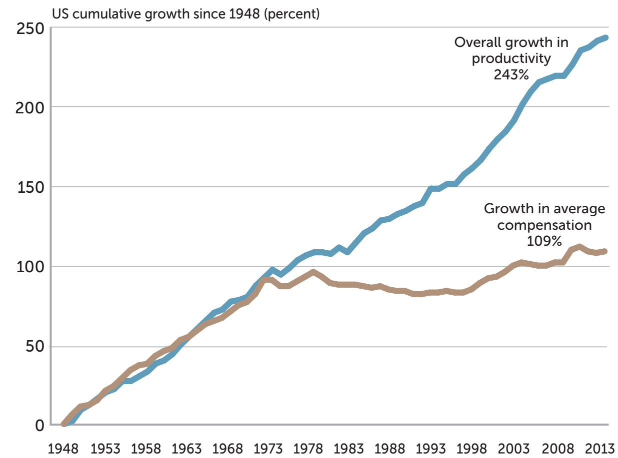
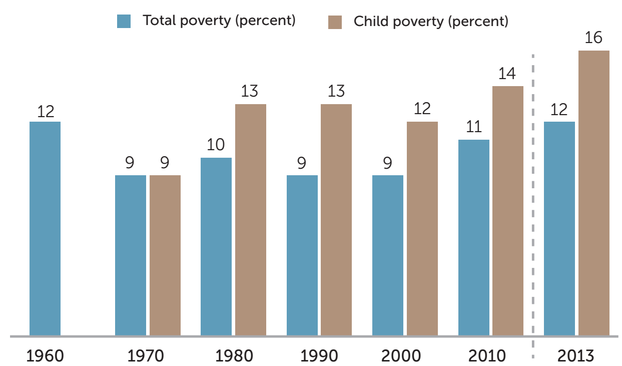
Growth in Productivity vs. Growth in Wages



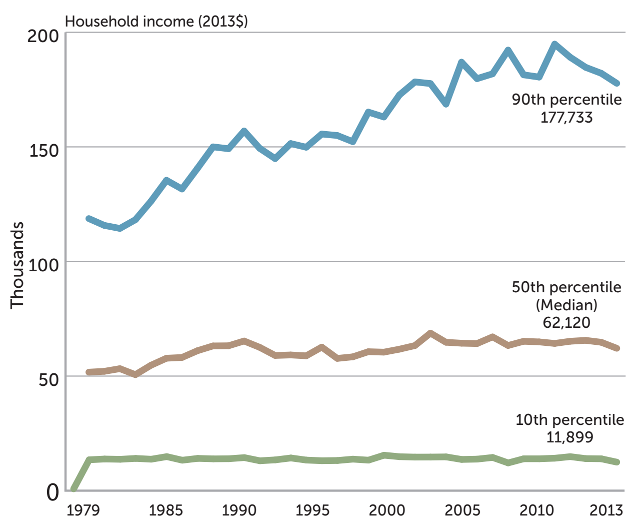
Source: Economic Policy Institute analysis of Total Economy Productivity data from Bureau of Labor Statistics Labor Productivity and Costs program and the Bureau of Economic Analysis. Productivity data adjusted by multiplying it by the ratio of net domestic product to gross domestic product to yield net productivity.

Poverty in Massachusetts



Source: 1960 data from Current Population Survey, 1970–2000 data from Decennial Census; 2010–2013 data from American Community Survey, US Bureau of the Census.

Income Growth and Stagnation



Source: Economic Policy Institute analysis of Current Population Survey Annual Social and Economic Supplement. Adjusted for inflation by CPI-U-RS.

Cash-Based Welfare Programs Making a Difference for Poor Children

Anna Aizer
BROWN UNIVERSITY

New research finds significant long-term benefits to poor children receiving cash-based welfare in early life.

Researchers and policymakers have long wondered what effect cash-based welfare programs have on the lives of children whose families have relied on the benefits. Do the children live longer than poor children whose families don't use the benefits? Do they stay in school longer? Earn more money? Or do they turn out worse because early life exposure to welfare generates future dependency on public assistance?

Until recently, there had been no means of answering this question because of a lack of data that could permit following welfare recipients over their lifetime. Now a new dataset allows researchers to look at the impact of welfare receipt in childhood on long-term outcomes, including longevity, school attainment, and earnings in adulthood.

Income is a powerful predictor of mortality rates among adults, particularly for men.[1] Parental income, in turn, is a strong predictor of children's well-being as measured by educational attainment and health in adulthood.[2] More than one in five US children were living in poverty as recently as 2010, and the existing research suggests that these children are likely to grow up to be poor, unhealthy adults. [3]

In the United States and elsewhere, welfare programs—broadly defined as cash transfers to poor families—were established primarily to help children. The Mothers' Pension program, established in 1911, was the first US government-sponsored welfare program. It was replaced in 1935 by the federal Aid to Dependent Children (ADC). ADC then became Aid to Families with Dependent Children (AFDC) and is now called Temporary Aid to Needy Families (TANF).

In the past, we didn't know whether cash transfers to poor families improved children's lifetime outcomes.[4] But in the recent study "The Long-Term Impact of Cash Transfers to Poor Children," researchers examined the long-term effects of cash transfers, with a particular focus on children's longevity, an overall measure of lifetime well-being. In particular, we asked whether cash transfers make a difference for poor children.[5]

The Research

The answer is yes. We found that the male children of mothers who received cash through the Mother's Pension program lived one year longer, received one-third more years of schooling, were less likely to be underweight, and had higher income in adulthood than children whose mothers applied for but did not receive cash benefits. To appreciate how large these benefits are, consider that life expectancy at age 10 (the number of years you could expect to live if you make it to age 10) increased by 15 years in the last century (it was about 50.5 in 1900 and increased to 65.5 by the year 2000), and average educational attainment increased by about five years over the same 100 years.

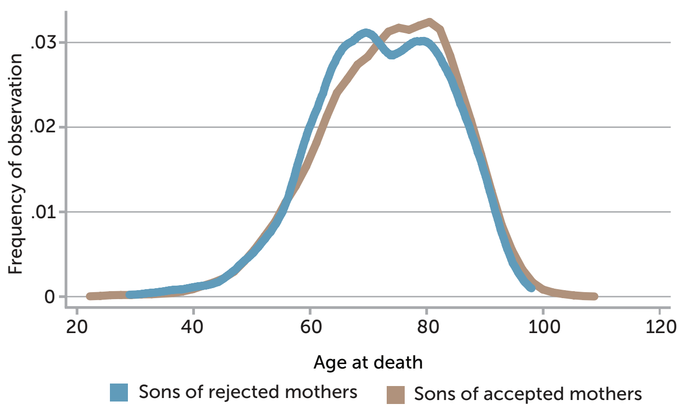
The sample for the analysis was about 16,000 males in 60 US counties from 11 states. We collected individual-level administrative records of applicants to the Mothers' Pension program and matched them to census records, WW II records, and death records. The Mothers' Pension program data are available in large numbers and include both accepted and rejected applicants, so we could compare similar families. There was identifying information, allowing us to link the children with other datasets to trace their outcomes, as well as information on children who were born sufficiently long ago that we could measure their longevity. (We limited our analysis to males because trying to match females on the basis of names is substantially more difficult given that most women change their names upon marrying.)

One of the main challenges in evaluating whether cash transfers (or any public program) improve outcomes is identifying a plausible counterfactual: what would children's lives have been like in the absence of receiving transfers? We used as a comparison group the children of mothers who applied for transfers but were denied.[6] This strategy has been used successfully in studies of disability insurance.[7] Its validity depends on the extent to which accepted and rejected mothers and their children differ on unobservable characteristics.

We document that rejected mothers were on average slightly better off in terms of observable characteristics at the time of application and were most often rejected because they were deemed to have sufficient support. Under the assumption that accepted and rejected applicants are otherwise similar, the outcomes for boys of rejected mothers provide a best-case scenario for what could be expected of beneficiaries in the absence of cash transfers. (See "Distribution of Age at Death.") Thus our estimates are, if anything, likely to understate the benefits of the program.

Distribution of Age at Death

Male children of mothers who were accepted or rejected for the Mother's Pension program.



Source: Author's calculation.

Maintaining the Improved Outcomes

Cash transfers to mothers of poor children substantially increased children's longevity. We also find that transfers improved underlying nutrition, educational attainment, and income in adulthood, all factors that are likely to improve health and measures of well-being themselves.

Can we learn from the past? While conditions today differ significantly from those at the beginning of the twentieth century, three important similarities remain. First, then and now, women raising children alone represent the most impoverished type of family. In fact, the income gap between children in two-parent versus single-mother families has only grown over time.

Second, income is still a key determinant of education and a large predictor of outcomes. Using census data from 1915, 1940, 1960, 1980, and 2010, we estimated the relationship between real family income and child grade in school for all children ages 7 to 14. More years of education increase the child's human capital, or potential for performing labor and producing economic value. The relationship between parental income and a child's human capital in 2010 is remarkably similar to what it was in 1915.[8]

Finally, our findings on outcomes in adulthood are consistent with estimates of the impact of contemporary antipoverty programs on short- and medium-term outcomes. Thus it is likely that the short- and medium-term improvements observed in contemporary programs will generate large benefits over the lifetime of the recipients.

Anna Aizer *is an associate professor of economics at Brown University. Contact her at anna_aizer@brown.edu.*

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Criminalization of the Mentally Ill

Madelon V. Baranoski, PhD
YALE SCHOOL OF MEDICINE

The interface between mental illness and the criminal justice system highlights challenges for the individual, the family, the community, and the courts.

The overrepresentation of persons with mental illness in US prisons is a longstanding and complex problem. In 1992, researchers led by E. Fuller Torrey, a leading expert in psychiatry and a staunch advocate for persons with mental illness, published a treatise on the growing use of prisons and jails as psychiatric hospitals.[1] Depending on the survey and the state, more-recent studies show that the percentage of mentally ill in the prison population now ranges from 12 percent to over 50 percent.[2]

Since the 1990s, approaches to reducing incarceration have emerged. They include Crisis Intervention Team (CIT) models for training police, court-based jail-diversion programs, and intervention groups in jails and the community for post-prison reintegration. Such programs target critical junctures between mental illness and the criminal justice system to offer treatment alternatives to incarceration and to reduce recidivism.

Nevertheless, a complex confluence of many factors continues to result in prisons housing too many mentally ill persons.

The Nature of Mental Illness

Severe mental illness disrupts personhood. It causes a faltering of confidence in self and others—indeed, of understanding the world. For serious emotional disorders, there are no blood tests, biopsies, or brain scans that identify a diagnosis and track its remission or progression. Rather, mental illness appears in the behavior and experience of the person. Often with a gradual slide into disturbed behavior, the sufferer loses touch with family, function declines, and confidence and identity erode.

In disorders like depression, the suffering is a private affair affecting mainly the person and family. In other illnesses, the struggle plays out in public. Psychotic and paranoid disorders can manifest in disruptive behaviors arising out of mental chaos and fear. In the absence of effective treatment, such disorders can impel a person into confrontations with overwhelmed families and wary communities. Although the majority of persons with mental illness are not violent, bizarre behavior raises concerns.

The brain is an organ of complex electric and biochemical pathways. The complexity makes treatment a challenge. Although advances in psychopharmacology have allowed persons with even the most serious mental illness to live in the community, the medication comes with serious side effects and does not restore all that the mental illness disturbs. None of the drugs are a cure. They primarily manage disruptive behaviors and emotions.

It is difficult for a person with mental illness to even acknowledge the need for treatment. In the psychotic disorders, the seminal symptom is that of impaired reality testing. The person does not perceive the environment as it really is (delusions), thinks thoughts are external phenomena (hallucinations), and communicates in idiosyncratic ways. Because the disorder is embedded in the person's experiences, accepting the illness requires the person to refute experience—essentially to reject the self. Acknowledging that one needs treatment is a monumental achievement toward successful adaptation to the illness. For some, that comes slowly and not before their behavior has brought them and others more suffering.

Noncompliance with psychiatric medication is often a critical factor leading to arrests. Reasons for noncompliance are many: the medication does not work for all; the side effects can be disruptive, severe, and even life threatening. Perhaps most important, the medication in the most serious mental disorders often does not restore full capacity, reduce social alienation, or correct the disrupted sense of self. Medication may also make the suffering more private and less public, meaning that people around the patient may benefit more than the patient.

Mental Health Law and Criminal Law

An individual's resistance to psychiatric intervention for a disorder that erupts in disruptive and illegal behaviors creates tension between policing and treatment.

United States Supreme Court decisions have established stringent criteria for hospitalizing persons against their will. Danger to self or others, or grave disability, are circumstances that allow involuntary confinement in a treatment facility in most states. However, confinement criteria are no more objective than criteria for the disorders themselves.

Similarly, discharge decisions are made without objective measures that guide other medical specialties. The matters of dangerousness, suicidality, and inability to care for oneself are left to the discretion of the treating psychiatrists. They use the best evidence at hand but lack the advantage of research and feedback that are available for other medical professionals.

The involvement of law enforcement often occurs when the person has rejected psychiatric treatment without meeting the criteria for involuntary commitment. The person's behavior may be disruptive (say, preaching loudly on the street corner or aggressive panhandling) and may warrant arrest.

Fortunately, recent innovations are addressing the interface between disruptive behavior and the criminal justice system. The programs include police training to manage the behavior (the Memphis CIT Model), mental health courts, and mental health probation programs. All are geared toward engagement in treatment in lieu of incarceration and arrest. They are effective as long as there are robust mental-health and wrap-around services (such as supportive housing and supportive employment).[3] In states that employ such programs, incarceration of persons with mental illness for misdemeanors and low-level crimes has decreased by 15 percent to 32 percent as measured by surveys that tracked programs five to seven years after initiation.[4]

Other efforts focus on substance-abuse treatment and specialized drug courts. Adding mental health treatment for persons with dual diagnoses of addiction and psychiatric disorders has helped reduce reincarceration as well as the initial jail sentence. In Connecticut, court-supervised mental health and substance abuse treatment reduced the rate of reincarceration within two years of release by 39 percent.[5]

Society's Contribution

The impact of a psychiatric disorder is often determined by available supports and services. Poverty, homelessness, and joblessness destabilize people, even without mental illness. With a psychiatric disorder, such stressors may defeat treatment or lead to arrest.

Stigma is a further destabilizer—and a barrier to early diagnosis, engagement in treatment, and recovery. The diagnosis evokes shame for both the individual and the family. Many view mental illness as a failure of character, or a psychiatric diagnosis as a declaration of pervasive incompetence in a family. Despite protection under the Americans with Disabilities Act, persons with psychiatric illness still find discrimination in workplaces, housing, and even medical care.

Media attention to perpetrators of major tragedies like the Sandy Hook killings and the deliberate crashing of a Lufthansa plane frequently links mental illness with monstrosity. That distorts the suffering and nonviolence of the vast majority of those diagnosed with mental illness and may keep them and their families some from seeking help.

One new approach to care is addressing the societal stigma. The Recovery Movement, a consumer-driven and -run model, emphasizes the strengths, talents, and expertise of those who carry the diagnosis of mental illness. The method has already influenced models of care, engagement in treatment, and expanded services. For example, in Connecticut, a mental-health project adopts the concept of "citizenship" to empower persons with mental illness and emphasize that they can have a significant place in their communities. The program prepares and engages peer mentors to aid persons with mental illness who are involved in the criminal justice system. It emphasizes citizenship around "five Rs"—rights, responsibilities, roles, relationships, and resources. Although traditional psychotherapy and psychopharmacology are included, the consumer-led approach emphasizes engagement, belonging, and relevance to the community. [6]

* * *

Redirecting persons with mental illness into treatment requires recognizing all contributing factors. It takes collaboration, patience, empathy, and commitment from many constituencies.

It is time to go beyond the traditional services. A truly integrated approach will require unraveling the basis for the disorders, establishing new interventions, making the criminal justice system more flexible, engaging communities in finding solutions, and seeing through people's differences to their strengths.

Madelon V. Baranoski, PhD, *is a professor in the law and psychiatry division of Yale School of Medicine's department of psychiatry. Contact her at madelon.baranoski@yale.edu.*

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Mapping New England

Drug-Related Crime and Admissions to Treatment Facilities, by County

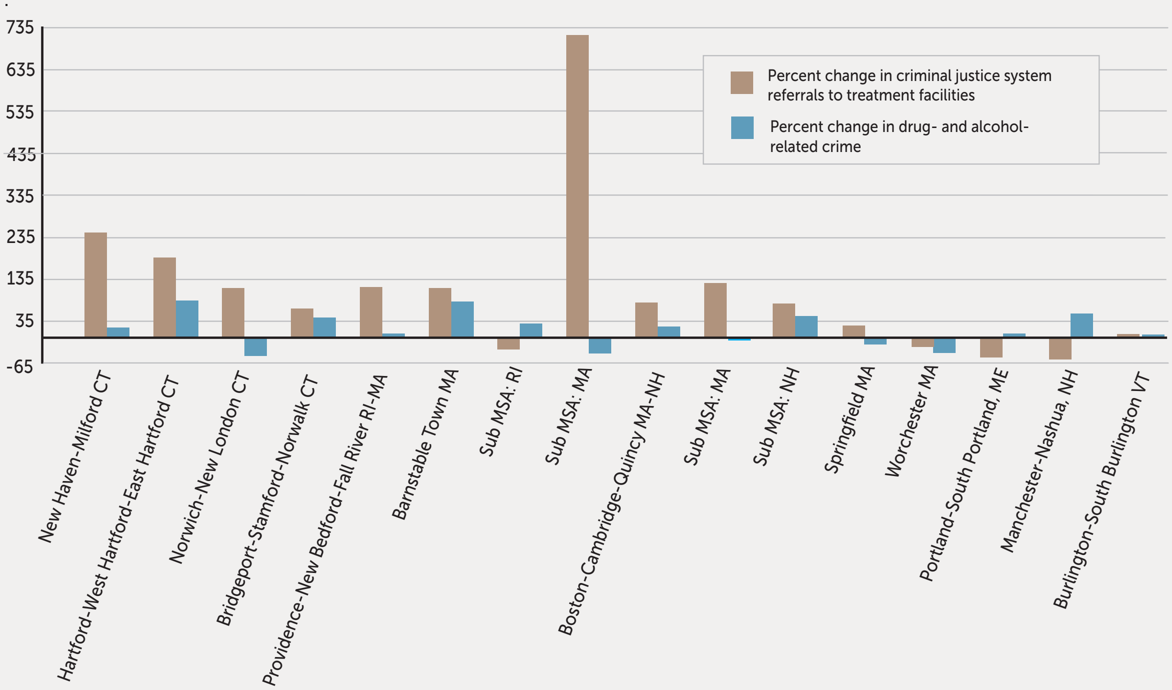
Amy Higgins and Erin Graves
FEDERAL RESERVE BANK OF BOSTON

Many legal scholars argue that a better response to drug- and alcohol-related crimes than incarceration is therapeutic jurisprudence (TJ).[1] Implemented through drug-treatment courts, TJ address offenders' social, mental, and substance-abuse problems in addition to their criminal activity.[2]

The map shows changes in drug-related crimes per 100,000 individuals between 2005 and 2012, with Grand Isle County, Vermont, experiencing the largest decreases, and Middlesex County, Connecticut, experiencing the largest increases. Data are not available for criminal justice system referrals at the county level, but we can look at contemporaneous changes in admissions to treatment centers at the level of the metropolitan statistical area (MSA). By comparing them to changes in drug- and alcohol-related crimes in the same location, we can classify areas as having high levels of TJ, little to no TJ, or preemptive TJ. Or we can say they are stable.

Norwich–New London, Connecticut, and Springfield, Massachusetts, are practicing preemptive TJ, experiencing both increases in admissions to treatment facilities from criminal justice referrals and decreases in drug- and alcohol-related crimes. Worcester, Massachusetts, is stable, with decreases in both referrals and substance-related crimes. Two MSAs are practicing little to no TJ: Portland–South Portland, Maine, and Manchester–Nashua, New Hampshire.

Therapeutic Jurisprudence Classification by Metropolitan Statistical Area



Source: US Department of Health and Human Services, Substance Abuse & Mental Health Data Archive (SAMHDA) Treatment Episode Data Set, Admissions (TEADS-A 2005 and 2012), and US Department of Justice, Federal Bureau of Investigation Uniform Crime Reporting Program Data, National and Incident-Based Reporting System, 2005 and 2012.

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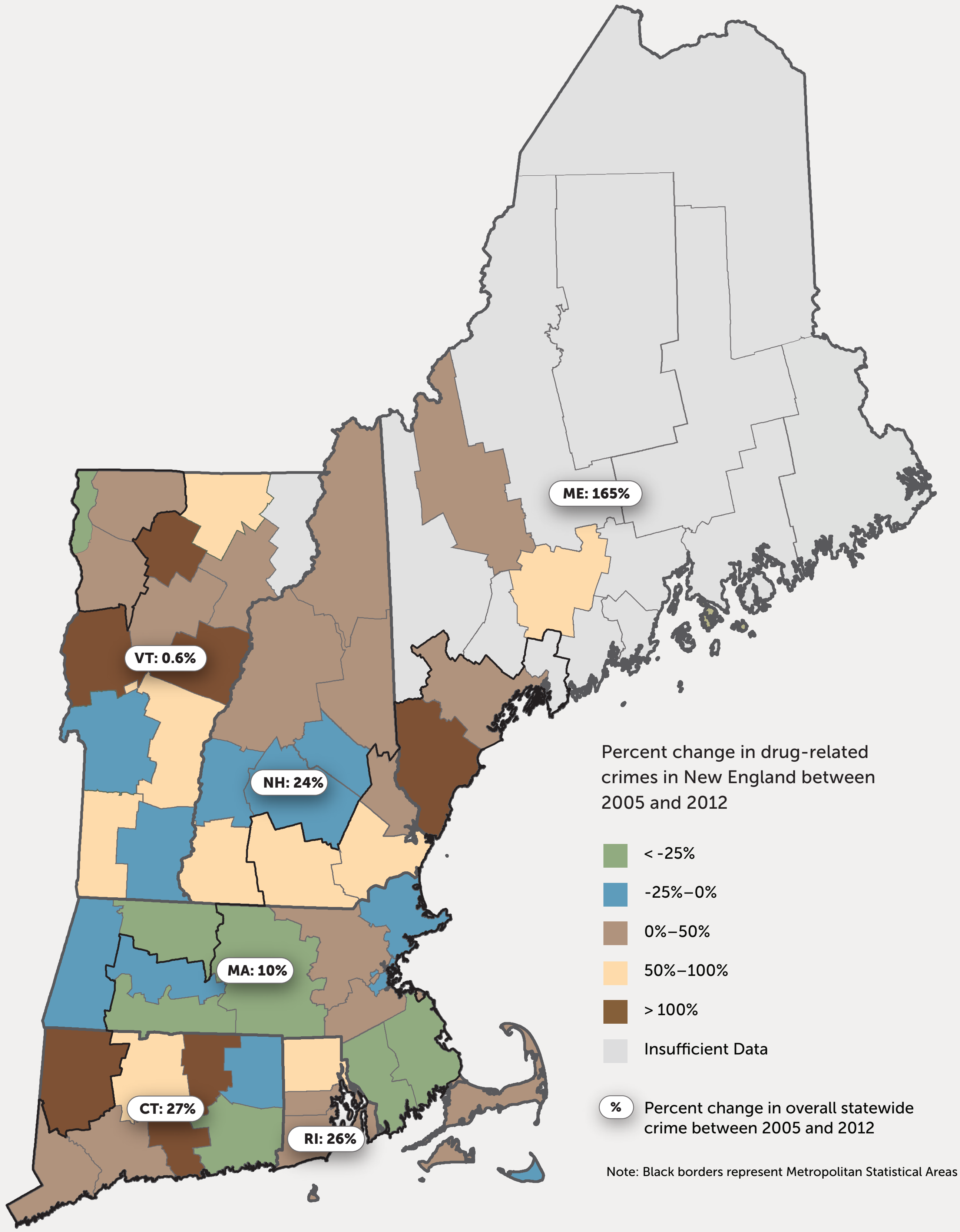
ME: 165%
VT: 0.6%
NH: 24%
MA: 10%
CT: 27%
RI: 26%
Percent change in drug-related crimes in New England between 2005 and 2012
< -25%
-25%–0%
0%–50%
50%–100%
> 100%
Insufficient Data
%
Percent change in overall statewide crime between 2005 and 2012
Note: Black borders represent Metropolitan Statistical Areas

photo Stevanovicigor/iStock

The Role of Violence in a Decision to Move

Erin Graves
FEDERAL RESERVE BANK OF BOSTON

Neighborhood violence is a major factor in a family's decision to move to a new location using a housing voucher.

As research from Harvard's Raj Chetty and Nathaniel Hendren has made clear, neighborhood conditions matter to individuals' well-being.[1] Children whose families reside in well-off communities (where there are lower rates of income inequality, and violent crime; plus better schools and more two-parent households) experience more upward mobility than peers living in places that lack such characteristics. Yet researchers and policymakers have little understanding about how neighborhood qualities such as high rates of violent crime interact with families' pursuit of economic mobility.

The Importance of Safety

Although scholars have only recently established a causal link between neighborhoods and outcomes, a longstanding research tradition has emphasized how access to quality neighborhoods is unequal and particularly out of reach for many minority and low-income families.[2]

Many researchers have focused on the factors that prevent relocation to higher-quality neighborhoods, but few have investigated the factors motivating a family's decision to leave or remain and whether the family perceives those decisions as voluntary or involuntary. An analysis of evidence that families perceive violence as a major factor in residential decision making suggests that neighborhood violence may also compromise economic mobility.

Beginning in the 1990s, federal low-income housing policies increasingly prioritized facilitating movement out of concentrated poverty by offering vouchers to subsidize the cost of housing. Researchers assumed that people would be motivated to use the vouchers to move to higher-rent neighborhoods that offered improved educational or job opportunities. However, surveys conducted with participants suggested other motivations, particularly concerns about safety. Only 2 percent listed employment concerns ("to get a job" or "to be near my job"), whereas an astounding 53 percent wanted to move because they feared crime. Given such results, the policy assumption about participants' motivation did not give safety its due role in decision making.

In a meta-analysis of interviews with households across the country that sought to make residential moves through housing-mobility programs, we assessed participants' descriptions of their decision making.[3] They describe how safety threats to themselves and their children in three settings (block level, neighborhood, and school) influenced their decision to move.

Even our basic understanding of Maslow's hierarchy of needs suggests that people are motivated to meet their fundamental need for safety and security before they can attend to economic or educational advancement. The need for protection from violence is all the more pronounced for the most frequent participants of housing programs—women and their dependent children.

Unsafe Buildings and Neighborhoods

Interviews collected from housing-voucher participants nationwide illustrate the multidimensional ways high-crime neighborhoods threaten participants' safety needs. The interviews were conducted with participants seeking to move out of public-housing projects or to relocate from private housing.

Across the country and across programs, voucher participants expressed a concern about their personal safety in and around their housing units, detailing multiple threats. Frequently, women cited a fear that they would be victimized in their homes by neighborhood gun violence. A woman in Newport News, Virginia, said, "When I went to bed, there was the sound of gunfire." An Atlanta participant recounted, "There have been a lot of times [in prevoucher housing] I felt like [the gunfire] was so close I didn't get up, I just rolled on out."

In addition to gun violence, participants cited other safety concerns. For example, a Chicago woman said that her prevoucher housing involved "constant gangbanging, constant drug selling, constant police harassment." Women also recounted fearing sexual assault. Another Chicago woman wanted to move because "when I first got in the projects, the guys—I would be with my kids—they would … harass me on the elevator." For women, such experiences often generated fear for their personal safety, motivating them to find new places to live.

In addition to expressing safety fears in and around their housing units, women described concerns about being victimized in the larger neighborhood. One woman noted the high rates of murder and drug abuse in her Atlanta neighborhood. "Somebody is always getting killed. In fact, three have been killed this year." A Boston participant said, "When you go outside, you don't know what's flying around the corner. … It was like living in prison."

Although participants expressed worry about their personal safety, those with dependent children were even more vocal and articulate about their alarm. Many parents described the threats to their children's safety encountered in their housing units or apartment complexes. Common spaces such as elevators and hallways were seen as especially sinister for children. "I don't want to live around this. I don't want to subject my kids to all of this stuff, and I certainly do not want to be getting on the elevator with people who I knew could actually take somebody's life."

Participants also discussed how threats to children's safety in the broader neighborhood—where someone might suddenly start shooting—motivated them to move. "I was afraid to let them out much," said one. "You never know when somebody start shooting." Another participant also wanted to move out of concern for her kids: "They can't grow up normally in an atmosphere of fear."

Unsafe Schools

Safety, not educational quality, dominated concerns in the school context, too. Participants explained that their motivation to change schools related mainly to school safety. A Baltimore participant explained that her girlfriend's son got killed in the "bad school."[4] Most parents emphasized perceived safety and convenience as indicators of a "good" school, rather than reliable evidence on achievement or academic supports (such as small class sizes, strong counseling, and tutoring). Such parents placed a high priority on ensuring their children's safety, even if that meant staying at the school in the original neighborhood.[5]

An examination of how families seek information or guidance about good schools reveals that discussions focused on identifying safer schools, not ones more academically rigorous. One participant claimed that the "only thing" she disliked about a school was that there were "always riots; they always started fires. … My concern was my child's safety. … We need more security."

Although school safety may not have been the participants' only concern, it was the most pressing one. Another mother, in Baltimore, detailed a traumatic experience her son had in seventh grade: "One boy threatened to kill him, you know, it was terrible. Threatened to kill him over a soda, 'cause Robby brought a soda and the boy wanted to drink his soda, and Robby told him no." When schools are environments where parents need to worry about safety, concerns regarding educational quality take a back seat.

photo Susan Chiang/iStock

Safety for their children is a major reason people accept housing vouchers that allow them to move.

The meta-analysis of such personal accounts suggests that participants sought to satisfy the need to be safe before attending to other criteria. As one explained, the most important factor was escaping her threatening environment—access to her place of employment was relatively unimportant. "I don't care about being close to work," she reported. "I just want to be away from [here]."

An Underappreciated Determinant

We interpret these results to mean that conditions of violence experienced by participants living in high-crime neighborhoods significantly drive the decision to make a residential move through a housing-mobility program. Whereas previous research has focused on households' decisions about where to move, these narratives suggest that participants perceive little choice about moving.

For more secure households, the decision to move is a voluntary one, often timed to coincide with important milestones, such as when children reach school age. For residents of high-crime areas, the decision to move may not be voluntary.

Participants frequently perceive violence—near their homes, in their neighborhoods, and at their schools—as a threat to their lives and their children's lives. When violence pushes participants out of their current residences, they may not be leaving because the time is right for their families or because they have thoughtfully considered other unit and neighborhood factors.

Economists have shown a causal link between lower levels of neighborhood violence and upward mobility. The experiences of the families living in unsafe conditions may illustrate how crime is not only an undesirable feature but also one that compromises decision making. Thus neighborhood violence works on two levels—as a threat to people's immediate well-being and as a disrupter of pursuits that might lead to economic mobility.

Erin Graves *is a senior policy analyst in the Regional & Community Outreach department of the Federal Reserve Bank of Boston. Contact her at erin.m.graves@bos.frb.org.*

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Separate and Unequal: Residential Segregation

by John R. Logan
BROWN UNIVERSITY

photo Balticboy/iStock

Segregation persists in urban and suburban neighborhoods, and it's not just a matter of what people can afford.

Residential segregation divides communities from one another and most often places black and Hispanic households in poorer neighborhoods with fewer public resources and a more difficult living environment.

National studies using recent census data show that black-white segregation remains high despite a continuing decline from its 1960s peak. Hispanics are less segregated than blacks in most areas, but there has been no reduction in Hispanic-white segregation in the last 30 years. Blacks and Hispanics also live in poorer neighborhoods than do whites, a disparity that holds even for those who reach the middle class. In most US metropolitan areas, the average black- or Hispanic-headed household with an income of over $75,000 lives in a census tract with a higher poverty rate than the average white household that earns less than $40,000.[1]

Spatial Segregation in Boston

Consider Boston (the Boston-Cambridge-Quincy Metropolitan Statistical Area), where a substantial black population is now combined with a rapidly growing Hispanic minority.[2]

Research Approach

To calculate segregation indices, I use population counts by race and ethnicity over time from the decennial census. Statistics involving income are based on the five-year pooled samples of the American Community Survey for 2005 to 2009. Census tracts (averaging about 4,000 residents) are treated as "neighborhoods," and the data report what kind of neighborhood the average white, black, Hispanic, or Asian person lived in.[3]

Limited Change

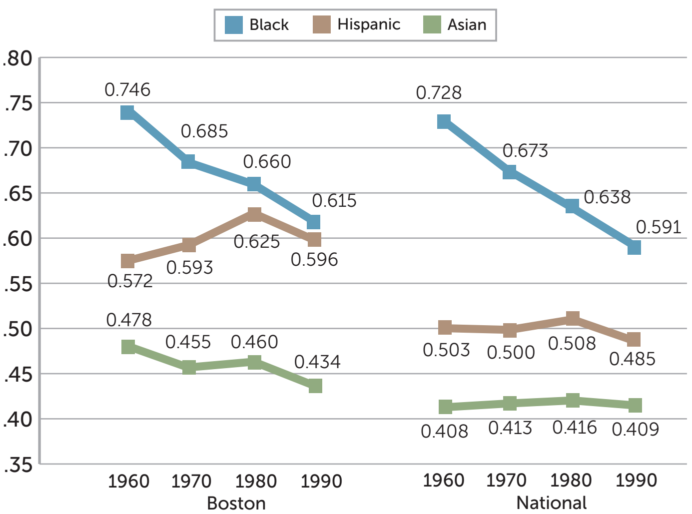
The Boston metro is quickly becoming more racially and ethnically diverse. In 1980 more than 90 percent of residents were white, dropping to under 75 percent in 2010. All minorities gained share, and their numbers are now well distributed among blacks (7.4 percent), Hispanics (9.0 percent), and Asians (7.1 percent). The pace of change is similar nationwide.

Individual neighborhoods, however, do not reflect that diversity. A look at the values of a standard measure of segregation of different groups from whites—the Dissimilarity Index—can be instructive. (See "Segregation Trends.") In a range between values of 0 (when all tracts have the same racial/ethnic composition) and 1.0 (when tracts are either all-white or all-minority), social scientists generally consider values above .60 to be "very high." At this level, 60 percent of blacks or whites would have to be relocated to other tracts where they are underrepresented in order to achieve an even distribution. Values between .45 and .60 are considered to be "high," and between .35 and .45 to be "moderate."

I compare the Boston metro to the average of all metropolitan regions in the country, presenting values for whites' segregation from blacks, Hispanics, and Asians. The values are similar for Boston and the nation for black-white segregation, but the segregation of Boston's Hispanic and Asian populations is greater than the national average. Moreover, black-white segregation is the highest, and remains around the .60 mark despite a considerable decline in the 1980s and smaller continuing declines since then. In fact, in Boston, blacks and Hispanics are now almost equally segregated from whites.

Segregation Trends

Boston metro and national averages, 1980–2010



Source: Author's calculation. Census of 1980, 1990, 2000, and 2010.
See also http://www.s4.brown.edu/us2010/Data/Report/report2.pdf.

There are two points to be made about residential segregation. First, many people assume that segregation reflects income differences and that minorities are residentially segregated because they cannot afford to live in a wider range of neighborhoods. Although the contrast between between blacks and Hispanics on the one hand and Asians on the other is partly due to income differences—Asians have higher income and education than whites, on average—segregation is mostly based on race and ethnicity.

Second, discussions of segregation have focused on the extent to which Americans are exposed to diversity in their neighborhoods and how that affects intergroup relations. Less attention is given to the immediate consequence of segregation—inequalities in the quality of people's neighborhoods and the resources that neighborhoods provide for daily life.

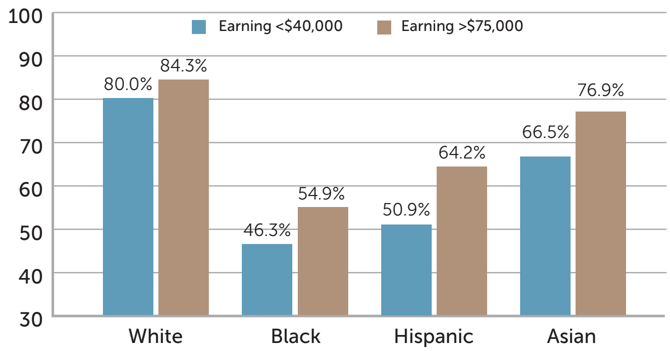
Using American Community Survey tabulations that report the income distribution of people by race and ethnicity in all census tracts, it is possible to compare the neighborhoods where people live, taking income into account. (See "Race and Household Income.") A comparison of households with income below $40,000 (well below the national median income) and those with incomes above $75,000 (well above the median) is instructive. The average white person lives in a predominantly white neighborhood—80 percent or more white—regardless of income. The greatest contrast is with blacks. The disparity in racial composition between where poorer whites and poorer blacks live is about 34 percent. That can be thought of

photo iStock/George Clerk

as a simple measure of the extent of segregation between the two groups, standardizing by income. The disparity is almost as great for poorer Hispanics, but considerably smaller for poorer Asians.

Race and Household Income

Percent of white neighbors: Boston 2005–2009



Source: Author's calculation. American Community Survey, 2005-2009.
See also http://www.s4.brown.edu/us2010/Data/Report/report0727.pdf.

Thus blacks, Hispanics, and Asians with higher incomes live in areas with more exposure to white neighbors. However, the difference between affluent and poor minorities having white neighbors is rather modest compared with the overall difference between minorities and whites.

Consider next the share of neighboring households that fall below the poverty line. (See "Race and Poverty.") Blacks and Hispanics, on average, live in neighborhoods where the poverty rate is about twice that of neighborhoods where whites with comparable incomes live. Further, in Boston, as in the country as a whole, affluent blacks and Hispanics live in neighborhoods with higher poverty rates (13.4 percent and 12.7 percent) than much poorer whites (9.2 percent).

Understanding the Patterns

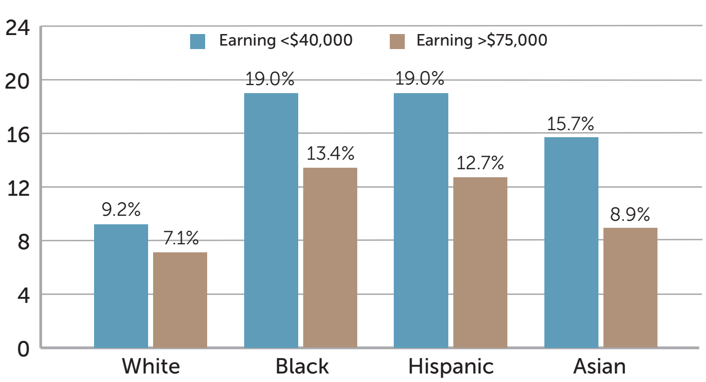
A longstanding question about black-white segregation has been how it can persist at such high levels despite other social changes that would suggest optimism: the growth of a black middle class with many affordable choices of where to live, the passage of fair housing legislation at the national level and in some states and cities, and evidence from surveys that suggest increasing white openness to living in more diverse neighborhoods. Part of the answer is that systematic discrimination in the housing market persists and is seldom prosecuted. Fair housing laws are enforced mainly when minority home seekers can document discrimination and pursue a civil court case without assistance from officials.[4]

Another part of the answer is urban history. As African Americans in the 1940s and 1950s moved in large numbers from the South to northern industrial cities, it was clear where they were allowed to live, and the ghettos then created persist. The history for Hispanics and Asians is different because they are newer arrivals. Except in cities with a long history of Puerto Rican and Mexican settlement, Hispanics and Asians have experienced less discrimination and have been less segregated than blacks. There is also evidence that individual success (gaining more education, learning English, living longer in the United States) results in considerable mobility out of ethnic neighborhoods—much less true for African Americans. Yet because Hispanic numbers are growing rapidly, their geographic mobility cannot overcome the inflow into ethnic neighborhoods.

Another factor is the difference in the quality of collective resources in neighborhoods that have predominantly minority populations. It is especially true for African Americans and Hispanics that their neighborhoods are often served by the worst-performing schools, suffer the highest crime rates, and have the least valuable housing stock. Few whites with other options will return to these neighborhoods while they suffer from such problems. At this time, it appears that integration of neighborhoods rarely results from white in-migration but is mostly conditional upon the ability of minorities to move into previously all-white areas. That is happening more, especially in stable middle-class neighborhoods. But too often it results in white flight.

Race and Poverty

Percent of neighbors below poverty: Boston 2005–2009



Source: Author's calculation. American Community Survey, 2005-2009.
See also http://www.s4.brown.edu/us2010/Data/Report/report0727.pdf.

John R. Logan *is a professor of sociology and the director of Spatial Structures in the Social Sciences at Brown University in Providence. Contact him at John_Logan@brown.edu.*

Endnotes

1 See John R. Logan, "Separate and Unequal: The Neighborhood Gap for Blacks, Hispanics and Asians in Metropolitan America" (report, Brown University, Providence, 2011), http://www.s4.brown.edu/us2010/Data/Report/report0727.pdf. Two figures in this article provide results for Boston comparable to those found at a national level in the report.

2 Providence and Hartford have patterns similar to Boston's. See http://www.s4.brown.edu/us2010/Data/Data.htm.

3 The Census Bureau treats race and Hispanic origin as two separate variables. Hispanics are persons of any race who identify themselves as having Hispanic origin. The other categories used here include only non-Hispanics. "White" refers to non-Hispanic persons who report only white race. "Black" refers to persons who reported their race as black alone or in combination with another race. "Asians" refer to persons who reported race as Asian along or in combination with another race, except black.

4 The Supreme Court has ruled that public policy decisions affecting placement of low-income housing can be challenged on the grounds of disparate impact. The ruling preserves a four-decade legal standard, but it does not offer any new tool to further fair housing.

photo Maine Indian Basketmakers Alliance

Molly Neptune Parker, a Passamaquoddy, shows a basket made from the ash tree.

Wabanaki Diplomacy

Darren J. Ranco
UNIVERSITY OF MAINE

Much can be learned from the way Wabanaki tribes deal with complex community challenges.

For the last six years, I have been one of the leaders of a project to protect Wabanaki basketmaking traditions, under threat from an invasive species called emerald ash borer.[1] Our project studies and facilitates the ways that Wabanaki basketmakers, tribes, state and federal foresters, university researchers, landowners, and others work together to prevent, detect, and respond to the potentially devastating emerald ash borer as it moves east toward Maine, devouring trees. Central to the process is the use of Wabanaki diplomacy, a multinational, multicultural, indigenous form of diplomacy that emphasizes relationships to solve potential disputes.

History

Wabanaki basketmaking—an economic, cultural, and spiritual tradition—uses brown or black ash trees (fraxinus nigra) as the primary source material. That is why the emerald ash borer's appearance in 2013 in New Hampshire, Maine's next-door neighbor, raised alarms.

As with other ecological threats, multiple ways of comprehending the problem had to be brought to the table. Regulators use purely economic measurements when a resource is being impacted by an invasive species and tend to work with industry on quarantines and certification for enforcement. Basketmakers, although also concerned about the economic impacts, consistently raise cultural and historical concerns, reminding scientists and regulators about the trouble tribe members already have with access to basketmaking materials and reminding them of indigenous rights. At the same

photo Bumblebeep/iStock

photo Cornelia Schaible/Stock

Stakeholders are uniting to fight the devastating emerald ash borer as it moves east toward Maine, devouring trees.

time, they use Wabanaki diplomacy to call attention to the sovereignty of everyone involved and work to fashion a cooperative approach to problem solving.

Wabanaki diplomacy is multifaceted and calls upon a system of meanings that have arisen over centuries. The Wabanaki Confederacy—a multinational cultural and political alliance between the Penobscots, Passamaquoddies, Abenakis, Maliseets, and Micmacs of Maine and the Canadian maritime provinces—was first organized to affirm common ideals and respond to pressures introduced by the arrival of Europeans.

When I first started to consider how modern Wabanaki diplomacy functions, I was struck by how similar the issues and tone of 18th and 19th century diplomatic speeches and petitions were to contemporary Native American claims for rights, especially in regard to natural resources. The themes of current diplomatic articulations are like the strategies Native Americans employed to respond to colonization. They involve control over and knowledge of resources, the importance of treaty rights, and the necessity of honoring past promises.

Throughout the 18th century, many of the agreements of peace were clear attempts by Wabanaki people to stop incursion of Europeans into their lands and resources. By the 19th century, the ability to use natural resources, guaranteed in treaties, was the main focus of Wabanaki diplomacy. The Petition from the Chiefs of the Penobscot Tribe to the Governor of Maine and the Executive Council, January 26, 1821, is an example. (See "We the Undersigned.")

The idea was not to regulate Indians and non-Indians differently but to suggest that people who know the resources best might be best at implementing a management program.

A Modern Example

Over the last two years, as I have helped to coordinate a series of memoranda of understanding (MOUs) between the Wabanaki Nations in Maine and federal and state agencies regulating forest pests, I have seen the importance of respect for differing values and knowledge again and again.

In our work to prevent the emerald ash borer from pass-

Basket by Jeremy Frey, a Passamaquoddy craftsman.

photo Maine Indian Basketmakers Alliance ing through New Hampshire into Maine, Wabanaki diplomacy has been central to understanding how different cultural groups come together to solve an issue involving land, power, and natural resources.

The approach involves respecting the different values and kinds of knowledge that each group brings to the situation. Going into this process, we understood that different approaches and forms of knowledge might be a challenge, so we made sure that the overarching questions for our meetings could be answered from a variety of perspectives. For example, in the early stages of meeting in 2009 and 2010, we asked all of the constituents, which included scientists, regulators, basketmakers, and resource gatherers, what they wanted to know more about and what was their highest priority. Together the group came up with four key areas: mapping ash resources, developing policy guidance, educating the public, and collecting seeds.

Researchers and regulators could rely on mapping and other forms of spatial and statistical data. But the level of detail they could offer was small compared with the specific knowledge that resource gatherers possessed—particularly how they used the context of other trees in the forest to help determine site location for basket-quality ash.

Because the goals were initially defined by everyone, potentially conflicting viewpoints were addressed in a way that left a space open for recognition of Wabanaki points of view and the legitimacy of their knowledge and engagement with the resources.

WE THE UNDERSIGNED

We the undersigned Chiefs & others of the Penobscot Tribe of Indians ask you to hear us in our petition … in the days of our forefathers the great plenty of fish which yearly came into the waters of our Penobscot River was one of the greatest sources by which [we] obtained [our] living and has so continued within the remembrance of many of us who are now living. …And we ask you to make the Law so as to stop the white people and Indians from catching fish more than two days in the week in the season of the Salmon Shad and Alewives at least for five years. We think that Fish will then be plenty again.

Being Prepared

A primary issue in Maine is what will happen if the emerald ash borer is discovered on or adjacent to tribal lands, and how the different parties will work together to study, regulate, and address the pest's impact on tribal and nontribal resources.

In our research, other states have done very little to include tribal lands, peoples, and governments in the process of responding to the ash borer. In Maine, we were determined to make sure they would be included from the beginning.

The ongoing negotiations for agreements have revealed what we would already expect from the recognition and legitimacy of Wabanaki knowledge, experience, and diplomacy: differences are being worked out. Tribal governments' and basketmakers' initial concerns that they would not be consulted if a discovery happened near tribal lands—and that they would not be included in studying the impact and the extant of the infestation—are being addressed. The same is true for federal regulators' concerns that an infestation on or near tribal lands needed to be quickly studied and dealt with.

Embedded in the MOUs is a recognition of Wabanaki knowledge regarding the harvesting and protection of brown ash resources as well as a proper process to include the different parties in a thoughtful and respectful way in a potentially tense situation. For those of us involved in the process, Wabanaki diplomacy, with its emphasis on participation and multiple forms of knowledge, guided the way to an open and easy exchange between people with different levels of formal and informal education and different cultural, practical, and scientific knowledge.

It seems obvious that being able to define and articulate your own understanding of a sustainable world, or the public good, is a critical aspect of self-determination—and that this is what most indigenous peoples and other cultural minorities are seeking. It is often difficult, however, for Native people to articulate their slightly different conception of the good under the current US arrangements for tribal sovereignty. The loss is not theirs alone, as the old ways of engaging through diplomacy and cultural knowledge could benefit the dominant culture as well.

In our preparation to take on the ash borer, recognition of tribal and basketmaker commitment to the resource was remarked upon by a number of scientists and regulators. This is not to say that the scientists and regulators were surprised. It was more that they felt they were finally in what they considered to be the right room, talking to the right people. The values and commitments of indigenous people were recognized, and the experts were able to let go of the idea that they were the only ones with good processes and knowledge to address a problem.

The successful collaboration on the ash borer issue suggests that an understanding of Native notions of the good can benefit the wider community, especially in terms of creating partnerships to promote sustainability.

Darren J. Ranco *is an associate professor of anthropology and chair of Native American Programs at the University of Maine in Orono. Contact him at darren.ranco@maine.edu.*

Endnote

1 Wabanaki means "people of the dawn."

Early Care and Education in Vermont

Julia Coffey, BUILDING BRIGHT FUTURES

photo Kenishirotie/iStock

Many Vermont families face challenges in trying to access affordable, high-quality child care.

Vermont is generally considered a good place for children. It is admired for its environmentally conscious culture and its good public education. It measures well on an important predictor of income stability, since two-parent households account for more than half of households where there are children under age 18. The Annie E. Casey Foundation's *Kids Count 2014* ranked Vermont second in the nation for overall child well-being.[1]

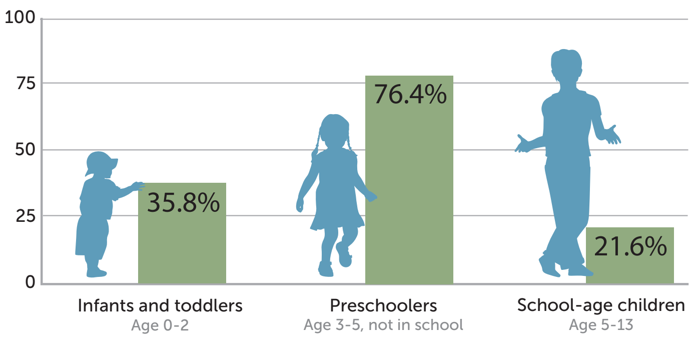
Where Children Spend Their Day

Nevertheless, a key ingredient for a thoroughly child-friendly environment—high-quality child care—is out of reach for many Vermont families that need it. The demand for child care is high, given that many Vermont parents work outside the home, more than 70 percent of children are under 6, and almost 80 percent are between 6 and 17.[2]

The cost can stretch budgets. In 2014, the child-care cost for a two-parent working family with two children was $20,280. Two-parent working families with incomes between $47,700 (200 percent of the poverty level) and $82,047 (the state median income) must direct a high share of their earnings—28 percent to 40 percent—to child care.[3] Some families simply cannot afford it.

Although enrollment and attendance data are not available across all settings in Vermont, December 2014 estimates suggest that two groups of children are not adequately served—the infant and toddler group and the school-age group. (See "Estimated Enrollment in Regulated Nonschool Care and Education.")

Estimated Enrollment in Regulated Nonschool Care and Education



Source: Child Development Division, Department for Children and Families, Agency of Human Services, State of Vermont.

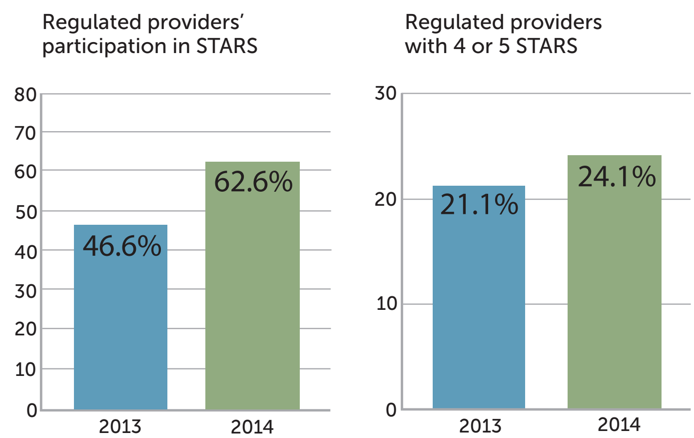
Only 36 percent of infants and toddlers and 22 percent of school-age children are enrolled in regulated care and education settings (such as Early Head Start programs, Head Start, public prekindergarten, private licensed centers, and registered homes). Families are often forced to turn to lower-quality options.

The effects of program quality are felt beyond the child and the family. The quality of early-learning experiences also affects later social expenditures, the achievement gap, and the availability of a well-educated workforce and citizenry. Indeed, high-quality early-childhood programs have been shown to be the most cost-effective way to ensure the healthy development of children in poverty, offering the greatest returns to society.[4]

Fortunately, there are two heartening trends in early-learning experiences in Vermont: the increasing participation in the quality-assurance program STARS (STep Ahead Recognition System) and the passage of Act 166. (See "Vermont's Participation in STARS.") Both initiatives are jointly administered by the Vermont Agency of Human Services, the Department for Children and Families, and the Agency of Education.[5]

STARS is a system for recognizing and improving quality. Child-care and education programs may apply for recognition in areas such as regulatory compliance, staff qualifications and training, program practices (includes the environment and overall support of children's learning and development), and administration. Act 166 requires that programs receiving public education funding for preschool-age children must be nationally accredited and have four or five stars—or have a plan in place to achieve them.

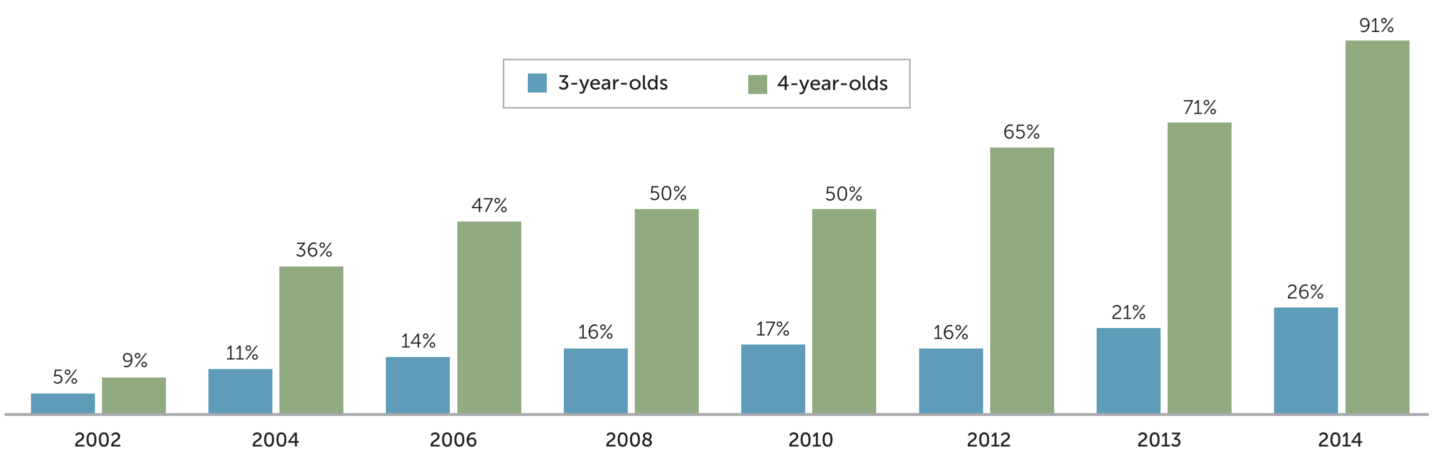
Vermont's Participation in STARS



Source: http://vermontinsights.org/indicators/report/4.

Positive change is happening. Since 2002, nearly every year has seen an increase in the percentage of 3- and 4-year-olds enrolled in publicly funded prekindergarten programs. (See "Publicly Funded Pre-K Enrollment in Vermont.")

Publicly Funded Pre-K Enrollment in Vermont



Source: W. Steven Barnett et al., "The State of Preschool 2014" (report, National Institute of Early Education Research, Rutgers University, New Brunswick, New Jersey), http://nieer.org/yearbook.

Honoring Successes

One important early-education outcome is a child's readiness to learn upon entering kindergarten. Readiness is measured in Vermont by the Kindergarten Readiness Survey (KRS). Kindergarten teachers from around the state are asked to complete the KRS for each student during the fall of every school year.[6] The assessment relies on the teacher's observations during the first few weeks of kindergarten.[7]

The KRS consists of 30 factors across domains called "Social and Emotional Development," "Approaches to Learning," "Communication," "Cognitive Development and General Knowledge," and "Physical Development and Wellness." The teacher rates each child's skills on the first 27 items as "beginning," "practicing," or "performing independently" and then judges if hunger, illness, or fatigue seems to be inhibiting the child's learning on the rest.

In the 2013–2014 school year, 49 percent of Vermont children were kindergarten ready in all areas of health and development, a 13 percentage point decrease from the 62 percent of children who were ready in school year 2012–2013. Although the drop looked worrisome, it was difficult to ascertain the story behind it. The Agency of Education pointed to the increase in participation, specifically of children eligible for free and reduced lunch or receiving special education services—and it noted changes in data-collection methods and how blank responses were handled. Kindergarten readiness in Vermont rebounded to 52 percent in the 2014–2015 survey.[8]

Vermont's KRS is reported by over 80 percent of kindergarten teachers in public schools. Policymakers use the results to assess progress toward systemic goals for early learning and development, and kindergarten teachers find it helps them tailor their kindergarten curriculum to the needs of their students.

In 2014, Governor Shumlin unveiled Vermont's Early Childhood Action Plan to guide the individual and collective actions of Vermonters.[9] An ambitious statewide public-education campaign called Let's Grow Kids! was also launched to create widespread understanding by the public that children's success is built from the youngest age and that quality early experiences are a necessary foundation for learning, skill building, and social-emotional development.

Wasting no time, this campaign has begun by working closely with already existing local civic networks—among them the Building Bright Futures statewide network of 12 early-childhood councils—and many organizations, businesses, and individuals. Philanthropic leadership to fund the 10-year effort comes from the Permanent Fund for Vermont's Children and two longtime partners, the A.D. Henderson Foundation and the Turrell Fund.[10]

Also in 2014, Vermont was awarded three large federal grants. The first was a $36.9 million Race to the Top Early Learning Challenge grant targeting early-childhood systems improvements and funded by the US Departments of Education and Health and Human Services. The second was a $33 million Preschool Expansion grant from the US Department of Education targeting pre-K programs for low-income 4-year-olds to further improve quality, increase capacity, and expand to a full day. Finally, the US Office of Head Start made awards to two Vermont Head Start programs, increasing full-day, full-year programming slots for infants and toddlers from low-income families.

* * *

Our small state aims to be a laboratory for the nation in finding the right formula for success in child care and early education. We believe success will come from the strong leadership of Governor Peter Shumlin, collaboration between Vermont state agencies in charge of education and human services, alliances between the public and private sectors, and backing from leading philanthropies. The array of partnerships will be pivotal in advancing the early care, health, and education of Vermont's youngest citizens.

Julia Coffey, MS, *is the executive director of Building Bright Futures, a nonprofit network of 12 regional councils in Vermont and the designated Vermont Early Childhood Advisory Council for the governor and legislature. She is based in Williston, Vermont. Contact her at jcoffey@buildingbrightfutures.org.*

Endnotes

1. *2014 Kids Count Data Book* (Baltimore: Annie E. Casey Foundation, 2014), http://www.aecf.org/m/resourcedoc/aecf-2014kidscountdatabook-2014.pdf#page=18-20.
2. "How Are Vermont's Young Children and Families?" (report, Building Bright Futures, Williston, Vermont, 2015), http://cdn.buildingbrightfutures.org/wp-content/uploads/2015/03/HAVYCF_3-30-15_web.pdf.
3. Analysis by Building Bright Futures using the Vermont's Child Care Provider Rate Schedule, http://dcf.vermont.gov/sites/dcf/files/pdf/cdd/care/fap/CC%20FAP%20Rate%20Schedule%20Effective%20November%202013.pdf.
4. Arthur J. Rolnick and Rob Grunewald, "Early Education's Big Dividends," *Communities & Banking* 19, no. 2 (spring 2008): http://www.bostonfed.org/commdev/c&b/2008/spring/sp08_C&B_final_021908.pdf.
5. See http://dcf.vermont.gov/sites/dcf/files/pdf/cdd/stars/STARS_Brochure.pdf.
6. Vermont has no assessment used across all early childhood settings prior to kindergarten, although state agencies are working closely with private providers to develop a short list of evidence-based assessments.
7. "Vermont's Statewide Reports on Kindergarten Readiness," http://education.vermont.gov/documents/EDU-Kindergarten_Readiness_Report_2013_2014.pdf.
8. See http://www.vermontinsights.org/indicators/report/5.
9. See http://www.vermontearlychildhoodalliance.org/childrens-agenda/early-childhood-framework-action-plan.
10. See http://www.permanentfund.org/about-us.

Facilities: An Important Dimension of Child-Care Quality

Mav Pardee
CHILDREN'S INVESTMENT FUND

Nurtury Learning Lab in Boston.

photo StudioMLA Architects

Comprehensive quality-improvement efforts in early childhood education require well-designed, well-equipped facilities.

Every day, 4 million children nationwide enter the doors of child-care centers. Enrollment has doubled in the past 10 years, and increasingly, young children spend most of their waking hours in child-care settings.[1] The country's first major early-learning program, Head Start, was launched 50 years ago and marked a growing recognition that child-care experiences are important.[2] Numerous studies have shown that investment in high-quality early education, especially for children raised in poverty, provides high returns on the public dollar and improves children's lifetime outcomes.[3] Now those studies are catching the attention of many policymakers, business and military leaders, academics, and parents—not to mention President Obama, who highlighted early education in his State of the Union address this year.

Elements of Quality

Despite the research and the increasing attention, the requisite public investment in early childhood education has not followed, and quality remains mediocre. Less than 10 percent of child care is considered beneficial to children's development, and over 80 percent is rated merely "fair." In response, every state has begun to develop a Quality Rating and Improvement System. The standards focus on teacher qualifications, curriculum, assessment, furnishings, and materials. Consistently missing, however, are well-defined guidelines for suitable facilities. Even as policymakers pursue other kinds of quality, they fail to acknowledge the inadequacy of many child-care centers and how that affects child development.

The primary reason for inadequate facilities is lack of resources. Centers serving children on subsidy are paid rates that fall far below the cost of care. Cash-strapped providers who cannot afford improvements just make do with the space they have. Consequently, children who have the most to gain from high-quality programs often spend their childhoods in dismal spaces in dilapidated buildings.

Monthly Cost of Care for 4-Year-Olds in 2014

State	CCDBG proposed reimbursement at 75th percentile of market rate	Actual reimbursement per eligible child compared with recommended rates	Parent fee paid by eligible family*
Connecticut	$1,065	$650 -39 percent below 75th percentile	$148
Maine	$853	$810 -15 percent below 75th percentile	$247
Massachusetts	$1,221	$795 -35 percent below 75 percent percentile	$271
New Hampshire	$823	$736 -11 percent below 75th percentile	$309
Rhode Island	$866	$680 -22 percent below 75th percentile	$198
Vermont	$866	$578 -33 percent below 75th percentile	$260

Source: "Turning the Corner: State Child Care Assistance Policies" (report, National Women's Law Center, Washington, DC, 2014), http://www.nwlc.org/resource/turning-corner-state-child-care-assistance-policies-2014.
* Income eligibility for a family of three ranges from $35,060 in Rhode Island to $48,828 in Maine.

Urban Institute research has noted that "classrooms with the lowest observed quality were typically in centers characterized as struggling financially."[4] And the National Center for Children and Families observes that children from low-income families are more likely to be in low-quality programs and that most children attend programs segregated by income and often by race or ethnicity.[5]

Among the top 10 least affordable states for center-based care, four are in New England (Vermont, Massachusetts, Rhode Island, and Maine). With federal child-care funding cut repeatedly since 2001, the centers that serve lower-income families in those states are in a precarious financial condition. They are consequently reluctant or unable to incur any additional expense even though local community development financial institutions (CDFIs) are eager to help develop better facilities.[6]

An Undercapitalized Industry

Federal Child Care and Development Block Grant (CCDBG) funding subsidizes care for low-income families and recommends subsidy payments at the 75th percentile of market rates. Cuts in CCDBG funding have kept subsidy reimbursements stagnant despite rising costs. (See "Monthly Cost of Care for 4-Year-Olds in 2014.") The finances of infant-toddler care are even more challenging.[7]

Child-care construction projects have also been slowed by the recession and weak recovery. Every CDFI in the region saw a dramatic drop in construction-loan applications and, in response, focused on child-care health or safety concerns, business and financial planning, and technical assistance.

Health and Safety

Years of deferred maintenance and lack of resources have led to deteriorating conditions across the industry. In Massachusetts, Children's Investment Fund commissioned a facilities inventory in 2010, and Local Initiatives Support Corporation/Rhode Island Child Care Facilities Fund completed a study on facility conditions in 2013. Both identified significant health and safety hazards.

In Rhode Island, state officials were sufficiently concerned that they secured a waiver to redirect $2.1 million of federal Race to the Top Early Learning Challenge funding for emergency capital grants of up to $50,000 per center. The Vermont Community Loan Fund provided grants for minor repairs at Vermont facilities and distributed $1.2 million to 100 programs. Connecticut Health and Educational Facilities Authority made capital grants of up to $95,000. On the federal level, the Office of Head Start launched a nationwide health and safety assessment of its centers.[8]

Business Planning and Financial Consulting

New Hampshire Community Loan Fund, Vermont Community Loan Fund, and Maine's Coastal Enterprises Inc. provide business and financial management training, recognizing that centers require better fiscal systems and more robust management if they are to survive. Centers lose money caring for children on public subsidy. Larger, better-established organizations offset some losses with fundraising, but with subsidy rates inadequate to meet the cost of care, the business model is unsustainable.[9]

Technical Assistance

CDFIs provide technical assistance to child-care centers since the administrators often have a background in education or business but no experience with real estate development. Project-specific technical assistance is provided from the initial planning stage, and predevelopment financing is available to assess feasibility and secure financing. Children's Investment Fund offers a training institute called Building Stronger Centers that covers the organizational demands of facilities development, capital budgeting, design, financing, and fundraising.

Model Centers

Coastal Enterprises helped finance New England's first Educare center, which opened in Waterville, Maine, in 2010. It educates 210 children from low-income families in a LEED-certified green building adjacent to an elementary school. Educare is explicit that the physical plant is a key element in program quality and that "the way the building is designed enhances the learning of each child."[10]

Children's Investment Fund provided early-stage financing to Nurtury Learning Lab, a center for 175 low-income children that

Circle activity in the bright and open interior space of Nurtury Learning Lab. **photo** StudioMLA Architects

opened in Boston in 2014.[11] The planning team understood that a beautiful and functional facility was key to a more ambitious educational vision. Both centers have set a new standard for education environments for disadvantaged children. Many more are needed.

Innovative Financing

A Massachusetts breakthrough occurred in 2013 with the inclusion of bond financing for child-care facilities in a housing and community development bond bill. Although it authorized $9 million per year, the allocations for 2014 to 2016 were $4 million per year. For fiscal years 2014 and 2015, awards of $7.45 million went to 10 projects, with grants ranging from $400,000 to $1 million.

Those grants leveraged $18.3 million in other funding. Three projects involve new construction and seven are major renovations. The projects will improve space for 1,339 children and expand capacity by 231 children, 86 percent of whom are on public subsidy. Children's Investment Fund will evaluate the impact of the facilities improvements on various aspects of program quality.

* * *

New England has 6,000 child-care centers. It's time to recognize that child-care centers are what child-care author Jim Greenman called "places for childhood" and that quality improvement requires attention to the physical condition of centers and investment to renovate or replace substandard facilities.

Mav Pardee, *at the time of this writing the program manager of Boston-based Children's Investment Fund, is also the author of "Infrastructure Investment Begins with Children" in the spring 2012* Communities & Banking. *Contact her at mavpardee@gmail.com.*

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2 See http://www.acf.hhs.gov/programs/ohs.

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4 Monica Rohacek, Gina Adams, and Ellen Kisker, "Understanding Quality in Context: Child Care Centers, Communities, Markets and Public Policy" (report, Urban Institute, 2010), http://www.urban.org/research/publication/understanding-quality-context-child-care-centers-communities-markets-and-public-policy.

5 Jeanne Reid and Sharon Lynn Kagan, "A Better Start: Why Classroom Diversity Matters in Early Education" (report, National Center for Children and Families, Teachers College, Columbia University, 2015), http://www.prrac.org/pdf/A_Better_Start.pdf.

6 CDFIs in New England: Connecticut Health & Educational Facilities Authority, Coastal Enterprises Inc. in Maine, CEDAC/Children's Investment Fund in Massachusetts, New Hampshire Community Loan Fund, Local Initiatives Support Corporation/Rhode Island Child Care Facilities Fund, and Vermont Community Loan Fund.

7 "Turning the Corner: State Child Care Assistance Policies" (report, National Women's Law Center, Washington, DC, 2014), http://www.nwlc.org/resource/turning-corner-state-child-care-assistance-policies-2014.

8 "Environmental Health and Safety: Center-Based Observation Guide" (report, Office of Head Start, Washington, DC, 2014), http://eclkc.ohs.acf.hhs.gov/hslc/grants/monitoring/on-site-review-protocol.html.

9 Financial stress exists for all centers serving more than a few children from low-income families. Those with enrollments of 50 percent or more on subsidy are in the most serious trouble.

10 See http://www.educarecentralmaine.org/page/2-701/otherinformation.

11 Both centers are expensive to operate and require significant private funding above their public subsidy to deliver the level of quality they've committed to.

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