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STREAMLINING GOVERNMENT

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PIONEER INSTITUTE for Public Policy Research

Putting ideas into action for Massachusetts



Better Government Competition - #14

**2005 compendium of winning ideas
to streamline government**

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2005 Better Government Competition *at a Glance*

WINNER

- **“Shared Services:” Streamlining Massachusetts Government Human Resources** page 7
An initiative by the Commonwealth’s Human Resources Division streamlining the delivery of state government human resource programs and services to save the Commonwealth millions of dollars

RUNNERS-UP

- **Streamlining Services and Expanding Opportunities for Homeless Families** page 13
An initiative by the Massachusetts Department of Transitional Assistance eliminating the costly use of hotels and motels as housing for homeless families
- **Reclaiming Dropouts: Improved Solutions for Urban Systems** page 19
A Dayton, Ohio, charter school providing academic and vocational training for 16- to 22-year-old dropouts
- **Growing Businesses in Boston: InnerCity Entrepreneurs** page 24
An partnership program to promote wealth generation, job creation, and capacity building by existing Boston inner city small businesses seeking to grow
- **Helping Business Startups and Expansion in Springfield** page 33
A grant program of the City of Springfield and the Affiliated Chambers of Commerce of Greater Springfield to encourage the creation and growth of minority-owned businesses in Springfield

SPECIAL RECOGNITION

- **Regulation Weeding** page 39
A comprehensive review by the Massachusetts Office of Consumer Affairs and Business Regulation eliminating unnecessary regulations and refining/streamlining existing ones
- **Accelerating Disposition of Surplus State Property** page 40
A Division of Capital Asset Management and Maintenance program that has garnered nearly \$32 million by revamping a decades-old slow and cumbersome real estate disposition process
- **Commonwealth Capital and Sustainable Development** page 41
A Massachusetts Office of Commonwealth Development initiative that leverages grants and loans to Massachusetts municipalities to encourage sustainable development goals
- **Drivers’ Licenses and Protection of Citizens’ Personal Identity** page 43
Technologically-advanced licenses issued by the Massachusetts Registry of Motor Vehicles to address counterfeiting, identity theft, and other security issues

JUDGES

- | | |
|---------------------------|---|
| Christopher Egan | Founder and president, Carruth Capital, LLC |
| Patricia McGovern | Special counsel and senior vice president for corporate affairs, Beth Israel Deaconess Medical Center; former chair of the Massachusetts Senate Committee on Ways and Means |
| R. Shep Melnick | Thomas P. O’Neill, Jr. professor of American politics, Boston College |
| Amanda Rosseter | Anchor, New England Cable News Network |
| Alan Steinert, Jr. | Vice president, O’Conor, Wright Wyman, Inc.; former undersecretary, Massachusetts Office of Environmental Affairs |

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FOREWORD

For 2005, entrants to Pioneer Institute's 14th Better Government Competition (BGC) were asked to submit concrete, innovative ideas that addressed ways to streamline government in four broad public policy issues:

- reducing the cost of state government services while continuing to meet core service needs
- strengthening non-traditional adult learning opportunities
- promoting entrepreneurship through market forces
- protecting the environment through market-based mechanisms.

The quality and quantity of entries in all focus areas were, simply, fantastic. Over 200 superb entries came all over the country. Given the quality of the entries, it is perhaps a good sign that—for the first time in the history of this competition—all but one of the winning papers are from Massachusetts. Inroads are clearly being made into streamlining government in the Commonwealth.

The **winning entry**, "*Shared Services: Streamlining Massachusetts Government Human Resources*" is a perfect adjunct to last year's BGC winner, a call for revamping the civil service system that is already being partially implemented. Shared services, which won unanimous approval from Governor Romney and all cabinet secretaries, incorporates modern business practices, objective performance measures, and greater use of internet technology to streamline the state's human resource function. Since it was implemented in 2003, the shared services model has resulted in millions of dollars in savings and efficiencies across state government.

Two of our four **runners-up** address promoting entrepreneurship through market forces. *InnerCity Entrepreneurs (ICE)*, sponsored by Boston University, combines program, research, and policy initiatives that give existing inner city small businesses the tools they need to grow. To date, ICE has twice conducted its nine-month series of classroom, peer learning, coaching, and networking activities, working with a total of 28 entrepreneurs. The program draws upon 37 distinguished business professionals with a broad range of expertise who donate their time to assist program participants.

Like many other cities across the United States, Springfield has faced hard times over the past 15 years. The city has suffered from a loss of manufacturing jobs and a shortage of land permitted for industry. This has necessitated a strategy of growing the Springfield economy from within by forming new business entities and expanding already existing small businesses. Answering the call is Springfield's *Technical Assistance Program (TAP)*, sponsored by the Affiliated Chambers of Commerce of Greater Springfield, which assists business startups and existing small businesses alike by providing grants to professionals who provide their services to those businesses at a discount. The grants can create a two-for-one benefit since grant recipients often utilize the services of other inner city businesses.

The *Massachusetts Department of Transitional Assistance (DTA)*, another runner-up, has succeeded at moving homeless families out of costly hotels and motels to more appropriate shelter facilities. DTA expanded its family shelter capacity by nearly 300 units and offered a one-time, \$6,000 placement bonus to housing providers who offer homeless families a 12-month apartment lease. Before instituting this program, hotel/motel placements cost taxpayers over \$20 million dollars in fiscal year 2003 alone and were

an inappropriate setting for families. Since the placement bonus program was instituted, over 200 families have been placed in private apartments. A statewide homeless management information system is now being implemented to improve future case management of homeless families.

The final runner-up, “*Reclaiming Dropouts*,” describes a unique academic and vocational charter school in Dayton, Ohio run by Improved Solutions for Urban Systems (ISUS) that targets 16- to 22-year-old dropouts who otherwise face dim prospects. Under the ISUS program, they are helped to become *transcenders*—people who rise above the odds—by earning a high school diploma *plus* instead of a GED. The “*plus*” means industry certification, college credits, real-life work experience, and a life-changing perspective, in addition to completing high school. ISUS offers four career tracks: residential construction, computer technology, manufacturing technology and health care. Students alternate between academic, technical, and actual hands-on work. In all four tracks, students perform community service in areas related to their chosen vocation. Health care students volunteer at partner hospitals, construction students build homes for lower income families, computer students refurbish computers that are then gifted to inner city children, and manufacturing students build wall panels for the new home construction. ISUS enrolled 381 students during the 2004-05 school year.



The wealth of entries is apparent in the quality of this year’s finalists. The range of issues addressed and perspectives offered made the selection process a very challenging for our judges (listed on page 2), a distinguished group who gave valuable insights.

As a staff, we chose to give **special recognition** to four already implemented programs that have produced proven results. They are:

- “*Regulation Weeding*,” a comprehensive review by the Massachusetts Office of Consumer Affairs and Business Regulation of all regulations under the purview of its agencies. The review resulted in the elimination of unnecessary regulations and streamlining of many that remain.

- A *drivers’ license security* initiative by the Registry of Motor Vehicles. By developing technologically advanced licenses, RMV has made it easier to combat underage drinking, identity theft, and a host of other problems triggered by the use of phony identification.

- *Accelerating the disposition of surplus state property*, a two-year-old Division of Capital Asset Management program that has garnered nearly \$32 million by re-vamping a slow and cumbersome process for selling surplus land.

- “*Commonwealth Capital*,” a new Massachusetts Office of Commonwealth Development policy that leverages grants and loans to Massachusetts municipalities to encourage sustainable development goals.

The 14th Better Government Competition has lived up to the high standards set by previous competitions. We have every expectation it will, as have past competitions, make an important contribution to the policy debate in Massachusetts.

—*Shawni M. Littlehale, Program Director*
Shamie Center for Restructuring Government

ACKNOWLEDGMENTS

The search for innovative and groundbreaking ideas to transform government is truly a collaborative effort at Pioneer Institute. I have the good fortune to work with people who have a myriad of connections in the academic and policy worlds. My colleagues, **Alla Yakovlev**, **Elena Llaudet**, **Amy Dain**, and **Mike Kane** all helped in the effort to seek out good ideas for the competition.

In a bit of a role reversal, the former director of the Shamie Center for Restructuring Government, **Charles Chieppo**, was the editor of this compendium. Once our judges selected the finalists, Charlie went to work with the authors to refine and clarify their ideas. Because of his tremendous knowledge in the field and ability to grasp the thrust of each proposal, he was able to craft the final product into a publishable paper. We are indebted to Charlie for his insight and painstaking workmanship.

Pioneer's communications director, **Ralph Buglass**, is responsible for taking the edited piece and improving upon it with his unparalleled layout and design skills. We are extremely sad to note that Ralph will be leaving us. Many thanks to Ralph for his dedication to the BGC over his six years at Pioneer.

One of the pleasures of coordinating the BGC is working with and learning from a new group of judges each year:

- **Christopher Egan**, the founder and president of Carruth Capital, LLC
- **Patricia McGovern**, a former gubernatorial hopeful and state legislator who chaired the Senate Committee on Ways and Means and is now special counsel and senior vice president for corporate affairs at Beth Israel Deaconess Medical Center
- **R. Shep Melnick**, Thomas P. O'Neill, Jr. professor of American politics at Boston College and one of Pioneer's academic advisors
- **Amanda Rosseter**, New England Cable News network anchor
- **Alan Steinert, Jr.**, vice president of O'Connor, Wright Wyman, Inc., who is a former undersecretary of the Massachusetts Office of Environmental Affairs and serves on Pioneer's Board of Directors.

The time and conscientious effort each of these individuals put into judging the competition entries was evident by witnessing the insight and grasp of detail that went into the final deliberations.

Finally, I would be remiss if I didn't once again salute Michael Kane, for the time and attention he put in working diligently to ensure the success of both the competition and awards dinner, and to all the Pioneer staff for reviewing each of the entries for our judges. In addition to the names mentioned above, I'd like to acknowledge **Pete Peters**, **Colby Hewitt**, **Steve Adams**, **Joseph Downing** and **Brian Kors** for helping with this effort.

—S. M. L.

“Shared Services:” Streamlining Massachusetts Government Human Resources

Massachusetts Human Resources Division

PROBLEM STATEMENT

In 2003, the Commonwealth was experiencing one of its worst fiscal crises, and cutbacks were made throughout state government. The state Human Resources Division (HRD) had to absorb severe reductions, with budget cuts of over 45 percent and personnel cuts of 50 percent. In response, HRD, which provides personnel services to state agencies and 44,000 executive branch employees, had to find new ways to perform its functions more efficiently. Ruth Bramson joined state government from the private sector as the state’s first chief human resource officer to address this crisis. The governor directed Bramson not only to “do more with less” but also to establish state-of-the-art HR practices to reduce the cost of managing the executive branch workforce, streamline processes, “professionalize” the workforce, and provide incentives to engage, motivate, and reward the best performers in civil service.

THE SOLUTION: REINVENTING THE HUMAN RESOURCES DIVISION

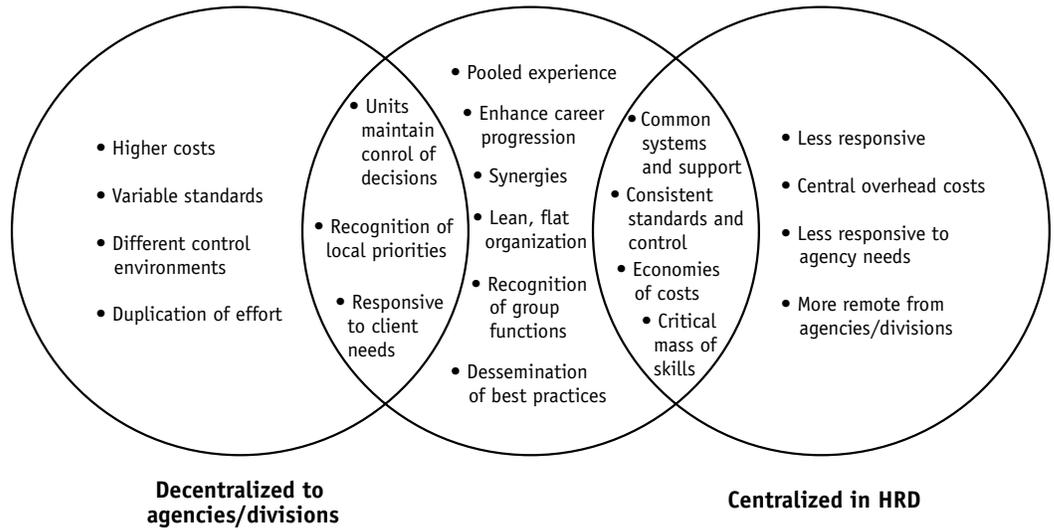
Bramson implemented a new strategic vision to improve HR service delivery through a “shared services model,” which won unanimous approval from the governor and all cabinet secretaries. This radical redesign included a new dual reporting relationship for each secretariat’s most senior HR professionals, who now report both to their cabinet secretary and to the state’s chief human resources officer. With every single department and agency under scrutiny to deliver best value services to their clients and demonstrate cost-conscious performance, this model proved to be the right solution.

Defining Shared Services. Shared services are those services that a single group provides to other business units from centers of expertise while pushing the operational practices out to the units themselves. By centralizing core services, each agency is able to focus on their particular functional and operational objectives and leave the large policy and program design to the centralized unit. These experts in turn become a single source of information, sharing best practices and thereby improving the quality and consistency of HR services throughout the state.

Components of Shared Services. The shared services delivery model captures the best of two worlds, eliminating the unnecessary, costly, and time-consuming bureaucratic controls of centralized models while avoiding expensive redundancies and substandard service delivery often found in decentralized service models. HRD captures the best

HRD’s charge: Reduce the cost of managing the executive branch workforce, streamline processes, and provide incentives to engage, motivate, and reward the best performers in civil service.

HRD's shared services model



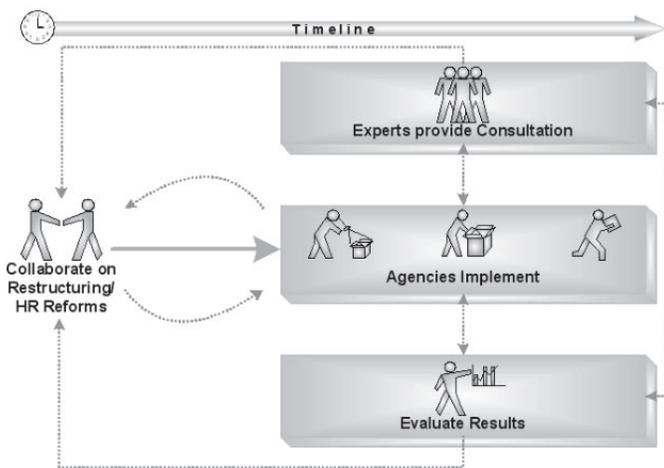
ideas and insures buy-in for all new policies and programs by utilizing *joint HRD and agency taskforces* and forming the *Secretariat HR Advisory Council*, comprised of the most senior HR professionals in the state.

Under the shared services model, HRD is the driver and facilitator of a collaborative customer-focused HR policy. Programs are evaluated against public and private sector best practice models utilizing performance metrics and return on investment analysis.

The Advisory Council acts as the fulcrum around which all strategic and programmatic activity revolves. When an issue is identified that requires in-depth study and policy or legislative changes, a taskforce is formed. By sharing talent from all the agencies and selecting employees interested in a particular issue to be studied, the taskforce engages the minds and passion of these individuals around a critical issue. To date, HRD has studied and implemented major reforms in performance management, pay-for-performance, and orientation, and is currently addressing workforce planning. These groups work intensely for defined time periods on these tasks, producing deliverables that become the basis for change.

Measuring Success. The success of the shared services model has exceeded expectations. HRD has successfully streamlined many processes, allowing agencies to reduce staffing and saving the Commonwealth millions of dollars. In HRD alone, the division is now working with 50 percent less staff while handling more complex responsibilities and programs. It is leveraging technology to get work done and making it easier for HRD customers to get their work done. The division has seen tremendous improvement in time to hire employees, reductions in turnover among

Shared services model implementation



agencies to reduce staffing and saving the Commonwealth millions of dollars. In HRD alone, the division is now working with 50 percent less staff while handling more complex responsibilities and programs. It is leveraging technology to get work done and making it easier for HRD customers to get their work done. The division has seen tremendous improvement in time to hire employees, reductions in turnover among

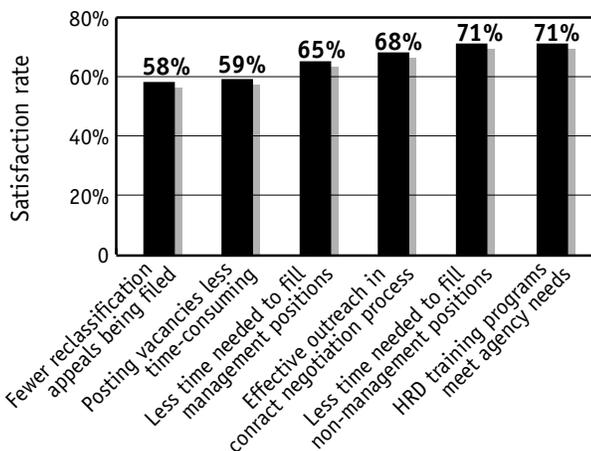
employees, and increasing customer satisfaction. HRD audits have found that agency implementation and compliance rates exceed 99 percent.

Achievements. Some highlights of this year's achievements through the shared services model include the following:

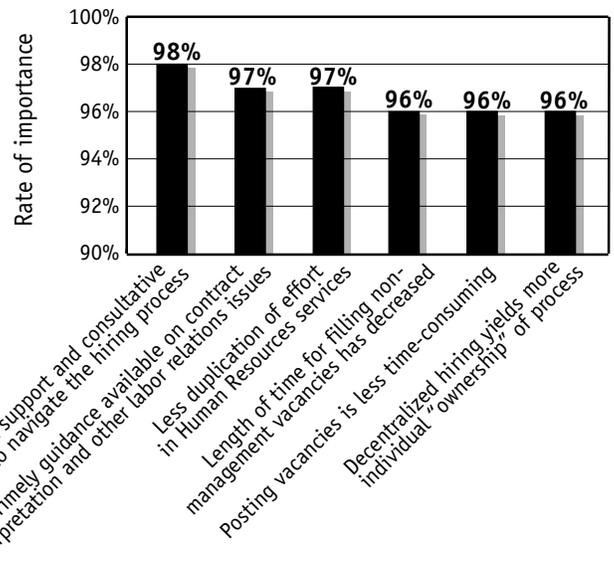
- Agencies identified shared recruitment needs and worked together to create a new process which reduced the time to fill a position from an average of four months to as little as five weeks. Forms are online and accessible; signoff has been pushed to the agency level for many positions to save time and duplicative staff involvement.
- By identifying duplication and waste and reorganizing how HR services are delivered across the entire executive branch of state government, HRD has reduced HR staffing, saving millions in payroll while improving service
- By sharing training resources and creating a faculty of trainers across the state in addition to providing e-learning, 3,000 managers are now proficient in performance management using a new state-of-the-art employee evaluation system. Evaluations are being done on time with better manager/employee communication and alignment with agency goals.
- With the centralization of training resources and more qualified trainers in each agency, HRD now delivers training to its customers where they are, rather than bringing everyone to Boston. The division has developed a complete curriculum and online registration system which centralizes the courses and prevents duplication of design and delivery of the same courses, particularly mandatory courses such as preventing sexual harassment, workplace violence awareness, and diversity training.
- HRD implemented the Commonwealth's web-based employee evaluation and professional development planning system, called the Achievement and Competency Enhancement System (ACES), for all executive branch managers. Through a pilot program undertaken by five agencies sharing financial and human resources, HRD worked with a vendor to conduct a successful pilot that laid the groundwork for implementation of the statewide ACES program.

By identifying duplication and waste and reorganizing how HR services are delivered across the executive branch, HRD has reduced HR staffing, saving millions in payroll while improving service.

Items with highest percentage of satisfaction



Items rated most important achievements of shared services



■ With a taskforce that conducted salary surveys and identified practices being used by the federal government and other states, HRD designed and implemented the first merit pay program for 3,000 state managers, recognizing and rewarding the highest performing managers more generously than those who are just meeting job requirements—while staying within a 3 percent merit pool. This represented true reform to a change-averse culture.

■ An HR customer satisfaction survey established baseline performance data to evaluate future improvements in service delivery. With this data and selected metrics, HRD is moving to a culture of continuous improvement, always challenging itself to do better. HRD's 2004 annual report was published as a summary document for its customers to help them understand the division's work and value its accomplishments.

Shared services: The view from the agencies

“The shared services approach to human resources management in the Commonwealth has allowed HRD to emphasize a customer-service agenda despite limited resources. This new business strategy, coupled with the exemplary commitment of HRD staff, has greatly enhanced service levels for Executive Office of Health and Human Services (EOHHS) managers and staff.”

—Jeff McCue, EOHHS

“Working with the secretariat HR council and utilizing the shared services model has eliminated duplication of efforts on many levels. We are no longer reinventing the wheel; as a management team, we are able to spend less time on tedious matters and more time on program development.”

—Mary Sharkey,
Consumer Affairs and Business Regulation

“The council provides a forum for professional HR people to work together. HRD's resources are more available and accessible under the shared services model. We seem to be accomplishing more in less time with less expense and better results.”

—Carol Kurzman,
Housing and Community Development

“The shared services model has provided the Commonwealth's human resources management professionals the most essential and comprehensive set of resources available—pooled experience and best practices.”

—Irma Gutierrez, Public Safety

CASE STUDY: WORKERS' COMPENSATION

HRD's Workers' Compensation Unit is the insurer as well as utilization review agent for state employees who have suffered industrial accidents. Although the unit has a \$50 million annual budget, it had a severe backlog of 22,000 medical bills and was providing poor service to agencies and employees. It had an adjuster caseload of 220 per adjuster (nearly 100 above industry standards) and a pervasive adversarial culture throughout the organization.

HRD reorganized the unit, terminated employees whose performance was not satisfactory, installed a new management team, created a new e-services claims management website, and improved case management. These reforms have reduced employee return-to-work times, enhanced accessibility of information to the unit and providers of services, and improved speed in claims adjusting for employees and providers alike. Administrative costs will be reduced by \$300,000 in fiscal year 2006, the first reduction in over a decade.

Specific improvements include the following:

- The medical backlog has been eliminated and controls put in place to prevent such a backlog from recurring. Bills are now paid within three days of receipt.
- Additional full-time claims adjusters have been hired leading to a 46 percent reduction in cases per adjuster from 220 to 120. This has resulted in:
 - increased efficiencies and proactive case management
 - on-site claim reviews with the user agencies
 - the use of customized risk management reports for user agencies.
- The establishment of a customer-friendly approach is fostering a collaborative working relationship with the user agencies. This has resulted in improved risk management and employees returning to work more quickly.

■ An interactive website has been developed for user agencies, allowing 24/7 access to information such as:

- all relevant claim, finance, and utilization review information
- investigation reports
- risk management reports
- medical and indemnity cost reports (available to agency CFOs)
- comprehensive cost monitoring (resulting in improved cost control).

NEXT STEPS

HRD has only just begun to shake up the state workforce through its shared services model. The division plans to leverage this year’s successes to aggressively push the shared services agenda during 2005-06 by:

- auditing the progress of shared services to ensure uniformity of practice and policy while identifying areas needing improvement
- aligning the service delivery model to drive strategic objectives of the administration (for example, by providing less costly recruitment services to agencies, HRD has been able to improve turnaround time and fill open positions more quickly, reducing headcount and supporting the statewide strategy to eliminate duplication of job effort)
 - continuing to expand the shared services model in HR to reduce staffing, add more technology, and better engage managers in working with their employees
 - identifying areas for expansion of shared services into other areas of state government, such as procurement, financial, legal, and IT
 - expanding accountability by creating meaningful standards, measures, and checks and balances
 - mandating regular data collection that will allow us to measure the success of the shared services model at delivering quality services and reducing costs against baseline performance
 - institutionalizing change as a constant factor in process improvement
 - expanding the merit pay programs and improving shared performance goals as part of an ongoing effort to change the culture from one of entitlement to one that rewards success
- developing a workforce planning methodology to assess what skills will be needed in the next five years and begin to train and develop employees to fill those needs.

Leveraging technology to both reduce costs and increase effectiveness will be a major area of focus for HRD. Currently the division is working to implement:

- employee self-service for payroll, benefits and HR services
- e-learning accessible to all agencies of the Commonwealth
- enhanced web-enabled access to information and services
- online application and screening programs for civil service
- online workers’ compensation information and claims data
- enhanced management reports to better measure performance metrics
- completion of the state’s first comprehensive workforce analysis.

As the pressure on government to perform better, and as costs continue to be scrutinized, the shared services model allows the state workforce to perform with agility and flexibility.

CONCLUSION

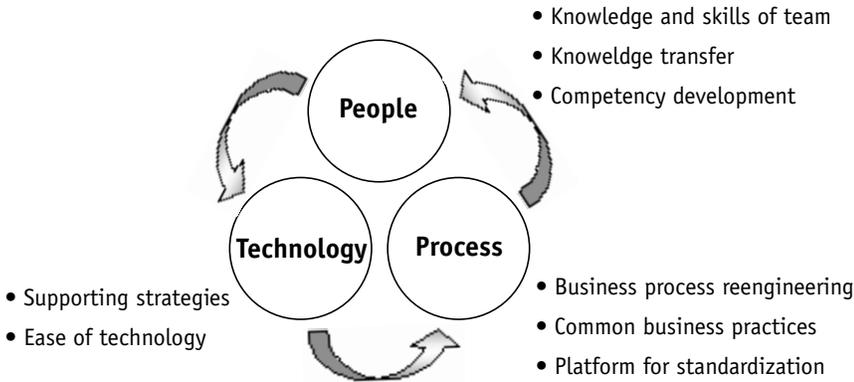
The implementation of the shared services model across executive branch HR organizations has resulted in both major service/process improvements and significant savings to the Commonwealth. The shared services model has allowed HRD to break through the traditional barriers associated with both centralized and decentralized service

delivery models, allowing the state to reap the benefits of each while avoiding the costly pitfalls. Massachusetts is in the forefront of the shared services movement, leading other states and many private corporations in applying this model to human resource management.

As the pressure on government to perform better, and as costs continue to be scrutinized, the shared services model allows the state workforce to perform with agility and flexibility. Managers and employees are taking greater ownership of people issues and

have better access to policies, processes, and consultative advice. Knowledge is being shared as fiefdoms are broken down and decisions are being made faster and better. While cost reduction is clearly an important motivator for this model, far more compelling is the value-added efficiency in managing the statewide workforce. The availability of the right people and appropriate technologies, combined with a business-focused approach to government, is providing a rare opportunity to fundamentally improve efficiency and effectiveness in the state workforce. This is particularly critical in HR, where state workforce management resides and where the environment for the people who work for the citizens of the Commonwealth is shaped.

Sustaining a shared services platform



Ruth Bramson, the Commonwealth's Chief Human Resources Officer, with Governor Romney.

ABOUT THE HUMAN RESOURCES DIVISION

HRD provides human resource leadership, guidance, and customer-focused HR solutions for state agencies and 44,000 executive branch employees. Its services include employee relations, performance evaluation, training and professional development, classification, and salary and benefits administration; collective bargaining; civil service; workers' compensation, diversity, and equal opportunity programs; and workforce planning, recruitment and hiring. In addition, HRD administers the Commonwealth's policies in the area of Civil Rights and the Code of Fair Employment Practices.

Ruth Bramson was named the Commonwealth's first Chief Human Resources Officer in 2003, bringing 25 years of human resource (HR) experience to the public sector from the private sector. She was recently awarded the International Quality and Productivity Center Shared Services Network's most prestigious award as Shared Services Leader of the Year.

Streamlining Services and Expanding Opportunities for Homeless Families

Massachusetts Department of Transitional Assistance

PROBLEM STATEMENT

The Commonwealth has historically been very generous in the amount of services and support afforded to homeless families. In fiscal year 2004, Massachusetts spent over \$70 million in the Emergency Assistance (EA) family sheltering program, administered by the Department of Transitional Assistance (DTA)—an increase of 82 percent over spending in this area from just five years earlier. Despite this level of funding, the demand for emergency shelter services has often exceeded the capacity of the Commonwealth's family shelter network. As a result, DTA has been forced to utilize hotels and motels as "overflow" when the emergency shelter system was full.

There were significant increases in the number of homeless families in the mid-1980s and again in the early 1990s. The Commonwealth resorted to using hotels/motels in 1999. With no available emergency shelter beds, when homeless families applied for assistance, they were placed directly into hotels/motels. Families remained in these settings for an average of three months, until a shelter placement became available. Over time, the number of families in hotels/motels rose steadily, to a peak of 599 families in August 2003.

No one could defend this practice; hotels/motels are clearly not an appropriate placement for homeless families. Unlike the contracted family shelter system, these settings provide no structure or support to families who are often experiencing a crisis. As a result, families in hotels/motels became isolated, without any services and minimal case management. Children suffered as their links with school and community were further disrupted. Cities and towns faced unpredictable fluctuations in the number of school-age children in their communities, based on the availability of local hotel/motel vacancies. Yet because better alternatives for homeless families could not be identified, in fiscal year 2003 the Commonwealth spent more than \$20 million on such placements.

Although the financial resources directed to the EA program were steadily increased, DTA repeatedly needed to seek supplemental appropriations or risk terminating families' shelter benefits. Early in fiscal year 2004, it appeared that this was again a likely scenario. At that time, the prospects for changing the emergency shelter system were not good. Massachusetts, like other states, was forced to freeze the number of federal Section 8 housing vouchers,¹ historically a significant resource for moving families out of shelters.

Clearly something had to change. In her role as chair of the Interagency Council on Homelessness, Lieutenant Governor Kerry Healey challenged the department to eliminate the need to place homeless families in hotels/motels over the course of the next 24 months.

With increasing numbers of homeless families, the Commonwealth resorted to temporary placement in hotels and motels, but the practice was clearly indefensible.

¹ Section 8 housing vouchers are issued by the U.S. Department of Housing and Urban Development. These vouchers are used by residents to offset the rental cost of market rate units.

THE SOLUTION: SHELTER TO HOUSING

In evaluating its strategies and practices for providing emergency assistance to families, DTA has implemented a multifaceted approach to addressing family homelessness called *Shelter to Housing* (or S2H). This new strategy provides a better service to homeless families, resulting in a more seamless transition to permanent housing and a more effective use of public resources. The various components of S2H are as follows.

- The first thing the agency did was to develop, implement, and train staff on the agency's *Self-Sufficiency Plan (SSP)*, a document completed for each family in an emergency shelter. The training instilled a partnership among department staff, shelter providers, and the families themselves in planning for their exit from shelter. SSPs spelled out the responsibilities of all parties in addressing the family's barriers to obtaining and maintaining housing. When appropriate, work became an important component of the SSP. From the first day a family enters a shelter, the focus is now on the day it will exit.

- DTA also acquired *additional shelter capacity*. Given the lack of funding increases, the department worked in collaboration with its shelter providers to purchase additional capacity—with the understanding that a new unit could not cost more than the current price of a hotel/motel placement. Some units ended up costing less. These collaborative efforts led to an increase of 148 emergency shelter units in fiscal 2004 and 133 additional units this current fiscal year.

- Because of these additional units, DTA was able to undertake a number of initiatives that changed the “front door” of our system. Historically, given the lack of capacity, a homeless family entered the emergency shelter system by being placed in a hotel/motel for a couple of months until a shelter unit became available. The department turned this around. No longer would families be placed in hotels/motels upon entering the system. Instead, the following initiatives were developed:

- On Cape Cod, DTA implemented a pilot that provided a *regional approach* to managing family homelessness from Provincetown to the Brockton area. Networks were created across local DTA offices that leveraged community-based resources that might not have been in the immediate community. This regional approach led to further dramatic declines in the number of hotel/motel cases on the Cape.

- On the North Shore, the department experimented with an *intake/assessment model*. Rather than being placed in hotels/motels, families were put into a 30- to 45-day assessment shelter that helped us identify their needs and barriers to housing. Again the department saw a dramatic decline in the number of families in hotels/motels and the number entering our sheltering system as roughly half of all families found alternatives to homeless shelters. DTA is expanding this successful model to the Boston area this year.

On January 2, 2004, there were 412 families in 50 hotels/motels across the Commonwealth. By August 13, 2004, there were no families housed in these settings. Not only has this change saved significant public resources, but more importantly, homeless families are now served in much more effective and appropriate settings.

The number of families in hotels/motels rose steadily, to a peak of 599 families in August 2003. A year later, there were no families housed in these settings...

■ As DTA had been spending more than \$20 million per year in hotel/motel placements for homeless families, eliminating those expenditures took the financial pressure off the EA account. This, in turn, allowed the department to explore investments in the sheltering system to provide further assistance to those families who found themselves in shelters. Among these initiatives are the following:

- The agency crafted a one-time, \$6,000 placement bonus called a *Shelter to Housing (S2H) payment* for housing providers who placed employed homeless families into apartments with a 12-month lease. Over 200 families have been placed in private apartments, further freeing up capacity and resources for other EA families. For the amount that would have been spent to keep these families in shelter for only two months, the department secured housing in private apartments for 12 months. Currently in month 10, all of the formerly homeless families remain housed.
- Along with the increase in shelter capacity, DTA expanded its case management efforts by hiring 13 *Intensive Case Managers* (ICMs). These additional staff members were put through several weeks of training to deal specifically with homeless families and began visiting all remaining families in hotels/motels on a daily basis. This regular presence greatly enhanced our ability to place families in more appropriate settings as well as to ensure the family was complying with their Self-Sufficiency Plan.
- The hiring of the ICMs was done in conjunction with a *Motel to Shelter (M2S) initiative* that focused on moving remaining hotel/motel families into vacant sheltering units. Although this initiative began earlier in the year, M2S efforts were augmented over the summer of 2004 in order to eliminate the disruption such moves would cause homeless children during the school year.
- In conjunction with the Massachusetts Department of Housing and Community Development, DTA also invested funds in a *local housing authorities (LHAs) pilot program*, which places homeless families for six months and then transitions them into regular LHA units with leases. This initiative placed 10 families in fiscal 2004 and the department is on schedule to place an additional 100 families this fiscal year.
- Under DTA's *Housing Assistance Program (HAP)*, a collaboration with 12 community-based organizations and regional nonprofit housing agencies, residents of shelters and hotels/motels received assistance with comprehensive housing search and placement services. Based upon evaluation of the program, HAP has been reconfigured to provide the aforementioned organizations and agencies with performance-based incentives and new tools, including prevention services, to more efficiently and effectively meet the needs of families.
- With the findings of a DTA survey showing nearly half of the longer-term families in hotels/motels had some self-reported disability, the most prevalent being a behavioral or mental health issue, DTA joined with the *Massachusetts Behavioral Health Partnership (MBHP)*² to create a partnership for local DTA offices on the North Shore. This pilot allows the department to better serve families with behavioral/mental health barriers to obtaining and maintaining housing.

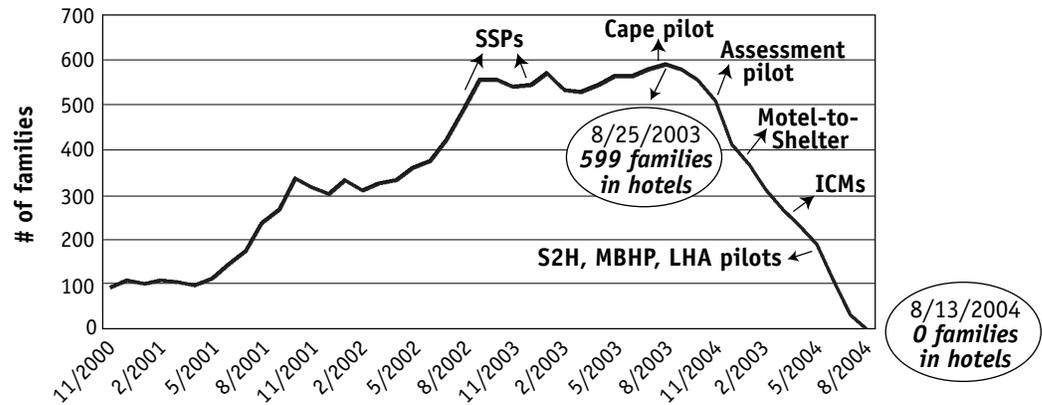
All of these efforts have dramatically changed the department's management of the family sheltering system—moving away from just managing shelters to addressing the issues of family homelessness head-on. Through the steps to augment capacity and more effectively case manage homeless families, DTA has changed what it means

...This change saved significant public resources, but more importantly, homeless families are now served in much more effective and appropriate settings.

² The Massachusetts Behavioral Health Partnership (MBHP) manages mental health and substance abuse services for more than 320,000 MassHealth members across the state. Working collaboratively with members, their families, advocates, state agencies, and providers, MBHP has created a community-based system of care that integrates mental health and primary care for members.

to be homeless in Massachusetts. Through these and other ongoing efforts, the department has ended the practice of having to place homeless families in hotels/motels and has enhanced the capacity of the sheltering system to better address the needs and leverage the strengths of homeless families. In the process, DTA saved millions of dollars, which can be redirected to more productive purposes.

Homeless Overflow in Massachusetts (families placed in hotels/motels), 2000-2004



Building on the department’s successes in the Shelter to Housing initiatives and the ongoing commitment to providing improved, comprehensive services for homeless families, the Department has embarked on two other initiatives: the Lead Agency Residential Stability Program and the Homeless Management Information System.

DTA has focused on ways to truly reinvent government to serve the dual purpose of providing seamless services to homeless families while looking to increase efficiency in the way these services are delivered.

■ The goals of the *Lead Agency Residential Stability Program (LARSP)* are to provide a coordinated intake, assessment, and referral system for all homeless and at-risk families in an identified region of the Commonwealth; maintain families in permanent housing; shelter homeless families on a temporary basis; secure permanent housing for homeless or at-risk families; and provide services and linkages to services and other available funds, both public and private, to expedite the transition of families from homelessness to residential stability. Since the department’s focus is to rapidly rehouse families so as to minimize their shelter stay, this new collaborative service delivery system—partnering state and local resources to combat homelessness—will address the full range of housing needs within the Commonwealth. DTA has issued a Request for Information and based on a review of the response will issue a Request for Proposals to implement the LARSP.

■ In fiscal 2001 Congress directed the U.S. Department of Housing and Urban Development to require jurisdictions to have client-level data on homeless individuals and families. In response to this requirement, DTA is designing and will implement in mid-2005 a statewide *Homeless Management Information System (HMIS)* which will be made available to all shelter providers. The development of this system, customized to the needs of Commonwealth and its shelter providers, is being funded by savings achieved in the family shelter system. The Commonwealth, its service partners, and clients will benefit from this information in the following ways:

- access to better and more timely information on the needs of this population
- analysis of usage patterns

- identification of gaps in services
- coordination with other initiatives, such as to increase participation in the food stamp program, and provide links to resources and other referral information
- streamlining the intake process, resulting in improved referrals, case management, and service coordination
- managing operations more efficiently.

COSTS AND BENEFITS

Implementation of the LARSP is anticipated to be cost neutral; it will be funded by reprogramming current program investments. The actualized benefits of the LARSP will be greater accountability of providing agencies, and improved coordination of services, which will minimize duplication.

Development costs for the implementation of the HMIS is approximately \$1.4 million, paid for by savings achieved through the aforementioned Shelter to Housing initiatives. Long-term financial benefits include the elimination of costs to individual shelters, whether funded by the Commonwealth or not, for the implementation and the maintenance of the HMIS system.

OBSTACLES

With extensive and ongoing outreach to community-based organizations, providers and the advocate community, DTA does not foresee any major obstacles.

POTENTIAL FOR REPLICATION

Components of the Shelter to Housing initiatives (such as assessment centers, intensive case management, access to mainstream services, and regional coordination of resources) can be replicated. In fact, Massachusetts was featured in a recent federal colloquy on effective homeless strategies to provide other states with assistance in duplicating DTA's successful efforts.

Both the LARSP and the HMIS can be replicated in any state or local government. Copies of the Request for Information and Request for Proposals can be accessed by interested parties at <https://www.ebidsourcing.com>. Since these are public procurement processes, they can be replicated by any municipality.

CONCLUSION

A thoughtful, considered response to the issues of family homelessness requires a multifaceted strategy. DTA has focused on ways to truly reinvent government to serve the dual purpose of providing seamless services to homeless families while looking to increase efficiency in the way these services are delivered. Family homelessness affects the most vulnerable of the Commonwealth's residents. Responses to the many barriers to regaining and maintaining family stability will be furthered by DTA's newest initiatives, the Lead Agency Residential Stability Program and the Homeless Management Information System.



ABOUT THE DEPARTMENT OF TRANSITIONAL ASSISTANCE

The mission of the Massachusetts Department of Transitional Assistance, formerly known as the Department of Public Welfare, is “to serve the Commonwealth’s most vulnerable families and individuals with dignity and respect, ensuring those eligible for services have access to those services in an accurate, timely, and culturally sensitive manner, and in a way that promotes clients’ independence and long-term self-sufficiency.”

A part of the Executive Office of Health and Human Services, DTA ensures that the emergency and transitional needs of the individuals and families of the Commonwealth are met through a combination of federal and state funded programs which include: transitional aid to families with dependent children; emergency aid to the elderly, disabled and children; supplemental security income; food stamps; and housing and homelessness services for individuals and families.



Department of
Transitional
Assistance
Commissioner
John Wagner

John Wagner was appointed Commissioner of the Department of Transitional Assistance in April 2002 and in September 2004 was named the Assistant Secretary for Children, Youth, and Families for the Executive Office of Health and Human Services.

The department has worked in partnership with the Massachusetts Interagency Council on Homelessness and Housing, a council of agencies across the executive branch, all focused on more effective management of programs and services to the homeless.

Reclaiming Dropouts

Improved Solutions for Urban Systems (ISUS)

An academic and vocational charter school in Dayton, Ohio

PROBLEM STATEMENT

Of the 4.5 million children in the eighth grade today, 1.5 million will drop out before graduating from high school. Another million will graduate, but with skills sufficient only for minimum wage jobs. In 2008, the number of eighth graders will double. If the current trend continues, the number of dropouts will also double.

“Schools in some districts are literally hemorrhaging students,” according to Gary Orfield, director of The Civil Rights Project. Half of all Blacks, Latinos, and Native Americans entering high school do not graduate four years later. For minority males, the dropout rate is even greater. The consequences for these students and their communities are devastating.

The conventional high school diploma path is based on the attainment of 21 to 23 Carnegie units, which requires the obligatory “seat time.” A young person attempting to continue or return to school at 18 years of age would find that he is no longer welcome in traditional schools where he might be at grade level with 13 or 14 year olds. In addition to too few Carnegie units, dropouts typically have other barriers to attaining a high school diploma, such as poor academic skills, erratic attendance, behavioral problems, pregnancy and child care needs, and court involvement.

The secondary credential option for dropouts is the General Education Diploma (GED). However, only 2 percent of those with GEDs earn a four-year college degree, compared with 36 percent for high school graduates. Employment differences are also significant. In a study of the 50 largest metropolitan areas, only 48.2 percent of Black GED holders were employed, compared to 62.7 percent of Black high school graduates.

The inadequacy of the GED is magnified by workforce trends. Forty years ago, 65 percent of jobs in the U.S. were filled by unskilled laborers and 15 percent by skilled laborers. A complete reversal is now projected, with 65 percent of jobs requiring skilled labor and only 15 percent unskilled; 20 percent continue to be filled by professionals. Coupled with the need to offer returning dropouts the more acceptable high school diploma is the need for training and preparation to enter the 21st century job market. One of the most protracted problems employers face is the lack of new skilled workers.



Of the 4.5 million children in eighth grade today, 1.5 million will drop out before graduating from high school. The consequences for them and their communities are devastating.

The average cost to educate a young person at Improved Solutions for Urban Systems, known as ISUS, is \$16,000, a modest investment considering the immense benefits generated for the student and the community.

According to a recent report from the Center for Workforce Success, more than 76 million baby boomers will retire over the next 20 years, but only 46 million Generation Xers will take their places.

While high percentages of dropouts are under-employed and unemployed, there is still an undetermined number not in the labor force and therefore are not even counted. Many of these young people end up in the penal system. When a juvenile is incarcerated for a felony, 7 in 10 recommit a crime within three years. The national average cost of juvenile incarceration in 2004 was \$43,000, per year, with costs as high as \$64,000. The cost in Massachusetts was \$47,000 per year.¹ These figures only represent per diem expenditures and do not include additional expenses like medical needs, substance abuse treatment, counseling, and parole. Just one youth who drops out can potentially cost a community \$243,000 to \$388,000 over the dropout's lifetime and between \$1.7 and \$2.3 million when lifetime criminal justice, substance abuse, and welfare dependency are included.² A 2001 study conducted by the Coalition for Juvenile Justice found that 82 percent of adult prison inmates were high school dropouts. The scale of the problem is so vast and the cost to our economy is so high that drastic changes are urgently needed.

However, "federal investment in second-chance programs has dropped from \$15 billion in the late 1970s, at a time when school completion was peaking, to \$3 billion today."³ The preparation of out-of-school youth to enter the workforce in response to workforce opportunities yields a high return on investment. The average cost to educate a young person at a unique Dayton, Ohio educational initiative called Improved Solutions for Urban Systems, or ISUS for short, is \$16,000—a modest investment considering the immense benefits generated for the student and the community. The return is evident from both the perspective of filling employers' needs and from the perspective that without workforce preparation these young people face dire prospects. Innovative approaches like those being developed by ISUS are sorely needed but hard to find.

THE SOLUTION: ISUS

ISUS targets 16- to 22-year-old low-income youth who are out of the education mainstream—young people who are characterized as "over-aged, under-achieving, non-attending, court-involved, disciplinary problem, dropout" youth.⁴ The odds are that these youth will have great difficulty creating successful lives for themselves. These young people are helped to become *transcenders*—people who rise above the odds.

Since troubled young people tend to fare poorly in large schools, ISUS creates small school environments clustered around a career interest, each with its own faculty. Looking for partners willing to commit resources, the program initiators chose the construction field as the first training opportunity to offer. There were complaints of an aging workforce (the average worker was 52) and companies were unable to bid on business due to a dearth of trained entry-level workers. In addition, the plan that emerged might build support for the very young people that the county was building two new detention centers to otherwise house. The students, as part of their training, would rebuild blighted inner city neighborhoods.

The Ohio Department of Education accepted a proposal from ISUS to create a charter school in which dropout and near-dropout youth would earn high school diplomas using a competency-based approach to replace Carnegie units. Each ISUS

¹ Department of Justice, 2004

² Cohen, D.L., *Joining Forces: An Alliance of Sectors Envisioned to Aid the Most Troubled Young*, 1998

³ Educational Testing Services, *One Third of A Nation*, 2004

⁴ Quote from ISUS founder Ann Higdon, 2001

student would progress at her own pace. ISUS would measure academic attainment. Students would have to pass all five State of Ohio proficiency exams, as do conventional high school graduates. The single most important concession made by the Department of Education was allowing ISUS to create a program for the returning high school dropout to receive a high school diploma *plus*, instead of a GED. The “*plus*” means industry-certification, college credits, real work experience, and a life-changing perspective, all while completing high school.

Currently, ISUS offers four career tracks: residential construction (since 1992), computer technology (since 2001), and more recently manufacturing technology and health care. ISUS students alternate between academic, technical, and actual hands-on work. In all four careers, students complete community service hours in areas related to their chosen vocation. Health care students volunteer at partner hospitals, construction students build homes for lower-income families, computer students refurbish computers that are then gifted to inner city children, and manufacturing students build wall panels for the new home construction. ISUS currently has an enrollment of 381 students for the 2004-05 school year.

In addition, completion of the ISUS curricula leads to industry-recognized credentials. For example, the construction program uses a curriculum designed at the University of Florida’s National Center for Construction Education and Research in cooperation with trade associations. Students are placed on a national registry and starting salaries are determined in an apprenticeship mode. Health care students progress through a continuum of courses that lead to nurse assistant and licensed practical nurse certifications. Relevant coursework is accepted by Kettering College of Medical Arts toward completion of its registered nurse program.

The five most important measures of success are (1) students’ annual academic improvement, (2) creation of a sense of hope instead of hopelessness, (3) attainment of marketable skills, (4) progress in improving targeted neighborhoods, and (5) placement in jobs or higher education. Since ISUS recruits young people who are below grade level, the usual measure of pass-or-fail Ohio proficiency exams is supplemented by tests that measure academic growth. From 2003 to 2004 the number of students passing proficiency exams increased by 20 percent. From one year to the next, math and science scores improved an average of 13 and 12 points, respectively.

Students alternate quarterly to take academic and technical coursework or actual hands-on practice. The ISUS organization and ISUS students implement a concerted strategy to win the respect and support of the community by making important contributions toward its success. The same students who were categorized as over-aged, under-achieving, non-attending, court-involved, disciplinary problem dropout young people become an asset instead of an imposition. “Before I came to ISUS, I hadn’t gone to school for years,” said one current student. “ISUS gave me a second chance and all the teachers were really supportive of me. I am graduating in June 2005 with a high school diploma, training for employment, and a job waiting for me with a local construction company. I couldn’t have gotten here without ISUS.”



Residential construction (above) and computer technology (below) are among the career tracks offered ISUS students.





One of the homes built by ISUS students.

During 2003, construction students built five homes, a near replica of the Wright Brothers homestead, and a gazebo park. In 2004, students built eight homes and a children's playground. ISUS students are credited with having sparked the rebuilding of two Dayton, Ohio neighborhoods. Property values increased from \$47,000 to \$95,000 from the first to the twelfth home constructed in the first neighborhood, the Rubicon district. In the second neighborhood, Wolf Creek, where students are constructing the 27th of 60 homes, property appraisals rose from \$79,000 for the first home, constructed in 2001, to \$130,000 for the most recent home. In 2002, a home built by ISUS students was chosen by *Professional Builders Magazine*, the National Homebuilders Association, and the U.S. Department of Housing and Urban Development for the Gold Excellence Award. The students placed ahead of two colleges.

Students in the computer technology program have refurbished over 100 computers since 2001. These computers are donated to low-income area residents and students who would not otherwise have access to a computer. Families receiving computers are given training from the computer technology students on how to use the computer and access the internet.

The project employs an aggressive outreach and recruitment process with strategically placed billboards and radio advertisements and highly visible construction accomplishments that receive media attention and result in a flood of inquiries.

ISUS attracts eligible participants who are unlikely to be aware of the program because of race, ethnicity, sex, or disability. The student population is approximately 60 percent African American, 40 percent Caucasian (mostly of Appalachian heritage), and 33 percent female. Montgomery County Juvenile Court, the St. Vincent DePaul Center (a homeless shelter), The Job Center (Dayton's One-Stop Center for employment services), Sinclair Community College Fast Forward, Latino social service agencies, and area churches refer special populations and other out-of-school youth to the program.

The selection process includes intake, application, orientation, and enrollment phases. ISUS provides an in-depth orientation for prospective students and their parents/guardians where participants receive information relating to mutual expectations for students, parents/guardians, and the school. The nature of each career-training track is explored with an overview of the challenges students will face and opportunities afforded.

The ISUS program is replicable. In the five years since ISUS negotiated its innovative charter school contract, six other schools in Ohio are using the competency-based approach to allow dropouts to re-enter the mainstream educational system.

POTENTIAL FOR REPLICATION

The ISUS program is indeed replicable. In the five years since ISUS negotiated its innovative charter school contract with the Ohio Department of Education, six other schools in Ohio are using the competency-based approach to allow dropouts to re-enter the mainstream educational system.

ISUS is identifying resources for the creation of a blueprint. This can be extremely useful to an organization wanting to go this route. The ISUS program receives frequent inquiries and requests for visits from American cities like Lansing, Michigan; York, Pennsylvania; and Albuquerque, New Mexico. It also has been visited by interested

parties from cities like Bangkok, Thailand and Nairobi, Kenya and the African country of Malawi. Rotary support and the resulting publicity contribute to the international exposure. During October 2004, the superintendent of Lansing, Michigan schools and the president of Lansing Community College organized a visit to ISUS for 60 community representatives in an attempt to replicate the ISUS program design in Lansing.

The Youth Division of the Department of Labor has adopted “serving the neediest youth” as a priority. ISUS is one of two highlighted programs. This exposure has created a surge of inquiries. In addition, the Ohio Board of Education allotted ISUS five charters to replicate the project in other Ohio cities, but recently approved a change of venue to create a campus for all five schools in Dayton. The plan for the campus is to include a conference center specifically for training those wanting to replicate part or all of the ISUS approach.

Most recently, in November and December 2004, ISUS founder Ann Higdon was invited by the U.S. Department of Labor to present the project at regional forums in Chicago and Phoenix. In attendance were government officials from the Departments of Education, Justice, and Health and Human Services in addition to Labor.

CONCLUSION

The dropout crisis can be addressed and remedied if society demonstrates the public and political will to confront the full extent of the problem. The school reform agenda has to be broadened to include not only improving the quality of schools and raising the level of student achievement, but also school completion and dropout recovery—a goal that ISUS has demonstrated is achievable.

Growing Businesses in Boston

InnerCity Entrepreneurs (ICE)

*An initiative of the Entrepreneurial Management Institute
and the Department of Sociology at Boston University*

PROBLEM STATEMENT

Over the past decade, microenterprise and other small business programs have done a credible job assisting the start-up of inner city businesses. However, 85 to 90 percent of all startups actually begin based on owners' sweat equity, their own or friends' and family money, and no formal training. In addition, eight out of ten businesses fail within the first three years. According to a National Commission on Entrepreneurship report,¹ "only later, when the business is ready to make the transition to a later, more developed stage, do planning, strategy, and research become prime considerations." The report adds, "on a regional level, public policy should encourage extensive networks of entrepreneurs and professionals who can advise and mentor."

According to the U.S. Census Bureau's 1997 Survey of Minority-Owned Businesses, existing businesses owned by African Americans and Latinos lagged far behind White-owned businesses in sales. For example, Latino-owned businesses account for only 0.3 percent and Black-owned businesses account for only 0.2 percent of total business revenue in Massachusetts. As a whole, Black-owned businesses' average annual sales are only \$85,000, and Latino-owned businesses' average sales are not much higher at \$127,530—less than one-fifth of the typical White-owned small business. Furthermore, George Gendron, a professor of entrepreneurship at Clark University and former editor of *Inc* magazine states, "the future success for any entrepreneur without question lies in access to both financial and non-financial resources and networks to succeed in today's system." Moreover, successful business owners are also often important civic leaders in a community. Their success often is a breeding ground for civic engagement.

Three years ago, Boston University sociology professor Daniel Monti began to explore ways in which small businesses and entrepreneurs could help revitalize inner city communities. Monti's research over the past 20 years had focused on how American cities became thriving business and cultural centers. He recognized that business leaders and ethnic communities brought about amazing change in cities but rarely worked together. As the U.S. and world economy became more focused on business as an important way to grow communities, Monti decided to combine these two forces.



¹ National Commission on Entrepreneurship: "Five Myths about Entrepreneurs: Understanding how Businesses Start and Grow," March, 2001. <http://www.ncoe.org>

He proposed to offer direct assistance to small business owners in neighborhoods with minority or ethnic populations, to tap the informal networks and loyalties of the people living there, and assist local leaders in revitalizing their own communities. To learn more about how to accomplish these goals, he assembled a group of business men and women, entrepreneurs, and economic development specialists from different minority and ethnic groups in the Boston area and began to develop his vision to start InnerCity Entrepreneurs (ICE).

Around the same time, Andrew Wolk, a faculty member at the Boston University School of Management had just completed a business plan based on the work he had done at the Jamaica Plain Neighborhood Development Corporation. Wolk had been offering technical assistance to individuals in the inner city interested in starting a business. He recognized that an incredible amount of financial and human resources were being devoted to helping people start businesses, but very little attention was being paid to helping existing business grow. Wolk concluded that it was essential to provide existing businesses with additional resources, including a more sophisticated level of business education than what was currently available.

In April 2001, Monti approached Peter Russo, director of Boston University's Entrepreneurial Management Institute (EMI) for assistance. Russo immediately became interested in the idea. With his support, Monti and Wolk began exploring how to bring ICE to market. In January 2002, with approval from Louis Lataif, dean of the School of Management, it was decided the new initiative would be housed at EMI and utilize the in-kind resources of the School of Management and the Department of Sociology to meet the needs of existing businesses in the inner city and assist in developing leaders and building stronger communities. While it was clear that Boston University could offer tremendous resources to existing inner city business owners, it was also clear that these resources needed to be brought to the inner city rather than bring the business owners to an intimidating ivory tower—and so ICE formed its first partnership with Roxbury Community College.

The time has come to focus more resources on growing existing businesses in the inner cities, particularly ones that are minority led, because this strategy has a better chance to generate more wealth, create more jobs, and build new community leadership.

The time has come to focus on growing existing businesses in the inner cities because this strategy has a better chance to generate more wealth, create more jobs, and build new community leadership.

THE SOLUTION: INNERCITY ENTREPRENEURS

ICE's mission. InnerCity Entrepreneurs, through practice and applied research, promotes wealth generation, job creation, and capacity and community building by *existing* inner city small businesses interested in *growth*. ICE partners with community-based organizations and offers a pre-selected class of entrepreneurs a nine-month series of classroom, peer-learning, coaching, and networking activities in order to facilitate access to new markets, capital, and knowledge. The graduates then may continue to work together as part of an InnerCity Entrepreneurs Alumni Network.

ICE's accomplishments to date. ICE has successfully launched two classes working with a total of 28 entrepreneurs in the Boston area. These entrepreneurs were selected from over 50 business owners who applied to the program. In addition, ICE has built a

Private Sector Network of 37 distinguished business professionals with a broad range of expertise to offer their advice to all participants throughout the program. An initial survey found that 90 percent of participants rated the program excellent and 93 percent rated the instruction excellent. Another indicator of success is zero attrition and near-perfect attendance in both classes. ICE officially launched its Alumni Network, designed to keep graduates connected.

InnerCity Entrepreneurs Boston Class of 2004

1. **Kelley Chunn**, president, Kelley Chunn & Associates, Boston
2. **Patrick Cibotti**, owner, Boston Body Works, Roxbury
3. **Gillian Isabelle**, president, Edenscapes, Inc., Roslindale
4. **Edward Jones**, president, America One Technologies, Inc., Braintree
5. **Robert Katz**, president, My Grandma's of New England, Hyde Park
6. **Susan Labandibar**, president, Computer Warehouse, South Boston
7. **Deilia Laing-Jackson**, CEO, Geneva Baloon & Gift Shop, Dorchester
8. **Glynn Lloyd**, CEO, City Fresh Foods, Dorchester
9. **Julio Nunez**, vice president, Hispanic News Press, Boston
10. **Ron Payne**, president & CEO, Purchasing Services, Inc., Boston
11. **Phillip Speiser**, executive director, Boston Institute for Arts Therapy, Dorchester
12. **Roosevelt St. Louis**, owner, Nouvelle Creation Catering, Hyde Park
13. **Matthew St. Onge**, president, Boston Building Materials Coop, Roxbury
14. **David Warner**, president, City Feed & Supply, Inc., Jamaica Plain

InnerCity Entrepreneurs Boston Class of 2005

1. **Mark Kaley**, president, Above and Beyond Catering, Boston
2. **Conant Brewer**, president, Brewer's Ledge, Jamaica Plain
3. **Christopher Broughton**, principal, CB Design, Boston
4. **Joanne Washington**, CEO, Chaps Services, Dorchester
5. **Charles Clemons Jr.**, owner, First Choice Limo Services, Boston
6. **Stephanie Hill**, owner, Flowers Designed by Stephanie, Mattapan
7. **John Laing, Jr.**, owner, Laing Enterprises, Dorchester
8. **Barbara Flockhard**, CEO, and **Lori Becker**, president, Publishing Solutions Group, Boston
9. **Jeff James**, president, Red Galoshes, Boston
10. **Nancy Nichols**, business manager, Red Sun Press, Jamaica Plain
11. **Juan Guiterriez**, owner, Siplas Research Organization, Boston
12. **Brent Harding**, CEO, State Wide Home Buyers Group, Adams Village
13. **Rony Gary Jr.**, vice president, Tropical Foods Supermarket, Roxbury
14. **Frank Poindexter, Jr.**, president, Wally's Café, Boston

InnerCity Entrepreneurs' Private Sector Network

- Zamawa Arenas**, principal, Argus Communications
Paige Arnof-Fenn, founder & CEO, Mavens & Moguls
Candida G. Brush, associate professor, strategy & policy, Boston University School of Management
Paul Capelli, vice president, public relations, Staples Inc.
Andrew C. Chen, managing director, Boston Community Venture Fund
Lyn Christiansen, professor of entrepreneurship, Boston University School of Management
Louis M. Corapi, director & team leader, Fleet First Community Bank
Derek Davis, Esq., Nutter McClennan & Fish, LLP
Kevin Dwyer, entrepreneur & writer, Mohawk Research Corp.
Michael J. Feinson, principal consultant, Engaged Strategies
Paula Groves, founding partner, Axxon Capital
Beth Goldstein, president & CEO, Marketing Edge Consulting Group
Joshua Gubitz, Minority Business Development Agency
Nicholas J. Guttilla, Esq., Nixon Peabody LLP
Laury Hammel, president & owner, The Longfellow Clubs
Ron Homer, founder & CEO, Access Capital Strategies LLC
Alan Indursky, president & owner, Norwell Inc.
Eric Korsh, Believe Media
Daniel Levin, president, Dream Machine Inc.
Lawrence Mintzer, president, Mintzer & Associates
Joseph Monteiro, director, Fleet Development Ventures, LLC
James Moriarty, vice president, Vitale & Caturano
Melanie Nayer, reporter, *Banker & Tradesman*
Karl Nurse, president & CEO, Karl Nurse Communications
Judith Obermayer, Obermayer & Associates
Christopher H. Richmond, president & CEO, E-Credit.com
Peter Russo, director and executive in residence, Boston University Entrepreneurial Management Institute
Jeff Schiebe, vice president of business development, OnePin, Inc.
Martin Tannenbaum, founder, Tannenbaum Associates
Fidel E. Vasquez, vice president, strategic investments, Fleet Development Ventures, LLC
Austin Westerling, principal, Charles River Ventures
Howard Wolk, co-president, The Cross Country Group
Grace Zimmerman, professor of entrepreneurship, Boston University

What differentiates ICE from other small business development programs?

Over a nine-month period, ICE provides entrepreneurs with an in-depth program that includes the training, tools, goal setting skills, and contacts they need to grow their businesses significantly. Rather than seeking to reinvent the technical assistance wheel for small inner city businesses, ICE complements existing community-based organizations that work with inner city entrepreneurs and community leaders. ICE differentiates itself from other small business development programs in the following ways:

- While there are many small business development programs in the area, they all primarily focus on startups and provide assistance in writing business plans. There are no programs that use a wide array of program delivery methods to focus specifically on strategic planning for existing small businesses interested in growth.

- There are no programs that use a consultative, peer-to-peer teaching model in which the business itself is the source of the case study from which each participant learns. More often a lecture format is used that does not tap into the peer learning that is far more effective when a business is already established and facing common challenges associated with growth.

- ICE is working only with existing businesses that have employees, annual sales of \$250,000 to \$5 million, and are interested in significant growth. Each applicant must go through a two-step application process that includes a personal interview. Applicants are judged on (1) stability of business, (2) leadership, (3) strong interest in growth, and (4) interest in their community.

- ICE is a unique partnership between Boston University's School of Management and Department of Sociology that has developed a multidisciplinary approach to business education, peer learning, networking, and research.

- ICE partners with community-based organizations to deliver the program and expects to have five self-sustaining sites in Massachusetts after five years that will benefit the host community-based organizations for years to come.

ICE's unique program delivery methodology. ICE's methodology is based on the premise that entrepreneurs will use their own businesses as the cases from which they learn. Upon completion of the program, each participant will have set specific milestones, developed a three-year strategic plan to grow his or her business, and worked with peers, experts, and coaches to gain greater access to new sources of capital, markets, and knowledge. Each participant will receive a Certificate in Small Business Entrepreneurship during a special graduation ceremony. ICE consists of four unique program delivery methods developed by professors in Boston University's Entrepreneurial Management Institute:

- ***Peer-to-Peer:*** There are professionally facilitated peer-to-peer sessions throughout the program. Emphasis is placed on building trust among the class, discussing important daily issues facing each business, topics that participants choose to discuss, and ways related to coursework to grow each business.

- ***Coursework:*** The coursework consists of 14 classes held approximately every two weeks. This provides ample time for participants to "learn by doing"—applying in-class skills to their businesses—and then come back to class to report on the results. Rather

Through practice and applied research, ICE promotes wealth generation, job creation, and capacity and community building by existing inner city small businesses interested in growth.

than deliver a flood of information in lecture format, the instructor facilitates highly interactive sessions. Particular focus of the coursework is on setting overall personal and professional goals, financial analysis, marketing and sales, and resource needs. During the final class each participant presents his or her three-year strategic growth plan to a panel of experts from the Private Sector Network.

■ **Private Sector Network:** In each location, ICE creates an extensive network of business experts to serve as professional resources and provide advice to participants. Members of the Private Sector Network agree to give guest lectures in class, host topic-



Founders Andrew Wolk (left) and Daniel Monti (right) with ICE's 2004 graduates.

related educational programs for ICE participants and stakeholders, and answer any questions a participant may have throughout the program. The Private Sector Network in Boston currently includes 37 prominent lawyers, accountants, public relations experts, bankers, venture capitalists, human resource directors, and other business professionals.

■ **Coaches/Advisory Board:** Each ICE entrepreneur is required to form or build upon an existing board of advisors, of which one or more should serve as a coach to the entrepreneur. As the program progresses, participants will have a clearer idea of their growth plans and will determine who are appropriate people to join the advisory board and serve as a coach.

ICE's role in economic development research. Having emerged from a world-class research institution, ICE is committed to developing a body of research on inner city economic development that will inform the academic and economic development communities and influence the public policy debate concerning the allocation of resources and public funds to startups versus existing businesses with growth potential. Each business that participates in the program has agreed to participate in a three-to-five-year research study.

The first phase of research has begun under the leadership of Monti and Candida Brush, professor of entrepreneurship at Babson College, along with two doctoral students. Each participant in the program has already completed a comprehensive intake survey, which focuses on the financial status of the business, his or her values, goals, and objectives as an entrepreneur, how the business is organized, and the relationship between the business and the community in which the business operates. This information will enable ICE to both measure its financial impact and explore in greater detail all the ways in which local businesses serve their community and customers beyond providing a service or selling goods. In addition, a doctoral candidate in the School of Management, Amy Gannon, is writing her dissertation on the values, goals, and objectives of the ICE entrepreneurs.

In the future, ICE will publish papers in academic journals, write opinion pieces in local newspapers, and develop case studies of different types of businesses that operate in the inner city, which will focus on the social as well as economic ways in which these businesses contribute to their communities. ICE will provide community leaders with the information they need to promote economic development in their communities and future investors with the information they require to make loans to and investments in existing businesses

ICE's mid-year and projected outcomes report card for the 2004 class. ICE participants achieved the following results in the first six months of the program:

- 18 new jobs created
- 150 hours of utilization of ICE Private Sector Network and coaching resources
- \$825,000 in financing secured
- \$100,000 in business conducted between participants
- \$300,000 in business accessed through ICE networks
- 8 stories in the media about individual participants.

The following outcomes are projected:

- \$1,500,000 in financing secured
- 2 new multi-million dollar ventures launched
- 46 percent growth in revenue among participating businesses
- 30 percent growth in full-time jobs
- 61 percent growth in part-time jobs.

ICE's leadership. ICE's leadership team consists of Andrew Wolk, Daniel Monti, and Andrew Goldberg.

■ ***Andrew M. Wolk, ICE co-founder and director:*** Wolk is responsible for the day-to-day strategic aspects of the program, including its replication to other sites. A faculty member at Boston University's Graduate School of Management, where he teaches in the Entrepreneurial Management Institute and has developed several course curriculums, Wolk has worked extensively in small business economic development including Neighborhood Business Builders, a division of Jewish Vocational Services and the Jamaica Plain Neighborhood Development Corporation. Before earning his MBA in nonprofit management and entrepreneurship from Boston University, Wolk started, built, and sold his own business.

■ ***Daniel Monti, ICE founder and director of research:*** Associate professor of sociology at Boston University, Monti is spearheading research efforts at ICE. He has written six books and is the recipient of a Woodrow Wilson Fellowship. His most recent book, *The American City: A Social and Cultural History*, spans 300 years of American history and touches on cities in all 50 states. It is a detailed description of the civic culture not just of cities but of the entire nation and the role business plays in a city's development. In his next book, *Civic Capitalism*, he will explore the role of business as America's first and foremost civic association.

■ ***Andrew N. Goldberg, director of programs and development:*** Goldberg is responsible for recruitment, program management, marketing, communication, and fundraising. Previously, he worked for small and multinational companies, financial services firms, a quasi-state agency, and nonprofits in the environmental and small business

ICE primarily targets African American and Latino-owned businesses because there is a considerable disparity in the income earned by minority business owners versus their White counterparts.

ICE Advisory Board

Candida Brush, associate professor and director of the Council for Women's Entrepreneurship and Leadership at Boston University

Georgia Murray, director, Inner City Economic Forum

Tina A. Andrews, president, New England Minority Supplier Development Council

Derek Davis, partner, Nutter McClennen & Fish LLP

Bob Katz, president, My Grandma's Coffee Cakes of New England (ICE 2004 graduate)

Andre Porter, deputy director, Office of Business Development, City of Boston

Stephen Kraus, director, Ironwood Equity Fund LP

Marc Lucas, community relations specialist, NSTAR

Monalisa Smith, vice president, community development officer, Citizens Bank

Joy Errico, community relations supervisor, Staples Foundation for Learning

Glynn Lloyd, president, City Fresh Foods (ICE 2004 graduate)

Susan Labandibar, president, Computer Warehouse (ICE 2004 graduate)

Terrance Gomes, president, Roxbury Community College

Peter Russo, director, Entrepreneurial Management Institute, Boston University

Dan Monti, ICE founder and research director; associate professor of sociology, Boston University

development fields. Over the past dozen years, he has developed an expertise in designing and delivering programs and services for small businesses interested in growth. As the Latin American Trade Specialist for Massport, he counseled firms interested in growth through export. Goldberg also founded an international business consulting and publishing firm. He has an M.A. in international relations from The Johns Hopkins University.

Constituents and communities served by ICE. A diverse group of constituents and communities will benefit from ICE's programs. They include ICE's target inner city neighborhoods, small businesses, economic development agencies, public policy experts, and academic institutions.

ICE and the Small Business Development Institute (SBDI) at Roxbury Community College initially targeted small businesses in Roxbury, Dorchester, Hyde Park, and Jamaica Plain, although businesses interested in participating from other communities were welcomed. By stimulating the growth of businesses in these areas, ICE will not only promote the creation of jobs locally, but will also train the next generation of civic leaders in these communities. The program primarily targeted African American and Latino-owned businesses because there is a considerable disparity in the income earned by minority business owners versus their White counterparts.

Unfortunately, Boston has a reputation as a city in which people from different ethnic and racial backgrounds often have difficulty working together. At times this reality can create barriers to economic development and possibly to growth over the long term. All too often minority business owners compete with each

other for the few morsels from state and federal contracts rather than working together to gain a more equitable share of an available market.

This behavior results in dependence through set-asides and preferences. Business owners typically do not move beyond this dependence because they lack the knowledge about how to partner and form coalitions. It is essential that people from different ethnic and racial backgrounds succeed as commercial leaders to provide long-term progress for their own people, communities, and the city as a whole. Regardless of one's homeland, religion, or even what one sells, these business owners all speak the same language of commerce. Recognizing this, ICE is using its first class of 14 businesses owned by people of different ethnic and racial backgrounds as a laboratory to explore just how much these people really do have in common and simultaneously promoting stronger ties among them.

Starting next year, ICE will permit technical assistance providers from economic development agencies to participate in the program with a business owner from their neighborhood. This way they will also learn more sophisticated business skills and become better qualified to work with other neighborhood businesses.

Partnering with community-based organizations. A cornerstone of the ICE initiative is partnerships with community-based organizations to deliver programming. ICE’s preferred venue is a local college (state, small private, or community) because: (1) generally colleges are located in areas where ICE is likely to find potential applicants, (2) colleges will benefit from having participants as well as business leaders visit the school on a regular basis, (3) ICE participants at some point might be looking to hire and could find potential employees at the college, (4) ICE’s calendar corresponds to an academic year so that it can be easily replicated at other colleges and involve Boston University students, and (5) ICE is developing a sustainability plan under which the college will operate the program on its own after five years, reaping the benefits of the alumni and business relationships that have been built along the way.

ICE’s goals. One of ICE’s goals is to influence the process of inner city economic development by demonstrating the impact of its programs on business expansion, job creation, wealth generation, and civic/community leadership development in America’s inner cities. If successful, ICE will help level the playing field in terms of the allocation of public and private funds to start-up versus existing businesses with growth potential.

Objectives	Activities
Provide small inner city business owners with the training, tools, and peer-to-peer support that will enable them to envision and fulfill their capacity to become community leaders.	Emphasize how a commitment to one’s community can have a huge payoff to the bottom line of a business. This message will be reinforced by bringing successful business and community leaders into the class to work with ICE participants, as well as serve as coaches and role models.
Stimulate economic development in Boston’s neighborhoods by delivering a high-impact program to existing businesses with the potential to grow, create jobs, generate wealth, and assume a leadership role in the community.	Utilize a rigorous application, interview, and selection committee process to select high growth potential businesses for the program.
Establish a network of business professionals (i.e. lawyers, accountants, bankers, venture capitalists, human resource directors) to provide the advice and one-on-one coaching that small inner city and minority business owners typically lack.	Recruit and monitor a sufficient number of people in each professional category to provide coverage to all ICE participants.
Provide inner city small business owners with greater access to new markets, capital, and knowledge.	Monitor the value of classes and networking with bankers, angel investors, venture capitalists, lawyers, accountants, marketers, human resources directors, and other professionals who can help ICE participants access new markets, capital, and knowledge.
Improve understanding among small business owners of different ethnic and racial backgrounds and the wider business community about the challenges of working, living, and building a successful business in the inner city.	Target specific inner city neighborhoods (i.e. Mattapan, Roxbury, Dorchester, Jamaica Plain, Roslindale) and select a diverse mix of participants for the first class that includes African American, Hispanic, and women entrepreneurs.
Develop a body of research to inform the academic and economic development communities and influence the public policy debate over the allocation of public funds to start-up versus existing businesses with growth potential.	Conduct extensive survey of ICE participants from the start of the program including field research. Develop case studies, publish articles in academic journals, track each ICE participant for three-to-five years for ongoing research purposes.
Create a replicable and scalable model.	Within five years ICE will have five sites running its programs throughout Massachusetts. ICE’s calendar is based on an academic year and held at a state, small private, or community college so that it can be easily replicated at similar institutions.
Become the leading economic development program that works with existing inner city businesses seeking growth.	Design and execute a media strategy and marketing campaign to promote ICE’s unique and visionary approach to inner city economic development at the local, state, and national levels.
Establish ICE as a self-sustaining, multi-year inner city economic development initiative.	Develop non-philanthropic revenue streams that include tuition, fees for service, and other market generated revenues.

ICE's next steps. ICE is in the planning stages of replicating the model in five other Massachusetts sites by 2007, as well as in other states around the country working with Michael Porter's Inner City Economic Forum. Additionally, ICE will be publishing three case studies later this year, and will soon have an ongoing body of research based on its work with all ICE entrepreneurs. ICE will also be holding a mini-conference prior to the Inner City Economic Forum in November 2005 in Chicago to share lessons learned on the programmatic and research side of its model and how it can support more effective public policy. InnerCity Entrepreneurs' unique approach of combining program and research to create tangible outcomes for existing businesses while also shining a spotlight on the need to focus more resources on existing businesses interested in growth is well under way.

Becoming a sustainable business model. ICE began with seed funding of a \$100,000 grant over three years from Citizens Bank along with critical in-kind support from Boston University and Roxbury Community College to launch the program. Since then, ICE has developed strong relationships with a number of additional funders, including the City of Boston Department of Neighborhood Development, Staples Foundation for Learning, NSTAR, Boston Private Bank, Blue Cross Blue Shield, Mellon New England, and various individuals.

It costs approximately \$100,000 to operate the program. A local ICE program combines tuition fees (currently \$1,000) and the alumni network fees (currently \$1,000) with philanthropy from three primary sources—institutional (city, foundation, and corporate) support, individual donations, and sponsorship of the graduation—to ensure the program's long-term sustainability. The return on investment for the model in terms of job creation, wealth generation, and community building is clearly quite high.

CONCLUSION

InnerCity Entrepreneurs is having a major, measurable, and long-lasting impact on the future of inner city, minority-led business development by focusing on existing businesses interested in growth and cultivating the next generation of leaders in the communities it serves.

Helping Business Startups and Expansion in Springfield

Springfield's Technical Assistance Program (TAP)

*An initiative of the City of Springfield and the
Affiliated Chambers of Commerce of Greater Springfield*

PROBLEM STATEMENT

The ethnic demographic of the City of Springfield has been changing over the past 10 years with a growing number of Latino and African American residents and fewer Caucasian residents. A number of neighborhoods in Springfield qualified under the federal Enterprise Community (EC) designation and the city applied for and received funding under that program. There was a need to develop economic opportunity in those EC neighborhoods so changing demographic groups could participate in Springfield's economic revival.

Over the past 15 years, Springfield has suffered from the lack of available permitted land for development of industrial parks. It is only now in 2005 that the new Smith & Wesson 75-acre industrial park will open, making six fully permitted sites available for new industrial construction. Additionally, with only a limited number of incentives available for new business construction and/or relocation into Springfield, the city's ability to attract new business and retain existing ones has been limited. This has necessitated a strategy of growing the Springfield economy from within by forming new business entities and expanding existing small businesses.

Over this 15-year period, the Springfield Technical Community College has been a driver of small business creation through its Scibelli Enterprise Center. The center is a small business incubator, which also houses the Massachusetts Small Business Development Center, the Western Massachusetts Enterprise Fund (a microlending entity), and the Service Corps of Retired Executives (SCORE). While these organizations matured and diversified, programs such as TAP filled in the necessary pieces of the puzzle so that new business creation in the City of Springfield could flourish.

This strategy of providing the necessary infrastructure for small business creation and growth has paid off handsomely for the city. For the last several years Springfield has outpaced the state in new business creation and private sector payroll growth. In April 2005, the U.S. Small Business Administration recognized Springfield as being a leader in small business creation. These small business startups create wealth within

The Springfield economy needs to grow from within through the formation of new business entities and expansion of existing small businesses.

the city, and specifically in minority communities where entrepreneurs are often hesitant to approach traditional financing entities. They also assist in stabilizing troubled neighborhoods within the city.

One of the major initiatives of the State's Financial Control Board, which now oversees the municipal finances of the City of Springfield, is to stabilize city neighborhoods through economic revitalization of neighborhood commercial districts. Over the last decade, the city and its partners have created a positive environment for small business. Numerous businesses that have started thanks to this environment have led the way in revitalizing these commercial districts. These new business startups are providing Springfield with desperately needed revenue from personal property taxes and adding to the value of existing commercial properties.

THE SOLUTION: SPRINGFIELD'S TECHNICAL ASSISTANCE PROGRAM

Approximately five years ago, the City of Springfield's Community Development Department approached the Affiliated Chambers of Commerce of Greater Springfield (ACCGS) and its president, Russell F. Denver, to see if the chamber would design a program to assist small businesses, specifically minority owned and startups, in what were then known as "enterprise neighborhoods" of Springfield. The ACCGS designed the Technical Assistance Program (called TAP), whereby grants of up to \$5,000 per business/startup would be given for services rendered to those businesses in starting up or expanding.

Services covered by the grants include legal, accounting, marketing, business planning, advertising, and training of employees. The dollars committed to each business/startup do not go directly to the named recipient. Instead, the funds go from the ACCGS to the vendor that provided the services for the recipient, after the recipients confirm that the work had been done to their complete satisfaction. Historically, the Springfield Community Development Department had given funds to various community development corporations to promote business development in the city's neighborhoods. The ACCGS program is centrally administered and therefore requires less money for administration, given that there would be one location for TAP services for the entire city.

The ACCGS was able to utilize established collaborations it had with neighborhood business associations, local banks, and chamber members who provided the services listed above. At the beginning of the program, the vendors provided a 5 to 10 percent discount on services to the recipients in order to establish a business relationship with them.

Current status of program/funding. The City of Springfield initially funded the TAP program with a grant of \$150,000 from the EC funding it received from the federal government. Originally the TAP grants were \$5,000 per recipient and after administrative costs were taken into account TAP was able to assist 25 microenterprises during the first year. After two years, the City of Springfield's EC funding ceased and the Community Development Department began funding the program. Annual funding has ranged from \$64,000 to \$150,000.

TAP assists small minority-owned businesses and startups with grants for services rendered to those businesses.

A number of additional funding sources for TAP were sought by the ACCGS. Most notably, the ACCGS approached the Springfield Media Telecommunications Group, which managed a fund from assessments on each cable television bill in the City of Springfield. The assessment funds went into a grant program to be used for technology and economic development projects. The chamber was awarded a \$300,000 grant to give out in increments of \$5,000 per company to help small and microbusiness enterprises gain access to new technologies that would help the businesses.

The majority of the funds were used to help microenterprises develop websites, provide technology training for their employees, and begin the process of interacting with their larger customers who more often than not required vendor transactions to be online rather than paper. This initiative was meant to make the microenterprise more productive and retain a number of larger clients.

In addition, the chamber used its influence to obtain approximately \$25,000 from a number of local banks, which gave funding to assist TAP in building relationships between the local banks and microenterprises in specific neighborhoods of Springfield. The ACCGS is paid a small administrative fee for administering the grant, but the additional costs of administering the program are borne by the ACCGS as a way to assist in business development in Springfield. It is also a way to develop a referral system to a number of microenterprise lending sources, such as the Western Mass Enterprise Fund and the Greater Springfield Entrepreneurial Fund (GSEF). GSEF was shut down by federal authorities for a number of reasons including but not limited to embezzlement and mismanagement. The ACCGS subsequently assumed the administration of the program. The ACCGS has been successful in having TAP recipients use these and other financial resources to obtain loans from these microlending resources.

The amount of grant funding available per recipient was reduced several years ago from \$5,000 to \$2,500 so the chamber could assist more startups and small businesses. Unfortunately, due to some irregularities associated with the city's Community Development Department, the total amount of grant dollars available was reduced by \$30,000 in fiscal year 2004, so that only about \$64,000 was available for grants. In fiscal 2005 approximately \$66,000 is available, with about \$51,500 committed to date. The ACCGS is currently in the process of applying for continued funding from the city's Community Development Department.

Application process. Applicants for TAP funding must complete a written application form. It includes a description of how the grant dollars would be utilized (e.g. legal, accounting, marketing, business planning, advertising, or training). The applicant indicates the vendor to be used, fills out a Tax Certification Affidavit (which requires the recipient indicate that it owes no state, federal, or city taxes), and a Job Creation and/or Job Retention Agreement. The chamber receives the majority of its applicants from neighborhood councils, business associations, and vendors to past recipients, including a large number of minority business advisors (e.g. lawyers, accountants, and business planning professionals).

Additionally, each year the chamber works with local weekly and monthly news publications highlighting that the funds are available, how they will be distributed, and what the requirements are for a business to receive the funding. In the past, the chamber

has also received favorable coverage about TAP from *El Pueblo Latino*, a Latino newspaper, *An African American Point of View*, an African American-owned monthly publication, and WTCC Radio, the community radio station located at Springfield Technical Community College.

The ACCGS also has worked with the New England Black Chamber of Commerce and the Latino Chamber of Commerce of Massachusetts for referrals. Approximately 50 percent of applications received are funded through this program. A waiting list has been created each year that TAP has been funded and whenever possible the businesses on the list from the previous fiscal year are served first in the next fiscal year. The ACCGS looks for cases in which the funding could help a business get access to loans and/or create or retain jobs. These attributes demonstrate to the chamber that there is some staying power associated with the funding received by the recipient.

Collaborations. The chamber has utilized existing business resources to ensure that TAP dollars are spent on business creation or expansion. Collaborations with the Massachusetts Small Business Development Center and SCORE for business counseling, and with the Western Mass Enterprise Fund for business loans, have proven valuable. Whenever the ACCGS believes that existing free services could be utilized, the recipient is steered in that direction. The Western Mass Enterprise Fund, which makes loans in amounts of \$1,000 to \$150,000, has received a number of referrals and made loans as a result of the TAP grants. Numerous Springfield businesses have used TAP grants to have business plans done for submittal to the Western Mass Enterprise Fund.

The chamber has also worked with the Community Focus Loan Program, a program established for members of the minority community in Springfield, and several loans have been given to TAP recipients. The ACCGS also has utilized its collaboration with the Black Chamber of Commerce of New England and The Massachusetts Latino Chamber of Commerce for referrals. In addition, the ACCGS has reached out to local banks, which have contributed approximately \$25,000 over the course of the last four years for TAP grants. A number of Springfield entrepreneurs who have been turned down for bank loans as a result of not having proper financials and/or a business plan have received TAP grants and used them to get their accounting straightened out and/or create a business plan so they can return to the bank with the documentation needed to secure loans.

Success stories. Since the creation of the program, about 80 to 85 percent of the businesses assisted have been minority-owned with approximately a 50-50 split between male- and female-owned enterprises. Early on, most of the minority businesses helped were Hispanic businesses. Today, more African American businesses are being assisted. Additionally, well over 50 percent of the vendors of TAP recipients have been minority businesses/business professionals, so a new class of minority business advisors has benefited from the program. This further enhances business knowledge and wealth within the Springfield minority business community.

This circulation of dollars has essentially created a two-for-one benefit for each community development dollar expended. For example, the program currently provides grants of up to \$2,500 per business recipient. If that recipient receives legal services

from a minority attorney the recipient is receiving \$2,500 of legal services. However, the minority attorney is also receiving payment for services rendered. Each receives \$2,500 worth of services/payments. This has proven to be a very valuable item in the TAP toolbox.

Following are five of the many successful businesses that the TAP has helped through its grants:

■ **Appliance Plus**, owned by Jasmine Cortez, is located on Main Street in the South End of Springfield, a predominantly Hispanic neighborhood. Her company buys used and discarded appliances, refurbishes them, and then sells the repaired appliances. Cortez approached the chamber about a TAP grant and after completing all the appropriate paperwork was given a \$2,500 grant for creation of a business plan that was submitted to the Western Mass Enterprise Fund. Cortez chose Samuel Ortiz Professional Services, a Hispanic-owned, business consulting service that acts as an agent to the Western Mass Enterprise Fund. Ortiz prepared a business plan that enabled Cortez to receive a \$40,000 loan, which Cortez used to purchase additional inventory and a truck so that her company could extend its business beyond Springfield into the northern Connecticut and Hartford areas. She has since hired two repair technicians—young Hispanic males who were students at Putnam Vocational High School. Cortez continues to see her business grow.

■ **Sweet Grace Bakery & Cake Shop** is a fairly new business on Bridge Street in Springfield. Bernice Foster, an African American, opened her doors in early 2004 and immediately hired six African American women to do baking and retail sales at her facility. The storefront that the business occupies had been vacant for approximately five years. Foster has purchased commercial baking appliances in order to expand her business. TAP funds helped her to incorporate her business and deal with legal matters regarding her lease and allowed her to do a small amount of advertising. Foster has enhanced the quality of life for her six employees, all of whom are Springfield residents. A Springfield-based attorney did all of her legal work and the advertising was in community-based weekly and/or monthly newspapers.



Sweet Grace Pastry & Bake Shop

■ **Honey Bunny Fashions** is a Latin/Brazilian clothing store owned by Noemi Graves and located on Chestnut Street just outside downtown Springfield. Honey Bunny Fashions, which has been in business for approximately four years, sells high-end women's clothing, especially evening dancewear. Graves has two employees and her business continues to see growth from year to year. She has used her TAP funds for advertising.

■ **Minds Island** is a women-owned business that began at the Springfield Technical Community College's business incubator on the college campus. Minds Island is an online artist's buying cooperative that allows artists to have images of their work online along with a biography of the artist. The website is <http://www.mindsisland.com> and has the capability for online purchases of the artwork. Having graduated from the business incubator, the business is now located at the Indian Orchard Mills, an old knitting mill building that is now home to approximately 45 small businesses. For a

two-year fee of \$800 per artist, TAP was allowed to place approximately 35 Springfield-based professional artisans of all different art forms on Minds Island website. This helped the artists expand their ability to sell their products beyond the Greater Springfield area, allowing numerous Springfield-based artists to achieve greater success.

■ **Café Savannah**, a restaurant/lounge with a Cajun theme, recently opened in Springfield. Sole proprietor Tony Taylor approached the ACCGS about three years ago



Café Savannah

for architectural assistance to create a floor plan and design of the restaurant and lounge. He received approximately \$2,500 toward the cost of architectural services. The property he purchased on Main Street in the South End of Springfield had been vacant for about 10 years and was blighted and decaying. TAP awarded Taylor another \$2,500, which will be used for advertising the grand opening of Café Savannah. The South End of Springfield has become a mini “gourmet restaurant alley” with a number of theme restaurants highlighting the ethnic diversity of Springfield. Total employment for Café Savannah will be more than 20 people, creating jobs that did not exist prior to the use of these TAP dollars.

Regulation Weeding

Outdated, irrelevant government regulations routinely clog the gears of industry and government, unnecessarily consuming both capital and manpower. Recognizing this, Director Beth Lindstrom of the **Massachusetts Office of Consumer Affairs and Business Regulation** (OCABR) has implemented a comprehensive 10-month review of every regulation promulgated by seven OCABR agencies.

The process began with the identification of potentially outdated or unnecessary regulations. To ensure a standardized review of each regulation, OCABR instituted a checklist to help assess the impact each potential change would have.

Some regulations were clearly outdated, like those governing the manufacture and sales of thermometers made with mercury. Manufacturers long ago developed non-toxic alternatives to mercury.

Other regulations, like one that governed contracts between certain banks and bank service corporations, were rescinded for different reasons. Since technology and the market in this area change rapidly, any regulation would quickly become obsolete. The regulation was replaced by a Regulatory Bulletin, which can be easily updated and is written in a more informal narrative tone that is easier to understand.

Once proposed revisions were published, the proposals were discussed in a series of public hearings. These hearings gave OCABR the opportunity to hear from the entities that are directly affected by the regulations and any proposed changes. Once the proposed changes are further refined based on input gathered at the public hearings, revisions will be sent to the Executive Office for Administration and Finance for final approval and on to the Secretary of State for promulgation.

The regulatory review is still in progress, but almost 50 pages of regulations have already been eliminated. Remaining regulations are more precisely tailored, easier to understand, and easier for agency personnel to apply. Leaner regulations also mean fewer employee hours are spent reviewing unnecessary material.

The regulations that were just reviewed and revised will themselves be out of date in the future. OCABR recommends that regulatory review become an annual exercise. Since the process to update them is now in place, future reviews should take significantly less time than the one that is currently underway.



Almost 50 pages of regulations have already been eliminated. Remaining regulations are more precisely tailored, easier to understand, and easier for agency personnel to apply.

Accelerating Disposition of Surplus State Property

Streamlining the process for disposing of surplus state property while making more property available for housing development—one of the Commonwealth's biggest challenges.

In 2003, the **Massachusetts Division of Capital Asset Management and Maintenance** (DCAM) drafted legislation to accelerate the disposition of surplus state property. The new legislation eliminated two steps that had historically slowed the process:

- the need to get special legislation to sell any land other than highway parcels.
- the ability of communities to claim land for local use (communities would often put property in limbo by claiming it, but not appropriating funds to pay for it).

The new legislation, known as Section 548, was enacted as part of the fiscal 2004 budget and became law on July 1, 2003. It has a sunset clause under which it is scheduled to expire on June 30, 2005.

In the three fiscal years prior to enactment of Section 548, DCAM generated a *total* of \$5.3 million from the sale of surplus state property. In its first year alone, revenue under Section 548 jumped to \$10.2 million. Revenue for the current fiscal year is estimated at nearly \$22 million. Much of the surplus property is suitable for new housing development, helping address one of the Commonwealth's most significant challenges.

Several parties benefit from the new law. In some cases, DCAM spent over \$175,000 per year securing and maintaining a single piece of surplus property. State-owned property is not taxed at the municipal level. Property that would still be in state hands under the old rules now generates over \$400,000 annually in local tax revenue, a number that will increase dramatically as the property is developed. The agencies that give up property receive an additional dollar in capital allocation for every dollar the land brings in. Most importantly, taxpayers benefit. The first \$25 million—enough to pay the salaries of about 500 teachers—goes to the Commonwealth's general fund. Proceeds in excess of \$25 million go to the Smart Growth Housing Trust, which provides planning grants to communities to help offset the impacts of adding new housing in their municipalities.

Section 548 allows DCAM to use the auction method of sale, which has been a critical factor in the law's success. Because of the certainty of the outcome and speed of closing (generally 60 days from auction), auctions have driven up prices by attracting more qualified bidders than the traditional Request for Proposals (RFP) method of disposition. In two cases RFPs were withdrawn because bids were well below appraised value. The properties then went to auction and bids exceeded those attracted by the RFP.

Section 548 has streamlined the process for disposing of surplus state property to the benefit of municipalities, state agencies, and taxpayers generally. At the same time, it is helping to address one of the Commonwealth's biggest economic development challenges by making more property available for housing development.

Commonwealth Capital and Sustainable Development

A steady, long-term rise in prices is the best evidence of the need for increased housing development in Massachusetts. Despite a doubling of multifamily housing starts in the past year, most experts believe overall housing development needs to increase dramatically for the market to regain equilibrium. Spiraling housing costs affect the Commonwealth's economy in many ways. Most obviously, they drive up the cost of living and doing business in a state that already struggles to maintain its competitiveness due to a high cost structure.

The primary authority for land use decisions in Massachusetts rests with municipal governments, which control zoning regulations. Poor local zoning regulations are the biggest reason the market fails to provide enough housing. These regulations have resulted in sprawling development, reduced density, and less open space. In addition, sprawl increases the cost of providing critical infrastructure like roadways, transit, water, and sewer because they must be provided over a larger, more diffuse area.

Given our long history of home rule, the Commonwealth faced the challenge of encouraging municipalities to make zoning changes while at the same time respecting home rule. The **Massachusetts Office of Commonwealth Development** (OCD), which oversees transportation, housing, and environmental agencies, looked to achieve goals in three major policy areas through zoning and other changes:

- promoting higher density development or redevelopment in urban and suburban downtown areas, as well as new growth centers
- encouraging municipalities to be partners in protecting water supply, sewer infrastructure, and other critical environmental resources
- coordinating local actions to ensure optimal use of resources through regional planning.

To achieve these goals within the confines of home rule, OCD has devised a program, dubbed Commonwealth Capital, which ties state funding to evaluations of local land use regulations. The Commonwealth's transportation, environmental, and housing agencies control grant programs totaling about \$50 million annually and more than \$400 million in loan programs. When municipalities apply for these funds, they fill out a one-page application that includes 24 criteria broken into eight categories representing state sustainable development priorities. A municipality's score on the Commonwealth Capital application counts for 20 percent of each individual program evaluation, so that how well aligned a project is with state development priorities could well determine whether it is funded. Commonwealth Capital scores are posted on a website, allowing communities



***Real movement—
through partner-
ships—toward local
pro-growth policies
that are consistent
with environmental
priorities and the
construction of new
housing.***

to compare their score against other communities and reinforcing the message that adoption of zoning changes makes municipalities better able to compete for state funds.

Since the Commonwealth Capital program was implemented at the start of fiscal year 2005, 180 communities have applied for grants and loans. An analysis of 150 of these communities shows real movement toward local pro-growth policies that are consistent with environmental priorities and the construction of new housing. In the first year, municipalities have made more than 375 commitments to implement policies like inclusionary and mixed-use zoning, open space and recreation projects, and integrated water resources management plans.

The Future of Commonwealth Capital

Building on its experience during the first year of Commonwealth Capital, OCD plans several refinements to the program. The first-year criteria largely rewarded smart-growth capacity (the presence of certain land use regulations). In the future, the criteria will increasingly reward actual performance, such as permitting of development under the new regulations. Among potential changes under consideration are the following:

- including other state grant and loan programs under Commonwealth Capital
- utilizing an electronic application
- increasing the weight assigned to the Commonwealth Capital score in the application review process
- adding new criteria such as transportation to the application
- addressing problems with the current criteria to even the playing field between urban and rural communities.

Commonwealth Capital is creating partnerships with municipalities that promote sustainable growth while respecting the Commonwealth's long tradition of home rule.

Drivers' Licenses and Protection of Citizens' Personal Identity

Driver's licenses are the most widely accepted form of identification in the country and are used in a wide range of everyday activities like banking, renting cars and apartments, and getting utilities turned on. Counterfeit driver's licenses are a major concern. Several of the hijackers on September 11th carried illegally obtained licenses and the most common reasons for creating a fake license or falsely obtaining a license are to provide phony proof that the bearer is 21 years of age or to defraud someone about the bearer's true identity.

Under-age Drinking

Few think of driver's licenses or the **Massachusetts Registry of Motor Vehicles** (RMV) as having a role in the issue of under-age drinking. But by eliminating fake licenses used for identification, the Commonwealth could realize significant savings both financially and in terms of the damage under-age drinking does to society. In Massachusetts:

- the direct cost of underage drinking is over \$400 million per year
- when indirect costs are added in, the number rose to \$1.4 billion for 2001
- fetal alcohol syndrome alone costs taxpayers more than \$14 million per year.

None of this takes the human cost into account. The Centers for Disease Control estimate the annual number of under-age deaths due to excessive alcohol use at 4,554 and alcohol kills more young people than all other illicit drugs combined.

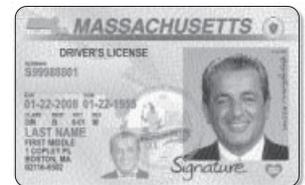
Identity Theft

Phony identification is at the heart of the growing problem of identity theft. According to the *Consumer Sentinel*, there were 3,634 victims of identity theft in Massachusetts in 2003 and the crime cost the Commonwealth's consumers more than \$5 million. And cases of identity theft are rising sharply. Nationwide, they increased from just over 82,000 in 2001 to almost 215,000 in 2003.

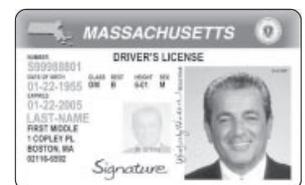
Victims usually don't realize their identity has been stolen until months or even a year or more have passed, and they can spend precious more time repairing their credit, closing bogus accounts, and perhaps even avoiding punishment for crimes they didn't commit.

Secure Driver's Licenses

In November 2004, the Massachusetts Registry of Motor Vehicles began producing a new license that is almost impossible to copy. Because of the new security features, wrongdoers are likely to target other states whose licenses are easier to counterfeit.



The new more secure Massachusetts driver's license (above) and the one it replaces (below).



Utilizing state-of-the-art technology to create a driver's license that is virtually counterfeit-proof.

Partnering with Digimarc, a Massachusetts company that is a national leader in license and identification cards, Massachusetts became the first state to incorporate document security technology that is not commercially available in its driver's licenses.

After data and portrait images are printed, each license has a layered security laminate bonded onto the front and back. Ultraviolet inks that can only be seen under ultraviolet light are imbedded within the security laminate.

Each license has two different barcodes layered under the security laminate. The new licenses also have machine-readable digital watermarks containing both security data and unique identification information.

Licenses now feature a fainter second picture with the holder's date of birth printed over it. Birth dates are printed in two other places on the license; counterfeiters are more likely to overlook changing all three.

The licenses have subtle, high-resolution lines pre-printed throughout the card, making it difficult to substitute a different picture. The new background design also makes it easier for retailers and law enforcement to detect tampering without special equipment. All under-21 licenses are printed vertically and feature bold red lettering, making it easy for liquor establishments to differentiate them from other licenses.

The Massachusetts RMV has cooperated with the federal government to take steps that enhance domestic security. No commercial licenses are issued until the driver has passed a federal Security Threat Assessment, and social security numbers are no longer on licenses unless the license holder makes a written request that the number appear on the card.

By utilizing the latest technology, the Massachusetts RMV has created a driver's license that is virtually counterfeit-proof. The new license will have positive public policy impacts far beyond the functions normally associated with the Registry.