

HELPING PEOPLE AND PLACES MOVE OUT OF POVERTY

Progress and Learning 2010



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FOREWORD

In 2010, the Babcock Foundation board and staff reflected on five years of focused work on poverty in the Southeastern US. With our nonprofit partners, we are engaged in the long-term, complex and essential work of helping people and places build economic security. The world looked very different and admittedly more hopeful in 2004 when we began our focus. In the current recession, we see rising poverty rates, high unemployment, predictions of a “jobless recovery,” and state and federal fiscal crises. Our conclusion is that partnerships that are achieving larger-scale, direct impact on people and longer-term policy and systems change are more important than ever. We will continue our focus on helping people escape poverty and adapt our strategies for sustained impact.

This paper was the core internal document guiding our 2010 program review. We share it in the spirit and practice of transparency, which is a core value of the Babcock Foundation. Our intention is to make public both the decisions we make about deployment of the Foundation’s resources and our thinking behind those decisions. Transparency strengthens our foundation’s work, and we believe greater foundation transparency strengthens our entire sector.

We are deeply grateful to our nonprofit partners who engage so thoughtfully with us in setting and monitoring outcomes, learning from experience and puzzling over tough questions and challenges. This report is your story as much as the Babcock Foundation’s story. The impact and lessons captured in the document are drawn from your reports and conversations with us. We add our perspective as a regional funder with a birds-eye view across the Southeastern US and deep engagement in a few places.

Our 2010 program review stands in our nearly 20-year tradition of [learning and crafting strategy](#) towards outcomes. Our current focus is the result of a year-long, structured process in 2004 to reflect on the impact of our past decade of work, changing conditions

in our region and the world and developments in the philanthropic and nonprofit sectors. Our 2010 midcourse review focused on progress toward our intended [Foundation outcomes](#). We also tested our [beliefs about how people move out of poverty](#) and our [theory of change](#) against what we and grantee partners are learning. As a result, we made modest midcourse corrections. As we move through the next few years, we will continue to engage deeply with grantees on defining, monitoring and learning from their progress and setbacks. In a few years, we expect to take another deep look at impact, lessons and changing conditions in our region and recalibrate the Foundation’s overall strategic direction.

As always, we welcome comments, questions, challenges and wisdom from you regarding this report and our ongoing work. We also welcome new partners in the work of helping people and places in the Southeastern US move out of poverty. Contact me at gwilliams@mrbf.org.

Gayle Williams
Executive Director
Mary Reynolds Babcock Foundation

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THE OVERVIEW

Between 2005 and early 2010, the Babcock Foundation invested \$34.8 million in grants and PRIs to help people and places in the Southeastern U.S. move out of poverty. In 2010, the MRBF board and staff reflected on progress toward ten-year goals (see Appendix 2) and our learning in order to inform the next phase of our work. The evidence indicates reasonable progress toward our long-term goals and indicates no dramatic changes are needed in our strategy.

We offer this internal paper, which guided our review, as a public document in order to promote transparency about the thinking behind our decisions. The paper presents evidence of progress, learning about what accelerates and impedes progress and decisions for going forward.

Interpreting Progress and Learning

We are definitely seeing impact. We measure impact by tracking grantee and Program Related Investments (PRI) progress on outcomes mutually agreed upon by the organization and MRBF. MRBF contributes to this impact, which the organizations achieve with support from multiple investors. In most cases, our grant or PRI represents between 5% and 30% of the organization's total financial support.

In early 2010, with 64 organizations submitting final reports on grants totaling \$9.9 million and nine PRIs submitting annual reports (less than one-third of all investments so far), direct impact on people includes over 900 new homeowners, 500 people placed or advanced in jobs, 1,600 new or retained businesses and over 9,000 jobs created or retained. State policy wins have produced \$4.7 billion in funding for education and community development and stopped a lot of bad legislation. State policy wins on tax reform and minimum wage have put at least \$215.4 million into the pockets of low-wealth people. We see two communities with significant new infrastructure. One is helping hundreds of disconnected youth get and stay on pathways to education and achievement. Another is connecting lower-wealth homeowners in New Orleans to \$75 million in rebuilding money. Six communities are developing promising new infrastructure for helping people move out of poverty.

Our learning about what accelerates and impedes progress focuses on four factors: leadership, strategy, place and resources.

Leveraging MRBF Resources

We are making progress on mission investing, with a significant increase in PRIs, one market-rate investment, an updated investment policy and increased staff and board knowledge and skills. PRI outcomes are reported along with the grant outcomes.

In Southern philanthropy, we are far from a lively conversation about the difference between charity and helping people and places move out of poverty. Through the [Network Officer role](#), we are developing funding partners in Southern states and engaging in regional partnerships. We can point to other foundations that have begun to explore mission-related investments. While we cannot take credit, they are using MRBF as a resource. We could do more to develop the Foundation's capacity for influence and strategic communications.

Understanding our Changing Regional and National Context

In early 2010, we commissioned two consultants: one to describe how the economy has changed since 2005 and one to interview ten national and regional colleagues on our behalf. The lead stories are the "Great

Recession” and the restructured economy with fewer middle-income jobs and more low-wage jobs. President Obama’s election and commitment to issues related to poverty have changed the political environment. (The mid-term elections, which occurred after this original paper was complete, changed the landscape yet again.) State policy continues to be an arena where important decisions affect low-wealth people and communities, with emerging opportunities and challenges related to the state fiscal crisis, implementation of federal policy and long-term issues such as tax reform, education reform and economic development policy. Incarceration of young men of color and immigration are important issues. Positive signs are the return migration of expatriate Southerners and the generational shift in organizational leadership in the South.

Moving Forward

Our key [assumptions about pathways out of poverty](#) and about MRBF strategy hold true. Top-down/bottom-up connections and work across lines of difference are rare but do appear to accomplish more than single organizations working alone. Our analysis that poverty is associated with both personal actions and structural realities holds true and reinforces that there is no silver-bullet solution to any person or community moving out of poverty. MRBF investment in both immediate impact and long-term capacity makes sense. And finally, our shift in thinking from a focus on organizations to a focus on places makes sense. Two areas where we might rethink our assumptions are: 1) a deeper analysis of poverty as a structural part of our economy; and 2) thinking about what accountability to low-wealth people and communities means.

The evidence points toward continuing the fundamental elements of our current strategy, which includes: openness to many approaches to reducing poverty; focus on integrated, layered approaches; a tiered approach to supporting organizations and networks; a place-based focus and Network Officer role; and patience for long-term change and capacity building.

In addition, our learning leads us to do more in four areas in order to achieve our desired long-term outcomes: 1) invest more in leaders and their development; 2) build MRBF’s organizational capacity for influence; 3) support more Southern place-based philanthropy with an equity focus; and 4) encourage new ideas for working on poverty. All of these areas build on our existing work and capacity.

Given the drop in our financial assets and our limited human resources, we must also make hard decisions about whether to do less in some areas. Because we are a place-based funder, doing less means less investment in some geographic places in order to focus MRBF resources for greater impact in fewer places. We recommitted to long-term investments in priority states (Alabama, Georgia, South Carolina, Central Appalachia and Mississippi Gulf Coast) and made hard decisions to do less in North Carolina, New Orleans and local communities outside MRBF priority states.

Conclusion

We see progress toward our goals and our strategy remains sound. The evidence points to no dramatic changes in MRBF strategy. We are positioned to make progress, especially with investment in the Foundation’s capacity for strategic communications.

HISTORY

In 2004, the Babcock Foundation reflected on our past decade of work and set strategic direction for the next five to ten years.

Some Things Did Not Change in 2004:

- MRBF's core values, as presented in our statement of mission and beliefs
- Commitment to the Southeastern U.S., with South Carolina, rural Georgia, Alabama, the Gulf Coast and Appalachia being priority states or regions
- Commitment to learning by doing, and integrating what we learn into what we do next

Some Things Did Change in 2004:

- We focused more sharply on helping people and places move out of poverty.
- We focused on strategic “bottom-up/top-down” connections to achieve larger scale impact.
- We focused on “layered” strategies. We believe that progress for people and places is accelerated when multiple local, state, regional and national players reinforce each other by working on complementary or collaborative strategies toward shared impact.
- We eliminated separate MRBF program areas (Organizational Development, Grassroots Leadership Development, Community Problem Solving, State Policy, Enterprise and Asset Development.) We committed to one unified

grantmaking program based on our beliefs and theory of change. We committed to integrating lessons from our old programs into our ongoing work.

- We coined the term “Network Officer” to describe our Program Officers’ roles as learners, partners, connectors and weavers in MRBF priority states and regions.
- We made a commitment to increase the amount of MRBF total assets deployed toward mission through mission investing.

We Developed Several Foundational Documents to Guide Our Action, Learning and Accountability:

- A statement of beliefs and assumptions about how people and places move out of poverty (our mission statement and theory of change) [See Appendix 1](#)
- Application guidelines
- MRBF long-term outcomes, which answer the question, “In ten years, what difference will MRBF’s \$80–100 million have made? For what outcomes do we hold MRBF accountable?” [See Appendix 2](#)
- A set of grantee outcomes to track across all grants and map to MRBF long-term outcomes

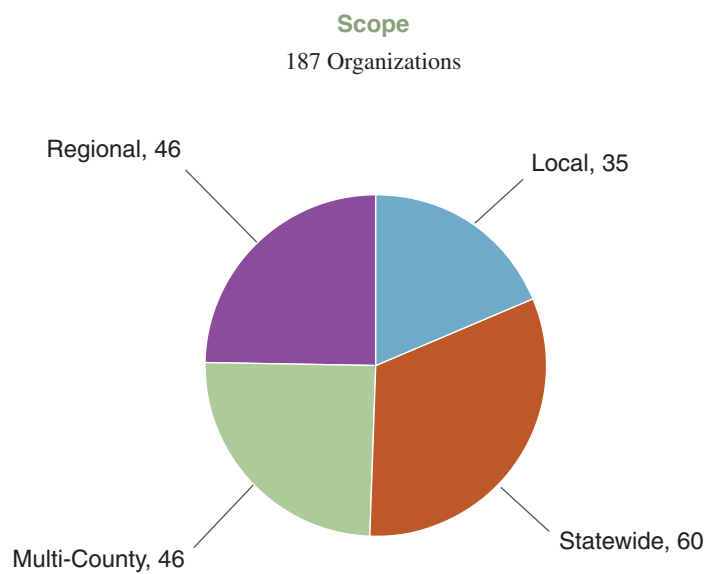
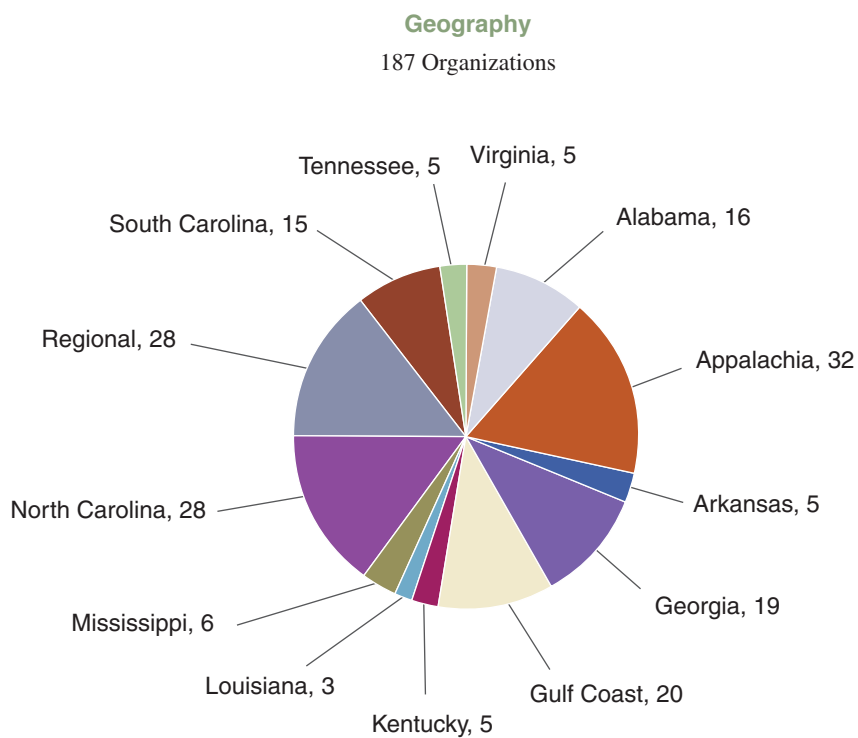
MRBF GRANTS AND PRIS

MRBF’s total investment in moving people and places out of poverty between 2005 and early 2010 is \$34,800,000.

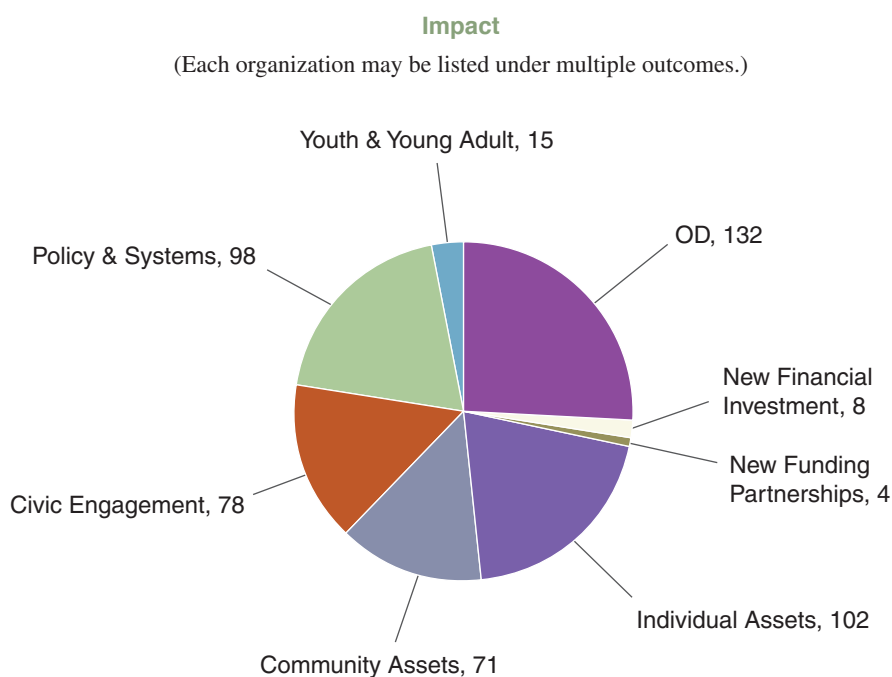
These investments are spread across the Southeast and concentrated on building individual assets, community assets and civic engagement; changing policy and systems; and increasing organizational capacity. Almost 80% are investments in organizations that work statewide, across multiple counties, or a sub-region such as Appalachia or the Delta. Only about 18% are to local organizations and even fewer are to organizations that work across the entire Southeast.

Existing Grants and PRIs, February, 2010

- \$30,643,903 in 262 grants to 187 organizations
- \$4,150,000 in 17 PRI's to 14 organizations



Existing Grants and PRIs, February, 2010 (cont'd)



MID-COURSE REVIEW

Why Now

Since 2004, our learning about pathways out of poverty and about foundation strategy to impact poverty has accelerated. Our grantees and foundation colleagues are valued learning partners. We constantly incorporate what we are learning into our next decisions, and we keep a running list of questions and puzzlements. In 2010, at roughly the five-year mark into our “moving people and places out of poverty” strategy, we now have enough experience and data to reflect on lessons and outcomes and to make informed decisions about going forward. In June, the board and staff reviewed progress and changing context, focused on what we have learned and began discussion of next steps. In October, we decided how to move forward.

Questions to Guide Our Review

Our questions focus on four topics:

1. INTERPRETING PROGRESS AND LEARNING using MRBF long-term outcomes framework of impact on people, communities, state policy and state/regional infrastructure organizations
2. LEVERAGING MRBF INVESTMENTS
3. UNDERSTANDING OUR CHANGING REGIONAL AND NATIONAL CONTEXT and the opportunities and barriers those changes present for moving people and places out of poverty
4. MOVING FORWARD by revisiting our beliefs and assumptions and deciding next steps

INTERPRETING PROGRESS AND LEARNING

MRBF is supporting organizations that are making a difference in people's lives and communities. As summarized in the Overview, hundreds of people are preparing for, getting and advancing in jobs. They are starting and growing small businesses, creating jobs, becoming homeowners and gaining access to non-predatory financial services. Policy wins are putting millions of dollars into people's pockets and communities.

The following section presents early results from 64 organizations representing 32% of the total \$30,643,900 in MRBF grants, as well as early returns on some PRIs. It is reasonable to expect significantly higher impact as more organizations submit final reports in the future.

MRBF is contributing to these results, which the organizations achieve with support from multiple investors. In most cases, our grant or PRI is between 5% and 30% of the organization's total financial support. Our support, especially general operating grants, is critically important for the organizations to leverage other funding and opportunities for impact.

Our Mid-Course Review Questions

- What does our and the grantees' experience tell us about what accelerates or impedes progress on *direct impact on people*?
- What does our and the grantees' experience tell us about what accelerates or impedes progress on building the *community infrastructure, policy and state and regional networks* required to affect poverty over time, especially in our priority states?

What We Expected to Accomplish in 10 Years

- 1. Direct Impact on People:** A significant number of people have increased their income and/or built assets. MRBF will have supported the work of approximately 250 organizations that directly helped low-wealth people increase their income and build assets (personal and financial) toward the ultimate goal of getting and staying out of poverty.

- 2. Local Community Infrastructure:** Five to seven local communities have established new networks or infrastructure that are helping large numbers of people increase income and build assets. Some will focus on one approach (e.g. asset development policies, workforce intermediaries, educational opportunities, economic development projects) and others will link two or more approaches together. "Large" is relative to the size of the community.

- 3. State Policy:** State policies are passed, funded and implemented in every MRBF priority state that actually do help large numbers of low-wealth people and communities increase income and assets (e.g. tax reform, economic development policy, education policy.)

4. State and Regional Infrastructure Organizations:

At least 12 state or regional infrastructure organizations or networks are effective at working on poverty and are financially sustainable. "Effective" means they can show impact on increasing people's income and assets, are connected to and influencing policy and systems and are connected to low-wealth communities. "Sustainable" means they are positioned to be effective at least through the next decade because they have strong and deep leadership, a dependable and adequate financial base and strong relationships with key partners; they apply their resources strategically toward the most promising opportunities for impact.

What Grantees Have Accomplished in Five Years: A Snapshot

Direct Impact on People —

What grantees have accomplished

The organizations supported by MRBF are indeed helping a significant number of people increase their income and/or build assets. The Direct Impact items on the following page are based on final reports from only 21 grantees and 9 PRIs. These data gives us a very early snapshot from a few organizations reporting after just one to three years. These are very rough numbers, dependent upon grantee reporting.

Homes (10 grantees and 1 PRI reporting)

- 922 new homeowners
- 361 new homes built
- 781 existing homes rehabbed
- 1,137 rental units built

Education (6 grantees reporting)

- 519 people completed job training (certificate or degree; not 4-year)
- Increase in college enrollment (3 grantees with disparate data)

People into Jobs (3 grantees reporting)

- 135 people placed in jobs
- 364 people advanced in jobs and got pay increases

Businesses and Jobs (9 grantees and 5 PRIs reporting)

- 1,450 new or expanded businesses
- 130 retained businesses
- 9,230 jobs created or retained

Non-Predatory Financial Services (9 grantees and 6 PRIs reporting)

- 8,788 people, businesses, homeowners, nonprofits receiving financial services

Land Assets Retained (2 grantees reporting)

- \$9.9 million in assets retained

Growth in Savings Accounts (3 grantees reporting)

- \$1,116,411 saved (IDAs)

These numbers reflect only a few quantifiable outcomes. The true story behind achieving these results is hidden in years of hard work by the people building their income and assets and by the organizations helping them. Some strategies such as education and job placement/advancement require deep and long investment in individual people, thereby yielding both small numbers and deep impact on moving people out of poverty. Other strategies such as access to non-predatory financial services yield big numbers, but for most people attempting to escape poverty must be coupled with deeper and longer strategies such as job training, entrepreneurship supports, or homeownership supports in order to change people's lives.

Local Community Infrastructure—

What grantees have accomplished

Community infrastructure is defined as the underlying base of organizations and institutions (public, nonprofit and private) in communities that help people move out of poverty. Most community infrastructure focuses on one pathway out of poverty (e.g. stable housing, workforce development.) Our long-term outcome sets a high bar for new community infrastructure that helps large numbers of people move out of poverty, with “large” being relative to the size of the community. This is risky, courageous and long-term work for folks leading the community work and for funders.

We currently see two communities with significant new infrastructure affecting large numbers of people, which is reasonable progress toward our goal of five to seven communities. In no case do we see whole places moving out of poverty, which is not a realistic expectation given the broader context of our economy and the nature of poverty. By 2015, we expect to see a few communities with effective and sustainable new infrastructure affecting large numbers of people, but these communities will still be exceptions rather than the rule. This is essential work for deep and long-lasting impact on people, and it is very challenging work for communities to create and sustain. Following is a snapshot of progress.

Each entry below names the lead organization supported by MRBF. In every case, this organization is the hub of a network or the leader of a collaborative. Their partners include other nonprofits, local and state government, other local or national funders and occasionally the private sector.

Organizations/Networks Showing Evidence of Large-Scale Impact

- Nashville, Tennessee: [Oasis Center](#)—
Comprehensive services to hundreds of youth, with structure for advocacy with and for disconnected youth; local policy impact
- New Orleans, Louisiana: [Jeremiah Group](#)—
Permanent structure for connecting low-wealth homeowners to \$75 million for rebuilding

Organizations/Networks with Promising Potential for Large Impact

- Savannah, Georgia: [Step-Up Savannah](#)—*Diverse, large partnership with city-wide poverty agenda*
- Atlanta, Georgia: [Georgia STAND-UP](#)—*Community Benefits Agreement for jobs related to future Beltline construction; programs to connect people to training and union jobs*

Organizations/Networks with Modest Impact

- Abingdon, Virginia: [Appalachian Sustainable Development](#)—*Organic foods business infrastructure; mainstream support for a local asset-based economy*
- Biloxi, Mississippi: [Hope Community Development Agency](#)—*Housing and neighborhood redevelopment capacity; loan fund for businesses*
- Monroe, Louisiana: [Northern and Central Louisiana Interfaith](#)—*Workforce intermediary connecting people to jobs*
- Charleston area, South Carolina: [Lowcountry Housing Trust](#)—*CDFI for affordable housing*

Organizations/networks that tried and failed to reach potential

- Tallulah, Louisiana: Louisiana Delta Coalition for Education and Economic Development—*Community college and new industry*
- Gwinnett County, Georgia—Latino Community Development Credit Union—*Credit union*

Too Early to Tell:

- Eastern Kentucky: Community Foundation of Hazard and Perry Counties—*Community foundation*
- Eastern Kentucky: Eastern Kentucky FEAT—*Eco-tourism and economic transition*

We've also seen examples of impact on local policy. In West Virginia and Kentucky "coal country," advocates have stopped unsafe mining permits and won municipal water for homes with wells contaminated by mine waste. These actions protect people's health and also help maintain the value of their homes and land, which may be their largest asset. In Asheville, advocates defeated a policy to have police enforce

immigration laws. Advocates in Charlottesville got the city council and school board to adopt a minimum living wage of at least \$11.44 an hour. These are a few examples we've gleaned from grantee reports. There are probably many more we don't know about.

State Policy—

What grantees have accomplished

Our long-term outcome is that state policies are passed, funded and implemented in every MRBF priority state that actually do help large numbers of low-wealth people and communities increase income and assets. Again, this is a high standard. We see the following signs of incremental progress while advocates work toward long-term goals such as tax and constitutional reform, new economic development policy and increased investment in low-wealth people and communities. [See Appendix 3 for details.](#) In all states, advocates spend a fair amount of time stopping legislation that would harm low-wealth and working poor people and communities.

Incremental Tax Reform

Saved low-wealth people at least \$124.4 million in tax burden (e.g. higher threshold for income tax, reduced grocery tax) AL AR TN VA

Increases in State Minimum Wage

AR increase added \$91 million to the wages of 56,000 people AR KY

Community Development Funding

Secured over \$100 million SC LA

Education Funding and Reforms

Secured over \$4.6 billion AR MS NC VA

Immigration Funding

Secured \$32 million TN

The impact cited here is the culmination of years of hard work. Progress on long-term policy goals takes many forms. We now know enough from our experience and from national research to map incremental progress. The map would include incremental policy wins, a solid or growing base of

popular support, a track record of mobilizing the base when opportunity strikes, messaging that keeps the issue alive and draws support, credible and trusting relationships with legislators and strategic partnerships with likely and unlikely allies.

State and regional infrastructure organizations— *What grantees have accomplished*

Our ten-year goal is at least 12 state and regional infrastructure organizations or networks effective at working on poverty and financially sustainable. Again, we are making progress toward this ambitious goal. The effectiveness part of the equation is attainable; the financially sustainable criterion is a huge challenge. Only those organizations whose core programs produce reliable income streams, such as CDFIs and social enterprises, can ever achieve any measure of self-sufficiency. Others, such as organizing and policy groups, will always be dependent upon individual, foundation, corporate and government support. Given the scarcity of support for social and economic justice policy work from funders in the South, we are dependent on national funders.

Of our 27 state and regional infrastructure partners over the past few years, four are highly effective and sustainable now, four appear to have potential to grow, 17 deliver solid performances and two have gone out of business due to funding and personnel changes.

[See Appendix 4 for a complete list.](#)

What Accelerates and Impedes Progress on Moving People and Places Out of Poverty

What works for achieving direct impact on people, building community infrastructure to combat poverty, changing state policy and strengthening infrastructure organizations falls into four buckets: 1) Leadership, 2) Strategy, 3) Place and 4) Resources.

Leadership matters.

Leadership is key to effectiveness, primarily at the CEO level, but also board, senior staff, political and community levels. Characteristics of effective community, organizational and network leadership include:

- Vision: Ideas, “light in the eyes,” courage and “sparkplug” energy to tackle something new; ability to articulate vision and get buy-in

- Creative and Entrepreneurial: Focused on impact, accountability and sustainability; tries new approaches to old problems; puts resources together in new ways; sees new opportunities; learns from experience
- Strategic Thinking and Action: Skills and experience at strategic analysis; ability to assess what is realistically required to reach specific big goals; ability to execute strategy alone and with partners; skilled at adapting strategy to changing circumstances
- Expertise: Solid expertise in their field of practice; management and financial expertise
- Collective Orientation: Skilled at networking and collaboration across sectors; ability to expand their own and partners’ organizational perspective and role beyond what they can accomplish alone; builds the talents of others
- Tenacity: Staying power to be effective for the long haul
- Effective Leadership Transition: Individuals and organizations are deeply thoughtful and intentional about when it’s time for a leadership transition and follow best practice; organizations embrace the next generation of leadership talent

Strategy Matters.

Impact is enhanced when organizations make conscious, smart, strategic choices. Some organizations choose to accelerate progress in one particular area (e.g. College Summit with education or Appalachian Community Enterprises with business development.) Other organizations choose to *be* the infrastructure for accountable, equity-based economic development because nothing else exists in their geography to do this job. An example at the community level is Greene Sumter Enterprise Community in Alabama. An example at the sub-regional level is MACED in Appalachia. The key is for the organization to analyze clearly the external environment and the organization’s strengths and weaknesses to play strategic roles as opportunities and challenges unfold.

The most promising efforts take integrated approaches. Most people attempting to escape poverty need some combination of two or more of the following approaches: education and job training, stable housing,

access to jobs, access to non-predatory financial services, opportunities to start and grow businesses, or supports for low-wage workers (such as child care, transportation and health care.) They need patient support over time to build their confidence and skills. *See Providence Community Housing as an example of integrated approaches.*

Strategic partnerships across lines of difference are essential for getting policy wins and for community change. In policy work, two kinds of partnerships are critical: 1) partnerships between budget/policy analysis organizations and grassroots advocacy organizations; and 2) partnerships between social and economic justice activists and mainstream allies. Examples are the partnerships for constitutional reform in Alabama and for education reform in Arkansas. Both types of partnerships are rare. Most states lack key infrastructure for either policy analysis or grassroots advocacy. At the community level, public/private partnerships such as we see in Savannah are essential to reach large numbers of people. These partnerships are strengthened by the ideas and accountability provided by organized low-wealth people. This mix of nonprofit, public, private entities and organized low-wealth people within partnerships is exceedingly rare. These relationships can be nurtured by outside funding, but must be created and sustained by funding from inside the community.

Strategic Partnerships

Strategic partnerships among policy advocates produce results. Over the past few years, low-wealth, working families in AR have seen an increase in the state minimum wage, a cut in the grocery tax, a higher threshold for paying income taxes, access to preschool programs for all eligible children and increased opportunity to participate in IDA programs. The Arkansas Public Policy Panel and Arkansas Advocates for Children and Families are key partners in each of these policy wins. The Panel is deeply connected to grassroots leaders across the state who develop and push a legislative policy agenda. Advocates for Children

Providence Community Housing

Providence Community Housing in New Orleans is an example of an integrated approach. It started out with the focused purpose of rebuilding a public housing community after Hurricanes Katrina and Rita. Very soon into the project, Jim Kelly, Providence's CEO, started working with the low- and moderate-income community of Treme surrounding the public housing site to increase homeownership and quality of life for the broader community. One thing led to another as community residents got engaged in rebuilding their neighborhood. In addition to housing, people wanted jobs. Providence began working with labor unions for construction jobs and with local businesses on returning or relocating to the community. Now, community residents get assistance with basic education and learn problem solving, interpersonal and communication skills to get prepared for job training and jobs. The next step for some young people is an apprentice program in the construction trades, which leads to decent jobs and puts them on the path to a more secure future. Woven throughout this integrated approach is people building their hope and confidence, and then making choices about their and their community's development.

is a budget and policy research organization held in high regard by legislators for providing them sound and thorough information on critical issues. The two organizations work together and with a changing cast of partners depending on the particular issue. Currently, they are working on issues related to the educational achievement gap between white children and children of color and economically advantaged and disadvantaged children. They are working with legislators, the state Department of Education, the teachers' union and low-wealth people, translating perspectives and promoting solutions among all the interested parties.

Strong formal and informal strategic connections across local, state and national partners increase impact and sustainability. North Carolina and Tennessee immigration advocacy networks are an example. The partners include local grassroots groups, state advocacy and community development organizations, national advocacy organizations and national funders. Grassroots groups develop leadership and mobilize people, while state and national organizations assist with policy research and analysis, strategic communications and lobbying.

Change and serendipity happen; adaptability is critical. Sometimes disaster, such as a devastating hurricane or plant closing, provides the impetus for new approaches and new leadership. Sometimes, external opportunities and challenges change, and organizations must adapt in order to maintain their impact. South Carolina Association of CDCs is an example. It successfully took advantage of federal funding to stabilize neighborhoods hit by the foreclosure crisis, and in the process is building its own and a few of its members' sustainability by establishing new earned-income streams. Sometimes organizations are positioned to take advantage of growth opportunity. An example is Lowcountry Housing Trust, which started on a modest growth trajectory a few years ago and is now seizing opportunities in the current housing market to grow. Sometimes by surprise, the stars line up just right and skilled people quickly mobilize smart strategy and extant capacity to succeed. For example, Alabama tax reform advocates had been at work for over a decade mobilizing grassroots, legislative and partner relationships to increase the tax threshold for low-income people. Suddenly in 2005, when advocates believed the bill would not pass yet again, the Senator championing the bill saw a less contentious than usual environment, introduced the bill and it passed with support from the advocates. The bill increased the income tax threshold from \$4,600 to \$12,600, which lowered taxes for low-wealth Alabamians and put money back into their family budgets.

Place matters.

What works is place-based, dependent on leadership, community infrastructure, local and state policy, local/regional economy and culture. Building new and sustainable community infrastructure to tackle issues related to poverty requires impetus, sustained leadership and core resources from within the community. These resources are rare and stretched thin in most communities, especially rural places. Money and

Obstacles to Building Infrastructure

A stymied attempt to build new education and employment opportunities in Tallulah, Louisiana illustrates factors that undermine building new community infrastructure, including lack or loss of trust among partners, a key leader and organization facing challenges, over-reliance on external resources, political and cultural environment and bad timing.

With support from state and national juvenile justice advocates and several years of hard work, African American leaders in Tallulah, Louisiana closed down a notoriously awful juvenile justice facility in the town. Their vision was to convert the prison facility into a regional community college as a concrete opportunity for their young people and a symbolic alternative to the incarceration of young African American men. They saw opportunities to link the community college to regional employers and to develop an abandoned industrial facility into a manufactured housing business, which would also rely on the community college to train employees. They were making slow but promising progress winning support from the Governor and the Louisiana Board of Regents when the project stalled. Hurricane Katrina hit, distracting everyone's attention. Then the nonprofit organization leading the effort suffered financial and leadership setbacks, eventually closing. Hidden behind the obvious obstacles were racism and divisions in the Tallulah community. The effort lost steam and died.

expertise from outside the community can support but not replace essential community resources.

In communities with a long history of oppression and racism, generations of African Americans and low-wealth people have been shut out of control of their communities. It takes a very long time to break through these barriers to personal efficacy, civic engagement and equity-based economic development. Appalachia and the Alabama Black Belt are examples. Leadership and expertise are scarce when there are few community organizations or other structured opportunities for people to develop their talents. Rural Georgia is a prime example.

The possibility for top-down/bottom-up connections varies dramatically across the Southeast, depending on the presence of players at both levels and their strategic connections. See sidebar below for examples.

Enlightened public and private sector buy-in is particular to each community and state, as we see in Savannah. Across the South, it varies from somewhat helpful to obstructionist, playing out historical and cultural patterns unique to place.

Various states are reacting differently to the new federal activism on poverty and economic recovery. For example, in North Carolina and Tennessee, the

governors and high-capacity on-the-ground groups are actively pursuing federal funding. In South Carolina and Kentucky, the state is inactive, but a few high-capacity non-profits are successfully competing for federal funds. In Mississippi and Georgia, state leadership is hostile to federal funds and the states lack high-capacity groups (outside of Atlanta) to compete successfully. *(Note: The state context changed considerably with the 2010 mid-term elections.)*

Resources matter.

Public and private sector resources are essential and scarce for large-scale impact. The reality in several states is that politics and culture produce little effective government or private sector investment in helping low-wealth people and communities build income and assets, either through public/private sector programs or investment in nonprofit infrastructure. North Carolina, with its tradition of relatively progressive state government, is an exception to the norm in our region. A striking example is the strength of North Carolina's community college system compared to other states in the region, and even nationally.

Social and economic justice advocates are outgunned by traditional lobbyists and special interest groups. Capacity for messaging, strategic communications, and new tools such as electoral data bases and new social media technology is essential and rare with

Possibility for Connectivity

Progress accelerates in places when informal and formal networks of local, state and regional entities connect ideas, capacity and money. An example is NC's strong policy advocacy infrastructure, which includes layers of partners such as grassroots organizing, budget and policy analysis, public education on critical issues, lobbying, a messaging/communications presence and community organizations to implement good policy. In contrast, Georgia's infrastructure for top-down/bottom up connections is weak. GA Budget and Policy Institute's

impact is impeded due to the dearth of policy partners and organized grassroots advocates. Likewise, Appalachian Community Enterprises and its partners could be more effective if GA had a strong state organization to increase policy and programs supportive of small business development. The emerging Central Appalachian Network faces a similar environment and has developed a peer learning network to bring regional and national attention to sustainable development as a legitimate economic development strategy.

social and economic justice advocates. We don't have a realistic handle on how much it really costs to get a big policy win. Prime examples are the contrasting capacity of the forces pro and con diversified economic development in Kentucky and West Virginia, and predatory lending reform in states across the region.

Weak and inconsistent philanthropic support for policy advocacy and for community change greatly impedes progress. The most effective infrastructure organizations are connected to national resources and dependent on national funding. Examples are TN Immigrant and Refugee Rights Coalition, which is connected to grassroots advocates and a national network of immigrant advocacy organizations and funders, and Federation of Appalachian Housing Enterprises, which is connected to community-based organizations, national organizations and federal agencies. Only North Carolina provides significant in-state support that helps to sustain multiple high-capacity policy research and grassroots organizing organizations specializing in a range of social and economic justice issues (e.g. the state budget, community economic development, immigration, education, children and family issues, etc.)

Place-based philanthropy can be an important and under-developed part of community infrastructure for working on equity and poverty. By place-based philanthropy, we mean locally governed and financed philanthropies that invest in their local communities. Very few communities have this resource dedicated to work on equity and poverty. Examples are emerging in the South as a few community foundations and health conversion foundations adopt an equity lens for their work. The leadership provided by place-based philanthropy is equally or more important than their money.

The organizations and networks supported by MRBF are making a difference in the lives of people and communities, on small scales and on larger scales. We are learning about what accelerates and impedes progress. We are seeing the critical importance of leadership, strategy, place and resources. After looking at leveraging MRBF resources and how the context for work on poverty has changed since 2005, we will put the pieces together and consider implications for moving forward.

LEVERAGING MRBF RESOURCES

Our Mid-Course Review Question

- What does progress on *leveraging* Babcock Foundation resources tell us about opportunities and challenges to using the Foundation's financial assets and influence?

What We Expected to Accomplish in Ten Years

1. A percentage (to be determined later) of MRBF's total financial assets are invested in mission-related investments that meet our investment policy requirements; MRBF has influenced other Southeastern foundations to commit assets to mission-related investments.
2. In Southern philanthropy, there is a lively conversation about the difference between charity to provide services to poor people and helping people and places move out of poverty. Three to five Southern funders have increased their investments in helping people escape poverty.

What We Have Accomplished in Five Years and Staff Reflections

Mission Investing

MRBF investment policy now includes guidelines for both PRIs and market-rate mission-related investments. We have not allocated a specific percentage of assets for mission investing but have integrated mission investing values into our policies. We set a goal of making \$6 million in PRIs and significantly increased our PRI portfolio and internal capacity for managing PRIs. We currently hold 13 PRIs totaling \$4,150,000. We continue to look for PRI opportunities and will grow the portfolio in accordance with our investment policy. We hold one market-rate mission investment of \$6,000,000 (3.9% of our total assets) and will look for more in accordance with the new investment policy. Impact of the PRIs is included in the outcomes report accompanying this review.

Influencing Other Southeastern Foundations

We are far from a lively conversation about the difference between charity and helping people and

places move out of poverty. We can point to other foundations that have begun to explore mission-related investments. While we cannot take credit, they are using MRBF as a resource.

A primary strategy is the Network Officer role, which is focused on developing funding partners in priority states. This strategy yields the most success. Our Network Officer presence in South Carolina was key to forging an emerging partnership of conservation and community economic development funders and nonprofits. Sandra's work in Appalachia is central to an emerging partnership of national, regional and local funders and nonprofits. Gladys' and now Lavastian's presence in Alabama has supported in-state funders to work together on an advocacy strategy for increasing early childhood education funding and encouraged one community foundation to support Alabama ARISE, a key organization in tax and constitutional reform.

For the past several years, MRBF staff and board members have led sessions at the Southeastern Council of Foundations annual meeting on topics related to mission investing and moving people out of poverty. We will continue to seek opportunities to advance our theory of change about moving people out of poverty. Gayle's 2010 and 2011 goals include ramping up our strategic communications. (More on this later in this paper.)

Partnering with Foundations Outside the South

While not included in our long-term goals, leveraging MRBF resources through partnerships is a priority. We are currently active in three partnerships (Gulf Coast Funders for Equity, Appalachia Funders Network and CDFI capacity in the Southeast.) We are exploring other potential partnerships. This will continue to be a priority.

UNDERSTANDING OUR CHANGING REGIONAL AND NATIONAL CONTEXT

Our Mid-Course Review Question

- *What has changed in the regional and national economic, political and social environment since 2005? What opportunities and barriers do these changes present for people moving out of poverty? (Note: Our context continues to change since mid-2010.)*

The economic and political environment is very different now. We asked John Quinterno, a labor market expert, to describe the changed economy. Mil Duncan, Director of the Carsey Institute at the University of New Hampshire and national expert on poverty, interviewed six national and three regional colleagues on our behalf. *Their full reports are [Appendices 5 and 6](#).*

The economy is the lead story. As Quinterno summarizes, "Compared to a decade ago, the South has fewer jobs and more unemployment. A smaller share of the prime-age workforce is employed and individuals with jobs, especially low-paying ones, have seen little wage growth. In most states, median household income has fallen, and the share of low-income families has risen. Poverty rates have returned to levels last seen 15 years ago. The difficulties of the last decade are spilling into the current one due to the severity of the recession and the likelihood that the recovery will be a 'jobless' one."

It would be hard to escape knowing the effects of the "Great Recession" and the prospects of a 'jobless' recovery, which are constant headline news and an up-close-and-personal reality to so many people. The deeper story is the changing structure of the economy. The South's manufacturing economy has been disappearing for a generation. The new national and regional reality is that six in ten of the fastest growing occupations require only on-the-job training and will pay very low wages. As Duncan summarizes, "...we are seeing a permanent loss of middle-skill jobs that pay middle-class wages, as well as fewer ladders to better jobs. The nature of the labor market and dearth of quality jobs concerns organizers, policy analysts and development practitioners alike." Quinterno reports that 35% of all Southerners live in low-income households (\$43,668 for a four-person family.) The overwhelming share of these families includes at least one person who is working, and often more than one. The face of poverty includes the working poor, the newly poor and the long-term poor—with fewer opportunities for jobs that pay enough to keep a family out of poverty.

Several of the experts Duncan interviewed pointed out very important battles ahead at the state level over implementation of federal programs, with several Southern governors resisting change. State policy opportunities and battles are also unfolding around the

social safety net, education and economic development policy, all against the backdrop of the states' fiscal distress and inadequate, unfair tax policies. The three regional interviewees all emphasized the importance of changing how people *think* about critical issues such as education and economic development and about how local and state government can approach these areas. People have to be able to *imagine* a different way from what they've always known.

Three issues arise across the interviews: the devastating impact of the incarceration of young men of color; the implications of immigration for anti-poverty work; and the importance of education from early childhood through post-secondary and job training. They also mentioned two positive signs: the return migration of expatriate Southerners who play positive roles in the communities where they resettle; and the generational shift in organizational leadership as younger leaders who are more comfortable moving across race and class replace the old guard. The regional interviewees made the case for investment in organizational capacity building and leadership development in the region.

Duncan sums up her interviews, "Not surprisingly the interviewees spoke about alleviating poverty for people and places very much from the perspective of their own work, whether policy related, advocacy oriented, or development focused. But each expert recognized the importance of a mix of these approaches. Everyone pointed to the fundamental need for human capital development, including building basic educational attainment, workforce skills and leadership capacity in policy, organizing and community development."

MOVING FORWARD

Our Mid-Course Review Questions

- Which parts of our *beliefs and theory of change* about how people and places move out of poverty are testing out to be accurate assumptions and where might we rethink our assumptions?
- Are our current strategy and inputs adequate for achieving our long-term outcomes? What might we

do more or less of? What might we try that we are not already doing?

Background: 2004 Decisions

In 2004-05, we stated our [beliefs about how people and places move out of poverty](#) and our [theory of change](#). [See Appendix I.](#)

In a nutshell, MRBF's strategy for making a difference (from our theory of change) is to invest grants, PRIs, a portion of the Foundation's assets, and its human and reputational resources in:

- Organizations and networks with track records of success related to our beliefs about how people and places move out of poverty.
- Networks or layers of connected organizations that can achieve more together than each organization can alone.
- State and regional infrastructure organizations that are necessary for long-term impact on poverty.
- Learning at the Foundation, with grantees, and in philanthropy that increases impact on poverty.
- Financial investments that advance the Foundation's broad mission.

We concentrate more of our staff time in priority states where we identify core strategies for MRBF investment. We also support opportunities for larger-scale impact across the Southeast.

We Have Chosen Not To:

- Focus on one particular pathway out of poverty (e.g. workforce development, jobs, community development.)
- Run separate grants programs, such as our old Organizational Development and Community Problem Solving programs.
- Run a grants initiative with specific Foundation-defined outcomes and approaches.

MRBF Assumptions That Appear to Hold True Five Years Later

For the last five years, we have focused our thinking, doing and learning on poverty. MRBF's willingness to name poverty, race and class explicitly in its words and actions is a public expression of the Foundation's

historic values. Our theory of change includes learning with grantees and other partners on these tough, complex issues of persistent importance to MRBF and to our region. The following assumptions in our theory of change appear to hold true.

Top-Down/Bottom-Up Connections and Work Across Lines of Difference Are Rare But Do Appear to Accomplish More Than Single Organizations Working Alone.

We draw a couple of lessons and a question:

- Working across lines of difference requires a lot of time and a degree of sophistication that is rare. Where multiple like-minded groups exist, organizing them to get something done is a big enough task. Reaching out to groups who are not like-minded is extremely difficult and rare. *See sidebar examples from South Carolina and Alabama.*
- Connectors and translators are essential, and also rare. All community work and much policy work is based in relationships. Larger-scale impact requires people and organizations that play translator and connector roles across lines of race, class and political difference. Connectors bring human, organizational, financial and technical resources together and connect them toward shared strategy or ends. Scott Douglas from Greater Birmingham Ministries has played a connector role in Alabama. Translators help people and organizations from different perspectives understand and support each other. Wilbur Cave of Allendale, South Carolina runs a CDC, Allendale Alive. He effectively translates among community residents, the public and private sectors, and sits in the South Carolina State Legislature.
- An open question related to working across differences is, “How much diversity is too much to get the job done?” Step-Up Savannah is a living example. A great strength of the effort is the number and diversity of people involved, which has put moving people out of poverty on the front-burner in a city-wide strategy with great potential for impact. The question is whether the relationships and focus will hold together if Step-Up tackles issues where members, such as business leaders and community activists, have different interests. And if they steer

away from issues that might split the partnerships, what impact is lost?

Our Analysis that Poverty Is Associated with Both Personal Actions and Structural Realities Holds True.

This interplay of personal factors (e.g. good choices, hope and efficacy) and structural factors (public policy, the economy, cultural practices) leads to two very important conclusions:

- There is no one silver-bullet solution to moving any person or place out of poverty. Progress requires different combinations of pathways for each person

Working Across Lines of Difference

Working across lines of difference is a long-term endeavor. An emerging example is the SC conservation and community economic development collaborative. After three years of the funders and nonprofits building relationships, these two very different sectors have agreed to support each other’s state policy objectives and are looking for additional ways to work together for the mutual benefit of low-wealth communities and the environment. A longer-standing example is the core players MRBF supports for AL tax and constitutional reform (ARISE, Greater Birmingham Ministries, Voices for Alabama’s Children), who share an end goal: a sound and equitable state constitution. But their missions, strategies and constituencies vary, so bringing their resources to bear towards a common end requires a lot of time and trust building. They also know their ultimate success depends on working with groups who approach constitutional reform from different perspectives, such as business groups, academics and the judiciary. In both examples, actually developing strategy together and staying together over many years of hard work is extremely difficult and highly dependent on the skill and personalities of the people involved.

or place depending on their circumstances. No one pathway or strategy (e.g. education, stable housing, jobs, child care, savings) alone is sufficient; people and places require webs of opportunity and support to move out of poverty.

- An essential part of effective strategy is matching strategy to specific people and places. For example, different approaches work with people caught in generational poverty or people who have dipped into situational poverty, for instance, by losing a job. Different approaches work in city neighborhoods with possibilities to connect to a modest economy or in rural areas with no economic engine. Context matters enormously in applying what works.

MRBF Investment in Both Immediate Impact and Long-Term Capacity Makes Sense.

Moving people and places out of poverty is a long-term endeavor. We face several hard realities. First, our economy is structured to require poverty. Every time one person advances out of a poverty-level job, somebody else takes their old job. This is not going to change any time soon, if ever. Second, for individual people, moving out of poverty usually takes years of effort. Often, their children realize the greater benefit. Even when people make good choices and have opportunity, progress can be slow and tenuous. Third, changing structures such as state and local policy can take years, even a generation. The impact on people can be huge, but it can take a very long time to change policy. Given these realities, we need people, organizations and networks in the region for long-term, highly effective work on poverty.

Our Shift in Thinking from a Focus on Organizations to a Focus on Places Makes Sense.

Prior to 2004, we talked about organizational impact and capacity building—one organization at the time. We now talk about impact and capacity in places, with an emphasis on networks of organizations and “layering” of grants. This significant shift in thinking and strategy has succeeded in focusing the Foundation’s resources and increasing our ability to track outcomes, while maintaining MRBF’s historic openness. We are seeing impact from this approach. We don’t know if it is more or less impact than MRBF’s impact prior to 2004

because we lack a parallel outcomes tracking system for grants prior to 2004. We do know that MRBF is more knowledgeable about specific places in the region (e.g. Appalachia, Gulf Coast, South Carolina, Alabama, Georgia) and a more valuable partner in those places.

MRBF Assumptions We Might Rethink Now

Two topics merit our deeper thinking.

Deeper Analysis of Poverty As a Structural Part of Our Economy

The hard truth is that our economy requires poverty. The latest evidence is our economy shedding middle-income jobs and adding low-wage jobs that keep people trapped in poverty, but poverty has always been structured into our economy. Our 2004-5 discussions and resulting statement of mission and beliefs acknowledged structural barriers and historic disinvestment patterns that contribute to keeping people stuck in poverty. We concluded that “Changes in systems and policies—local, state and/or national—are almost always necessary.” But we stopped short of delving into poverty as a structural element of our economy and implications for people getting and staying out of poverty. What does this reality mean for people’s hope? What does it mean for realistic expectations for moving places out of poverty? What other strategies does it suggest, such as work supports for the working poor or microenterprise and small business development as a source of supplemental income? We cannot assume that employment is a sure pathway out of poverty, or that everyone who wants and is prepared for a decent job will be able to get one.

Accountability

What does accountability to low-wealth people and communities look like, and how is it important? From 1994-2004, we held a high standard for accountability to low-wealth people and communities. We expected grantees to have low-wealth people from the communities they served on their boards and staffs. Our thinking was that direct accountability to low-wealth people was necessary for 1) programs to be most effective; and 2) developing self-efficacy and democratic participation among grassroots leaders.

Since 2004, we relaxed our standard. We expect all organizations to demonstrate respectful relationships with low-wealth people that ground their work in community realities. We do not require organizations to have low-wealth people on their boards and staffs, though many do. This question of accountability and participation merits more thought. What have we gained and what have we lost in this change? What are helpful ways to think about accountability given MRBF's values?

Going Forward: Keep Doing What Works

Our learning suggests that we keep doing these things that are working:

Balanced Focus and Openness

We are focused on MRBF mission, beliefs about poverty and outcomes. We are open to many approaches to making a difference on poverty because most people need multiple, sustained supports to get and stay out of poverty. We find people and places with momentum and get into relationship with them to learn what works where and in what circumstances.

Integrated, Layered Approaches

Continue to concentrate MRBF investment in multiple organizations in places where economic, social and/or political transition is happening or where opportunity and momentum exist. Also, take risks on highly-promising individual people/organizations with the mindset and potential to develop partners in order to achieve greater impact together. Continue supporting multiple organizations working in networks, and provide some “glue” support to enable them to work together. Invest in capacity building for organizations and networks.

Place-Based Focus and Network Officer Role

We understand that what works in one place won't necessarily work in another. Our deep understanding of places helps us spot opportunity, analyze potential for success and make smarter investments. As reflected in our 2009 grantee survey, grantees appreciate our connecting them to ideas and resources, advising on

strategy and learning with them. Working with grantees and other funders in our priority states, we can leverage MRBF resources for greater impact. Just as importantly, MRBF's values call us to work with deep respect for the realities faced by our partners doing on-the-ground work.

Our “Tiered” Approach to Supporting Organizations and Networks

- Place bets on new ideas, new ways of working and emerging networks. If they show success, we support them to take root. Examples of successes are Black Belt Community Foundation and Louisiana Disaster Recovery Foundation. An example of a failure is our investment in developing a community college and new industry in Tallulah, Louisiana. Examples where we don't yet know results are The Benefits Bank, which is attempting to access work supports for low-wage workers, and Central Appalachian Network, which is attempting to develop market-based solutions for local economies.
- Provide steady, sustaining, core funding for effective anchor organizations, especially those such as policy groups that will never have income streams to reduce their reliance on grants and contributions. Examples are policy organizations in Georgia and Alabama.
- Use multiple tools (e.g. grants, PRIs, technical assistance) to help a few of the most promising anchor organizations grow. For example, we have multiple investments in MACED. We have also strengthened a few CDFIs with grants and PRIs. We are getting smarter about analyzing potential for sustainable growth and matching MRBF investment to opportunity. We need to continue developing our toolkit to help organizations grow, such as engaging Nonprofit Finance Fund to help selected grantees and us learn more about financial systems required to support growth.

Long-Term Policy Change

Big changes such as tax reform, economic development policy and immigration reform can take ten to twenty years. A strong infrastructure of grassroots and policy organizations with visionary and capable leadership needs to be in place over a very long time. Now is an opportune time to invest in state policy. The recession and state fiscal crises require new solutions. Change

will happen. The opportunity is to get traction behind policies that benefit low-wealth people; the challenge is to stop policies that would make moving out of poverty even harder.

Direct Services to People

We understand that delivering direct services to individuals can be a powerful complement to large-scale impact and/or systems and policy change. An example is homeownership counseling connected to large-scale neighborhood development and non-predatory mortgages. Another example is work supports for low-wage workers (such as tax credits, child care subsidies, or education loans) connected to asset building, educational opportunity or job advancement. We will not support direct services to people that are not tightly connected to larger-scale impact or policy change.

Going Forward: Do More, Try Something New

Our learning suggests that we deepen our work in the following areas in order to achieve our desired long-term outcomes. All of these areas build on our existing work and capacity.

Invest More in Leaders and Their Development

Leadership tops the list of factors that accelerate or impede progress on poverty. We need to think more deeply about MRBF's role in nurturing and advancing leadership for work in the region consistent with the Foundation's values and with what we and our partners are learning about moving people and places out of poverty. The region needs more visionary, entrepreneurial leaders who can craft and implement strategy, build organizations and partnerships, work across differences, play connector and translator roles, adapt to changing circumstances, consistently make progress with partners toward large-scale outcomes, and stay accountable to low-wealth communities—just to name a few qualities. The generational transfer of leadership is real in our region and presents opportunities for more effective organizations and networks with greater impact. We need more leaders who are people of color. Thirty-six percent of organizations supported by MRBF are led by African American or Latino CEOs. A significant part of the

talent pool in our region is not supported to move into leadership roles. We need them. Opportunities exist for us to partner with others to invest in new leadership.

ACTION: We will continue our current investments in leadership development and be more explicit about how and why MRBF invests in leadership development for helping people and places move out of poverty. We will explore ways to invest more in emerging leaders who are advancing work on poverty in our region.

Build MRBF's Organizational Capacity for Influence

In order to achieve our long-term goals for influence in philanthropy, we need to get as clear and strategic about the Foundation's influence as we are about MRBF program strategy. Three things are clear. First, we are experts on philanthropy. We are not experts on the specific pathways out of poverty (e.g. housing, jobs, education, non-predatory financial services.) We know as much as anybody in the country about how philanthropy can work on issues of poverty. We have a perspective and set of experiences that make us good partners and influential within philanthropy. We have practices and skill sets for peer learning and applying what we learn. These are MRBF assets we are not currently using as powerfully as we could—and as we successfully used to promote investment in organizational development. Second, we need deeper strategic thinking about influence. Who, exactly, do we want to influence towards what thinking or behaviors? Who do we want to influence us? What's our theory of change about influence? What is our strategy? Third, our existing organizational capacities lay the groundwork for going forward, but are no longer sufficient in today's world to accomplish our long-term goals of influence in philanthropy. We need expert help in areas such as strategic communications and social media. We need to invest in new systems, such as a significant website redesign and other online presence. These significant investments of human and financial resources should follow a crystal-clear analysis of purpose and impact to advance MRBF's mission.

ACTION: We will develop the Foundation's communications capacity by hiring a Communications Officer and developing a strategic communications plan.

Support More Southern Place-Based Philanthropy with an Equity and Poverty Lens

New opportunities and partners exist now to grow philanthropic resources in the region. The Danville Regional Foundation and the Cameron Foundation are strong learning partners and advocates within philanthropy. The Alabama Black Belt Community Foundation and the Community Foundation of Hazard and Perry Counties in Kentucky represent a new form of community foundation. A few traditional community foundations such as Spartanburg and Greater Atlanta are moving more resources into work with a social and economic equity lens. The Southern Partners Fund is doing exciting work under new leadership. MDC has a successful approach to helping traditional foundations move toward embracing an equity lens. The Center for Rural Strategies is working on building rural philanthropy nationally. MRBF knows as much as any funder about place-based philanthropy from our years of experience. We could play peer and convening roles to connect resources, advance peer learning and build a network of advocates within Southern philanthropy.

ACTION: We will remain open to the most promising opportunities to partner with and support Southern place-based philanthropy working on moving people and places out of poverty.

Encourage New Ideas for Work on Poverty

We could invest more in new ideas that work by supporting people, organizations and networks to try new things, learn from them, incorporate what they learn into ongoing practice, and spread ideas. We have supported visionary people to start new community foundations accountable to their communities. We have supported CDFIs to develop and test new products. We are helping a very few organizations try bold new approaches. We could support more new solutions from people we don't now know by doing several things, including partnering with others who already invest in innovators, building a regional network of people and organizations trying out new ideas, and highlighting new ideas in our communications. Increased MRBF capacity for influence and communications dovetails with these activities.

ACTION: We will remain open to the most promising opportunities to partner with and support new approaches to working on poverty.

Consider Doing Less

Doing less is hard for “a bunch of overachievers,” as Kevin Bolduc from the Center for Effective Philanthropy described us when interpreting our grantee survey last year. But we are capable of doing less—or at least doing different. We no longer support one organization working in isolation, no matter how compelling the need or mission. This discipline has been a challenge for both the board and the staff. We have done less of specific things as we learned over the past five years, such as our decision to support housing work only when it is connected to other pathways out of poverty. We are fairly adept at learning and making adjustments as we go, so nothing we are currently doing is a failure to be stopped.

There are two reasons to consider doing less at this mid-point. First, we have fewer financial resources than we projected in 2004, when we expected our grants to grow to \$10 million annually. Second, our human and financial resources might accomplish more with a little more focus.

MRBF spending policy is relevant to decisions about doing less. The IRS requires foundations to spend at least 5% of their assets annually on qualified distributions. MRBF considers this a “floor” and uses an internal spending policy as a “ceiling.” The intent of our spending policy is to maximize the Foundation’s short-term impact through grants and other program expenses while maintaining the long-term, inflation-adjusted value of the Foundation’s assets for future impact. Based on historic investment return and inflation data, our current spending policy allows for annual spending of 5.5% of a twelve-quarter rolling average of Foundation assets. In the wake of the 2008 stock market decline and ensuing recession, the MRBF board decided to suspend our spending policy and maintain grants at the 2008 level (roughly \$7 million) through 2011. Our thinking was that needs and opportunities for impact on poverty would escalate through the recession, and our dollars could make a significant difference. We also worried that other private and public funders would reduce spending, which would

harm key infrastructure organizations in our region. With the spending policy suspension ending in 2011, we considered spending options and implications during 2010. We looked at tradeoffs between short-term and long-term impact and at projected impact on the MRBF endowment.

ACTION: We will increase our spending allowance from 5.5% to 6% for 2012-2014 in order to maintain grants and impact at roughly our current level. In a best-case investment return scenario, the annual grants budget remains at \$7 million; in a worst-case scenario, grants are gradually reduced to a little under \$6 million annually. In 2014, we will review the effect of this increased spending allowance on the endowment.

MRBF is a place-based funder looking for opportunities to layer and connect people, organizations and strategies in particular states or communities. Therefore, “doing less” means less in some places in order to focus more resources on fewer places where need and opportunity for impact coexist.

ACTIONS:

- North Carolina: We will commit up to 10% of MRBF grants and PRIs to N.C., which is slightly less than our current investment. Given N.C.’s unique abundance of philanthropic and public-sector resources relative to other Southern states, we will focus N.C. grants and PRIs on opportunities for large-scale innovation and impact. Also, we realized that our past rationale of supporting new N.C. developments that can be replicated in other states is faulty. MRBF support contributes to success in N.C. but seldom translates into capacity or impact in other states.
- Gulf Coast: We will focus on the Mississippi Gulf Coast and do less in New Orleans. We will review a revised strategy paper for the Gulf Coast at our June 2011 board meeting. Our rationale for this decision is that post-Katrina funding has concentrated on New Orleans, and continues to do so. Our presence in New Orleans now adds little relative value. The Mississippi Gulf Coast has been largely ignored by national funders, although

there is opportunity to build new infrastructure for impact on poverty there.

- Local community efforts: We will support local community efforts only in priority states (Alabama, Georgia, South Carolina, Appalachia and Mississippi Gulf Coast). In these priority states, in order to compete successfully for MRBF support, local efforts must 1) connect to statewide networks for larger-scale impact than they can achieve alone; 2) anchor local or multi-county work with significant impact; or 3) test new ideas that could connect with statewide efforts or introduce new approaches to work on poverty. We will consider very rare exceptions for local community efforts outside priority states when they present exceptional opportunity for larger-scale impact.

CONCLUSION

At this mid-course point, the evidence points to no dramatic changes. We see progress toward our long-term goals of direct impact on people now and building community infrastructure, policy and anchor organizations for the long term. Our strategy remains sound because it constantly evolves based on our learning with grantees and other partners. Beginning in 2011, we will begin implementing actions based on this mid-course review.

APPENDIX 1

Mission and Beliefs of the Mary Reynolds Babcock Foundation

The Mary Reynolds Babcock Foundation assists people in the Southeast to build just and caring communities that nurture people, spur enterprise, bridge differences and foster fairness. Our mission is to help people and places to move out of poverty and achieve greater social and economic justice. We support organizations and networks that work across race, ethnic, economic and political differences to make possible a brighter future for all.

We believe in the responsibility and power of individuals—including youth and young adults—to improve their own lives and to act collectively to increase opportunity for themselves and their communities. All human beings have the potential to be productive citizens, yet individual responsibility is not enough. Social and economic transformation in low-wealth communities requires changes in historic disinvestment patterns and removal of structural barriers.

We value democracy and inclusiveness. We believe in working with people in low-wealth communities to shape their own destiny. We believe that working across differences is essential for sustaining our democracy and for expanding economic opportunity.

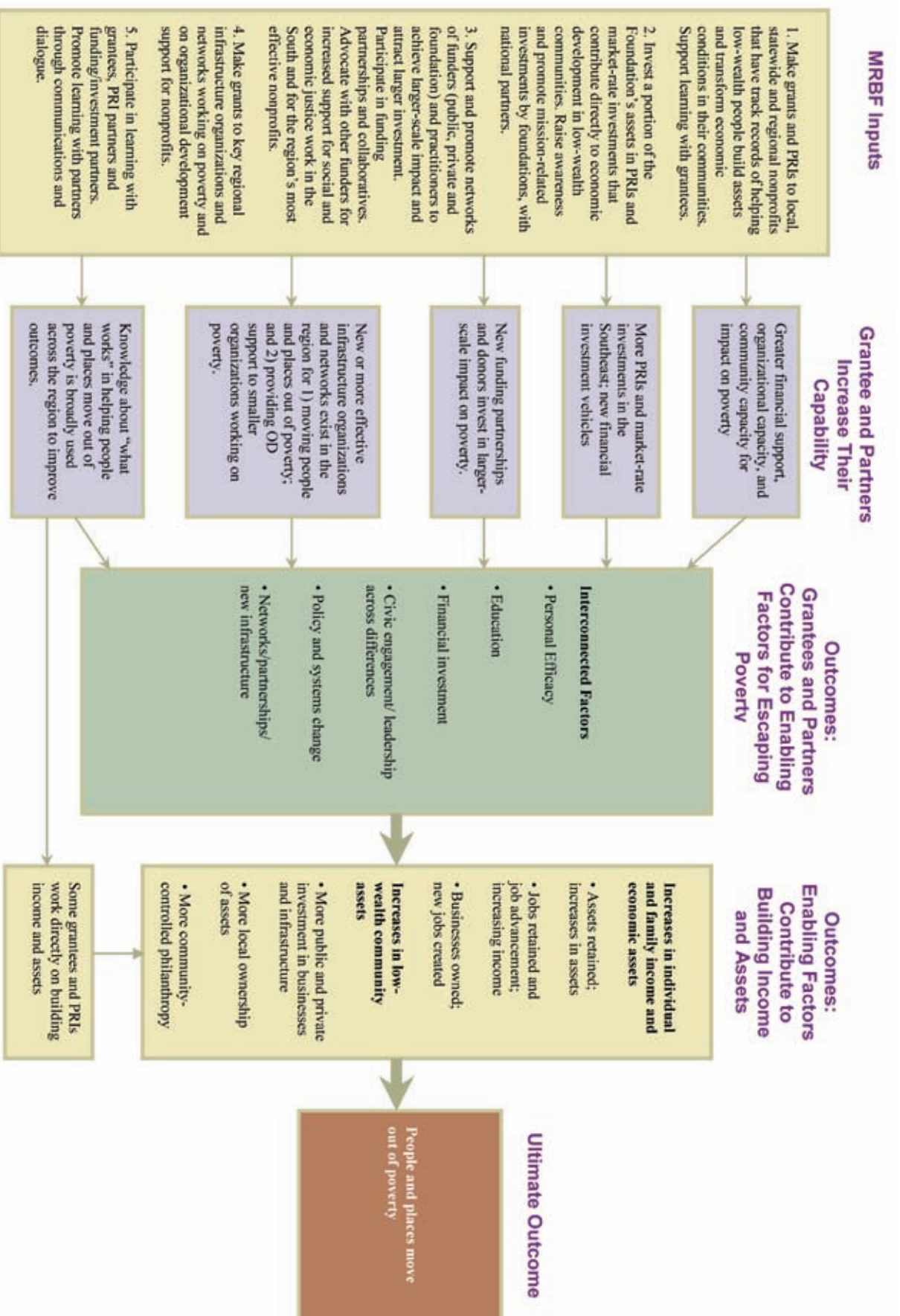
We hold the following beliefs about how people and places move out of poverty.

- People have better chances at escaping poverty when they believe in themselves, make good choices and have access to fundamental opportunities, which include excellent education, social networks that connect them to work and to the larger society, living-wage jobs and fair financial institutions.
- Ownership of assets such as homes, businesses and savings is essential for moving and staying out of poverty.

- These basic societal advantages require a solid infrastructure and consistent investment in order to secure these advantages in low-wealth communities. Changes in systems and policies—local, state and/or national—are almost always necessary. Long-term public and private investment is also essential.
- Connections are vital. Grassroots, community-led organizations must be connected with key institutions in their states, the Southeast or across the nation in order to achieve large-scale, lasting changes. On a bigger level, local economies must be connected to regional economies.
- Young people can take on leadership roles that improve their own lives, make contributions to their communities and prepare them for lives of active citizenship.
- Large-scale, lasting change requires skilled individuals and effective organizations working for social and economic justice with a broad range of allies.
- Change takes time. Changing the conditions that cause persistent poverty is incremental, non-linear and long-term work that is dependent upon a combination of sound strategy, serendipity and intuition.

The Foundation seeks partners who share our mission and beliefs, and we honor the impact, integrity and creativity of people across our region already engaged in this work. We currently make grants to local, statewide and regional nonprofits in the Southeastern United States that have track records of helping low-wealth people build assets and transform economic conditions in their communities.

HOW MRBF HELPS PEOPLE AND PLACES MOVE OUT OF POVERTY



APPENDIX 2

Mary Reynolds Babcock Foundation Long-Term Outcomes *Board approved October 2008*

The Question

- In ten years, what difference will MRBF's \$80–100 million have made? For what outcomes do we hold MRBF accountable?

These outcomes flow from our theory of change about how people and places move out of poverty. We believe that progress for people and places is accelerated when policy, community infrastructure and statewide and regional institutions reinforce each other--in other words, when work at these various levels is “layered.” We will assess progress on the following outcomes and the interplay among these outcomes.

People and Places

1. A significant number of people have increased their income and/or built assets. MRBF will have supported the work of approximately 250 organizations that directly helped low-wealth people increase their income and build assets (personal and financial) toward the ultimate goal of getting and staying out of poverty. Note: We could report a rough count of the number of people who increased their income and/or built assets in various ways at some point in the ten years; we could not count the number who got and stayed out of poverty.
2. Five to seven local communities have established new networks or infrastructure that are helping large numbers of people increase income and build assets. Some will focus on one approach (e.g. asset development policies, workforce intermediaries, educational opportunities, economic development projects) and others will link two or more approaches together. “Large” is relative to the size of the community.

Policies and Systems

3. State policies are passed, funded and implemented in every MRBF priority state that actually do help large numbers of low-wealth people and communities increase income and assets (e.g. tax reform, economic development policy, education policy.)
4. At least 12 state or regional infrastructure organizations or networks are effective at working on

poverty and are financially sustainable. “Effective” means they can show impact on increasing people’s income and assets, are connected to and influencing policy and systems and are connected to low-wealth communities. “Sustainable” means they are positioned to be effective at least through the next decade because they have strong and deep leadership, a dependable and adequate financial base and strong relationships with key partners; they apply their resources strategically toward the most promising opportunities for impact.

Leverage

5. A percentage (to be determined later) of MRBF’s total financial assets are invested in mission-related investments that meet our investment policy requirements; MRBF has influenced other Southeastern foundations to commit assets to mission-related investments.
6. In Southern philanthropy, there is a lively conversation about the difference between charity to provide services to poor people and helping people and places move out of poverty. Three to five Southern funders have increased their investments in helping people escape poverty.

An Assumption About How We Work

Innovation and learning are important. MRBF took enough risk to claim high success on 1/3 of our investments, moderate success on 1/3 and disappointment/failure on 1/3. We engaged with partners and colleagues to learn from all investments, including failures, and advanced knowledge about what works in which contexts.

Using These Outcomes

The point here is not to check “yes” or “no” in ten years. The purposes are: 1) to establish clarity in our expectations for the difference MRBF will make; and 2) to have a management tool for reflecting on progress and making adjustments along the way. The outcomes we track across all grantees map to these long-range outcomes.

APPENDIX 3

Grantees' Impact on State Policy

MRBF Goal: State policies are passed, funded and implemented in every MRBF priority state that actually do help large numbers of low-wealth people and communities increase income and assets.

State	Goal	Achievements as of Spring 2010
AL	Tax and constitutional reform	<ul style="list-style-type: none"> ■ Income tax threshold raised from \$4600 to \$12,600, resulting in \$40 million in tax savings for 800,000 households with annual incomes less than \$20,000 ■ Property tax for education increased
GA	Tax reform	<ul style="list-style-type: none"> ■ Defeated elimination of property taxes ■ Defeated tax & expenditure limitation bill ■ Governor vetoed tax breaks for corporations that would have resulted in a \$1 billion loss of state revenue and reduced funding for programs that help low-income people ■ Expanded Medicaid to foster children up to age 21
SC	Community economic development	<ul style="list-style-type: none"> ■ Local housing trust fund enabling act ■ \$1.5 million for CDCs
KY	Minimum wage	<ul style="list-style-type: none"> ■ Increased minimum wage from \$5.85 to \$7.25
LA	Rebuilding after hurricanes	<ul style="list-style-type: none"> ■ \$25 million for state housing trust fund ■ Changes in the Road Home program that resulted in aid to tens of thousands of home owners ■ \$75 million from LA Recovery Authority for mortgage assistance for low-wealth homeowners ■ Preserved funding for rental housing development in hurricane affected areas
AR	Asset building Education reform	<ul style="list-style-type: none"> ■ Increased minimum wage which added \$91 million to the wages of 56,000 low-wage workers ■ Cut grocery tax and raised threshold for income tax removing over \$17 million annually in tax burdens on low-income people ■ \$1.1 million increase for IDA programs ■ Increased pre-school programs funding to \$111 million to provide access to pre-school programs for all eligible children ■ Defeated attempt to cut restaurant workers and other tipped employees out of the minimum wage increase

State	Goal	Achievements as of Spring 2010
MS	Education	<ul style="list-style-type: none"> ■ Full funding for MS adequate education program totaling \$4.4 billion in FYs 2008 and 2009 ■ First ever statewide dropout prevention guidelines ■ Defeated charter school legislation that would have funded re-segregation of schools
NC	Education	<ul style="list-style-type: none"> ■ Increased funding for disadvantaged students (\$23 million over 2 years) and low-wealth schools (\$7 million over 2 years) ■ Established recurring budget (\$13 million) for dropout prevention ■ New rights to suspended students to make up exams and class work, and to notify parents of student suspensions
TN	Tax reform <hr/> Immigrant integration	<ul style="list-style-type: none"> ■ Lowered food tax by 0.5%, resulting in \$40 million tax savings for all Tennesseans <hr/> <ul style="list-style-type: none"> ■ \$32 million increase for English language learners ■ 98 of 100 anti-immigrant bills stopped
VA	Education <hr/> Tax and economic policy	<ul style="list-style-type: none"> ■ Increased spending for early childhood programs by \$35 million, serving 7,000 additional 4-year-olds ■ State board adopted alternative to out-of-school placements for disciplinary action ■ Stopped anti-tax efforts to cut public education budget <hr/> <ul style="list-style-type: none"> ■ Revised tax rates, exempting 150,000 low-wage workers from income tax, saving them \$27.4 million in taxes annually ■ Limits on payday lending ■ \$6 million increase in child care subsidies

APPENDIX 4

Effectiveness and Sustainability of State and Regional Infrastructure Organizations

MRBF Goal: At least 12 state and regional infrastructure organizations or networks are effective at working on poverty and are financially sustainable.

Highly Effective and Sustainable Now ● on map

[Federation of Appalachian Housing Enterprises](#), Berea, KY

[Latino Community Credit Union](#), Durham, NC

[Mountain Association for Community Economic Development](#), Berea, KY

[Southern Bancorp](#), Arkadelphia, AR

Promising Potential to Grow Impact and/or Sustainability ● on map

[Louisiana Disaster Recovery Foundation](#), Baton Rouge, LA

[Central Appalachian Network](#), Berea, KY

[Natural Capital Investment Fund](#), Shepherdstown, WV

[Appalachian Community Enterprises/GA Green Loan Fund](#), Cleveland, GA

Solid Performance Organization ● on map

[Alt.consulting](#), Pine Bluff, AR

[ARISE Citizen's Policy Project](#), Montgomery, AL

[AR Advocates for Children](#), Little Rock, AR

[AR Public Policy Panel](#), Little Rock, AR

[Enterprise Corporation of the Delta](#), Jackson, MS

[Federation of Southern Cooperatives](#), East Point, GA

[GA Budget and Policy Institute](#), Atlanta, GA

[Kentuckians for the Commonwealth](#), London, KY

[Mid-South Delta LISC](#), Greenville, MS

[MS Center for Justice](#), Jackson, MS

[NC Justice Center](#), Raleigh, NC

[Rural Advancement Foundation International](#),

Pittsboro, NC

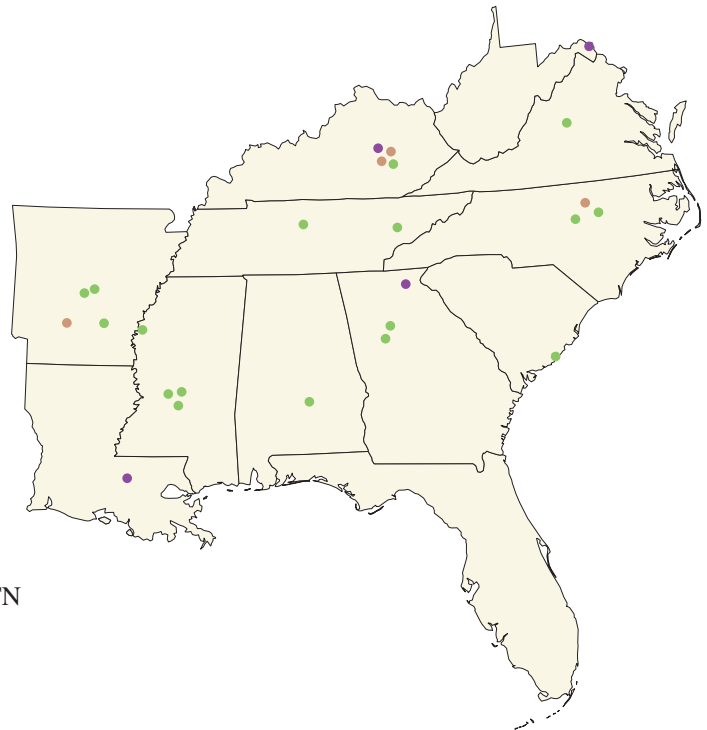
[Southern Echo](#), Jackson, MS

[SC Association of CDCs](#), Charleston, SC

[TN Immigrant & Refugee Rights Coalition](#), Nashville, TN

[Tennesseans for Fair Taxation](#), Knoxville, TN

[Virginia Organizing Project](#), Charlottesville, VA



Not Sustained or Uncertain Future

KY Economic Justice Alliance, Lexington, KY

Southern Rural Development Initiative, Raleigh, NC

APPENDIX 5

The South's Difficult Decade: Jobs, Employment, Income & Economic Hardships, 2000-2009

John Quintero

Even before the onset of the “Great Recession” in December 2007, the 2000s had proven to be a difficult decade for Southerners, especially low-income ones. The decade began with a recession (2001) that gave way to a weak expansion (2001-2007) that ended in the most severe downturn of the postwar era.

Compared to a decade ago, the South has fewer jobs and more underemployment. A smaller share of the prime-age workforce is employed, and individuals with jobs, particularly low-paying ones, have seen little wage growth. In most states, median household income has fallen, and the share of persons living in low-income families has risen. And the decade cost the region many of the gains made during the 1990s; in many states, for example, poverty rates have returned to levels last seen 15 years ago.

Contrasting the 2000s to the 1990s illustrates the link between strong labor markets to economic opportunity. A full-employment economy and supportive public policies allowed individuals to find jobs and better make ends meet during the 1990s, and the reversal of those conditions contributed to the economic difficulties of the 2000s.

Alarming, the difficulties of the last decade are spilling into the current one due to the severity of the recession and the likelihood that the recovery will be a “jobless” one. Absent change, the South’s low-income people and places will continue to struggle.

To better understand the challenges, this briefing paper uses public datasets to document regional trends in employment, jobs, wages, income and hardships.

A Decade without Job Growth

The business cycle that stretched from 1990 to 2001 was a period of rapid job growth in the South.

The total number of payroll positions grew by 4.1 million (24%) with every state posting double-digit growth rates.

The 2001 recession ended that growth. While the downturn was relatively short and shallow at the national level, it exacted a heavy toll from southern communities, especially rural ones. Between March and November 2001, the South lost, on net, 338,000 positions or 1.6% of its total jobs base.

Unfortunately, job growth never returned to the 1990s pace. During the business cycle that ran from 2001 to 2007, southern payrolls netted 858,000 positions—a 4.1% increase. Yet those modest gains have been lost during the recession that began in 2007. Since then, the region has shed, on net, 1.4 million positions or 6.5% of its total jobs base.

The ongoing recession has erased the job growth that occurred during the expansion. Overall, the South ended the decade with 12.4% or 480,000 fewer jobs than with which it started. Apart from North Carolina and West Virginia, every state posted net job losses during the decade (*Figure 1*).

Figure 1: Change in Seasonally-Adjusted Payroll Employment, Southern States, 1/00–12/09



Source: South by North Strategies, Ltd. analysis of Current Employment Statistics, U.S. Bureau of Labor Statistics

4/12/10

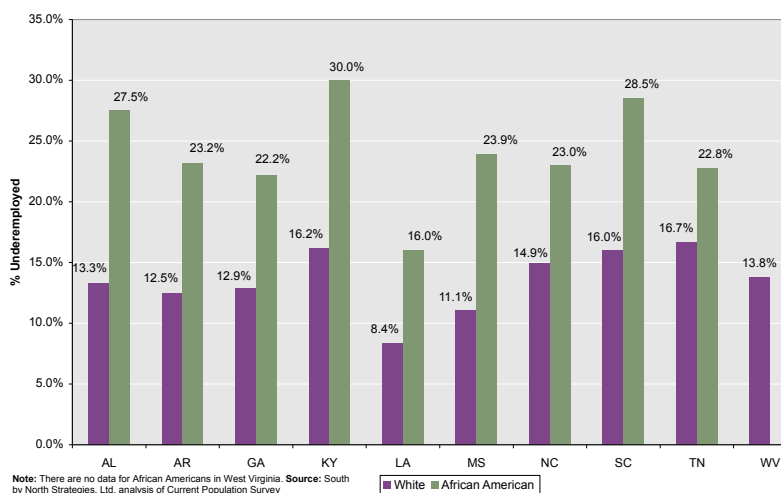
A Decade of Rising Joblessness

The South's inability to create enough jobs to accommodate its growing workforce led to a jump in joblessness. Over the decade, *unemployment rates* more than doubled in all but two states. In 2000, no state had an unemployment rate *above* 5.6% (Mississippi), but by 2009, no state had a rate *below* 7.1% (Louisiana).

Yet the unemployment rate actually understates joblessness. More useful is the *underemployment rate*, which counts the share of the (adjusted) labor force that is unemployed, working part-time on an involuntary basis, or marginally-attached to the labor market. Rates rose during the 2000s, and by 2009, underemployment equaled or exceeded 15% in all but two southern states.

Although joblessness is a broad problem, it harms some groups more than others. During the recession, men, African Americans and young adults have been particularly affected. In 2009 the underemployment rate among African Americans exceeded 20% in every state but Louisiana (Figure 2). Similarly, national data show that men have accounted for 70% of all job losers and that a quarter of the unemployed are age 25 or younger.

Figure 2: Underemployment Rates by Racial Group, Southern States, 2009



Weak job markets also have reduced employment among prime-age workers (ages 25-54). In every southern state, a smaller share of that population was employed in 2009 than in 2000; in Alabama the share of such workers with a job fell from 79% to 69%. This

matters for two reasons. First, workers in this age range tend to be quite productive. Second, such individuals head the vast majority of households with children.

A Decade of Industrial & Job Change

During the 2000s, the South's industrial and occupational profile continued to shift from manufacturing towards service and retail. Just consider that, by mid-decade, service and retail industries accounted for 70% of all private-sector jobs.

The development of an economy based on service and retail industries has knocked the economic legs out from under many working Southerners and from many small metropolitan and rural communities. The traditional manufacturing community of Hickory, North Carolina, for example, lost 53.1% of its manufacturing employment base between 2000 and 2009.

Such trends likely will continue. The U.S. Bureau of Labor Statistics (BLS) estimates that national manufacturing employment will contract at an rate of 0.9% between 2008 and 2018, while service employment will expand at an annual rate of 1.2%. It is important to note that employment trends appear

to be stabilizing. If forecasts hold, service fields will account for 78.8% of national employment in 2018, up from the 2008 level of 77.2%. Put differently, the employment profile of the future will resemble closely the current one, though the types of goods and services produced by those fields likely will evolve.

The Role of Education & Skills

Emphasizing on education and workforce skills has been one response to economic change. Education and skills indeed increase the odds of finding a quality job, but many of the occupations expected to have the greatest number of openings require little formal education. According to

the BLS, just four of the ten occupations expected to have the most openings between 2008 and 2018, require postsecondary education; the rest require on-the-job training (Figure 3).

Figure 3: Ten Fastest-Growing U.S. Occupations, Ranked by Numerical Change, 2008-2018

Occupation	# Change (in 000s)	% Change	Annual Wages	Educational Qualifications
Registered Nurses	581,500	22.2%	\$51,540+	Associate Degree
Home Health Aides	460,900	50.0%	< \$21,590	Short-term Training
Customer Service Representatives	399,500	17.7%	\$21,590-\$32,380	Moderate Training
Combined Food Preparation + Serving Workers	394,300	14.6%	< \$21,590	Short-term Training
Personal + Home Care Aides	375,800	46.0%	< \$21,590	Short-term Training
Retail salespersons	374,700	8.4%	\$21,590-\$32,380	Short-term Training
Office Clerks (General)	358,700	11.9%	Low	Short-term Training
Accountants + Auditors	279,400	21.7%	\$51,540+	Bachelor's Degree
Nursing Aides, Orderlies, + Attendants	276,000	18.8%	\$21,590-\$32,380	Vocational Training
Postsecondary Teachers	256,900	15.1%	\$51,540+	Doctoral Degree

Source: Employment Projections Program, U.S. Bureau of Labor Statistics

The Role of Small Business

Another common response to industrial and occupational change is to emphasize entrepreneurship and small business development. Such strategies are favored based on the belief that small businesses are engines of job growth.

During the 2000s, the South did see an uptick in small business activity. Between 2000 and 2006, the latest year for which data are available, the number of southern firms with nine or fewer employees rose by 4.5%. Similarly, the number of non-employer firms, meaning those with no paid employees, grew by 38% between 2000 and 2007. Other Southerners likely engaged in entrepreneurship on a less formal basis.

When looking at small businesses, it is important to keep four points in mind. First, most small firms have no paid employees. Similarly, even firms some employees (nine or fewer) accounted for just 10% of region's payroll employment in 2006. Second, many small businesses have modest sales. In 2007, the average southern non-employer firm had receipts of just \$43,000. Third, many small firms with employees offer wages and benefits lower than those found in larger firms. Finally, firms in distressed communities often struggle with profitability. Given the labor market problems discussed earlier, this likely has been a constant concern.

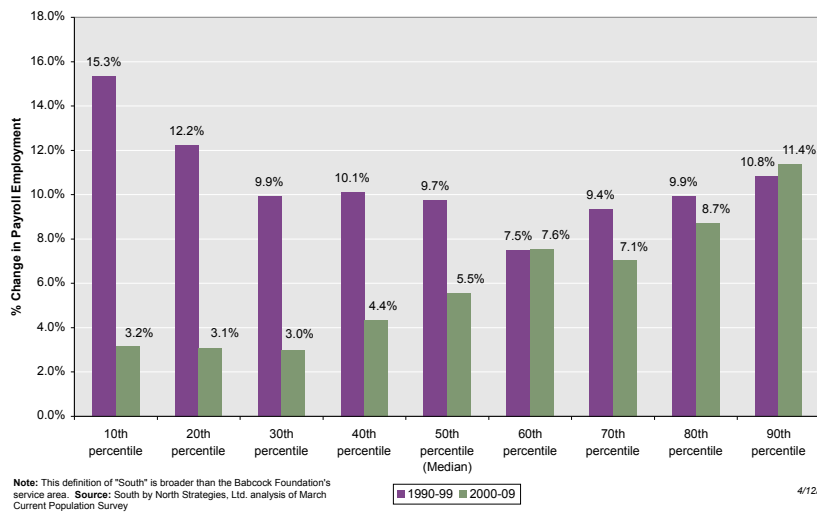
A Decade of Wage & Income Stagnation

Coupled with changes in public policy, the combination of weak job growth, widespread joblessness and industrial limited wage growth during the 2000s.

Thanks to a full employment economy and the adoption and expansion of public policies supporting low-wage workers (e.g. increases in the minimum wage and federal EITC), the 1990s were a time of rapid, fairly equitable wage growth across the South. Adjusting for inflation, the median hourly wage in the South rose by 9.7% over the course of the 1990s, climbing from \$12.93 to \$14.28. All wage groups saw significant increases with workers in the lowest two wage tiers enjoying the largest increases in percentage terms.

This pattern ended in the 2000s (Figure 4). Since 2000, the median hour wage, adjusted for inflation, rose by 5.5%, inching up from \$14.28 to \$15.07. Wage growth slowed markedly for workers in the bottom half of the wage distribution while the top two income groups experienced the largest gains in both dollar and relative terms. As a result, wage inequality widened. Between 2000 and 2009, workers in the highest wage group went from earning 4.1 times per hour as much as those in the lowest group to earning 4.5 times as much; in contrast, this wage gap narrowed over the course of the 1990s.

Figure 4:
Percent Change in Hourly Wages (in 2009\$), By Decile, South, 1990s vs. 2000s



Because most households derive most of their annual incomes from wages, slow wage growth serves to tamp down household incomes. During the 1990s, the inflation-adjusted annual income of the typical household rose in every state, but during the 2000s, median household income fell in six states and grew slightly in the other three.

A Decade of Rising Economic Hardships

Weak wage and income growth contributed to a rise in economic hardships during the 2000s. This is not surprising given that the majority of families with children—including an overwhelming share of low-income families—work. Sluggish growth in the bottom of the wage distribution increases the economic pressures placed on low-income families and increases the odds that some will slip into poverty.

Between 2000 and 2008, the latest year for which data are available, the share of Southerners living in poverty, as measured by the outdated federal poverty level (which was \$21,834 for a four-person family) rose steadily, climbing to 15.4% from 13.4%. Additionally, poverty rates rose in every southern state except for Arkansas and West Virginia. Consequently, much southern progress against poverty has been reversed, and poverty rates in many states now stand at levels last seen 15 years ago.

Owing to data limitations, the poverty measure does not yet capture the hardships caused by the recession in 2009. Using Food Stamp caseload

data as a proxy, however, suggests that poverty is rising. Between January 2009 and February 2010, the number of persons receiving food assistance grew by 1.4 million—a number roughly equal to the population of metropolitan Nashville, Tennessee. In February 8.6 million southerners participate in the Food Stamp program: this equals the combined populations of Louisiana and Kentucky.

The 2000s also saw jumps in the number of persons with low-incomes, defined as twice the federal poverty (\$43,668 for a four-person family). The share of such persons rose, and by 2008,

35% of all southerners were living in low-income households. Specifically, 15.4% of Southerners had incomes below the poverty level while 19.7% had incomes between one and two times of the poverty level (Figure 5). Persons in that category likely are living in households tied to low-wage work and they account for the bulk of low-income persons in every state.

Figure 5: Share of Low-Income Persons, by State and Income Category, Southern States, 2008

State	% Low Income Persons (below 2x poverty level)	% Persons Below Poverty Level	% Persons Between 1x and 2x Poverty Level
AL	35	14.3	20.7
AR	40.2	15.3	24.9
GA	35	15.5	19.5
KY	38.3	17.1	21.2
LA	40	18.2	21.8
MS	42.3	18.1	24.2
NC	35.2	13.9	21.3
SC	36.3	14.0	22.3
TN	38.4	15	23.4
WV	35.7	14.5	21.2

Source: March Current Population Survey

Looking Ahead to a New Decade

Unfortunately, the trends of the 2000s have spilled into the new decade. The ongoing recession has taken a heavy toll from southern labor markets, and while broad economic conditions have stabilized, a full employment recovery appears years away, due to sub-par economic growth and the federal government's reluctance to act.

For its part, organized philanthropy could play three rolls in fostering an equitable recovery. First, it could inform the public debate by supporting the kinds of regional-specific research absent from standard economic and analyses. Second, philanthropy should underwrite effective and innovative responses to local

problems and spotlight effective programs. Finally, philanthropy should support the advocacy needed to ensure that disadvantaged people and places truly benefit from the eventual recovery.

This paper was prepared for the Mary Reynolds Babcock Foundation by South by North Strategies, Ltd. John Quintero was the principal author. Thanks to Gayle Williams for her guidance.

All data in this report were compiled from public sources by South by North Strategies, Ltd. Sources available upon request.

APPENDIX 6

Thinking About Poverty Alleviation and How Conditions Changed Since 2005: *Mil Duncan interviews with regional and national experts, on behalf of the Babcock Foundation, March 2010*

In 2005 the Babcock Foundation adopted a ten year plan to move people and communities out of poverty, and now, five years in, the leadership is taking stock of their work and how changes in the nation and the region affect their strategy. This report summarizes the thinking of nine diverse national and regional experts¹ who provided their insights on new understanding about poverty alleviation and how the world has changed in the last five years. Four interviewees are national policy leaders, two are with national organizing and advocacy intermediaries and three work in community economic development in the Foundation's region.

Not surprisingly the interviewees spoke about alleviating poverty for people and places very much from the perspective of their own work, whether policy related, advocacy oriented, or development focused. But each expert recognized the importance of a mix of these approaches. Everyone pointed to the fundamental need for human capital development, including building basic educational attainment, workforce skills and leadership capacity in policy, organizing and community development.

Current Economic, Social and Political Conditions and Changes Since 2005

The economic downturn has had a profound impact on poor people and communities. Our interviewees saw many accomplishments of the previous decade wiped out, as people lost their jobs and homes, and

even progress developing organizational capacity and infrastructure unraveled. Unemployment in the region has increased dramatically.² States and local governments are experiencing severe fiscal stress across the country and the region, and in response are cutting programs that benefit low income families and communities. This pressure will exacerbate as federal stimulus dollars no longer provide a cushion.

But beyond the current Great Recession, our experts expressed deep concern about how the changed structure of the economy affects poverty alleviation and efforts to build opportunity. Many worry we are seeing a permanent loss of middle skill jobs that pay middle class wages, as well as fewer "ladders" to better jobs. The nature of the labor market and the dearth of quality jobs concern organizers, policy analysts and development practitioners alike.

Before the recession the region was seeing slight improvements in poverty rates and unemployment rates. But even then poverty was very high, and child poverty especially severe, with one out of four children growing up poor. A recent Carsey Institute report found very high young child poverty in the rural South in 2008, where one out of three children under six is growing up poor. New neuroscience and child development research shows how much young child poverty can diminish longer term achievement and stability, so these are deeply troubling conditions. In many ways the rural South is like the nation's distressed inner cities, with

1. Gordon Berlin, President MDRC, New York, NY

Nick Johnson, Director, State Fiscal Analysis Initiative, Center on Budget and Policy Priorities, Washington, DC
Thomas Shapiro, Professor of Sociology and Director of the Asset Institute, Heller School, Brandeis, Waltham, MA
Douglas Besharov, Professor of Public Policy, University Maryland, College Park, MD
Deepak Bhargava, Executive Director, Center for Community Change, Washington, DC
Joe Brooks, Vice President for Civic Engagement, PolicyLink, Oakland, CA
Karl Stauber, President, Danville Regional Foundation, Danville, VA
Bill Bynum, CEO of the Delta Enterprise Corporation and Hope Community Credit Union
Justin Maxson, President, Mountain Association for Community Economic Development, Berea, KY

2. The Carsey Institute examined changes in unemployment in the clusters of counties in Appalachia, Alabama and Mississippi where we surveyed over 3,500 residents in 2007 and 2008, and these chronically poor communities have suffered high unemployment in recent years, above the national average and greater than other rural regions we are tracking. *See Appendix.*

low education, often high numbers of single parent households and the social problems of crimes and drugs that accompany deep poverty.

Our experts cited four recent social and demographic changes with implications for the foundation's work. First, everyone said there is growing recognition, across ideological and political lines, that incarceration of young men of color has been very hard on families and communities. Second, several pointed to the arrival of new immigrants affects the labor market, the profile of the poor and the nature of many poor communities, with implications for antipoverty work. Third, in the South, development practitioners saw a positive sign that there have been increasing numbers of return migrants who may have a positive role in deepening community capacity in the larger, less remote communities where they are settling. And finally, a few mentioned the generational shift, perhaps long overdue, that is occurring in organizational leadership and activism, as young leaders, who are more comfortable moving across class and race, replace the old guard.

Clearly there have been tremendous political changes since 2005. There is a strong commitment in the Obama Administration to policies that make work pay, and we saw several of these get a boost in the Recovery Act, including expansion and reform of the Earned Income Tax Credit (EITC) and Unemployment Insurance, the new Making Work Pay program and improved Child Tax Credit Policies. New federal initiatives like the Promise Neighborhoods and Choice Neighborhoods programs, the Social Innovation Fund, educational reform programs and child obesity initiatives are underway to improve opportunities for poor children and conditions in poor communities, and offer both lessons for non-profits and partnership opportunities for foundations. Everyone sees the passage of Health Reform as a game-changer for those working on building opportunity for low income workers and families. Several experts pointed out the very important battles ahead over implementation—especially at the state level where there will be many choices that can be more or less progressive in their impact.

Finally, the impact of Katrina and Rita not only created severe destruction to communities in the

foundation's region. The programs and collaborative work that emerged in response to the devastation and to the newly available resources have implications for our understanding of development challenges and opportunities for capacity building in the region. People collaborated well, and used resources effectively, showing that when there are resources and they are used with good accountability, the needed organizational capacity can be developed in the region.

Current Thinking on Ways to Support Low Income Children and Families

Our policy and advocacy experts agree there is a growing consensus about what policies are effective to help low income working families: those focused on (1) making work pay (and possible, I would add), (2) quality early childhood education and (3) helping youth make a successful transition to adulthood. Several pointed to compelling new results from experimental programs and interventions that provide models for a range of effective programs—from the Harlem Children's Investment Zone to YouthBuild, Citizen Schools, Youth Villages, charter schools like Green Dot and KIPP and Home Visiting, to name a few.³ Our experts all talked about the ongoing need to make public education work for poor children. Several felt we are learning more about the greater challenges facing fragile, deeply disadvantaged long term poor families, who are often those hardest hit by the growth in incarceration of young males of color. And, as noted above, they all feel a new urgency to address the implications of a restructured economy and labor market. To summarize, these experts agree that:

- Policies that make work pay are critical and have been shown to be effective, though we have not done enough on child care or benefits for single males and noncustodial fathers;
- The labor market is changing as the economy restructures, and more work needs to be done to ensure there are jobs with good wages and benefits as well as safe conditions; workforce skill training needs attention;
- Reducing incarceration through alternative

3. Several of the Obama administration initiatives mentioned above are efforts to replicate some of these effective programs.

sentencing and implementing effective re-entry programs are important and do-able;

- Fragile families, many of whom are single parent families and also feel the impact of incarceration of a family member, need deeper and different support, including not only education and mental health and substance abuse programs, but also help with basic relationship and communication skills;
- Public schools have failed poor children and stronger school leadership in poor neighborhoods has been shown to make a difference even in the toughest places.

Finally, many of our experts cautioned against too much focus on asset building as an end in itself. While they agree assets are valuable, and assuring financial literacy and protection from predatory lenders is vital, most say programs for building assets directly through savings accounts have not achieved scale. Some would urge more policy work to achieve that scale; others argue that in the context of limited resources, efforts should be dedicated elsewhere.

Making Work Pay, Improving Job Quality and Workforce Development in a Changing Labor Market

Policies to make work pay, from the federal and state earned income tax credits to child tax credits, child care subsidies and the new “make work pay” program in the stimulus package, are widely seen as the poverty policy with the biggest impact. Results from the New Hope experiment in Milwaukee show that making work pay programs not only help working adults provide for families and stabilize relationships, but also improve outcomes in school for their children. These are real accomplishments in recent years, and the Foundation’s support for policy analysis and advocates for better policy is well placed.

There are good prospects for making the improvements introduced in the stimulus package permanent under this administration, and ending the Bush tax cuts for the wealthy should provide revenue to support them. However, states’ poor fiscal conditions will threaten programs for low income families, and in the near future there will be many state level

battles over whether to address budget shortfalls with progressive new revenue strategies or regressive taxes and taking back tax relief for low income workers and families. There are examples of some good progressive steps—Virginia has a new state EITC, which, while not refundable, helps; Louisiana enacted a small refundable tax credit; North Carolina enacted a temporary income tax increase on high income families. Successful efforts combine good policy analysis with strong communication in a well developed, adequately funded campaign.

Advocacy for the safety net is still important, including food stamps and making sure unemployment insurance reaches low wage workers. Low income working families struggle to afford child care and find high quality caregivers, and the lack of programs to help single males and noncustodial fathers has a negative impact on those men and on their ability to be good partners and fathers. The child support program in particular is poorly designed and has had unintended negative consequences for these families.

The changes in the structure of the economy, as middle skill manufacturing and production jobs disappear to increased productivity or plants moving overseas for cheaper labor costs, worry everyone. Between 2005 and 2008, the ten southern states lost over 311,000 manufacturing and production jobs.⁴ Half of all jobs created over the next eight to ten years will be low wage, such as home health care workers and other service workers. Even when production jobs remain, wages for new hires are sometimes 50 percent less than for those already employed. This labor market trend may mean that policymakers need to consider restructuring EITC, forgiving payroll taxes for low wage workers, even paying employers.

Organizers want to see a robust overall strategy to ensure full employment that targets the poor and communities of color and restores job quality and job safety. Several talked about advocating for public jobs, along the lines of the WPA, CCC and CETA, including community sponsored jobs in weatherization, other “green jobs,” and child care that go to low income workers. Organizers in Tennessee and Ohio have pushed for direct job creation in weatherization,

4. See Appendix

and seen some success. While several interviewees endorsed ongoing efforts to raise the minimum wage and facilitate collective bargaining, one argued that collective bargaining will not reach down to the very poor. But they all said they want to believe that it is still possible to boost wages and improve the quality of jobs. When the economy was better there were some successes, as in Arkansas.

There was widespread interest in doing more to develop the workforce skills of low income workers, even though such programs do not deliver immediate results. Some thought such a strategy would appeal to the business sector. Everyone spoke about the need for workforce development for the poor, but the verdict on how well we do on job training was mixed. Some argued that evaluations that appeared to find poor results were themselves flawed, and that programs like Job Start and many of the post welfare reform programs work better than the prevailing wisdom suggests. There is recognition that community colleges are paramount here, especially in creating programs to train low skill workers for future green jobs and health jobs.

Incarceration

All our experts brought up the high levels of incarceration and the damage it does to families and communities. There is more work now on alternative sentencing laws, though programs to improve ex-prisoners re-entry into families and communities are also ongoing. There are good ex-offender programs out there, and Public Private Venture studies show we can make a real difference with modest investment. Others cite work supported by Mott, and projects by the Pew Center and the VERA Institute.

Fragile Families

Several experts made a distinction between the needs of the long term poor—who are often suffering from mental and physical health issues, substance abuse, moving a lot and entangled in incarceration—and the new or working poor who benefit from the making work pay policies. These fragile families need extra support to get into the workforce and would benefit from relationship and communication skills. Their children are those in the lowest performing schools.

Effective Schools

Our experts are impressed by charter school results, the effectiveness of small schools, and by the growing evidence that strong, energetic principals can make a difference in seemingly intractable tough conditions in bad schools. Everyone emphasized the need to make public schools work for poor children in poor communities as fundamental to poverty alleviation.

Asset Building

Asset building encompasses policy work to advance programs like Individual Development Accounts and Child Saving Accounts that would provide broad support for low income children and families, policy work to protect low income families from predatory lenders, policy work to end asset restrictions on eligibility for key social support programs and local and regional organizations' efforts to improve financial literacy and help low income families get "banked" and become savers, and then homeowners. Given this wide range of activities that fall under asset development, it is understandable that there are mixed reviews and a range of ideas about how much assets should be the focus of foundation resources and organizations' program activities. While those focused on policy and advocacy are not enthusiastic about asset-oriented policies by and large, those focused on development define their work as asset building.

Community Economic Development in the Southeast

Development practitioners and place-based organizers who focus on getting the economy working for low income workers and their families emphasize the need for both human capital development and building the leadership and capacity of local organizations. Their community economic development work requires a comprehensive and multi-faceted approach. The interconnected strategies include investment transactions, technical assistance, organizational capacity building and changing the frame for regional development through policy work. They each said, in different ways, how important it is for people to imagine themselves and their communities in a better place, so a deliberate part of their work is dedicated

to changing how people think about development and how local and state government approach it. There is consensus then, on three key elements:

1. Insist on better education and create a strong culture that values it and holds educational institutions accountable.
2. Capacity building by anchor institutions to create the organizational infrastructure that can support community economic development.
3. Developing policy that moves resources to low income communities and changing the way people think about development and their own future.

They cite the legacy of underinvestment in the rural South, and the ongoing impact of historical economic powers that still dominate how things work in the region and how people think about their economy. In Appalachia the power of the coal industry to shape the politics of development is a huge obstacle to sustainable development. Historically rural development efforts have focused on attracting branch plants, and some see attracting entrepreneurs as the right strategy for the future. Those entrepreneurs need support, especially when efforts are directed toward low income people. In some cases entrepreneurial strategies in poor rural areas do not reach the poor, but rather benefit those who are already doing pretty well. To reach scale, our development experts want to influence how state development dollars flow.

Investment

While investment and transactions are fundamental to their strategy, finding deals in these poor communities is a challenge and often means a multistate strategy is necessary. Transactions and to some degree technical assistance give their organizations credibility, but will not create development on a large scale by themselves. So they combine their investments, loans and TA with investing in capacity building and trying to affect policy. The recession has hit these organizations hard, and they have had to tighten their own belts and have seen gains made in both housing and business development in the middle of the decade lost in the downturn.

Education

Development practitioners are not directly involved in education, though investment in elementary school and community colleges is part of the Danville Regional Foundation's strategy. But time and again our development practitioners cite the lack a strong education system and the constrained human resources as their primary obstacle. (A lack of adequate financial resources, from banks and large foundations, is the other oft cited problem).

Organizational Capacity Building

These development practitioners' recurring theme is the need to build capacity. They argue there is capacity potential, but it requires long term investment. Even microenterprise development becomes a kind of capacity building that creates "agency" where it did not exist before. They see their roles as anchor institutions to help build organizational capacity in their region, and doing so is what is most needed—more than transactions, more than support for small grassroots groups, though these local organizations are valuable. "Invest in leadership and community institutions' capacity" was a recurring theme for development actors and for organizers.

Policy and Framing the Development Options

And, finally, policy work to reframe how development is understood by both government officials and people in the region is important for achieving long term change.

Summary and Implications for the Work of the Foundation

The recession has taken a heavy toll on the region and the work of the Foundation's grantees and partners, and there is concern that the changed structure of the economy and the labor market will hurt poor and low income workers. The Foundation's investment in state policy work, and advocacy to support good "making work pay" and safety net policies, is important and to be commended.

The changing labor market may mean that the foundation should pay increased attention to workforce and job training.

Health reform is a huge change on the landscape and will have lasting impact on low income families and workers. There will be important debates at the state level, and the Foundations' state policy grantees and partners have an important role to play in ensuring the decisions benefit low income people.

Incarceration, especially of young males of color, has had a terrible impact on poor families and communities. But there is good work underway across the country on alternative sentencing and supportive re-entry. The Foundation might want to help its partners learn about this work, if they are not already involved in it.

More is known about programs that work to support children and youth, both in and out of school. The Social Innovation Fund is a federal effort to

replicate good programs that work and some think the Foundation may want to identify efforts that are funded in the region and support the nonprofits involved. There also may be opportunities for the Foundation to make regional partners more aware of effective programs that could be replicated in the South.

The Foundation's support for anchor institutions and organizational capacity building is highly valued. If anything, the message from our interviewees would be to do as much of this capacity building and leadership development as possible.

To a person, the interviewees expressed sincere admiration and appreciation for the Babcock Foundation's approach to grant making and supporting partners in the region.

Figure 1: Middle-income group is relatively small in southern areas, and lower-income group is larger.

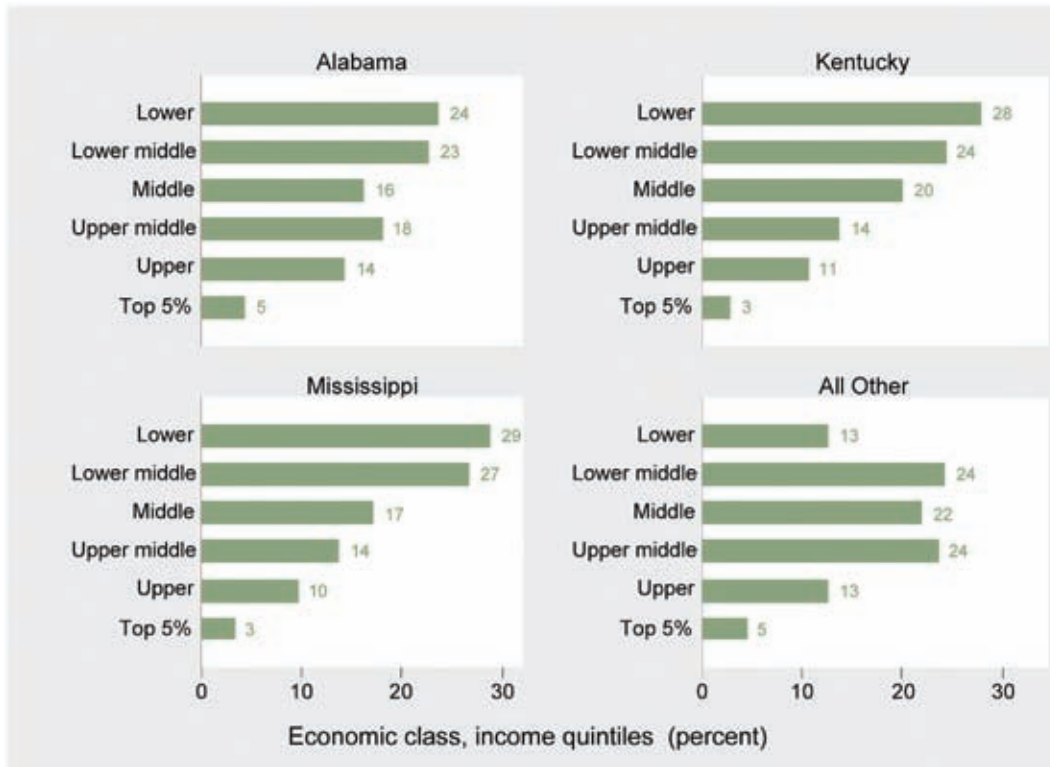


Figure 2: Self-employment is lower in poor southern areas, and disability is higher.

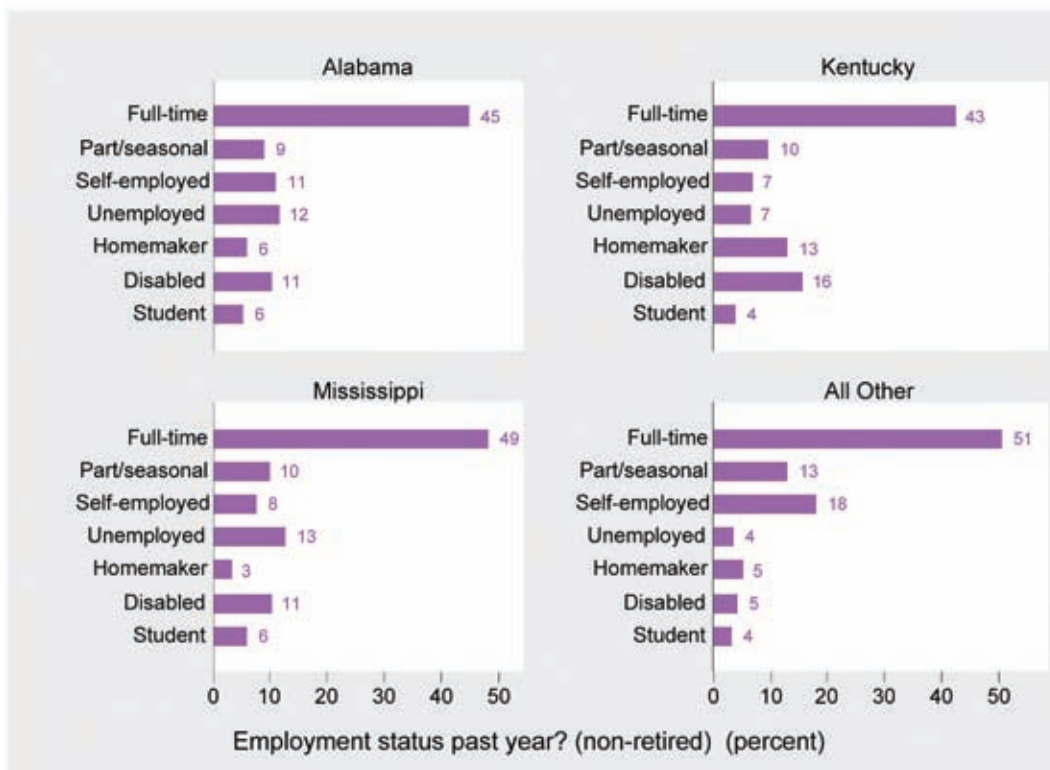


Figure 3: Educational attainment is lower in southern areas.

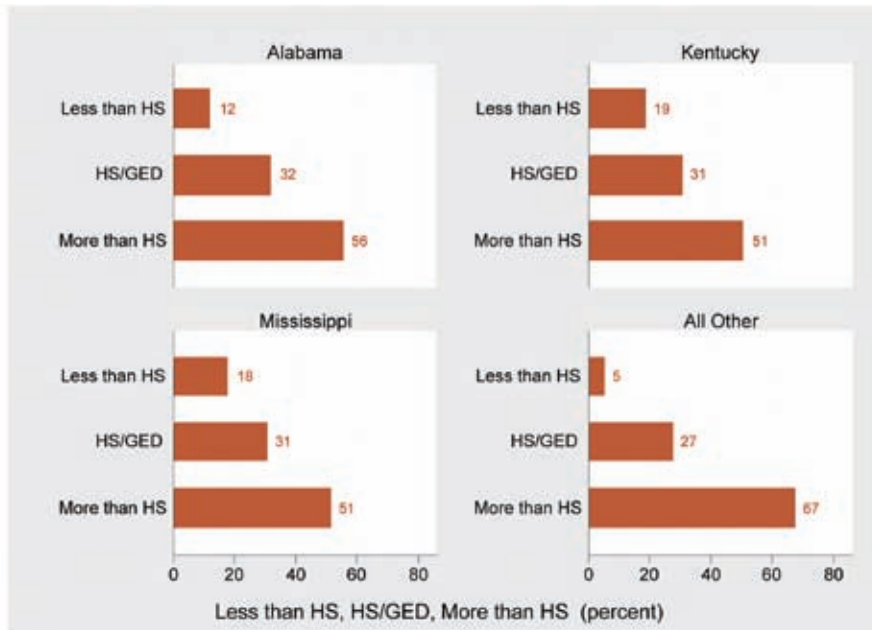


Figure 4: There are fewer newcomers in these poor southern communities.

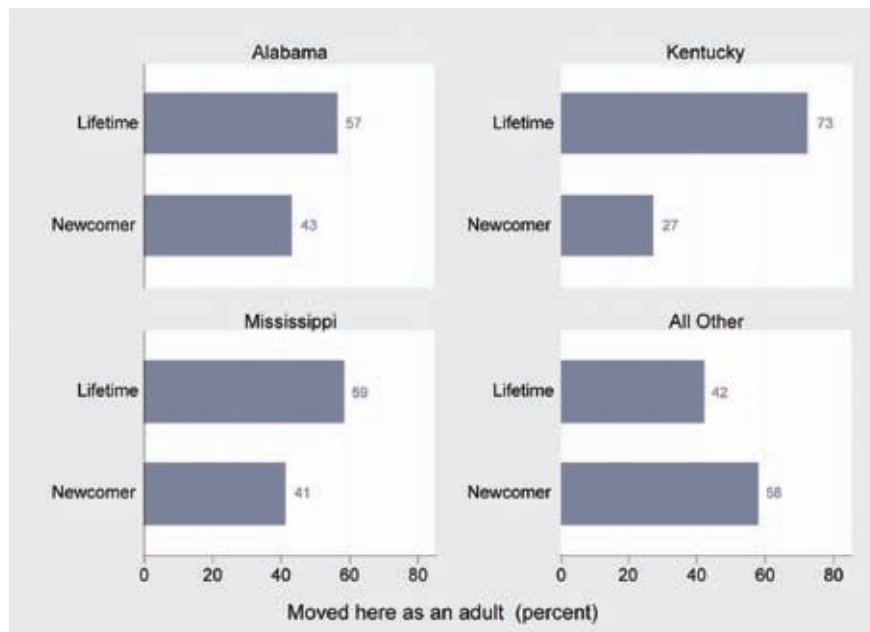


Figure 5: There is greater reliance on social assistance in these poor communities.

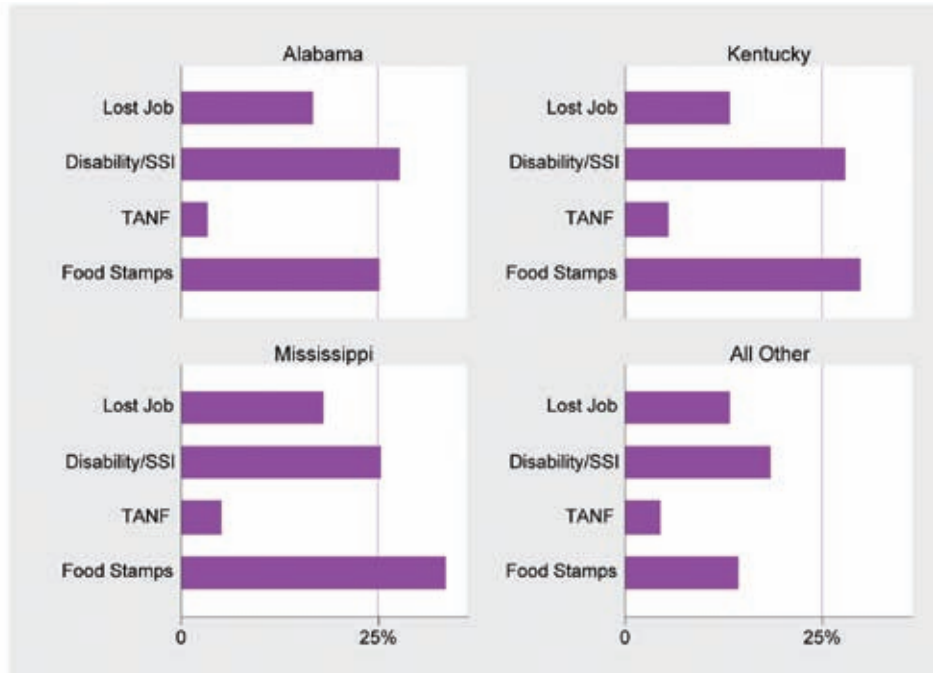


Figure 6: Those in poor areas worry about a lack of recreational opportunities and the prevalence of crime and drugs.

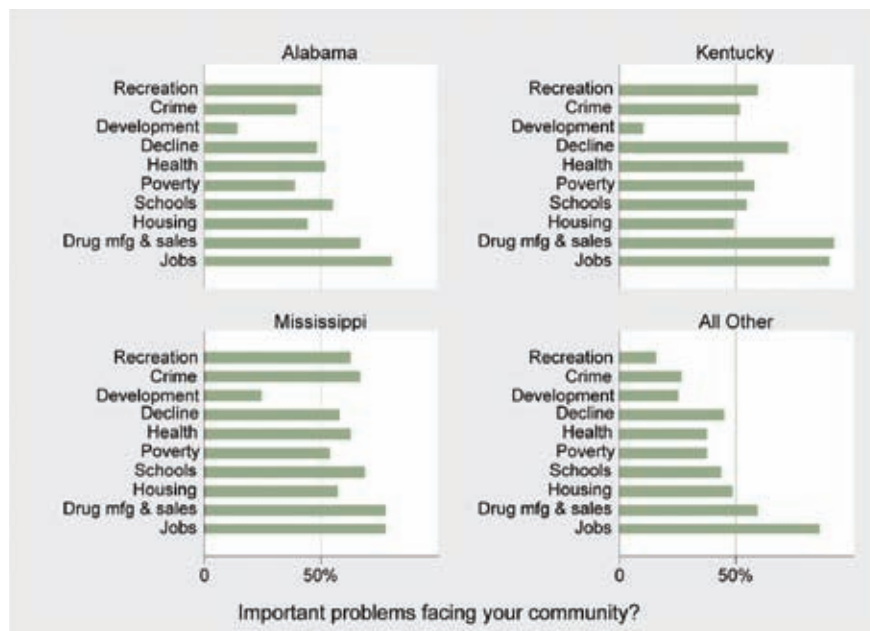


Figure 7: Fewer people are involved in organizations in the poorer areas.

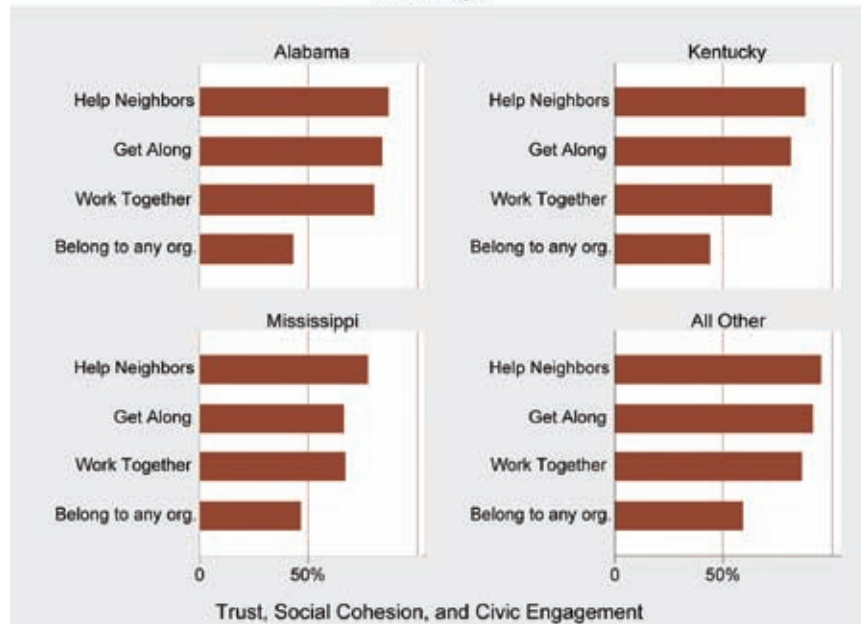


Figure 8: More people in poor areas say they will move away.

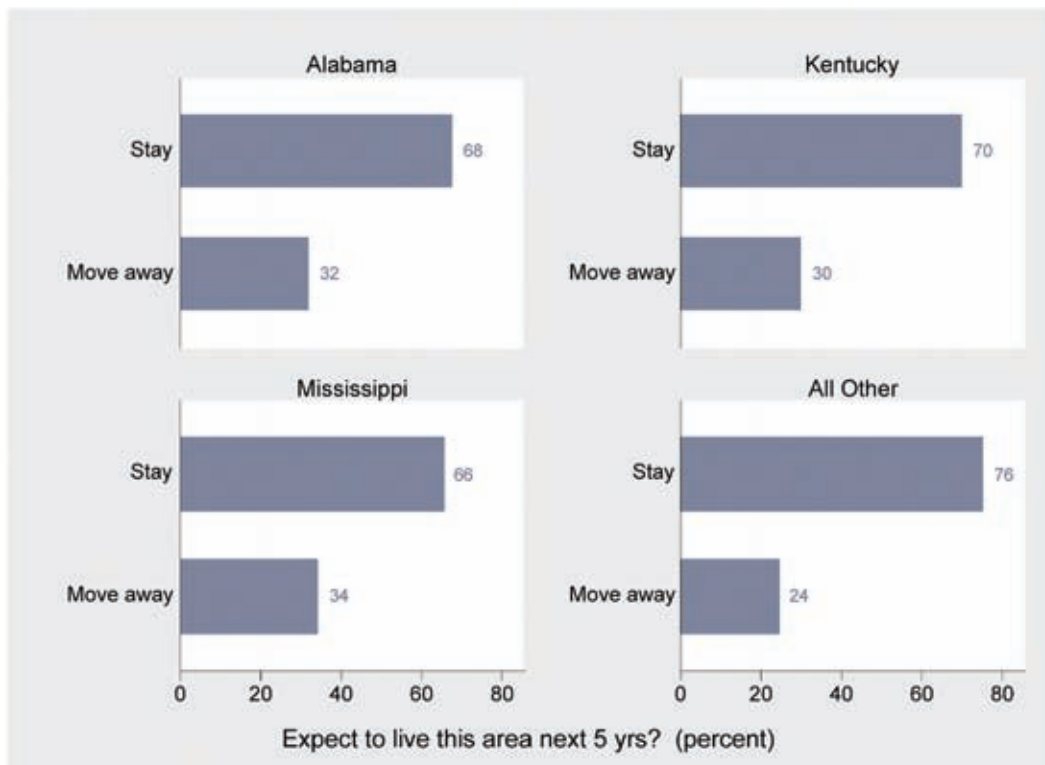


Table 1: February unemployment rate (not seasonally adjusted) for CERA survey counties.

State	County	2005	2006	2007	2008	2009	2010	Change 2005-2010
Alabama	Choctaw	7	5.5	4.8	6.7	11.4	12.7	5.7
Alabama	Clarke	6.5	5.8	5.5	6.3	13.1	18.3	11.8
Alabama	Marengo	6.3	4.4	4.2	6.1	11.3	14.1	7.8
Alabama	Wilcox	9.2	7.5	8.2	10.6	21.7	27	17.8
Colorado	Chaffee	6.2	5.5	3.9	4.9	7.5	7.7	1.5
Colorado	Park	5.6	4.5	4.2	4.5	7.0	8.5	2.9
Kansas	Jewell	3.3	3.2	2.8	3	3.4	4.3	1
Kansas	Osborne	4.7	3.4	4	3.1	4.5	5.1	0.4
Kansas	Republic	5	4.1	3.4	3.1	4.1	4.1	-0.9
Kansas	Smith	4.3	3.2	3.2	2.7	5.9	4.5	0.2
Kentucky	Harlan	8.8	9.3	9.2	9.7	10.7	13.4	4.6
Kentucky	Letcher	8.2	8.7	8.8	7.7	9.1	13	4.8
Maine	Oxford	6.4	6.3	6.7	6.7	10.8	11.4	5
New Hampshire	Coos	4.6	4.3	5.6	5.2	9.4	9.7	5.1
Vermont	Essex	5	5.3	5.7	7	10.5	11.1	6.1
Maine	Hancock	8.4	8.2	8.2	8.2	12.1	12.3	3.9
Maine	Washington	11.2	9.6	9.3	10.4	13.1	13.6	2.4
Michigan	Alger	9	9.6	9.6	11.0	14.0	16.1	7.1
Michigan	Chippewa	11.6	10.9	10.8	10.9	13.4	16.5	4.9
Michigan	Luce	9.2	9.3	8.9	8.7	12.1	15.9	6.7
Michigan	Mackinac	23.1	21.1	21.7	23.0	27.9	30.9	7.8
Michigan	Schoolcraft	14.8	13.8	14.2	13.8	16.9	18	3.2
Mississippi	Coahoma	13	11.3	11.3	9.4	13.3	17.3	4.3
Mississippi	Quitman	12.4	9.4	9.8	9.3	12.4	16.7	4.3
Mississippi	Tunica	15.2	12.2	12.4	11.9	17.6	21.1	5.9
Oregon	Clatsop	7.1	6.5	5.5	5.3	9.9	10.3	3.2
Washington	Pacific	7.8	7.1	7.5	7.4	14.3	14.5	6.7
Washington	Clallam	7.9	6.6	6.6	7.7	10.3	11.7	3.8
Washington	Grays Harbor	8.7	7.7	7.8	7.7	13.0	14.9	6.2
Washington	Jefferson	7.1	5.7	5.4	5.6	8.8	10.8	3.7