IDEAS
ECONOMIC DEVELOPMENT

Policy of the Year Nominee

SUBSIDIZING YOUTH EMPLOYMENT ON CHICAGO’S URBAN FARMS
10 Ideas for Economic Development 2014

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Who We Are

Established in the wake of the 2004 election, the Roosevelt Institute | Campus Network was formed by college students across the country in order to engage our generation as powerful actors in the policy process. They envisioned a movement in which young people could fill the critical ideas gap in their communities, generating new solutions for the nation’s greatest challenges.

We believe in the value of a robust and active democracy, one in which all citizens have the opportunity to positively impact communities they love. By giving students a platform to elevate their ideas for local, regional, and national change, we contribute to that vision.

What You’re Holding

Now in its sixth year, the 10 Ideas series promotes the most promising student-generated ideas from across our network. This year’s journals, which include submissions from 20 different schools located from New York to Georgia to California, stand as a testament to the depth and breadth of these student ideas.

Entries in 10 Ideas are selected for publication on the basis that they are smart, rigorously researched, and feasible. Simply put, they’re darn good ideas.

How You Can Join

As you explore these ideas, we encourage you to take special note of the “Next Steps” sections. Here our authors have outlined how their ideas can move from the pages of this journal to implementation. We invite you to join our authors in the process.

Contact us on our website www.rooseveltcampusnetwork.org or by tweeting with us @Vivaroosevelt.

Thank you for reading and supporting student generated ideas.
Dear Readers,

December 2014 will mark ten years since a group of college students united behind a new model for engaging young people in the political process, a model that became the Roosevelt Institute | Campus Network. Deeply grounded in the belief that young people have more to offer than just showing up on Election Day, the Campus Network has continued to evolve and grow from its visionary beginning into the nation’s largest student policy organization, with a membership capable of shifting dialogue and effecting policy at the local, state, and national levels.

We believe that in the context of a stagnant public discourse and increasing disillusionment with a political system incapable of tackling our complex collective challenges, it is more important than ever to invest in a generation of leaders committed to active problem-solving and concrete change in the public sphere. As the Campus Network expands to more than 120 chapters in 38 states, we serve as a vehicle for fresh ideas, exciting talent, and real change.

In these pages you will find some of those ideas – from reforming western water rights to supporting green infrastructure through progressive toll taxes, students are envisioning and acting on better solutions. It’s indicative of our Network’s larger impact; in the past year, we’ve leveraged the effectiveness of our model to work with and inform dozens of other organizations on how to engage Millennials on critical issues, ranging from campaign finance to inequality to climate change. We’ve elevated a fresh, Millennial-driven vision for government in an otherwise stale public debate, and launched an initiative that taps into our generation’s unfettered thinking and ambition to reimagine the role of citizens in shaping fairer and more equitable local economies. Our members have continued to substantively engage in local processes to shape and shift the policy outcomes that directly impact their communities, from introducing new mapping systems to improve health outcomes in low-income neighborhoods to consulting local governments on flood prevention.

These ideas are just the starting place, because ideas are only powerful when acted upon. Yet this work is occurring in a dramatically shifting political and social context. The ways citizens engage their government,
participate locally, and advocate for their communities are changing every day. As a vibrant, evolving network driven by our active members nationwide, we believe there is immense potential to capture these innovations and ensure better and more progressive ideas take hold. We believe that:

- Millennials are turning away from traditional institutions and are looking to build new ones as vehicles for social change. We believe there is an opportunity to channel this reform-mindedness into building a healthier, more inclusive system that’s responsive to citizen engagement and evidence-based solutions.

- To jump-start political engagement and combat disillusionment, the focus needs to be on pragmatic problem-solving and intersectional thinking across key issues. We can no longer tackle economic mobility separately from climate change.

- There is immense potential (and need) for scalable policy innovation at the local and state levels, and much of the most effective and important policy change in the coming decade will be local.

- With the shift from top-down institutions to networked approaches and collective problem-solving, it is more important than ever before to invest in the development of informed, engaged community leaders capable of driving engagement and action on ideas.

As you engage with the ideas, ambitions, and goals in these journals, I encourage you to dig in and explore how our country’s future leaders are taking the initiative to create the change they know we desperately need. You won’t be disappointed.

Happy Reading,

Taylor Jo Isenberg,
National Director
Congratulations to

Zac Brown and Layla Hood

authors of Subsidizing Youth Employment on Chicago Farms

Nominee for Policy Of The Year

A jury of Roosevelt Institute | Campus Network members, staff and alumni elevate one piece from each journal as a nominee for Policy Of The Year based off the quality of idea, rigor of research and ability to be implemented effectively. The cover design of this journal is themed to portray the above idea in visual form.
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Subsidizing Youth Employment on Chicago Farms
Zac Brown, Loyola University Chicago and Layla Hood, Cornell University

Subsidized employment in Chicago’s burgeoning urban agriculture infrastructure serves to empower underserved youth, promote healthy eating habits, teach marketable skills, and engage youth in their communities.

Despite exporting the second highest amount of farm produce of any US state, one in ten Illinois residents are food insecure and 600,000 Chicagoans live in food deserts, areas that lack access to adequate healthy food options. In less than 40 years, it is not only expected that the population in urban areas will double, but that poverty in these areas will increase as well, exacerbating Chicago’s food shortages. As a result, Chicago has become an influential model for the urban agriculture movement. On the policy level, Chicago minimized zoning barriers and converted empty lots. This has encouraged the creation of grassroots groups such as Advocates for Urban Agriculture and the Chicago Food Policy Advisory Council, that were established in the early 2000s.

Since 2011, the Emanuel administration has invested $750,000 annually in urban agriculture employment programs and the creation of many acres of new farmland. However, these programs have failed to address Chicago’s disengaged youth. Only 61 percent of Chicago Public School students graduate in 5 years. These rates combined with low economic status, ethnic heterogeneity, and family disruption contribute to crime and delinquency. Subsidizing youth employment on urban farms will continue the investment in Chicago’s urban agriculture while simultaneously mitigating the barriers youth face.

KEY FACTS
- Approximately 600,000 Chicagoans live in food deserts and lack access to healthy food options, such as fresh produce.
- Only 61 percent of Chicago Public School students graduate high school, even after being enrolled for 5 years.
- In 2010, it was reported that 58 percent of high school dropouts were reliant on food stamps.
ANALYSIS
Youth who are involved in their communities are more likely to have the soft skills that lead to achievement. Researchers have found that the exposure of internship experiences promotes self-confidence, social skills, heightened ambition, and independent thinking. Youth who are not involved with out-of-school activities are much more likely to drop out and estimates reveal that the costs of dropping out of high school amounted to more than $388,000. In the latest job reports, high school dropouts experience much higher rates of unemployment and earn $10,386 less than someone with a high school diploma.

Urban agriculture is a way for food insecure households to attain nutritious foods. Urban agriculture crops often include more vegetables and fruits—necessary components of healthy diets—than food insecure households normally have access. Additionally, urban agriculture can be productive and self-sustaining. Globally this has been seen in Accra, the capital of Ghana, where almost 90 percent of fresh vegetables are the product of urban farms. Research suggests health status improves with increased access to nutritious food. Urban agriculture simplifies distribution and provides increased access to nutritional food choices at costs similar to unhealthy alternatives, which are prevalent in low-income populations.

STAKEHOLDERS
It is crucial to understand the needs and interests of Chicago’s youth and farmers, as these subsidies are for them. Growing Power, Chicago’s largest urban farming presence and a partner of the new “Farmers for Chicago” urban farmers network, is an important stakeholder because of its five farms and the jobs it could offer. Funding stakeholders may include the Department of Family and Support Serves, which runs all city funded summer employment, along

TALKING POINTS
• Working outside in the natural environment positively impacts health.
• Youth who participate in internship-like experiences are equipped with marketable job training and transferable skill sets.
• Subsidized youth employment would provide low cost labor to urban farms that contribute to their local communities.
with Urban Alliance, a non-profit that gives internships to youth. Advocates for Urban Agriculture are another key stakeholder due to their influence in local farm policy.

ENDNOTES

Next Steps

First, one would have to engage the stakeholders who could offer jobs and organizations such as Advocates for Urban Agriculture because they would help garner support and execute the policy. In order for this program to be implemented, funding must be allocated from either the city’s youth jobs programs or through other local and federal funding sources. In 2009 and 2010 Temporary Assistance for Needy Families (TANF) funds were used for summer youth employment. These funds could also be accessed for this program due to the dire situations in Chicago’s neighborhoods. Employers would contribute part of the wages and the subsidy would cover the rest, similar to federal work study. These subsidies would give needed labor to urban farmers at a reduced cost, while giving jobs to youth who need them. Youth could also receive a portion of the produce they create as a healthy bonus to their paychecks.

Employment for youth in urban agriculture is a logical and socially responsible alternative for solving Chicago’s current food desert, urban agriculture, and youth engagement and dropout issues. The next major step would be advancing this message to representatives and aldermen in order to make the subsidy available through a structured program before recruiting youth.
By building a crowdsourcing website, the D.C. government can create a forum for residents to both pledge support for and fund local parks and recreational projects. The local government will selectively match funds based on demand, affected populations, and levels of need. Should the project prove successful, this process for civic development could be expanded to other city departments.

Crowdsourcing for community development by itself is nothing new. Early examples of crowdsourcing range from Alexander Pope’s successful solicitation of donations from wealthy individuals to fund his efforts to translate *The Iliad* from Greek to English to Joseph Pulitzer’s effort to fund the building of the pedestal for the Statue of Liberty in 1885. Kickstarter was one of the first websites to employ crowdsourced funding for personal projects. Based on Kickstarter, Spacehive launched a website in England to crowdfund capital projects introduced by communities. These projects are established and developed by community members, approved by Spacehive, and funded by the Internet community. Additionally, it has been used to bolster funds for projects by local English governments that had been lacking necessary capital to complete. Spacehive has led to the democratization of civic projects, allowing community interests to take an active role in decision-making. Spacehive is also taking steps to become more integrated in its workings with different levels of government in England.

**KEY FACTS**

- Kickstarter, one of the most successful and popular crowdfunding websites currently online, has had $898 million pledged and 57,597 successfully funded projects since 2009, showing that crowdsourcing is a viable and established means of fundraising for a number of projects.

- Spacehive currently features 236 projects, and has had more than £1 million ($1.63 million US) pledged since the site launched.
ANALYSIS
The majority of the funding involved in implementation of community crowdsourcing will come from privately pledged money. People are free to propose and fund approved projects on the website, so the process will be largely self-sustaining. Government funding will be required to support website design, hosting and logistics, and we propose additional funding to support select projects. In order to stimulate development across D.C.’s wide range of living areas, this policy proposes to create a sliding scale, so that the three lowest-income city wards (currently 5, 7, and 8), will receive 50 percent of allotted funds, the three next lowest (6, 4, 1) will be guaranteed 30 percent, and the top two wards (2, 3) will be allocated 20 percent. Other expenses involved would include miscellaneous administrative costs. In the 2014 Mayor’s Budget, the Park Policy and Programs Division is allotted $294,000 for Small Parks Programs and the Community Gardens Programs. To boost residents’ say in civic development, an additional 25 percent of each program’s budget (as currently allotted) will be available for spending on crowdsourcing, while the current levels of funding would allow the city to complete projects that are already in place. This will increase the total funding for Small Parks Programs and the Community Gardens Program by $88,500, for a total of $382,500. The funds will be appropriated as follows, with estimated costs for website management:

<table>
<thead>
<tr>
<th>LINE ITEM</th>
<th>AMOUNT (in dollars)</th>
<th>PERCENT OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website Implementation/Administration</td>
<td>15,000(^5)</td>
<td>16.94</td>
</tr>
<tr>
<td>Lowest-Income Wards</td>
<td>36,750</td>
<td>41.53 (50 percent of development funds)</td>
</tr>
<tr>
<td>Middle-Income Wards</td>
<td>22,050</td>
<td>24.92 (30 percent of development funds)</td>
</tr>
<tr>
<td>Highest-Income Wards</td>
<td>14,700</td>
<td>16.61 (20 percent of development funds)</td>
</tr>
<tr>
<td>Total</td>
<td>88,500</td>
<td>100</td>
</tr>
</tbody>
</table>

KEY FACTS
- Of the 13 community gardens in Washington, D.C., only one is located in the three lowest-income wards, with Wards 5 and 8 completely unrepresented, running counter to the ostensibly egalitarian and ameliorative motives behind the program in the first place.
- A study by the Community Food Security Coalition’s North American Initiative on Urban Agriculture demonstrated that urban agriculture can provide a hefty boon to society in the form of better nutrition, food security and decreased food prices, which is critical in a city where the poverty rate, when accounting for cost of living expenses, stands at “almost 23 percent.”

\(^1\)
Furthermore, projects funded through crowdfunding will provide many positive externalities to their surrounding communities. Whether through gardens providing produce or developing a stronger sense of community and ownership of the surrounding areas, crowdfunding will democratize urban development (with the above-mentioned support from the D.C. government). One of the largest benefits that crowdfunding offers is in additional funding to implement new, popular projects without an increase in city spending. Spacehive, for example, has raised over $1.63 million for a variety of projects across the United Kingdom.

**STAKEHOLDERS**

While this idea could be used within a number of different areas of government, this proposal focuses on specific departments within municipal government. We are using the D.C. Department of Parks and Recreation as a case study for this policy, which could be expanded to a number of other departments depending on its success. The department and those within D.C. who utilize Parks and Recreation resources will benefit from this project as it would allow constituents to propose and fund projects to their liking and would ease the burden of funding from the department itself. Likewise, this process will help provide feedback to the district for its initiatives. These projects can also include supporting existing programs that the department offers, such as programs for children, teens, elderly, and the disabled.

**ENDNOTES**

5. This is an estimated amount to reflect the costs of implementing, hosting.

**TALKING POINTS**

- Crowdsourcing is an ever-growing, widely-popular means of raising money for any number of causes.
- Spacehive, a British crowdsourcing website for community development, provides a means for residents to support civic projects that they believe in.
- Such a website could be built in D.C. for parks programs, infrastructural development, and other civic projects.
- Harnessing community funding and support will increase public say in government spending and establish an officially-sanctioned means of building support for civic development and neighborhood improvement.
- While funding for small public parks and community gardens has increased recently, it is important to likewise increase community involvement and ownership in public works.
and managing the website.

Next Steps

To efficiently implement this policy, the Department of Parks and Recreation will have to establish the website, determine the floor for city funding, develop a system to approve projects as they are proposed, and advertise this program to the community. Spacehive can be used as a reference for all of these steps.

The administrators of the Small Parks and Community Gardens Programs are already trained in the analysis of potential sites. Therefore, they would be well suited to the verification process for the projects proposed on the website.

It will be especially important to determine the point at which the department would begin providing funds to support larger, more ambitious projects. For instance, the threshold could be set so that projects with over $15,000 in pledged support would become eligible for supplementary government funds, within the budgetary parameters for each ward type.

A Noble Solution: Preserving Helium for Generations to Come

Jacob Davis, Georgetown University

Congress should expand its sale of helium at market equilibrium to preserve the supply for military, industrial and civilian needs.
Known for its presence in birthday balloons and ability to induce high-pitched voices when consumed, helium is more than just a party accessory. In fact, the noble gas’s low boiling point and high thermal conductivity make it a crucial component in scientific research and development as well as technological innovation. Its eclectic range of uses include applications in the aerospace industry, computer chip and optical fiber manufacturing, M.R.I. magnet cooling, air-to-air missile defense systems and rocket engines.¹

To preserve and manage this finite natural resource, the United States Helium Reserve in Amarillo, Texas, was established in the early 1920s. At first, it purchased helium to be used in WWI-era airships and later was “indispensable to the US space exploration program.”² However, in 1996, the Bureau of Land Management (BLM), the government agency that operates the reserve in Amarillo, was $1.6 billion in debt, and Congress voted to cut its losses by passing the Helium Privatization Act, effectively triggering a fire sale of helium to private industry. When the act was set to expire and force the US out of the helium business on October 7th, the Reserve found itself supplying 42 percent of the nation’s helium and netting the treasury $430,000 a day.³ While the Responsible Helium Administration and Stewardship Act of 2013 passed nearly unanimously to keep the reserve open, a bigger problem looms: the world is running out of helium.⁴ Estimates project that if consumption continues to increase at current rates, we have a only 40 years of helium left.⁵

**ANALYSIS**

Congress should amend the 2013 Helium Stewardship Act because it artificially lowers helium prices and poses a threat to the world’s supply. According to the National Research Council in 2010, under the 1996 Helium Privatization Act, the reserve’s formula to set the price of helium

**KEY FACTS**

- The reserve supplies 42 percent of the nation’s helium⁴ and one third of the world’s demand.¹⁵

- At current prices, the reserve nets the US Treasury $430,000/day from crude helium sales, royalties and other related operations.⁶

- Alternatives to current helium production would lead to the average party balloon costing $100.¹⁷
was so flawed that the reserve was selling helium at a price point about half of what it could get on an unregulated market. The passage of the 2013 Helium Stewardship act attempted to remedy this issue with promises to adjust prices to bring a fair return for taxpayers. However, the reality is that little has changed. The BLM’s new pricing scheme for 2014 pegs helium at $95 per thousand cubic feet (Mcf), up $11 from 2013 but still a distance from private Grade-A helium prices that sit at over $160 per Mcf. Because the US is such a large global supplier, changes in the reserve’s price are mirrored by the rest of the market. Thus, allowing the price of helium to rise to market equilibrium would not only be economically beneficial to the Treasury, but have positive impacts for the helium supply. As it stands, prices are so low that there is no incentive to conserve or recycle the helium. Recapturing helium from the atmosphere is an expensive proposition, one that Cornell scientist Robert Richardson estimates would make helium 10,000 times more expensive. Lifting the artificially low price of helium would encourage responsible helium use and incentivize the development of localized helium recapture, something already being seen in academia.

**TALKING POINTS**

- Helium, critical and versatile, is used for M.R.I. machines, scientific research, cryogenics, and aerospace technology.
- “The federally owned helium now sells for about half of what it would on the open market.”
- Selling helium at market equilibrium raises revenue, corrects the inefficiencies in use that lead to waste and promotes the research and development of ways to conserve and recapture this dwindling resource.

**ENDNOTES**

2. "Federal Helium Program Bureau of Land Management: FAQ."
3. "Federal Helium Program Bureau of Land Management: FAQ."
Next Steps

Congress should abandon the faulty model it uses to sell helium and move to allow helium prices to further rise to preserve the global helium supply. While the Helium Stewardship Act of 2013 should be applauded for moving the US in the right direction and giving the BLM more leeway when it comes to selling helium, the act still underprices helium, mandates the selling off of most of the reserve and ultimately restricts the sale to Federal users, limiting opportunities for both revenue and innovation. Congress should amend the Helium Stewardship Act of 2013 to expand the sale at market prices past the eventual federal only restriction.

Capital-Intensive Punishment: Making Incarceration Cost-Effective
Alexandra Edquist, University of Georgia

The federal prison system should establish in-house rehabilitation programs for drug offenders to reduce crime by keeping ex-convicts from re-offending.

In 1984, the United States passed legislation to fight drug use and violent crime by increasing and expanding mandatory minimum penalties for drug offenses, which resulted in the mass incarceration of drug offend-
ers. Within 20 years, the federal drug offender inmate population grew fifteen-fold. Today, the federal prison system spends $3.7 billion a year to hold more than 125,000 drug offenders. However, the country receives only about $600 million in social benefits from the reduced drug use, health costs, and crime that has resulted from the increased incarceration of drug offenders. Worse, there are so many drug offenders with mandatory minimum sentences clogging federal prisons that, on average, every two new drug offenders incarcerated forces the system to release a violent or property offender early to make room for the drug offenders—an effect that actually increases crime.

Many states had similar policies but recently reformed their prison systems to reduce costs and recidivism rates. Increasing the use of probation, parole supervision, and treatment allowed Texas to avert $2 billion in costs for building new prisons and decreased parole failures by 39 percent, effectively reducing its future inmate population. Georgia passed legislation last summer to provide alternatives to incarceration, such as treatment, for low-level, non-violent drug and property offenders, which is projected to save $264 million over five years. However, the federal government has not followed the examples of these states.

**ANALYSIS**

Preventing crime is the most potent way for prison systems to become cost-effective. Incarceration already does this to an extent by temporarily incapacitating would-be criminals. However, when ex-convicts are released, roughly half of them will be re-incarcerated. Many rehabilitation programs, such as vocational training and drug treatment, greatly reduce recidivism and, as a result, future crime. The benefits from prevented crime far outweigh the costs of these programs. While there are many options, the most cost-effective program is vo-

**KEY FACTS**

- The federal government spends $3.1 billion more than it receives in benefits from incarcerating drug offenders.
- Roughly half of federal drug offenders will be re-incarcerated within 3 years of release.
- At current rates, the incarceration of drug offenders increases rather than decreases crime because two drug offenders crowd out one property or violent offender.
cational education, which reduces recidivism by 9 percent and has a net benefit of $13,738 per participating inmate. The least expensive program is cognitive-behavioral therapy, which reduces recidivism by 6.3 percent and has a net benefit of $10,299, while costing only $105 per inmate.9

Implementation costs and benefits would vary widely depending on which program is chosen. If applied to the 125,000 drug offenders in federal prisons, the cost of vocational education would be $148 million (4 percent increase to the current cost of $3.7 billion), and the net benefits would be $1.7 billion. Currently, incarcerating drug offenders costs $3.1 billion more than the benefits it provides. Implementing vocational education would close that gap to $1.4 billion. The cost of cognitive-behavioral therapy for the 125,000 drug offenders would be $13 million (0.3 percent increase), and the net benefits would be $1.3 billion. Cognitive-behavioral therapy would close the cost-benefit gap to $1.8 billion.

Drug offenders and their families benefit because rehabilitation programs improve their economic and social outcomes upon release. Taxpayers benefit because of reduced crime.

ENDNOTES
5 Levitt and Kuziemko, “An Empirical Analysis of Imprisoning Drug Offenders.”

TALKING POINTS
• Strict drug laws with long mandatory minimum penalties are expensive and increase crime through crowding-out.

• The federal government is not addressing high recidivism rates, and decreasing recidivism is a ‘low-hanging fruit’ for increasing cost-effectiveness and preventing crime.

• Half of federal drug offenders could be provided vocational education for the cost of new prisons in the 2013 budget alone, and all federal prisoners could be provided cognitive-behavioral therapy many times over.10
Removing Risk and Stimulating Innovation: Insuring Small Start-ups in the Silicon Valley

Hilary Gelfond, Cornell University

Creating a local small business bank to insure start-ups against risk will encourage entrepreneurs in Silicon Valley, California, to take more chances in technological innovation.

Since an explosion of venture capital in the late 1990s, the Silicon Valley has been home to the largest concentration of startup businesses in the United States. However, the typical firm only has an 18 percent chance of survival over 9 years, which is less than the national average of 34 percent over 10 years or more. As businesses fail and become bankrupt, they leave behind millions of dollars in liabilities that could have been

Next Steps

Policy teams from the Bureau of Prisons will choose a program and a federal prison for a trial program to see if the chosen program is cost effective. They will then train personnel to run these programs. Researchers will run evaluations on the re-arrest, re-conviction, and re-incarceration of ex-convicts (those who participated in the programs and those who are a control group) at six months, 1 year, and 3 years after their release to test the efficacy of the program. If the program is successful, the Bureau of Prisons will expand it over 5 or 10 years to apply to all drug offenders, and perhaps all inmates.
more efficiently allocated. Instead of allowing these potentially breakthrough firms to collapse, a system should be put in place to protect small business owners from the risk of failure.

Such an institution could be a jointly funded by local public-private Small Business Assurance Bank (SBAB), in which pre-approved businesses pay a small premium to be insured against the risk of failure. While risk pooling against business failure has not been proposed in any other locality, the bank will support the technology industry, which is becoming the driving force in the advancement of society. The SBAB will be similar in structure to the National Infrastructure Bank, proposed by President Obama and a selection of Congressional Democrats, as well as the European Investment Bank (EIB) in the European Union, which has been in effect for over 50 years and has played a major role in the economic development of the EU. An adaption of this banking system into the Silicon Valley could have a similar stimulating effect on local businesses.

**ANALYSIS**

An SBAB can most effectively control for the financial risk of a startup company, allowing its owners to maintain focus on technological development. Structured as a public-private partnership, a designated group of business people and innovators will serve as a board of directors to analyze the probability of success of prospective companies. A rating system of factors considered to be the best predictors of a firm’s success will be used as a guide. After an initial investment by the local government, each qualifying company would contract with the bank and pay a minimal premium for the first 4 years in exchange for insurance. Afterwards, the premium would increase to an amount that correlates with the monetary risk of the company’s failure. If a qualifying firm begins to fail, the bank would provide the firm with capital upon reevaluation of its progress towards its stated goals.

**KEY FACTS**

- Since the dot-com bust in 2004, employment growth in the high-tech sector has outpaced growth in the non-tech sector 3 to 1.
- The number of businesses leaving the Silicon Valley has exceeded the number moving into the region every year from 1995 to 2010.
- California’s business failure rate is 69 percent higher than the national average.
goals, to be paid back after the initial payment period ends. To prevent an extreme level of moral hazard, the funds will be paid back at a later time, though with minimal interest. With a large enough risk pool, there is a lower risk of the SBAB going bankrupt. Through the balancing of insulation from risk and extreme behavior from moral hazard, the SBAB will successfully allow startups in the Silicon Valley to experiment with new technologies.

ENDNOTES

Next Steps
The Santa Clara County government should contract with private investors to allocate the initial funding for the SBAB. Next, an advisory board of credentialed business and technology experts should be appointed and parameters for program participation should be determined. Small businesses should contract with the SBAB to be insulated from risk for the first 4 years and then repay the initial monetary risk over a predetermined number of years.
The Detroit metropolitan area suffers from spatial mismatch between jobs and urban residents, exacerbated by Detroit’s inept public transportation system. The region should implement a Bus Rapid Transit system with dedicated bus lanes to reconnect employers and employees with maximum efficiency and accessibility.

Historically, Detroit’s regional governments and private interests promoted private modes of transportation, while neglecting the public transportation options that low-income urban residents depended on for mobility. Mid-20th century Detroit boasted comprehensive public transit, including buses, streetcars, and commuter rail. Since then, suburban political opposition, anti-mass transit policy and crippling budget cuts killed any attempts to integrate and extend regional transit service. Today, dysfunction, delays, breakdowns, and overcrowding make taking the bus to work, school, or anywhere else a difficult and dangerous prospect in Detroit, depriving residents of access to resources and employment. Detroit’s poverty and unemployment rates both approach 30 percent, translating to about 250,000 people either out of work or living in poverty. With four out of five jobs located more than 10 miles from the central business district, and a severely underfunded transit system, close to 80 percent of working Detroiters must commute by car only. As gas prices and gridlock proliferate, fewer and fewer Detroiters can afford cars, stranding them in greater isolation and poverty.

A Bus Rapid Transit (BRT) system is the best way to solve Detroit’s transit problem. BRT has proven efficient, adaptable, and cost-effective in many US cities, such as Los Angeles and Cleveland, which face similar geographic and financial barriers to transit. Less expensive and more flexible than light rail, BRT can access Detroit’s disparate population and employment centers while remaining financially viable. Detroit’s massive and underused throughways are ideal for accommodating dedicated bus lanes, or busways, which will isolate buses from surrounding traffic, improve rider safety, slash commute times, and help alleviate gridlock, making BRT even more effective.
ANALYSIS
Studies show that investing in public transit stimulates businesses, creates jobs, and saves workers money, especially in areas such as Detroit where job sprawl disconnects employers from employees.\textsuperscript{15} Better transit means saving millions of dollars for the metropolitan region, and by reducing the need for cars, transit riders can save almost $8,000 annually.\textsuperscript{16} After the recent passage of a Southeast Michigan Regional Transit Authority (RTA), the Federal government promised $140 million intended to revamp transit infrastructure, and fund the RTA and new transit projects. This sum does not quite cover the estimated $500 million cost of 110 miles of a new BRT system,\textsuperscript{17} but it indicates serious commitment to supporting public transit. Improving regional transit is gaining support, corresponding with demand for service to regional hubs such as the Detroit Metro Airport. Private funding also supports the MiWoodward Avenue light rail project along Detroit’s main thoroughfare.\textsuperscript{18,19}

However, light rail must be nothing more than a supplement to a regional BRT system, which can be built for under $25 million per mile compared to the about $70 million per mile that light rail usually costs. Able to carry 10,000 passengers per hour quickly and efficiently over large distances, BRT allows an economically depressed city like Detroit to spend within its means, while providing necessary transit service.\textsuperscript{20}

ENDNOTES
4 Data Driven Detroit. \textit{Economic and Education Data for Detroit City, MI.} 2009-2013
5 Grengs. “Job Accessibility and the Modal Mismatch in Detroit.”
6 Grengs. “Job Accessibility and the Modal Mismatch in Detroit.”
7 “Data Driven Detroit.” \textit{Transportation Data for Detroit City, MI.} 2009-2013
8 Gordon. Personal Communication.
10 Riordan, Richard. “Busways are Most Effective Transit Option,” \textit{Daily News}.

KEY FACTS
• Four out of five jobs in Metro Detroit are located more than 10 miles from the Central Business District.\textsuperscript{22}

• The Detroit Department of Transportation’s budget has been cut in half in recent years, leading to severely reduced access, overcrowding, long delays, and no-shows.\textsuperscript{23,24}

• Bus Rapid Transit can provide the same service as Light Rail at one-third of the cost.\textsuperscript{25}
Next Steps

Financial support, and political will, especially from the suburbs, will prove the most daunting obstacles for any further transit development in Detroit. Services face further budget cuts in the wake of municipal bankruptcy and crisis, and the suburbs will likely resist plans to assist Detroit citizens, as they have historically. Taxation and government cooperation from the entire region will be necessary to implement new infrastructure, which requires the suburbs to recognize the shared benefits of the plan.\(^{21}\) Legislating funding sources through a dedicated transit tax and giving the Regional Transit Authority the power to organize the region will create a solid foundation for a system that responds to the needs of citizens. These steps will require extensive collective action, such as working to show suburban officials that supporting regional mass transit is in their best interest, organizing and harnessing the voices of Detroit residents who yearn for better transit, and orchestrating a cultural shift from the sprawl and isolation of private transportation to a more sustainable vision of regional connectivity that public transportation makes possible.
Endowing Success: Using Social Impact Bonds to Promote STEM in Detroit
Julius Goldberg-Lewis, University of Michigan

The University of Michigan should use its endowment to create a social impact bond with the schools of the city of Detroit. The social impact bond will help finance STEM and entrepreneurship classes in public schools.

Social impact bonds are a public/private partnership that allows private institutions to contribute capital for a program or policy (often implemented through an intermediary), which produces a demonstrable and quantifiable public good. They are being used in New York City to reduce recidivism rates among the previously incarcerated, and in London to pay for universal Pre-K. After a predetermined maturation period, the principal of the bond is repaid with interest proportional to the amount of public funds saved (such as lower prison costs through lower recidivism). Return on the initial investment is predicated on success of the program; because of this there is a serious incentive to invest in successful programs. The specific return on the bond will be evaluated by an independent organization that will be able to compare initial projected government costs with the post-bond reduction in cost.

Over the past several decades, Detroit has seen a rapid decline in its tax base, social services, general quality of life, and most recently, has entered bankruptcy. Numerous attempts and proposals have been made to rejuvenate the city, but projects from urban farming to massive relocation have been met with limited success and acceptance from the people of Detroit. While attempts have been made to create a startup culture as well as import

KEY FACTS

- The University of Michigan has access to a $7.5 Billion endowment.
- Wayne County has an “opportunity score” almost 25 percent lower than the national average.
- The computer science field has a 95 percent employment rate.
- Minority students who study a STEM field earn about 25 percent more than those who study the humanities.
talent to improve the tax base and increase the population, any sustainable solution to Detroit’s problems must come from within. The city is only a 45-minute drive away from one of the premier public universities in the country, the University of Michigan, which boast a $7.5 billion endowment. The university should use that massive economic power to invest in generating local talent in Detroit, as opposed to hoping that its graduates might find the city attractive.

**ANALYSIS**
The bond shall provide funding for computer science programs and entrepreneurship classes and additional STEM funding in each of Detroit’s 21 high schools. Detroit has invested heavily in crafting its image to appeal to Millennials, startups and technology companies, but in order for this plan to succeed the talent must come from within. STEM and computer science are some of the fastest growing fields and require young, driven employees. By placing the bond’s emphasis on these fields, the citizens of Detroit can gain the skills to take advantage of the unique culture that the city hopes to develop.

Apart from the altruistic incentives available to the University of Michigan, as an investment, a Social Impact Bond can almost guarantee a return on investment by focusing on proven methods of increasing opportunity such as education. Detroit’s poverty rate is approximately three times the national average and a non-profit that studies inequality and mobility, Opportunity Nation, gives Wayne County an ‘opportunity score’ almost 25 percent lower than the national average. By increasing training for the kinds of jobs that Detroit hopes to attract, the state expenditure on everything from social services to health care to crime will decrease. These programs will not only train Detroit students in the skills they need to be attractive to employers and universities, it will incentivize that talent to stay in the city.

**TALKING POINTS**
- The University of Michigan should use its significant endowment to leverage social good.
- Social Impact Bonds have been implemented successfully in England to pay for Pre-K education in London, and to reduce recidivism in New York City.
- STEM education has shown to have huge benefits and fit the profile of the talent that Detroit is trying to attract.
Education and increases in opportunity are some of the most proven ways to increase the socioeconomic outcomes of individuals. By providing the capital necessary to implement these plans, the university will save the state large sums of money in the long term. If the initial bond is successful, the money can be reinvested in similar programs in Detroit or across Michigan.

**STAKEHOLDERS**
The primary stakeholders are the residents of Detroit, the University of Michigan, and the State of Michigan. The citizens of Detroit will benefit by having access to skills and education that will lead to lasting social benefit and positive economic outcomes. The University of Michigan will benefit by creating a safe investment and being able to use its sizeable endowment in creative and progressive ways. The state government will benefit by spending less on social programs, health care, and criminal justice.

**ENDNOTES**

**Next Steps**
An intermediary organization will be created to design and track the bond. After persuading the regents of the University of Michigan to undertake the project, representatives from that group (which will facilitate the implementation of the bond) will set up the bond with the state and schools. After all groups agree on an initial investment, the principal from the bond will provide for the classes to be held in the public schools or hosted by the intermediary. After the initial implementation, the intermediary will continue to provide estimates of the bond’s impact to the university and the state. The administration of the classes will be ongoing until the maturation date, with the funds provided from the principal of the bond. If successful, the bond could be renewed for future years under a similar framework.
Using Commuter Taxes to Reduce Chicago’s Budget Gap
Brittney Harrington and Rebecca Youngdahl, The College of William and Mary

The City of Chicago should levy a commuter tax to lower the deficit and fund employment programs to ensure that beneficiaries of City resources are fairly contributing.

A commuter tax is a tax on income earned within a city by nonresident commuters. Commuter taxes draw upon the same rationale as user fees, taking into consideration the net costs that nonresident workers and shoppers incur on a city by using resources that are paid for by city resident taxes. Under former Chicago Mayor Richard J. Daley, the Head Tax, which taxed businesses with 50 or more employees, brought in 23 million dollars in revenue in 2009 and 2010. When Daley left office, the Head Tax, the city’s only revenue source from commuters, was cut without any viable alternative being put in its place. With four out of ten new downtown jobs going to nonresidents, a commuter tax would make up for the lost Head Tax revenue, provide deficit relief, and fund employment programs for residents.

ANALYSIS
Thirty billion dollars in non-taxed commuter income exit Chicago city limits annually. Levying a commuter tax of 1 percent on incomes of nonresidential workers would bring in approximately $300 million in tax revenue annually. Chicago’s projected budget gap for 2014 is $339 million. Instituting this commuter tax would bring in enough revenue to nearly close the budget gap. In 2012 the Chicago city government announced $82 million in cuts to public safety funding, including reductions in the number of police

KEY FACTS
- According to the census bureau, 620,000 nonresidents worked in Chicago in 2009.
- 41.4 percent of Chicago residents and 52.1 percent of nonresidents earn more than $3,333 per month, making nonresidents more likely to be able to afford the 1 percent tax.
- Between 2002 and 2011, Chicagoans holding downtown jobs decreased by 2.38 percent.
stations and police districts in the city, and consolidating fire and police headquarters. These public services are vital to city residents and commuters alike, therefore commuters should also contribute to the cost of these services. In addition, allocating 5 percent of the revenues toward workforce services in Chicago would increase the budget for employment programs from about 7.3 million to over 22 million dollars. A workforce services program with three times its current funding and a major decrease in the budget deficit could immensely benefit the city.

**STAKEHOLDERS**

Getting approval for a commuter tax in Chicago would rely heavily on community organizing. Mayor Rahm Emanuel has said that he will not raise taxes to reduce the deficit, therefore heavy emphasis would need to be put on working with aldermen who support the tax, lobbying those who don’t, and organizing in wards most affected by the loss of jobs to commuters. Educating Chicagoans and business-owners about the revenue lost to commuters whose incomes aren’t taxed is vital to the implementation of the commuter tax.

Organizations such as the Grassroots Collaborative and member organizations of the Chicago Area Project collaborative have expressed interest in the implementation of such taxes. Opponents of the tax may be concerned that businesses may move elsewhere to avoid the tax, however, if part of the tax revenue “is used to provide some valuable public service, the city could become more attractive to current and future employers.”

**TALKING POINTS**

- Every year, $30 billion in commuter income exit Chicago untaxed by the city.
- Since commuters possess the majority of jobs in downtown Chicago, a commuter tax of 1 percent should be implemented to benefit the city.
- This tax can be used to close the city’s budget gap, as well as increase workforce services in Chicago for city residents.

**ENDNOTES**

**Next Steps**

In order to move forward, the General Assembly must approve this tax. This should be tackled by primarily working with stakeholders to build a strong Chicagoan support base to take to the Assembly. This tax should be implemented in the “collar counties” surrounding Chicago, as they have benefitted from nearly 40 percent of downtown job growth over the past 10 years. The Assembly’s legislation must include a clear definition of “commuter” that explains which areas surrounding Chicago constitute commuter towns. Per the Constitution of the State of Illinois, the commuter tax would be a flat tax. Writing the commuter tax as a progressive tax is a long-term goal that could be achieved after a constitutional amendment.

**Incentivize University Community Investment Through Federal University Rankings**

Zach Komes and Josh Serchen, George Washington University

The Department of Education’s proposed college rating system should include a Community Investment Index that measures universities’ role in spurring local economic development.

Colleges and universities are critical to the communities in which they reside. Universities purchase just over $400 billion in goods and services annually, or about 3 percent of GDP. Moreover, these anchor institutions hold $406 billion in endowments. This spending power continues to be an untapped resource for community development in low-income areas. While the Department of Housing and Urban Development (HUD) has...
worked on a small-scale to encourage greater university investment, no further major government action has been taken.

Several universities have started community investment programs of their own. The University of Pennsylvania committed 12 percent of its procurement for local and minority-owned businesses, which totaled about $100 million in 2010. Other universities use their endowments to help local homeowners and enterprises, such as the University of Cincinnati, which invested 15 percent of its endowment in a community loan fund.

The federal government has not done enough to incentivize universities to broaden their impact on their surrounding neighborhoods. President Obama’s recent proposal to link financial aid with a standardized rating system presents an opportunity to encourage investment. If the Department of Education (ED) included a Community Investment Index as a component of ranking, then colleges would finally be pressured to use their economic power to revitalize low-income communities.

**ANALYSIS**

The Index would measure the university’s social impact in three areas: endowment investment, procurement of local goods and services, and business incubation. This rating would include the percentage of the university’s endowment invested in Community Development Financial Institutions (CDFIs), community banks and capital funds that provide assets to low-income communities. These innovative institutions also maximize their social impact by leveraging many sources of revenue; for every $1 invested in a CDFI, $7 flows to local community-led ventures.

However, reductions in federal funding, dampened charitable giving, and higher costs necessitate the need for new revenue for the continued sustainability of CDFIs.

**KEY FACTS**

- For every $100 spent at local businesses, $73 will remain in the local economy.
- For every $1 invested in a CDFI, $7 flows to local community-led ventures.
- In 2012, universities held $406.1 billion in endowment assets and spent $400 billion on goods and services.
The Index should also measure the percentage of university procurement of goods and services from locally-owned enterprises. Local purchasing creates a “multiplier effect” that maximizes economic impact; some studies have found that for every $100 spent at local businesses, $73 remains in the immediate community.\(^8\) Finally, the indicator would measure the extent to which the university supports community entrepreneur incubation via technical assistance and startup capital funding for new business ventures.

ED should work closely with HUD to facilitate information sharing and greater collaboration between colleges. The specific costs for the effort would include a limited expansion of HUD for this purpose, as well the costs of developing the precise mathematical calculation and collecting data from universities. The addition of this index would not dramatically increase the cost of President Obama’s proposal.

**STAKEHOLDERS**

All Americans have a vested interest in this proposal. Universities will be motivated by self-interest to shift their current investment portfolios to more community investment in order to secure additional federal funding. The choice students have in selecting a college to attend will influence colleges to compete against each other to lead the rankings in order to attract more students, resulting in more attractive financial aid packages for students as universities invest more while competing and receive more favorable rates from the federal government. Local small businesses will have new access to capital from university-provided funding. Tying federal aid to new guidelines will require a change in federal law, so this proposal will have to endure a divided legislative process.

**TALKING POINTS**

- Local universities have strong potential to spur economic development in their community through their procurement and endowment, though many lack a strong incentive to do so.

- Successful community investment initiatives by the University of Pennsylvania and the University of Cincinnati demonstrate the power of university engagement with communities.

- Tying a Community Investment Index to federal financial aid funding will motivate other universities to maximize their financial resources to support local entrepreneurs and communities.
ENDNOTES

NEXT STEPS

The likelihood of passage of President Obama’s financial aid overhaul is minimal in the current political environment. However, ED will complete the ranking system by 2015, even if there is no congressional authorization that ties aid to this ranking.9 Results will be featured on ED’s College Scorecard website.

ED is primarily focused on the financial return on investment for students, and currently there is no public discussion about including a calculation of local economic returns in the ranking. To bring awareness to the Community Investment Index, a lobbying campaign will need to unite a large coalition of actors, including students, community organizations, and universities. Fiscal conservatives may be persuaded by the ranking system’s use of competition to maximize the effectiveness of federal spending. Government officials should appreciate the increased capital flows into their constituencies. Such an advocacy campaign should contend that it’s in universities’ best interests to financially empower their communities—investment in CDFIs will generate interest payments that provide new revenue streams, create positive publicity for the institution, and boost demand for the education they provide through an increase in local incomes.
Establishing an Arkansan State Bank

Chirag Lala, Hendrix College

Arkansas should establish a public state bank, modeled on the Bank of North Dakota, to sustainably finance small businesses, local banks, and critical development projects.

The model for state banks is the Bank of North Dakota (BND). Founded in 1919, the BND lends primarily to community banks to increase their lending capacity and partially absorb risk from their investments.¹ As a result, North Dakota has a local lending per capita rate four times the national average,² and the BND maintains a return on equity of 25 to 26 percent.³ By expanding lending to small businesses and local development projects, the BND returned $300 million to the state general fund in the past decade.⁴ Additionally, North Dakota has the lowest unemployment rate in the nation at 2.6 percent.⁵ Based on this model, sixteen states have proposed bills to study or create banks.⁶

The National Highway System Designation Act (NHS Act) of 1995 established a pilot program of State Infrastructure Banks (SIBs).⁷ Utilizing Federal capitalization grants, the SIBs use various lending measures—including revolving funds—to fund infrastructure in a more targeted manner than traditional Federal reimbursement grants.⁸ Arkansas established a joint-SIB with Tennessee in 1997 but Arkansas’ loan agreement only totaled $31,000.⁹

**ANALYSIS**

The primary advantage of a state bank is offering recyclable and profitable investments to local businesses and projects without the need for immediate profit maximization, thereby reducing interest rates and the need for repeated state expenditures. The state’s

**KEY FACTS**

- Arkansas schools require an estimated $4.5 billion in infrastructure funds while the annual outlay for schools was only $1.5 billion between 2005 and 2008.¹⁵
- Arkansas needs an additional $5.3 billion to improve drinking water infrastructure in the next 20 years.¹⁶
- In Arkansas, 2,929 bridges are structurally deficient or functionally obsolete.¹⁷
The bank would hold public funds and offer low-interest loans, so borrowing costs for municipalities would decrease, while interest income could go directly to the state or to future investment. Federal funds and public-private partnerships would lessen the chances of profit loss and the state could withdraw funding if necessary.

**STAKEHOLDERS**
Commercial banks with main offices in Arkansas, collectively holding over $50 billion in assets, represent prime sources of capital to be tapped and would benefit immensely from the services a state bank could provide. Small businesses, contractors, and developers in Arkansas would directly benefit from any renewed or expanded lending from invigorated local banks. The BND demonstrates that public banks do not compete with local banks; since less than 2 percent of BND deposits come from consumers. Instead, local businesses and banks give the BND strong political support.

**ENDNOTES**
2. Ibid.
4. Ibid.
8. Ibid.
Next Steps

The State Bank of Arkansas (SBA) should be chartered directly via legislation and regulated by the existing State Bank Department. Along with an initial capitalization of $250 million to $750 million from state revenue or bond issues, all state funds should be deposited in the SBA. The same option should be offered to local banks and municipalities. The SBA should also incentivize individuals and businesses to deposit their money in local banks. Arkansas should guarantee all deposits.

In addition, the state should subsequently direct smaller portions of its tax revenues, profit from the bank, and Federal aid back into the bank to increase its funds further each fiscal year. These funds should be loaned to projects on a meritocratic basis with interest rates based on potential risk and contingency measures prepared for delays or failure.