CommonWealth

POLITICS, IDEAS & CIVIC LIFE IN MASSACHUSETTS

Subsidizing the stars

State bankrolls movies and life sciences with a new breed of tax credit

New models for investigative journalism

Bill Brett's Boston

The downside of auto insurance reform

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Actor Morgan Freeman, on the set of *The Lonely Maiden* in Boston's Public Garden.

CommonWealth

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CommonWealth

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ARTICLES

Steve Martin on the set of *Pink Panther 2*.

DISCUSSION

DEPARTMENTS

COVER PHOTOGRAPH: BILL BRETT; ABOVE: GEORGE RIZER/BOSTON GLOBE/LANDOV

CASINO PLAN IGNORES THE COSTS OF ADDICTION

It was a breath of fresh media air to read Phil Primack's article "Playing the Numbers" (*CW*, Winter '08), which provides evidence that the Patrick administration did not do its homework when projecting casino benefits in terms of jobs and revenue.

Unfortunately, they also did not do their homework on the projected costs of casinos. One 2004 book, *Gambling in America: Costs and Benefits*, by Baylor University economics professor Earl L. Grinols, found that casino financial costs (increases in crime, bankruptcy, domestic violence, suicide attempts, and addictions of all kinds) easily exceed benefits by three to one.

The National Gambling Impact Study Commission recommendation that an independent cost-benefit analysis be completed prior to the expansion of legalized gambling has been ignored, until now, by the Patrick administration. Other NGISC recommendations not included in the governor's casino proposal were:

—Enforced casino advertising guidelines to protect low-income populations. In some studies, up to 65 percent of gambling losses comes from those least able to afford it.

—A ban on credit card advances, ATM cash advances, and instant loans at casinos. Most money lost in casinos comes from those sources, not from money carried into casinos.

—Restrictions on gambling industry political campaign contributions. The industry now outspends casino opponents by 75 to 1.

The NGISC provides empirical evidence that about 30 percent of people who visit casinos have some level of mild, moderate, or severe gambling problem. Gov. Patrick's statement that

"to 97 percent of people who visit casinos, it is harmless entertainment" (made in a speech at Brown University and reported by the *Providence Journal* last October), shows his reliance on the gambling industry's minimization of gambling addiction problems and calls into question the advice the governor is getting from his human services staff and their plan for mitigating the inevitable significant human costs of casinos.

Tom Larkin
Bedford

Tom Larkin is a licensed psychologist and a facilitator for SMART Recovery, an organization that assists people with addictive behaviors.

We welcome letters to the editor. Send your comments to editor@massinc.org, or to Editor, *CommonWealth* magazine, 18 Tremont Street, Suite 1120, Boston, MA 02108. Please include a city or town, as well as a daytime phone number. Letters may be edited for clarity and length.

EDITOR'S NOTE

Sometimes you get lucky. I bumped into photographer Bill Brett walking through Downtown Crossing in January. He told me about his latest book project, which led to an interesting conversation with him about Boston and the chance to run a number of his new photos, including the cover shot of Morgan Freeman.

Having a movie star on the cover of *CommonWealth* is a bit like Britney Spears on the cover of the *Atlantic*, but it shows you can have fun and deal with serious issues at the same time. Meanwhile, Gabrielle Gurley highlights the changing face of investigative journalism in Boston and around the country.

What Works debuts in this issue. The new feature offers the chance to learn from what folks are doing elsewhere. Stephen Kidder provides a look inside the commission on corporate taxation, and Birny Birnbaum writes what Insurance Commissioner Nonnie S. Burnes wouldn't let him say at hearings on auto insurance rates. All this, plus provocative contributions from our regular contributors, including Dan Kennedy, Shawn Zeller, and Robert David Sullivan. Let me know what you think.

— BRUCE MOHL

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inquiries

State worker, 82, finally calls it quits

One of state government's oldest employees has retired, apparently with some prodding from lawmaker friends and his supervisors at the state Office of Consumer Affairs.

Donald Falvey, who is 82, retired from his $97,000-a-year job as deputy director of the Division of Standards at the end of January. Falvey worked in state and county government for 57 years, serving as an aide to former Governor Foster J. Furcolo before moving in 1959 to the Division of Standards, which makes sure weighing and measuring devices used by businesses are accurate.

Several State House sources say Falvey did not want to retire. They said he had been coming to work for years, but did little once he was there. He was hard of hearing and didn't use his computer. The agency's No. 2 official handled all administrative duties. Falvey, who did not return phone calls, will receive an annual pension of $50,700.

Colman Herman, a Dorchester consumer activist, says he came away from a meeting with Falvey in December 2006 thinking the guy should retire. "Half the time he couldn't hear me. When he could hear me, he had no sense of the question," Herman says.

State officials said they didn't know if Falvey was the oldest state government employee when he retired, but assumed he was one of the oldest. "You don't run into many people who worked in the Furcolo administration. Most of them are six feet under," says state Sen. Michael Morrissey of Quincy.

► BRUCE MOHL

Patrick finds his footing in his second year on the Hill

► BY JIM O'SULLIVAN

ASSESSMENTS OF GOV. Deval Patrick's first year in office were all pretty similar: He was, by his own admission, a political "amateur," and one taking his bumps and bruises as he learned to navigate Beacon Hill. House Speaker Salvatore DiMasi reminded everyone of that fact in January, when he suggested Patrick's first months in office offered a preview of what would happen if Barack Obama were elected president.

"I really don't want my president to be in there in a learning process for the first six months to a year," said DiMasi, a Hillary Clinton supporter. "It's too important."

But as the spring of his second year unfolds, Patrick has begun to show he has learned some lessons. The governor gained traction in the Legislature on new corporate tax revenues, his $1 billion life science package, and his long-term plans to borrow money for parks and beaches, housing, transportation infrastructure, and higher education facilities. Obama, Patrick's pick for president, didn't carry Massachusetts, but he's leading in the race for the Democratic nomination.

SIGNS OF A SHIFT CAME WITH THE STATE BUDGET.

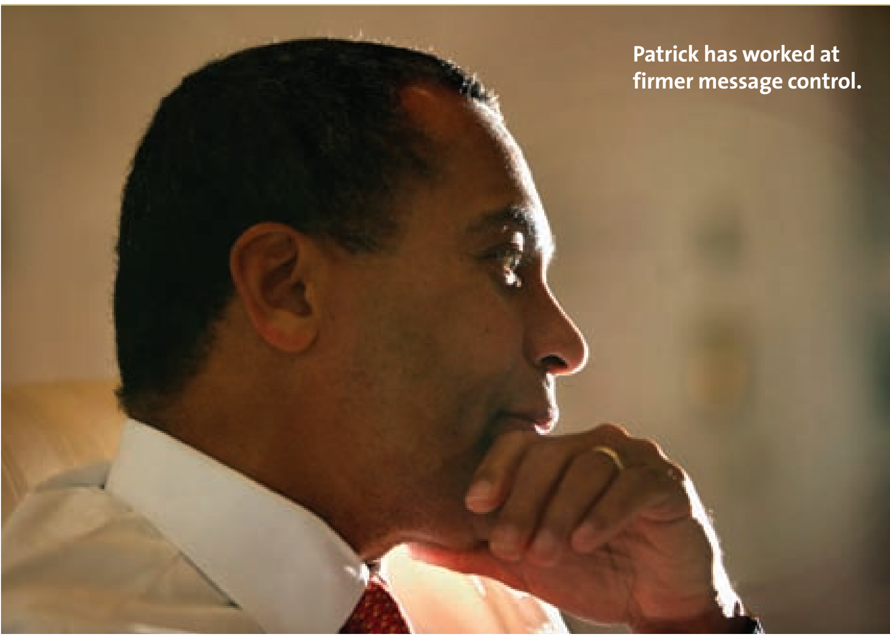
Even with his controversial three-casino proposal, which was handily defeated in the House, Patrick largely succeeded in framing the debate his way: A choice between casino revenues or new taxes.

"We take the lumps when we've got to," says Patrick chief of staff Doug Rubin. "But I would argue that the last four or five months have been pretty good. Whatever happens with casinos, quite honestly, you look at the full length of this year, this has been a very successful start for the governor."

With a $1.3 billion budget gap hanging over policymakers as they head toward fiscal 2009, the tough choice Patrick threw at the Legislature last year—new taxes, eviscerated spending, casinos, or revenue plans of their own—is coming due. To some extent, Patrick's strategy has banked on the worm turning as the calendar pages did.

But his recent successes aren't just due to good timing. On Beacon Hill, where the governor, the House speaker, and the Senate president form a political oligarchy, Patrick has aligned himself with popular priorities— education, transportation, property tax relief—and made clear that those initiatives will carry price tags.

Signs of a Patrick momentum shift turned up in the speaker's budget edict on February 12. DiMasi made two proposals of his own: an eventually revenue-neutral corporate tax package, combined with the cancellation of a scheduled hike in unemployment insurance rates paid by employers. But to get there



DiMasi had to cede miles of rhetorical territory on the corporate tax issue, go along with $253 million in the governor's "loophole-closing" bill, and produce his own revenue plan in the form of a $1-per-pack bump to the cigarette tax.

The tax package, along with $435 million in draw-downs from reserves current and future, allowed DiMasi to obviate—or outright reject—Patrick's casino proposal, which Patrick had hoped would contribute $300 million through licensing fees to fiscal 2009 spending. Nonetheless, Patrick aides trumpeted a major numbers-based win for the governor, his first. DiMasi himself suggested Patrick should claim a victory.

The revenue solution allowed DiMasi some maneuverability on the question over casinos. And with the recent policy belt-notches behind him, Patrick embarked on a much more aggressive tack of in-building persuasion, met tensely at every turn by DiMasi during a weeklong toe-to-toe fight in early March.

The increasingly bitter and personal fight over casinos between DiMasi and Patrick, fought largely on DiMasi's home field of House nose counts, left many wondering whether the bad feelings might spill over into future negotiations. Both men claim friendship and shared goals, but evidence of cooperation on difficult problems is scant.

Joyce Ferriabough, a longtime political strategist and early champion of Patrick's campaign for governor, says part of the governor's difficulty his first year was a communication problem with the Legislature, accentuated by a reluctance among top aides to solicit lawmaker input on issues. "I think that sometimes the message coming from him through some of his secretariats gets a little lost in the translation," Ferriabough says.

Rubin calls Ferriabough's criticism inaccurate. "It takes time for the governor to assume control of the entire administration, and I think this governor is in a situation now where he does control the administration, and we're better able to execute his agenda," he says.

After a rookie year without a red-letter signature policy achievement, Patrick's apparent momentum in the opening months of 2008 tracked tightly with firmer message control and an increasingly savvy approach to allying with interested parties on contentious issues. Even casino opponents conceded that a win in the historically gambling-averse House would have constituted an extraordinary legislative feat. "He's getting the hang of it," Ferriabough says.

Jim O'Sullivan is a reporter for State House News Service.

Red Sox call their own play to control ticket scalping

► BY BRUCE MOHL

THE STATE'S ANTISCALPING law is in tatters. No one enforces it, resellers ignore it, and now the Boston Red Sox are giving up on it.

The Red Sox recently sent a letter to season ticket holders acknowledging that the team could not control the resale of its tickets and announcing a sponsorship deal with Boston's biggest reseller, Ace Ticket.

"This decision is reflective of an irreversible marketplace shift," said Sam Kennedy, the team's chief sales and marketing officer, in the letter. "Ace Ticket will be able to provide season ticket holders with the opportunity to sell tickets for games they are unable to attend while also providing a seamless experience for those purchasing tickets."

Officially, the Red Sox haven't taken a position on what should be done with the state's antiscalping law, which bars resales for more than $2 above a ticket's face value plus certain service charges. The House approved a bill last year that eliminates the cap, but the measure has been stalled in the Senate. State Sen. Michael Morrissey of Quincy said in a recent interview he couldn't decide whether to remove the

PAT GREENHOUSE/BOSTON GLOBE /LANDOV

cap or continue to limit resales.

The Red Sox deal with Ace effectively means the team has concluded the marketplace has outrun the law. The Red Sox used to bar all ticket resales except those on the team's now-defunct Replay system, which restricted prices to face value. Kennedy said in an interview that the team's new policy allows resales as long as they are not excessive, fraudulent, or part of a "sweepstakes" not authorized by the Red Sox.

SOX TIX RESALES ARE THE HOTTEST ON THE MARKET.

Kennedy says the team will do everything in its power to make sure the tickets it sells get into the hands of real fans who will use them and not resell them. He also says that he hopes fans who do resell their tickets will do so at face value, although that's not part of the Ace business model.

The shift on ticket resales at Fenway leaves the New England Patriots as the only professional sports team to take a stand against scalping. The Patriots are currently suing StubHub Inc., the ticket resale website owned by eBay.

The Red Sox signed the corporate sponsorship arrangement with Ace after opting out of a league-wide deal between Major League Baseball and StubHub. Every other team agreed to the deal, which designates StubHub as the league's official online ticket reseller. Terms of the deal have not been disclosed, but industry officials say StubHub paid as much as $20 million to the league and agreed to split the fees earned on each ticket sale with the league and the team involved.

Sources say the Red Sox felt the StubHub deal short-changed the team because Sox tickets are the hottest sellers on the resale market. The sources say the one-year arrangement with Ace gives the Red Sox some breathing room to find a resale option that offers more benefit to the team and to see what happens with the Massachusetts law. Under the Ace deal, the Red Sox receive no ticket fees from Ace.

Getting around the StubHub arrangement with Major League Baseball won't be easy because the league controls all the online operations of the teams, and any ticket resale business without an online component is probably doomed to failure.

Kennedy says the team's position on ticket resales could change, particularly if the state law changes. "We absolutely reserve the right to change our minds in the future," he says. "That's why we reached a short-term agreement with Ace. We wanted to leave our options open."

Murray uses IG as ombudsman for *Phoenix* story

► BY BRUCE MOHL

WHEN THE *BOSTON PHOENIX* reported last year that state Sen. Therese Murray steered $11 million in state money to a crony who failed to deliver on his assignment to boost the number of foreign visitors to the Commonwealth, Murray did something unusual. She referred the matter to Inspector General Gregory Sullivan, asking him to play the role of a fact-finding ombudsman.

There might not have been a need for an ombudsman if Murray had just talked to the *Phoenix*. (She also declined to talk to *CommonWealth* for this story.) Nevertheless, the referral to the inspector general shows one way that state officials can deal with allegations of wasteful spending or wrongdoing raised by the press, the public, or other politicians.

The February 2007 *Phoenix* article was written by David S. Bernstein and carried the headline SHE WHO CONTROLS THE PURSE, with a subhead asking, "Terry Murray gave away $11 million of state money. Will anyone call her on it?"

The article alleged that Murray, who at the time was chairman of the Senate Ways and Means Committee and is now the Senate president, relentlessly pushed for international tourism promotion contracts to be awarded to William MacDougall, a former state tourism employee who was working as an independent contractor.

The article suggested that members of a state board resigned rather than risk the wrath of Murray by awarding the contracts to someone else. Bernstein also suggested that MacDougall squandered much of the state's money, that he failed to increase international tourism, and that Murray regularly took state-paid tourism junkets to places like Italy and Russia.

The New England Press Association gave Bernstein and the *Phoenix* a first-place award in the general news story category for alternative weeklies. NEPA stated that the *Phoenix* story "lays out a convincing case that a powerful state legislator handed an $11 million contract to a crony, and that the people of Massachusetts don't have a lot to show for it."

The inspector general's 25-page report, released almost exactly one year after the *Phoenix* article appeared, offered a very different assessment. The report said there was no impropriety in the awarding of contracts to MacDougall or his expenditure of funds. It said the members of the state board resigned because they had been appointed improperly. Sullivan also said that none of the state tourism money went to state officials for trips and that international tourism went up, not down, under MacDougall.

Sullivan's report prompted Murray to quip in a press release: "I didn't know they gave press awards for fiction."

There were two key factual errors in the *Phoenix* article. Bernstein reported that Murray took state-paid tourism junkets to Italy and Russia, yet she had never been to Italy and she paid for humanitarian trips to Russia with her own campaign funds. (The *Phoenix* printed a correction about the Italy trips shortly after the article appeared.)

The *Phoenix* also reported that overseas visits to Massachusetts declined under MacDougall. In fact, data released by the US Commerce Department in June 2007 indicated that foreign visitors to Massachusetts increased dramatically in 2006. The 27 percent annual jump was much bigger than any in other state or territory included in the agency's survey.

Sullivan, in an interview, said Murray's move to earmark money in the state budget for MacDougall has to be seen in the context of a fight with the administration of former governor Mitt Romney over the allocation of state funds to international tourism. Romney's administration had previously cut funds for international tourism promotion over Murray's objections and was refusing to award a $2 million contract the Legislature had authorized, according to Sullivan.

THE ARTICLE HAD TWO KEY FACTUAL ERRORS.

The inspector general's report says his office was able to document all of the tourism expenditures made by MacDougall, although there's little detail on them. For example, there's no breakdown of how $926,000 was spent by a public relations firm marketing Massachusetts in the United Kingdom.

Bernstein faults Sullivan for not digging further and also says Sullivan's explanation for the board member resignations—that they quit because Romney had never formally appointed them—doesn't jibe with what they wrote in their resignation letters. "If the IG is correct, I don't know why they wouldn't say that in their letters," he says.

Brenda Reed, executive director of the New England Press Association, said the inspector general's ombudsman-like investigation of a press report was something she hadn't seen in her 10 years at the association. She said the association has no plans to revoke the *Phoenix*'s award. "We're not pursuing it at this time," she says.

Not everyone on the South Coast is getting into training

▶ BY GABRIELLE GURLEY

SOUTH COAST RAIL, the plan to extend passenger train service from Boston to New Bedford and Fall River, promises to stir up more grass-roots activism than the Patrick administration has bargained for. Last fall, state transportation officials decided to re-open the route identification process to the region's residents as well as 11 other state and federal agencies. Since then they've been getting an earful about dozens of possible mass transit permutations.

What do you get when you put so many heads together? A grand total of 65 proposals, ranging from commuter rail to monorail. The options, winnowed down to 10 at press time, include routing trains through Attleboro, Stoughton, or Middleborough, as well as "bus rapid transit" and an expansion of private bus carriers.

But the resurrection of the Attleboro alternatives has brought back bad memories for area residents. When South Coast rail was first proposed in the mid-1990s, the locals spent years fighting scenarios that they believed would increase rail traffic in places already used by Amtrak, freight lines, and the MBTA commuter line to Providence. State officials finally decided on a shorter route via Stoughton. (Going that way wasn't embraced either, as environmentalists seized up—and will again—over any route that affected the Hockomock Swamp.)

People like Heather Graf have gone back to the barricades. The Norton resident has revived Citizens Concerned About Tracks, a regional coalition with members in Attleboro, Mansfield, Norton, and Taunton, originally established in 1995. Calling the route selection discussions "kind of willy-nilly," Graf doesn't think what have been called "civic engagement meetings" have accomplished "a whole hell of a lot." For her, starting from scratch by allowing people to put forward plans that have already been considered and discarded, including "ludicrous" ones, is a tremendous waste of time, money, and energy. To "take any option, any proposal you want, and throw it into the mix—I thought that was absurd," she says.

State Rep. Jay Barrows says officials are doing as well as can be expected, but the absence of an up-to-date ridership study is seen as a major problem by the Mansfield Republican. He says a study hasn't been done since 1999. Nor do state officials know how many people certain types of rail cars or buses can carry. People aren't getting the answers they want, Barrows complains. "We keep getting the response, 'You know, gee, we're at 10,000 feet. That's at 2,000. We'll get back to you,'" he says.

The Patrick administration could have pursued the Stoughton alternative, the route selected the first time around, and picked up where the rail project left off in 2002 by seeking an extension of the environmental impact review that had been approved for that line. But the Army Corps of Engineers indicated it was unlikely to issue a permit based on the route chosen by Massachusetts officials, since their regulations require states to study all possible options. (Under the federal Clean Water Act, the Corps issues permits for construction involving the dredging and filling of bodies of water, including wetlands.)

'THERE IS NO SILVER BULLET TRAIN.'

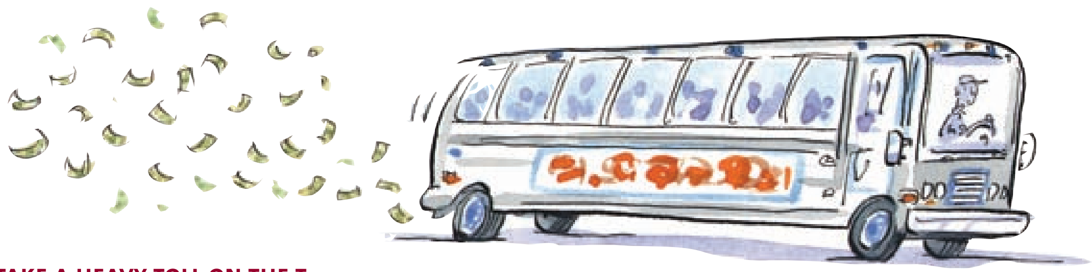
So officials decided to jump-start fresh conversations on viable routes. Once a final roster of six or fewer alternatives is determined in April, it's up to the Army Corps of Engineers to sign off on a route. State and federal officials must size up a host of factors, including project cost (the current rail estimate is \$1.4 billion), trip speed, grade crossings, construction time, and environmental effects on communities. "I'm trying to lay bare for the public as well as for the agencies [that] these are the tradeoffs," says Kristina Egan, the South Coast rail manager. "There is no silver bullet train."

As for ridership, the state has done preliminary modeling; the available data give high rankings to electrified trains running via Attleboro or Stoughton. Not surprisingly, a bus doesn't do well. "Nobody on the South Coast is buying the bus," says Graf.

Most residents express concerns about the impact of South Coast rail locally, not on the region at large. For every community like Freetown that weighs potential benefits, not just the cons of certain routes, there are others, such as Lakeville, that are just coming to grips with the possibility of trains running near homes. There are even more unknowns for existing commuter rail communities farther north that would face new construction and heavier train traffic. As the project plays out, says Greg Guimond of the Southeastern Regional Planning and Economic Development District, "More people start to realize, 'Whoa, this could impact me as well. I better start paying attention to it.'" CW

STATISTICALLY SIGNIFICANT

BY ROBERT DAVID SULLIVAN



BUSES TAKE A HEAVY TOLL ON THE T

Passenger fares accounted for only 29 percent of operating expenses on the MBTA during 2006, according to new data from the Federal Transit Administration, or well below the national average of 34 percent. The biggest drain was the bus fleet, which brought in enough revenue to cover just 21 percent of operating costs; that was the ninth worst performance among the nation's 10 largest bus systems (only Seattle was lower).

The "fare recovery ratios" for other parts of the T system were closer to those in other major cities. The T's commuter rail brought in enough to pay for 47 percent of operating costs, and fares for the three "heavy rail" subway lines (Blue, Orange, Red) paid for 45 percent of costs, with the "light rail" Green Line at 49 percent. That was a lot better than the lightly traveled Los Angeles subway, where fares accounted for 31 percent of operating expenses, but nowhere near first-place New York, where MetroCards covered 72 percent of the cost of getting you from one station to another.

NO ONE KNOWS MORE ABOUT SEPTIC TANKS

In the department of somewhat dubious bragging rights, the Census Bureau has taken a few hundred product categories and figured out which state benefited the most from each of them. It turns out that "septic tanks and related services" was one of 24 industries that enjoyed its highest sales per capita ($17.73) right here in Massachusetts during 2002.

The biggest three industries in which we rank number one are more in keeping with our white-collar image: "wholesale electronic markets and agents and brokers," portfolio management, and the manufacturing of navigational instruments. Each generated at least $8 billion in total sales, or more than $1,300 per person. But Massachusetts was also tops in "specialty hospitals," cutlery manufacturing, automotive glass replacement (not really an export business, so apparently we have a lot of broken windshields here), coin-operated laundries, and "diet and weight reducing centers."

Elsewhere in New England, the biggest industries in which each state finished first were: "petroleum bulk stations and terminals" in Connecticut, paper manufacturing in Maine, retail trade in mall-heavy New Hampshire, "miscellaneous manufacturing" in Rhode Island (always so secretive, that state), and computer manufacturing in Vermont.

TWO FOR ONE ON BEACON HILL

There were 569 registered lobbyists on Beacon Hill as of 2006, according to a new report from the nonprofit Center for Public Integrity, or 2.8 for every member of the state Legislature. That actually means less arm-twisting than in most capitals: The CPI estimated an average of five lobbyists for every state legislator in the nation. New York led the pack by this measure, with 5,117 lobbyists making their pitches to 212 lawmakers, making for a ratio of 24-1. Florida and Illinois, both with ratios of 12-1, were tied for a distant second.

State lawmakers in North Dakota came the closest to outnumbering lobbyists (but still failed, 154 to 141). Among larger states, Pennsylvania is the most lobbyist-free, with 355 of them spread across a legislature of 253 members.

ILLUSTRATIONS BY TRAVIS FOSTER

MIT TRIES HARDER

Charitable contributions to colleges and universities increased by 6.3 percent in 2007, according to the New York–based Council for Aid to Education, but the bump up was mostly due to grants from family foundations. Gifts from alumni were down by 1.5 percent, perhaps a sign of shaky economic times, but still accounted for 28 percent of all contributions.

California's Stanford University raised the most last year ($832 million, down 9 percent), while Harvard University remained in second place ($614 million, or up 3 percent). But MIT surged from 21st to 11th place. It raised $329 million, for an increase of 40 percent.

A HEFTY LIBRARY FINE FOR BRIDGEWATER

As municipal budgets get tighter, many cities and towns are looking for savings in their library departments. After all, why keep the lights on in the stacks when there's Wikipedia? But in February, the town of Bridgewater found out that there's a price for shortchanging libraries. After voters there turned down a Proposition 2½ override, town officials slashed the annual library budget from $844,000 to $484,000, according to the Brockton *Enterprise*. This move may have helped municipal finances, but the Massachusetts Board of Library Commissioners found it a most displeasing plot twist. It stripped the Bridgewater Public Library of its certification, meaning that cardholders can no longer borrow books from other libraries in the region.

The *Enterprise* reported that 14 communities recently appealed to the library board to keep their certification even though they had cut library hours below the minimum set by the state. Only Bridgewater was denied a second chance. Because of its size, Bridgewater was required to keep its libraries open 63 hours a week, but after the budget cuts, the town kept them open a mere 15 hours a week. So the town saved a few hundred thousand dollars and became an example for the rest of the state.

Or will it be a trendsetter?

NO LAND OF ENCHANTMENT FOR BUSINESSWOMEN

Massachusetts is often knocked for its low number of women in elected office, but we're not exactly ahead of the curve in the entrepreneurial sector either. The Census Bureau recently calculated that 29 percent (there's that leap year number again!) of businesses in the Bay State were owned by women in 2002. That's about the same as the national average, but we ranked 49th, just ahead of New York, in the percentage of businesses "equally owned" by men and women: 8 percent vs. 12 percent nationally. Businesses with both male and female owners—presumably including a lot of literal mom-and-pop stores—were most prevalent in Idaho, with 21 percent of all firms.

That left Massachusetts as one of only eight states where men, and only men, still owned more than 60 percent of all businesses. The others were Alabama, Connecticut, New Hampshire, New Jersey, Pennsylvania, South Carolina, and Tennessee. (So much for the idea that the Northeast is more enlightened than the Deep South.)

According to the data, women without male co-owners were in charge of more than 30 percent of all businesses in just three states (Hawaii, Maryland, and New Mexico), plus the District of Columbia. New Mexico was the only state where it was even theoretically possible that less than half of all businesses were owned solely by men; a shade under 50 percent were classified as "male-owned," but the numbers for each state didn't add up to 100 percent because a small number of businesses are simply "not classifiable by gender."

Needs improvement

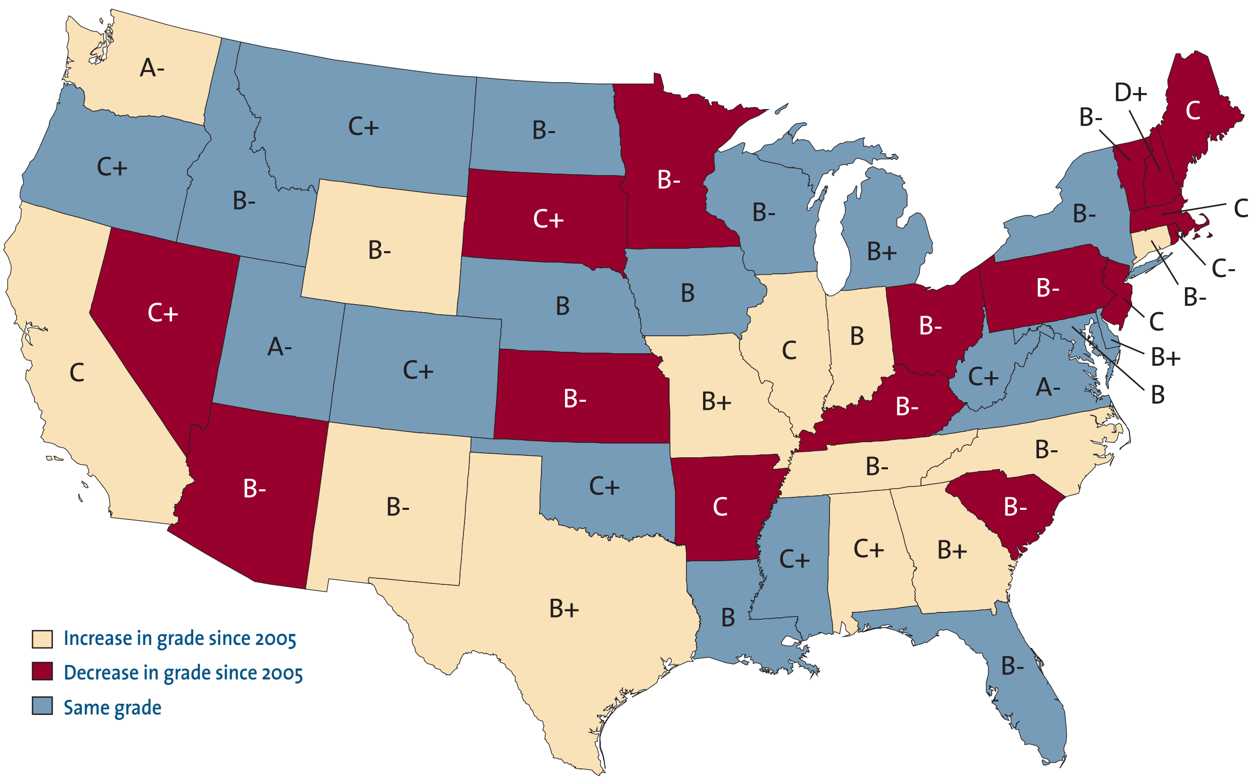
BY ROBERT DAVID SULLIVAN

HERE'S ONE REPORT card that Massachusetts might want to hide: *Governing* magazine and the Pew Center on the States gave the state a "C" in their *Grading the States* report, released in early March. As the map below indicates, only New Hampshire and Rhode Island got lower grades for how well their state governments are managed. And with the notable exception of Connecticut, the Northeast seems to have fallen in the eyes of the *Governing* management mavens. Five of the six New England states, along with New Jersey and Pennsylvania, received lower grades than in the magazine's last report card, completed in 2005. (Massachusetts got a "C+" last time.)

In this year's report, the Bay State got mediocre marks for its budget process, the management of its public workforce, and the setting of performance goals, but it really ended up in a ditch thanks to the condition of the state's infrastructure. And the report's authors see no sign that we'll be patching up our potholes soon: "If Massachusetts did decide to make infrastructure a top priority, it's hard to know where the money would come from. The state's total outstanding debt already exceeds $18 billion—the highest in the nation per capita—and the Massachusetts budget for next year already faces a $1 billion shortfall." The state's new health care insurance program also gave the authors a slight case of the willies. ("Initial estimates of 140,000 enrollees proved low, which will leave the program an estimated $245 million over budget this year.")

Utah and Washington got the highest marks, with the latter state praised for its long-term budget planning (at least six years out) and Gov. Christine Gregoire's town hall meetings on the budget process. As for the lowest-ranked states, the report's authors derided the "myth" of fiscal conservatism in New Hampshire and charged that "meager cost and performance information and tortuous business processes create an institutional inertia that wastes much of the state's limited resources." And Rhode Island lost points for the fact that many state employees there still work on typewriters rather than networked computers. CW

GRADING THE STATES '08: A MANAGEMENT REPORT CARD



Source: *Governing* magazine (www.governing.com) and the Pew Center on the States (www.pewcenteronthestates.org).

Job seekers

BY ROBERT DAVID SULLIVAN

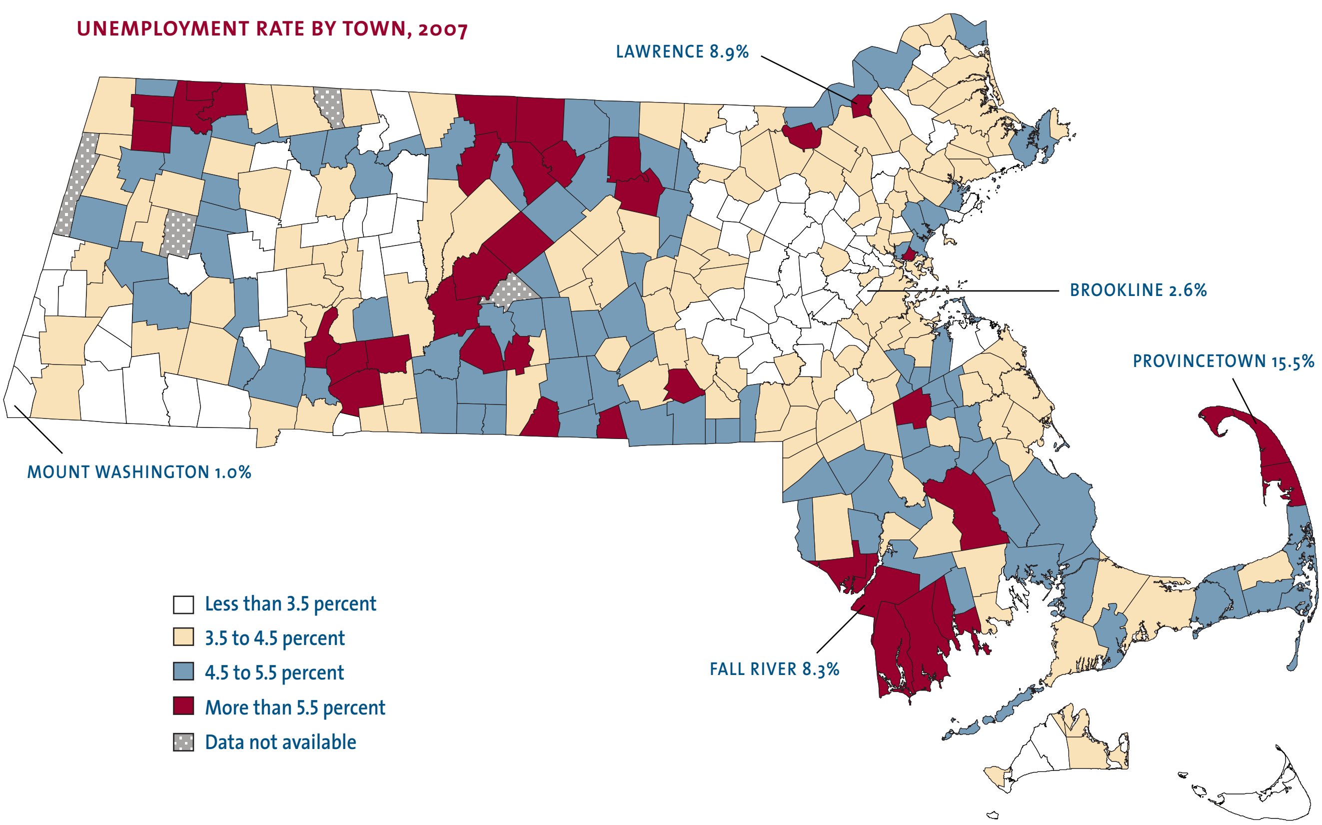
MASSACHUSETTS LOGGED A 4.5 percent unemployment rate over the 2007 calendar year, just one tenth of a percentage point below the national average. This was progress of a sort, since the unemployment rate was 4.8 percent in 2006 and went as high as 5.8 percent in 2003. But we're still far above the 2.7 percent of 2000, our best showing in the past couple of decades.

The map below shows unemployment levels for almost every city and town, with communities far above the state average in red and those far below the state average in white. The state's largest city doesn't stand out here; Boston's 4.4 percent unemployment rate last year and its 3.0 rate in 2000 were pretty close to the Massachusetts total. Instead, last year's outliers tended to be in resort areas with seasonal fluctuations (Provincetown was up to 31.9 percent in January 2007 but dropped to 2.7 percent in August) and "gateway cities" with stubborn unemployment problems. The jobless rate stayed above 5 percent every single month last year in Lawrence, Fall River, New Bedford, Springfield, and Holyoke.

In 2006, the last year for which such detailed data is available, Lawrence saw a slight uptick in manufacturing jobs (to 4,895, still below 2004's number), but the other four cities all continued to lose blue-collar positions. Brookline, by contrast, consistently has one of the lowest jobless rates in the state and has been helped by a steady rise in "accommodations and food services" jobs since the beginning of the decade (up to 1,979 by 2006).

Several towns between Worcester and Springfield had a better employment picture than the state as a whole in 2000 but ended up in worse-than-average shape last year—again, mostly due to the loss of manufacturing jobs. The western city of Pittsfield, however, has taken a different course, going from an above-average unemployment rate of 3.2 percent in 2000 to a 4.5 percent rate in 2007, which is in line with the state average. Manufacturing jobs have sharply declined in Pittsfield, but the city has partly compensated for that with growth in the health care, "professional and technical," and tourism sectors. CW

UNEMPLOYMENT RATE BY TOWN, 2007



Source:Executive Office of Labor and Workforce Development (www.detma.org)

Betting on the House

While Deval Patrick eyes revenue from casinos, Barney Frank says the state can also benefit from online wagering BY SHAWN ZELLER

IF GOV. DEVAL Patrick represents the new face of liberalism in the Massachusetts Democratic Party, 14-term congressman Barney Frank is the unabashed older version. But both men believe that government programs can improve the lives of citizens, and they are not hesitant to say that the government needs more revenue to fund them.

Patrick and Frank also have something in common when it comes to getting that revenue: They want to legalize gambling. Patrick's high-profile plan would have legalized three casinos in different parts of Massachusetts. Frank has a bill that would, for the first time, legalize Internet gambling in the United States, while charging the Treasury Department with taxing and regulating it.

Patrick failed to convince a skeptical House Speaker Sal DiMasi that casinos make sense, though he had strong support from labor unions and mayors eager for the jobs and the tax revenues the casinos would generate.

Frank faces an even bigger challenge. His bill has only 46 of the 435 House members as cosponsors, and as of now just three other members of the Massachusetts delegation (Bill Delahunt, Michael Capuano, and Jim McGovern) are backing him.

Where Patrick's support of gambling was largely pragmatic—he wants the revenues gambling can generate—Frank's push for expanded gambling also reflects his libertarian streak. Studies have shown that lower-income people tend to spend a disproportionate amount of their income on gambling, but Frank doesn't believe this justifies a prohibition on the activity.

"If this is what lower-income people want to do with their money, who are we to tell them, 'That's stupid?'" he asks. "I believe in personal freedom. It's as simple as that. I don't understand how you can tell adults they can't do this with their own money."

Both the Bush and Clinton administrations have treated online gambling as illegal ever since the expansion of the Internet in the mid-1990s. The Justice Department cites the 1961 Wire Act, which prevents businesses from using a "wire communication facility" for interstate or international bets.

Even Patrick, when he announced his casino plan for Massachusetts, included a ban on Internet gambling. Kofi Jones—spokeswoman for Daniel O'Connell, the secretary of economic development and the governor's chief adviser on the gambling issue—did not respond to requests for comment, but many observers speculate that the governor's opposition comes from the fear that Internet gambling (should Congress authorize it) would drain revenue from casinos.

For his part, Frank supports Patrick's casino plan, the Internet gambling ban excepted, and says Patrick should also get behind *his* bill.

Just as Patrick saw dollar signs in his casino plan, Frank estimates that taxing online bets could yield between $3 billion and $15 billion for the US Treasury over five years. Frank could not come up with a more precise estimate because his bill would allow states to ban their own citizens from gambling online and would give sports leagues the option of banning websites from taking bets on their games.

Even so, Congress is on record opposing online betting. In legislation passed two years ago, Congress cracked down on foreign websites that were not covered by the domestic ban on Internet gambling, barring US banks from processing credit card or check transactions for them. Almost every Republican voted for the bill, along with 76 Democrats, including two from Massachusetts

ILLUSTRATION BY ALISON SEIFFER

(Stephen Lynch and Marty Meehan, who has since left Congress).

FRANK HASN'T TAKEN much heat at home for his crusade, but he has heard from disgruntled activists elsewhere. Forty-three state attorneys general, for example, wrote to Frank in November to say they had "grave" concerns about his bill and expressed the view that it "would undermine states' traditional powers to make and enforce their own gambling laws."

Massachusetts Attorney General Martha Coakley did not sign onto the letter. But one of her predecessors, Scott Harshbarger, says he "understands completely" the position of the letter writers. Harshbarger, who vigorously opposes Patrick's plan to build casinos in Massachusetts and sees legalized gambling as bad public policy, says Frank has walked into a minefield. "He's walked not only into the gambling issue but into other areas surrounding the traditional powers of the attorneys general to regulate consumer protection issues within their own jurisdictions," he says.

Frank says it's futile to ban online betting.

Bay State church leaders haven't joined in the moral condemnation of Internet gambling that's been common elsewhere. Even the group Casino Free Massachusetts, which was organized to oppose Patrick's gambling plan, does not take any position on Internet gambling, says Laura Everett, a spokeswoman for the group and the associate director of the Massachusetts Council of Churches. She says the group's opposition to the Patrick proposal was not based on moral grounds, but rather a differing vision for economic development. "This is about the direction we see our state going in and what sort of vision of Massachusetts we want to have," she says.

Still, Tom Grey, a Methodist minister and national spokesman for the National Coalition Against Legalized Gambling, says that allowing people to bet online will create more gambling addicts than brick-and-mortar casinos ever could.

"I know Barney Frank says this is about personal freedom, that we should let people do what they want, but I think Congress was right to say we don't want gambling coming into people's homes," he says.

Frank admits that it's going to take a more vigorous lobbying campaign by supporters of Internet gambling to persuade his colleagues in the House to change their views. So far, his supporters are few, and Frank does not have the backing of the major lobbying group for US casinos, the American Gaming Association. The AGA is wary of any national regulation scheme (on its website, its says that the "the right of states to regulate gambling must be protected") and prefers a House bill by Nevada Democrat Shelley Berkley that calls for a study of Internet gambling by the National Academy of Sciences.

Frank's biggest supporters are foreign gambling sites, which have hired U.S. lobbyists to promote the bill, and a group of champion card players calling itself the Poker Players Alliance. That group has hired poker enthusiast and ex-New York GOP Senator Alfonse D'Amato to lobby for the Frank bill.

The congressman has also won backing from Charles Nesson, a poker enthusiast and Harvard law professor. Nesson believes that poker is an effective learning tool and since announcing his support for the Frank bill last year has even appeared on Comedy Central's *Colbert Report* to make the point. "I have made it my mission to make poker legitimate," he said on the show, adding, "It is one of the best tools we have to teach negotiation, risk assessment, strategic thinking, and other essential life skills."

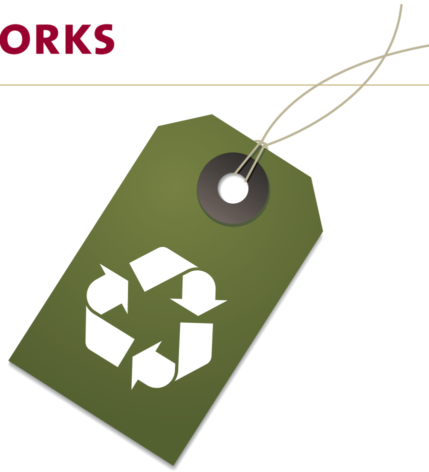
As Frank mounts his crusade for legalized Internet gambling, he stresses three points. First, he says, barring people from gambling on the Internet is a fruitless task. And in contrast to brick-and-mortar gambling, he argues, the Internet offers greater opportunities to track problem or underage gamblers. He says there is little or no safety net for problem gamblers who make regular visits to casinos, or to the local convenience store for lottery tickets, but regulations could require gambling websites to identify problem gamblers (flagged through accounts that are used too often or lose too much money in a short period), block them from making bets, and direct them to treatment programs. (Gambling opponent Grey, for one, says he doesn't buy this argument.)

Second, the cost of banning Internet gambling could be enormous. The Bush administration has not yet released the terms of a compensation agreement it reached last December with Japan, Canada, and the European Union after the World Trade Organization ruled that the U.S. Internet gambling ban, because it makes exceptions for horse racing and a few other types of gambling, was a violation of free trade agreements. Some analysts say the compensation agreement with the other nations could stretch into the billions of dollars.

Frank's third point is about money, and that's where he and Patrick see eye to eye. Given the political difficulty that accompanies any effort nowadays to raise taxes, gambling revenues could be a godsend to underfunded programs across a wide array of government services, Frank says.

"If there are better ways to raise revenue, I will vote for them," he says. "But it's fairly clear in the current political situation that we won't get much revenue by trying to raise taxes." CW

BY B.J. ROCHE



LOCAL GROWERS COMPETE IN COLLEGE CAFETERIAS

It used to be a source of frustration in small towns in western and central Massachusetts that the contract for school milk would go to out-of-town dairies because the cost was lower. But over the past five years, Dining Services at the University of Massachusetts–Amherst (where I teach) has managed to overcome the obstacles and has quietly become a leader in buying locally produced food products. What's more, it is finding that the costs of local products are competitive.

In 2002, Dining Services inserted a clause in its vendor contract that allows the university to set a goal for the percentage of food that comes from local sources. The department now buys about 22 percent of its produce locally, up from 15 percent in 2005, says director Ken Toong, and he's shooting for 25 percent next year.

Dining Services, which provides about 5 million meals a year, now injects about $450,000 each year into the local agricultural economy. "This is no small task considering the size of the student population and the growing seasons in New England," Toong says.

Toong is working with the other four colleges in the region—Smith College, Amherst, Hampshire, and Mount Holyoke—to increase support for local farms.

UMass buys its produce from the Czajkowski farm in nearby Hadley, located one mile from campus. Owner Joe Czajkowski coordinates with about a dozen other farmers to guarantee supply and consistency.

Toong says local food products—such as eggs, milk, jam, and even the beef served at the Faculty Club—are cost-competitive with national distributors, and the food is fresher. Dishes served in the dining commons feature cards that list the meal's pedigree, and Toong says students appreciate it.

Others are noticing as well: UMass Dining Services received an environmental award from the state in 2006 for its sustainability efforts.

A NEW START FOR FOSTER CARE KIDS

If you have an 18-year-old in your house, then you have probably heard the news: Once you turn 18, you can do whatever you want. But for a young person in the foster care system, that milestone is often the gateway into a life of troubles. About 25,000 people "age out" of foster care each year, and most leave the child welfare system with no family support and few life skills. The Pew Charitable Trusts reports that one in four will be in jail within two years, and one in five will be homeless. Only half of these young people will graduate from high school, and fewer than 3 percent will graduate from college.

The problem is particularly tough in the Bay State because of the high cost of housing. Some kids have ended up in public housing, living next door to seniors, and the resulting culture clash creates its own set of issues.

But in Nashville, Tennessee, two nonprofit agencies combined forces to address the problem. Monroe Harding, which runs programs for at-risk youths, and the Woodbine Community Organization, a housing development organization, built three duplex apartment buildings that now house 14 young people who have a common kitchen and living space. They pay rent according to a sliding income scale, and a Monroe Harding counselor checks in with each resident daily to find out how they're doing at work or at school.

The combination of secure housing and life-skills support has helped many kids transition successfully into adulthood.

"We've had very positive results," says Melissa Houck, Monroe Harding director of development. "Foster kids are coming in from word of mouth. Other kids in the system tell them: You need to get here, it worked well for me."

GETTING SERIOUS ABOUT RECYCLING

Faced with a lousy record on local recycling, the town of Smithfield, Rhode Island, took a drastic step: The town refused to pick up the trash of residents who weren't also putting out their recyclables. Many residents complained, but the plan worked, says recycling coordinator Gina Barbeau. "We had 10 to 15 complaints a day the first week," she says, "but now no one complains because people realized we're serious about it."

The recycling rate in the town of 6,300 households has increased from 20 percent to 25 percent since the program started.

Most Massachusetts towns take a different approach, encouraging residents to recycle by charging them a per-bag fee to pick up their non-recyclable trash. But the city of Boston has seen some improvement in recycling participation with a pilot program that allows single-stream recycling, in which residents toss all recyclables into one bin. It's now working in two neighborhoods and should be city-wide within the next two years. Boston pays $80 per ton to get rid of regular waste but only $22 a ton for plastics, and the city sells waste paper for $40 per ton.

Massachusetts officials estimate that an additional 1.5 million tons of paper could still be removed from the waste stream and sold for more than $30 million. Toward that end, some 160 communities have signed on to the MASS RECYCLES PAPER! campaign, which encourages municipal governments and businesses to recycle more paper. As part of the campaign, 16 communities are planning public "shredding events" this spring, to which residents can bring documents they'd rather not toss into a recycling bin.

Paper recycling has changed a lot in the past decade, says Karen Patterson, who runs the MASS RECYCLES PAPER! program, which operates with donations and a grant from the Massachusetts Department of Environmental Protection. Many more types of paper products are now recyclable, and the market for used paper is booming.

Patterson estimates that the recycling and reuse industry supports more than 1,400 businesses and 19,000 jobs in the Bay State and generates $64 million annually in state tax revenues.

Much of the paper collected in Massachusetts goes to the Newark Group Recycled Fiber Mill in Fitchburg, where it gets converted into hard covers for books (including the most recent Harry Potter tome), and boards for games like Monopoly, which is manufactured by Hasbro, in East Longmeadow.

THE PARK PLACE OF WORKER SAFETY

Just outside the infirmary at that Hasbro plant is a giant mural of the hapless doctor in the popular children's game Operation. But the doctor isn't in quite so often at Hasbro these days, in part because of a program aided by state grants in workforce training and safety.

Hasbro's safety efforts focus on ergonomics, and the company has an industrial engineer whose job is to look at the repetitive motions in the 1.2 million-square-foot facility and recommend improvements. The company also has 12 ergonomic teams made up of management and union workers, who collaborate year-round on solutions to problems on the factory floor. Last year the teams came up with more than 50 proposals, and the program has been lauded by the US Occupational Health and Safety Administration.

Employees have designed and fabricated custom tools, for example, and they have designed and built custom-angled tables in the game assembly area that can be adjusted to the height and build of each worker. Hasbro employees also get their own safety insoles that mitigate hours of walking on the concrete factory floor. The company has teamed up with physical therapy faculty at nearby American International College to develop the shoe inserts and study their effects.

HASBRO'S SAFETY EFFORTS FOCUS ON ERGONOMICS.

More recently, the company focused on ergonomic and safety training for older workers, since the company has many workers with 30 to 50 years experience who are still on the job.

Jack Popp, vice president for technical services at Hasbro's East Longmeadow plant, says any savings, no matter how small, could mean the difference between the company remaining in the United States or moving operations overseas.

"If we keep our people safe on the job, we reduce our costs," Popp says. "Every injury saved does support the bottom line."

We encourage readers to submit ideas for programs that work in one community, state, or nation and could be replicated in Massachusetts. Send ideas to editor@massinc.org

Your blog of blogs

Universal Hub's Adam Gaffin may be the most influential editor you've never heard of BY DAN KENNEDY

HERE'S WHAT ADAM GAFFIN finds frustrating. He's in his car, heading for a meeting in Framingham, where he works in tech publishing. He's got the radio tuned to WBZ. And news is breaking—a fire, a shooting, a derailment on the MBTA, whatever.

What he'd like to do is park himself in front of his computer and start searching for posts from the hundreds of local blogs he tracks. Is there an eyewitness account? A few photos? A video that someone uploaded to YouTube? If so, he'll round them up and link to them on Universal Hub, the website he launched in 2004. Instant citizen journalism, all gathered in one place.

Except he's got that meeting he has to go to. Universal Hub will have to wait.

At 49, the bearded, soft-spoken Gaffin may be the most influential editor you've never heard of. Or perhaps you have. Maybe you're one of the 3,000 or so people who visit Universal Hub (www.universalhub.com) every weekday. Maybe you read about him in the *Boston Phoenix* in early March. Or maybe you caught a reference to Universal Hub while checking out a new local blog you'd heard about. An obscure Internet media activist for more than a decade, Gaffin is becoming less and less obscure all the time.

The idea behind Universal Hub is pretty simple. Every day—during breaks at work, while he's on his exercise bike at home, or sitting in front of the television with a laptop—Gaffin tries to stay current with some 600 to 700 blogs in Greater Boston, looking for items that are unusually newsworthy, quirky, or poignant. He links to the best of them, along with an excerpt, some commentary, and a headline. He cites mainstream news sources as well, offering words of praise or disparagement.

What emerges from all this is something approaching a community-wide conversation. It's like talk radio, only better, richer, more diverse, with people able to talk not just with the host but with each other through the comments they post. Universal Hub isn't exactly an alternative to the *Boston Globe* and the *Boston Herald*, but it's become an essential supplement—a source for hyperlocal and offbeat news you won't find elsewhere, and a place to hash out the big stories of the day.

"It gives you a place to have a discussion with folks who you might not otherwise be talking to," says Gaffin in the living room of his Roslindale home, where he lives with his wife and his daughter, a fourth-grader in the Boston public schools.

Adds Lisa Pollack, an account director at the Boston public affairs firm Denterlein Worldwide: "Every day, at least once or twice a day, I check in just to see what's going on in people's heads. What he has done so successfully in my mind is to give a sense of community. There are people who love this city as much as I do, and care as much about this city as I do, and they're funny and they're smart and they're out there."

(Now for the obligatory disclosure. My own blog, Media Nation, is frequently featured on Universal Hub. Media Nation is also part of the Boston Blogs advertising network, another Gaffin project, which offsets my Internet access fees by about $20 a month.)

Local bloggers say that a link from Universal Hub—sometimes referred to as "getting Hubbed"—guarantees a jump in traffic to their site. Paul Levy, president and CEO of Beth Israel Deaconess Medical Center and the author of the Running a Hospital blog, estimates that a mention is good for a 10 percent jump. The anonymous former journalist who blogs as the Outraged Liberal says he's seen his own daily readership jump from 50 to 200 page views whenever he gets Hubbed.

"It comes to the point where I try to think about whether I write something that will attract Adam's interest and attention," says Mr. Liberal. "Because I know that if I do, I'm going to see my numbers go up."

IF YOU WERE checking in with Universal Hub on a mid-afternoon in early March, here are a few of the stories you would have found: A construction worker in Charlestown who shot himself in the head with a nail gun while trying to outrun a meter maid. (Police later reported it was only a BB.) Photos of an arrest in Somerville. A South Boston blogger known as Queen Dee ruminating on local pronunciation quirks. An "alleged dumbass," in Gaffin's felicitous phrase, involved in a car accident in West Roxbury. Mentions of new community websites. A woman attacked on the T in Brookline. And some striking photos of the city, a regular feature.

To invoke the old cliché, such homely fare makes up a whole that's greater than the sum of its parts. From these pieces a picture of the city begins to emerge. And it's a very different picture from the suburban-mom/urban-slickster duopoly you often find in the *Globe*, or the seamy underbelly portrayed by the *Herald*. Rather, the Boston of Universal Hub has none of the artificial coherence the traditional media try to impose on it. It's just people talking.

Gaffin, a Brooklyn transplant who stayed after graduating from Brandeis University, is one of Boston's online-media pioneers. He launched a site called New England Online in the early 1990s, at a time when, he recalls, he could track down every website in New England in an afternoon. A couple of years later it morphed into Boston Online (www.boston-online.com), a still-thriving directory and search engine for all things local.

Universal Hub began life as Boston Common in 2004, when Gaffin and Steve Garfield, a Boston–based video blogger, decided to try to capture the flavor of some of the local blogs they were reading.

"I was seeing a lot of interesting blogs in the Boston area, and I thought, hey, if I think they're interesting, someone else might think they're interesting, too," Gaffin says. "So I started aggregating the interesting posts. I also wanted to see if we could play with more of a group blog, where you get more people involved than just me. Get the community involved. Because there are so many people out there who are blogging or who just want to participate and talk about the day's news, or the interesting stuff that they've read online."

Garfield says he continues to provide advice and ideas, although Universal Hub has clearly emerged as Gaffin's project. Indeed, though it's possible for anyone to set up a blog on Universal Hub, the vast majority of the posts you'll find are Gaffin's.

Though much of the content on Universal Hub is more slice-of-life than it is earth-shattering news, the site has had its moments.

After the massive Danversport explosion of Thanksgiving 2006, Gaffin rounded up a voluminous amount of material from local bloggers, including photos and videos shot, in some cases, before news photographers could reach the scene. Gaffin points to Danversport as an example of both the strengths and shortcomings of citizen journalism.

Amateurs, he says, can and frequently do beat the professionals on the first day of a story. But when the second day rolls around, it's the traditional news organizations that are going to dig in and find out exactly why the neighborhood blew up in the first place. "I'm not one of those people who thinks you can replace a news organization," says Gaffin, who began his career as a reporter for the *Middlesex News* (now the *MetroWest Daily News*) in Framingham.

Sometimes, though, the news media are clueless, giving citizen journalists an opportunity for a little one-upmanship. Consider the Mooninite scare of January 2007, when

Bloggers quickly figured out the 'Mooninite' scare.

a couple of local artists were paid to plaster the city with electronic cartoon characters to promote an upcoming movie. City and state officials at first thought the blinking circuit boards were bombs, and the media went into meltdown. But local bloggers quickly figured it out—and, as Gaffin put it in a headline, "Was the city paralyzed today by ads for a stupid cartoon?"

"That was just old media really not getting it," Gaffin says now, adding Universal Hub set a record of 20,000 visitors that day.

It's not all snark at Universal Hub. Just a click away from the "French Toast Alert"—a difficult-to-explain, easy-to-grok system in which the predicted severity of a winter storm is measured by how aggressively shoppers will buy out all the milk, eggs, and bread from their local supermarket—is a Google map plotting every murder in Boston for the past several years, along with comments and tributes from the families and friends of victims.

Gaffin takes crime and its effects on city life seriously, often highlighting posts from the Boston Police Department's blog and from a blog written by John Daley, a Boston police officer and photographer.

"I think Adam does a couple of things that are important in reporting crime," says Daley by e-mail. "First, he often covers things that the larger outlets only barely mention, and, second, he puts those stories into perspective, often personalizing them. There's a tone of 'This is what happened

ILLUSTRATION BY NICK GALIFIANAKIS

near where I live and this is what I think about that…and this is what happened near where you live, and I can't imagine that you would be very pleased about it.' It's an antidote for apathy."

Daley adds that in contrast to mainstream coverage of crime, which he characterizes as "humorless and sometimes overly careful," Gaffin emphasizes what is "funny, bizarre, weird, or just sad."

Journalists often 'scramble to catch up' with Universal Hub.

Gaffin's relationship with the local media might be described as mixed. Universal Hub is dependent on the media for much of its news. Yet it galls Gaffin that the media—and especially the *Globe*—would rather run stories about urban professionals turned Vermont cheesemakers (a front page story that still galls him several months after it was published) than delve into the life of the city's neighborhoods.

"The *Globe* increasingly drives me nuts," says Gaffin, who, for a time, wrote a column for the paper's City Weekly section consisting of highlights from Universal Hub. He gives the *Herald* credit for being more on top of crime and certain types of city stories, but adds, "The *Herald* is the *Herald*. They have limited resources."

Yet David Beard, the editor of the *Globe*'s Boston.com site—and, thus, something of a competitor with Universal Hub—has nothing but good things to say about Gaffin. "I think he's an essential stop for people," Beard says. "It's not just the aggregation, but it's the smart tone and his selection of topics. I think the site covers the funny, tough, love/hate thing that we have in Boston, depending on the weather or the fortunes of our sports teams."

As for Gaffin's criticism of the *Globe*, Beard says, "If I were him, I'd make the same critique. In a sense he's right, but in a sense he's wrong because of the selection process. There's always going to be room for more. If a couple of *Globe* reporters use him as a bit of a tip sheet, then he's contributed to broader news dissemination."

Oh, yes. The tip-sheet thing. With the exception of a tiny handful of online superstars, most bloggers have exceedingly small audiences. The aim of many is to attain influence by reaching the right handful. Some years back the proto-blogger Dave Weinberger twisted the old Andy Warhol maxim by saying, "In the future, everyone will be famous for 15 people." The idea is to target the *right* 15 people.

"It's no secret that reporters and editors read Universal Hub every day. There have been plenty of times when something interesting pops up at Adam's site and journalists scramble to follow up," e-mails *Herald* business reporter Jay Fitzgerald, who writes the popular Hub Blog.

Former *Globe* reporter Sasha Talcott, now at Harvard's Kennedy School, says by e-mail that she regularly monitored Universal Hub to "add to my sense of what was going on in the various neighborhoods all around the city," and that she got several story ideas from reading it.

But can Universal Hub be more? Should it be more? This spring, the *Globe* is going through another painful round of downsizing. The *Herald* is already a bare-bones operation. Is it possible for a volunteer or mostly volunteer community news site such as Universal Hub to take over some of the traditional functions of a daily newspaper? Perhaps. But that would be quite a leap.

A DAILY NEWSPAPER is a theory of what's important. On its pages (or on its website) is the news that its editors think is most worth knowing, reported in a fair and neutral manner, and corrected when there's a mistake. If it's not in the paper, it's not important—or, at least, you hope that it's less important than what *is* in the paper. By contrast, bloggers write what they feel like writing about, and if they miss the most important part of a story, or distort it beyond recognition, well, you get what you pay for.

"One of the things that you get out of a newspaper, or you hope you get, is coherence. I'm not going to read the *New York Times* and miss Katrina, whereas bloggers don't really have the sense that they must produce a complete whole," says longtime Universal Hub devotee Lisa Williams, founder of the groundbreaking community blog H2otown (see "Watertown's Net Gain," Mass.Media, *CW*, Winter '06), who also tracks local blogs from around the world at Placeblogger.com.

There are some community news sites that are more proactively journalistic than Universal Hub. One is LA Observed, founded by *Los Angeles Times* refugee Kevin Roderick, which keeps a close eye on all things LA—especially the long, sad decline of the *Times*. Another is the New Haven Independent, which isn't really a blog, but, rather, a nonprofit news site begun several years ago by Paul Bass, former editor of the alternative *New Haven Advocate*.

Bass draws a distinction between the Independent, which he sees as more of a traditional news organization, and

Universal Hub, which pulls together other sites' content. "The value of the aggregator is someone who is going to have trust and help people navigate the Web," Bass says of sites like Universal Hub.

Adds Bill Densmore, director of the New England News Forum (see "Full Disclosure," Mass.Media, *CW*, Summer '07), via e-mail: "Universal Hub is a placeholder for what community media will become. The challenge is finding a technology and organizational structure which combines the best of professional journalism and info-tech with the wisdom and passion of the public."

Gaffin is intrigued by the idea of doing more. He says he'd like to take on Universal Hub as a full-time job if there were enough revenue coming in. Down the line, if he could, he'd hire an editor, a photo/video editor, and a general-assignment reporter. The idea would be to combine professional and citizen journalism into some sort of coherent whole—into a theory of what's important, rather than a round-up of the best of what comes in over his RSS reader.

Can professional and citizen journalism work together?

Like any editor—or, for that matter, any blogger—Gaffin has his obsessions and his turn-offs. He follows the MBTA in all its dysfunctional glory, even though he rarely takes the T, because he sees it as an essential element of living in the city. As for sports, well, he admits he has an agenda.

"I happen to be a Red Sox fan, so I cover that a lot," he says. "But you know, there's this basketball team that's doing pretty well this year, I hear." Not that you'd know it from reading Universal Hub.

And he offers something of a mission statement: "There's a lot more stuff happening out there than you might see in the daily papers. Here's a place not only where you can read about it but you can talk about it, how are you affected by it."

Not exactly All the News That's Fit to Print. But in an age when media institutions are crumbling and journalism seems to have lost its way, the conversational, decentralized community that has formed around Universal Hub looks like a vital, vibrant part of whatever it is that's next for the media. CW

For links associated with this article, see the online version at www.massinc.org. Dan Kennedy is an assistant professor of journalism at Northeastern University. His blog, Media Nation, is at medianation.blogspot.com, and he can be reached at da.kennedy@neu.edu.

Subsidizing the stars

More than ever, the state is using tax breaks to attract favored industries — from life sciences to moviemaking

BY BRUCE MOHL

Shortly after he took office last year, Gov. Deval Patrick was asked whether his proposal to close corporate tax loopholes would hurt efforts to bring more jobs to Massachusetts.

"In my experience," the governor told the Greater Boston Chamber of Commerce, "companies don't make their investment decisions on the basis of the tax code. They make their decisions on the basis of whether there is an available, secure, sensible, broad-based labor pool and other conditions."

More than a year later, Patrick has discovered he was wrong: Companies do pay attention to a region's labor supply and its education and transportation infrastructure, but they do indeed make their investment decisions on the basis of the tax code.

Faced with company after company that has threatened to leave the state, Patrick has shown them the money. Evergreen Solar Inc., Organogenesis Inc., and Shire PLC have all received hefty packages of grants and tax breaks from the Patrick administration to expand here rather than in places like Singapore, Mexico, North Carolina, or Rhode Island.

Patrick is also courting the movie and life science industries with

ILLUSTRATION BY JOYCE HESSELBERTH

a new breed of corporate tax credit that transforms state taxpayers into business investors. The dollars are big and the return on the state's investment in terms of jobs and tax revenue is far from clear. The movie industry has pocketed $23 million in tax credits so far, but its take is expected to soon top $100 million a year. The Patrick administration is also preparing to commit $100 million a year to life sciences for the next 10 years, with a quarter of the money going for tax incentives.

Regular tax credits reduce how much tax a company has to pay on its profits, but the new refundable, and sometimes transferable, tax credits go a step further by allowing unprofitable companies to convert their credits into cash. The more an unprofitable company spends on specified business activities in Massachusetts, the more money it gets back from the state.

Refundable tax credits originated as a way to help low-income people who often didn't earn enough money to take advantage of regular tax credits, but now they are being offered to unprofitable corporations backed by investors and venture capital firms. Refundable credits have become a way for the state to provide subsidies to a business or an industry without making a budget appropriation.

Massachusetts life science firms like the idea of refundable credits that can help them when they're in a startup mode. They grumble that nonrefundable tax credits are of little use because their corporate focus on research means it can take five to 10 years before they turn a profit and start paying taxes.

The caravan capitalists of the movie business also like the concept, bluntly saying that they go where the tax benefits are the best. Sam Weisman, a Massachusetts–based director, says the state benefits in the form of increased jobs, economic activity, and tax revenue. "It's a home run," he says. "It's the biggest success story outside of the Patriots and the Red Sox this state has had in a long time."

But others are troubled by the state's use of the tax code to help select industries. Brian Gilmore, executive vice president for public affairs at Associated Industries of Massachusetts, a leading business group, says the new tax incentives represent a turning point for the state: "This is the first time the state has actually bought jobs."

GETTING IN THE GAME

In a world that's flat—meaning, according to *New York Times* columnist and author Thomas Friedman, that a business can put its operations virtually anywhere—location decisions can become high-stakes auctions in which states and nations bid for firms with tax breaks and infrastructure improvements. Massachusetts has never been a big player in this arena, but under former governor Mitt Romney, and now Patrick, the state has become far more aggressive.

Greg Bialecki, the Massachusetts undersecretary of economic development, says he always tries to sell life science companies on the state's attributes: Harvard and MIT, Boston's teaching hospitals, the state's success in attracting National Institutes of Health funding, and its workforce.

"But if you say there's no [incentive] package, you won't even be in the game," Bialecki says. "I guarantee you we are outbid and often grossly outbid by other places, and we have to do something. That has become the way the world works. They say, 'Tell us what you can do for us.'"

When Evergreen Solar of Marlborough decided to build a new manufacturing facility for its solar power products, the company fielded offers from several states and nations. Massachusetts ultimately won the bidding war by offering the company a package of grants, tax breaks, and low-interest loans. The package included state grants of close to $24 million, tax breaks worth more than $27 million, and land worth $2.3 million at the former Fort Devens Army base for just $1 a year.

Competition for a $394 million pharmaceutical manufacturing plant being built by British drug maker Shire PLC was just as intense. Shire ultimately chose Massachusetts, but only after the state more than doubled its initial offer in response to competing bids from other states. The town of Lexington agreed to forego $7.6 million in property taxes and Patrick, House Speaker Salvatore DiMasi, and Senate President Therese Murray personally promised an additional $40.5 million in state help.

Organogenesis, a Canton–based maker of living tissues that can be

GLOSSARY OF TAX TERMS

- **DEDUCTION:** Reduces the amount of income subject to tax.
- **NONREFUNDABLE CREDIT:** Reduces amount of tax owed.
- **REFUNDABLE CREDIT:** Reduces amount of tax owed, but it does allow the amount owed to go below zero and convert to a cash refund to the taxpayer. Originally intended as a way to help low-income people with little or no tax liability take advantage of tax credits. The earned income credit is the most prominent example. Refundable credits are now being sought by corporations. In Massachusetts, refundable tax credits have been available for low-income housing development and historic rehabs, but have more recently been targeted at film production and the life science industry.
- **TRANSFERABLE CREDIT:** If the holder of the credit doesn't have enough income to take advantage of it, he can sell it to a third party. The transactions are becoming so popular that businesses are springing up to bring buyers and sellers together.


"Tax credits are an investment in firms," says Rep. Daniel Bosley of North Adams.

used to heal wounds, originally looked to build a new headquarters and manufacturing plant in another state, but it settled on Massachusetts after Patrick administration officials pledged to insert a provision in the life science legislation that would exempt the company from a key provision of the state tax code and shave as much as $5 million off its annual tax bill.

"Really, it just came down to the tax climate," says Geoff MacKay, the company's chief executive.

The life science industry's first taste of a refundable tax credit went to an unlikely recipient. Bristol-Myers Squibb, a pharmaceutical company that reported $2.1 billion in profits last year, received a state package of tax and infrastructure benefits worth more than $80 million in 2006, when it decided to build a manufacturing facility at Devens. Included in the package was a 5 percent refundable "economic opportunity area" credit that was approved by the Legislature. For every dollar Bristol-Myers Squibb invests in its plant, the state pays the company 5 cents. State officials say the credit should net the company at least $33 million.

'If you say there's no package, you won't even be in the game.'

The Patrick administration is now preparing to offer two refundable credits to life science companies certified by state officials. The first is an investment tax credit raised from 3 percent to 10 percent, or as high as 12 percent in certain areas of the state. It covers investments in buildings and equipment. The second is the 10 percent research and development tax credit. Life science companies will also be allowed to carry operating losses forward for 15 instead of five years and seek state reimbursement for all fees paid to the US Food and Drug Administration for drug approvals.

The life science tax credits are capped at $25 million a year, but pressure is likely to build to increase that amount. The Revenue Department estimates that just the two refundable tax credits in the legislation would cost the state $136 million next year.

Nearly all of the tax code changes were sought by the life science industry at a time when one of the Patrick administration's top economic development aides was secretly talking with the Massachusetts Biotechnology Council about taking the group's top job. According to reports in the *Boston Globe*, Robert Coughlin began talking with council officials about the job opening on June 11 but didn't tell his government superiors until July 24, after work on the life science legislation was completed. Coughlin was named president of the Biotech Council in August. The state Ethics Commission is currently investigating his actions.

State Sen. James Marzilli Jr., an Arlington Democrat, says politicians give lip service to the idea that private markets are best at allocating resources and capital, but then act on just the opposite principle by offering tax credits that turn taxpayers into corporate investors. "It's a very worrisome trend," Marzilli says. "The refundable credits are particularly worrisome. They're creeping disasters."

PHOTOGRAPH BY FRANK CURRAN

BOSTON BECOMES A BACK LOT

While the tax incentives being offered to life science companies are designed primarily to keep them in Massachusetts, the credits offered to movie producers are designed to lure them here. Supporters pushed for credits that would grab a Hollywood mogul's attention, and they succeeded.

The state's film tax credit is one of the most lucrative in the nation, literally subsidizing the salaries of the stars who come here to make movies. It offers a 25 percent credit on all payroll and production expenditures in Massachusetts and exempts most of a film company's purchases from the state's 5 percent sales tax. That is, for every dollar a production company spends, it receives a credit worth 25 cents that can be converted into cash, either through a refund from the state or by selling it to anyone who owes taxes in Massachusetts.

"It's free money," says John Hadity, a former Miramax executive who now runs a New York consulting business that helps studios maximize the tax credits states are showering on them. "Credits have become the math for making films."

For movie studios, the credits offered by states just keep getting better. Until the late 1990s, most states offered token benefits to movie studios, usually help in finding locations to shoot. But in 1997 the Canadian government adopted a tax credit. The Canadian provinces quickly followed suit, Louisiana jumped into the game in 2002, and today more than 30 states offer some sort of film tax credit.

Connecticut's 30 percent credit is the highest, but lawmakers in Michigan are considering raising their credit to 40 percent. New York, stung by movie losses to the New England states, is talking about beefing up its credit. Massachusetts even leapfrogged itself. The state's initial film tax credit, which took effect in 2006, capped the maximum credit per production at $7 million. Hollywood studios let it be known that they might not film big-budget pictures in Massachusetts because the cap would force them to leave money on the table, so Beacon Hill lawmakers quickly changed the law to remove the $7 million cap and reduce the minimum spend per picture from $250,000 to $50,000.

"You've got to keep up," says state Rep. Brian Wallace of Boston, who has sponsored many of the state's film tax credit bills. Wallace says at some point the credits "will reach a critical mass and you can't go any higher," but he doesn't know if that level has been achieved yet.

Prior to passage of the state's film credit, the number of principal shooting weeks in Massachusetts, a key barometer of film industry activity, averaged six per year between 1996 and 2005. Movies with stories set in Massachusetts, like *Fever Pitch*, *The Perfect Storm*, and *The Departed*, were filmed primarily elsewhere. Only 7 percent of the $90 million *Departed* budget was actually spent in Massachusetts, according to the Massachusetts Film Office.

But Boston quickly became a back lot for Hollywood after the state's film tax credit took effect in 2006. Principal shooting weeks in Massachusetts more than tripled to 20 in 2006, shot up to 55 in 2007, and are on pace to go far above 100 this year. *21*, the just-released film about card-counting MIT students, spent 71 percent of its $42 million budget here. Films with stories set in Paris (*Pink Panther 2*) and Virginia (*The Box*) are now being shot in Massachusetts.

Steve Elzer, a vice president at Columbia TriStar Motion Picture Group in Los Angeles, which produced *Pink Panther 2*, was asked how important the tax credit was in shooting the movie here.

"Critical," he replied.

Movie companies aren't the only ones benefiting from the film tax credit. Christine Peluso, a principal at Tax Credits LLC in Piscataway, New Jersey, helps film companies sell their tax credits. She says most of the buyers tend to be banks and insurance companies with multi-state tax liabilities who buy the credits at a discount to cut their tax bills. "They save a lot of money," she says.

Joseph B. Darby III, a tax attorney at Greenberg Traurig in Boston, is probably one of the few individuals to buy a Massachusetts film tax credit. One of his clients filmed a horror movie called *Shuttle* at the Worcester Airport, and Darby bought some of the tax credits, paying 85 cents for every dollar's worth. The transaction provided the movie's producers with cash and Darby with a 15 percent tax reduction.

The same opportunity may soon become more widely available. Taxcred.com, a website aspiring to become the eBay of transferable tax credits, is preparing to launch soon.

ESCAPING SCRUTINY?

The cost of tax incentives gets surprisingly little attention in Massachusetts. They are relegated to an obscure section of the budget and, once enacted, rarely reviewed. Yet the Revenue Department says the fiscal effects of most tax incentives are identical to those of a direct government expenditure.

The total cost of the state's economic development tax expenditures—the revenue either paid out or foregone by offering tax breaks to companies — is expected to hit $1.5 billion this year, an all-time high. According to the Massachusetts Budget and Policy Center, a liberal-leaning think tank in Boston, the cost is up 22 percent in inflation-adjusted dollars from the previous peak in 2000.

State Rep. Daniel Bosley of North Adams, House chairman of the Legislature's Committee on Economic Development and Emerging Technologies, says he has real concerns about offering tax breaks to specific companies or industries, effectively picking winners and losers. But he says there are always exceptions. "Tax credits are an investment in firms," he says. "You hope that if we invest in them, they will invest in us."

But there's often little follow-up to find out whether the investments pay off. Michael Widmer, president of the nonpartisan Massachusetts Taxpayers Foundation, says calculating a tax credit's impact on job growth, economic activity, and tax revenue is very complex. "Do credits work?" he asks. "The answer is, nobody knows. It's very hard to prove they do or they don't."

A couple of examples prove Widmer's point. In the late 1990s, then-House Speaker Thomas Finneran and New England Patriots owner Robert Kraft played a game of chicken over how much financial support the state should provide for a new football stadium. Kraft threatened to move the Patriots to Connecticut, which was offering him hundreds of millions of dollars, but he ultimately built the stadium himself in Foxborough and the state provided $70 million in infrastructure improvements. Settling for less cash doesn't seem to have hurt the Patriots or Kraft. The team has won three Super Bowls and is widely regarded as one of the top franchises in the National Football League.

To take another example, in the mid-1990s the state tried to keep local defense contractors, mutual fund companies, and manufacturers from leaving the state by changing the formula for determining how much of a firm's profit would be taxed in Massachusetts. The old formula derived Massachusetts taxable income by calculating the percentage of the firm's plant, payroll, and sales in Massachusetts. The new formula used sales only, which benefited companies that sold most of their products outside the state and gave them a financial incentive to add payroll and plants here.

While that tax change is costing Massachusetts nearly $300 million this year in lost tax revenues, it's unclear how much benefit accrues to the state. Manufacturing employment held steady at roughly 412,000 jobs between 1995 and 1998, but since then has dropped by 28 percent, or 116,000 jobs. Raytheon Corp., which at the time of the tax cut was the state's biggest employer, started reducing its payroll in Massachusetts within months of the tax change. It subsequently restructured its business, making any job analysis difficult.

FMR LLC, the corporate parent of Fidelity Investments, fulfilled its commitment under the legislation to increase its Massachusetts payroll 5 percent a year for five years, but then began reducing employment in the state and expanding elsewhere. A Fidelity spokesman says the Boston–based company employed 18,000 people in 1995, with 9,024 jobs, or half the total, in Massachusetts. By 2000, the number of Fidelity employees in Massachusetts had increased to 14,775. Today, the company has 46,000 employees, but the number in Massachusetts has dropped to 12,600, or little more than a quarter of the total.

Nearly 60 percent of the Fidelity workforce reduction in Massachusetts between 2000 and today resulted from the sale of businesses, primarily the Community Newspaper Co. in 2001, but the remainder of the jobs, close to 900, were just moved out of state, many to neighboring Rhode Island and New Hampshire.


"Refundable credits are particularly worrisome. They're creeping disasters," says Sen. Jim Marzilli Jr. of Arlington.

'WE NEED TO EXTEND OUR LEAD'

Kraft was skewered as a "whining millionaire" for demanding more money from the state, but Beacon Hill lawmakers have embraced the life science and movie industries as deserving of the state's help. The major powerbrokers on Beacon Hill—the governor, the speaker, and the Senate president—can't seem to do enough for the two industries.

Speaker DiMasi, at the unveiling of the House's life science legislation, said Massachusetts was locked in a struggle with North Carolina, California, Ireland, and Singapore for the industry. "We need to extend our lead and we need to expand our dominance," he said.

PHOTOGRAPH BY FRANK CURRAN

Gov. Patrick earlier this year pledged to life science industry officials that he wouldn't let them go the way of the old Route 128, which was known as the state's technology highway until many of the companies that lined the road went under or were sold. "I refuse to let that happen again," he said, neglecting to mention that many of the Route 128 companies bet on the wrong technology—the minicomputer instead of the personal computer.

The cheerleading for the film industry has been even more enthusiastic. Murray, who visited the set of *Pink Panther 2*, calls movie production a state economic success story. DiMasi, in a letter to House members in March, said Massachusetts was becoming the "Hollywood of the East."

While the prospect of casinos stirred lively debates on Beacon Hill and intense media coverage, the votes for life science and movie tax credits were ho-hum affairs. The film tax credit passed the House 147-4 and the Senate approved it by voice vote. The House voted 134-13 for the life science legislation and the Senate passed it by a margin of 32 to 4.

Stephen Mulloney, director of policy and public affairs for the Massachusetts Biotechnology Council, says he was surprised at how fast the life science tax credits passed. "We thought it would be a decade-long exercise because tax laws are hard to change," he says.

What ultimately carried the day on both the film and life science tax credits was the promise of jobs and economic expansion. In his State of the State speech in late January, Patrick said the film tax credit had attracted 10 movies and $200 million in new economic activity to the state in 2007. He also predicted the life science legislation would create 250,000 new jobs over the next decade.

The Beacon Hill power brokers can't seem to do enough for the movie and life science industries.

The life science job estimate represents twice as many jobs as the state as a whole created over the previous 10 years. Analysts outside the administration say it's unlikely that many jobs will be created. Peter J. Abair, director of economic development for the Massachusetts Biotechnology Council, says "it would take a best-case scenario."

Patrick declined to be interviewed, but Daniel O'Connell, his secretary of housing and economic development, said the job projections are attainable. He said the projection assumes the life science industry will more than double in size over the next decade, rising from 74,000 jobs to more than 155,000 jobs. Another 169,000 jobs will be created to service the life-science sector. That's a multiplier of two service jobs for every life science job, a fairly conservative assumption given that many studies use multipliers of three and five.

"We do think it's doable," O'Connell says. "Is it impacted by the national economy? Yes, but we think we're pretty well-positioned. We don't use the 'R' word around here."

Bialecki, the state's economic development czar, says the life science refundable tax credits will offer a good return on investment. He says they may cost the state $20,000 to $30,000 per job, but they will pay for themselves and start bringing in net new tax revenues in five to 10 years.

O'Connell, however, says he has reservations, which is why the administration favors a $25 million cap on incentives and backs provisions that would force companies to give back the money they receive if they don't produce the jobs they promise. "We think we need some stick with this carrot-and-stick approach," he says.

A NONSTOP SHOOT

The job base of the state's film industry is nowhere near as big as life sciences. A 2006 benchmark report indicated 2,600 people were employed in Massachusetts motion picture production in 2004. The new business spawned by the film credit has created jobs, but it's difficult to gauge how many more because the jobs are sprinkled across many industry categories and last only as long as the project is shooting.

Chris O'Donnell, business manager for Local 481 Studio Mechanics, which represents grips, set designers, and sound engineers, says he has 350 members in Massachusetts, up 40 percent, or 100 jobs, since the film tax credit took effect.

Tom Williams, who has been working as a sound engineer in Massachusetts since 1984, says that prior to passage of the tax credit he had to string together a series of jobs in several mediums. Now he works almost nonstop in feature films. "It's every day, every week, full-on until mid-August at least," he said in a phone interview from the Rhode Island set of *The Clique*. After that film wraps, he goes to work in

Massachusetts on *The Mall Cop* starring Kevin James and then the Bruce Willis film *The Surrogates*.

The demand for film workers is so strong right now that some industry officials are circulating a proposal calling on the state to fund a worker training effort for the movie industry. "A shortage of skilled workers could choke off the flow of large and small projects," the proposal says.

Film industry officials are also laying plans to build sound stages in Massachusetts, which they say would keep more movie money and jobs in the state. One bill pending in the Legislature would give sound stage developers a 20 percent tax credit on their investment. Like the film tax credit, the sound stage credit could be sold to a third party and converted to cash.

John MacNeil, president of Moody Street Pictures in Waltham, says the film business creates good-paying jobs, promotes tourism, and causes little demand for public services like schools. "This is a clean business that will come in, hire a bunch of people, drop a whole lot of cash, and leave," he said.

Dona Sommers, executive director of the New England branch of the Screen Actors Guild and the American Federation of Television & Radio Artists, says the film credit is doing what it was supposed to do. "Movie productions only get the credit if they spend the money here," she said. "How can we be losing?

MEASURING THE BENEFITS

Movie studios were reluctant to share their financials, but the state Revenue Department supplied spending numbers for what it described as a typical big-budget film shooting in Massachusetts. The film spent \$8 million employing roughly 200 people for 46 days. It also spent \$12 million on production expenses, including star salaries of \$1.6 million. The Revenue Department offered no tax revenue estimates, but such a production would pay the 5.3 percent withholding tax on wages (roughly \$509,000), hotel taxes on rooms for stars and crew, and possibly some other minor taxes. The total would come nowhere near the \$5 million credit the film would receive.

Supporters of the film tax credit say the money spent by a movie in Massachusetts keeps reverberating through the economy as those who get paid spend their money on goods and services that generate additional tax revenue. But some analysts who have studied this ripple effect say film tax credits cost states more money than they bring in.

"Film tax credits do not 'pay for themselves' by indirectly generating additional corporate income, sales, and property tax revenues," wrote Darcy Rollins Saas, a policy analyst at the New England Public Policy Center at the Federal Reserve Bank of Boston, in an October 2006 article.

In March 2005, Louisiana's Legislative Fiscal Office concluded that state's film tax credit was costing taxpayers just under $50 million a year. The study said the credit attracted movie productions that created jobs, boosted incomes, and tax revenues, but not enough to offset the cost of the credits.

"I really tried to make every assumption I could in favor of the program, but it's going to cost you," says Greg Albrecht, chief economist at the Louisiana fiscal office. "It's really a government subsidy program."

Most of the economic activity generated by the film credit is new, but not all of it. WGBH-TV (Channel 2), a nonprofit public television station, films a number of television series at its Brighton studios that qualify for the film tax credit. The 2006 season of *Design Squad*, a show aimed at budding teenage engineers, cost $2 million to produce, of which all but $500,000 was spent in Massachusetts. WGBH spokeswoman Jeanne Hopkins said *Design Squad* should generate a state tax credit of about $260,000, which will net the station about $235,000 in cash after the credit is sold to a third party and middleman expenses are deducted. Hopkins said the money will be plowed into more productions, easing fundraising pressure at the station.

Officials in Connecticut and Rhode Island are scrutinizing their film tax credits more closely because of concerns that the economic benefits are not as great as once thought. Critics also complain that tax credits for the movie or life science industries are diverting money away from more pressing state needs. "They become a hidden form of spending," says Ann R. Markusen, a professor at the Hubert Humphrey Institute of Public Affairs at the University of Minnesota.

Jean Ross, executive director of the California Budget Project in Sacramento, says that her state has so far resisted passing tax incentives for the Hollywood film industry. "There are a lot of questions about whether we provide the wealthiest corporations in California a tax break while we're cutting $4 billion out of our public schools," Ross says. "It really comes down to a question of where are your priorities."

Nicholas Paleologos, executive director of the Massachusetts Film Office, has heard all of the criticism of the film tax credit and even accepts some of it. But he says he believes the true cost of the film credit is minimal. Doing some back-of-the-envelope calculations, he says the state is spending probably about 10 cents for every dollar of film investment it attracts.

"You are making an expenditure to generate some economic activity," he says. "Either you think that's a good idea or you don't." CW

NEWS FROM A NEW GENERATION

In tight times, student teams and nonprofits re-energize investigative journalism

BY GABRIELLE GURLEY | PHOTOS BY KATHLEEN DOOHER

A DECADE IS A LONG TIME. But advocates for senior citizens have been trying to drum up support on Beacon Hill for guardianship reform for at least that long. Seniors without relatives or close companions can end up, and hundreds do, under the care of court-appointed guardians who get carte blanche over their medical and legal decisions. Judges often issue snap judgments on these cases, usually without a detailed review of the status of these "unbefriended elders."

So when a recent *Boston Sunday Globe* Page One investigation described this little-known controversy, the story struck a real nerve. "The writers did an excellent job describing the challenges of the guardian system," read one Brookline woman's letter to the editor. Elder Affairs Secretary Michael Festa called the

Walter Robinson, who won a Pulitzer Prize at the *Globe*, heads the investigative reporting program at Northeastern University.

article an "exclamation point" on a systemic problem. Most important, a hearing held by the Legislature's Joint Committee on the Judiciary on bills addressing guardianship concerns drew a far larger turnout of judges, registrars of probate, and lawyers than in past years. "There was definitely a big ripple," says Wynn Gerhard, managing attorney for the Greater Boston Legal Services' elder law unit.

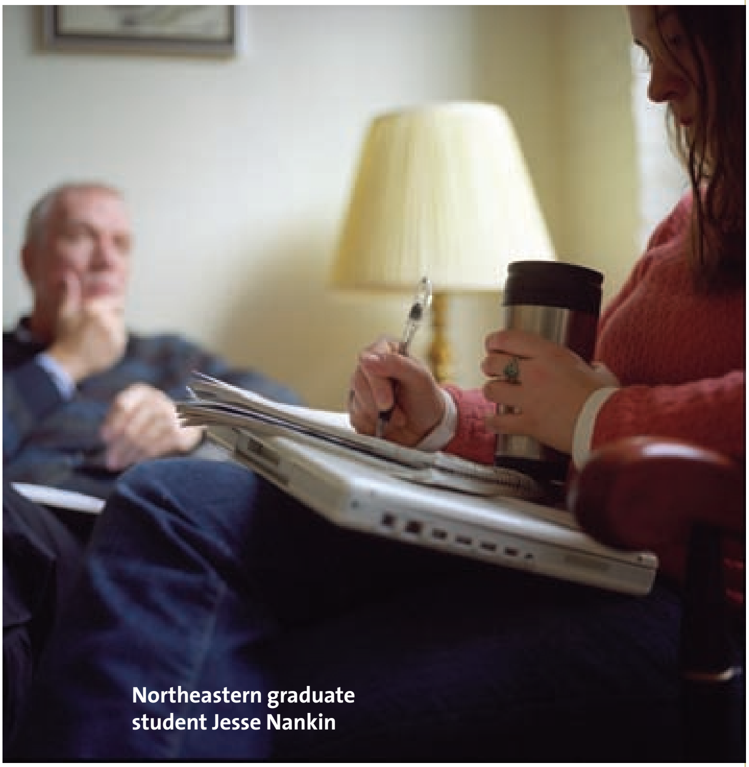
The *Globe* had some hat-tipping of its own to do. The eight reporters who worked on the story weren't staff writers, but students in a graduate seminar in investigative reporting at Northeastern University. Most of them had some prior reporting experience, but they were still learning the ropes, which made the front-page piece even more unusual.

Investigative journalism has traditionally been the province of a news outlet's most experienced reporters, veterans with skills in gathering the information that public officials often try to keep hidden. But with shrinking budgets at newspapers and television stations, news executives are experimenting with new models for investigative journalism. Some are enlisting graduate and undergraduate students, others are considering joint projects with media competitors, and still others are exploring a nonprofit model. These symbiotic relationships are transforming the media landscape, changing not only the way investigations get done, but who does them.

Mark Jurkowitz, associate director of the Project for Excellence in Journalism and a former media writer for the *Globe* and *The Boston Phoenix*, says the budget cuts have forced most media outlets to scale back or eliminate ambitious investigative reporting. "That's why you see the scrambling for this new kind of economic model," he says.

Budget cuts change not only the way investigations get done, but who does them.

Nationally, several approaches are being pursued. For example, there are independent, stand-alone reporting groups such as the Center for Public Integrity, in Washington, DC—which recently published a report documenting 935 false statements made by the Bush administration about the national security threat posed by Iraq in the two years after



Northeastern graduate student Jesse Nankin

September 11. And the Center for Investigative Reporting, in Berkeley, California, teamed up with *The New York Times*, the public TV series *Frontline*, and the Canadian Broadcasting Company in 2003 to examine deaths and injuries at one of the largest iron pipe foundries in North America. Both organizations are nonprofits, funded by journalism foundations or philanthropists.

The most ambitious entrant in this field is ProPublica, founded and funded in part by Herbert and Marion Sandler, former heads of the California–based Golden West Financial Corp. The Sandlers have committed $10 million per year to the center, which opened in Manhattan in January. Headed by Paul Steiger, the *Wall Street Journal*'s former managing editor, ProPublica plans to have about 25 full-time investigative reporters on staff. Their reports would be made available for free on the group's website and distributed to major news organizations.

Partnerships with universities also are gaining traction. The Carnegie and Knight Foundations launched News21 in 2005 as one part of their joint Initiative on the Future of Journalism Education. The project gives students at five schools—Columbia, Northwestern, the University of California at Berkeley, the University of Southern California, and Harvard's Shorenstein Center on the Press, Politics, and Public Policy at the Kennedy School of Government—the opportunity to work on investigations that are distributed through traditional and online media. In 2006, Northwestern students wrote reports on the federal government's abuses of personal data in homeland security probes. Their stories appeared in a variety of media, including *The Washington Post* and *The Los Angeles Times*, and on the project's own website. The foundations are now discussing an expansion of the program to seven more schools.

Some investigative reporting collaborations have been driven by unique circumstances. Nearly 20 media organizations in the San Francisco Bay area, including local newspapers, television network affiliates, radio outlets, professional journalism associations, and area universities are conducting a joint investigation into the murder of Chauncey Bailey, the editor of the weekly *Oakland Post*, who was probing a local Black Muslim business when he was shot to death.

One probe covered disability pensions for firefighters.

But in Massachusetts, experimentation with new investigative reporting models has been mostly confined to area colleges. Most of the initiatives rely on student manpower under the tutelage of a big-foot former investigative reporter who carries clout with local media outlets. David Protess, a journalism professor at Chicago's Northwestern University, is considered the godfather of this model, but now a number of local journalists are following in his tracks.

Boston University's College of Communication was the first area school to regularly offer an investigative reporting class that provides students with opportunities to have their work published in local media outlets. Led by Dick Lehr and Mitchell Zuckoff, former *Globe* investigative reporters, teams of BU students are currently working with WBZ-TV (Channel 4) in Boston on several projects.

Northeastern's School of Journalism also offers two investigative reporting courses, both taught by Walter Robinson, a longtime political and investigative reporter at the *Globe* who won a Pulitzer Prize for leading the paper's coverage of the Catholic Church sexual-abuse scandal. Before moving to Northeastern last year, Robinson put together an informal arrangement with *Globe* editor Marty Baron to have his students report and write investigative stories. (Robinson, who is now a paid consultant for the *Globe*, headed the paper's Spotlight Team of investigative reporters for six of his 34 years on Morrissey Boulevard.) The students' Page One probes have covered such topics as loan interest rates at pawnshops, health code violations at upscale Boston restaurants, and tax-free disability pensions for Boston firefighters.

And Emerson College, which offers its investigative journalism course on a periodic basis, plans a fall class incorporating print, broadcast and multimedia components.

There's also the Schuster Institute for Investigative Journalism at Brandeis University, which probes miscarriages of justice and bills itself as the country's first independent reporting center based at a university. Founding director Florence Graves, who helped break the 1992 story of sexual misconduct involving US Sen. Robert Packwood of Oregon, sees the institute functioning much like ProPublica or the Center for Public Integrity. She and a *Post* staff writer recently investigated a dispute between the aerospace manufacturer Boeing and whistleblowers over suspect parts in the 737 line of jets.

Joe Bergantino, who has been with WBZ-TV's I-Team for more than 20 years, says there is a "desperate need" for more investigative work in the region. For him, it's essential to hold the powerful accountable and give the public in-depth information on critical issues that's unavailable elsewhere. "What's so important is that we ensure the survival of this type of reporting," Bergantino says.

PULLING IN MORE RESOURCES

Fretting over the state of investigative reporting isn't just inside baseball for media types. Investigative reporting provides the deepest level of accountability for our insti-

Lou Ureneck, chairman of the Boston University's journalism department

tutional powers that be, according to Ellen Hume, research director for MIT's Center for Future Civic Media. Many journalists say that exposing public- or private-sector abuses or wrongdoing that galvanizes the public to demand change —and pressures policymakers to act—is some of the most demanding and expensive work in journalism.

"History has demonstrated that investigative journalism has done more for the public good, in my eyes, than all of the [nongovernmental organizations] and the government watchdogs and the inspectors general put together," says BU's Zuckoff.

Although newsrooms have always been a fertile training ground for reporters, investigative reporting has traditionally been a world apart, the domain of journalists with years of experience who do nothing else but dig deep into a single issue for weeks at a time. The *Globe*'s Spotlight Team has an editor and three reporters who spent eight months working on its recent prison suicide series. Past projects have taken even longer.

But in the decades since Carl Bernstein and Bob Woodward's Watergate reporting inspired a generation of investigative journalists, the traditional advertising-dependent business model has fallen on hard times, particularly at newspapers. Where there were once family-run, community-centered news outlets, there are now multimillion dollar media conglomerates obsessed with the bottom line. In the belt-tightening that has followed, newsrooms staffs have been decimated.

The New York Times, *Frontline*, and a few other places still have enough money and enough boots on the ground to pursue major investigations. Elsewhere, the landscape is bleak. A 2005 survey of editors and reporters at the country's 100 largest newspapers, conducted by Arizona State journalism students, found that 42 percent of reporters and senior editors have keen interest in investigative reporting. Yet 61 of the newspapers had no investigative or special projects team. Sixteen had once fielded teams but had since dismantled them.

Investigative reporters can dig into an issue for months at a time.

"The equation, the formula, the methodology of journalism has completely been blown up, and it's in the process of being put [back] together," says Robert Rosenthal, a former *Globe* reporter who is currently executive director of the Center for Investigative Reporting.

The strains are especially evident at smaller local and regional papers like *The Eagle-Tribune*. Editor Al White says it's been "a while" since they had reporters deployed to work exclusively on investigations. The paper occasionally springs reporters from their regular beats to work on major projects —such as a 2004 series on auto insurance fraud in Lawrence and a recent look into the misuse of federal grant money by the Methuen Police Department—but White says that with fewer reporters it may take a little longer to weave all the threads together.

In many respects, the *Globe* and WBZ-TV, which have had investigative units since the 1970s, are the exceptions. Although both outlets have been hard-hit by recent staff cutbacks (and the *Globe* recently announced another round of downsizing), they have managed to preserve their investigative teams. And *Globe* editor Baron characterizes student work as a way to get more investigative reporting in the paper, not to replace anything the professionals do. He says he isn't going to turn Spotlight investigations, some of the most challenging and sensitive reporting the newspaper does, over to university students under any circumstances.

"Just because we found another source of good investigations from time to time doesn't even come close to suggesting that we would rely on that in lieu of the resources that already exist within the *Globe*," says Baron.

Still, the arrangements with colleges let students learn the nuts and bolts of news gathering and gain marketable skills, while media outlets get eager newbies ready to take on tough stories. Lou Ureneck, chairman of the BU journalism department, says the share of actual investigative work that now comes out of universities is minuscule, and the impact on the journalism business is negligible. He says the impact on journalism education, however, is huge: "It really deepens the education that journalism students get, and it turns them on to the business by giving them early success."

DIGGING THROUGH THE FILES

Robinson decided to have his Northeastern students take a broad look at the senior guardianship system after a lawyer with relevant cases contacted him. That information propelled students into the bureaucracy of the Suffolk Probate Court, and they learned fast that there's nothing glamorous about spending hours trolling through electronic records or boxes of bulging files. However, that kind of digging takes up a good chunk of any investigative journalist's time and provides what Robinson calls "the skeleton of a story."

Careful prospecting can yield great finds. To get a sense of how many people were losing their rights, graduate student Jeff Kelly and his classmates studied five years of guardianship cases last fall to find out if a lawyer had been appointed to represent an elder or not, if the proper medical and financial paperwork had been filed, and other factors. Kelly, who works a day job as a news editor for a SearchDataManagement.com, and two others were tapped to write the report.

Depending on the quality of the work submitted, Robinson rewrites or edits the story and forwards it to the *Globe*. There, it goes through another layer of editors and, if necessary, lawyers. (*New York Times* lawyers vetted the courts story before it was published.)

"The [elder guardianship] story that was done by the *Globe* and Northeastern is a very good example of work that is a win-win for both the university and the newsroom," says Ralph Whitehead Jr., a journalism professor at the University of Massachusetts–Amherst.

Yet journalism students can't count on being published every time. "Not every case is going to be this blockbuster story," says *Newton Tab* assistant editor Leslie Friday, who received her master's degree in print journalism from BU. Her class's probe into federal sentencing guidelines never panned out, for example, since none of the targeted outlets would bite.

And it's not uncommon for journalism students to run into people who simply don't take them seriously. "Soon as they hear you that you are a student, they just brush you off," Friday says.

EXPERIENCE COUNTS

When pros talk, students listen. Five young men and women sit in Robinson's comfortable office to hear guest speaker Stephen Kurkjian. Dressed from head to toe in shades of denim blue, the former *Globe* reporter fills the air with expansive hand gestures as he regales the undergraduates with behind-the-scenes stories from Woodstock to Chappaquiddick. But if there is a single point the one-time head of the Spotlight Team wants to drive home, it's this: There's little margin for error in investigative journalism. The stakes are high and reputations are on the line—both yours and your subject's. The bigger the story, the more responsibility. "That's the ice that's cracking all the time when you're writing," he says.

So eyebrows may furrow at the thought of mere *students* doing investigative journalism. But their track record is nothing to sneer at. Northwestern's Protess decided in the 1990s that college seniors were more than up to taking a second look at complex criminal cases in Illinois. As of this writing, the students in his Medill Innocence Project have helped exonerate 11 wrongfully convicted people, five on death row. One man, Anthony Porter, was two days from execution. Their work persuaded Gov. George Ryan to place a moratorium on the death penalty in 2000. Three years later, Ryan commuted the sentences of all death row inmates.

Early on, Protess was a skeptic. He doubted the ability of 22-year-olds to make a difference in cases with life-and-death stakes. However, the longer he worked with students, the more he realized that students had an edge over veterans like himself in certain respects. In the field, Protess discovered, they bring a disarming charm to interviews that can get reluctant sources to open up, such as those in African-American neighborhoods.

Northwestern students helped to exonerate wrongfully convicted people in Illinois.

The Medill Innocence Project handles up to six cases a year out of roughly 1,500 requests for assistance. Rather than labor over writing mechanics, the students concentrate on digging for evidence. Full-time journalists then collaborate with the students to bring "the fruits of their reporting to life." Protess believes this last step is essential in reaching policymakers, especially in law enforcement. "Our class is concerned about making a difference in society," he says, "and exposés by news organizations facilitate that goal more effectively than a story written by college students."

Graves, founding director of Brandeis's Schuster Institute, also stops short of having students dive in the deep end. She recruits 10 to 12 students each semester and then puts them to work as paid researchers. (Student journalists at Northeastern and Boston University earn academic credits only.) But she believes it wouldn't be prudent to allow students who have not had sufficient journalism experience to actually write investigative reports, explaining, "The most important thing is being right."

Although influenced by Protess's work, Lehr and Zuckoff took a different tack at BU. Their students research and report on a wide range of issues and are required to write their own stories, so that they have the experience of interacting with news professionals. Those relationships have paid off.

For example, a series of articles by BU students detailing a gay Pittsfield child care worker's questionable child abuse conviction ran in the *Boston Phoenix* in 2004. Not only did it help raise the profile of that case, it won that year's Society of Professional Journalists student journalism award for in-depth newspaper reporting. (In 2006, a judge released the man and ordered a new trial, but the Berkshire County District Attorney's office is still fighting that decision before the state Appeals Court.)

Given the realities of the news business today and his desire to nurture quality journalism, Northeastern's Robinson sees few issues with advanced students writing reports. "If a university program like this can produce high-quality, relevant, high-impact stories that are well-vetted and stories that are important to the public discourse, there is no argument I can see against that," he says.

Teaching philosophies aside, there is broad agreement that a student investigative team must be supervised by a well-regarded veteran journalist. "You have got to know what they are capable of doing, what they're not capable of doing, and, somewhere in the middle, you've got to make a decision when they come in and tell you something [that] could be true," says James Tansey, director and chief investigator for the House Post Audit and Oversight Committee, a former reporter. Jurkowitz, of the Project for Excellence in Journalism, agrees. "You've still got the pros at both ends."

Media professionals interviewed for this article were unanimous in pointing to Robinson's stewardship as the decisive factor in the caliber of work produced by Northeastern

Northeastern University's Walter Robinson (center) with graduate students Nikki Gloudeman (left) and Jesse Nankin

students. Baron admits that without a person in whom the paper had enormous confidence, "I'm not sure that we would agree to do this."

The professionals who work at nonprofit centers also have to grapple with reservations about how their work is perceived. The jury is still out on whether they can resist outside pressure, particularly from individual funders, if a discovery makes waves and affects their business or political interests. Last year, Elaine and Gerald Schuster, who, like the Sandlers of ProPublica, are active in Democratic Party circles, made a $5 million gift to their namesake center. Graves insists there are no strings attached.

"They have never suggested a story or said this is what you ought to do. Ever," she says. "The institute needs to be independent to be effective."

Have university officials expressed concerns that students could unearth something that could be awkward for their own educational institutions? That question has never come up, according to journalism administrators at both Northeastern and BU. "We don't tell our students that it is OK to report about some things and not others," says Ureneck, the BU journalism department chairman. "The idea is, anything is fair game."

Meanwhile, the Northeastern investigative journalists-in-training have forced lawmakers and the public to sit up and take notice of the senior guardianship appointment process. "We've never had this much interest and this much visibility for the problems," says Gerhard, the elder affairs lawyer. "So I'm hoping that makes a difference." CW

Above: Bill Brett at a book signing at Fenway Park. Facing page: Day 213, a holiday concert at Downtown Crossing; Day 188, Michelle Yi at a pumpkin festival on City Hall Plaza.

MARATHON MAN

Photographer Bill Brett is on a yearlong quest to capture the many faces of Boston

Few people know Boston and Bostonians as well as Bill Brett. He's been taking photos for *The Boston Globe* since January 1965, and since his semiretirement from the paper in 2001, he's published two photo books.

The first, *Boston: All One Family*, which features three Boston mayors on the cover, appeared in 2005. *Boston: An Extended Family*, which featured six governors on the cover, was published two years later. Brett is now wrapping up work on his latest book, which attempts to show the everyday faces of Boston one day at a time for a year. The working title is *Boston: A Day in the Life*. I spoke to Brett, 62, at *CommonWealth*'s offices on the 306th day of his yearlong effort.

—BRUCE MOHL

PHOTOGRAPH AT LEFT BY MICHAEL MANNING; ALL OTHER PHOTOS BY BILL BRETT

Day 261, the L Street Brownies on New Year's Day, shot from a police boat; Day 12, Tom Brady and Gisele Bundchen on Newbury Street.

COMMONWEALTH: Where did your latest book idea come from?

BRETT: After the first two books, I didn't think I could do another on the same topic because I've already captured all the movers and shakers and the people who were interesting in Boston. But I had momentum, I had my health, and I wanted to do another project. One day I got up and I said to my wife, "How about one year, a picture a day in Boston? I'll try to show Boston as a premier city, a place where a lot of interesting things happen." Once I started it I knew this was what I really wanted to do.

CW: When did you start?

BRETT: I started on April 16, 2007, which was Marathon Day, because this was going to be a photographer's marathon. I started on Marathon Day and I'll end on Marathon Day.

CW: Have you missed any days?

BRETT: No, but I've been very, very lucky. I pulled a muscle in my arm. I also bruised my heel. That slowed me down, but it didn't stop me. A year is a lot of time, every day, no vacation. You hope you don't get sick.

CW: How do you decide where to shoot?

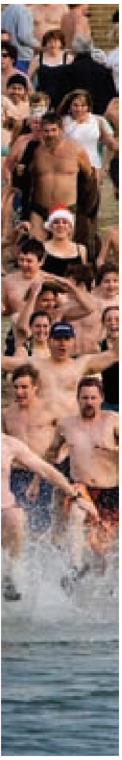
BRETT: Some days I have a plan and other days I don't. I follow the papers, follow the news, and talk to a lot of people. A lot of people know what I'm doing, so I get a lot of phone calls. I get a lot of tips. Many times I go to an event and the event is nothing. Coming and going is often my picture.

CW: Are you strict about one photo per day? What if you shoot two great pictures in one day?

BRETT: The only day I had a problem with that was when the Head of the Charles Regatta was on the same Sunday that the Red Sox were in the seventh game of the playoffs with the Cleveland Indians. I wanted to show both events, because they were both historical. I shot the Head of the Charles at about 3 o'clock in the afternoon. At the Red Sox game, I was sitting with [Boston Mayor Tom] Menino. We were in the Reebok box and Menino said to me — I'll never forget it — "It's a quarter to 12, Bill."

They won the game at 12:09 a.m., and Menino gave me a high five. I was able to make a great picture of Jonathan Papelbon, which will be my cover picture.

CW: Today I saw you at a press conference at the Omni Parker House where Menino, several other mayors, and



union groups voiced their support for casino gambling in Massachusetts. How did that work out photographically?

BRETT: On the way there I saw a man on the corner of Tremont and School streets working on the street lights, sitting in the street with a lot of wires around him. I liked that picture, so I felt good I had something in my camera. I went into the Menino event and spent 45 minutes looking it over, listening to everything. It was OK, but I left early to see a parade in front of the State House for the 63d anniversary of the Battle of Iwo Jima. Then I went down to the Frog Pond to see a performance of *High School Musical*. I went back to the parade and saw an 82-year-old man watching the parade who saluted. I took the picture with my long lens from across the street. He never knew I took the picture. I asked him how old he was, and the guy said, “How old do you think I am?” I said, “about 70,” and he said, “I love you.”

CW: What did you do yesterday?

BRETT: I was walking around Park Square before taking pictures for the *Globe* at a taping of *Rustic Kitchen*, the pilot for a TV show on cooking. It was a holiday [Presidents’ Day], nobody around. I went in, made my picture. I walked back to my car and saw a woman walking toward me. She was cleaning up the sidewalks. She had a leather hat on, a ten-gallon hat, a long coat, and [she was carrying] shovels. She was trying to clear out the sewer so the

water would go down. I couldn't see her face, but I could see her big hat. She had a beautiful coat on and beautiful shoes and beautiful red stockings. It was just bold face. So after I took the picture I walked over and introduced myself. I said, "Do you do this often?" She said, "Oh, I've done this for years. I do it every day. I'm out at 5:30 in the morning. I've lived here in Bay Village for 50 years. Right over there. I'm 86 years old." That was my picture of the day.

CW: How do you find parking?

BRETT: I carry a lot of quarters. I know a lot of doormen. I jump out of the car in front of a hotel and say, "I'll be back in a half hour." I know a lot of secret places to park, but I'm losing a lot of those to development.

CW: Are you avoiding the movers and shakers that dominated your first two books?

BRETT: I have some movers and shakers. Deval Patrick and Bob Kraft were honored last June at UMass–Boston. It was a great picture. They were all laughing. And I got Bill Russell speaking at the Suffolk University commencement. I did about 10 movie stars in Boston doing films, people like Jennifer Garner, Morgan Freeman, Bill Cosby, and Meg Ryan. I got Tom Brady and Giselle Bundchen coming out of a restaurant on Newbury Street.

Day 227, ballet rehearsal at the Opera House; Day 124, the O'Neil sisters, who became famous as children for newspaper photos of them in matching Easter outfits, at Doyle's in Jamaica Plain. Photos of the sisters are in the background.

CW: How did you get Tom and Giselle?

BRETT: A cop working a detail called and told me they were there.

CW: Are you trying to show how Boston is visually changing?

BRETT: I'm not showing bridges or highways or buildings. My intent was to show the character of the city. I have a lot of people from different neighborhoods. I have people of all different nationalities, different colors.

Saturday I was at Faneuil Hall. I made several pictures, but I still wasn't really that happy, so I was driving around the North End and saw that Hanover Street was packed with cars. It looked like a summer night, there was so many cars. There's a sign for the Union Oyster House that you can see now from Hanover Street that I never really noticed before because it was blocked by the Central Artery. It lets you recognize where the picture is taken. I made that picture at 10 o'clock at night. That was my picture for the day.

Day 295, Barack Obama and top state officials at the World Trade Center in Boston; Day 307, Hanover Street in Boston's North End.

CW: Have you discovered anything new shooting these photos?

BRETT: I went into this church [on Tremont Street]. What is it? King's Chapel. Never been in there in my life. I'm walking around and a woman comes up to me and says, "Would you like to come in for a concert?" I walked in and looked around and said to myself, "This place is unbelievable." And I went back outside and watched the people come in. It was probably 50 people. The concert performers were up in the choir loft. I made the picture through the window, with [the churchgoers] all looking up like this. [He assumes a pious religious pose.] It was just different. It brought me into that church.

CW: Is the city changing?

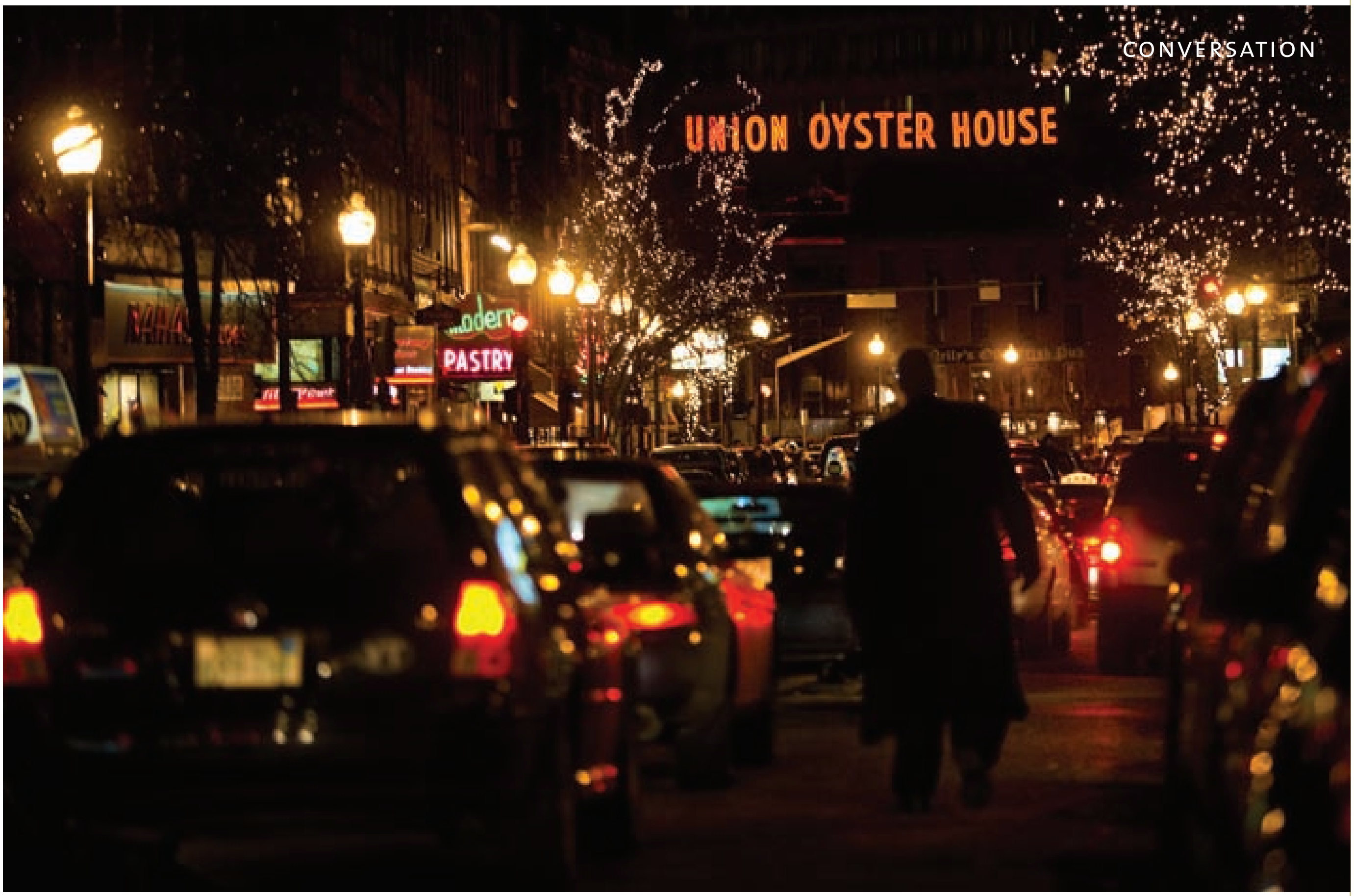
BRETT: The city has changed for the better. It's a beautiful city architecturally. The skyline has just grown tremendously. I like to say it's a first-class city now. It used to be like a town, a bunch of neighborhoods. Now it's a city — but a manageable city. It's a walking city.

CW: What kind of people do you see?

BRETT: It's a great place for young people. There's a lot of young people in the city, and they're not from here. A lot of them are coming from the South Shore. It used to be the South Shore was Dorchester with trees. But now it's reversed. All my kids want to live in the city.

CW: What else strikes you?

BRETT: For a small city, it has a lot of money.

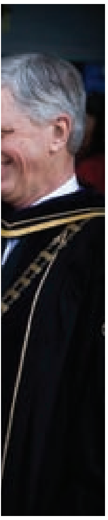

UNION OYSTER HOUSE
PASTRY

CW: How's the middle class doing?

BRETT: I see the middle class in trouble. Taxes are high. Rents are high. Auto insurance is high. Private schools are expensive. For police and firemen, you know, city workers, it can get expensive. I don't know where the middle class is going to be in 10 years the way it's going in the major cities. Who's helping them?

CW: How are Bostonians getting along with each other?

BRETT: You've got a lot of condominiums. The only problem with condominiums is that people don't know each other. When you used to say you were from South Boston or Dorchester or Roslindale or Roxbury or the North End, everyone would say, "Do you know this family? Do you know that family?" I don't hear that today.



Day 27, "Little Miss Dorchester Day"; Day 46, Patriots owner Robert Kraft receives an honorary degree at UMass–Boston; Day 199, Halloween in South Boston; Day 279, poker game at the Hellenic Soccer Club in Roslindale.

When I photograph people, I ask the same question all the time. "Do you know any of your neighbors?" The answer's usually, "No, not really." That's how the neighborhoods, in my opinion, have changed. I'm not saying that's good or bad, but I don't think you have that closeness anymore.

CW: How can a guy from Hingham become Mr. Boston?

BRETT: My wife says I have two addresses. I know a lot about both towns, but I know more about Boston than I do Hingham. I just love Boston. CW


Putting
our energy
to work
for
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Beyond the box

A state task force on reforming the corporate tax system arrives at a timely consensus BY STEPHEN KIDDER

GOVERNMENT OFTEN USES task forces and special commissions in a somewhat dubious fashion—either as a graveyard for an initiative by burying it in endless analysis, or as a rubber stamp for the initiative by stacking the commission with allies who will provide ostensibly objective third-party support.

So it was with some initial skepticism that the members of the state's Study Commission on Corporate Taxation began our meetings in May 2007. House Speaker Salvatore DiMasi and Gov. Deval Patrick were in sharp public disagreement on the governor's "loophole-closing" legislation, and we had seen no indication that attitudes were softening. The commission seemed like it might be a waste of time, but it turns out to have been a shrewd political move that may well have an enduring impact on state tax policy.

There were 15 of us on the commission, and perhaps our first clue that it might be a little different was the fact that many members didn't know whether the governor, the speaker, or Senate President Therese Murray had appointed them. The press release announcing the commission members was issued by all three leaders, and it's tough to "stack the deck" if the members are not exactly sure who put them there. Still, the group was fairly evenly split between members open to the governor's legislation and members either opposed or skeptical.

The early meetings gave no indication that we would ever be able to reach consensus on any of the issues under consideration. There were two immediate challenges. First, the mandate of the commission was incredibly broad. We were asked to review and make recommendations on the loophole-closing legislation filed by the governor (House 3756) and study the modernization and simplification of the current business tax laws of the Commonwealth. Second, time was short. The commission was charged with filing an interim report with legislative recommendations for providing revenue for the next fiscal year by June 15, 2007, and a final report on long-term changes to corporate tax laws by January 1.

The early meetings involved presentations by Department of Revenue officials explaining the initiatives in the governor's bill, plus general discussion by commission members. It was immediately clear that the commission was not going to support any significant changes to current law in the interim report. Most of the members, even those who were supportive of provisions in the governor's bill, felt strongly that these issues needed to be studied, and there was simply not enough time to do so in advance of the June 15 deadline.

In addition, the early meetings were somewhat politically charged, with presentations from many members, both pro and con, taking relatively hard-line positions. As a result, the only initiative voted on by the commission for the interim report was the proposal to require businesses to file using the same corporate status in Massachusetts as they do on their federal and other state returns—the "check the box" rules.

Of all the initiatives contained in the governor's legislation, the check-the-box proposal should have been the most uncontroversial. At this time, Massachusetts is the only state in the country that allows companies to call themselves a corporation at the federal level and then identify themselves differently at the state level. This mismatch between the rules in Massachusetts and other states has, not surprisingly, created "planning" opportunities that have allowed taxpayers to reduce their Massachusetts taxes.

ILLUSTRATION BY ALISON SEIFFER

There is absolutely no policy justification for this situation—and we heard no justification offered in our commission meetings—and the move to bring Massachusetts into conformity with federal and other state systems should have been done years ago. However, given the political tensions that were so evident in the early meetings of the commission and a reluctance to take any action without further study, the issue was only approved by an 8-7 vote.

As the commission adjourned for the summer, there was a palpable sense that we would never reach consensus on any of the important issues under review. I remember fellow member Robert Tannenwald, vice president and economist from the Federal Reserve Bank of Boston, remarking, "Is this going to be just another task force report gathering dust on the shelves of state government?"

MEETING OUTSIDE THE PUBLIC GLARE

Over the summer, we broke up into subcommittees, each charged with reviewing a specific issue and reporting back to the full commission. The decision to establish subcommittees was incredibly important because they could meet separately, outside of the glare of the large public meetings of the full commission, and focus on policy rather than politics.

I served as the chair of the Subcommittee on Combined Reporting, which was the initiative carrying the biggest revenue impact and an issue that has been at the forefront of state tax policy debates for over 20 years. I vividly remember the debate in the 1980s when Massachusetts first proposed to adopt combined reporting, or unitary taxation. At that time, we would have been one of the first states to adopt the idea, and critics argued vigorously that such a move would send a message to the corporate community that Massachusetts was a hostile place in which to do business.

The concept is relatively straightforward. Combined reporting is a method of allocating the income of multistate businesses to the different states in which they operate. It requires affiliated corporations to file as a group and to determine the portion of the combined income of the group that is attributable to a state based on the overall

Tax collections have lagged behind corporate profits.

apportionment factors—typically property, payroll, and sales—of the group. The principal argument in support of combined reporting is that it restricts the ability of a multi-state business to shift income away from the state where the income was earned to low-tax or no-tax states.

For example, under current state law, a Massachusetts company with valuable trademarks could transfer them to a subsidiary in a low-tax or no-tax state and then pay that subsidiary for the right to use them. The arrangement would allow the Massachusetts company to claim a tax deduction for the trademark licensing payments while shielding the income earned by the subsidiary from Massachusetts taxation.

Since the mid-1980s, when Massachusetts first considered adopting combined reporting, the national landscape on the issue has changed dramatically. The charge in the 1980s that Massachusetts would be "way out front" if it adopted combined reporting was accurate, even if many would point out that being out front is often a good thing. Now, however, 22 states use combined reporting, and many of the technical issues involved—including the definition of a unitary business and the distinction between business and non-business income—have been clarified by case law and regulatory decisions from other states.

In addition, the sophistication of state tax planning for businesses has evolved dramatically in the last 20 years. As a result, businesses are now able to avoid paying taxes in separate entity states, such as Massachusetts, through a variety of schemes that would be thwarted by combined reporting. A study by the state Revenue Department showed that over the last 10 years corporate profits in Massachusetts had grown by more than 70 percent, but the corresponding business tax collections had increased by only 49 percent.

Speaking as only one member of the Subcommittee on Combined Reporting (and as someone who actually enjoys discussions on tax policy), I found our meetings and discussions extremely interesting and informative. The other members of the group included two expert tax practitioners, Jane Steinmetz from Price Waterhouse Coopers and Karl Fryzel from Edwards, Angell, Palmer & Dodge, and two experts on state tax and fiscal policies, Michael Widmer, president of the Massachusetts Taxpayers Foundation, and Tannenwald of the Fed.

Our discussions covered a wide range of issues, but the initial focus was on the question of which system of taxation, separate entity or combined reporting, would produce a fairer, more accurate accounting of the Massachusetts income of a multi-state business. On that issue, I was surprised at the lack of intellectual challenge to the fairness of combined reporting. The main criticisms were that combined reporting introduces complexities that increase the costs of compliance for businesses and that they complicate the audit process—resulting in cases that, for example, dragged on in California for as many as 20 years. These criticisms seemed dated, and, in fact, more than balanced by the fact that as more and more states have adopted combined reporting systems, the familiarity of taxpayers and administrators with the details and requirements of combined reporting has increased dramatically.

Supporters of combined reporting emphasized that combined reporting fairly allocates the income of a multistate business to the state in which it is operating and is the best way to restrict the ability of multi-state businesses to shift income to low-tax or no-tax states. Keith Davis, executive director of the North Carolina Tax Commission, told the subcommittee that the decision to recommend his state adopt combined reporting was "not a close call."

The Subcommittee on Combined Reporting took two votes. The first was whether the subcommittee would support a recommendation to adopt combined reporting in Massachusetts. Widmer asked to amend the proposal to require that adoption of combined reporting be based on a reduction in the corporate tax rate so that the proposal would be "revenue neutral." With that amendment, Widmer voted in support of the recommendation, which passed on a 4-1 vote, with Steinmetz the only dissenter. The subcommittee then voted on a recommendation to support combined reporting with no requirement that it be revenue neutral and the vote in favor was 3-2, with Widmer now voting against.

A NOTABLE CHANGE IN TONE

The full commission met again in early December, and there was a notable change in tone. The Patrick administration had correctly recognized that many of the initiatives in the governor's bill had opposition on the commission and did not produce enough revenue to be worth the fight. For example, the proposal to tax non-insurance businesses run by insurance companies had generated strong opposition and would only have produced $23 million in annual revenues. So the administration decided to drop these minor initiatives and to support combined reporting with a "substantial" reduction in the corporate tax rate of 9.5 percent. Given that the Revenue Department estimates combined reporting would yield more than $300 million annually for the state, it was clear that both a revenue increase and a cut in the corporate tax rate could be achieved.

While a number of commission members continued to push for revenue neutrality, a key moment in the meeting came when commission member Rep. John Binienda, House chairman of the Legislature's Committee on Revenue, expressed support for combined reporting and stopped short of insisting on revenue neutrality. Binienda's support was the first public indication that the House's sharp opposition to the centerpiece of the Patrick Administration's loophole-closing proposals—combined reporting—might be softening.

The final meeting of the commission took place on December 18. Secretary of Administration and Finance Leslie Kirwan, the chair of the commission, set the agenda by asking each member to state whether they were in favor of check-the-box and combined reporting and whether such support was contingent on a "meaningful" reduction in the corporate tax rate or on achieving revenue neutrality. With all issues lumped into one vote, commission members were allowed to express their views on combined reporting and a tax rate reduction.

The commission voted for a 'meaningful' tax cut.

The tentative vote at the meeting was 10-5 in support of a recommendation that included three parts: combined reporting, check-the-box, and a "meaningful" rate reduction but not a requirement that the rate reduction achieve revenue neutrality. Upon issuance of the final commission report, the vote dropped to 9-6 because one member, Steinmetz, felt that the corporate tax rate reduction needed to be specific.

The commission's final report was issued on December 28. Subsequently, on January 22, Gov. Patrick submitted legislation to implement the commission's recommendations, including adoption of combined reporting and check-the-box. The governor's bill calls for a reduction over several years in the corporate tax rate from 9.5 to 8.3 percent. The governor's initiative was followed by an announcement from Speaker DiMasi that he would propose legislation adopting the main commission recommendation of combined reporting and check-the-box, but also calling for a specific corporate tax rate cut to 7 percent. The speaker's statement was a dramatic indication that the commission's work would not be in vain. In fact, it now appears that the commission's work may serve as the blueprint for the most significant change in corporate tax policy in Massachusetts in several decades. CW

Stephen W. Kidder is managing partner at Hemenway & Barnes in Boston. He served as the Massachusetts commissioner of revenue from September 1987 to January 1991.

Out of favor

'Managed competition' will lead to higher rates for low-income auto insurance customers BY BIRNY BIRNBAUM

IN 2007, MASSACHUSETTS Insurance Commissioner Nonnie S. Burnes announced the end of the auto insurance regulatory regime that had been in place for decades. Burnes proclaimed that the time had come for the state's "fix-and-establish" method of auto insurance regulation to be replaced by "managed competition." And she predicted consumers would see greater choice and lower rates from more competition.

Consumer groups and Massachusetts Attorney General Martha Coakley denounced the decision and warned that consumers would on average see higher auto insurance rates than they would under the fix-and-establish system and that insurers would introduce new and unfair rating factors (the characteristics used to determine a policyholder's premium). Coakley eventually challenged the rate filings of five insurers, demanding that the commissioner reject the proposed rates. The attorney general hired me to review the filings and testify as to the fairness of the proposed rates. Although the commissioner had kind words to say about me personally, she decided my testimony was not relevant to her review of the filings and refused to let me testify. Too bad, because my testimony went to the heart of the problems with "managed competition."

For most consumers, auto insurance is a necessary evil. You have to buy it and it costs a lot. Some consumers have a vague idea that state officials have set the rates in the past and that those rates have been coming down in recent years, but that's often the extent of their knowledge.

In almost every state other than Massachusetts, auto insurance regulations require each insurance company to file its own rates and policy forms. The policy form is the actual insurance product, the contract that transfers the financial responsibility for an auto accident from the consumer to the insurance company. The rates are contained in a rate manual that spells out how the premium for any individual driver and vehicle combination is determined. While the regulatory review of these rate and policy form filings varies by state, individual insurance companies decide what products and what rates to use.

In Massachusetts, under the fix-and-establish regime, policy forms and rates were established by the insurance commissioner and, consequently, any insurance company operating in the state was required to use those forms and rates. Insurers were able to offer a few discounts—typically, a reduction of 5 percent to 10 percent for membership in a particular group—in addition to the discounts mandated in the rates set by the commissioner.

When insurers set their own rates, they start by figuring out how much overall premium (income) they need to cover claim costs, expenses, and profit. The result is a statewide base rate. The insurers then decide which rating factors they will use to set how much particular types of consumers will pay in premiums.

Rating factors are the characteristics of the consumer or vehicle that modify the base rate. Some of the rating factors seem obvious and logical. If you drive your car a lot of miles, you run a greater risk of being in an accident. Where you live makes a difference: The frequency of auto accidents is greater in a more densely populated area than in a sparsely populated area. If you have had driving violations or accidents in the past, you are more likely to have an accident in the future. Other rating factors include the type of vehicle—more expensive cars cost more to repair or replace than inexpensive ones—and whether the car has anti-theft devices or the driver has taken safety training.

Using these types of rating factors not only makes sense and seems fair to consumers, but also provides clear incentives for less risky behavior. With these types of rating factors, consumers have some control over their auto insurance premiums.

In states other than Massachusetts, there has been a revolution in the nature of insurance rating factors over the last 10 to 15 years. Insurers have introduced many new rating factors that focus on the socioeconomic characteristics of the consumer, with the result that traditional factors like one's driving record have lost importance—and factors often outside of the consumer's control have become the primary determinant of insurance premiums. The new factors include credit scores based on a consumer's credit history, educational achievement, occupation, household structure, and prior liability limits.

At this point, your eyes are glazing over and you are thinking, what are these rating factors and why haven't I heard of them? Well, you haven't heard of them because they have not been permitted in Massachusetts. In other states, the most important factors for determining auto insurance premiums are credit history and prior liability limits. These two, like others mentioned above, are largely proxies for race and income. It turns out that insurers' use of consumer credit information discriminates against low-income and minority consumers. The Missouri Department of Insurance conducted a detailed study of insurance scoring and found the single best predictor of a consumer's insurance score was the consumer's race.

"Liability limits" refer to the amount of coverage on the policy and can be broken down into "minimum limits," the least amount of coverage mandated by a state, and "excess limits," or coverage greater than the minimum. With prior liability limits as a rating factor, a consumer who previously had a minimum limits policy will pay more than a consumer who previously had an excess limits policy—even if both consumers are otherwise identical. It doesn't take an economist to see that a rating factor using prior liability limits leads to higher rates for low-income consumers.

COAKLEY CALLS RATES EXCESSIVE

When Commissioner Burnes decided to let insurers develop their own filings, she set out some ground rules. To her credit, she prohibited insurers from using certain socioeconomic rating factors, including credit scoring, education, occupation and prior liability limits. She required insurers to maintain the existing limits of differences in rates by geographic area, meaning that rates in certain parts of Boston or Worcester should not jump up just because of geographic location. She also said no consumer could experience an initial premium increase of 10 percent or more.

It is important to put the 10 percent cap on premium increases due to new rating factors in perspective. Had the commissioner maintained the fix-and-establish system, and set the rates using the same input values as her predecessors, rates would have gone down about 10 percent. So, by capping the premium increase to 10 percent over current rates, and assuming a 10 percent rate cut if fix and establish had continued, the commissioner was actually allowing premium increases of 22 percent over what the premium charges would have been under the old system.

Attorney General Coakley challenged five of the 19 insurers who made initial filings last year for rates to be effective in April of this year. Massachusetts law, like the laws in every other state, sets out three standards for auto insurance rates. The rates must not be inadequate, must not be excessive, and must not be unfairly discriminatory. Inadequate rates are rates that are so low that the insurer's financial solvency is threatened. Excessive rates are rates that produce an unreasonably high profit. Finally, the unfair discrimination standard goes to rating factors: Rates are unfairly discriminatory if they result in different premium charges for consumers who pose the same risk of a claim.

Rating factors are the dominant problem with 'managed competition.'

When the attorney general challenged the filings of the five insurers, she argued that their rates were excessive. Commissioner Burnes rejected the attorney general's challenge. This was not surprising to anyone watching the course of events over the past year. The commissioner wants the new system to be successful, which means attracting national insurers to enter the Massachusetts market. For that to happen, she must demonstrate that rate filings will be reviewed quickly, that insurers will be able to earn the profit they want, and that the attorney general will not cause delay. The commissioner was clear that she, and not the attorney general, is the insurance regulator in Massachusetts. In addition, it would be a bit contradictory for the commissioner to declare the auto insurance market competitive and then agree with the attorney general that some filed rates were excessive.

Coakley hired me to review the rate filings for unfair discrimination. But when it came time to testify on the rate filing of the biggest insurer, Commerce Insurance of Webster, the company claimed that the attorney general had not included anything about unfair discrimination in the petition challenging the rates. Burnes refused to let me testify, saying my comments would not help her decide whether the challenged rate filing met the statutory standards. That was unfortunate because the issue of new rating factors is the dominant problem in the move to managed competition.

Had I testified, I would have pointed out that two of the five insurance company filings I reviewed penalized senior drivers and violated the state law requiring drivers 65 years and older to get a minimum 25 percent discount on their insurance premiums. Here's how. Two insurers, Commerce and Arbella Mutual Insurance of Quincy, introduced a new rating factor: years licensed. The two companies proposed that drivers licensed for 51 years or more would receive a 10 percent surcharge on their premiums. It is pretty clear that anyone licensed 51 years or more is at least 65 years old. By adding the years-licensed surcharge and not increasing the senior discount, Commerce and Arbella are effectively reducing the senior discount to less than 25 percent.

Two insurance company filings penalized seniors and violated state law.

Suppose that the senior consumer's premium was $1,000 before the 25 percent discount and before the years-licensed surcharge. That senior should be paying no more than $750, or 25 percent less than $1,000. But with the years-licensed rating factor, the senior driver is now paying $825, or 10 percent more than the maximum the senior should have been charged.

In addition, many of the company rate filings suffered from two other problems. First, for many or all of the new rating factors, the insurers provided no data or other demonstration that the rating factor had any relationship to expected claims, or that the amount of the surcharge or discount for the rating factor was reasonable. As I reviewed the filings, it became clear to me that insurers were picking rating factors and values for those factors because they wanted to market to a particular clientele.

The problem with this approach is that the favored consumers get discounts that must be paid for with higher premiums by disfavored consumers, who are predominantly low-income consumers. The result is a back-door approach to using socioeconomic status as the main basis for setting insurance premiums.

With the new rating factors, consumers who insure multiple vehicles and buy additional policies from the same insurer might see big rate cuts from both current rates and rates that would have been in effect under the fix-and-establish system, while consumers insuring only a single auto might see a 10 percent premium increase over current rates and a 22 percent increase over rates they would have paid under the fix and establish system.

The biggest problem with the new rate filings is the incredible complexity of many new rating factors. To take one example, consider the "rating group" factor in Travelers' Premier Insurance Co. filing. The factor is an amalgam of a dozen other factors, including single versus multiple vehicles insured, type of vehicle, vehicle age and type of coverages purchased, among others. And the combination of all these rating factors produces a value which is translated into yet another factor used to determine the premium.

There is clearly no need for this monster combination factor—each rating characteristic could be its own rating factor, which would provide some transparency to the consumer as to which factor caused the premium to increase. Rather than clarifying the impact of rating factors on the development of a consumer's premium, the rating group approach obscures the role of rating factors and allows individual rating factors to have far more weight in determining premium than is otherwise indicated by actuarial analysis.

At best, this approach is unnecessarily complicated and renders the impact of various rating factors opaque to consumers. The consumer can never find out what characteristic was the cause for a premium increase. This defeats the goal of promoting competition by weakening the understanding of rating factors, and, subsequently, the market position, of consumers relative to insurers. The multiple uses of the same risk characteristic also lead to unfairly discriminatory rates because that characteristic is given too much weight in the rating process.

Under managed competition, an auto insurer might raise or lower overall rates by 5 percent, but, because of new or changed rating factors, could increase some consumers' rates by multiples of the overall rate change. With the first round of rate filings, the disparity between the rates paid by favored and disfavored consumers grew. Next year that disparity is likely to grow even more because managed competition has opened the door to abusive auto insurance rating schemes. CW

Birny Birnbaum is the executive director of the Center for Economic Justice in Austin, Texas. A former Texas insurance regulator who oversaw rate filings, Birnbaum was hired by Attorney General Martha Coakley to analyze the rate filings of five companies in Massachusetts as part of the move to "managed competition."

Point of reckoning

The state budget is based on an unsustainable level of risk and volatility

BY CAMERON HUFF AND DANA ANSEL

THE MASSACHUSETTS STATE budget has reached a point of reckoning. First and foremost, a stubborn —and insufficiently appreciated—structural imbalance approaching $1 billion threatens the state's ability to manage or grow current programs and services, much less add new ones. Spending increases are outpacing revenue growth, with health care voraciously consuming a bigger slice of the fiscal pie.

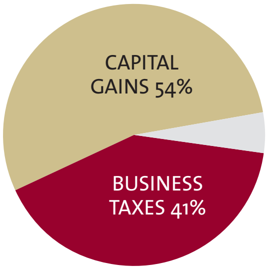
This imbalance is exacerbated by volatility in revenue growth. Recent history reveals an over-reliance on the capital gains tax for more than half of the state's new tax receipts between 2002 and 2006. In other words, simply maintaining existing programs hinges on a revenue source that reacts in concert with Wall Street's boom and bust cycles.

Two trends add a sense of urgency to this discussion: The nation is on the brink of recession, if it's not in recession already. As a result, Massachusetts is vulnerable to a dramatic drop in capital gains tax revenue. In 2002, a similar vulnerability led to an almost $800 million decline in capital gains receipts in a single year. Today, such a plunge would come at a time of rapid increases in health care spending: first from rising costs; second from the expansion of the Medicaid rolls in response to a recessionary increase in unemployment; and finally, from the effects of the full implementation of the state's new universal health care law.

While Massachusetts is similar to other states in facing these pressures, the Bay State is also different because of its demographic trends. We continue to lose more people than we attract, with the exception of foreign immigrants. Relative to the size of our state, the level of out-migration from Massachusetts in recent years ranks the third highest in the nation. As a consequence, Massachusetts—unlike the majority of other states—is unable to rely on increased tax revenue from new workers and new businesses as a way to grow itself out of a recession. Moreover, the state's existing population is older than the national average, which places greater strains on public programs and services.

Our research analyzes 20 years of Massachusetts budget history, which at its core is a series of choices that reflect the state's collective values and priorities. There have been clear winners and losers over the last two decades. Most notably, health care emerged as the state's top funding priority, with a long-term commitment to expand access to the poor, disabled, and uninsured. Similarly, a vigorous reform movement within K-12 education resulted in dramatic increases in expenditures. The state added almost $1.3 billion of new spending for education reform after adjusting for inflation, but, at the same time, non-school aid to

SOURCES OF POSITIVE TAX REVENUE, 2002-2006 (in inflation-adjusted 2007 dollars)



Total positive revenue = $2.2 billion

cities and towns declined by almost $800 million. State support for public higher education fell by more than $300 million, with large swings in spending that led to major tuition increases. Public

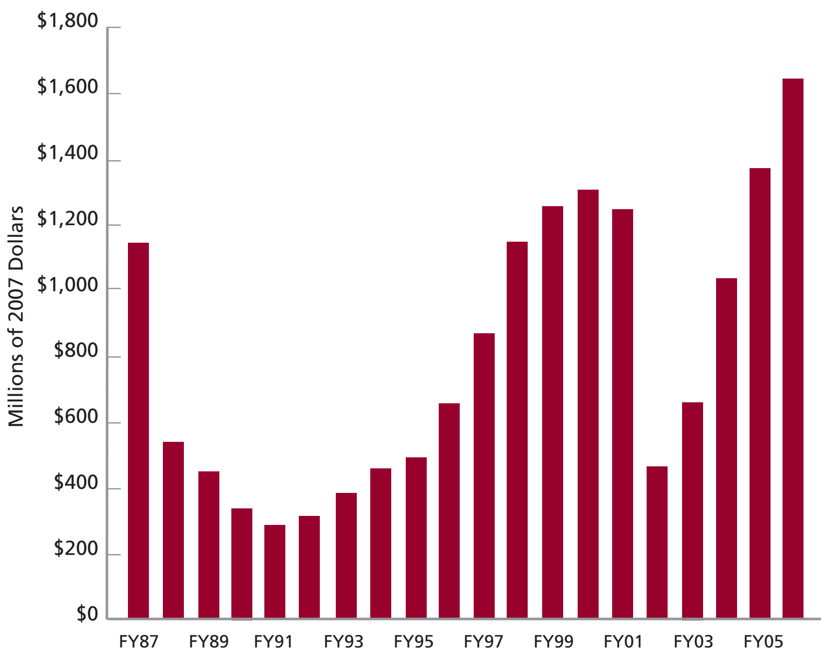
ILLUSTRATION BY ALISON SEIFFER

safety spending more than doubled from $600 million to $1.4 billion over 20 years, while the overall human services budget remained almost flat. These priorities were largely preserved through the wrenching fiscal crisis of 2002-2003 and continue to be reflected in today's budgetary decisions.

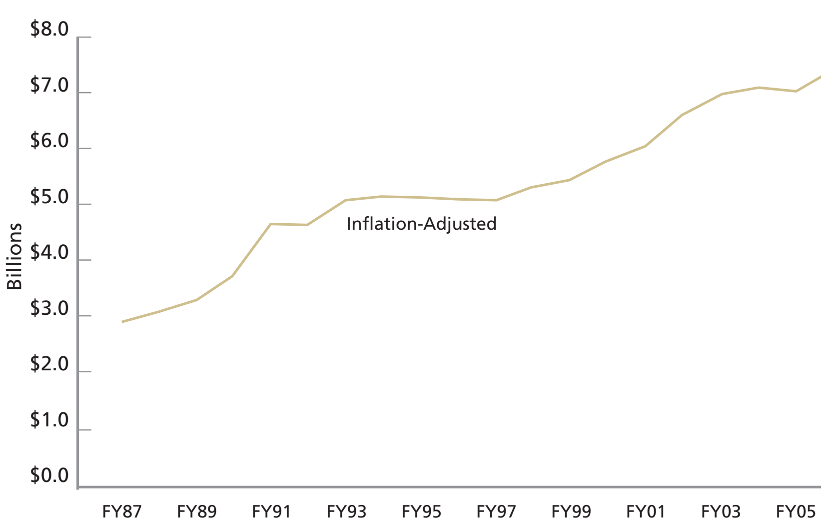
The structural budget imbalance that Massachusetts faces reflects long-term trends and is not particular to the current year. The state has gradually introduced an unsustainable level of risk and volatility on both the spending and revenue sides of the ledger, and short-term responses like an increase in the cigarette tax or casino gambling really don't address the problem.

As a way to jumpstart a statewide conversation on how to get the Commonwealth's finances back on track, MassINC offers the following recommendations:

CAPITAL GAINS: A VOLATILE SOURCE OF TAX REVENUES



TOTAL MEDICAID SPENDING



Minimize the effects of capital gains tax revenues on the budget. In recent years, Massachusetts has become heavily dependent on capital gains revenues for new revenue growth. From 2002 to 2006, the state collected an inflation-adjusted $2.2 billion in new revenues. (This amount was offset by revenue losses in the sales tax and several other taxes.) More than half of the positive growth (54 percent) came from highly volatile capital gains taxes.

Steps should be taken to better manage the known risk with capital gains taxes. For instance, state leaders could calculate a historical average of capital gains receipts and use only that amount in the budget in any given year. Surplus receipts could then be set aside as a reserve for use in years when revenues fall below that average. Such an effort would help avoid making ongoing spending commitments based on a level of revenues that cannot be sustained and would help create a cushion against the inevitable drops in those revenues.

Broaden the base of the tax structure. This would reduce the state's dependence on capital gains taxes. While potentially revenue neutral, this effort involves shifting tax burdens from some taxpayers to others. That said, tax increases in one area, like the sales or gasoline tax, could be offset by decreases in other taxes to ensure no one group bears a disproportionate burden. This is a politically complicated option that will require leadership, consensus building and compromise.

Improve the transparency of Medicaid spending. Medicaid is both the largest program administered by state government and one of the least understood. Its spending totaled $7.4 billion in 2006, 26 percent of the budget. Since 1987, the program has been responsible for almost two-thirds of all spending growth.

> **Medicaid accounted for two-thirds of spending growth since 1987.**

There are a number of reasons why the state's Medicaid spending has increased so much, including rising health care costs, a broader array of benefits than are federally mandated, a greater proportion of more-expensive-to-care-for elderly and disabled clients than other states, and a longstanding policy commitment to expand access. Medicaid spending has also increased as a result of the state's efforts to strategically leverage federal dollars to fund programs.

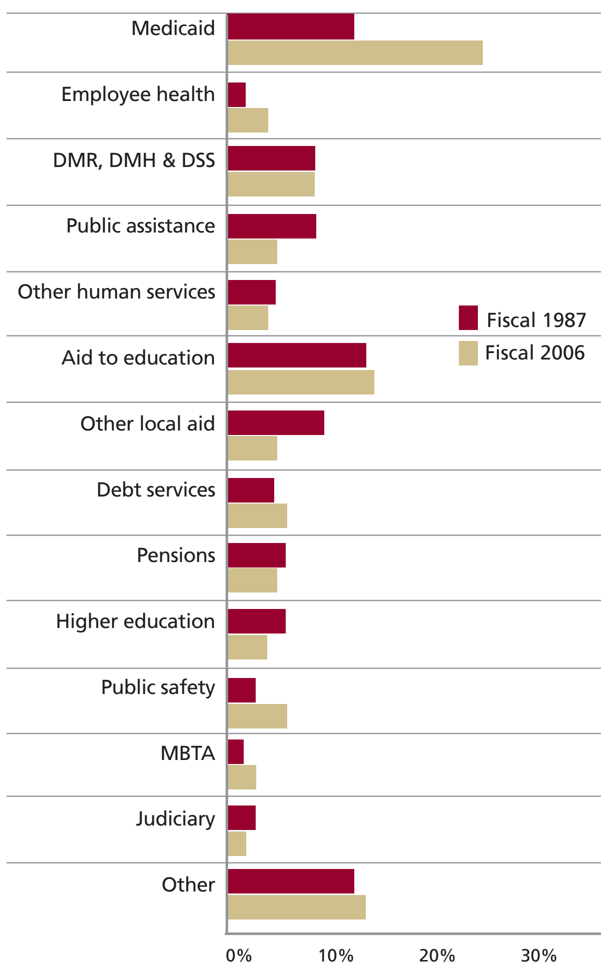
The need for transparency—clearer, more timely information and analysis on how much is being spent, how that spending is financed, and who is being served—could not be more urgent. A recent report by the Center for Medicare and Medicaid Services' Office of the Actuary projects Medicaid spending to grow by 7.9 percent per year through 2017, a rate well above the overall growth expected in the economy. Discussions in Washington suggest the federal government, which pays for about 50 percent of Medicaid's costs, could be on the verge of reducing its reimbursements to states. The state's universal health care initiative has raised the stakes even further, with new, difficult-to-predict cost pressures and a major new layer of programmatic and financial complexity.

Bring greater transparency to all government spending. Between 1987 and 2006, the share of total state spending that occurred outside the annual budget increased from almost 20 percent to almost 33 percent. Today's large amount of off-budget spending prevents revenues and spending from being seen all together, creating obstacles to a true set of choices around revenues and spending. The use of two different reporting standards for the state's financial activities is a further impediment to understanding the budget.

Measure outcomes, eliminate duplication, and end programs that have outlived their purpose. While public policy experts agree that the structural imbalance cannot solely be solved through greater efficiencies, it is imperative that the state foster a sense of accountability through regular outcome measurement. This will require tough political choices that are necessitated by the structural imbalance combined with a possible national recession. A blue ribbon commission modeled on the federal base-closings commission might provide the best option to tackle these politically sensitive issues. CW

Cameron Huff is an independent consultant from Billerica. Dana Ansel is research director at MassINC. For more information on this topic, read A Point of Reckoning: Two Decades of State Budget Trends *at www.massinc.org.*

WINNERS AND LOSERS OVER THE LAST 20 YEARS




Reading

A shot seen round the world

How a *Herald* photograph pricked the conscience of Boston during the school busing crisis BY GABRIELLE GURLEY

EVERY ERA HAS its touchstone photograph. The Marines hoisting the American flag on Iwo Jima telegraphs the hard-fought triumphs of World War II. The New York City firemen raising the Stars and Stripes over the rubble at Ground Zero after 9/11 captures the resilience of a besieged city. The signature image of Boston's busing crisis also features the national symbol. It isn't a heroic one.

On April 5, 1976, Ted Landsmark was running late to a City Hall meeting on minority hiring in the construction industry. Entering the plaza, the African-American lawyer ran smack into the hornets' nest of an anti-busing rally. A white mob attacked, kicking and beating him. Then Joseph Rakes, a young high school dropout, lunged forward with his weapon of choice.

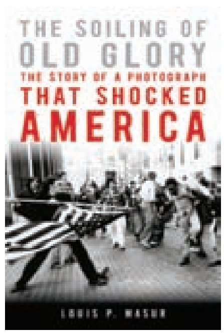
"I was just out there walking to City Hall in my three-piece suit. I was anyone," Landsmark told a reporter at the time. Suddenly, someone tried to "kill me with the American flag."

That quote comes from ***The Soiling of Old Glory: The Story of a Photograph That Shocked America***, published in April by Bloomsbury Press. Author Louis P. Masur revisits this tale of two men, a photographer, and their city in this slim, affecting volume. Entwining history and art, he goes beyond the headlines of Boston's failed school busing experiment to assess the country's complex relationship with its national symbol.

"It was an unprecedented act of desecration, one that transgressed every principle most Americans hold dear," writes Masur, a professor of "American institutions and values" at Hartford's Trinity College. The Page One photo, coming two years after a federal judge ordered the desegregation of the city's public schools and four months into the country's Bicentennial, helped seal Boston's reputation as the Little Rock of the North.

It almost didn't happen. Not being eager to cover another anti-busing demonstration, Stanley Forman, a *Herald American* (now the *Boston Herald*) photographer, also got a late start that day. As the drama unfolded, his camera's motor drive froze. Using his manual setting, he still "managed about 23 clicks." Students of photography will relish such details, as well as Masur's capsule overview of seminal images in American photographic history.

"We carry historical and visual memories and associations to every image that we see," he writes. As he points out, the photograph recalls not only Paul Revere's print engraving of the Boston Massacre, but an 1856 lithograph that spotlights Crispus Attucks, the first victim of the fighting. The parallels did not escape Landsmark and others in 1976.



But Masur doesn't stop at technique, preferring to delve deeper into the flag's place in the American psyche. Unpacking the "cult of the American flag" takes the author through a complex historical thicket. The flag as totem gained hold during the Civil War, when the term "Old Glory" came into popular usage. By the end of the 19th century, state legislatures began to adopt anti-desecration laws as the flag was exploited for commercial purposes.

Flag burning also became a popular tool to express political dissent, particularly in wartime. As Masur writes, "Through the 1960s and into the 1970s, the flag had been displayed, waved, erected, decaled, flushed, torn, and burned." The veneration of Old Glory came full circle after 9/11, when virtually every American became a patriotic flag-waver overnight.

Predictably, African-American attitudes about the flag have veered sharply from ambivalence to outright contempt. Yet Masur notes that "civil rights activists realized that they needed to enlist the flag in their cause if ever they were going to feel represented by it." That makes the assault on Landsmark all the more stunning.

MASUR DOES A serviceable job of tracing Boston's race relations from colonial times through the earliest struggles over education in the 1840s and 1850s. After World War I, Boston did not experience the great wave of black migration other northern cities did, but its schools were racially mixed, and Masur calls the racial climate of that time "comparatively progressive." That changed after World War II, when blacks moved to the city in greater numbers. The accompanying rise in segregation and discrimination provided the tinder for the later racial eruptions.

The neighborhood turmoil from South Boston to Roxbury that Masur describes in his book is familiar territory for many local readers. However, his account of how much the attack on Landsmark roiled the State House underscores just how inflamed passions had become by 1976. The House Republican whip, Melrose's William Robinson, introduced a resolution condemning everyone in spitting distance of the assault except Landsmark. A firestorm ensued, and Robinson's Democratic counterpart, Everett's George Keverian, offered an amendment to strike out the sections of the resolution lambasting the passive bystanders, the reporters, the police, and the mayor (Kevin White, who saw the assault from his City Hall office window). Keverian's amendment was adopted, and the stripped-down resolution passed 216-0. (Twenty-two members did not cast a vote.)

Where Masur excels is not so much in the retelling of these episodes, but with poignant portraits of Landsmark, Forman, and Rakes. Now the president of the Boston Architectural College, Landsmark assumes a Job-like presence throughout the book. Despite being forever linked to a "20-second moment," he built a successful career interwoven into the city's political and cultural fabric. Today in his office, alongside the 1856 lithograph of Attucks's martyrdom, hangs a print of *The Soiling of Old Glory*.

Forman won his second Pulitzer Prize in two years for the Landsmark photograph, and a third followed. He could have moved on to greener pastures (*The New York Times* wooed him), but he stayed put in Boston, making the switch to video journalism when he took a job at WCVB-TV in 1983.

And what of Rakes? The celebrated photo has dogged him every step of his life. Shortly before the 25th anniversary of the assault in 2001, a repentant Rakes met with his black coworkers, members of a Big Dig construction crew, to prepare them for what they would see in the press. After each man told Rakes how he felt, an older Jamaican man finally opined, "Shit happens." His response sums up how far Boston has come. CW

Easy street

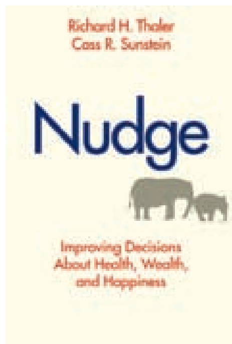
Two authors argue that financially challenged Americans just need a *Nudge* in the right direction BY ROBERT DAVID SULLIVAN

ZERO TOLERANCE IS always a favorite concept in American politics, and publicity-hungry politicians are still finding plenty of things they want to ban: transfats, people without health insurance, violent video games, using cell phones while driving, crowding more than four people into Boston apartments, et cetera et cetera. This approach is not pleasing to economist Richard H. Thaler and law professor Cass R. Sunstein, authors of the new book ***Nudge: Improving Decisions About Health, Wealth, and Happiness*** (published in April by Yale University Press).

Thaler and Sunstein are self-described libertarians who chafe at the idea of an expanded Nanny State, but they also recognize that people, by and large, cannot be trusted to grope their way to correct behavior. Their solution is to rig the Game of Life in certain ways so that the path of least resistance also happens to be the most beneficial route. In a school cafeteria, say, put the healthy foods within easy reach and the junk in less convenient spots. Freedom of choice is preserved, but experiment after experiment has proven that people are easily swayed by the way in which options are presented to them. (Thaler and Sunstein also cite evidence that the candidate who appears at the top of a ballot has a leg up on his or her opponents.)

The cover of *Nudge* shows a large elephant gently pushing a smaller one in the right direction, but many of the examples in the book made me think of trying to communicate with a pet dog. Sometimes the only thing to do is grab its head in both your hands, aim its eyes in the right direction ("Look! The ball is right *there*!"), and hope that common sense kicks in. Thaler and Sunstein flatter us humans by instead inviting comparisons to a beast of somewhat higher intelligence.

The *Nudge* recommendation that may have the most political traction may have to do with saving for retirement. Thaler and Sunstein show that participation in 401(k) tax-free savings accounts is dramatically higher when employees are automatically enrolled in them and have to fill out paperwork to get out (the "opt-out" model) than when they are merely informed that the accounts exist and must fill out paperwork to get *in.* (Thaler has been serving as an economic advisor to Democratic presidential candidate Barack Obama, who has proposed "automatic workplace pensions" along the lines of the opt-out model.) The economic benefits to an employee are the same either way, but people rarely behave according to the rational actor model that we all learned about in Economics 101—Thaler and Sunstein repeatedly draw distinctions between rational "econs" and "humans"—and the authors argue that good public policy shouldn't depend on them to do so. So they suggest, for example, that driver's license holders should be enrolled in organ-donor programs by default, putting the paperwork burden on those who want to withdraw their consent.



SIMILARLY, THALER AND Sunstein point out that people habitually make economic decisions based on a superficial sense of balance or fairness. If asked to create a 401(k) portfolio from scratch, many people will divide their contributions equally between stocks and bonds, even though stocks are a far better investment in the long run. (As an illustration of this general principle, they cite an ingenious study involving trick-or-treating children allowed to choose two candy bars from two piles of different brands. Every single kid selected one from each pile.) So the authors suggest default portfolios that make sense for retirement investing—and cite evidence that employees are quite happy "splitting" their money equally between an all-stocks fund and a fund that is evenly divided between stocks and bonds. It's the illusion of balance that comforts us.

The most publicized aspect of *Nudge* is likely to be the superiority of "opt-out" policies over "opt-in" models in exploiting people's tendencies toward inertia, but the book also gets into all kinds of ways to influence behavior by changing perception. My favorite example is Lake Shore Drive in Chicago. For years, drivers on that highway had been taking turns too fast and ignoring speed limit signs. The city recently aimed for better driving habits by painting horizontal stripes (in addition to the vertical lane divisions) that get closer and closer as one goes into a curve, creating the illusion that one is going faster and subconsciously "nudging" drivers into slowing down.

In the chapter titled "Following the Herd," Thaler and Sunstein also offer evidence that people shape their ethics based on what they *think* others are doing. In the mid-'90s, the state of Minnesota significantly reduced cheating by adding a message to state tax forms that "more than 90 percent" of the state's citizens followed the law. (A message spelling out the penalty for *breaking* the law was far less successful.) "Apparently some taxpayers are more likely to violate the law because of misperception—plausibly based on the availability of media or other accounts of cheaters—that the level of compliance is pretty low," write Thaler and Sunstein. Give them a different message, and the self-fulfilling prophecy can be broken.

The same logic applies to voter turnout, they say: Browbeat people by pointing out how few citizens vote, and you'll only make nonvoters feel better about staying home. (After *Nudge* went to press, a study in the *American Political Science Review* indicated that the best way to boost voter turnout is to send letters to everyone letting them know exactly which of their neighbors bothered to go to the polls—a tactic that might cross the line into a shove.)

Some of the policy recommendations in *Nudge* are more complicated, and less persuasive, than the 401(k) opt-in plan. Given their libertarian views, it's not surprising that the authors like expanded "school choice," but they don't really explain how *Nudge* logic would lead to *better* schools. Instead, they argue for parents to be given more information with which to make choices about where to send their kids—a nudge, to be sure, though not with as clear-cut a goal as getting people to save for their retirement. After all, not every social problem can be solved by gently pointing people's heads in the right direction. In the case of an intractable problem like inner-city schools, we may need to resort to stronger measures than Thaler and Sunstein are comfortable with. CW

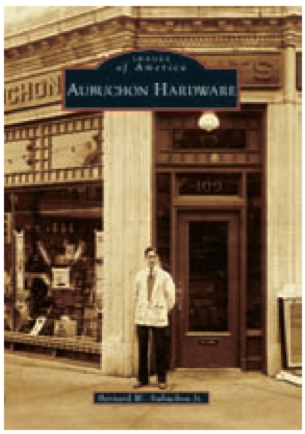
Your town, USA

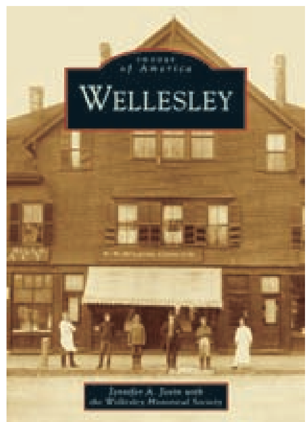
Even with their fast-food qualities, Images of America books preserve local history BY JAMES V. HORRIGAN

WALK INTO A bookstore almost anywhere in America and you'll find a shelf full of thin paperback books with distinctive sepia-toned covers. Light on text, heavy on photos, numbingly similar in format and content, they're volumes in Arcadia Publishing's Images of America series of local history books.

Since 1994, Arcadia has put out more than 5,000 books for local, sometimes tiny, niche markets. Images of America was Arcadia's first and remains its most successful series. The series began by covering cities and towns; then it branched out to parks and neighborhoods, and now includes colleges, businesses, individual buildings, and vanished sports teams.

Massachusetts has more Arcadia books devoted to its local history than any other state—nearly 350 titles covering 250 markets, according to Lynn Ruggieri, Arcadia's public relations coordinator. Another 20 Massachusetts titles will be added this year, including *Greater Boston's Blizzard of 1978*, by Alan Earls; *Chinese in Boston: 1870-1965*, by Wing-kai To; and *Aubuchon Hardware*, by Bernard Aubuchon Jr.





Whether it's the Boston Braves or Boston Harbor Islands, Allston-Brighton or Cuttyhunk, when Arcadia's research determines there's a market for a topic, an Images of America book is sure to follow. The drawback is the 128-page template they foist on authors, which makes the books so formulaic they might be described as McImages of America.

The photographs themselves are sometimes so prosaic they could be inserted into other books in the series with the very real possibility that nobody would notice. If you've seen one photo of a Kiwanis or Lions Club banquet, you've seen them all. The same goes for staged shots of Cub Scouts, Girl Scouts, and high school marching bands.

Erin Rocha, acquisitions editor in Arcadia's Portsmouth, New Hampshire, office, says the cookie-cutter nature of Images of America books is by design: "We don't in any way claim that these books are a complete history of the area. They're really kind of a snapshot. We certainly do put the emphasis on photographs because that's what we want to share, so they'll appeal to a broader group."

Needham native Jen Jovin, the author of a new book on Wellesley, says there is a reason for the books' one-size-fits-all similarity. "To a degree I think we all have a common experience, a shared history," she says. "I think the books would be missing something if we didn't include those so-called generic qualities."

Fair enough, except when generic spills into cliché, like the 1901 photo of Wellesley shopkeeper William McLeod. He wears an apron and stands behind a counter next to a young assistant, with jars of preserves in front of them and shelves of canned goods behind them. It's nice, but I swear the same shot is in my Images of America book on Dedham. And Westwood. And Cambridge. And Nahant.

Wellesley even has what may be the ultimate Images of America cliché: a long-gone tavern reportedly once visited by George Washington. My guess is there are dozens of Arcadia volumes, from Virginia to New England, with a similar photo and boast to go with it.

IT USED TO be that municipal histories were written only once a century, and the person who penned it, often some crusty old town clerk, was the one person in town qualified—or inclined—to do so. But Arcadia Publishing has made it so that virtually any-

one can now write a municipal history.

For example, Arcadia had been looking for 15 years to do a book on Wellesley with no luck. That changed last spring, when Jovin, then 24, received her master's in history from Northeastern University and sent off a résumé to Arcadia headquarters in Charleston, South Carolina.

Her hope was to land "an editorial assistant job or something," but when publisher Tiffany Howe saw that Jovin had interned at the Wellesley Historical Society and put together an exhibit called "Your Town," she decided they had found the person they were looking for. Howe forwarded the resume to Rocha, who contacted Jovin immediately to see if she was interested.

Writing an 'Images' book has to be a labor of love.

"I was like, 'Wow!'" Jovin laughs. "The prospect of writing a book was totally unexpected, but I thought about it and said, 'Yeah, sure.' It worked really well because I was able to take a lot of research I'd done for the exhibit and transfer that to book form. I had to expand upon it and find more photographs, but my previous research really was the foundation of the book."

She signed a contract in June, with a manuscript due December 18. Arcadia sent along detailed guidelines, including a template on how to sort photographs into subjects, which became chapters like "Faces around Town," "Local Enterprise," and "Wellesley's Dedication to Education."

Choosing 200 photographs, writing the captions, and compiling a 1,200-word introduction took the better part of six months.

"I was going to Wellesley about once a week and spending probably seven or eight hours at the historical society," Jovin says. "I did so pretty faithfully, right up until I had to submit the book."

Arcadia writers don't get advances against royalties and Ruggieri declines to say how much Jovin will be paid, but previously published reports list author royalties in the Images of America series at approximately 8 percent. With the typical volume retailing for $19.99 and sales not likely to exceed a few thousand copies, an Images book is more a labor of love than a ticket to fame and fortune. "I knew I wasn't going to become a millionaire from it," Jovin says.

But Arcadia authors can also purchase books wholesale and find nontraditional venues to market them. In Wellesley, that could mean setting up a table at the town dump on Saturdays, or working the crowd at the high school football game between Needham and Wellesley on Thanksgiving.

"Their contract says that they cannot sell to retailers," Ruggieri says, "but we encourage authors to sell to individuals at book signings, lectures, etc."

Another perk sometimes offered by major publishers is the fancy book launch party, something that Arcadia contributors have learned to do without.

Ruggieri says historical societies often throw parties themselves, but Jovin's not expecting one. "It would be great," she says. "I'd be very much in favor of having an opening, but the Wellesley Historical Society is actually a very small organization. They don't have a large staff and nobody's mentioned anything to me about it."

Laura and Katie Taronas, authors of *Paxton: Then & Now*, had an experience with local officials that proved to be far different than Jovin's. Initially, Rocha says, the historical commission was cooperative with the Taronas sisters, but then it changed its mind. No reason was given. With Paxton's 250th birthday coming up in 2015, Laura Taronas wonders if the commission has plans to publish a book of its own.

"I thought they would be excited that two teenagers were interested in the history of the town," says the 17-year-old, who wrote the introduction and captions. "It was a little odd, but I guess I understand."

Luckily for them, about 20 years ago their grandfather found a cache of old Paxton photos at a yard sale. Absent official support from the town, those images comprise the majority of the book's "then" photos, which are juxtaposed with "now" shots taken by Laura's older sister Katie, 19. Together, the Taronas sisters make up Arcadia's youngest writing team.

Although some Arcadia authors, in gratitude for the support they receive, donate their royalties back to the local historical society, the Taronas sisters are offering the book's proceeds to Moore State Park and the Richards Memorial Library, both located in Paxton.

To further make their point, they dedicated the book to the people of Paxton, "past, present and future," taking care to note that "history belongs to all of us." CW

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