

# The MAY Coalition: Innovators in Economic Development and Job Creation

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**M**itchell, Avery and Yancey Counties can be found in North Carolina's claim on Appalachia. Their beauty is exquisite, boasting the highest peaks east of the Mississippi including Mount Mitchell, the Roan and Grandfather Mountain. The Blue Ridge Parkway and the Continental Divide define the region's eastern border and the Appalachian Trail winds in and out of Tennessee along the western border. It's a land of clear, cold trout streams where woods entangled in mountain laurel and rhododendron open to reveal spectacular mountain vistas. Its cooler climate attracts Floridians in the summer, skiers in the winter and leaf enthusiasts in the fall.

The area's unsurpassed beauty is its greatest asset, but this splendor has created a number of ironies for the people who have traditionally called this place home. One such paradox is the contrast between the old wealth of summer residents in communities like Linville and Grandfather Mountain and generations-old poverty in neighboring communities. Conflicting interests arise between these two groups on issues such as how tax money should be spent and where industry should locate. The same mountains and geographical isolation that fostered independence also discouraged industrial development.

Traditionally, the people here depended on the area's natural resources to provide subsistence. Homesteaders built their own log houses, raised corn, potatoes, hogs and chickens. In order to buy the coffee they could not raise and the nails they could not make, they would either grow tobacco for a cash crop or sell timber off their land. Rich deposits of feldspar and mica brought a

mining industry that is still important today. The 1950's brought furniture and textile manufacturing that capitalized on low wages and a conscientious labor force grateful for employment. In the early 1980's, two Outboard Marine Corporation plants added a much needed boost to the local economy. It seems now, however, that the days of the "big buffalo hunt" are over and it's time to look toward small business for future development.

## The Process

In 1990, the Z. Smith Reynolds Foundation challenged each of the State's one hundred counties to submit a proposal for a project that would enable people to "move from poverty to a new quality of life." Z. Smith Reynolds called the initiative the "Opportunities for Families Fund" and promised to fund as many as five projects in North Carolina, for up to \$1,000,000 each. In the first round of funding, the Foundation offered sixteen planning grants of \$20,000 each. This bold move by the Foundation was so enticing that almost every county in the state examined how they could improve service delivery and what opportunities they could offer to their low-income population. In the end, the Foundation received eighty-six proposals for planning grants.

Susan Larson, a resource developer at Mayland Community College, proposed a coalition of the three mountain counties to make a single application. Although political rivalry among the three counties dates to the Civil War, necessity has led the counties to cooperate on large projects. The landfill, the hospital, the health district and the community college are all projects that have been shared by at least two of the counties. Because the three-county community college was involved, Larson was able to pull the three counties together once again. After community meetings and gaining approval from the three counties' governments, Larson submitted a planning grant proposal to Z. Smith

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*The MAY Region boasts the highest peaks east of the Rockies.*

Reynolds that called for economic development through a co-operative or worker-owned approach. The other eighty-five proposals called for streamlining services or community organizing, but no others addressed poverty through economic development. The MAY Coalition became one of the "sweet sixteen" to receive the \$20,000 planning grant.

In January 1991, a coordinator was hired to guide the research, development and writing of the proposal. In order to hear directly from those receiving public assistance, three research assistants were hired to work with the low-income community. Each of the assistants was struggling herself. All received some sort of assistance from the state, but each one was in her own way trying to create a better life for her family. Additionally, a steering committee was formed to keep the project on course. It was composed of the Department of Social Services Director from each county, the three county managers, the three research assistants, the project's coordinator, the college's Human Resources Development director and Larson.

From there, the project took on a life of its own. The research assistants dived into the low-income communities to set up community meetings in each of the three counties. Meetings were held in housing projects and community centers. Other low-income residents volunteered to participate in issue-oriented task forces. The six task forces were: housing, child care, transportation, education, employment and health. Each task force involved both providers and consumers in the development of recommendations to include in the proposal to Z. Smith Reynolds. Representatives from each task force came together at a retreat where these ideas were distilled and forged into a viable plan to address the needs of this region's low-income population.

Concurrently, the three research assistants were conducting interviews with members of the low-income community. Every Food Stamp recipient in the three counties was given a chance to be interviewed. Eighteen hundred post cards were mailed to Food Stamp recipients asking whether they would be willing to be interviewed regarding this project. Of those, eighty responded yes and were interviewed. Fifty-eight more--mostly residents of the housing projects and neighbors of the research assistants--were interviewed. Of the one hundred thirty-eight people who were interviewed, 92 percent indicated they "want to go to work." Overwhelmingly, the main problem cited by those interviewed was the lack of decent jobs.

The needs assessment was extensive--six task forces with eight to ten providers and consumers meeting four or five times each, one hundred thirty-eight individual interviews with low-income residents and three research assistants organizing meetings with low-income residents. It was an impressive investigation, and all indicators pointed in the same direction: "we have minimum wage jobs and we have seasonal jobs, but we need more full-time jobs that pay fair wages and provide access to health insurance." [see sidebar below]

### **Anna's Plight**

Anna stood in line at the check-out counter with a cart full of groceries and her toddler who was pointing at the strategically displayed candy bars. She had paid a friend twelve dollars to drive her to a supermarket thirty miles from her home. There Anna could shop without her neighbors seeing that she paid with Food Stamps.

For three years now, ever since her husband left home, Anna has been one of the more than 236,000 Food Stamp recipients in North Carolina. She wanted a job but she knew that she could not support herself and her two children on the income she could earn. Anna had totaled the value of her benefits--AFDC, Food Stamps, child care, housing subsidy, and Medicaid. That total came to over \$12,000. Without a high school diploma, Anna knew that if she went to work she would have to settle for a minimum-wage job. If she took that job, worked forty hours per week for fifty-two weeks, and never took a vacation she could gross about \$8,800. She also knew she would lose many of her benefits.

Anna's dilemma is not unique. Many North Carolinians face what Z. Smith Reynolds Foundation has called "warring incentives." The problem is that people like Anna can have a better standard of living with more disposable income by maintaining eligibility for public assistance than they can have by going to work at a minimum-wage job.



"We have minimum-wage jobs..."

### The Proposal

Using the information gleaned from the research and maintaining a respect for the history and geographic limits of the area, the task was to put together a proposal that was realistic, while meeting the needs of the area's low-income population and finding favor with Z. Smith Reynolds Foundation. The initial concept had been to begin a new industry, hire people who had been unemployed, manage the industry until it showed a profit, sell the company to the workers and then start the process over again. Profits from the company would go to workers' pay checks rather than to stock holders. Instead of a personnel director, the company would have a services coordinator who would help employees overcome what Z. Smith Reynolds had termed "barriers to employment." This person would work with people who had problems with transportation, child care or housing, and would work with families to accomplish educational goals.

This idea scared the hell out of the Foundation staff. They suggested that the MAY Coalition look to the private sector as an employer. After all, what do a bunch of social workers and educators know about turning an idea into a successful business enterprise? The MAY Coalition jumped on the idea. "Yeah, take the talent that already exists, give it a way and a financial incentive to expand, instill some social consciousness..." The initial idea was sound, but it needed refinement.

Rewriting of the proposal was frantic, but even after the idea was refined, it still made sense. The Board of Z. Smith Reynolds Foundation liked the proposal's community involvement, its innovativeness, its simplicity, its ability to be replicated and its boldness. The Foundation Board overcame their concern regarding the proposal's risky nature and awarded the MAY Coalition a grant of \$1,000,000.

### The Project

The MAY Coalition will make loans available to emerging or expanding businesses at an extremely low rate of interest if the business will agree to certain conditions. Those conditions read like any fair-minded employer's list: hire people who are unemployed, pay them no less than 130 percent of minimum wage, provide full-time non-seasonal employment, allow a reasonable amount of time at the job site for the MAY Coalition to provide either counseling or education and address the provision of health insurance for employees. Qualifying loan applicants that agree to these conditions can receive loans for up to five years at a fixed rate of interest equal to the prime rate at the time of the loan. MAY

Coalition will create fifty of these high quality job opportunities over five years. Loan amounts are determined by the number of jobs that will result from a loan.

The MAY Coalition's approach is unique in that the program is completely voluntary, for both the businesses and the people who become employed. The program's appeal to businesses is that credit is available and it is cheap. The program attracts people who are unemployed because the jobs will offer greater opportunity than the part-time and seasonal minimum-wage jobs currently available. For government officials, the pro-



"...and we have seasonal jobs."

gram offers increased economic development and reduced dependence on public assistance. According to Sandy Davis, the MAY Coalition's Chairwoman, "All parties win. If we are wise about who gets the loans, the fund should be able to help create ten jobs a year from now on. That will make a significant contribution to our local economy."

It's likely that people entering the labor force for the first time or reentering the labor force after having raised a family will have problems making the transition into the world of work. The MAY Coalition will counsel these employees in an effort to help them overcome any barriers that may have kept them from going to work before. Transportation, child care and health insurance will become a part of each employee's plan. Existing services will be coordinated with help from the three counties' Departments of Social Services. Mayland Community College has offered to provide continuing education to both employees and business owners. Many of the services needed are already existing. The MAY Coalition will attempt to use these services to encourage independence.

Because the project is innovative, there are issues that can only be answered when they arise. How will the loans be received by the business community? How will those who are unemployed feel about accepting a job offer? How will the MAY Coalition ensure fairness regarding the treatment of employees? Will employees want to accept educational opportunities? How will the MAY Coalition's Board deal with a business that runs behind in its payments? Will the MAY Coalition be able to maintain a ratio of loan value to number of jobs created that will cause fifty new jobs to be created over five years?

Many of these questions will be answered in the MAY Coalition's first full year of operation. Once the questions are answered and the MAY Coalition begins to experience success, it will be time to spread the word. Any community, rural or urban, could adopt or alter the MAY Coalition's concept. There are non-profit loan funds that could dedicate a portion of their fund to a similar purpose.



*Extreme wealth clashes with extreme poverty throughout the region.*

The MAY Coalition's Board of Directors is perhaps its greatest asset. The steering committee that guided the initial proposal also determined the composition of the Board. Each county government has one representative on the Board. From one county is a commissioner, from another is a county manager and from the third is the Department of Social Services director. The community college has one representative. There are five representatives from the business community: a plant manager, an insurance agent, an entrepreneur, a personnel director and a banker. There are also four seats on the Board reserved for people who become employed as a result of the MAY Coalition's efforts. The board is politically neutral, balanced across the three counties and weighted in favor of the private sector. It's an unlikely confederacy that commands wisdom in business matters, fairness in decision making and concern for others.

As this article goes to press, the MAY Coalition is on the verge of making its first loan. With a proven track record, the MAY Coalition plans to take its show on the road to share with other communities. The MAY Coalition does not plan to reform the nation's welfare system, but it does plan to shine a light on one, as yet, untraveled path. CP