

ISSUES & INSIGHTS

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Cleveland Fed's Inaugural Community Survey Elicits Respondents' Top Concerns in the Fourth Federal Reserve District

In the third quarter of 2011, the Federal Reserve Bank of Cleveland surveyed key community stakeholders across the Fourth District¹ on current and emerging issues confronting the communities they serve. This report, *Issues & Insights*, captures what we learned from the 144 stakeholder respondents who ranked current and emerging issues in order of severity and explained why and how these issues do or will impact their communities. Included are a summary of the top three issues facing respondents, comments and insights on other pressing issues, and respondents' views of those issues most likely to be their biggest challenges a year from now. Outside of this summary report, we will be investigating responses to a question about new products, programs, and partnerships stakeholders have developed to address community needs; these newer initiatives may result in replicable or scalable solutions, which is useful for us to be aware of, track, and share with constituents. To view the survey questions, go to www.clevelandfed.org/communitysurvey.

Why survey?

Stakeholders' insights enhance both the Federal Reserve's and our readers' understanding of the ways that current housing and economic trends affect communities. Through tools like this report, our annual policy summit, and ongoing outreach efforts, the Cleveland Fed's Community Development team aims to raise awareness of current and emerging issues as well as specific programs that address community needs. We will conduct a community survey twice a year and will publish the resulting summary report for each round of results. If you have questions about this summary report or wish to participate in the survey process, contact Senior Policy Analyst Lisa Nelson at lisa.a.nelson@clev.frb.org.

¹ The Fourth Federal Reserve District comprises all of Ohio, the western third of Pennsylvania, eastern Kentucky, and the panhandle of West Virginia. See the methodology section at the end of this report for a breakdown of the types of organizations that responded to the survey.

What did respondents rank as their top current concerns about the communities they serve?

CURRENTISS

1 employment

16 homelessness

14 predatory lending

13 nonprofit capacity

15 workforce development

2 vacant properties

3 state budget cuts

8 local budget cuts

4 federal budget cuts

7 small-business loans

9 affordable housing

10 credit scores

12 credit availability

17 capital for housing

11 social services

5 foreclosures

6 education

1

AVAILABILITY OF LOCAL EMPLOYMENT OPPORTUNITIES

Given the current economic conditions, it is not surprising that more than half (51 percent) of the respondents ranked “availability of local employment opportunities” as one of their top three concerns. Just over a quarter (26 percent) pointed to jobs as their number one concern. In the Fourth District state of Kentucky, for example, the unemployment rate has remained higher than the national average since the last recession (see figure 1). Comments about employment opportunities revolved around three themes: the skill set of job seekers, the types of jobs available, and the negative consequences of unemployment and job loss.

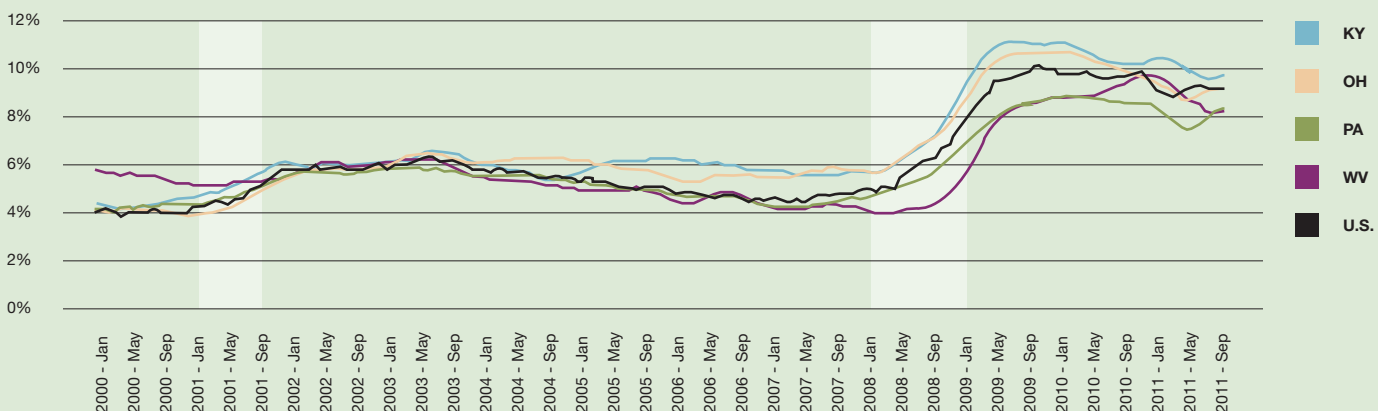
Several respondents pointed to the mismatch between the skills of job seekers and the jobs available. They noted two discrete disconnects: the lack of skilled labor and the lack of high-skilled jobs. One economic development professional stated that “skill gaps are emerging between the employers’ needs and what the workforce can supply.” A respondent from a Community Development Financial Institution (CDFI) wrote that the high unemployment in the region was due to two factors, “deplorable graduation rates and educational attainment rates... so the workforce is not ready for hire.” Another respondent, hailing from a financial association, stated that “for Ohio to be competitive economically, it must have a well-educated workforce—

not just K-12, but technical and higher education as well.”

A number commented on the lack of jobs that pay living wages. “We are lacking in jobs that provide wages that will support families,” wrote a respondent from a local government. “The part-time and seasonal employment available does not have benefits that are needed.” Several noted that the loss of college graduates and skilled workers from our region is the result of limited opportunities for higher-skilled, higher-paying jobs. Without jobs, a number of respondents reported, tax revenues will continue to decline, and communities will continue to struggle to meet their needs.

FIGURE 1: UNEMPLOYMENT RATES AND RECESSIONS

January 2000 - September 2011



Source: Bureau of Labor Statistics
Note: Recessions are indicated by white bands

“Most people are concerned about their jobs. Unemployed are concerned about getting a job. Underemployed are concerned about making ends meet. And those employed worry about workload and their employer’s viability.”

– Credit union manager in Ohio

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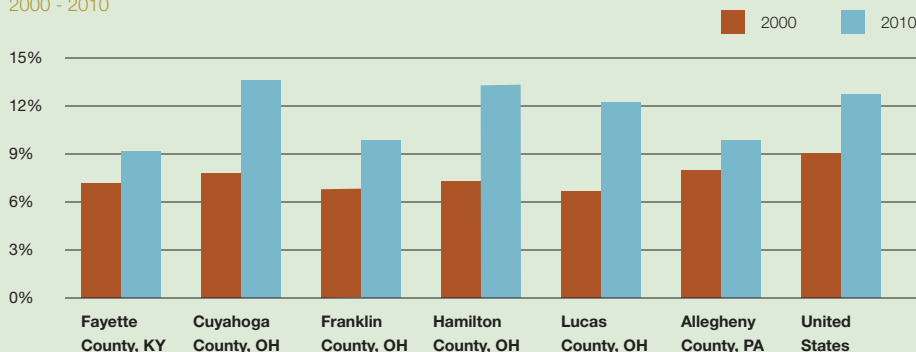
2 VACANT PROPERTIES

With vacancy rates increasing across our District, survey respondents ranked vacant and abandoned properties as the top concern after employment (see figure 2). About 33 percent ranked vacancy among their top three concerns, with 15 percent listing it as their number one concern. The dominant theme that emerged from respondents’ comments was that vacant and abandoned properties continue to cause costly consequences—so-called negative spillover effects—that communities must address, including increased crime, reduced property values, and an inability to attract investment. A respondent from a CDFI

put it this way: “There is no greater threat to a community [than vacant property], impacting safety, livability, property values and the health of a neighborhood.”

Another theme that emerged in the responses was the lack of sufficient resources to deal with the magnitude of the problem. “We have long suffered from vacant and abandoned property, and we have strategies to try and deal with these properties,” observed a community development professional. “But the continued funding cuts at the state and federal levels are eliminating our options for addressing these properties for productive reuse.”

FIGURE 2: VACANCY RATE COMPARISON 2000 - 2010



Source: U.S. Census Bureau

3 BUDGETARY CUTS AND FINANCING ISSUES AT THE STATE LEVEL

Budget cuts ranked third, with about 30 percent of survey respondents ranking cuts and financing issues at the state level as one of their top three concerns, followed by 26 percent who picked budget cuts at the federal level. According to the Center on Budget and Policy Priorities, the Great Recession “brought about the largest collapse in state revenues on record.”² As a result, tax revenues are down while demand for state-funded services is on the rise (see figure 3). Most respondents’ comments revolved around the impact state and federal cuts will have on the lower-income and more vulnerable

populations during a challenging economic period. “Whole programs have been eliminated,” said a respondent from a community development organization. “Already needy families and individuals have nowhere left to turn.”

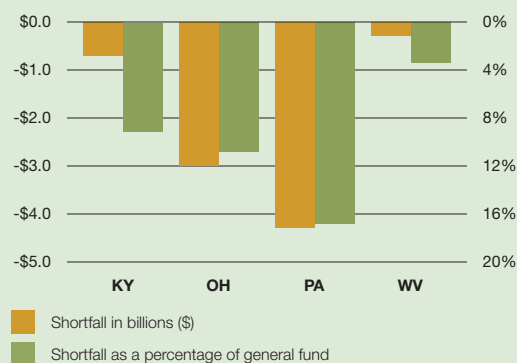
A respondent from a nonprofit law firm wrote that “funding for social support programs is a popular target in the budget deficit discussion, despite record levels of poverty and food insecurity.” An economic development professional cautioned that cuts to human services will create higher social

costs over time. Reductions in funding for CDBG, HOME, and other programs related to affordable housing and neighborhood revitalization were raised by several respondents concerned about federal budget cuts. Capacity and viability of local nonprofits will also be affected by budget cuts at all levels. “CDCs are a critical component in assisting struggling communities,” noted a respondent from a CDFI. Added a housing counseling agency professional, “Demand for nonprofit services is at an all-time high, while funding is at its lowest. This is a recipe for disaster.”

Though access to quality K-12 education was not ranked among the top three issues, education was clearly on the minds of respondents concerned about budgets cuts at all levels of government. A survey respondent from an organization focused on school improvement wrote that “state budget shortfalls are being borne on the backs of our most vulnerable students in our poorest school districts.” This same respondent continued, “School districts are being forced to make drastic cuts in programs and services that serve children because of state budget cuts.”

However, there were some who said funding was not the issue: “Over 70 percent of Kentucky high school graduates need basic remediation in math and English should they enter community colleges or four-year institutions,” wrote a respondent from a CDFI. “Entrenched acceptance that improvements are being made against ever-declining standards is deplorable and negatively affects the general population’s ability to provide for itself while increasing economic opportunity for its progeny.” This respondent pointed out that roughly half of all Kentucky tax revenue goes to support public education, most of it K-12. “More money is not the answer.”

FIGURE 3: STATE BUDGET SHORTFALLS FISCAL YEAR 2011



Source: Center on Budget and Policy Priorities

² “States Continue to Feel Recession’s Impact,” Center on Budget and Policy Priorities. www.cbpp.org/cms/index.cfm?fa=view&id=711

“The root issue impacting community development now and far into the future is not housing foreclosures, lack of credit, affordable housing, or budget cuts—it’s education.” – Federal agency respondent

EMERGING ISSUES



What did respondents rank as their probable top concerns a year from now?

In terms of issues that will have the greatest impact on the welfare of communities a year from now, budgetary cuts and financing issues at the federal level ranked among the top three for nearly 37 percent of respondents, followed by local employment opportunities (32 percent) and budget cuts at the state level (31 percent). Many respondents expressed concern about the political climate in Washington, DC, and how the uncertain and partisan climate will impact federal funding decisions.

Comments on federal budget cuts focused mainly on the ripple effect these cuts have on state and local government budgets and programs. “State and local governments depend on federal programs,” wrote a respondent from a federal agency. “When federal budgets are cut, those (state and local) governments cut their workforce and have less funds to stabilize or improve distressed neighborhoods.” A respondent from a community development intermediary commented that “federal budget cuts impact dozens of community development line items and take away needed and proven tools during a time of dire need.”

A respondent from a local government put it more bluntly: “Federal budget cuts will cripple our operations.”

Local employment opportunities remained a top future concern for many respondents. Several put employment at the center of community improvement. “No jobs, no income, no credit, no housing,” commented a West Virginia banker. A respondent from a state agency in Ohio wrote, “More employment will reduce the other problems on the list.” Many expressed concern about the continued high rates of unemployment and low numbers of new jobs. “There is no apparent job growth to replace the elimination of public-sector and service-sector jobs lost because of budget shortfalls,” noted a professor.

“New business and jobs must be at the top of every list,” wrote a respondent from a foundation. “Suitable business development for small and rural communities is critical for this region, and appropriate tactics must be employed to address this issue.

Entrepreneurship, rural business development (including farming), small-scale manufacturing, alternative energy, traditional energy, tourism, food, and technology-based businesses must be developed from within to stabilize and grow these communities.”

State budgets cuts were also a top concern among respondents asked to think about issues impacting communities a year from now. Nearly all of the comments focused on the impacts state budget cuts will have on communities. A community development banker summed it up thus: “Neighborhood revitalization, schools, consumer finance, public transportation, and human services all rely on state funding. The lack of resources and change in politics cause me grave concern about how we will address those needs going forward.”

Respondents also offered insights on topics ranging from the interconnectedness of key issues to root causes and the role of the community development industry going forward. For example, job loss could lead to more foreclosures, which could lead to greater vacancy and increased reliance on social services, which could be impacted by budget cuts.

“How much systematic pressure can the U.S. economy handle from rising social services requests due to loss of jobs and rising costs, taxes, food and fuel prices? If we haven’t figured it out yet, lower interest rates are not the answer.” – CRA officer in Pennsylvania

“Job development does not target employment opportunities. For example, we cannot find candidates with a CDL to operate buses and equipment. Unrealistic training leads to dependency on an already overburdened social services system.” – County government official in Kentucky

“CDCs need to rethink their traditional role as housing developers and be more about connecting residents to jobs, education, and services that will help them improve their lives.” – Researcher in Ohio

“Reduction in services of core city governments will make the core cities less competitive in attracting business investment from new or existing businesses.” – Foundation program director in Ohio

“All higher-level budgetary cuts filter down to the local level, affecting various aspects of the community—infrastructure, schools, and community development.” – Bank president in Ohio

“We have a huge deficit of quality, affordable housing. Lack of stable, safe housing is a barrier to employment.” – Researcher in Ohio

“Small business is the backbone of our local community and without financing cannot grow. Job retention becomes more difficult and job creation does not occur.”

– Economic development professional in Pennsylvania

“It is imperative that community development and economic development be linked and executed in an integrated fashion with workforce development.” – Foundation program officer in Ohio

“The root issue impacting community development for now and far into the future is not housing foreclosures, lack of credit, affordable housing, or budget cuts at all levels of government—it’s education. Education...helps LMI families help themselves for the rest of their lives. The community development field needs to direct its main focus [away from housing] to education.”

– Federal agency respondent

“The slashing of local, state, and federal budgets requires meaningful partnerships between financial institutions, governmental jurisdictions, social service providers, educators, and businesses in a more hands-on way than ever before.” – Local government program director in Ohio

“The community development industry will need to become more adept at partnering and working closer together to combat these challenges—CDCs, local governments, private sector, and philanthropy. We need to make the case as to how CD programs deliver results and return on investment.”

– Community development professional in Ohio

SURVEY METHODOLOGY

The Federal Reserve Bank of Cleveland developed this survey to elicit perspectives from stakeholders on key issues facing the communities and individuals they serve. We sent an online survey in August and September 2011 to approximately 540 individuals working in organizations throughout the Fourth District; 144 completed the survey. Below is a breakdown of the types of organizations that provided responses to our survey and in which states the organizations were located. Please note that the responses reflect only the perspectives of those responding to the survey and not all the organizations within our District.

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The views expressed in *Issues & Insights* are those of the author and the survey respondents, and do not necessarily reflect those of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

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Breakdown of respondents by organization type		
Local government	22	15.3%
Community bank	21	14.6%
Community development organizations	21	14.6%
Social service/health/education organizations	14	9.7%
Academic or policy center	12	8.3%
Community development financial institution (CDFI)	11	7.6%
Foundation	8	5.6%
Economic development organization	7	4.9%
Other	7	4.9%
National bank	5	3.5%
Legal practice/court	4	2.8%
State government	4	2.8%
Federal government	3	2.1%
Housing counseling agency	3	2.1%
Credit union	2	1.4%
Total	144	100.0%

Breakdown of respondents by state		
	2010 Population in District	Survey Response
Ohio	68.1%	65.3%
Pennsylvania	19.6%	20.8%
Kentucky	11.3%	8.3%
West Virginia	0.93%	5.6%
Total	100%	100%

