Building the Local Social Safety Net in an Era of Fiscal Constraint

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Local governments approach their responsibility to provide for the health, safety and welfare of their residents with conflicting impulses. On the one hand, local governments possess strong political and economic incentives to ensure a high quality of life that will attract and retain prosperous residents and businesses. Moreover, as decades of research on fiscal federalism posit, local governments have little fiscal incentive to support redistribution to lower income residents, even when they face political pressure to do so. Yet, fiscal pressures are only one factor shaping local engagement with the social safety net. The federal government and the states—not local government—supply most of the funds for redistributive policies; moreover, key safety net programs are administered by a diverse array of organizations including the federal government, the states, counties, local governments, and nonprofit organizations.

Despite the complex funding responsibilities and administrative arrangements for the social safety net, municipal government engagement with the safety net is crucial to the health and well being of all residents. This paper introduces four distinct strategies through which local governments build the safety net, serving as: 1) connectors to federal and state benefits and resources; 2) system builders among the diverse public and private local organizations that administer policy; 3) program innovators; and 4) advocates for a stronger safety net in state and national politics. By building effective public bureaucracies to administer social programs and by supporting outreach, local governments can ensure high take-up rates for federal benefits. When local governments act as system builders, they maximize their role as key implementers of federal programs, influencing the quality and reach of the safety net. As program innovators, local governments can initiate new strategies that provide models for other localities. Finally, when local governments act as advocates, they use their political connections to secure federal and state resources for programs that serve low-income residents.

Yet, not all local governments are willing or able to strengthen the social safety net. The paper distinguishes among engaged local governments, which seek to implement the strategies described above; weak local governments, which have very little public capacity and struggle to implement any strategy to assist low-income residents; and avoiders, local governments that shun responsibility for the social safety net, often placing additional burdens on neighboring localities that provide services. In areas where the public sector is unwilling or unable to address the needs of low-income residents, advocates must turn to nonprofits and philanthropic organizations to create a social safety net.

Strategies for strengthening the social safety net include improving take up of federal social benefits, especially in immigrant communities; building coherent regional systems for delivering services, strengthening the role of metropolitan planning organizations and community development financial institutions in creating regional systems for services; devising new federal programs to work with regional nonprofits and philanthropy to address the special problems of highly distressed suburbs and cities; reengaging local governments as advocates for federal programs that support low-income
residents, such as the TANF Emergency Fund, which allowed states to create subsidized jobs for TANF recipients.

Local governments approach their responsibility to provide for the health, safety and welfare of their residents with conflicting impulses. On the one hand, they possess strong political and economic incentives to ensure a high quality of life that will attract and retain prosperous residents and businesses. Moreover, as decades of research on fiscal federalism posits, local governments have little fiscal incentive to support redistribution to lower income residents, even when they face political pressure to do so. Yet, fiscal pressures are only one factor shaping local engagement with the social safety net. The federal government and the states—not local government--supply most of the funds for redistributive policies; moreover, key safety net programs, such as the Temporary Assistance to Needy Families (TANF) program, Supplemental Nutrition Assistance Program (formerly food stamps), and child care, are administered by a diverse array of organizations including the federal government, the states, counties, local governments, and nonprofit organizations.

The availability of federal and state funding and the engagement of multiple administrative channels present local governments with a menu of different choices for how to ensure a high quality of life and build a strong social safety net. Local governments can seek to reduce pressures to engage in redistribution by limiting the population that relies on the social safety net. Localities that choose this route may seek to reduce demand for safety net services or they may simply leave the safety net to nonprofits and other governments (such as the state, county, or township) freeing local government to focus exclusively on improving the quality of life for more affluent residents and businesses. Alternatively, local governments can use their limited fiscal resources, their political leadership, and administrative capabilities to enhance the safety net. This paper introduces four distinct strategies through which local governments build the safety net, serving as 1) connectors to federal and state benefits and resources; 2) system builders among the diverse public and private local organizations that administer policy; 3) program innovators; and 4) advocates for their cities and for a stronger safety net in state and national politics. The Great Recession affected local government choices as it tightened the local fiscal noose but at the same time made substantial new resources temporarily available through the American Recovery and Reinvestment Act.

This paper examines how local governments with distinct demographic profiles and resource bases have approached these challenges and how the worst fiscal crisis—and the sharpest increases in need—since the Great Depression have altered their perspectives. Although the local safety net evokes images of cities, the rise in suburban poverty—by 2008 more than half the poor lived in suburbs—means that any consideration of the local safety net must examine suburbs as well as cities. While a diverse array of special districts, townships,
and counties comprise local government, this paper focuses on the strategies of general purpose municipal governments, attentive to the ways they intersect with other local governments and nonprofit organizations. The paper first briefly presents the fiscal federalism argument and sketches out the diverse financial flows and organizational responsibilities for the social safety net. The second section examines the strategies of three types of local governments: the engaged, cities and suburbs that deploy one or more strategy to strengthen the safety net even as they prioritize quality of life for the middle class and affluent residents; the weak, very poor cities and suburbs that have limited public resources for building the social safety net; the avoiders, mainly affluent suburbs that shun the strategies described above and focus primarily on the quality of life for the middle class. The final section considers policy actions for the future, attentive to the resource constraints that accompany the end of the federal stimulus.

LOCAL GOVERNMENTS, REDISTRIBUTION, AND THE SOCIAL SAFETY NET

The classic arguments of fiscal federalism posit that local governments will shun redistributive programs but may have strong incentives to improve the quality of life. Competition forces local governments to emphasize economic development and activities that attract and retain tax-paying residents and businesses. By diverting resources and imposing burdens on the affluent, redistribution jeopardizes these goals, leaving localities disadvantaged in interlocal competition. Improving the quality of life, on the other hand, can help attract and retain businesses and taxpayers.

The stark claims of the fiscal federalism model have fueled a long and contentious debate about how much room local governments have for maneuver in supporting redistribution and whether redistributive goals and economic development can be made compatible. Empirical studies show that, indeed, the model overstates local economic constraints. Big cities with large needy populations and electoral coalitions connected to low-income populations have historically found the fiscal slack to support some level of redistribution. For example, in 1999, Glaeser and Kahn found that large cities spent 2.5 percent of their budgets on local welfare expenditures compared with 0.7 percent in smaller cities. Large cities spent even more on public housing and health – 7.4 percent of the budget compared with only 3.6 for smaller cities. But big city redistributive spending has fallen significantly since the 1970s when cities first began to experience fiscal crisis and again in the 1980s when federal aid to local governments dropped sharply. Faced with restricted budgets and competition from edge cities, cities began to focus on improving the quality of life, aiming to attract tourists, retain residents, and in the 2000s to lure “the creative class.” As Figure 1
indicates, city revenues received a severe blow from the Great Recession, which itself came on the heels of a difficult decade for city finances.

**Figure 1. Year-to-Year Change in General Fund Revenues and Expenditures (Constant Dollars)**

As the small proportion of city budgets dedicated to redistribution suggests, even at the height of local spending on redistributive programs, the bulk of funding for social policy came from the states, and especially from Washington. The federal government directly funds key safety net programs such as the Supplemental Nutrition Assistance Program, and Supplemental Security Income (SSI); it offers others, such as the Social Services Block Grant (SSBG), and the Community Development Block Grant (CDBG), Low-Income Home Energy Assistance, and Child Care and Development Fund as grants that go directly to cities, counties, and states. Washington also supplies a host of other grants such as the Choice Neighborhoods Act and competitive housing and education grants for which local governments must apply. The other key safety net programs – Temporary Assistance to Needy Families and Medicaid – receive joint federal-state funding. The trend to rely on Washington accelerated during the 2000s, when state and local funding for the safety net declined, with the exception of Medicaid. In 2006, 61 percent of social welfare spending came from the federal government; state and local governments funded the rest. The Great Recession has reinforced the dominant federal role in
financing the social safety net as ARRA offered supplemental funding for a range of safety net programs.\textsuperscript{8} 

Despite their relatively small role in funding social programs, local governments play a critical role in ensuring a strong social safety net. Four roles stand out: that of \textit{connector, system builder, program innovator,} and \textit{advocate.} A brief look at how these strategies have evolved lays the groundwork for considering the local safety net prior to and during the Great Recession. (Table 1 summarizes these strategies with examples presented later in the paper.)

In their role as \textit{connector}, local governments can influence access to benefits. By building strong local public bureaucracies to administer social programs and by supporting outreach, local governments can ensure high take-up rates for federal benefits. On the other hand, local governments can make the safety net hard to access with unresponsive bureaucracies and discouraging rules.\textsuperscript{9} Even in fully federal programs, such as SNAP, local governments can play a key role because they pay part of the costs of administering the program, thus shaping access to benefits.

When local governments act as \textit{system builders}, they maximize their role as key implementers of federal programs. Local government influence over implementation determines much about the quality and reach of the safety net. For example, contrasts between the fate of postwar public housing in New York and Chicago highlight the role of local administration in weakening Chicago’s public housing and strengthening New York’s.\textsuperscript{10} Local governments rarely administer safety net programs by themselves. In most cases, they are one actor among many, including nonprofit organizations and other governments. The move to outsource the safety net to nonprofits, which can be traced back to the War on Poverty’s reliance on nonprofit community action agencies, accelerated during the 1980s.

After the 1996 welfare reform, which substantially reduced the number of families qualifying for cash assistance, nonprofit services—such as childcare and job training—became essential components of the work-oriented system of assistance.\textsuperscript{11} As a result, the infrastructure for delivering safety net benefits has aptly been called a “policy field,” that varies by policy and from community to community, depending on governmental arrangements and the strength of the nonprofit sector.\textsuperscript{12} Within this diverse array of actors, local governments often play a pivotal role. They can assist nonprofit providers in finding and renovating space or they can reinforce NIMBY sentiments of local residents.\textsuperscript{13} Local governments make important decisions about the distribution of block grants such as CDBG and SSBG. They can determine whether CDBG funds are closely targeted on the needs of low-income residents and select which agencies receive SSBG funds and for what purposes. Mayoral leadership is especially important in coordinating initiatives that require the engagement of multiple agencies and programs.\textsuperscript{14}
### Table 1. Local Government Strategies for Strengthening the Social Safety Net

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>ACTIONS</th>
<th>POLICY EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONNECTOR</td>
<td>Connect low-income residents to existing state and federal assistance;</td>
<td>Chicago’s Campaign to expand EITC take-up rate</td>
</tr>
<tr>
<td>SYSTEM BUILDER</td>
<td>Oversee new connections among local organizations to promote more effective service programs; combine state and federal income streams in new ways</td>
<td>New York City’s EARLYLEARN NYC – merged child care, Head Start and universal pre-kindergarten funds to support system redesign</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chicago Regional Housing Choice Initiative</td>
</tr>
<tr>
<td>PROGRAM INNOVATOR</td>
<td>Launch new programs to support security and opportunity for low income residents</td>
<td>San Francisco’s health care access Program Healthy San Francisco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New York City’s Social Impact Bonds</td>
</tr>
<tr>
<td>ADVOCATE</td>
<td>Support nonprofit efforts to secure federal and state funds, may require matching grants</td>
<td>San Antonio support for Choice and Promise Neighborhoods program</td>
</tr>
<tr>
<td></td>
<td>Lobby to secure additional state and federal funds for low-income residents or to change federal and state programs to support more effective local action</td>
<td>Mobilization to increase Community Development Block Grant Funds</td>
</tr>
<tr>
<td></td>
<td>Support coalitions of nonprofits advocating for low-income residents</td>
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</table>
Local governments can also act as *program innovators*. During the Great Depression New York’s Mayor Fiorella LaGuardia set the pace for introducing innovations to support poor New Yorkers. After the 1970s, however, limited city resources and the political invisibility of low-income residents in many localities meant that only the wealthiest cities – and/or those with strong political support for the poor, can introduce major new innovations. But even localities with limited resources can introduce smaller-scale innovations.

Finally, local officials can also act as *advocates* for their low-income communities. They can decide whether to apply for competitive state and federal grants and they can use their political connections to secure additional federal and state resources for programs that serve low-income residents. Local governments can support nonprofits with matching funds, often needed to apply for federal grants. Such engagement signals to federal granting agencies a level of commitment and organization that makes successful implementation more likely.

Local governments have also used their political connections to lobby for increasing the pool of resources to assist low-income residents. During the Great Depression of the 1930s, local governments –especially big cities-- pressed Washington for assistance to the poor, advocating for work and relief programs. Banded together in the U.S. Conference of Mayors, big cities constituted a powerful intergovernmental lobby. Although concerns about the safety net never topped the agenda of such organizations, the urban lobby could once be counted on to see that concerns about poverty and opportunity remained on the national agenda. However, as responsibility for urban social programs devolved to the states beginning in the 1980s and the federal government cut aid to cities, cities lost much of their political clout in national politics. Today local governments –even big cities-- have become a much weaker force in national politics and are much less likely to prioritize the needs of low-income residents in their interactions with state and federal officials. As Table 2 shows, most discretionary low-income block grants programs, which are most vulnerable to cuts and erosion in value, have declined substantially since 2001.

There is little systematic research detailing what local governments do to strengthen the local safety net or identifying which governments are more likely to launch particular kinds of initiatives. Many local governments are content to leave the social safety net to the state, counties, and in some states the townships, all of which bear formal financial and administrative responsibilities for pieces of the social safety net. Others may decide to take leadership roles in addressing poverty. In 2007 the National League of Cities conducted a survey of its members to chart local anti-poverty initiatives. Although the survey’s very low response rate (fewer than 100 responses from the 1,600 local NLC members) limits its representativeness, more than half of the respondents reported that they had no anti-poverty
initiatives in place and no plans to devise such initiatives. Of those that reported launching an anti-poverty scheme, typical plans included creating a coordinating agency, setting a target for action (such as Earned Income Tax Credit outreach); focusing on particular neighborhoods or groups; or other policy-specific initiatives, such as efforts to reach the unbanked.\textsuperscript{17}

Just as there is no representative portrait of local anti-poverty initiatives, there are no broad assessments that evaluate which types of local interventions are most effective at reducing poverty. Local economic development activities have been criticized as ineffective because they are “swimming against the tide” of policy incentives that leave some places poorer than others.\textsuperscript{18} Yet, many local government initiatives promote access to federally supported benefits that directly reduce poverty, such as affordable housing, medical care, food assistance, and cash benefits. Even though local governments devote a small proportion of their budgets to redistribution, their critical roles as connectors, system builders, innovators, and advocates make them essential partners in building a strong social safety net.

Table 2. Funding History of Major Discretionary Low-Income Block Grant Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Year of inception</th>
<th>Funding in FY 2011 (millions)</th>
<th>Change in funding since 2001*</th>
<th>Change in funding since inception*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive Health and Health Services Block Grant</td>
<td>1982</td>
<td>$80</td>
<td>-64%</td>
<td>-57%</td>
</tr>
<tr>
<td>Public Housing Capital Fund</td>
<td>1998</td>
<td>$2,049</td>
<td>-46%</td>
<td>-40%</td>
</tr>
<tr>
<td>Community Development Block Grants</td>
<td>1982</td>
<td>$3,336</td>
<td>-39%</td>
<td>-57%</td>
</tr>
<tr>
<td>Training and Employment Services Block Grants</td>
<td>1982</td>
<td>$2,884</td>
<td>-38%</td>
<td>-55%</td>
</tr>
<tr>
<td>Home Investment Partnership Program</td>
<td>1992</td>
<td>$1,607</td>
<td>-29%</td>
<td>-32%</td>
</tr>
<tr>
<td>Maternal and Child Health Block Grant</td>
<td>1982</td>
<td>$661</td>
<td>-27%</td>
<td>-22%</td>
</tr>
<tr>
<td>Native American Housing Block Grant</td>
<td>1998</td>
<td>$649</td>
<td>-21%</td>
<td>-21%</td>
</tr>
<tr>
<td>Mental Health and Substance Abuse Block Grants</td>
<td>1982</td>
<td>$2,102</td>
<td>-20%</td>
<td>-5%</td>
</tr>
<tr>
<td>Child Care and Development Block Grant</td>
<td>1991</td>
<td>$2,223</td>
<td>-12%</td>
<td>89%</td>
</tr>
<tr>
<td>Community Services Block Grant</td>
<td>1982</td>
<td>$676</td>
<td>-11%</td>
<td>-16%</td>
</tr>
<tr>
<td>Education for the Disadvantaged (Title I)</td>
<td>1981</td>
<td>$15,567</td>
<td>35%</td>
<td>128%</td>
</tr>
<tr>
<td>Low-Income Heating and Energy Assistance</td>
<td>1982</td>
<td>$4,701</td>
<td>86%</td>
<td>12%</td>
</tr>
</tbody>
</table>

\*Adjusted for inflation

Sources: Office of Management and Budget documents, House Conference Report 112-931, and other sources. Housing and community development programs are in boldface.
LOCAL GOVERNMENTS AND THE GREAT RECESSION

The Great Recession presented local governments with a set of contradictory pressures. As local and state funds plummeted, the recession strained city budgets and the nonprofit sector at the same time that poverty rates soared. The poverty rate grew from 12.3 percent of the population in 2006 to 15.0 in 2011. Even so, between 2009 and 2011, federal stimulus funds shielded local governments from the full impact of the recession and offered opportunities to launch new programs and collaborations. Local governments responded in different ways to this conflicting set of pressures. The Great Recession confronted each of these localities with new strains that have tested traditional local responses and engendered new efforts at experimentation. The engaged, the weak and the avoiders all confronted the recession with different experiences, resources, and political will for implementing strategies to assist low-income communities.

Engaged Local Governments

Many localities – and especially big to medium-sized cities and some affluent suburbs – approach their responsibilities for enhancing the quality of life and addressing safety net issues with a mix of preferences and resources. For economic and political reasons, they may prioritize enhancing the quality of life for business, the middle class and affluent residents; but they also face political pressure to strengthen the safety net. Cities are likely to have significant numbers of low-income residents and especially be home to populations with incomes well below the poverty line. These localities experience strained financial resources but often contain a well-established public and nonprofit organizational infrastructure for assisting low-income residents. The recession has enhanced the fiscal strain and resulted in cutbacks of key services, diminishing the quality of life in the vast majority of these places. But at the same time that the recession has battered the finances of these cities, federal ARRA funds made possible some new initiatives. This combination of stress and new resources prompted many local governments to engage as connectors, system builders, innovators, and advocates for the safety net, even as others have taken actions that may undermine it in the future.

Connectors

Cities have long played the role of connector – linking beneficiaries to federal and state benefits through local public bureaucracies. Some cities extended this role in the 1990s by
initiating campaigns to encourage take-up of the Earned Income Tax Credit. Initially convened by the Center for Budget and Policy Priorities, a Washington-based nonprofit organization, cities developed strategies for reaching constituencies eligible for the expanded benefits. In 2000, Milwaukee and Chicago launched outreach campaigns that became models for other cities. These campaigns typically engage a broad spectrum of organizations, including nonprofits and businesses, but the leadership of city officials is essential for their success. As urban outreach campaigns developed over time, they built a system of free tax preparation, the community Volunteer Income Tax Assistance (VITA) program (supported by the Internal Revenue Service), which serves to protect low-income filers from high interest loans offered by commercial preparers.

Cities have also launched outreach campaigns to encourage take-up of SNAP benefits, which vary widely across localities. For example, in 2011, the Food Research and Action Center estimated that in Detroit 97 percent of those eligible received benefits while in Los Angeles only 56 percent did, and only 40 percent in San Diego. The relatively low take-up rates in cities with high immigrant populations points to the need for targeted outreach among immigrants. Yet cities also enact regulations that limit the take up of SNAP benefits. Although in 2007 New York State ended the requirement that applicants for food stamps be fingerprinted, New York City continued to require fingerprinting as part of its effort to combat fraud. In 2012, the state ended the fingerprinting requirement in New York City, opening the door for increasing take up of benefits. The expansion of the SNAP benefits as part of the ARRA, made it the most important safety net program during the Great Recession.

System Builders

A host of local actors administer the local safety net. When local governments step up to play the role of system-builder, they make it much more likely that these organizations can cooperate effectively toward the same goals. Many cities house well established anti-poverty organizations first established during the War on Poverty. Many urban community action agencies and community development corporations have had decades to build organizational capacities and political credibility. Some community-based organizations, which Nicole Marwell calls machine- CBOs (community-based organizations), have developed close ties to state legislators, allowing them to tap into significant funding streams. Big cities are also home to philanthropic institutions, many of which trace their origins back to the Progressive era. Large community foundations, such as the Chicago Community Trust, which focus on geographic communities, rarely have robust counterparts in the suburbs. Although government provides most funding for nonprofits, philanthropic dollars provide critical support for organization building and new initiatives, both of which are essential for effective safety net systems. Cities may also be home to public institutions that serve the poor, such public hospitals and
subsidized public transit, although public hospitals have declined significantly over the past two decades.\textsuperscript{26}

The local nonprofit infrastructure provides cities with a great resource for building partnerships to address the problems of low-income neighborhoods. Yet, in most cities this infrastructure has largely developed in an uncoordinated way and has struggled to respond to the growing need created by the recession. Nonprofits have found it difficult to stay afloat in the current fiscal climate. A 2010 study by the Urban Institute revealed that 42 percent of nonprofits ran a deficit in 2009 as funds dried up or as payments from state governments fell behind. Smaller nonprofits, with little cushion, were hardest hit. A 2011 survey of human service nonprofits in Los Angeles County found that half were stable and half struggling.\textsuperscript{27} The survey revealed that organizations that provided basic services for the poor – including shelters and affordable housing – failed at twice the rate of other services. It also showed that organizations in neighborhoods with a high percentage of African American residents were far more likely to disband than were organizations in other neighborhoods.\textsuperscript{28} Some local governments have made decisions that are likely to harm their nonprofit infrastructures. Lynchburg, Virginia, for example, made headlines in 2010 when it decided to withhold CDBG funds from nonprofits and instead use them exclusively for city projects.\textsuperscript{29}

While fiscal stress may result in a stronger organizational base by promoting mergers and efficiencies, this outcome is most likely when an umbrella organization can oversee a planned process of change. It is unlikely to occur spontaneously from below. However, few metropolitan areas contain organizations with the capacity or authority to promote wholesale reorganization. The survey of Los Angeles nonprofits, for instance, noted only “a few examples of innovative collaborations, partnerships, mergers, or social enterprise initiatives.”\textsuperscript{30} In some regions, associations of nonprofits sought to cope with the pressure by encouraging nonprofit organizations to merge or share functions. Yet, resistance to such strategies has meant that some groups have folded during the recession.\textsuperscript{31}

The recession has also sparked some new partnerships among city governments, counties, and nonprofits that represent steps in the right direction. In many of these cases, local government did not act as the \textit{system builder} but supported others actors, including nonprofits and counties. Given the housing crisis associated with the recession, many of these collaborations concerned homelessness. For example, Fairfax County, Virginia in suburban Washington D.C. assumed the role of system builder in a major anti-homeless campaign that began in 2008. The county took the lead in building an effective partnership between Fairfax and Falls Church cities and a wide array of nonprofit organizations, faith groups, and corporate sponsors to launch an anti-homelessness campaign. The campaign became a national model, actually reducing homelessness by 16 percent despite the recession.\textsuperscript{32}
Local governments have also supported collaborations initiated by private and nonprofit organizations. In Portland, Oregon, Habitat for Humanity—with the help of a major private donor — bought up a sizeable number of foreclosed properties and abandoned lots. The city, with its strained finances, played little part in the initiative but plans to build public support around this sizeable private investment in affordable housing. Across the country, the combination of local initiative and additional funds available through ARRA had a significant impact. The National Coalition to End Homelessness reported in 2011 that during the recession homeless did not increase.

The end of the federal stimulus funds puts a premium on using existing funds as effectively as possible. Several cities have embarked on system building in hopes of making the most of diminishing funds. For example, in 2012, the city of Chicago, launched a new plan that aimed to end homelessness by redeploving existing city funds to provide permanent supportive housing, implementing strategies designed to prevent homelessness, and creating more effective administration through a partnership with Catholic Charities. Similarly, in 2012, New York City redesigned its childcare programs in hopes of building a more effective system. The new program, EarlyLearn NYC, merged three funding streams, (child care, Head Start, and universal pre-kindergarten), set new requirements on providers, and targeted funds more directly on low-income neighborhoods.

System building at the regional level is much more difficult because it involves the participation of multiple governments. Building regional systems for redistributive issues confronts especially formidable barriers since local governments often prefer to shield themselves from the costs of low-income residents. However, the Chicago region’s newly launched pilot program, the Chicago Regional Housing Choice Initiative, shows that regional collaboration around redistribution can occur under the right conditions. This pilot program established a consortium among five local housing authorities to make housing choice vouchers more portable across the region. Overseen by the Metropolitan Planning Commission, a business-linked civic organization — the initiative represented the work of a cluster of philanthropic and civic organizations, as well as the Chicago Metropolitan Agency for Planning, the region’s metropolitan planning organization and the Metropolitan Mayors Council, a forum designed to promote collaboration among the region’s mayors.

Innovators

Cities can also act as innovators in designing new approaches to strengthen the safety net. Not surprisingly, affluent cities with some fiscal slack are more likely to initiate significant innovations. In the past decade, San Francisco and New York have embarked on pioneering — but very different — strategies for assisting low-income residents. With the support of organized labor and a large contingent of liberal residents, San Francisco launched a health care
access program Healthy San Francisco in 2007, offering health services to uninsured residents whose annual income is at or below 300 percent the national poverty line, funded by a tax on businesses that do not provide health insurance for their employees. In 2003, San Francisco voters approved a citywide minimum wage higher than the state minimum — and one that rises every year to keep pace with inflation. While San Francisco has followed a strategy championed by organized labor and its allies, New York City has pursued a path charted by transnational policy experts. In contrast to San Francisco’s strategy, which seeks to improve the security of low-income residents, the New York program aims to alter their behavior in hopes of opening new opportunities. In 2006, the city created a Center for Economic Opportunity (CEO) to serve as an incubator for bold new ideas about poverty reduction. The CEO has overseen a range of trial initiatives including developing a new measure for poverty (which showed a higher number of elderly poor than the federal poverty measure). The CEO initiative that has received widespread attention was a pilot program of conditional cash transfers (CCTs), a poverty reduction strategy that had been implemented in the developing world. CCTs provide cash assistance to program participants who meet different behavioral requirements such as sending children to school, ensuring that family members receive adequate health screening or that recipients undergo job training. After receiving inconclusive evaluation of the programs’ success, however, the city decided not to renew the CCTs after the initial three-year pilot program.

Yet New York continues to experiment with new strategies for social programs. In 2012, the city made headlines when it turned to “social impact bonds” to fund a program that aims to reduce recidivism rates among young men. Designed as a strategy to leverage additional funds for social purposes, social impact bonds elicit investments from private or nonprofit organizations to support social programs. The investors receive a return on their funds only if the program succeeds. The strategy has been used in Britain and Australia but New York City’s program marks the first American use of social impact bonds. In New York, the private bank Goldman Sachs offered a $9.6 million loan to support the program. Depending on the outcome of the program, it will lose money, make a profit, or come out even. The strategy raises a host of questions about how contracts will be drawn up and how programs will be evaluated. It also provokes a broader set of concerns. How does the prospect of private investment alter public calculations about investment in the safety net? How would increased reliance on private dollars to fulfill public roles affect the way public officials regard local, state, and federal regulation of the firms on which they rely for funds?

Other cities have innovated on a smaller scale, often with nonprofits taking the lead. The city of Seattle worked with the Neighborhood Farmers Market Alliance to enhance the use of food stamps at farmers markets with a program that doubled the value of purchases up to ten dollars a day. Philadelphia has likewise collaborated with a local nonprofit, The Food Trust,
to provide supplemental funds for SNAP recipients who shop at farmers markets. These kinds of initiatives can be win-win for cities since they involve little local money or administrative time but public support for the programs from city officials draws attention to them and increases their chances of success.

**Advocates**

Finally, local governments can act as *advocates* in state and federal arenas to expand safety net programs, draw down additional federal dollars in order assist low-income residents, or support regulations, such as the federal minimum wage or anti-payday lending efforts that enhance the economic security of low-income residents.

During the recession some urban leaders drew on their intergovernmental ties to improve the conditions for their low-income residents. Faced with a combination of high unemployment in the construction industry and persistent poverty in many neighborhoods, Los Angeles Mayor Antonio Villaraigosa launched a creative campaign to speed up a major rail construction project approved and funded by voters with a half-cent sales tax increase in 2008. Assembling a coalition of state and local officials, the mayor and his allies convinced Congress to include a loan program of federally guaranteed bonds in the 2012 transportation bill. In Los Angeles, the accelerated construction schedule also creates an apprenticeship program that sets aside half of its slots for veterans of Iraq and Afghanistan and for residents of low-income zip codes.

Local governments support can make the difference in securing competitive federal grants targeted at poor neighborhoods. To stand a chance of winning funding competitions such as the Obama administration’s Choice and Promise Neighborhoods initiatives, (directed at building housing and education respectively) localities must show strong multi-sector community engagement around the plan. Although Promise Neighborhood grants have gone directly to nonprofits, local government engagement is an essential component of successful endeavors. In San Antonio, mayoral leadership and city investment was critical to the collaboration between nonprofits, the San Antonio Independent School District, the San Antonio Housing Authority that lay behind the successful grant application.

**Weak Local Governments**

The rules that govern the American metropolitan patchwork mean that some localities house a disproportionate number of low-income residents. Cities have traditionally shouldered this responsibility, although during the past two decades the number of poor suburbs has grown. The Great Recession expanded the number of extreme poverty neighborhoods (those
with poverty rates above 40%) in the Midwest as well as in a number of Sunbelt cities. Localities with high poverty rates, large clusters of concentrated poverty and weak fiscal bases confront serious obstacles in strengthening the social safety net.

In places that have little inherited infrastructure for addressing poverty, such as poor suburbs, local governments often lack the resources and administrative skills to improve the safety net. Recent research has shown that these areas rarely possess a strong base of nonprofit and philanthropic organizations to assist in building the safety net. For example, in a 2010 study, Allard and Roth, found that ratio of poor persons to nonprofits was significantly less favorable in high-poverty suburbs than in lower-poverty suburbs. Some poor cities, such as Cleveland, contain a strong nonprofit and philanthropic base but others, especially those in the Sunbelt, such Fresno, California, lack a tradition of philanthropy and nonprofit activity. The challenge for such places is to assemble the combination of public and nonprofit capabilities that recognize the “interdependent and mutually reinforcing” relationship between these sectors. Yet, given their weak starting point, these localities are unlikely to build such an infrastructure on their own, especially faced with the pressures generated by the recession. Their interactions with external governments and agencies are essential for strengthening the safety net. An examination of some of the strategies that these areas have adopted in response to the recession reveals the significant challenges involved in building the safety net in these weak places.

Detroit has taken the most extreme step of dissolving several public agencies and transferring responsibilities to nonprofits. In 2012, the city transferred the functions performed by its Department of Human Services to outside social service agencies. A long history of corruption and mismanagement at the department, combined with pressure from the state and federal governments, lay behind the dramatic decision. The city also transferred responsibility for workforce development activities from the Workforce Development Department to a nonprofit organization. These moves set a precedent whose long-term impact on the local safety net is uncertain. In the short-term, these decisions likely ensure more competent administration and the continued flow of federal funds. But over the longer term they may serve to sideline human services on the city’s agenda, leading to disengaged local officials and fewer resources for the local safety net. Likewise, delegating to nonprofits by itself does little to ensure more effective use of resources or guard against corruption. Strong public oversight is essential to effective nonprofit administration.

In other areas, diverse collaborations – involving a mix of governments and nonprofits -- have emerged as a strategy for building capacity to address growing need. This strategy has been particularly useful in settings where multiple small poor suburbs face growing poverty. With 273 local governments, the Chicago area has long been one of the nation’s most politically
fragmented metros. Although the city remains home to the majority of the region’s low-income residents, suburban poverty grew to represent nearly half of the metropolitan area’s poor by 2010. In poor suburbs, such as those in the southern part of the region, decentralization, political fragmentation, and a complex tangle of responsibilities for the safety net has made it difficult to build new capacities for funding and delivering human services.49

While some degree of coordination has emerged from below, initiative from above is needed to promote broader and more effective collaborations. Philanthropic organizations based in the city of Chicago have sought to build that capacity for over a decade, with generally limited results. The recession and the possibility of accessing new federal funds, however, spurred new collaborations. Supported by the Chicago Community Trust, in 2009, nineteen suburbs in Chicago’s hard-hit south suburbs formed a collaborative to apply for federal funds through the Neighborhood Stabilization Program, part of the federal anti-foreclosure initiative. The Trust supplied the funds for the collaborative to hire a housing director to apply for grants.50 This type of cross-municipality-cross-sector collaboration – quite difficult to create -- provides small suburban governments with the administrative capacity that is a prerequisite for accessing federal funds.

Looking to nonprofits and collaborations to solve the problems of the local safety net have become widely accepted nostrums. Yet it is clear from the experience of poor suburbs and very poor cities that neither comes easily. Sustained interaction with engaged outside groups and substantial new funds made available through the stimulus accelerated the moves forward in the Chicago region. Yet, many outside groups encounter significant barriers when they attempt to build new capacities in poor places. Distrust and parochialism may scuttle collaborations even with the prospect of additional funds. Without the lure of new funds, it becomes much harder to alter existing practices.

In some poor places, the organizational deficit is so severe that experienced city-based or regional agencies cannot find a foothold. The southern suburbs of Atlanta in Clayton county, where poverty has grown rapidly over the past two decades, had little organizational base for addressing the new needs, a deficit that has made it difficult for more experienced Atlanta-based organizations to step in. As a staff member at one Atlanta nonprofit described the problem, there is “just not enough energy and resources in Clayton to meet both the philanthropists and service providers in that middle ground.”51 Similarly, a Brookings/ Federal Reserve study on concentrated poverty showed that such areas often had weak nonprofit sectors and little capacity to attract -- and perhaps to effectively use -- philanthropic dollars. For example, advocates in West Fresno rued their inability to compete effectively with the Bay Area and Los Angeles for philanthropic dollars but, at the same time, some acknowledged that they did not have the capacity to use such funds effectively. Two newly established Community
Development Financial Institutions in the area likewise noted problems in identifying projects ready for investment. In the absence of adequate services, residents of poor suburbs near cities are likely to turn to already-burdened city services, especially if they are recent transplants to the suburbs. In poor cities, such as Fresno or Youngstown Ohio, the poor have nowhere to go.

The difficulty of bringing philanthropic investment to poor suburban communities is highlighted in Figures 2 and 3. These maps present data about the distribution of philanthropic human services grants from the largest private foundation and community foundations in the Chicago and Atlanta regions for the year 2007. In both metropolitan areas, philanthropic resources concentrated in cities, to a much lesser extent in affluent and middle class suburbs, and hardly at all in poor suburban areas.

The importance of sustained engagement and substantial outside funds -- both to promote collaboration and to address need directly -- suggests that the end of the stimulus funding will hit these areas hard.
Figure 2. Human Services Philanthropic Grants in Chicago Metro, 2007

Figure 3. Human Services Philanthropic Grants in Atlanta Metro, 2007

The Avoiders

Perhaps the most common response of local governments is to limit the size of the population that relies on the safety net. The quest to separate populations by income is one of the oldest themes in the history of American suburbanization. For a century, the laws governing municipal incorporation and zoning restricted the supply of affordable housing in most suburbs, shielding middle class and affluent communities from responsibility for low-income residents. Affluent localities prided themselves on providing a high quality of life for a population that relied on federal programs such as Social Security, Medicare, and the home mortgage deduction but had little need of a local social safety net. Roads, good schools, and perhaps parks were all these residents looked for from local government. These suburban localities have fought a largely successful battle to maintain their status by resisting policies -- such as inclusionary zoning and other affordable housing initiatives -- that would jeopardize current arrangements.

Even so, demographic changes meant that some traditionally middle class and affluent localities saw an influx of lower-income residents during the 1990s and 2000s. Some of the shift can be traced to immigration. In an effort to find housing near job centers, growing numbers of low-income immigrants settled in affluent suburban communities, often relying on multiple wage earners in a single household to pay the housing costs. The growing numbers of lower-income residents in affluent suburbs has also grown through what Alan Ehrenhalt has called “demographic inversion” -- the relocation of well-off whites back to the city and the movement of middle and lower-income African Americans to the suburbs. Finally, the recession has also boosted the number of needy residents in many suburban communities. Exurban localities, in particular, have experienced high foreclosure rates.

Middle class localities have responded to growth of low-income populations in several ways. Many have sought to reduce the number of low-income immigrants with measures including anti-immigrant ordinances; enforcement of housing codes in order to limit the number of residents in a single dwelling; and police agreements with the federal government through the 287(g) program and the Secure Communities program. Although anti-immigrant initiatives reflect fear and resentment of immigrants, they are often explicitly linked to concerns about disproportionate use of city services by low-income immigrants.

Local governments can also make it difficult for agencies that serve the poor -- immigrant-oriented or not -- to locate in their area. They can enable and reinforce NIMBYISM by failing to assist nonprofit organizations seeking to create new services. Services associated
with the very poor—such as homeless shelters—often have a difficult time locating in affluent suburban communities. Some middle-income or affluent suburbs that decline to support a safety net regard such activities as beyond the scope of government responsibility and best left to religious organizations and volunteers. Nor has the quest of the affluent to separate from the poor abated. Fulton and DeKalb Counties in Georgia, for example, saw a spate of municipal incorporations in the past ten years as the lower-income populations in these counties grew and county governments sought tax and service increases to address new needs. Since they have historically had little need for safety net services, affluent and middle-class localities have traditionally had weak nonprofit infrastructures.

Yet affluent suburbs have the advantage of financial and institutional resources when advocates do try to build a local safety net. Especially when county governments offer support, efforts to create a stronger nonprofit capacity to address new needs have achieved some success even when local governments stay on the sidelines. For example, in the affluent suburban DuPage County in the Chicago metropolitan area, the DuPage Federation on Human Service Reform has been able to rely on the county, local philanthropy, and a local university for financial and administrative support as it worked to build an infrastructure of support for the small but growing low-income population.

Even though some counties and nonprofits are working together to build a safety net infrastructure in affluent suburbs, these initiatives require stronger support from other levels of government. Efforts to build the safety net in the suburbs encounter specific difficulties. The dispersed character of poverty in the suburbs means that need is likely to be less visible than in cities. Simply providing information about the growth of poverty is an important activity for suburban nonprofits. The dispersion of the poor and the lower density of suburban life mean that ensuring effective transportation to services must be considered a critical element of the safety net. Moreover, because suburbs lack the inherited base of services available in cities, they may decide to forego some services or find them too hard to create anew. For example, access to specialist health care has been particularly difficult for low-income residents in the suburbs. In the absence of adequate services in the suburbs, those in need may rely on already overburdened city services, a phenomenon some researchers have referred to as “suburban free riding.”

**STRATEGIES FOR THE FUTURE**

As local governments confront strained finances and high levels of need that have lingered well after the recession officially ended, what strategies should they consider for the future? The agenda of possible policy strategies calls on local governments to actively engage as
connectors, system builders, innovators, and advocates. But the strategies for enhancing the social safety net and the quality of life in cities are not just tasks for local government; they require activating other sectors and levels of government and building new kinds of regional collaborations. Among the critical areas for action and policies where local initiative is needed:

- **Eliminate local barriers to the take-up of federal benefits and create outreach campaigns.** Local governments need to identify and eliminate barriers to take-up of federal benefits, including unresponsive bureaucracies, poorly located agencies, and unnecessary red tape. Local governments are ideally situated to launch outreach campaigns that can reach program beneficiaries who do not know they are eligible or may be reluctant to accept benefits. The low-take up rates of SNAP benefits among immigrants suggests that targeted outreach to immigrants is a critical area for the connector strategy.

- **Look for opportunities – and avoid problems – that will emerge with the implementation of the Affordable Care Act** The implementation of the Affordable Care Act will provide opportunities for linking health care systems with human service systems. As states implement the act, big city governments, in particular, need to have a seat at the table to ensure that the systems they have already created are not adversely impacted by implementation of the ACA. Likewise, engagement with ACA implementation will allow city governments to take advantage of opportunities to link human services to health care. Local governments also need to be attentive to the ways that the ACA may present new challenges for safety net hospitals on which low-income residents rely.

- **Build coherent regional systems for delivering services.** Over the past four decades the federal government with great fanfare devolved responsibilities to state and local governments and encouraged contracting out of government services. Yet, in promoting devolution and privatization, Washington took little note of the need for coherent delivery systems. The current process for creating and locating nonprofit service providers is too bottom-up to achieve goals of efficiency and effectiveness in service delivery.

  While national and regional nonprofit intermediary organizations have sought to build more coherent systems and local governments have, on occasion, tried as well, states need to take a stronger role in ensuring adequate capacity in places where need exists. Connecticut has taken a step in this direction with the creation of a cabinet-level position that serves as liaison to nonprofit world.
Because there is no regional government, states or Metropolitan Planning Organizations need to monitor shifts in the location of need and identify holes in the safety net. Federal policy can help by incentivizing the formation of regional coalitions. Regional coalitions not only promote learning across the system, they also provide critical support for advocates seeking to create services in localities where local officials offer little support or stand in the way of developing services for low-income residents.

- **Address the special problems of highly distressed suburbs and cities.** Poor suburbs and highly distressed cities have little capacity – administrative or financial – to address the needs of their low-income residents. State governments should take the lead in organizing consortia of these areas and create new models of multi-service nonprofit development. States also need to reform systems of funding services in small low-income communities, especially when these systems are overly decentralized.

  The federal government, too, needs to revamp its grant system to enable consortia of low-income suburbs to apply for federal grant programs. Current grant rules assume considerable knowledge and coherence among applicants since they mainly focused on big cities. To allow poor suburbs to compete for grants, the federal government may need to offer funds for creating and sustaining a consortium of local governments.

  The weakness of the public sector in poor suburbs and highly distressed cities means that the federal government may need to offer special assistance so that these areas can receive the kind of support they need. The Department of Housing and Urban Development’s Strong Cities, Strong Communities pilot program offers a model that should be deployed more widely. The program brings federal employees from different agencies in close collaboration with local officials, helping them develop revitalization strategies and connecting them with the federal resources that will help them achieve their goals.63

- **Open housing opportunities for low-income residents in job-rich affluent and middle class suburbs.** Since 1987, the housing voucher program has been linked to the goal of poverty deconcentration with provisions that allow voucher holder to “port” their vouchers to locations outside the issuing jurisdictions. Yet, in most jurisdictions, only a handful of housing voucher recipients takes advantage of this provision. The Chicago region’s pilot program, the Chicago Regional Housing Choice Initiative, has begun to take steps toward pooling housing choice vouchers between the city and four suburban housing authorities. Federal support for pooling housing vouchers
and making them truly portable will allow low-income families a greater choice to locate in areas closer to jobs, and often with better schools.

- **Reengage local governments as advocates for low-income residents in state and federal arenas.** Local governments cannot be expected to spend substantial sums on redistribution. But they can play an important role in advocating for federal and state policies that strengthen the safety net.

The recession has made it clear that the safety net is poorly equipped to respond to sharp growth in need. Although the fully federal program SNAP expanded rapidly to meet growing need, the TANF block grant program has proven much less responsive to the growth in poverty. The work-oriented welfare system performs poorly in a period when jobs are scarce. Moreover, TANF increasingly resembles, in MDRC president Gordon Berlin’s words, “a form of revenue-sharing for the states.” States have used TANF funds for a wide variety of programs that make it difficult to shift back to cash assistance in periods of need.

The TANF Emergency Fund, authorized as part of ARRA, allowed states to create subsidized jobs for TANF recipients, among other strategies. However, the program ended in 2010 as the stimulus funds dried up. Local officials who seek to strengthen the local safety net should mount a lobbying effort to make such a program part of TANF reauthorization in the future.
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