

MEMORANDUM

To: President Barack Obama
Members of the 111th Congress
From: National Council of La Raza (NCLR)
Re: Latino Priorities in a Job Creation Package
Date: November 17, 2009

The American Recovery and Reinvestment Act (ARRA) was intended to stem job losses and stimulate new employment in the economy overall. However, unemployment data and public opinion polls cast doubt on the impact of ARRA on Latino employment. According to a recent survey of registered voters conducted by the Hart Research Group, 54% of Hispanics report that someone in their household has been personally affected by the recession.¹ Yet, fewer than 30% of Latinos report seeing any direct benefits of federal recovery efforts in their communities, including jobs saved or created in the public and private sector or new loans for small businesses.²

Latinos have endured eight months of double-digit unemployment and the largest increase in *underemployment* of any group since the recession began in December 2007.³ Widening disparities in economic well-being have left many Latinos with little confidence in the government's ability to stop the steady unraveling of economic security.

Congress and the administration must take bold action to create more jobs quickly, with specific strategies for reaching communities of color. NCLR recommends a range of investments in human and community capital development which would lead to large-scale direct job creation in communities hardest hit by unemployment.

- 1. Create millions of community jobs in hard-hit neighborhoods.** An effective way to employ millions of people in a short time is to pay them to meet existing needs in their local communities. Congress should award grants to states for employing workers to repair and maintain buildings and grounds, work at community health centers, care for children before and after school, or provide services for seniors.

Any publicly funded jobs initiative that aims to reach the communities hardest hit by the recession should:

- **Reserve 20% of grants to states for hiring in the nonprofit sector.*** In many communities, local nonprofit organizations are the primary providers of the services mentioned above. Community-based organizations (CBOs) have the local knowledge and trust of the community to make them ideal employers of these new workers. But as more families fall into economic hardship and philanthropic giving dries up, CBO capacity has been severely strained. Invigorated CBOs should be part of the recovery formula as service providers and job creators.

* In this memo, "nonprofit" refers to community-based social service organizations.

- **Dedicate \$1 billion of funding for hiring workers to maintain and rehabilitate abandoned and foreclosed properties.** Despite government-subsidized home prices,⁴ the supply of real-estate-owned properties far exceeds the number of willing and able buyers. Part of the problem is that neglected properties are falling into disrepair, blighting neighborhoods, breeding crime, and lowering property value and desirability. Congress should allocate additional funds for the Neighborhood Stabilization Program (NSP) for the express purpose of hiring local residents to maintain, repair, and in some cases redevelop government- and real-estate-owned homes and properties. These improvements will help attract buyers and respond to changing community needs.⁵
- **Mandate that at least 30% of new jobs go to economically disadvantaged job seekers.** Jobs seekers with low income and low levels of educational attainment, and those who are not currently receiving unemployment insurance, should be given priority consideration in the publicly funded jobs initiative. The NSP already includes a 30% target to hire low-income residents from the areas in which projects are funded. However, under ARRA, this target is only a recommendation and is not strong enough to ensure employer compliance. Instead, this requirement should apply to future NSP projects, with fully-funded enforcement.

2. **Make affordable loan products available to nonprofits and CBOs for infrastructure and capital investments.** As with businesses and governments, the current economic environment has severely hindered nonprofits' access to credit, leaving them largely unable to make crucial investments in their facilities and equipment. But lending through the Community Development Financial Institutions Fund (CDFI Fund) reaches nonprofits at a far lower rate than it does other borrowers, with community service providers accounting for just 1% of the borrowers and 3% of all outstanding CDFI financing in 2007. Even with the increased investment in the CDFI Fund through ARRA, the dramatic disparity in borrowing by the nonprofit sector remains.⁶

In addition, expanded funding for alternative financial institutions through the CDFI Fund would allow lenders to meet the needs of community-based institutions seeking access to affordable credit, and allow CBOs to meet the rising demand for services in the vulnerable communities they serve. Congress should:

- **Encourage CDFIs providing commercial loans to dedicate 20% of their lending to nonprofits and CBOs.** As credit markets have tightened and traditional lenders have moved up market to avoid riskier borrowers, more and more institutions are seeking financing from CDFI lenders, leaving this relatively small group of lenders with a growing pool of potential borrowers competing for their limited dollars. CDFIs, which have traditionally focused the bulk of their financing on small businesses, should be encouraged and rewarded for efforts to increase the number and amount of new loans made to nonprofits.
- **Empower CDFIs and other alternative lenders to provide technical assistance to borrowers to ensure better loan performance.** Using capital effectively takes

skill and savvy. Technical assistance offered in tandem with loan services can help a CBO develop an effective operating strategy as well as improve its loan performance. To ensure that nonprofits and lenders alike get the most mileage out of their loans, CDFIs should be funded to provide technical assistance, including help with financial planning, debt management, and loan restructuring services for institutions that have existing loans with unfavorable terms.

3. Invest in the human capital of workers overlooked by ARRA. For many workers struggling in the current recession, investment today in education and skills development will prepare them for the jobs of tomorrow. ARRA authorized millions of dollars for worker training programs in green jobs and health care in order to support their entry into emerging industries. The U.S. Department of Labor received an unprecedented number of applications from entities around the country hoping to train and place job seekers in these fields, but because funds were limited a significant number of worthy projects will go unfunded. Congress should authorize additional funding for human capital investment in emerging fields such as green jobs, but should target programs that:

- **Support the skills development and language acquisition of low-income, limited-English-proficient (LEP) workers.** Latinos and workers with limited proficiency in English have been severely underserved by public workforce programs.⁷ Integrated training programs that combine adult education and ESL services with postsecondary education and training is a proven strategy that can open doors to high-quality employment for millions of LEP workers. However, there was little guidance under ARRA to encourage green and health training programs to use these promising practices. Future funding should prioritize programs that integrate skills training with basic literacy and English language skills in order to ensure that access to jobs in emerging industries is open to Latino and other underserved communities.
- **Prioritize programs that provide case management and supportive services.** Without access to a range of supportive services, many Latino and other vulnerable workers will be unable to access training programs. Investment in human capital programs must focus on those programs that couple training with services that fill the gaps for those historically underserved by workforce development systems, including health and mental health services, legal services, and child care, as well as investments in career advancement services such as career coaching for incumbent workers.

4. Use the tax system to reward small businesses and nonprofits that hire new workers. In these uncertain times, businesses of all sizes, as well as nonprofit organizations, may have the immediate means to employ new workers but lack the confidence to hire. Policymakers should encourage hiring through a refundable tax credit for companies, including small businesses and nonprofits that hire new workers or expand the hours of workers on their payroll.

It is not too late for the administration and Congress to take bold steps to reach communities of color with effective job creation policies. NCLR urges policymakers to

seriously consider the above proposals as part of a strategy to positively change the course of the American economy.

For more information about strategies to create jobs in Latino communities, please contact Catherine Singley, Employment and Economic Policy Analyst at NCLR, at csingley@nclr.org.

Endnotes

¹ Hart Research Associates, *Tracking the Recovery: Voters' Views on the Recession, Jobs, and the Deficit*, survey conducted September 21–23, 2009 for the Economic Policy Institute, http://www.epi.org/publications/entry/tracking_the_recovery (accessed November 2009).

² New America Media survey, *Gauging the Impact of the American Recovery and Reinvestment Act*, October 6, 2009, <http://media.namx.org/files/2009/10/NAMStimulusPoll.pdf> (accessed November 2009).

³ Kathryn Edwards, *Minorities, less-educated workers see staggering rates of underemployment*, Economic Policy Institute, Washington, DC, 2009, http://www.epi.org/economic_snapshots/entry/minorities_less-educated_workers_see_staggering_rates_of_underemployment (accessed November 2009).

⁴ The Neighborhood Stabilization Program (NSP), administered by the Department of Housing and Urban Development (HUD), received funding through ARRA to subsidize the prices of foreclosed homes for resale.

⁵ *The Shrinking Cities International Network*, <http://www.shrinkingcities.org/>.

⁶ CDFI Data Project, *Providing Capital, Building Communities, Creating Impact. Fiscal Year 2007, Seventh Edition*, http://opportunityfinance.net/store/downloads/cdp_fy2007.pdf (accessed November 2009).

⁷ *Make the Workforce Investment Act Work for Latinos: Principles for WIA Reauthorization* (Washington, DC: National Council of La Raza, 2008), www.nclr.org/files/57826_file_Principles_WIA_Reauthorization.pdf (accessed November 2009).