The Community Outlook Survey (COS), a biannual online survey by the Federal Reserve Bank of Dallas, helps assess community and economic development in the Eleventh District of the Federal Reserve System—Texas, northern Louisiana and southern New Mexico. The community organizations participating in the survey provide housing, health and nutrition, financial aid, workforce development and education services to cities and counties in the Eleventh District.

In mid-year 2013, growth of the Texas economy continues to occur at a faster pace than that of the nation. However, growth in certain sectors has slowed since 2012. The trend of increasing housing prices seen early this year has shown signs of slowing down. Employment growth is still strong in the private sector but is being offset by losses in government jobs. Outlook is still positive overall, though, and the energy sector continues to be a strong driver of the Texas economy. In the region’s low- and moderate-income (LMI) communities, optimism about job availability is high. However, this uptick in job openings is countered by a concern over benefits and living wages, as service providers still see many workers underemployed. Affordable housing continues to be scarce, particularly in regions of oil and gas activity. Finally, governmental and private funding sources are still hard to come by for nonprofit leaders in the region, who must do more with less as they work to better the lives of LMI families.

**PARTICIPATE IN THE SURVEY**

If you are interested in participating in our 10-minute survey and are a nonprofit service provider to LMI households in Texas, northern Louisiana or southern New Mexico, please submit the request form.

**View a copy of our survey.**

**Living-Wage Worries Dampen Enthusiasm for Improved Job Market in the Eleventh District**

**JANUARY–JUNE 2013**

In July 2013, we asked service providers how they evaluated changes in the needs of low- and moderate-income (LMI) households—ranging from the availability of jobs and affordable housing to financial well-being and access to credit—for the first six months of 2013. To better understand how well the needs of LMI households are being met, we also asked service providers about the changes in demand for their services, their organizations’ capacity to serve clients and funding for their organizations.

In addition, we asked what changes they expected for the next six months of 2013. Table 1 summarizes their feedback.

Observations of the well-being of LMI households have fluctuated quite a bit since fourth quarter 2012. The percentage of service providers who saw increases in job availability climbed 16 percentage points (63 versus 47), while those seeing increases in affordable housing decreased by 9 percentage points (12 versus 21). Additionally, the share of service providers reporting increases in financial well-being rose 7 percentage points (26 versus 19). With regard to their own organizations, more service providers indicated an increased capacity to serve clients (17 versus 14), but their funding observations were decidedly more negative: 43 percent indicated decreased funding, compared with only 36 percent in the last quarter of 2012.

Turning to the diffusion indexes, we see that most measures of household conditions rose in the first half of 2013, with the exception of affordable housing availability (42 versus 49). The diffusion index for job availability continues to climb—to an all-time high of 79—indicating that the majority of service providers see increases in job availability for LMI households. The indexes for affordable housing and access to credit continue to fall below the baseline of 50, showing that service providers, on the whole, believe conditions within these indicators are worsening.

Taking a look at Chart 1, we see that on average, expectations for the second half of 2013 appear to be higher than observations of the past six months. The diffusion index for expectations of job availability is at 83, which indicates that respondents are overwhelmingly optimistic about job
growth in the second half of 2013. With a diffusion index of 61, financial well-being is also expected to improve. Service providers on the whole seem to be slightly optimistic about their capacity to serve clients for the next six months (diffusion index of 53), even though they are negative on expectations of funding (diffusion index of 42).

In addition to asking service providers about the change in the situation of LMI households, we asked them to identify factors affecting their answers to many of the indicators. The following charts show the responses to factors affecting LMI households’ access to credit and affordable housing and the factors impacting service providers’ financial sustainability.4

Access to Credit

Chart 2 shows the breakdown of responses that highlight the top factors that affect LMI households’ access to credit.

Underwriting standards/credit ratings and lack of cash flow are tied for the top spot. Although in previous surveys interest rates and other lending costs has ranked at the bottom, it rose to fourth place this time around. Only five respondents selected “other factors,” but those who did pointed to the costs of maintaining transaction accounts and tightening lending standards as the main factors affecting access to credit.

Availability of Affordable Housing

Once again, the top three factors respondents pointed to as affecting the availability of housing are lack of capital, development costs and competition for grants or subsidies (Chart 3). Noted in the comments is the concern about rising housing prices and its effect on LMI families. Others lament the lack of transportation options available to those in rural areas.

Financial Sustainability

Chart 4 shows that, in keeping with previous surveys, lack of grant and governmental funding are the top factors service providers indicate as affecting their organization’s sustainability. However, respondents also point out in the comments that lack of private donations has also impacted their organization’s finances. Other comments discuss how adverse legislative decisions and political uncertainty have affected their work.

Additional Insights from Survey Respondents

We also asked nonprofit service providers for any additional insights they would like to report about the conditions of LMI households. The negative sentiments regarding affordable housing observed in the diffusion indexes were once again reflected in these open responses.

Table 1 Demand for Services

<table>
<thead>
<tr>
<th>Current six months: First half of 2013</th>
<th>Expectations for the next six months: second half of 2013</th>
<th>Diffusion index* 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent increase</td>
<td>Percent no change</td>
</tr>
<tr>
<td>Availability of jobs</td>
<td>63</td>
<td>33</td>
</tr>
<tr>
<td>Availability of affordable housing</td>
<td>12</td>
<td>59</td>
</tr>
<tr>
<td>Financial well-being</td>
<td>26</td>
<td>53</td>
</tr>
<tr>
<td>Access to credit</td>
<td>5</td>
<td>79</td>
</tr>
<tr>
<td>Demand for services</td>
<td>59</td>
<td>35</td>
</tr>
<tr>
<td>Capacity to serve clients</td>
<td>17</td>
<td>67</td>
</tr>
<tr>
<td>Funding for organization</td>
<td>13</td>
<td>44</td>
</tr>
</tbody>
</table>

*The diffusion index summarizes the three percentages (Increase/No change/Decrease) into one number for each question and is calculated by adding the percentage of the “Increase” responses to half of the percentage of the “No change” responses and then multiplying that total by 100. If the index is greater than 50, the attitudes of the service providers are positive. If it is lower than 50, the attitudes of the service providers are negative. If it is 50, there is no overall change in attitudes.

NOTE: Percentages may not add to 100 due to rounding.
Many providers highlighted that lack of predictable or living-wage incomes results in an inability to financially qualify for housing. Others pointed to the housing squeeze in oilfields, where increasing demand for workforce housing has led to massive construction of temporary housing called “man camps,” instead of long-term sustainable and affordable options for the city’s residents.

Other providers wrote that although job availability has improved, underemployment continues to be a problem. One respondent writes:

- People are working, but not full-time—and they often have jobs with no benefits. Employers will have “temporary lay-offs” to avoid tax thresholds and certain employee benefits. And because of this instability, clients seek out higher-cost alternative lending services for credit or rental housing.

Finally, respondents are concerned with a general lack of information and education for their clients on a variety of subjects, including financial systems and credit building. They also assert the importance of understanding the diverse and critical challenges their clients face, challenges that are often very different from families with higher incomes.

### Challenges and Solutions for Nonprofit Organizations

For this survey, we posed an additional set of questions to service providers: What is the most prominent issue affecting LMI communities that your organization has focused on for the first half of 2013? Additionally, what information, resources or actions do you believe are needed to move this issue forward?

Providers described a multitude of initiatives in areas of housing, education, credit and workforce development. A common theme for many respondents was health and food security—particularly for children. Below are selected comments that have been edited for publication:

- We are educating our community about the number of children in our area that are at risk of hunger. This way, people are able to make a personal connection with the kids by hearing their stories and realizing that this is an issue in our small community.

- The greatest factor affecting LMI individuals is access to living-wage jobs. While we are seeing an increase in our families finding employment, they are experiencing a wage decrease. To combat this issue, we are instituting an aggressive education and training initiative.

We are starting with basic GED preparation and
strong collaboration with local community colleges. Additional resources are needed to aid us in reaching individuals and connecting them to educational opportunities.

- Our focus is building single and multifamily housing. We’ve had a 16 percent increase in jobs and a 1.6 percent increase in population. We can create jobs, and yet many LMI workers don’t live here because of a lack of affordable housing. There is an added difficulty when builders are afraid of taking a chance in a smaller market.

- The primary focus of my organization at this time is food insecurity. As we are able to expand our facility, I can see opportunities for education and outreach.

- We have concerns over continued funding and resources in the face of grant expirations. The demand is high for services, but funding availability is inconsistent with that need.

Although funding resources may be scarce, nonprofit organizations in the region are taking whatever steps possible to inform clients, businesses and other community stakeholders about the most pressing challenges facing LMI families, in an effort to improve and sustain their well-being.

Notes

1 Data collected represent the opinions of organizations that complete the survey and should not be interpreted to represent the opinions of all service providers to low- and moderate-income households in the Eleventh District of the Federal Reserve System. In addition, the organizations that respond to the survey will not necessarily be the same from one survey to the next.

2 For more economic statistics and analyses on the Eleventh District, see http://www.dallasfed.org/research/update/reg/2013/1305.cfm.

3 Beginning in 2013, COS switched from a quarterly survey to a biannual survey.

4 The number of respondents to the first six months of 2013 survey is 95.

Questions regarding the Community Outlook Survey can be addressed to Emily Ryder at emily.ryder@dal.frb.org