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Q&A: Black Executives on Equitable Funding

Teresa Cheeks Wilson

Since the onset of the COVID-19 pandemic, a common theme of inequity has emerged in philanthropic funding to Black-led organizations.

I recently read an article in *The Chronicle of Philanthropy* newsletter titled Confronting Philanthropy's Uncomfortable Truths, which stated, "Most philanthropic organizations are led by white people, resulting in stark disparities in funding provided to nonprofits run by Black [people], Indigenous [people], or people of color."

Roshun Austin, executive director of The Works, Inc., Tim Lampkin, CEO of Higher Purpose Co., and Martie North, senior vice president and director of community development/Community Reinvestment Act at Simmons Bank, share their funding experiences.

To get a firsthand perspective on these disparities, I interviewed three Black executives who have worked in various roles within Black-led organizations: Roshun Austin, executive director at The Works, Inc.; Tim Lampkin, chief executive officer at Higher Purpose Co.; and Martie North, senior vice president and director of community development/Community Reinvestment Act at Simmons Bank.

Responses were edited for length and clarity.

Question: What have been your experiences with equity in funding to nonprofits led by Black Americans?

Roshun Austin: I started in the nonprofit industry with community development corporations (CDCs) in the early 1990s. At that time, white men heavily led the industry and earned salaries, while older Black women who were largely community volunteers ran CDCs. These Black women were the founders and directors of these organizations which had risen out of their activism, yet they were mostly unpaid. These organizations may have received some funding, but nothing that could sustain them. I have experienced stark differences in how philanthropy funds Black-led organizations.

Tim Lampkin: My experience in the nonprofit sector was that Black-led organizations do not receive adequate funding, and the responses from the foundations or funders were, "What is your capacity?" They used capacity assessments to justify why adequate resources are not given to these organizations. There are assumptions that white-led organizations will perform and manage money better; however, we noticed that these organizations were not intent on establishing connections within their community. I saw the need to change my approach, be firm in requesting multi-year support and help funders understand they are not only investing in the work, but they are also investing in the people running the organization. We can't do the work if we are empty—meaning, if we are financially, physically or mentally unhealthy.

Question: The *Stanford Social Innovation Review* article, Overcoming the Racial Bias in Philanthropic Funding, cited four key barriers to capital for leaders of color: getting connected, building rapport, securing support and sustaining relationships. How have these barriers impacted your organization?

Lampkin: All four of the barriers have affected our organization. I think at one point, I was dealing with all of them at one time. In the fall of 2018, I was challenged with trying to network and connect to organizations with access to resources. I had to build relationships and help funders understand why the work is needed in Mississippi—particularly with Black entrepreneurs. Some of the conversations led to funding, but it was at a small level. I tried not to appear too demanding while maintaining and cultivating the relationships into a request for additional support. Once I figured out how to navigate the funding process, things started to flow. Those relationships helped to convert funders into Higher Purpose Ambassadors, who in turn sold our work to other funders and/or people in their networks.

Martie North: The first barrier, "getting connected," is a challenge because the philanthropic community is typically very connected through years of experience. Those within the community are often neighbors, attended the same university or are connected through individuals within their network of influence. It is hard to break into those circles if you don't have any connections; you are considered an unknown entity. If that happens, you have to overcome the hurdle of building trust and capacity, and you must also work harder to prove yourself. Building rapport and getting to know decision-makers can be a challenge due to limited opportunities.

Question: In light of your experiences, what recommendations would you provide to funders on how to support Black-led organizations addressing issues in Black communities?

Austin: In this industry, we lose track when people are of a different economic class, disenfranchised, culturally different or uneducated. The voices of the people who are in need of what you have should be at the table; they should not need a spokesperson. We must allow them to make decisions for themselves. Honor the voices of Black leaders and believe that they are experts in their field. Refrain from using the phrase "lack of capacity" against them, remove additional funding barriers and get rid of logic models. Treat Black-led organizations with the same respect you would offer a white-led organization—especially those with proven results.

Lampkin: Funders should know that, in most cases, the Black-led organizations working in the communities are the experts. The funders' values and mission should not be projected on the community, and the decision-making for funding should involve the Black-led organizations doing the work.

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Eighth District Housing Distress: Challenges, Demographics and Resources

Lowell R. Ricketts

As families continue to endure a loss of employment income due to the pandemic, financial hardship is rising across communities in the United States.

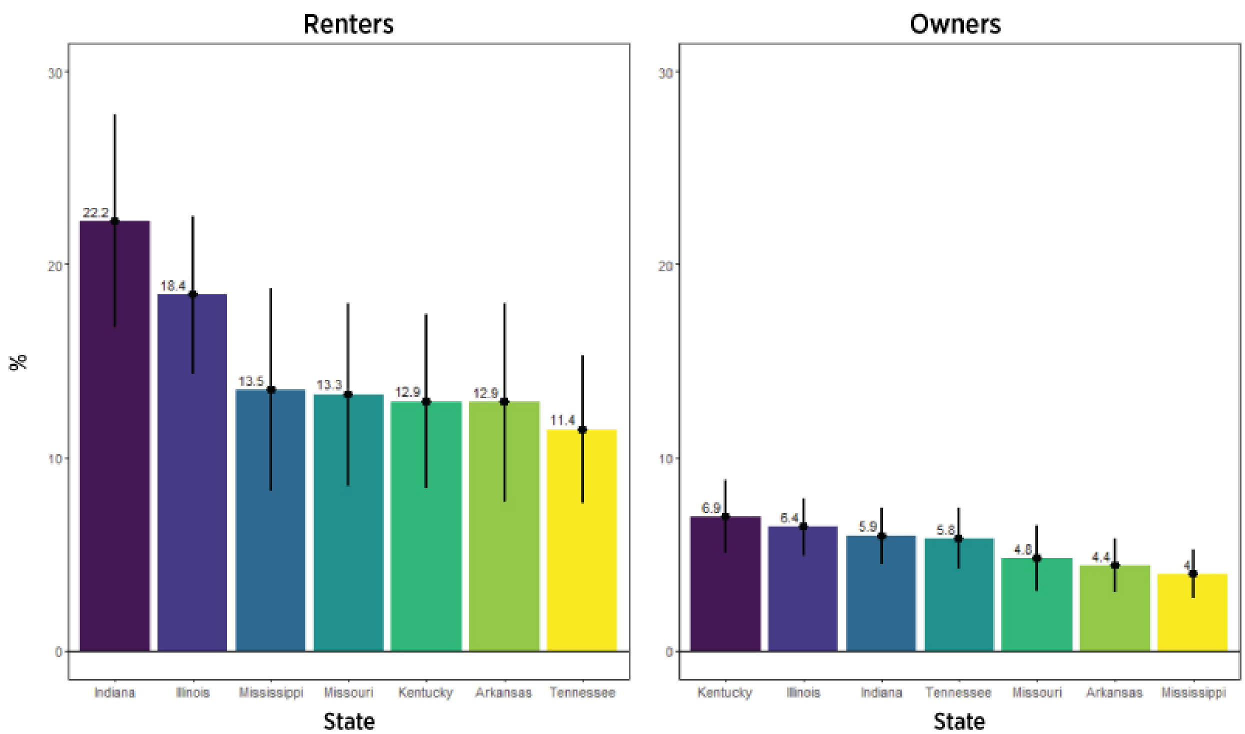
Housing distress—falling behind on rent or mortgage payments—is one particularly disruptive form of hardship. Housing loss is similarly disruptive to both renters and owners on varying dimensions. For homeowners, however, a foreclosure can destroy the accumulated equity on a home, which is often the largest asset a family owns. According to the U.S. Census Bureau's Household Pulse Survey results from Aug. 19-31, 14.4% of renters and 6.3% of homeowners experienced housing distress.

A Common Challenge across Communities

Within each Eighth District[1] state (see the figure below), a greater share of renters have fallen behind relative to homeowners. Additionally, with a low of 11.4% in Tennessee and almost double the rate in Indiana (22.2%), distress rates varied more among renters. Given the uncertainty around the estimate for each individual state, it's difficult to say for certain that rates meaningfully differed across states.[2]

Unlike the effects of the Great Recession, which varied by region, the effects of the COVID-19 recession on housing distress appear to be a common challenge for communities across the District. The relatively high rates of renter distress across all states is particularly concerning and raises the specter of evictions.

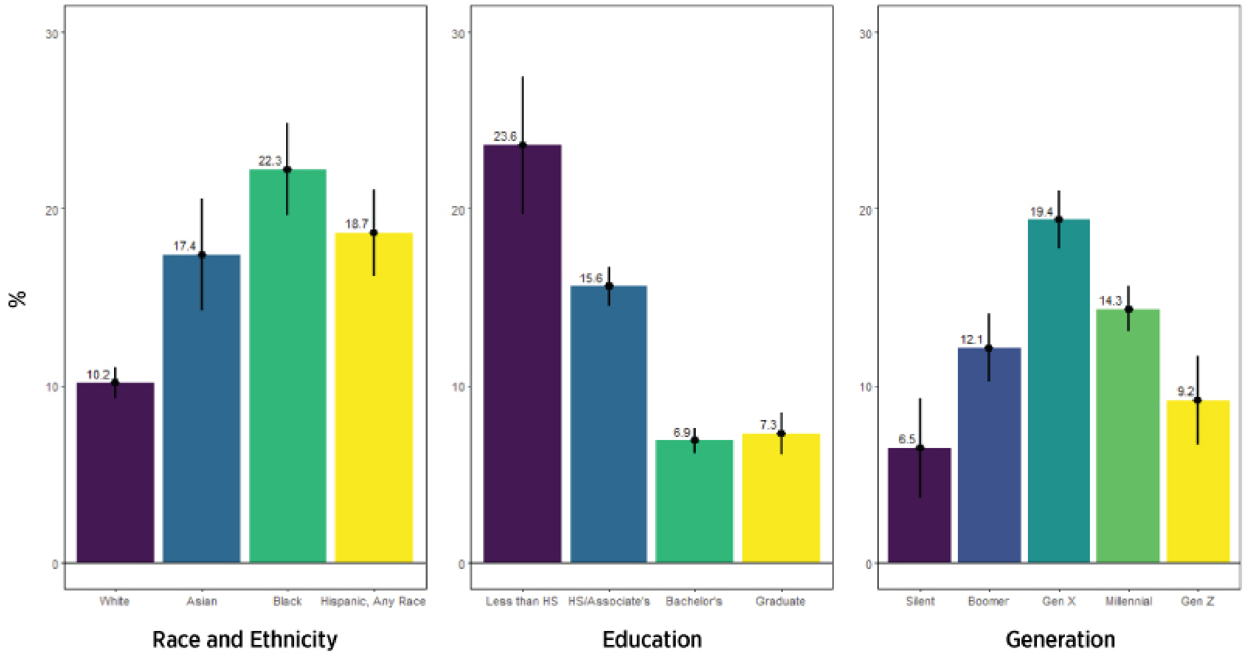
Share Not Current on Mortgage or Rent, August 19-31



NOTE: Bands indicate 90% confidence intervals.
SOURCE: Census Bureau's Household Pulse Survey and calculations by the author.

While the overall distress rates are insightful, demographic factors like race and ethnicity, education and generation are more revealing when noting which groups of families are struggling with their housing payments. Nationwide findings (see below) show renters who were Black, Hispanic or Asian, without a bachelor's degree, Generation X, millennials and Generation Z were more likely to experience housing distress than their peers. Reviewing the distress rate by demographic factors for Eighth District states reveals similar associations, but few comparisons have enough statistical power for firm conclusions.

Share of Renters Not Current on Rent, August 19-31



NOTE: Bands indicate 90% confidence intervals.
SOURCE: Census Bureau's Household Pulse Survey and calculations by the author.

Race and Ethnicity

In Illinois, roughly 33% and 40% of Black and Hispanic renters, respectively, have fallen behind on their payments. The data are in sharp contrast to the 5.4% of non-Hispanic, white families that are experiencing similar distress. This echoes inequities in housing distress by race and ethnicity observed during the Great Recession. Our Center for Household Financial Stability found that Black and Hispanic families typically have less accumulated wealth to draw on—leaving their families with less recourse in times of economic disruption such as these.

Education

Families with at least a bachelor's degree are less likely to struggle with paying their rent than those without one. In Missouri, 6% and 2% of renters with at most a bachelor's or graduate degree, respectively, were in distress. In general, the better outcomes likely reflect the findings in the most recent Survey of Household Economics and Decisionmaking—these families are working from home at almost twice the rate, avoiding the employment disruption seen in some industries.

Generation

Lastly, there are significant generational differences among renters. Gen X is experiencing the highest rate of renter distress among the five generations considered here, which is surprising given that we have found financial outcomes (e.g., missing a rent payment) typically improve with age.

The notable renter distress for Gen X is also reflected in some of the Eighth District states. In Illinois, around 34% of Gen X renters have fallen behind, which is roughly double the rate for millennials. Research also suggests Gen X has greater debt despite deleveraging and lower wealth accumulation than we would expect well into the recovery. This evidence suggests Gen X bears financial scarring from the Great Recession and entered into the current crisis with fewer financial resources to draw upon.

Housing Support Is Critical to Avoiding Foreclosures and Evictions

Shortly after the pandemic began, Congress passed the CARES Act, which sought to stem housing distress. For homeowners, the CARES Act offers mortgage forbearance; it also established a moratorium to suspend and stop foreclosures. These protections apply to homeowners with federal/government-sponsored enterprises (e.g., Fannie Mae or Freddie Mac) or funded mortgages. Renters living in federally subsidized housing or renting from an owner who has a mortgage that meets the above criteria may also seek relief through the CARES Act. For more information on this and other support options, the Consumer Financial Protection Bureau established a support page in collaboration with other federal agencies.

Recently, the Centers for Disease Control and Prevention issued a temporary national moratorium on most evictions for nonpayment of rent to help prevent the spread of coronavirus. The National Low Income Housing Coalition has also developed a guide to help renters seek assistance.

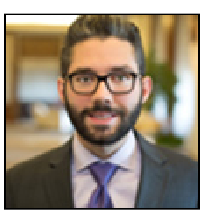
There is much economic uncertainty surrounding when the virus will be brought under control. In the long term, it will be imperative that a pathway to current payment status is devised for homeowners and renters who have fallen behind on their housing payments.

For now, it's critical to build greater awareness of the available assistance for families and individuals struggling to make their housing payments.

Endnotes

1. The Eighth Federal Reserve District covers all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.
2. If we were to hypothetically survey residents in these states repeatedly, 90% of the time the rate of distress would fall somewhere along the respective bands.

ABOUT THE AUTHOR



Lowell R. Ricketts

Lowell R. Ricketts is the data scientist for the Institute for Economic Equity at the Federal Reserve Bank of St. Louis. His research has covered topics including the racial wealth divide, growth in consumer debt, and the uneven financial returns on college educations. Read more about Lowell's research.

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COVID-19's Ongoing Effects on Early Childhood Education in St. Louis

Sam Evans , Violeta Gutkowski

Early childhood education (ECE) and child care[1] are essential pieces of America's economic puzzle. Working families rely on ECE to aid in their children's overall care while they are working, participating in training opportunities and advancing their careers.

For employers, it affects their ability to recruit and retain skilled workers. For children, it's a system that can play a significant role in their mental advancement, as well as their social, emotional and economic well-being. Studies[2] have also linked ECE to increased rates of high school graduation, college attendance and greater workforce participation.[3]

In the St. Louis region, attention is especially focused on ECE as COVID-19 has underscored its importance and fragility—particularly for providers that serve low- to moderate-income (LMI), Black and Hispanic families. St. Louis has 22,224 children under 6 years old with a total licensed capacity of 10,559 and a total licensed exempt capacity of 1,282, thus presenting a service gap of 47%.[4] Understandably, parents may also choose options other than an ECE.

We garnered insights from four ECE providers[5] serving LMI communities about the impact COVID-19 is having on their sector. These findings revealed several major challenges for providers—deficiencies in public support and investments, decreases in capacity and demand for services, increases in operational costs and need for cleaning supplies, and added anxiety and trauma among children and their communities.

Though anecdotal, these insights align with findings from a July 2020 survey (PDF) of child care providers in the U.S. by the National Association for the Education of Young Children (out of 5,000 respondents, 258 were from Missouri):

- 82% are serving fewer children and average enrollment is down by 55%.
- 93% are paying more for cleaning supplies, and 66% are paying more for personal protective equipment (PPE).
- 47% are paying more for staff and personnel costs due to the 10-person per classroom limitations.
- 105 respondents received a Paycheck Protection Program Loan (PPPL), including 62 large child care programs and 43 small child care programs.
- 51% expect their operations to close within six months if they don't receive additional funding support.

COVID-19's Financial and Operational Impact on ECE Centers and Home-based Providers

As noted in a 2019 IFF report (PDF), St. Louis had the lowest ECE provider reimbursement rates in the country before the pandemic. According to Ellicia Lanier at Urban Sprouts Child Development Center in University City, Mo., though infant costs can total up to $19,000 a year, the state reimbursement is only $8,000 a year for her center. This presents a challenge to providers that are already operating on thin margins and forces them to find additional funding to cover the full cost of care. As a recent needs assessment (PDF) by Child Care Aware of Missouri stated, the average cost to provide care to a toddler is $16,120 per year.

In addition, if a child is receiving a subsidy, the state will only cover up to five absences per child each month.

"If I had to close for more than five days, I would not receive any compensation, so a closure would severely impact me. Even though my payroll expense would decrease, all other expenses will remain the same. If I had to shut down more than once due to COVID-19, I don't think that I will be able to survive," said Cortaiga Collins of Good Shepherd Preschool and Toddler Center in St. Louis. "This creates unnecessary hardship for providers that are trying to provide high-quality early childhood education," Collins said.

The majority of providers we spoke to applied and received a PPPL through the Small Business Administration. These loans allowed centers to remain open while helping providers retain their staff and purchase PPE for the few children who remained in their care. However, if these funds are depleted, there could be a substantial reduction in the city's total child care supply, leaving a large fraction of children unserved.

The CARES Act provided more than $66.5 million to Missouri for child care through the Child Care Development Block Grant, yet only $10 million went to child care facilities. As demand decreased, many of the providers we spoke to are still only operating at half of their capacity and are wondering how they will remain afloat without such subsidies in place through the end of the year. This could result in an even greater blow to LMI families and communities that are eligible for these subsidies and living at or below 138% of the federal poverty level.

Stay-at-home Orders Lift, Unmasking Anxiety and Trauma

On March 23, 2020, both the city of St. Louis and the county issued shelter-in-place orders, causing most ECE centers to close until around June.

> "I wake up every day questioning: Am I sacrificing my life for my business, or my business for my life?"
> —Tina Mosley, director, St. Louis-based Our Daycare & Learning Center

"I wake up every day questioning: Am I sacrificing my life for my business, or my business for my life?" said Tina Mosley, director of St. Louis-based Our Daycare & Learning Center. The center would ultimately see itself transitioning from 100% capacity to 40% due to the pandemic.

There was also concern about COVID-19's impact on children and families at the Urban Sprouts Child Development Center. "Families were disjointed from their everyday normal, and we saw parents losing jobs and children not being able to be with their caregivers. We saw a little bit of trauma. As educators who better understand the neuroscience behind what is happening when we weren't in session, there was a real gap in how children connected. We did our best to do virtual learning, but it just wasn't the same. It was important for us to open back up in some capacity," said Lanier.

Centers for Disease Control Prevention (CDC) Guidelines and the Rising Cost of PPE

A briefing (PDF) from the Federal Reserve Bank of Atlanta found that as shelter-in-place orders lifted, more ECE providers reopened, but not without additional costs due to CDC guidelines: smaller group sizes, increased sanitization supplies and PPE.

The new regulations were cited by providers as major cost burdens for their already cash-strapped businesses.

"Payroll costs greatly increased due to limited group size restrictions and the need for two staff members to a classroom," said Cortaiga Collins of Good Shepherd Preschool and Toddler Center in St. Louis.

Conclusion

As the region pivots from response to recovery, providers are hopeful that this sets the tone for a stronger and more integrated system. While measures to reduce COVID-19 exposure and PPE have become the new norm, these have complicated providers' budgets, which have also been hindered by a lower demand for services. The pandemic's implications on the future supply and availability of child care can have serious results on ECE funding and the LMI communities that rely on their services.

Endnotes

1. Early childhood care and education include various types of programs, such as center-based child care, home-based or family child care, private preschool, public preschool, Head Start and Early Head Start. This article focuses on child care centers and family child care providers.
2. Heckman, James J., and Karapakula, Ganesh. "The Perry Preschoolers at Late Midlife: A Study in Design-Specific Inference." (May 2019). NBER Working Paper #25888.
3. Campbell, Frances A.; Wasik, Barbara H.; Pungello, Elizabeth; Burchinal, Margaret; Barbarin, Oscar; Kainz, Kirsten; Sparling, Joseph J.; Ramey, Craig T. "Young Adult Outcomes of the Abecedarian and CARE Early Childhood Educational Interventions." Early Childhood Research Quarterly, Vol. 23 (March 28, 2008): 452–66.
4. Data are based on https://stage.worklifesystems.com/missouri?county=St%20Louis%20City (PDF) and the authors' calculations.
5. Interviewed providers include: Cortaiga Collins of Good Shepherd Preschool and Toddler Center in St. Louis, Samantha Cross and LaDonna Smith of Little Precious Angels Childcare in St. Louis, Ellicia Lanier of Urban Sprouts Child Development Center in University City, Mo., and Tina Mosley of Our Daycare & Learning Center in St. Louis.

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Resources: CRA Modernization, CDFI Survey

Federal Reserve Issues Advance Notice of Proposed Rulemaking on Community Reinvestment Act

The Board of Governors of the Federal Reserve System issued an Advance Notice of Proposed Rulemaking (ANPR) to modernize the regulation used to implement the Community Reinvestment Act (CRA). The ANPR offers the Fed's approach to strengthening, clarifying and updating the regulation to reflect modern banking and credit access needs, while maintaining its core purpose. The notice is open to public comment for 120 days on the Federal Register, and all comments must be received on or before Feb. 16, 2021.

To learn more about the ANPR, access fact sheets and find links to the Federal Register notice, please visit the Federal Reserve Board's announcement.

The CRA, enacted in 1977, requires federal financial regulatory agencies to encourage regulated financial institutions to help meet the credit needs of their local communities, including low- to moderate-income neighborhoods.

Learn more about the CRA and how the St. Louis Fed supports depository institutions and the public in identifying credit needs within communities—along with responsive ways to meet these needs.

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New Survey Findings Highlight CDFI Work through COVID-19

Key findings from the Fed's COVID-19 CDFI Survey are now available.

From mid-July through mid-August 2020, the Federal Reserve fielded the COVID-19 CDFI Survey in partnership with the CDFI Fund, Opportunity Finance Network, the CDFI Coalition, the Native CDFI Network, the Community Development Bankers Association, Inclusiv, First Nations Oweesta Corporation, NeighborWorks America, the New York State CDFI Coalition and the Asociación de Ejecutivos de Cooperativas de Ahorro y Crédito de Puerto Rico.

The effort gathered information from 229 CDFIs (community development financial institutions) on the financial impact of COVID-19, participation in economic relief efforts, operational changes and effects on clients.

Key findings include:

- **Nearly two-thirds of survey respondents** were either slightly or somewhat concerned about their CDFI's ability to survive the COVID-19 pandemic. Respondents cited operational support, access to capital and loss loan reserves as key forms of additional government support needed to weather the economic impacts of the pandemic.
- **Lending capital streams from non-government sources** — including financial institutions — remained strong through the first several months of the pandemic. Still, loan loss reserves are a top concern for CDFIs. Sixty-one percent of reporting CDFIs experienced a decrease in their loan loss reserves from the end of 2019 through mid-2020.
- **Throughout the pandemic, CDFIs have leveraged** government, community and philanthropic economic relief programs to support their operations and serve their clients. Forty percent of CDFIs in the survey received Paycheck Protection Program (PPP) funding, and 19% supported their communities as PPP lenders.

Connect with CDFIs in your community: National CDFI Directory (PDF)