
Understanding the Impact of the Economic Downturn on Pittsburgh Residents and Human Services Agencies



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ABSTRACT

The current economic downturn has placed a tremendous amount of stress on many resource-strapped nonprofits, which are experiencing a higher-than-usual demand for their services. With the arrival of the winter months, human services agencies are especially worried about the influx of individuals needing public assistance, including those individuals requiring basic needs assistance for the first time. To tackle this crisis, these agencies need to put into action a strategic combination of both short-term and long-term interventions. This study defines the scope of the current crisis – with a focus on the basic needs of food, shelter and utilities, and transportation – and provides recommendations for moving forward.

BACKGROUND

In the fall of 2008, The Forbes Funds began hearing from human services providers, such as Catholic Charities and the Brashear Association, of an unprecedented influx of individuals requiring their services, whether for food, shelter and utilities, or transportation. Catholic Charities began to convene local frontline providers, those who supply uncompromising basic services to individuals, to begin to understand how best to coordinate efforts. Since then, The Forbes Funds, along with the United Way of Allegheny County and the Pittsburgh Foundation, has also begun to convene groups of providers and grantmakers with the goal of better understanding the crisis at hand and collectively seeking strategic solutions as a community.

SCOPE OF CRISIS

The crisis facing our community is not new. For the past decade, American families have struggled to maintain living standards. According to the former U.S. Secretary of Labor, Robert Reich, one of the main reasons the typical family has taken on more debt has been to maintain its living standards in the face of declining real incomes. With incomes dropping and the cost of living rising, more families have taken on debt to pay mortgages, finance their children's education, and continue paying for daily needs such as utilities, food, and healthcare. And as the current economic crisis freezes credit markets, many families may find credit lines unavailable when bills need to be paid, creating a critical need for immediate assistance from government and nonprofit agencies. During these local gathering of agencies, a number of providers have stated, "We have been seeing this for the past two years!" However, the current recession may very likely be the tipping point for low- to moderate-income households' sudden need for human services.

THE PITTSBURGH CLIMATE

To understand the crisis, we must first define what we know. We know that many frontline providers have prematurely exhausted their resources allocated for basic needs assistance due to the unprecedented demand. We understand that the increases in average wage will continue to fall significantly short of compensating for the price increases in gasoline, utilities, food, and healthcare. Therefore, assistance is needed to at least meet all of the above basic needs. The foreclosure crisis has not affected the City of Pittsburgh as intensely as many other regions; however, a significant population will suffer from settling adjustable rates in the next few years, and there is a number of individuals who will need assistance in rebuilding their credit ratings post-foreclosure. In the second quarter of 2008, the City of Pittsburgh witnessed a foreclosure rate of 1 in every 383 homes, an increase of nearly 90% over the corresponding period of 2007.¹

Poverty is prevalent in many parts of Pittsburgh. In 1980, the poverty rate in Allegheny County was 9.2%, climbing to 11.5% in 1990. In 2005, the poverty rate hit 12.4%, with 148,035 individuals living below the poverty level.² However, Allegheny County has traditionally fared better than the City of Pittsburgh, where the poverty rate is twice that of the County.

While individuals and families living below poverty level qualify for public assistance, most individuals living below 150% to 185% of the poverty level also qualify for assistance. This is because the official poverty line is a grossly outdated estimate of the budget necessary for families to meet basic needs. Even at the 150% poverty level, at \$29,941.50, a family of four is barely getting by. In fact, according to Pathways PA, the sufficiency standard for a family with two adults, one school-age child and a preschooler is \$49,573, or 243% of the poverty level. For the rest of Allegheny County, this number is bumped up to 250% of the poverty level.³

Even at the 150% poverty level, a family of four is still barely getting by.

In addition to those living at the poverty level, we must also be aware of a new population of individuals making an annual income comparable to 150% to 300% poverty level range, up to \$42,500 annually. This population lives paycheck to paycheck and makes up a higher percentage of the uninsured. The current economic downturn has pushed them over the edge. An increasing number of households in this income range have fallen into poverty, and others are barely making ends meet. The former group oftentimes has to wait until they qualify for assistance, and the latter group likely does not qualify for any public assistance. Often, they come to human services agencies when it is much too late for these services to make an impact; these cases include when utilities are a day from being shut off, or when their homes are a day away from being foreclosed. This group makes up the "first-time households" in this report.

"First-time households": households that are turning to human services agencies for the first time. They most often are those with incomes of up to \$42,200, living paycheck to paycheck and barely making ends meet.

TABLE 1. Current trends of the financial crisis

Trend	Individual Impact	Impact to Nonprofits
Rise in utility, gas, and food costs	<ul style="list-style-type: none"> ↗ Food insecurity ↗ Increased utilities termination ↗ Family immobility due to economic constraints 	<ul style="list-style-type: none"> ↗ Premature depletion of utilities assistance ↗ Increased demand at food kitchens and food pantries
Stagnant income	<ul style="list-style-type: none"> ↗ Savings depletion ↗ Increased debt ↗ Tightening of pockets 	<ul style="list-style-type: none"> ↗ Undercapitalized nonprofit sector ↗ Decreased financial support to nonprofits in arts and culture ↗ Decreased individual contributions for utilities assistance, food, furniture, and clothing
Foreclosure crisis	<ul style="list-style-type: none"> ↗ Increased homelessness ↗ Neighborhood instability ↗ Family insecurity 	<ul style="list-style-type: none"> ↗ Increased demand at emergency shelters ↗ Increased demand for mortgage assistance ↗ Stronger need for financial and mortgage counseling
Stock market decline	<ul style="list-style-type: none"> ↗ Rising unemployment ↗ Decreased consumer confidence ↗ Increased personal bankruptcies ↗ Decreased wages 	<ul style="list-style-type: none"> ↗ Tightening credit ↗ Declining foundation portfolios ↗ Declining corporate giving

COST OF LIVING

The Bureau of Labor Statistics (BLS) produces monthly data on changes in prices paid by urban consumers for a representative basket of goods and services. The BLS releases reports on Pittsburgh's Consumer Price Index (CPI) bi-annually, with each release listing percentage changes in prices of goods and services from the year before.

From 2000 to 2008, the increase in costs of basic goods and services has risen sharply. The total percentage increase for gasoline is 143%, and the Pittsburgh housing market increased by 24%. Utilities experienced a staggering 69% increase, and the cost for food increased by 32.5%.⁴ Table 2 lists the percentage change of goods and services from year to year between 2000 and 2008.

TABLE 2. Consumer Price Index for Urban Consumers in Pittsburgh

Year	Retail Prices	Gasoline	Housing - Shelter	Housing - Fuels/Utilities	Food - At Home	Medical Care
1999-2000	3.4%	38.6%	1.3%	13.7%	1.7%	1.7%
2000-2001	2.1%	-16.3%	2.4%	8.1%	5.0%	3.0%
2001-2002	0.3%	-16.2%	4.3%	-13.4%	3.4%	4.1%
2002-2003	1.4%	7.7%	3.7%	-5.1%	0.2%	4.5%
2003-2004	2.5%	17.8%	2.0%	8.2%	6.6%	5.9%
2004-2005	3.5%	17.1%	3.9%	11.0% (gas) 4.4% (electric)	3.5%	4.7%
2005-2006	3.7%	27.9%	4.1%	24.7% (gas) -0.3% (electric)	1.4%	5.8%
2006-2007	2.5%	5.0%	3.5%	14.5% (gas) -13.9% (electric)	5.1%	3.2%
2007-2008	4.9%	30.7%	1.0%	13.8% (gas) 9.5% (electric)	5.5%	7.0%
% Change 2000-2008	24.3%	143%	24%	69%	32.5%	44.5%

Source: The Bureau of Labor Statistics; Pittsburgh Consumer Price Index; August 14, 2008

WORKFORCE

Workforce data shows that the region's educational/health services and professional/business services sectors did create more jobs – 6,300 and 2,900 respectively. Census data indicates that median income in Pittsburgh increased by 4.4% from 2006 to 2007, in part due to the raise in the minimum wage.⁵ Table 3 shows the basic census data of Allegheny County with the percentage of those unemployed and the median income from 2000 to 2007.

TABLE 3. Allegheny County Census Data

Year	% Unemployed	Median Income*	% with B.A.	% Children Below Poverty Level	% 18+ Below Poverty Level
2000	3.7%	\$38,329	28.3 %	14.9%	10%
2002	7.5%	\$40,559(5.8%)	31.2%	17.4%	9.4%
2006	5.9%	\$43,691(7.7%)	32.4%	17%	11.2%
2007	5.5%	\$45,630(4.4%)	27.6%	15.2%	10.1%

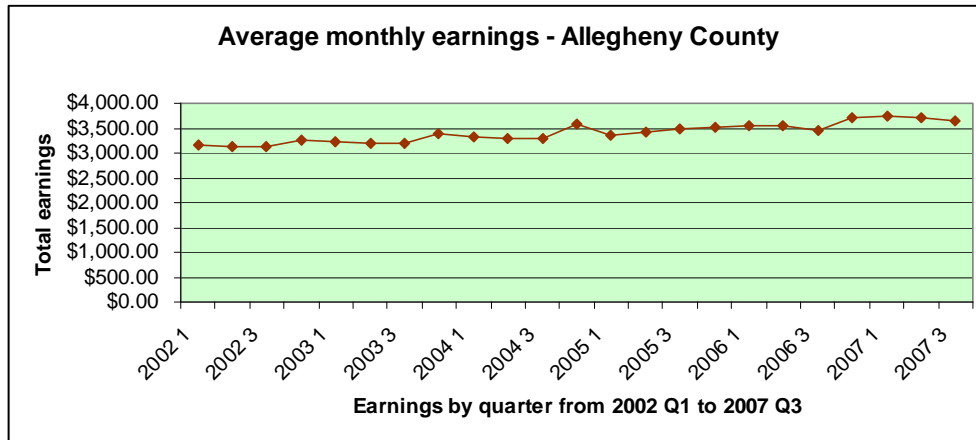
Source: Data compiled from United States Census Bureau, Census 2000, and American Community Survey Summary Tables, 2002, 2006, and 2007

*Percentage listed is change from previous year

STAGNANT INCOME

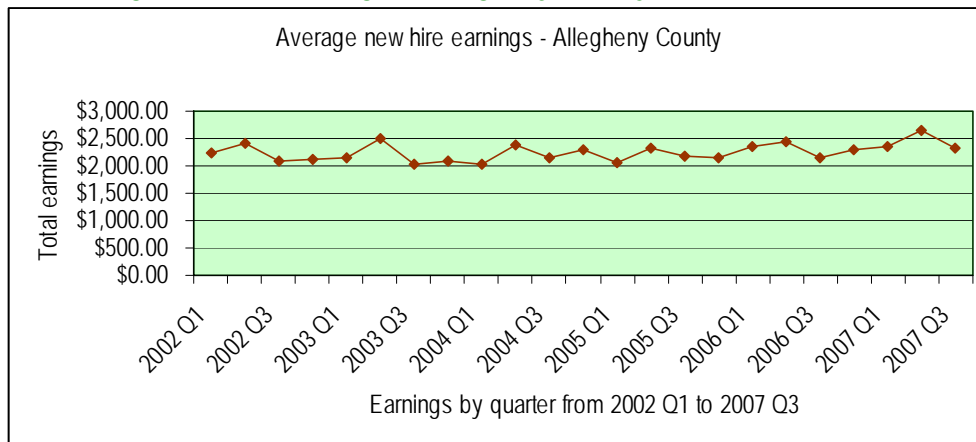
While the workforce in Allegheny County has experienced a drop in unemployment rates in the past eight years as well as consistent increases in average wage per job and per capita income, the percentage increase in wages fall significantly short of compensating for the price increases in gasoline, utilities, food, and healthcare. Between 2000 and 2008, the prices of goods and services increased substantially and alongside national trends. In the past twelve months alone, the cost of gasoline, housing energy, food, and healthcare have dramatically risen and posit challenges to many households in the Pittsburgh region whose income has remained stagnant. Average monthly earnings in Allegheny County have not experienced the same increase to compensate for the rise in the cost of living. Average new hire earnings per month have maintained steadily between \$2,000 to \$2,500 between 2002 and 2007, while the cost of living increased significantly during that same time period.⁶ Charts A and B display the average monthly earnings and average monthly new hire earnings in Allegheny County by quarters from 2002 to 2007.

CHART A. Average monthly earnings in Allegheny County from 2002 to 2007



Source: Allegheny County Monthly Earnings data, compiled by the Three Rivers Workforce Investment Board

CHART B. Average new hire earnings in Allegheny County from 2002 to 2007

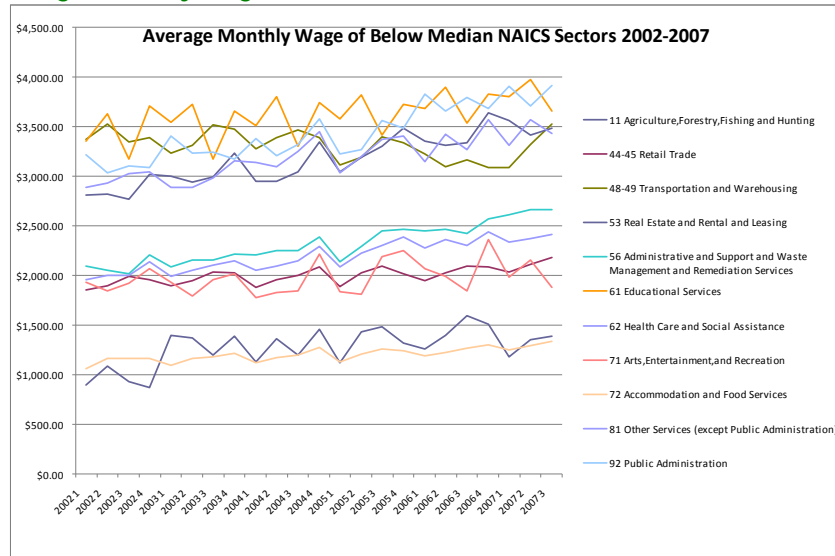


Source: Allegheny County Average New Hire Earnings data, compiled by the Three Rivers Workforce Investment Board

JOB SECTORS BELOW MEDIAN INCOME LEVEL

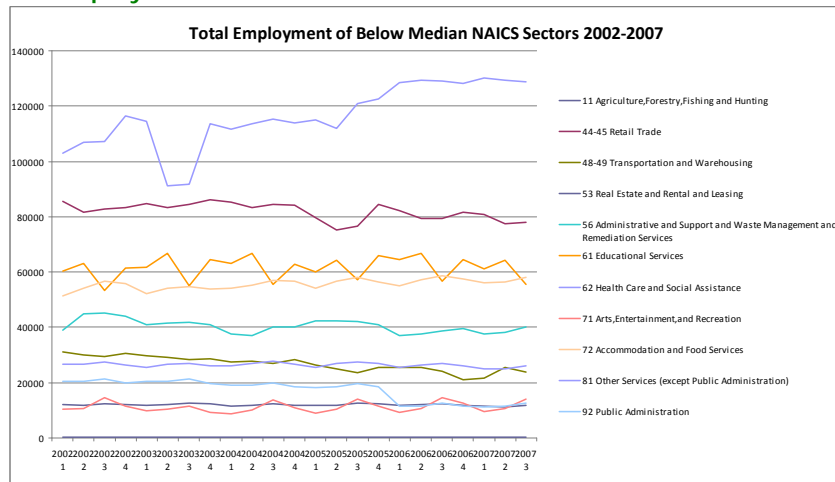
The data for wages for job sectors with average monthly wages below the median suggests a steady increase since 2002. However, with the exception of health care and social assistance, most of these sectors have either declined or remained stagnant in employment levels. Most of the individuals employed in sectors that pay below the median wage have not witnessed a significant increase in their wages, nor have they seen an expansion of their workforce. Chart C displays the trends of job sectors with sector average wages below the median wage of all sectors, and Chart D displays the total employment trends of job sectors with an average wage below the median wage of all sectors.

CHART C. Average monthly wage of below median NAICS Sectors, 2002 – 2007



Source: Quarterly Workforce Indicators (QWI) from the U.S. Census Bureau as compiled by the Three Rivers Workforce Investment Board

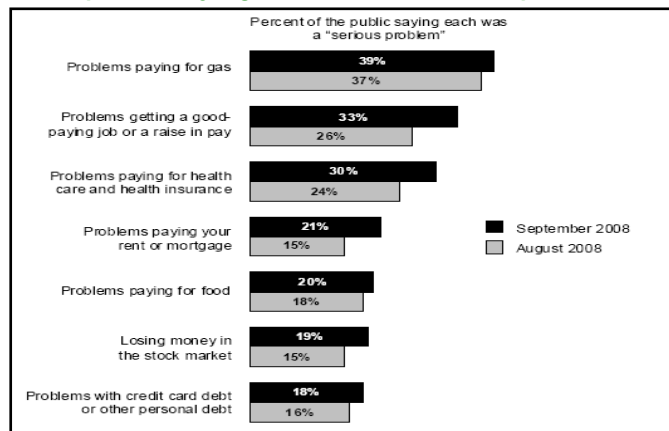
CHART D. Total employment of below median NAICS Sectors, 2002 – 2007



Source: Quarterly Workforce Indicators (QWI) from the U.S. Census Bureau as compiled by the Three Rivers Workforce Investment Board

Although recessions affect populations across the socioeconomic spectrum, the objective of this report was to determine what households are finding themselves incapable of maintaining a standard of living that meets basic human needs. It is our belief that these households that were once getting by from paycheck to paycheck are finding themselves in crisis due to stagnant wages in an environment where meeting the cost of living has become increasingly difficult over time. With employment levels in industry sectors remaining stagnant, and wages in those sectors not increasing in line with cost of living, households employed in those sectors may be contributing to the increase of demand for human services. Although there is limited region-specific data from the past year to support this theory, national data on both poverty rate and median income trends project a tumultuous employment and living environment for those households in low-to-moderate income communities throughout the next few years. A national survey completed by the Kaiser Family Foundation shows that 20% of these households had problems paying for food in September 2008 compared to 18% in August 2008. Furthermore, 33% had problems getting a good-paying job or a raise in pay in September 2008 compared to 26% in August 2008.⁷ Chart F below shows the major findings from the survey.

CHART E. Percent of the public saying each was a “serious problem”



Source: Kaiser Family Foundation, Oct. 2008

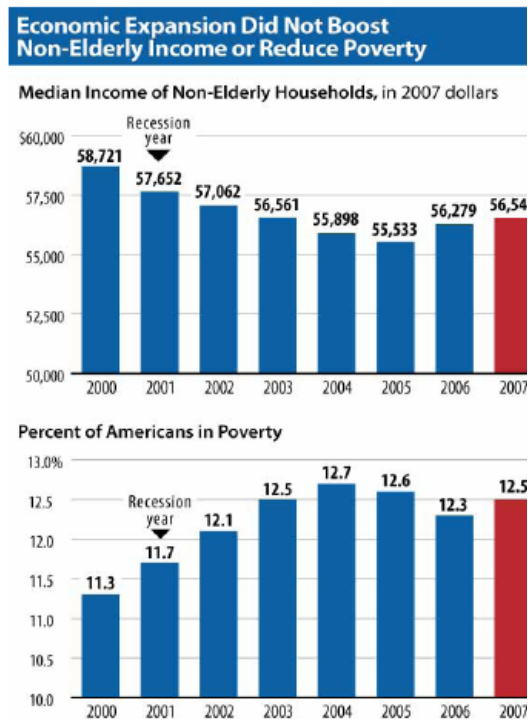
NATIONAL TRENDS AND PREDICTIONS FOR LOW- TO MEDIAN-INCOME HOUSEHOLDS

The absence of current concrete data on employment, wages, and health insurance for the Pittsburgh region has left agencies and residents uncertain about the impact of the recent economic downturn. However, it is important to recognize that recent economic events in the real estate and finance markets are not the primary source of the rising need for human services. Rather, according to national trends, the low- to moderate-income bracket of the population has been struggling to maintain living standards for quite some time, despite economic expansion over the past six years. The current recession, though not the source, may very likely be the tipping point for the low- to moderate-income households' unprecedented need for human services.

A report released on August 26, 2008, by the Center on Budget and Policy Priorities states that, for poverty rate and non-elderly median income, the United States, from 2001 to 2007, had the worst performance on record for any six years of economic growth.⁸ In 2007, the poverty rate remained

higher, median income for working-age households remained lower, and the number and percentage of Americans without health insurance remained much greater than in 2001, when the last recession hit rock bottom. Highlights from the report, titled "Poverty and Share of Americans Without Health Insurance Were Higher in 2007 – and Median Income for Working-Age Households Was Lower – Than at Bottom of Last Recession," published by the Center on Budget and Policy Priorities, include:

CHART F. Economic Expansion Did Not Boost Non-Elderly Income or Reduce Poverty



- Census data from August 2008 shows that the poverty rate stood at 12.5% in 2007, which was statistically unchanged from the 12.3% level for 2006, but well above the 11.7% level for 2001. This means that if 2007 turns out to be the final year of this economic expansion, the recovery will have produced no gain in reducing poverty.
- Overall median income increased from 2006 to 2007, but median income for working-age households (i.e., those headed by someone under 65) remained statistically unchanged from the 2006 level, and \$2,000 below its level for 2000 when the previous economic expansion peaked. The economic expansions produced no gain in median income for the group normally most helped by economic growth – non-elderly households.

Source: Center on Budget and Policy Priorities, August, 2008

The report also includes predictions for 2008 and beyond:

- There are clear signs that the economic situation has deteriorated in 2008. Poverty and the share of Americans without health insurance are almost certainly rising, and median income is almost certainly falling. The number of jobs in the economy fell by 463,000 over the first seven months of the year, and unemployment rates are climbing.
- The average hourly earning of production workers fell by 2.9% in inflation-adjusted terms between 2007 and 2008, as high food and energy prices contributed to a rising cost of living.
- The downturn in economic indicators, if sustained through 2008, bodes poorly for poverty and income. In the past when the unemployment rate has risen and weekly earnings have declined, median annual income has always fallen, and poverty has always increased.
- Most economic forecasters expect the unemployment rate to keep rising because they do not see underlying strength in an economy that continues to fight the headwinds of high food and energy prices, ongoing housing market woes, and credit market jitters.

It is possible that the current recession will not only maintain or increase current poverty rates, but also tip the scale for many American moderate-income families who have not traditionally sought out human services. As David Leonhardt states in a *New York Times* article titled "Next Victim of Turmoil May Be Your Salary":

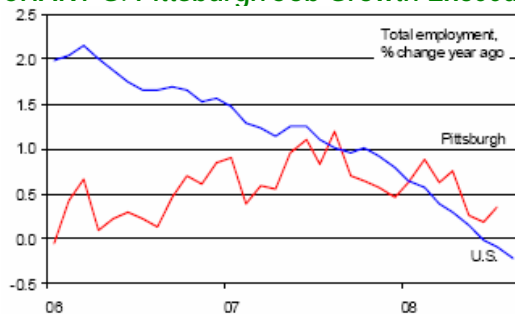
*"In a recession, businesses cut back on their workers' hours, hand out raises that don't keep pace with inflation and often skip paying bonuses. These cuts in hour and pay are the main way that a downturn affects families, because only a small share of workers actually lose their jobs...Every recent recession has brought an effective pay cut of somewhere between 3 and 7 percent for the typical family. The drop typically happens over a period of about three years, lasting longer than the recession officially does, as pay fails to keep up with inflation. The recent turmoil — the freezing up of credit markets, the fall in stock markets, the acceleration of layoffs — has made it unlikely that the coming recession will be a particularly mild one."*⁹

TRENDS AND PREDICTIONS FOR THE PITTSBURGH ECONOMY

A PNC Financials economics report provides the most recent and comprehensive assessment of the Pittsburgh economy.¹⁰ Highlights from the report include:

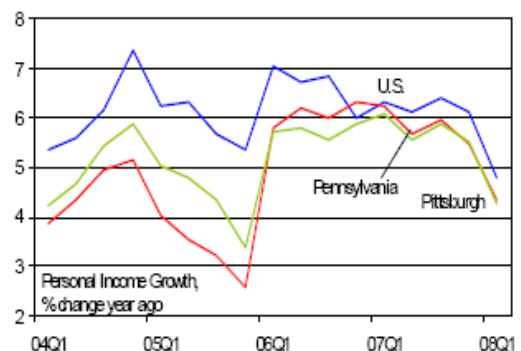
- Economic activity in the Pittsburgh MSA is still expanding at moderate pace, but will cool down as the U.S. economy slips into recession.
- Employment growth has fallen off its mid-2007 peak to now less than 0.5% on a year-ago basis.
- The rate of hiring for most industries has tracked steadily down in recent months and will keep job growth in Pittsburgh subdued for the remainder of the year.
- Manufacturing employment remains vulnerable but has shown stability.
- Venture capital is growing faster in Pittsburgh than almost anywhere in the country.
- Gaming industries are expected to contribute to area employment.
- Subdued job creation for the remainder of 2008 will likely push Pittsburgh's unemployment rate up during the fourth quarter (Chart G).
- Income growth in the region in 2007 was just off the national pace (Chart H).

CHART G. Pittsburgh Job Growth Exceeds U.S.



Source: PNC Financials

CHART H. Income Growth Still Below U.S.



UNDERSTANDING INCREASED DEMAND IN PITTSBURGH

For this report, The Forbes Funds conducted an Agency-Impact Survey that portrayed a human services sector facing an increased demand for services across the board. Many agencies reported facing funding shortfalls, depleting resources, and most importantly, a restricted capacity to meet community needs. This section focuses on the current and anticipated increase in demand for food, utilities assistance, and transportation. The information provided includes agency observations documented during the October 17 meeting of this project's sample of "core" human services agencies.

OCTOBER 2008 AGENCY-IMPACT SURVEY

The Agency-Impact survey was distributed to all members of the Greater Pittsburgh Nonprofit Partnership as well as additional human service agencies that serve the region. The agencies that responded serve a population that is mostly low-income, with a high percentage of individuals who are unemployed and/or are receiving public assistance. The characteristics of clientele varied across service sectors; however, the survey results depicted shared trends across the entire nonprofit sector.

METHODOLOGY

The Agency-Impact Survey was created by The Forbes Funds and distributed via Survey Monkey. Distribution channels included the Greater Pittsburgh Nonprofit Partnership (GPNP), a coalition of close to 300 nonprofit organizations, and a list of fifteen frontline providers. The survey was open for seven days, and 28 valid responses were entered. All calculations were made by Survey Monkey and graphed by the authors of this report.

Below is a list of agencies that completed the Agency-Impact Survey. The Forbes Funds would like to publicly thank all participating agencies for their time and their prompt, insightful responses.

Agency-Impact Survey Respondents:	
ACTION- Housing, Inc.	Human Services Center Corp
Addison Behavioral Care	Junior Achievement of Western PA, Inc.
American Respiratory Alliance of Western Pennsylvania	Light of Life Rescue Mission
Boys & Girls Clubs of Western Pennsylvania	Metro Family Practice, Inc.
Catholic Charities of the Diocese of Pittsburgh	Multiple Sclerosis Service Society
Coalition for Christian Outreach	North Hills Affordable Housing HEARTH
Community Human Services	North Hills Community Outreach

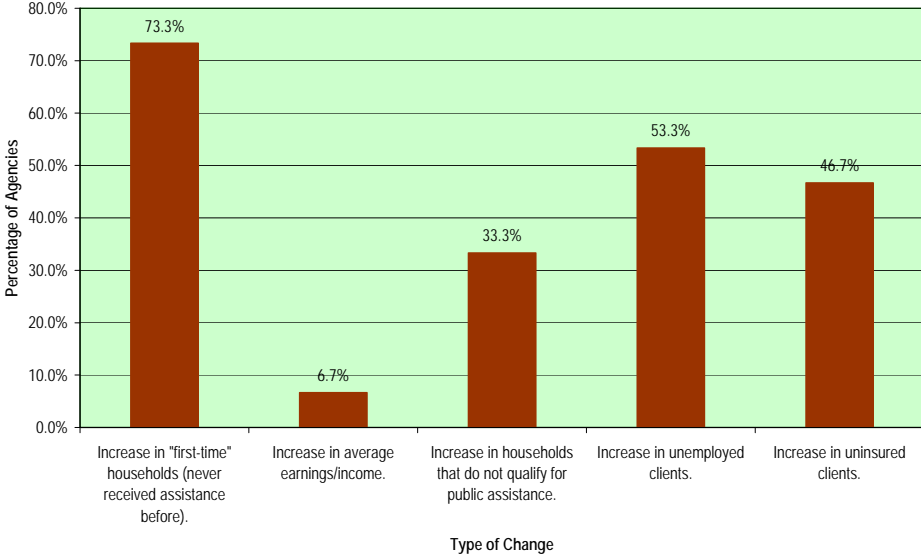
Dollar Energy Fund	Pittsburgh AIDS Taskforce
East End Cooperative Ministry	Society of St. Vincent de Paul
Family Services of Western Pennsylvania	Travelers' Aid Society of Pittsburgh
Focus on Renewal	Union Project
Greater Pittsburgh Community Food Bank	Volunteers of America of Pennsylvania (Southwestern Region)
Greater Pittsburgh Literacy Council	Western Pennsylvania School for Blind Children
Hosanna House, Inc.	Women's Center and Shelter

QUESTION 1

Has your agency witnessed a qualitative change in the population that you have served in the past 6 months?

When agencies were asked if they had witnessed a qualitative change in the population served in the past 6 months, agencies reported that 73.3% have seen an increase in “first time” households (households that have never received assistance in the past); 33.3% have seen an increase in households that do not qualify for public assistance; 53.3% have seen an increase in unemployed clients; and 46.7% have seen an increase in uninsured clients.

CHART I. Has your agency witnessed a qualitative change in the population served in the past 6 months?



Additional comments posted in response to Question 1 included:

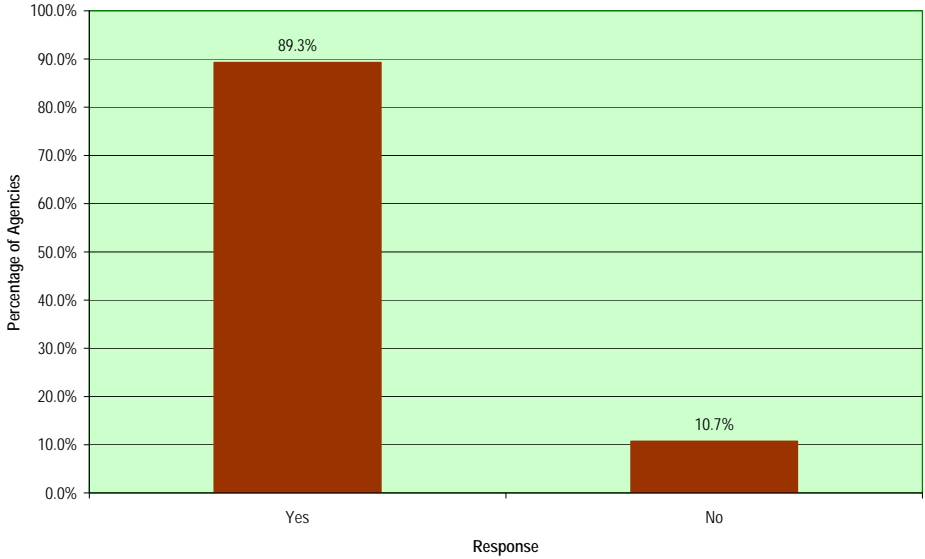
- Increase in clients who may in the past have qualified for assistance from funding sources but never applied.
- Increase in demand from the working poor who do not qualify for existing programs and have no where else to seek assistance.
- Since the number of homeless individuals increased, HUD has responded by tightening the requirements for admission to affordable housing. Thus, our agency has received an increase in calls from individuals that don't qualify for assistance and cannot pay bills, have lost jobs, cars...etc.
- 20% increase in young clients who cannot afford to pay tuition.

QUESTION 2

Has your agency observed an increase in demand for your services since January of 2008?

Since January of 2008, 89.3%, or 25 of the 28 human services agencies, said that they have observed an increase in demand for their services.

CHART J. Has your agency observed an increase in demand for your services since January, 2008?



QUESTION 3

Do you anticipate a shortfall in funding in providing these services during the next 6 months?

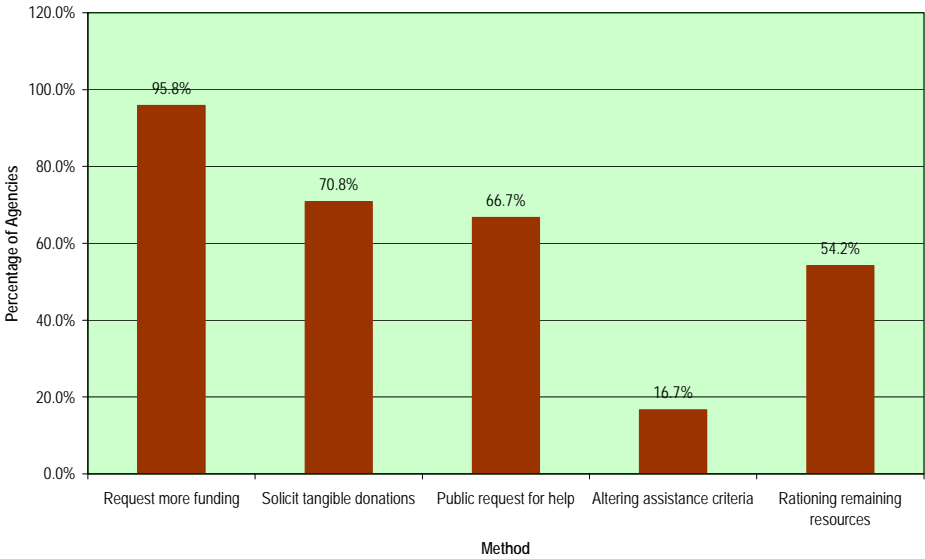
22 out of the 28 agencies answered the question; out of those 22, **100% of agencies responded “yes”** to this question. While some agencies felt that it is too early to tell, and others are already operating with a deficit, the majority of agencies felt they have a good projection of the amount of shortfall for the remainder of the year; this includes funding required to provide needed services and to cover anticipated loss of funding due to decreases in government funding and individual contributions.

QUESTION 4

How does your agency intend to respond to an increase in demand for resources?

For this question, agencies were asked to choose all that applied. 95.3% intend to request more funding, 70.8% will solicit tangible donations, and 66.7% plan to make a public request for help. Internally, 16.7% plan to alter assistance criteria, and 54.2% will ration remaining resources. Additional comments included downsizing, reducing expenses, and hosting fundraising events.

CHART K. How does your agency intend to respond to an increase in demand for resources?

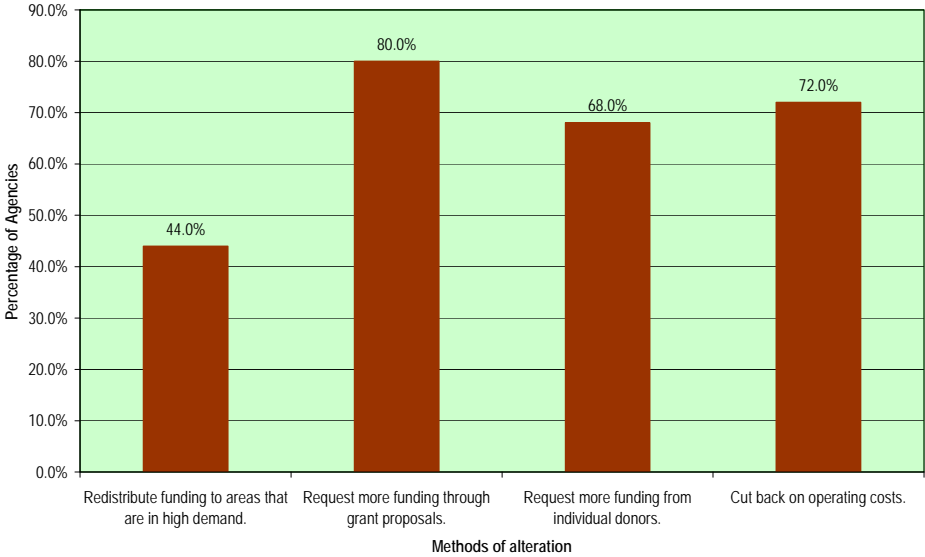


QUESTION 5

How will you alter your budget to address increased community need?

25 out of the 28 agencies answered this question. 80% of agencies intend to request more funding through grant proposals. Some will also meet with legislators to discuss state appropriations for 2009 to 2010. 72% of agencies plan to cut back on operating costs, and 44% will redistribute funding to areas that are in high demand. Others plan to seek opportunities for more fees for service programs.

CHART L. How will you alter your budget to address increased community need?



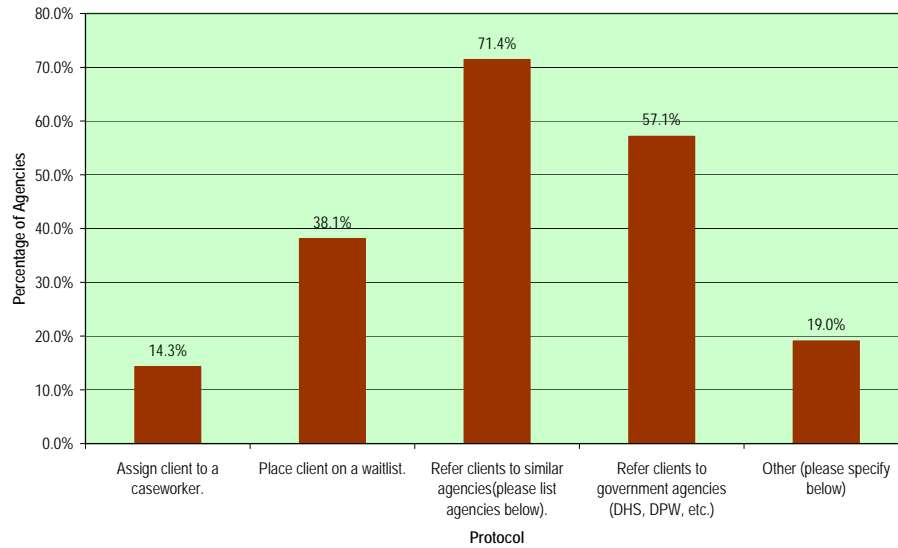
QUESTION 6

What is your protocol for handling cases that your agency is unable to assist due to expended resources?

Prior to conducting the survey, a number of agencies mentioned the need for a coordinated effort towards referrals. Due to dwindling resources, many frontline agencies have had to refer their clients to other human services agencies or to the government for public assistance. Our intention for this question is to understand better how agencies are currently utilizing the referral process.

While the data indicates that 71.4% of agencies refer their clients to similar agencies, these referrals are usually made for specific public assistance needs, such as in supplementing for food that an agency does not have the capacity to provide or to enroll eligible clients in utilities assistance programs. A majority of the agencies have commented that they have not turned anyone away despite the need to refer clients to other services, and for some, they are the only agency providing the type of service needed.

CHART M. Protocol for handling cases that your agency is unable to assist due to expended resources



ASSISTANCE FOR BASIC NEEDS

Through the Agency-Impact Survey, recent meetings with frontline providers convened by The Forbes Funds, and the United Way's 2008 Helpline Data, it is clear that we must identify food, shelter and utilities, and transportation as pressing needs for the Pittsburgh community. Therefore, this next section focuses on these basic needs as well as what implications this has on other agencies working in areas outside of social services, such as arts and culture and the environment.

FOOD

Across the nation, food banks are witnessing a decrease in donations coupled with an increased demand for food. In fact, 9,179 new households have sought assistance from local food pantries, soup kitchens, and other providers in the first eight months of 2008 alone. Between August and September, this number increased by 11%.¹¹ Additionally, food and beverage prices at the retail store level in Pittsburgh increased by 4.6% since the first half of 2007.¹² Stagnant income has caused many individuals, including working families, to seek assistance from local food banks, food pantries, and soup kitchens. To seek assistance from a food bank, families must earn below 150% of the poverty rate. This means that a family of four must earn less than \$29,941.50 annually to receive assistance from a local food bank.

"9,179 new households have sought assistance from local food pantries, soup kitchens, and other providers in the first eight months of 2008 alone."

In 2007, the Greater Pittsburgh Community Food Bank conducted a gap study to determine the gap between need and service in Allegheny County and the City of Pittsburgh. Of those living below 150% poverty level within both the City of Pittsburgh and Allegheny County, only 15% are currently being served through the food bank. Another significant finding was that while the original

intent of the food bank was to provide emergency food assistance, most of the clientele of food pantries were long-term or “chronic” users rather than “emergency” users.¹³

Now more than ever, the Greater Pittsburgh Community Food Bank is in critical need of food donations. Among other factors, wholesale purchase is experiencing a huge hit. Soaring food prices have had a profound effect on the food bank’s ability to purchase enough food. For example, the cost of pasta increased by 88% from 2006 to 2008, and within the same time period, the price of peanut butter increased by 42%.¹⁴ A \$200,000 order of food now makes up a three- to four-week supply; last year, it would have lasted an estimated two to three weeks more. At the same time, agencies are purchasing more food because of increased demand, spending more and receiving less.

In addition to the local food bank, other frontline agencies are also seeing a spike in demand for food. The Jewish Family & Children’s Service experienced a 75% increase in enrollments at Food Pantry and the United Way Helpline reported a 24.6% increase in demand for food pantries.¹⁵ Although providing emergency food services is sometimes only seen as an alleviation of the problem and not the solution, it will be an enormous task for the coming winter months.

HOUSING/UTILITIES

The housing crisis can be seen as a combination of the foreclosure crisis and a growing inability for households to afford utilities. Here, we will examine both challenges as it affects our community and local nonprofits.

Foreclosures

A recent report on home foreclosures in Allegheny County was published by the Allegheny County Department of Human Services to look at current foreclosure trends and how the foreclosure crisis has affected the county. Some noteworthy trends include the following:

- The foreclosure crisis in Allegheny County is affecting mostly households with income ranging from \$22,500 to \$42,500.
- Foreclosures disproportionately affect neighborhoods with moderately high homeownership rates and high concentrations of low-income and minority residents. 50% percent of the county’s foreclosures were concentrated in 24% of the county’s census tracts.
- Nearly 40% of defendants in foreclosures had received DHS services at some point; half of those were actively using services at the time of their foreclosure. Since DHS serves approximately 17.2% of Allegheny County’s residents, these findings suggest that those in foreclosure are more likely to access human services than the general population.
- 60% to 70% of foreclosures in Pennsylvania originated from sub-prime loans, a notably high percentage compared to 2002, when less than 10% of all loans made in PA were sub-prime.
- In the second quarter of 2008, the City of Pittsburgh recorded a foreclosure rate of 1 in every 383 homes, an increase of nearly 90% over the corresponding period of 2007.

As alarming as these trends may be, it is also important to note that the foreclosure crisis has not affected Allegheny County as intensely as many other regions due to a number of reasons:

Throughout Pennsylvania, the Homeowners' Emergency Mortgage Assistance Program has helped many residents in avoiding foreclosures. Find out more at HEMAP.org.

- Allegheny County has seen gradual and steady increase in home values, but has not experienced the bubble and the burst that other, fast-growing communities have seen.
- Housing has remained affordable in the region. The housing index rose 3.0% from August 2007 to August 2008.
- Unemployment is low, and while income increases have been modest, they have outpaced inflation.
- Pennsylvania residents on average tend to be older and have a good credit history; they also have not taken out as many sub-prime loans as residents of other areas.
- Pennsylvania's past experience with foreclosures led to the creation of the Homeowners' Emergency Mortgage Assistance Program (HEMAP), a statewide program that provides protection to borrowers at risk of foreclosure. HEMAP has assisted many state residents in avoiding foreclosure during the current crisis.

The United Way Helpline is also witnessing a surge of requests for family shelters at an increase of 124% from January to September of 2008. Additionally, 1,345 requests have been made by renters seeking assistance to avoid eviction.¹⁶ Other frontline agencies are also reporting a spike in calls for eviction prevention. Nationally, the Kaiser Family Foundation survey found that in September 2008, 21% of the public said that they are having a serious problem paying for rent or mortgage.¹⁷ This is compared to 15% in August 2008.

Utilities

With the winter months looming ahead, families across our community are seeking help paying soon-to-be staggering utilities bills. Heating costs are expected to increase by as much as 30% this year – a huge contributor to why low- to mid-income households are struggling, let alone those households below the poverty level.¹⁸

For the first half of 2008, the energy index, which reflects pricing for gasoline and household fuels, jumped 23% in comparison to the first half of 2007.¹⁹ More households are surviving without electricity and/or without a central heating source due to termination of utility service. These numbers increased by 35% and 32% respectively. Total households without service decreased by 25% from 2006 to 2007; however, this number is still at a staggering 9,947 households. Similarly, the total households without a central heating source due to termination of utility service decreased by 23%; however, the total number is still at 12,965.²⁰

Many homeowners are now living with no utilities, and low-income households living with utilities are left with less disposable income to purchase other necessary items for their families. In some cases, households are utilizing potentially unsafe heating sources to survive through the winter months. In other cases, the inability to pay for utilities has led to evictions, then homelessness. Furthermore, for households whose utilities have been terminated, it becomes extremely difficult to gain access again. Oftentimes, it would require a deposit that can range from an estimated \$200 to

\$900, which would also include a credit check. For most low-income households, this would deny them the ability to have their utilities turned back on.

Locally, we are fortunate to have the Dollar Energy Fund to provide utilities assistance to households under 200% of the federal poverty level. To date, the Dollar Energy Fund has provided over \$50 million in utility assistance, with \$3.7 million granted from October 2007 to September 2008. Much of the funds raised are through individual contributions by those who can afford

Governor Rendell recently announced that the eligibility for the Low-Income Home Energy Assistance Program (LIHEAP) has expanded to households earning below the 210% federal poverty level – up to \$44,443 for a family of four.

utilities; this pool of contributions is then matched, dollar for dollar, by local utilities companies. However, due to the economic downturn, individual contributions have decreased significantly this year, leaving \$615,000 unmatched dollars on the table. At the same time, demand has increased due to the spike in gas and electric prices. Due to the spike in costs, Dollar Energy Fund is expecting a projected \$40 increase in the amount of average grants, from \$370 to \$412.

At the state level, Governor Rendell of Pennsylvania convened a statewide summit to ensure Pennsylvanians are prepared for the winter months. At the summit, he announced \$280 million in funding for the Low-Income Home Energy Assistance Program (LIHEAP), which assists Pennsylvanians in paying heating bills and avoiding shut-offs. Due to the current economic downturn, eligibility for LIHEAP has also expanded to households earning under the 210% federal poverty level, up to \$44,443 for a family of four. With this new eligibility, 80,000 more individuals will be able to apply for grants to help pay for utilities this winter, and 30,000 will qualify for crisis grants, with a total of 450,000 households eligible for LIHEAP funding.²¹

In addition to announcing funding for LIHEAP, the state launched the “Turn Down, Seal Off, Save Up” campaign to help citizens understand how to conserve energy, explore budget options, learn to heat their homes safely, and stretch their utilities dollars to last the winter months. More information can be found at www.turnsealsave.org.

TRANSPORTATION

According to the Bureau of Labor Statistics, the transportation index increased 11.4%, the largest increase in transportation prices since index publication began in 1984. This is largely due to higher gasoline prices. The gasoline index jumped 30.7% from its year-ago level – the largest single-year increase in this index since the first half of 2000 – and it has increased by 130% since 2003, when it was \$1.54 per gallon.²²

Nationally, the Kaiser Family Foundation Public Opinion survey found that paying for gas is the number one “serious problem” for individuals, with 44% of individuals surveyed choosing this as a “serious problem.” When broken down by income levels, 63% with household incomes under

63% of households with income under \$30,000 have reported having had “serious problems” paying for gas.

\$30,000; 43% with annual earnings of \$30,000 to \$74,999; and nearly 3 in 10 (27%) of those earning above \$75,000 said that they experience problems paying for gas as a result of changes in the economy. These numbers are 15% higher than the next most “serious problem” listed, and

others listed include “problems paying for food,” “problems paying your rent or mortgage,” and “problems getting a good-paying job or a raise in pay.”²³

Locally, Travelers Aid Society of Pittsburgh has seen a significant increase in demand for services, averaging 13,000 individuals and families per year for various medical, employment and training, and behavioral health services. In 2006 that number was between 6,000 and 8,000. There has been a 35% increase in bus ticket requests and increases in counterfeit tickets reported to Travelers Aid. Increases have been seen not only for clients who may in the past have qualified for assistance from various government-funded sources but never applied, but also from the working poor who do not currently qualify for any existing programs and have nowhere else to seek assistance. Requests for local transportation have outstripped Travelers Aid’s ability to address their needs, in addition to a 41% increase in requests from individuals and families who are attempting to relocate to find employment from other areas but becoming stranded in Pittsburgh.

In addition to increased cost, it is also important to take a look at access to transportation – whether individuals own a vehicle or have the financial means to use public transportation. For those who own a vehicle, gas prices are a significant concern, but it also costs about \$8,000 annually to maintain and operate a vehicle. For the latter group, gas prices have played a significant role for rising transportation fares. Across the City of Pittsburgh, there are approximately 40,753 households without ownership of a vehicle.²⁴ This number, when broken down by neighborhoods, is highest in East Liberty, North Oakland, Bloomfield, Shadyside, and Brookline. Although these neighborhoods are frequented by buses, other neighborhoods are less fortunate, and concerns over whether or not the Port Authority will continue services after January remains unknown.

OTHERS

The significant need for human services has led some foundations to reprioritize their funding to help forge a stronger safety net for the community. Therefore, some of the dollars once available for the arts, capital campaigns, development projects, and other initiatives not seen as basic necessities will no longer be available. Agencies must understand what this means to them and what they must do to sustain themselves. Other concerns this raises are:

- Agencies must grow themselves cautiously and strategically.
- Grant proposals will be highly scrutinized as the funding environment becomes ever more competitive. Well-thought-out, well-planned, and carefully articulated proposals will have a better chance of competing for funding.
- Collaborations and partnerships will increase as a way to leverage funding and improve operations. Agencies must have a clear understanding of when collaborations and partnerships will benefit them.
- Agencies should revisit their current business models to make sure they are strong enough to endure the financial crisis.

DECLINE IN FUNDING

The turbulent stock market has deeply impacted foundations, as well as corporate and individual giving. A number of foundations in the Pittsburgh region have stopped accepting new grant applications for 2008, and for some, it remains unknown when they will once again accept new grant applications. For others with pre-existing multi-year grants committed, it is difficult to tell how much discretionary funding exists for the new year. A recently published Guidestar survey found that 43% of foundations increased the amount they awarded this year, a drop of 9% from 2007. More foundations said the amounts awarded this year stayed about the same as last year, and about 16% have decreased the amount awarded.²⁵ Competition will continue to grow for foundation dollars as priorities begin to shift, at least for the time being, to help those in dire need.

Corporate giving has also declined due to the slump in the stock market. The Guidestar survey stated that the second-most frequent reason for agencies to report a decrease in contribution is that "corporate gifts were smaller." Indeed, *Giving USA*, the annual report on philanthropy, also reported a decline in corporate giving, while both individual giving and foundation giving experienced an increase. It is important to note that giving will continue to decrease in 2008 and 2009 as the economy remains unstable and the amount of discretionary dollars lessens.

Individual giving is critical during this time of the year – termed the "giving season" – when many nonprofits do most of their fundraising. For some agencies, this funding is necessary to maintain their operation until the new funding year begins. Although individual giving has not decreased, those who can give will face challenges in choosing the cause and/or agency to give to as competition grows and other funding streams dwindle. Online giving will be a critical fundraising source this holiday season as the use of Internet becomes more prevalent among donors.

Furthermore, government funding has been decreasing and will continue to drop as spending has been impacted by the rising war debt and the skyrocketing cost of healthcare. The cost for entitlements – Medicare, Medicaid, and Social Security – continues to grow as discretionary funding continues to lessen. As of October 2008, the Center on Budget and Policy Priorities reported that the current state deficit will amount to a staggering \$1 trillion shortfall in 2009. Governor Rendell recently released the state budget for 2009 with a list of \$311 million in proposed current-year budget spending cuts.²⁶ At this time, no spending cuts have been proposed for frontline human services, suggesting that government officials recognize the amplified need for human services.

SHORT- AND LONG-TERM STRATEGIES

The current economic crisis cannot be ignored. Short-term strategies must be implemented to withstand the coming winter months, and long-term interventions must be developed to prevent more individuals from falling into poverty and to help rebuild the lives of those who already affected.

SHORT-TERM STRATEGIES

The winter months pose a dangerous threat to those who will find access to food, shelter and utilities, and transportation challenging. Below is a list of short-term strategies for public assistance to get through the winter months:

1. *Emergency community assistance fund* – The Pittsburgh Foundation, United Way of Allegheny County, and The Forbes Funds, realizing the financial burden placed on frontline agencies, are seeking to partner with community leaders and foundations to establish an emergency community assistance fund to help strengthen the safety net.
2. *Helpline* – A countywide, 24-hour information and referral helpline is available to link people to needed services and resources. The helpline can be reached at (412) 255-1155.
3. *Donation center* – The Pittsburgh Cares Online Donation Center will feature wish lists from nonprofit agencies throughout the region that touch upon the following impact areas: adult education and literacy, animal support, children and youth, community events, disaster relief, health and wellness, environmental protection/preservation, homelessness and hunger, renovation-revitalization-repair, and senior care.
4. *Effective coordination for services* – A clear and efficient referral system can enable agencies to provide services at a faster rate. In some instances, agencies are referring individuals to other agencies whose resources have also dramatically declined due to increased demand. An up-to-date knowledge of available resources will enable referrals to be much more effective.
5. *Seek matching funds* – Agencies should think about where opportunities lie for matching dollars and communicate and strategize with each other to maximize the amount available. For example, the Dollar Energy Fund currently has approximately \$615,000 of matching funds from utilities companies awaiting a match. Dollar Energy Fund can leverage the funding that other agencies offer for utilities assistance to receive the matching grant.
6. *Donation and volunteering* – Although financial contributions will decline, individuals can still contribute in other ways. Other than food, furniture, clothing, blankets, and basic toiletry are in high demand. Additionally, agencies should take this opportunity to bring in volunteers to offset the workload of overworked staff members.

LONG-TERM STRATEGIES

Long-term strategies that should be considered by Pittsburgh-region agencies include:

1. *Provide additional services for the most vulnerable population:*
 - Increase access to food banks, pantries, soup kitchens, and other food supplies
 - Encourage enrollment in financial, credit, and mortgage counseling
 - Provide access to mortgage and rent assistance much sooner before evictions – increase outreach to vulnerable population
 - Reduce demand for utilities assistance by promoting energy savings methods
 - Make medical services available to uninsured and underinsured
 - Provide transportation assistance and promote rideshares and bike rides
2. *Invest in staff development* – Agency leaders must be cautious of the stress being placed on nonprofit staffs and avoid burnout during this tumultuous time. Workloads must be monitored, and agencies must implement activities to keep staff energized, refreshed, and current with needs and trends.
3. *Continue to monitor the economic landscape* – The community must continue to monitor the state of the economy and maintain communications and collaborations efforts. Long-term strategies deserve long-term commitments from all parties involved.
4. *Increase public policy efforts* – Government decisions have a huge influence on the work that the nonprofit sector performs everyday. Agencies must engage themselves in crafting sound public policy and provide feedback to legislators when decisions will impact themselves and their constituents.

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Economic Impact Report Data Highlights -

Nationally, the number of jobs in the economy fell by **463,000** over the first seven months of the year.

From 2006 to 2008, the cost of pasta increased by **88%** and the cost of peanut butter increased by **42%**.

Travelers' Aid Society of Pittsburgh experienced a **35%** increase in bus ticket requests.

9,179

new households have sought assistance from local food pantries, soup kitchens, and other providers in the first eight months of 2008.

Governor Rendell recently released the state budget for 2009, included was a list of **\$311 million** in proposed current-year budget **spending cuts**.

Between 2000 to 2008, the price of gasoline increased by **143%** and the cost of housing-fuels/utilities increased by **69%**.

100%

of surveyed agencies are expecting a funding shortfall.

The United Way of Allegheny County reported that **1,345** requests have been made from January to September, 2008, by renters seeking assistance to avoid eviction.

2007 Median Income - **\$45,630**, up 4.4% from 06.

2006 Median Income - **\$43,691**, up 7.7% from 05.

73.3% of local frontline agencies reported that they have seen an **increase in "first-time" households**.

In the second quarter of 2008, **1 in every 383 homes** was foreclosed, a **90% increase** since 2007.

The foreclosure crisis is affecting mostly households with incomes ranging from **\$22,500 to \$42,500**.

"Every recent recession has brought an effective pay cut of somewhere between 3 and 7 percent for the typical family. The drop typically happens over a period of about three years, lasting longer than the recession officially does, as pay fails to keep up with inflation."

- David Leonhardt, *New York Times*