

State Resource Networks

a Presentation to the
National Association of State Budget Officers (NASBO)

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National Resource Network

- **Addressing economic challenges:** Part of the White House Strong Cities, Strong Communities initiative, the Network was created by HUD in 2013 with the goal of supporting economically challenged cities through comprehensive technical assistance focused on enhancing competitiveness.
- **Competitive process:** Approximately 300 cities were eligible for Network assistance based on population, poverty and unemployment. Cities applied for assistance and the Network conducted detailed assessments to determine where to go and what technical assistance would be most valuable.
- **A nationwide initiative:** With an initial \$10 million in federal funding, the Network has worked with 50 cities in 22 states, to provide a broad range of support that has helped cities better position themselves to compete economically.

Technical Assistance from National Experts



Strategic Partners
and other providers
(e.g., Jobs for the
Future, Center for
Community Progress)

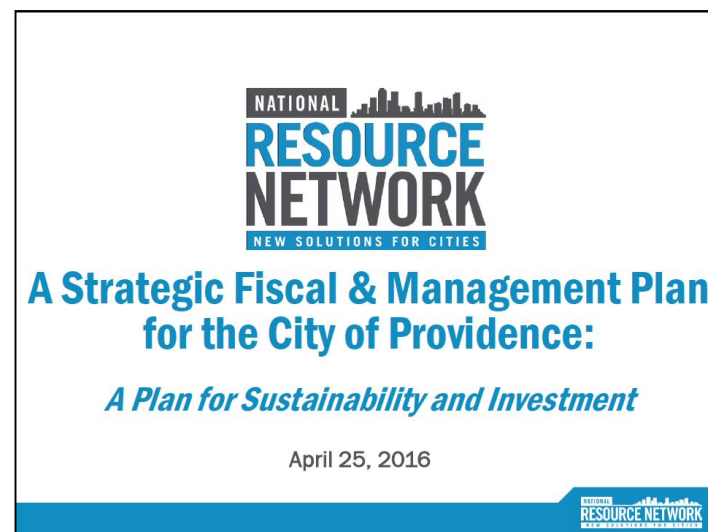


Robert F. Wagner Graduate School of Public Service



Providence Plan

- Eliminates the City's \$176.8 million cumulative gap over 10 years and begins to fund \$200 million in priority investments in the City's neighborhoods, children, infrastructure, and tax reform.
- Expenditure savings recommendations total \$500 million, including increasing the affordability of retiree benefits through changes in pension and OPEB; reforming employee compensation through changes in health insurance and holidays; re-engineering the Fire Department; and increasing civilianization.
- Revenue recommendations total \$225 million in recurring revenue and additional revenues from asset sales, including a parking tax targeted for capital investments; implementing Pay as You Throw for garbage collection and recycling; and increasing PILOTs from tax exempt property owners.



Prosper Waco

The Network supported City government and civic leaders in Waco, Texas, in their effort to **reduce the city's poverty rate** by launching Prosper Waco, a public-private partnership focused on improving education, health, and financial security.

Network experts have worked with the city to ensure its budgetary resources align with Prosper Waco's goals. They have provided additional guidance to devise a downtown development strategy that:

- Incorporates surrounding low- and moderate-income communities
- Implements jobs programs that target opportunity youth



Meridian, MS

The Network worked with the City to develop a **downtown revitalization strategy** based on location of regional health care centers => major focus of job creation for city residents.

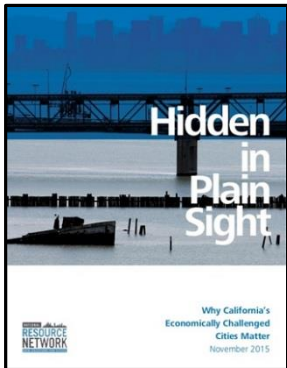
The Network team created a strategic plan that:

- Lays out a roadmap for identifying redevelopment opportunities
- Enables the City to take advantage of State health care zone development support



The Future of Cities and States are Linked

The future of states are tied to the health and vitality of their cities.



In California, economically challenged cities have significant impact on the State and the nation.

- There are **4.68 million jobs** in California's economically challenged cities; more than in 42 U.S. states
- 24 of California's 77 economically challenged cities have a total GDP of **\$1.23 trillion** — more than half of the State's GDP
- Unaddressed issues in these cities can affect State tax revenues and State costs

Hartford, CT faces pressing fiscal challenges.

- The City of Hartford is home to 7% of Connecticut's jobs; most held by non-City residents
- Severe tax increases or service cuts could drive businesses out of the City
- In 2014 and 2015, **69 percent of resident income that left Hartford County left Connecticut**

Hartford Courant

OP-ED

Nobody Wins If Hartford Goes Bankrupt

By DAVID B. ESCHENHUTZ

For Hartford, the threat of bankruptcy is real. Other cities have structural deficits — where growth in expenditures outpaces growth in revenues. Hartford, however, also faces an immediate cash flow crisis. Structural deficits can be solved over time. Cash flow crises require immediate action so that the city can pay its bills. Earlier this year, the National Resource Network — a federally funded consortium of urban experts — was brought on to help Hartford identify options to achieve fiscal sustainability. As the General Assembly considers proposals to aid Hartford and the city council debates a budget for the fiscal year starting July 1, here are some of our preliminary findings.

Bankruptcy or continued decline in city services would have a negative effect statewide. With more than 80,000 primary jobs, Hartford is home to 7 percent of Connecticut's jobs. The vast majority of these jobs are held by non-residents — just under 90 percent. When combined, more

city living in West Hartford, East Hartford and New Britain work in Hartford than city residents.

If Hartford went bankrupt, many discretionary service cuts or adopted higher tax rates, local employers would have to consider whether they want to bear additional cost or risk — or leave. If they left, that would likely further exacerbate the state's fiscal challenges. Because when high paying jobs leave Hartford, they are likely leaving the state. For example, based on IRS data for 2004 and 2005, 69 percent of resident income leaving Hartford County left Connecticut.

Additionally, bankruptcy is a costly option. Bankruptcy would cause the city to spend millions in legal and other fees. It would limit the city's ability to borrow and make the long-term investments needed to grow the economy. And the time and attention of elected leadership would be diverted for the foreseeable future.

Hartford can avoid bankruptcy, but all stakeholders will need to address challenges head-on. There is no low-hanging fruit left on the vine for the

city to reduce cost or increase revenue — certainly not enough to close the projected gap in the next fiscal year's budget, let alone future projected deficits. Under the current rules, Hartford cannot win. That's why any solution will require a change to the rules.

The only way to increase revenue is through intervention by the state and the only way to achieve increased efficiency is with a new relationship with municipal labor.

Hartford does not have the ability to generate significant new revenue on its own. The city's taxing powers are largely limited to the property tax and more than 50 percent of the assessed value of property in Hartford is tax exempt. With already high property tax rates, the only way that Hartford can begin to address its budget problem through new revenue is with a combination of increased state aid and new taxing authority to ensure that commuters, non-profit institutions and others in the region and across the state who benefit from costly city services pay their fair share.

Later this spring, the National Resource Network will present a series of recommendations on how Hartford — over the long term — can be more efficient in its operations. In his first two budgets and through negotiations with city labor unions, Mayor Luke Brainin has started to make progress in this area. But the only way to achieve significant and sustainable operating savings is with a fundamental change in the relationship between management and the city's workforce. Although the city has seen some savings from labor concessions, the trend of modest concessions will not close the fiscal gap. The \$50 million "plug" of Act 17, "Transfers and the Hartford won't solve the city's budget challenge. But it is an example of how stakeholders can come together to prevent bankruptcy and build a future for the city and its residents. They recognized that if Hartford goes bankrupt, there are no winners.

David Eschenhut is executive director of the National Resource Network and a managing director with the PFM Group's management and budget consulting practice.

State Resource Network: Massachusetts Pilot

State-city partnerships are essential to increasing the competitiveness of economically challenged cities.

In 2015, Massachusetts launched a pilot State Resource Network (SRN) with funding from MassDevelopment, building on the Network's ability to deliver a comprehensive, innovative approach to enhancing the economic competitiveness of Gateway cities.

- The Network is now working with Everett, Pittsfield and Worcester under the pilot program.
- We believe that the Massachusetts State Resource Network is replicable and could be tremendously valuable in addressing issues facing states and their cities.

National Resource Network 2.0

Based on the strength of the SRN model and with \$2 million in funding from the Laura and John Arnold Foundation (LJAF), the Network will be launching up to five new state resource networks.



And to build on the success of the NRN direct assistance programs, another \$2 million of LJAF funding will also go toward developing long-term financial plans for cities that need them and implementing plans for cities that have them already.

State Resource Network (SRN) Overview

The Network will launch a state competition in November.

- **Seed funding and a match:** Foundation funds of up to \$500,000 per state will go toward supporting technical assistance for economically challenged cities in addressing fiscal challenges. States will be required to provide 1-to-1 matching funds that can be used for other technical assistance.
- **Flexibility in criteria and assistance:** The Network will administer the SRN and provide technical assistance that supports states in their efforts to enhance local government fiscal sustainability and economic competitiveness.

How SRN Could Help Your State and its Cities

Help to improve city service delivery in public works, education or public safety, based on benchmarking and national best practices

Coordinate with business, government and community leaders to develop an economic development strategy that leverages local assets

Coordinate with universities, hospitals and other anchor institutions to develop plans that provide upward mobility to area residents

Create an Office of Community Investment to coordinate planning and capital investment across city agencies

Preliminary Eligibility Criteria for States

Strong applicants will be states that have:

- Executive leadership commitment to program success
- Concentration of cities in need of technical assistance
- Clarity around what a successful SRN program design would look like in their state (e.g., eligible cities, marketing/outreach, methods for tracking success, how LJAF and state funding will be used together)
- Ability to clearly articulate how the program would benefit the state, including how it might expand or complement any existing technical assistance resources or programs
- Ability to commit to funding 50% of the program budget
- Existing partnerships that might facilitate successful implementation of the SRN program

What We Have Heard from States so Far

We've asked state officials what the program should look like.

- Flexibility in the population of eligible cities is key to program success.
- Allow counties and regions to be eligible for support.
- Potential for an interagency model for governing the SRN.
- In addition to long-term fiscal planning, provide other forms of technical assistance such as:
 - structuring regional shared service agreements and public private partnerships around wastewater, drinking water and storm water management
 - supporting local governments on efforts that impact the state, such as education, criminal justice reform and health care
 - encouraging STEM-focused efforts on workforce development
 - assisting on labor relations strategy and challenges management, training, and talent attraction and retention



Discussion

We want your input. If you have thoughts about how we could improve the SRN program or competition, please send ideas to:

states@nationalresourcenetwork.org