Municipal Strategies for Financial Empowerment

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Why a Federal Reserve Moderator on a Financial Empowerment Panel?

- Federal Reserve works to create a macroeconomic outcome that should foster financial empowerment
  - A return to full employment
  - A low inflation environment

- Financial empowerment requires active engagement of all stakeholders

- Non-partisan, independent, empirical analysis of Reserve Banks can provide important support
Cities as Centers of Opportunity

- Industrial clusters
  - Innovation can be quickly transmitted across an industry or industries
  - Employees and employers can benefit from a robust pool of needed skilled labor
- Critical inputs to success are widely available
  - Entrepreneurs, and an environment that fosters good ideas
  - Available financing for those good ideas
  - Managerial expertise to bring ideas to scale
- The melting pot of ideas, cultures – cities’ diversity is a very positive attribute
- Anchor institutions – can provide institutional support
Focusing on Equality of Opportunity

- Cities are wealth creators
- Dynamism is increasingly attracting young and old to city centers
- But equality of opportunity is still only aspirational for many
- To set the stage for today’s discussion, I will provide a brief socioeconomic sketch of the cities on this panel
Figure 1: Median Family Income Relative to U.S. Median Family Income for Select Cities
1959 - 2009

Figure 2: Top and Bottom 20 Percent of Household Income for Select Cities and the U.S.

2013

Source: U.S. Bureau of the Census, American Community Survey (2013, One-Year Estimates)
Figure 3: Educational Attainment of Population 25 Years and Older in Select Cities and the U.S.

2013

Source: U.S. Bureau of the Census, American Community Survey (2013, One-Year Estimates)
Figure 4: The Diversity Benefit: Population Shares by Race and Ethnicity for Select Cities and the U.S.  
1980 and 2013

Note: The Black or African American and Asian categories include individuals reporting only one race. Hispanic or Latino individuals can be of any race and as a result may be counted in more than one category on this chart.

Figure 5: Population Relative to 1960 in Select Cities
1960 - 2010

Federal Reserve Efforts: The Working Cities Challenge

- Delivery of financial empowerment improved with fuller engagement of each city’s stakeholders, in collaboration.
- In order to apply, local leaders in the Working Cities had to put together teams of high level public, private and nonprofit leaders, which included community input.
  - Only one team per city could participate.
  - Lead chosen by team (can be any sector, agency).
- The teams selected their own vision. They could choose the topic as long as they focused on low income residents and fixing or improving systems, rather than creating individual programs.
Federal Reserve Efforts (Continued): Community College Initiative

- Initial Goal: To increase the financial stability of community college students

- Why?
  - Community colleges can play a key role in educating the workforce that a region needs to remain competitive
  - Students face multiple barriers to educational completion, many related to financial constraints
  - Consequences of poor financial decisions play out in students’ future financial well-being
Community College Initiative (Continued)

- Evaluating a two-year pilot at Bunker Hill, Northern Essex, and Springfield Tech
- The pilot includes matched savings for educational expenses, college affordability supports and financial coaching
- Conducting research on strengthening household financial stability and examining effectiveness of financial capability interventions
Federal Reserve Efforts (Continued):

Focus on Children’s Savings Accounts (CSAs)

- Accounts are established for children, as early as birth, and allowed to grow over their lifetime
  - Families can receive a seed deposit (say $50, $100 or even $500), future savings matches, and financial education
- Research suggests positive academic and financial outcomes, possibly induced by a change in expectations of college
- Maine is the first state to offer CSAs. Many states and cities are considering CSAs
Today’s Panelists:
Boston Mayor Martin J. Walsh

- Sworn in as Mayor of Boston on January 6, 2014
- Launched the Office of Financial Empowerment in Boston on October 15, 2014, with several partners

Source: http://www.cityofboston.gov/mayor/bio.asp
Today’s Panelists:
New York City Mayor Bill de Blasio

▶ Became Mayor of New York on January 1, 2014
▶ Announced New York City’s largest Earned Income Tax Credit campaign ever on January 31, 2015

Today’s Panelists:
Baltimore Mayor Stephanie Rawlings-Blake

- Became Mayor of Baltimore on February 4, 2010
- Baltimore City Community Action Partnership provides financial empowerment education at all of its centers through its program “Your Money, Your Goals”

Today’s Panelists:
Seattle Mayor Ed Murray

- Became Mayor of Seattle on January 1, 2014
- On April 14, 2014 Seattle opened seven Financial Empowerment Centers (FECs), with a grant from the Paul G. Allen Family Foundation

Source: http://www.seattle.gov/mayor/newsroom/about-mayor-murray