

The State *of the* Fields

by the editors

AS WE COVER THE STATE OF THE NATION IN THE Nonprofits in the Age of Obama series, we have identified and observed the major variables that affect nonprofit viability and effectiveness. And one such factor is the field of practice in which a nonprofit works.

Below we report on the status of two fields of nonprofit activity that figure prominently in the implementation of national public policy: community development corporations and community health centers. Both fields are broadly distributed and made up of community-based organizations, and both have strong independent intermediaries at the national level. Both have received infusions of American Recovery and Reinvestment Act (ARRA) money, and both work on a high-profile issue that is prominent in the daily news.

This is the first in a series of reports by the *Nonprofit Quarterly* on how fields of practice have fared in the economic downturn. To bring the story about community health centers to the street level, we have also included the latest installment in our coverage of Christ Community Health Services in Memphis, Tennessee.¹ It is one of many “stories from the stimulus.” You will find an update on CJE Community Health, a community development organization, on the *Nonprofit Quarterly*’s Web site.

Community Health Centers

There are 1,200 federally qualified community health centers throughout the United States, delivering primary health care to 20 million people a year.

Most of their patients are low income or otherwise marginalized by language or geography. All exist on a mix of income streams, including federal grants, insurance, and private payments, and in 36



states these sources are augmented by state funds.

These community health centers’ environments are complex; they may be able to position themselves even more centrally as providers of primary care within the context of health-care reform. But to do so—and, indeed, even to keep pace with increased service needs caused by unemployment—many will have to upgrade facilities and record keeping and increase their patient load capacities.

As the recession hit, it became clear that more uninsured people would seek out community health centers for treatment, so a special allocation of \$2 billion was made through ARRA to allow these pivotal players in primary health-care delivery to expand their services and facilities to serve additional people. This was a good call, because between June 2008 and June 2009, total patient visits at community centers increased 14 percent. Uninsured patient visits over the same period increased 21 percent.

Unfortunately, some states—specifically Colorado and North Carolina—used the very existence of this money to justify state budget cuts in this area. The replacement of state monies with federal funds is obviously problematic in several ways.

First, the ARRA funds were meant to expand the capacity of the system during a period when need was expected to increase. Second, the ARRA funds are time limited, and it will be difficult to get health-care funds returned to state budgets when the stimulus money has flowed through. Thus, in the end, the



stimulus money may end up gutting the funding available to primary health care just at the moment when this infrastructure will be most critically needed.

According to the National Association of Community Health Centers, 27 states have slashed funding for health programs. Recently, the lack of expanded capacity is reported to have manifested in the form of increasingly lengthy waiting lists (see the case study on Maine on page 22).

Housing and Community Development

Over the past year, what has happened to the housing and community development sector? The short answer is the foreclosure crisis. Subprime mortgage foreclosures are still burgeoning, but the recession and 10 percent joblessness has led to foreclosures in conventional mortgages. The nation isn't keeping up with the demand: According to *BusinessWeek*, an Obama administration initiative has restructured troubled mortgages among 235,000 homeowners total.² But just in the first half of 2009, there were an additional 1.8 million mortgage foreclosures. According to Elizabeth Warren, the chair of the congressional oversight panel examining the condition of the financial markets, "We're bailing it out, but the boat's taking on water faster than we can bail." In some communities, the foreclosure crisis and the financial crisis as a whole have undone decades of community development progress.

For community developers, the challenges of the past year include the following:

- the burgeoning demand of families that have been displaced from their homes because of foreclosures, short sales, and scams;
- financial sector unwillingness to provide mortgages to lower-income home buyers or to provide construction and permanent financing to nonprofit developers;
- many stalled housing projects and unsold inventories of for-sale housing;
- eliminated corporate profit margins and the disappearance of Fannie Mae and Freddie Mac as the largest purchasers of low-income housing tax credits;
- a severe reduction in tax credit-financed deals and, consequently, reductions in developer fees that many nonprofit developers count on for general operating support;

- state government budgets for affordable housing and special-needs housing in disarray; and
- an inventory of troubled foreclosed properties that are in disrepair but are difficult to pry from the clutches of banks and servicers.

With corporate profits on the upswing, the tax-credit markets might improve for nonprofit developers in 2010. Perhaps the Obama administration will begin to lean on the record profit-making Troubled Asset Relief Program—subsidized banks to loosen their construction and mortgage-financing spigots.

But in the near term, the nonprofit community development sector will find its most important sources of support coming from federal programs authorized by the stimulus and added to the FY 2010 federal budget: the Neighborhood Stabilization Program for the acquisition and redevelopment of vacant, foreclosed residential properties; expanded financing from Community Development Financial Institutions under the CDFI program at the Department of Treasury; increased Community Development Block Grant and HOME funds from the U.S. Department of Housing and Urban Development (HUD); plus new programs, such as the Choice Neighborhoods initiative and the Partnership for Sustainable Communities involving HUD, the Department of Transportation, and the Environmental Protection Agency to promote "equitable development."

Some foundations have aggressively supported community development, but more have to get into the fray with grants and program-related investments, particularly national foundations paying attention to states and regions without significant indigenous philanthropic resources.

ENDNOTES

1. Ruth McCambridge, "High Anxiety," the *Nonprofit Quarterly*, vol. 16, no. 1, winter 2008.
2. Elise Craig, "Mortgage Modifications Can't Catch Foreclosures," *BusinessWeek*, August 4, 2009 (http://www.businessweek.com/bwdaily/dnflash/content/aug2009/db2009084_229370.htm).

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