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PHILANTHROPY CAN WORK WITH MAYORS TO CLOSE THE RACIAL WEALTH GAP

ACKNOWLEDGEMENTS

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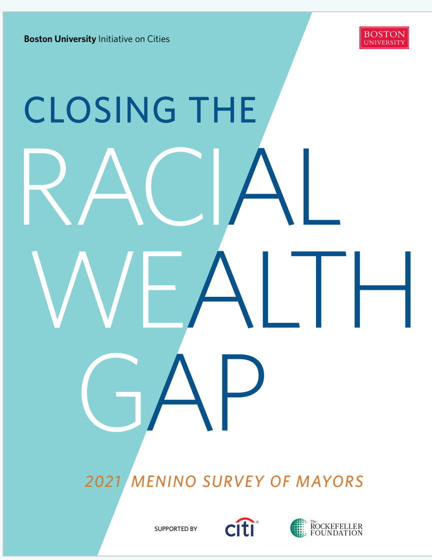
In 2019, the typical white family had eight times the wealth of the typical Black family and five times the wealth of the typical Latino/a family.



The recently published Menino Survey of Mayors, the only nationally representative survey of US mayors, shows that 67% of local leaders are worried about the racial wealth gap in their cities. However, there is less consensus about which specific programs to support.

Philanthropy can seize the moment to direct mayors towards the most impactful decisions for workers, families, and entrepreneurs of color. As mayors search for policies and practices to advance equity, philanthropy's unique roles as catalytic funder and cross-cutting convener position the sector to play an outsize role elevating local solutions. The Menino survey's results suggest four particularly promising avenues.

1 | Capitalize on unprecedented private sector interest and public funding to eliminate inequities for Black and Latino/a small businesses

Mayors worried about racial wealth gaps overwhelmingly believe (81%) that access to capital disproportionately burdens small business owners of color. They strongly support programs to increase Black and Latino/a small business ownership and to improve their access to capital, and are especially enthusiastic about technical assistance (TA) to address racial disparities in small business growth in their communities. (48% selected TA as one of two tools they most support using.)

Meanwhile, financial institutions and other business leaders have made large commitments to supporting entrepreneurs of color in the last two years, but follow-through remains mixed. And thanks to two major federal bills passed in 2021 – the American Rescue Plan Act (which includes $65 billion directly for cities) and the $1.2 trillion Infrastructure Investment and Jobs Act – cities are uniquely flush with resources that if intentionally used can create incredible opportunity for Black and Latino/a business owners, but that also creates risks that they will yet again be excluded from opportunity.

Philanthropic engagement is crucial to help mayors capitalize on this window to support Black and Latino/a-owned businesses. The Rockefeller Foundation Opportunity Collective, for instance, has helped incubate and scale a range of innovative technical assistance and capital provision models that are showing results, such as the Russell Tech Incubator in Louisville, Kentucky, which provides TA and seed funding for Black businesses and JUST, a CDFI improving access to capital and providing peer coaching for low-income Latina entrepreneurs in Texas. Funders can work with mayors to help such efforts source capital for scale, partner to provide holistic supports to businesses, and make entrepreneurs aware of the supports.

After technical assistance, increased access to procurement contracts is the second-most supported intervention by mayors to assist Black and Latino/a small businesses. As federal funds expand local contracting in the coming years, philanthropy can encourage cities to raise targets for procurement from Black and Latino/a-owned businesses while helping mayors learn from peers (e.g., New Orleans) who have made substantial headway in reducing disparities through targeted programs. At the same time, funders can support partners who work with minority-owned businesses to navigate procurement contract opportunities and build capacity to deliver on them, such as the Emerald Cities Collaborative. There are even more opportunities to advance equitable procurement from large, place-rooted "anchor institutions" like colleges and hospitals, building on pioneering efforts like Hope Enterprise Corporation's work with historically Black colleges and universities and members of the Healthcare Anchor Network.

Now is the time to accelerate these efforts. A record number of people started small businesses during the pandemic as they searched for ways to fill income gaps – especially Black owners, who now account for 26% of all new "microbusinesses," up from 15% before the pandemic. Mayors are eager to see them succeed, but will need ample partnership to direct and amplify their efforts.

In addition, while some mayors are limiting their focus on luring workers back to downtown, businesses and employment have surged in neighborhoods creating a new framework for economic vitality. Philanthropy can help cities reimagine their economic vitality by targeting efforts to businesses in traditionally underserved neighborhoods, (e.g., supplementing business ownership support with commercial property ownership support, expanding broadband and equipping businesses with technical support to build an online presence, etc).

2 Increase working families' financial income and assets – The foundations of all other wealth building efforts

"Almost every mayor identified a lack of personal wealth or assets as a major barrier" to small business owners of color in the Menino survey. While they attributed much of this barrier to high housing costs, an equally important underlying barrier – both for business owners and working families more generally – is, simply, the lack of money to cover rising expenses and build a financial cushion. In 2018, 42% (51 million) of the 121 million US households could not afford the basic necessities of housing, child care, transportation, food, health care, smartphone plan, and taxes.

Fortunately, local political momentum for building financial income and assets is growing: Roughly 20 cities in the U.S. have ongoing guaranteed income pilots, and early findings from a particularly prominent pilot effort in Stockton, CA show an increase in income stability and well-being. (AFN recently released a more comprehensive guaranteed income brief.) Several cities also are trialing child savings accounts (long-term savings or investment accounts with incentives such as matching, often used for higher education).

The Menino survey also suggests, however, that sustaining this momentum will require concerted efforts to build mayoral buy-in and find innovative ways to customize these practices to their local and political contexts, as mayors show less support for specific named efforts like Stockton's Universal Basic Income program than they do for racially targeted programs in general.

Philanthropic support thus is crucial to strengthen the evidence base and enthusiasm for these efforts. Philanthropy can invest in pilots across cities with different contexts (e.g., small and large), different target groups (e.g., eligibility based on neighborhood, income, COVID hardship), different sectors of workers (e.g., care workers), and with different political environments. Novel coalitions (e.g., including both frontline workers and entrepreneurs) can extend the base of support and also explore messaging alternatives that may increase mayors' receptiveness to replicating innovative ideas.

Meanwhile, philanthropy also can support local efforts to ensure effective implementation of policies that already have broad-based political support. A 2021 study, for instance, found that less than half of lower-income households with children reported receiving the temporarily expanded Child Tax Credit in the American Rescue Plan even though most likely were eligible for it, and the IRS estimates that more than one in five eligible workers do not receive their Earned Income Tax Credit. As policies like these are implemented, restarted, or otherwise changed, funders can help increase participation rates – building on the work of Cities for Financial Empowerment Fund and collaboratives like AFN and the EITC Funders Network – by helping mayors increase awareness and providing technical assistance for families and community organizations.

3 Get community-building assets into the community's hands

Homeownership remains the primary way U.S. families build wealth and create intergenerational prosperity. Mayors recognize widespread discrimination in their communities and, among the majority who believe that the racial wealth gap is a problem, are almost unanimous in supporting racially targeted programs for Black and Latino/a homeownership. Philanthropy can help build local coalitions across public agencies, lenders, and communities to address bias in homeownership, such as by testing and advocating policies and practices that remove bias from AI programs connected to mortgage lending and that reduce bias in property tax appraisals. Philanthropy also can fund loan loss reserves for credit unions to enable them to provide a greater number of affordable loans for home buyers and can help fund first-time home buyer down payment assistance targeted to other historically marginalized populations such as Asian refugees and lower-income immigrants.

Yet as central as homeownership is to the asset-building conversation, philanthropy can go much further in helping mayors innovate. In fact, interest in community ownership of assets outside of housing has surged since the pandemic, both for its potential to build tangible assets and cash flow and to increase community self-reliance in the wake of historic exploitative policies. Already, innovators such as Ujima and TREND are exploring ways to accelerate community ownership via democratically managed investment funds (voter member-approved shared investments) and real estate, while initiatives such as Credit Ready Solar are advancing community-owned renewable energy (which has the added benefit of potentially lowering energy costs).

However, these practices mostly remain smaller scale and less well-known to mayors, and their long-term economic effects remain to be proven. Philanthropy can make mayors and community leaders aware of (and encourage support and removal of barriers for) these innovations, build networks of community ownership projects to drive scale, and strengthen the research base on the wealth-building effects of different community asset building models.

4 | Build better data

Finally, two-thirds of all mayors surveyed wish they had better access to racial data. In addition to a desire for more data for specific groups (e.g., Black and Latino/a populations), many are interested in understanding complexity within broad racial categories (e.g., adding more nuance to broad categories like "Black" and "Latino").

Philanthropy's ability to connect sectors and stakeholders positions it well to mobilize this effort. For example, AFN partnered with UC Berkeley to produce mapping data highlighting the vulnerability of POC-led businesses in the Bay Area, enabling targeted policy solutions. Funders can provide highly valued, flexible resources to help cities build cross-agency data infrastructure and improve tracking. This work might include engaging agencies and entities within a municipal area (e.g., schools, city, county) to facilitate data collection and sharing, as well as supporting additional capacity to analyze and use new data. In addition, philanthropy can spur cities to assess existing racial reporting mechanisms and push for more granular reporting (e.g., to disaggregate data on Black residents with varied national backgrounds).

These are only a few of the ways philanthropy can advance local solutions to close the racial wealth gap. The Rockefeller Foundation and AFN are building evidence on a number of these strategies in partnership with mayors and other public leaders. Funders interested in collaborating and engaging mayors on co-investing in local efforts are invited to reach out to the Foundation or AFN at info@assetfunders.org.

AFN is the leading national grantmaker membership organization working on scalable strategies to advance the movement to close wealth inequities and advance racial economic justice.

The Rockefeller Foundation works to improve lives and the planet, and unleash human potential, through innovation. It is dedicated to the principle that all men and women – dignified and resilient as they are – have the right to health, food, power and economic mobility. The Rockefeller seeks to advance those goals with a better use of science and data and through collaboration with partners and grantees. By identifying and accelerating breakthrough solutions, ideas and conversations, The Rockefeller Foundation works to improve the well-being of people everywhere.