

# Community Investments Volume 17, Issue 1

## Overall Community Development Environment

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### **Demographics**

Despite the division of the United States into 12 relatively-equal Federal Reserve districts in 1913, the country's relentless move west has raised the Twelfth District's share of the nation's population to more than one fifth. Moreover, the district continues to lead the nation in population growth. Nevada and Arizona were first and second in the nation, respectively, in population growth between 2000 and 2003, and all nine district states were in the top twenty in the nation in population growth over the same period.<sup>1</sup>

In terms of race and ethnicity, the Twelfth District is distinct from the country as a whole. The district has lower proportions than the nation of White residents (66.8% in the district vs. 75.1% nationally) and Black/African American residents (5.2% vs. 12.3% nationally). At the same time, the district has roughly double the population shares of Asian residents (8.8% versus 3.6% nationally) and Hispanic/Latino residents (24.8% versus 12.5% nationally). Hawaii and Idaho particularly stand out for their racial and ethnic compositions. Only 24% of Hawaii's population identify as White, while 42% identify as Asian. In contrast, 91% of Idaho's population identify as White. California and Arizona are also notable in that more than one quarter of their populations is of Hispanic or Latino origin.<sup>2</sup>

In terms of educational attainment, the district is on par with the U.S. on high school completion (of the nine states, only California is below average on this measure, while Alaska, Utah, and Washington are well above average). However, Twelfth District residents overall are slightly more likely to have a college degree (25.9% versus 24.4%), though the opposite is true in a number of states, including Idaho, Nevada, and Arizona.<sup>3</sup>

## **Economy**

The Twelfth District also generates a disproportionate share of the nation's economy, and is specifically responsible for 20.9% of the nation's 2003 total gross state product (GSP),<sup>4</sup> 20.5% of total personal income, and 22.5% of total manufactured exports.<sup>5</sup> (California alone represents over 13% of the nation's total GSP.) The economic structure of the Twelfth District economy is not too dissimilar from that of the nation, with a somewhat smaller employment share in manufacturing (9.9% vs. 11.5% outside the district) and larger employment shares in certain service categories (13.5% vs. 12.0% outside the district in professional and business services, and 10.7% vs. 9.0% outside the district in leisure and hospitality services).<sup>6</sup> There are more dramatic differences on the individual state level, such as Nevada's leisure and hospitality services sector, which supplies a full 28.0% of the jobs in the state,<sup>7</sup> and Oregon's forest products manufacturing industry, which accounts for 21% of all manufacturing employment in the state as a whole.<sup>8</sup> In contrast, Utah and Alaska exhibit high dependence on extractive and natural resource industries such as oil and mining. Utah is in fact becoming less dependent on technology companies while Washington and California continue to derive value from the information technology sector.<sup>9</sup> California and Washington are also highly dependent on international trade, both being among the top five exporting states.<sup>10</sup>

In economic performance, the district's economy has been growing in line with the nation. Job growth in district states has lagged that of the nation in the past couple of years, but recent data has shown an increase in jobs in the district.<sup>11</sup> Currently, seven of the nine district states are adding jobs, and unemployment in the district is virtually the same as for the nation (5.6% vs. 5.5% nationally in October, 2004). Of special importance to the district, after several years of sharp declines, employment in information technology is finally growing at a solid pace. Overall, the economic outlook for the district appears to be improving, with sizable shares of district businesses surveyed by the Federal Reserve Bank of San Francisco indicating that they already have, or will soon, increase their capital spending.<sup>12</sup>

On a local level, there are pockets of true dynamism in the district, with the nine states containing roughly a third of the top-20 best performing cities in the nation, including the Las Vegas, NV metropolitan area (2nd ranked) and the Phoenix, AZ area (3rd ranked).<sup>13</sup> At the same time, however, there are pockets of real economic weakness in our district, such as 35 counties with resource extraction-based economies in Idaho,<sup>14</sup> or parts of California's

Central Valley, where unemployment reaches as high as 18.9% (Colusa County)<sup>15</sup> and poverty as high as 23.9% (Tulare County).<sup>16</sup>

### **Government and Financial Sectors**

The individual environmental assessments contain useful information on the structure and overall finances of the governments of each state and the specific agencies charged with the different facets of community development. District states exhibit a wide variety of ways in which they organize and finance their state and local governments. Hawaii, for example, has an extremely centralized system consisting of only two levels of government -- the state and four county governments -- with the counties providing most of the services usually associated with cities and towns.<sup>17</sup> In Alaska, nearly two thirds of the state's land is unincorporated and there is a high level of autonomy for the few city governments that exist.<sup>18</sup> Nevada has a very limited tax base and one of the lowest levels of state government employment in the nation,<sup>19</sup> while Oregon stands out for its dependence on personal income taxes as a source of revenue (no other state is as dependent on a single source of tax revenue).<sup>20</sup>

The banking systems in district states range from extensive (329 separately-chartered insured depository institutions in California) to limited (only ten institutions in Hawaii).<sup>21</sup> In virtually every state, there has been significant consolidation of banking institutions in recent years, with a notable concentration of assets in just a few institutions in many states.<sup>22</sup> For example, in Arizona, just three banks controlled more than two thirds of FDIC-insured deposits as of June 2004.<sup>23</sup> At the same time, contrary to expectations just a few years ago, there has been an explosion of branching in many of the states in recent years (Nevada in particular).<sup>24</sup> Industrial banks in Utah are a unique type of financial organization wielding formidable financial resources, representing more than 50% of Utah's banking assets in 2004.<sup>25</sup> Credit unions are also an important source of financial services in states such as Idaho and Oregon, where they control one third of the combined bank/credit union assets versus 6.5% nationally.<sup>26</sup>

Finally, while specific information on nonprofit organizations in each state was sometimes difficult to find, it is clear that the capacity of the not-for-profit community development sector is straining to keep up with the districts rapid growth. In one key nonprofit sector, there are nearly 130 Community Development Financial Institutions in the district<sup>27</sup> that, as of the end of FY 2002, had more than \$677 million in critical community development finance outstanding to more than 67,000 customers.<sup>28</sup>

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<sup>1</sup> U.S. Census Bureau, Statistical Abstract of the United States: 2003, <http://www.census.gov/statab/www/ranks.html>.

<sup>2</sup> U.S. Census Bureau, Census 2000 Data.

<sup>3</sup> Ibid.

<sup>4</sup> Bureau of Economic Analysis (BEA), 2003 Gross State Product, <http://www.bea.doc.gov/bea/regional/data.htm>.

<sup>5</sup> Federal Reserve Bank of San Francisco (FRBSF), Annual Profile of the Twelfth District, 2004, June 2004.

<sup>6</sup> Ibid.

<sup>7</sup> Economy.com, Nevada State Profile, October 2004.

<sup>8</sup> The Oregon Blue Book, Manufacturing, <http://bluebook.state.or.us/facts/economy/economy09.htm>.

<sup>9</sup> Robert Atkinson, Progressive Policy Institute, The 2002 State New Economy Index, June 2002, and BEA, Regional Economic Accounts, <http://www.bea.doc.gov/bea/regional/gsp/default.cfm>.

<sup>10</sup> U.S. Census Bureau, Origin of Movement, [http://ita.doc.gov/td/industry/otea/state/state\\_dollar\\_value\\_03.html](http://ita.doc.gov/td/industry/otea/state/state_dollar_value_03.html).

<sup>11</sup> FRBSF, Twelfth Federal Reserve District, Regional Economic Briefing, November 2004. For ongoing information about the Twelfth Districts economic performance, visit the FRBSFs Economic Research Departments website at: <http://www.frbsf.org/economics>

<sup>12</sup> Ibid.

<sup>13</sup> Milken Institute, Best Performing Cities: 2004, <http://bestcities.milkeninstitute.org/>.

<sup>14</sup> Governor's Task Force on Rural Development, Idaho Department of Commerce, Findings and Recommendations, September 2000, p. 2

<sup>15</sup> California Employment Development Department, Monthly Labor Force Data for Counties, 2003 Average, <http://www.calmis.ca.gov/file/lfhist/03aacou.txt>.

<sup>16</sup> U.S. Census Bureau, Census 2000 Data.

<sup>17</sup> Department of Business, Economic Development, and Tourism (DBEDT), State of Hawaii, Facts and Figures - State of Hawaii, p. 3.

<sup>18</sup> Alaska Department of Community and Economic Development, Local Government in Alaska, [http://www.dced.state.ak.us/dca/lbc/pubs/Local\\_Gov\\_AK.pdf](http://www.dced.state.ak.us/dca/lbc/pubs/Local_Gov_AK.pdf) and University of Alaska Justice Center, Alaska Local and Borough Government, [http://justice.uaa.alaska.edu/rlinks/government/ak\\_local.html](http://justice.uaa.alaska.edu/rlinks/government/ak_local.html).

<sup>19</sup> U.S. Census Bureau, Statistical Abstract of the United States: 2003.

<sup>20</sup> Oregon Legislative Revenue Office, 2003 Oregon Public Finance: Basic Facts, p. A2.

<sup>21</sup> FDIC, State Profiles, Fall 2004, <http://www.fdic.gov/bank/analytical/stateprofile/index.html>.

<sup>22</sup> Ibid.

<sup>23</sup> FDIC, Deposit Market Share Report: Arizona, June 2004.

<sup>24</sup> American Banker, Nevada Branch Showdown: As Taxes Kick In Banks Threaten Pullback, June 16, 2004.

<sup>25</sup> FDIC, Utah State Profile Fall 2004. More information on industrial banks is available from the Utah Department of Financial Institutions, <http://dfi.utah.gov>.

<sup>26</sup> Oregon Credit Union League, Credit Union Fact Sheet, [http://www.cuna.org/download/oregon\\_fs.pdf](http://www.cuna.org/download/oregon_fs.pdf); and Idaho Credit Union League, Credit Union Fact Sheet, [http://www.cuna.org/download/idaho\\_fs.pdf](http://www.cuna.org/download/idaho_fs.pdf).

<sup>27</sup> CDFI Fund, U.S. Department of the Treasury, Certified CDFIs Alphabetical by State and County, November 2004.

<sup>28</sup> CDFI Coalition, 2004 CDFI State Profiles, <http://www.cdfi.org/stateprof.asp>.