

# Sustainable Prosperity

Decreasing Household Expenses and Greenhouse Gas Emissions

A Public Policy Proposal from the Center for Neighborhood Technology  
By Stephen A. Perkins, PhD and Joseph Grant



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## About the Center for Neighborhood Technology

The Center for Neighborhood Technology (CNT) was founded in 1978 to research, adapt and test new community revitalization strategies relevant to urban communities, especially strategies that harness the environmental and economic value of the more efficient use of natural resources. Over the years, CNT has worked to disclose the hidden assets of the Chicagoland economy and urban areas more broadly; to demonstrate the multi-bottom line benefits of more resource-efficient policies and practices; and to show how the value of what we demonstrate can be captured to benefit

communities and their residents inclusively. CNT's work, especially in the areas of energy, transportation, materials conservation and housing preservation, helped fuel a generation of community development institutions and learning, garnering us a reputation as an economic innovator and leader in the field of creative sustainable development.

CNT serves as the umbrella for a number of projects and affiliate organizations, all of which help the organization fulfill its mission: to promote the development of more livable and sustainable urban communities.

More information about CNT is available at

[www.cnt.org](http://www.cnt.org)





## **I. Introduction**

The current financial crisis and economic recession have dramatically pointed out the economic fragility of large segments of the United States population and their vulnerability to financial products that are misrepresented or poorly explained. It also shows how many families, with little or no savings, live on the brink of financial disaster. Individual Development Account programs (IDAs) offer matched savings accounts as one solution to this low savings rate. These accounts have been effective at providing additional incentives to save, as well as multiplying the saving contributions of account holders so that assets can be more quickly accumulated. The Center for Neighborhood Technology (CNT) has been on the forefront of a complementary strategy: household expense reduction through sustainable household practices, with a special focus on energy, transportation, telecommunications and food. This strategy can accelerate savings in a different way, independent of or in concert with the direct subsidy provided by IDAs. Our experience demonstrates that targeted education regarding financial management practices and expense reduction opportunities in these four areas can result in significant reduction in household expenses, and increased savings.

This policy paper makes the case for mandating the inclusion of expense reduction and sustainable living education into a range of federal initiatives, and concludes with recommendations to enhance pending green initiatives by linking them to financial education programming focused on building assets by reducing household expenses in an environmentally responsible manner.

## **II. Asset Ownership and Economic Security**

Extensive literature exists on the importance of including asset ownership within any framework for reducing poverty and inequality in the United States. This literature documents the limitations of using income as a measure of economic success. Differences in asset ownership can result in radical differences in economic security for two households with the same income. Focusing on assets, furthermore, highlights not merely the true extent of poverty as it exists at any given point in time, but the ways in which poverty (and wealth) are transmitted across generations.<sup>1</sup>

This focus on asset ownership and asset poverty reveals a stark picture of the economic security of U.S. households, as well as the dramatic extent of economic inequality in the United States. The Corporation for Enterprise Development (CFED) defines "Asset Poverty" as lacking sufficient wealth to survive at the federal poverty line for more than three months. By this definition, 22.4 percent of U.S. households are asset poor<sup>2</sup> – a striking number when contrasted with traditional income-based measures of poverty, which put the national poverty rate at 10.2 percent. Even CFED's picture of asset poverty, however, may understate the problem. CFED uses net worth as a measure of wealth, which includes equity in homes and vehicles. Equity in a home, however important, can be less useful than money in the bank in weathering personal financial stress, such as loss of income due to temporary unemployment, unexpected medical bills, etc, because it is less liquid, and more expensive to access.<sup>3</sup>

A fuller measure of the resources at a household's disposal to weather a crisis or secure future opportunities, then, might be net financial assets, which excludes home and vehicle equity. Savings accounts and cash are the most available assets, and most families need more of them.

There are two ways to increase household disposable income to be put towards savings: either increasing wages or decreasing expenses. This paper focuses on sustainable household expense reduction: environmentally significant reductions in household spending based on smarter choices that not only save money but also decrease environmental impact and greenhouse gas emissions.

### **III. Achieving Both Financial and Sustainability Goals**

CNT has identified four major household expense areas in which sustainable practices can lead to significant reductions in expenses and environmental impact: energy, transportation, telecommunications and food. CNT targets these areas because they are core cost-of-living areas over which individuals can exert substantial influence in the (relatively) short term. Consumers, however, are often unaware of the magnitude of the savings opportunities represented by these four types of expenses.

These core expense areas deserve more attention than they currently receive from financial education and asset development programs for several reasons. First, precisely because they are not discretionary, energy, transportation, telecommunications and food expenses are too often unexamined, or treated as unchangeable. Furthermore, in energy and telecom, the actions needed to achieve savings require some technical familiarity. This fact, combined with the non-transparent billing practices of utilities and telecom companies, makes consumer education especially important.

Second, these core expense areas require a different approach to expense reduction than discretionary expenses, such as entertainment. Expense management for discretionary expenses is neatly captured in the timeless proverb, "Use it up, wear it out, make it do, or do without". Managing nondiscretionary expenses, by contrast, involves eliminating unnecessary costs and meeting real needs as cost-effectively and as efficiently as possible.

A sea change in the spending habits of U.S. consumers is underway. From 1973-2005, real wages for the bottom forty percent of U.S. wage earners rose a modest seven percent.<sup>4</sup> During the same time period, however, American households increased their spending by sending more household members, especially women, into the paid labor force; by working longer hours and multiple jobs; and by taking on ever greater levels of consumer debt through credit cards and loans collateralized by home equity.<sup>5</sup>

Before the current recession, many consumers had already run out of ways to keep increasing their spending as a result of stagnant wages. Now that the easy credit of past years has definitively and dramatically dried up, highly leveraged, overworked households are hitting a wall.

The United States is entering a period during which core cost-of-living expenses are likely to consume a larger portion of U.S. household budgets than at any time in recent memory<sup>6</sup>, both because consumers will be forced to live within their means and because the prices for these nondiscretionary goods will increase, particularly energy (including both home energy and motor fuel) and food (driven in part by the influence of rising transportation energy costs on a food system in which each food item in the typical meal has traveled an average of 1,500 miles).<sup>7</sup>

In this new age, the old-fashioned virtue of thrift – taking care with and making the most of limited resources – which served U.S. households so well for many generations, must again become a pervasive national practice. It was once the hallmark of home economics classes in every high school; unfortunately, today's schools no longer teach the prudent and practical management of money and resources.

## **IV. Energy, Transportation, Telecommunications and Food: Household Expense and Global Environmental Impacts**

### **Energy**

Home energy costs play a major role in U.S. household expenses across geographies and income groups. Energy prices for all consumers increased 82% from 1970 to 2005 in real dollar terms.<sup>8</sup> Rising energy costs are especially burdensome, however, for households that are already struggling financially. The Home Energy Affordability Gap, which measures the difference between actual home energy bills and an affordability standard of 6% of gross household income, shows a high energy cost burden for low-income households. In Illinois, for example, the Home Energy Affordability Gap estimates that households at or below the Federal Poverty Level spend 17% or more of their income on home energy bills. Nationally, the Home Energy Affordability Gap has increased by 127% since 2002.<sup>9</sup>



Home energy consumption also plays a major role in the United States' greenhouse gas emissions profile. In 2006, the residential sector accounted for 17 percent of U.S. greenhouse gas emissions. Virtually all of this sector's emissions are due to electricity for cooling, heating, appliances and lighting, and natural gas and petroleum for heating and cooking.<sup>10</sup>

Homes, furthermore, have become ever more ravenous for energy – in particular electricity – over the years. While primary energy consumption<sup>11</sup> for the residential sector has been more or less steady since 1979, electricity consumption has more than doubled over the same time period, from 2,330 trillion Btu in 1979 to 4,749 trillion Btu in 2007.<sup>12</sup> This increasing electricity consumption is especially troubling given the greenhouse gas intensity of the sources of U.S. electricity generation: 60% of the electricity produced in the United States in 2007 was generated by coal and natural gas.<sup>13</sup>

Given the prominence of residential energy consumption as a source of U.S. greenhouse gas emissions, the historical trend of rising consumption and the continued dependence of the U.S. on fossil fuel sources for electrical generation, reducing residential energy consumption will be an essential component of climate change mitigation strategies.

### **Transportation**

For the typical US household, transportation is the largest single expense category after housing. Nationally, transportation spending accounts for 18 percent of annual household expenditures,<sup>14</sup> overwhelmingly the costs of car ownership and use. For working households, however, this burden can be much higher. A study by the Center for Neighborhood Technology published in 2006 by the Center for Housing Policy found

that, in 28 metropolitan areas, households earning between \$20,000 and \$50,000 annually spent thirty percent of their income on transportation.<sup>15</sup>

Moreover, like residential energy, transportation emissions play a prominent role in the United States' greenhouse gas emissions profile. Transportation as a whole accounted for 28 percent of total US greenhouse gas emissions in 2006; cars and light trucks alone accounted for 18 percent of the national total.<sup>16</sup>

### **Telecommunications**

Sparked by deregulation in the telecommunications sector beginning with the Telecommunications Act of 1996 and the proliferation of communications technologies, the total cost burden of telecommunications services in American households' budgets has increased. Today consumers face a bewildering array of telecommunications goods and services.



Photo Credit - Flickr user PatCastello

In addition to traditional landline phone service, Americans now also buy cellular phone and internet service. In fact, Americans now spend nearly as much each year on cell phones as on home phone services.<sup>17</sup>

Home internet access is increasingly a necessity for participation in the economy and society. Finding a job, pursuing education and cutting household expenses – all of these activities more and more often occur on the internet. As a result, internet service is now a prominent component of consumer telecommunications expenditures.<sup>18</sup>

While the link between telecommunications spending and sustainability may be less direct than it is in the realms of energy and transportation spending, the growing consumption - and associated disposal - of telecommunications products and services has broad implications for environmental and social sustainability – from the gigawatts of energy required to power the data centers supporting the information economy, to the disposal of electronic waste, to the fates of the world's poor who mine the metals demanded by the producers of consumer electronics, or rescue those metals from discarded products in toxic dumps.

### **Food**

Food is essential to sustaining human life and good food is essential to health. Hence, food poses a unique challenge for a household expense reduction strategy. Sustainable expense reduction cannot merely reduce the cost of food; rather, families need to get more nourishment for each household food dollar.

Though food as a percentage of family expenses has risen slightly in recent years, it remains near its all-time low. In 2007, total food spending comprised less than 12 percent of the average household's total expenditures; for households with incomes between \$10,000 and \$15,000, the figure is 13 percent.<sup>21</sup> The price consumers pay for food is strongly influenced by U.S. food policy. The federal government, for example, subsidizes corn and soy, but not vegetables, organic or otherwise. These subsidies mean that supermarkets offer plentiful sources of inexpensive calories with relatively low nutritional value, while fresh produce and other nutrient-rich whole foods are considerably more expensive.



Agriculture in the United States accounts for 6 percent of total U.S. greenhouse gas emissions.<sup>22</sup> This figure is substantial, but indicates only a fraction of the overall environmental impact of our food system. Federal food policy reinforces food production in monocultures fertilized with fossil-fuel based nutrients and protected from weeds and pests by petrochemical pesticides and herbicides.

Industrial agriculture relies heavily on fossil fuels for farm equipment for transporting food and food products, for food processing, and for chemical inputs like fertilizer and pesticides. The impact of this reliance on fossil fuels goes beyond the environmental costs of mining and transportation. The increasing costs and scarcity of fossil fuels may ultimately make this food production technology obsolete.

Fertilizer runoff and animal wastes from Midwestern farms now ends up in the Mississippi River, producing a dead zone in the Gulf of Mexico that extends over six thousand square miles.<sup>23</sup> The use of fertilizer to maximize crop yields in monocultures over time destroys the fertility of the soil. Fattening cows on corn, which their stomachs are ill-equipped to digest, leads to widespread infection, requiring the use of antibiotics, which in turn accelerate the evolution of antibiotic-resistant bacteria that can eventually make their way to humans.<sup>24</sup>

Fortunately, an alternative food production strategy is emerging that emphasizes natural processes, low energy inputs and production near consumers. The sustainable agriculture movement focuses on the health of soils, production that minimizes energy and chemical inputs, and direct connections between farms and consumers.

The inspiration for a food expense reduction approach can come from the 1976 cookbook published by the Mennonite Central Committee entitled *More-with-Less: Recipes and suggestions by Mennonites on how to eat better and consume less of the world's limited food resources*. Part of eating better is getting more good nourishment for your food dollar.

Responsible consumption is the key to achieving the goal of more-with-less – from the perspectives of healthy finances, healthy bodies, and a healthy planet. In this way consumers can not only take control of their own immediate actions, but also influence the broader food system.<sup>25</sup>

## **V. The Potential for Household Expense Reduction: A Scenario**

The following is a fictional scenario that shows the potential of expense reduction to improve household well being, increase the possibility for savings and decrease environmental impacts. It is intended to be illustrative, based on average data for income and expenses in San Francisco, California. Jason is not a real person.

### **Jason, a Single Resident of San Francisco**

Jason is a 35 year old,<sup>26</sup> African-American male living in the Tenderloin. He has a high school education<sup>27</sup>. He lives alone<sup>28</sup> and rents<sup>29</sup> a studio<sup>30</sup> apartment for \$650 per month.<sup>31</sup> His rent does not include electricity or natural gas,<sup>32</sup> so he purchases them directly for \$1,330 per year<sup>33</sup> from his local utility, PG&E. He uses gas for cooking, heating and hot water<sup>34</sup> and electricity for everything else. Jason's appliances are at least 10 years old and are not ENERGY STAR rated for energy efficiency. He does not have a dishwasher, clothes washer, or dryer. His apartment building, built before

1939, is inefficient.<sup>35</sup> Jason has a landline telephone and a cell phone. He does not have a computer at home.

Jason works in the Bayview area<sup>36</sup> at a small metal recycler with less than 50 employees.<sup>37</sup> He earns \$20,500 a year, with an income after taxes of \$17,835.<sup>38</sup> This is his first year in this job, so he is at an entry-level wage.

Jason commutes to work by SF Muni (bus) in less than 30 minutes. Because he is chronically short of money, he pays for transit every day, rather than purchase a monthly unlimited pass for \$45. Jason owns a 1985 Dodge that he uses every other weekend to visit his family in the suburbs; the rest of the time it is parked on the street.

Jason frequently picks up additional shifts at his job and doesn't have much time for cooking, so he frequently eats prepared foods or carryout. Sometimes he brings a lunch, but once or twice a week he buys lunch from a street vendor outside of the recycler where he works.

Jason's monthly core expenditures for transportation, energy, telecom and food total \$598, or 35% percent of his income. These core expenses added to Jason's rent come to a total of \$1,248, or 73% of Jason's income. Jason has only \$239 per month available for all other expenses include clothing, household expenditures, healthcare, insurance, apparel, entertainment, and other necessities, as well as savings. Jason lives paycheck to paycheck and does not have savings.

Jason is concerned about his financial situation, since rent and housing prices continue to rise. He knows some of the neighborhood development corporations in the area have built affordable rental housing, but it is limited and the waiting lists are long. Public housing is also either unavailable or the City has run out of housing vouchers. Jason wants to be able to save towards a home of his own.

Jason is invited by a local non-profit organization to join an Equity Express<sup>SM</sup> Financial Education Program, a sustainable household expense reduction workshop series designed to help him decrease expenses for transportation, phone & internet, energy and food by making smarter choices. Jason researches his goal of buying an affordable housing unit in the neighborhood, and realizes that this goal is achievable only in the long term. He decides to set a short-term goal of saving up for fees at City College of San Francisco. Jason decides that getting his associate's degree could open up higher-paying job opportunities, which will increase his ability to save towards his long-term goal of homeownership.

The non-profit sponsor of Equity Express also offers an Individual Development Account (IDA) program. It matches Jason's savings 2:1 for uses such as education and homeownership. As a result, he only needs to save one-third of the amount needed to reach his goal; the IDA provides the other two-thirds.

Jason is interested in joining the IDA program. He is highly motivated to save, but he can't see how he can do it; he barely breaks even by the end of each month.

Through Equity Express, Jason learns to log and then evaluate his daily expenditures; then decide on actions he can take to reduce his spending on energy, transportation, phone and internet, and food.

Table 1: Jason's Budget

Budget Items	Monthly	Annual	% of Income
<b>Income</b>			
Before Taxes	\$1,708	\$20,500	100%
Taxes	\$222	\$2,665	13%
After Taxes	\$1,486	\$17,835	87%
<b>Expenses</b>			
Energy (electricity & natural gas)	\$120	\$1,435	7%
Telecom (cell phone & land line)	\$68	\$820	4%
Food	\$171	\$2,050	10%
Transportation			
Muni (pay-as-you-go)	\$68	\$820	4%
BART	\$17	\$205	1%
Car	\$154	\$1,845	9%
Sub-Total: Four Core Expenses	\$598	\$7,175	35%
<b>Rent</b>	<b>\$650</b>	<b>\$7,790</b>	<b>38%</b>
Miscellaneous Household Expenses	\$17	\$205	1%
Health Insurance & Care	\$137	\$1,640	8%
Entertainment	\$51	\$615	3%
Clothing	\$34	\$410	2%
Sub-Total: Other Expenses	\$239	\$2,870	14%
<b>Total Expenses</b>		<b>\$17,835</b>	<b>87%</b>

### Transportation Savings

Jason already uses transit, but hasn't taken advantage of the monthly pass. Now, with his expenses under control, he has the available cash to buy a monthly pass and save \$23/month. In addition, with some encouragement, Jason's company begins offering Commuter Checks, which allows Jason and other employees to pay for monthly transit expenditures with up to \$110 in pretax dollars.<sup>39</sup> By eliminating the federal, FICA and state taxes, Jason cuts his annual transit expenses by \$81.

Jason's car has been his "mobility security blanket." He mostly uses it to visit his family in the suburbs, which is not easily accessible by transit. Jason decides to get rid of his car and joins City Car Share, a Bay Area non-profit car sharing organization that gives him access to energy efficient cars parked in his neighborhood, while avoiding the costs of car ownership. Selling his car eliminates his annual car ownership expenses of \$1,845; his twice-monthly use of car sharing costs only \$624/year,<sup>40</sup> saving him \$1,221/year.

### Energy Savings

Jason takes a number of steps to decrease his energy costs. He lowers his thermostat when he's out of his apartment and when he's sleeping. He keeps the blinds closed at

night during the winter months and during the day in the summer. And he reduces his shower time from 10 minutes to five minutes in order to cut his use of hot water.

Jason achieves significant savings in his use of electricity. He becomes more diligent about turning off lights and appliances that aren't in use, and he replaces the four most heavily used incandescent light bulbs in his apartment with compact fluorescent light bulbs, saving \$38 a year on electricity. The workshop makes him aware of "phantom energy use" – the fact that many electronic devices, including televisions and computers,

Table 2

<b>Jason's Expense Reduction Plan</b>					
<b>Category</b>	<b>Ways to Decrease Expenses</b>	<b>Expense Reductions</b>	<b>Monthly Expense Reduction</b>	<b>Annual Expense Reduction</b>	<b>Greenhouse Gas Emission Reductions (lbs/yr) *</b>
Electricity Use	Install compact fluorescent light bulbs	22.9 kWh electricity per month at \$0.14 per kWh	\$3.20	\$38.45	400
Gas Use for Heat	Install programmable thermostat, low flow showerhead, sink aerators, weatherstripping	4.8 Therms gas per month at \$0.90 per Therm	\$4.35	\$52.20	2,024
Transit Costs	Monthly transit pass	Current Muni expenses less cost of pass	\$23.33	\$280	-
Tax-Free Transit	Pre-tax transit checks from employer	13% savings on \$45 transit cost	\$5.85	\$70.20	-
Car Ownership	Gives up car	Eliminated car ownership expense less cost of car sharing	\$101.75	\$1,221	1,362
Long-Distance Phone Service	Switch to a less expensive provider	From a plan with a base price of \$2/month and \$0.10/min to no monthly fee; 3.25 cents/minute	\$10	\$120	-
Home Phone Service	Drop unused features	From a plan with 13 features to one with none	\$12	\$144	-
Less Soda at Work	Rather than buying 1-2 sodas daily, drinking from a refillable water bottle	\$1.50/day, for 20 business days/month	\$30	\$360	70
Cooking & Freezing Leftovers / Cooking Vegetarian Once Weekly	Cooking meals from scratch instead of buying expensive pre-packaged meals / cooking a vegetarian meal once a week	\$5/week	\$20	\$240	235
<b>Totals</b>			<b>\$187.15</b>	<b>\$2,245.85</b>	<b>4,091</b>

\* GHG emissions reduction estimates from <http://climateculture.com> and authors' calculations

continue to draw electricity even after they are turned off. By installing power strips to turn off his electronics, he reduces his phantom electricity use to zero.

### **Telecom Savings**

Jason pays his bills on time, but doesn't read them very carefully. The charges are predictable, so he just pays them. During Equity Express, Jason takes a close look at his home phone bill and realizes that he's paying for features that he never uses. Jason switches to a less expensive phone plan with fewer features, saving \$12 every month. Jason also realizes that he's paying \$2 per month and 10 cents/minute for long-distance, even though he makes only a few long-distance calls every month to his grandmother in Louisiana. Jason changes to an alternative long-distance provider with no monthly fee and out of state rates of 3.25 cents per minute, saving \$10 every month.

### **Food Savings**

Jason has a habit of buying a soda or two each day from the vending machines at the plant. From tracking his expenses, he realizes that the cost of those sodas is adding up. After attending the Equity Express food workshop, Jason is also more aware of the long-term costs to his health of drinking lots of soda. He decides to buy a water bottle and bring it to work instead.

Jason doesn't have much experience cooking, but decides to give it a try. He takes home the Equity Express cook book that focuses on low-cost, nourishing, easy-to-prepare recipes. On Sunday evening Jason makes a large pot of rice and beans for several meals. He saves by buying fewer prepared foods and reducing the frequency with which he buys lunch out.

Jason decides to attend the City College of San Francisco two nights a week and Saturday morning. He is able to save the first year tuition of \$622 in a matter of months, given his 2:1 IDA match. Eventually he hopes to buy a one bedroom condominium, but only after he increases his income as a result of the new skills earned through his degree.

### **Summary**

In the Equity Express<sup>SM</sup> Financial Education Program, Jason learns to meet his needs in smarter ways, which decrease both his expenses and his environmental footprint. His participation in an IDA program multiplies the impact of his savings, bringing City College within reach. Eventually, with the increased skills learned in getting his degree, he hopes to earn enough to buy a condo. Jason is proud of what he is able to accomplish. Saving money, especially where he thought there were no savings to be found, was great, but so was his greater awareness of the environmental contribution of his smart choices. Jason's expense reduction program decreased his carbon footprint by 4,116 pounds of CO<sub>2</sub> equivalent, his contribution to meeting U.S. emissions reduction goals. What could be better than saving money and saving the planet at the same time?

## **VI. A Pilot Sustainable Prosperity Program**

CNT is currently piloting an Equity Express<sup>SM</sup> Sustainable Prosperity Program in Oakland, California, in partnership with the East Bay Asian Local Development Corporation (EBALDC), funded by the City of Oakland.

The Oakland Equity Express pilot program enrolls residents in a low- and moderate-income housing development in a series of six workshops. The first session introduces the four areas targeted for savings – transportation, energy, telecommunications and food – in personal financial and broader sustainability contexts. The next four workshops address each target expense area in turn. The final workshop concludes the series by further elaborating on the connections between consumption, personal finance and sustainability.



Participants in the Oakland Equity Express pilot program, November, 2008.

An initial pilot workshop series concluded in November 2008; a second pilot series will be completed by May, 2009. By the end of the second series, curriculum will be tested and there will be data on the actions participants have taken, the money that they saved and the reductions in their greenhouse gas emissions.

## VII. Opportunities to Influence Federal Policy

The current economic crisis brings new levels of hardship for Americans at the low end of the income curve. The government response to this crisis, however, offers unprecedented opportunities to integrate sustainability-oriented expense reduction into policy and program initiatives.

### Green Jobs

A coalition led by Green for All advocates for investment in “green-collar jobs” as a way to fix the economy and the environment. They define green-collar jobs as “family-supporting jobs that contribute significantly to preserving or enhancing environmental quality.”<sup>41</sup> Green jobs include retrofitting residential and commercial buildings to make them more energy-efficient; manufacturing wind turbines; and jobs in existing blue-collar industries that are evolving to become more environmentally responsible.

President-elect Obama has embraced green jobs as a component of his economic stimulus plan. Mr. Obama has directed his transition team “to develop a two-year economic recovery plan that will create or save 2.5 million jobs by rebuilding crumbling roads and bridges, modernizing schools, investing in alternative energy, and providing immediate relief to middle class families.”<sup>42</sup> The President-elect is pressuring Congress to have legislation ready for him to sign as soon as he takes office.

Estimates of the total size of a stimulus plan range from \$400 billion to \$1 trillion.<sup>43</sup> According to Senate Majority Leader Harry Reid, spending on a green jobs initiative as part of an economic stimulus plan could reach \$100 billion.<sup>44</sup>

Sustainable prosperity fits into a Green Jobs program in several ways:

- Sustainable prosperity provides the “behavior” half of any environmentally responsible economic stimulus program. For example: reducing home energy consumption depends on both the building’s and HVAC system’s characteristics (e.g., insulation; furnace or boiler efficiency; high R-value windows) and the actions of occupants

(e.g., using a programmable thermostat properly; closing drapes at night; closing vents in and doors to rooms that aren't in use). Any green recovery program will be incomplete and may fail to achieve its intended environmental impact if it fails to engage and educate the residents of the newly energy efficient housing. Consumer education needs to address both how people manage their spending and how these spending decisions impact the environment and the world as a whole. Financial education strengthens any workforce development program; sustainable expense reduction makes the environmental and climate change connection.

- Teaching a sustainable prosperity curriculum (whether Equity Express or some other) can itself become a green-collar job. As stated above, a green-collar job is commonly understood as a "family-supporting job that contributes significantly to preserving or enhancing environmental quality." A sustainable prosperity workshop can be taught by individuals with modest formal education, given appropriate training and support.
- Sustainable prosperity education is an important component of the effort to ensure that America's most vulnerable citizens benefit from the new green movement, and are not made to bear the burden of global climate change. This effort is essential not only because it is fair, but also because low- and moderate-income households are a crucial constituency for a successful movement to address the climate crisis. As Van Jones has written, "cash strapped, economically fearful families are emerging as the swing constituency on climate policy. The only way to draw them into the coalition for real solutions is by delivering fully on the promise of a green economy that provides increased work, wealth and health for them and their children".<sup>45</sup>

### **Individual Development Accounts**

The Assets for Independence Act is the key existing federal legislation relating to Individual Development Accounts. It distributes \$24 million to IDA programs each year, providing "the vast majority of funding for IDAs nationwide".<sup>46</sup> Though the Act does not contain any stipulations regarding financial education requirements, the Department of Health and Human Services, which administers the program, organizes two-day financial education training academies for grantees that could incorporate sustainable prosperity.

Additional IDA legislation proposed in both the House and the Senate offers further opportunity to incorporate sustainable prosperity into asset-building programs. In particular, the proposed Savings for Working Families Act, which would expand access to IDAs to 900,000 low-wage working individuals over seven years,<sup>47</sup> includes provisions to require the completion of a financial education course before IDA owners can withdraw funds from their account. The proposed legislation requires that the Secretary of the Treasury work with IDA program operators and financial education providers to establish standards for the contents of the required courses.<sup>48</sup> Sustainable prosperity could profitably be incorporated into these standards.

### **Foreclosure Prevention Counseling**

The Housing and Economic Recovery Act of 2008 included \$150 million to be distributed by the end of 2008 by NeighborWorks America to expand foreclosure prevention counseling efforts.<sup>49</sup> While the initial focus of such efforts is and must continue to be negotiating workouts with lenders, once this short-term goal is achieved, long-term success can be enhanced by effective financial education, including sustainable prosperity. The

importance of this approach is emphasized by a recent report from the Office of the Comptroller of the Currency finding that over one-half of homeowners who have had their loan terms modified this year are already defaulting on their payments.<sup>50</sup>

FDIC Chairwoman Sheila M. Blair has put forth a proposal that the government engineer as many 1.5 million loan modifications in order to address the housing crisis.<sup>51</sup> If this effort goes forward, it too would benefit from financial education that includes sustainable prosperity strategies.

Each of these three policy opportunities, Green Jobs, Individual Development Accounts and Foreclosure Prevention Counseling, has multiple avenues to integrate sustainable prosperity into current and emerging federal policy. Policy change could occur through engaging the support of members of the appropriate agency review teams on the President-elect's transition team; through the appropriate federal agency; and through Congressional committees that deal with the three areas above.

## **VIII. Conclusion**

The United States is in a crisis. Financial institutions previously viewed as the foundation of American prosperity are in deep distress. The foreclosure of tens of thousands of homes has dramatically accelerated the previous slow steady downward slide of low- and moderate-income families. And the United States, with two percent of the world's population, continues to generate 25 percent of the world's greenhouse gas emissions.

The Obama Administration offers an unprecedented opportunity to use federal policy to mitigate these trends. In this context, Sustainable Prosperity holds promise as the basis for economic development and environmental policy. It can become the household level component of a wide range of policy initiatives. And its ability to achieve both economic and climate change goals fits in with the Administration's intent to "green" federal policy.



## End Notes

1 For two seminal works on the subject, see Michael Sherraden, Assets and the Poor: a New American Welfare Policy, M.E. Sharpe, 1991; and Melvin Oliver and Thomas Shapiro, Black Wealth/White Wealth: A New Perspective on Racial Inequality, Routledge, 1995.

2 CFED's 2007-2008 Assets and Opportunities Scorecard notes that 22.4% of US households are asset poor—that is, have insufficient net worth to subsist at the federal poverty level for more than three months. CFED, "Asset Poverty in America", available at <http://www.cfed.org/focus.m?parentid=2&siteid=2471&id=2565>.

3 While it is true that homeowners can borrow against their home equity for some of these ends, the ability to acquire debt financing is not of equivalent value to the possession of financial assets which allow one to acquire non-financial resources without incurring additional debt. Careless home equity lending during the recent housing bubble, furthermore, has contributed to unprecedented rates of negative equity among U.S. homeowners. This discussion closely follows Oliver and Shapiro, op. cit., p58-60.

4 Table 3.4 from: Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto, The State of Working America 2006/2007. An Economic Policy Institute Book. Ithaca, N.Y.: ILR Press, an imprint of Cornell University Press, 2007.

5 Robert Reich, "Totally Spent", The New York Times, 13 February 2008. available at <http://www.nytimes.com/2008/02/13/opinion/13reich.html?partner=permalink&exprod=permalink>.

6 With the possible exception of the 1973 oil crisis.

7 Barbara Kingsolver, Animal, Vegetable, Miracle: a Year of Food Life, New York, Harper Collins Publishers, 2007. p5.

8 "Annual Energy Review 2007", Energy Information Administration, June 2008, p71. <http://www.eia.doe.gov/emeu/aer/pdf/aer.pdf>

9 126.6% as of April 2008, according to <http://www.homeenergyaffordabilitygap.com/index.html>

10 "Emissions of Greenhouse Gases Report." US EPA, December 3, 2008. p12. <http://www.eia.doe.gov/oiaf/1605/ggrpt>

11 Primary energy consumption for the residential sector includes essentially all energy except electricity that is purchased from an electric utility. For example: natural gas or electricity from the solar panels on your roof are primary consumption; drawing power from the grid is not. For a complete definition, see "Annual Energy Review 2007", op. cit., p34.

12 "Annual Energy Review 2007", Energy Information Administration, June 2008, p39. <http://www.eia.doe.gov/emeu/aer/pdf/aer.pdf>. These figures include total electricity retail sales, but exclude electrical system energy losses from converting fuel into electricity, from power plant use of electricity, and from transmission and distribution ("line losses"). p62.

13 Ibid. p224.

14 U.S. Bureau of Labor Statistics Consumer Expenditures Survey 2007.

15 Center for Housing Policy, "A Heavy Load: the Combined Housing and Transportation Burdens of Working Families". October 2006, p1. [http://www.cnt.org/repository/heavy\\_load\\_10\\_06.pdf](http://www.cnt.org/repository/heavy_load_10_06.pdf). CNT was part of the research team for the paper. CNT has found that household transportation costs depend largely on location—see [www.htaindex.org](http://www.htaindex.org).

16 <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>. Table 2-15 of emissions inventory report.

17 <http://www.bls.gov/cex/cellphones.htm>

18 The Pew Internet and American Life Project reported in 2006 that 73% of all American adults had internet access at home, and that 42% of all American adults had a high-speed connection. John B. Horrigan, "Home Broadband Adoption 2006", Pew Internet and American Life Project, 28 May 2006, p2. [http://www.pewinternet.org/pdfs/PIP\\_Broadband\\_trends2006.pdf](http://www.pewinternet.org/pdfs/PIP_Broadband_trends2006.pdf)

19 US EPA, "Report to Congress on Server and Data Center Energy Efficiency", 2 August 2007, p7. [http://www.energystar.gov/index.cfm?c=prod\\_development.server\\_efficiency\\_study](http://www.energystar.gov/index.cfm?c=prod_development.server_efficiency_study).

- 20 Ginger Strand, "Keyword: Evil", Harper's Magazine, March 2008.
- 21 U.S. Bureau of Labor Statistics Consumer Expenditures Survey 2007.
- 22 Emissions of Greenhouse Gases Report." US EPA, December 3, 2008. p12. <http://www.eia.doe.gov/oiaf/1605/ggrpt>
- 23 Fertilizer and animal wastes both contain high concentrations of nitrogen and phosphorous—food for algae. Fertilizer runoff and animal waste flows from Midwestern farms, into the Mississippi river, and eventually to the Gulf of Mexico, dramatically increasing the concentration of nitrogen and phosphorous in the water where the Mississippi enters the gulf. Increasing these two nutrients results in explosive algae growth, increasing the amount of oxygen removed from the water when algae decompose. Eventually, oxygen concentrations fall to such low levels that nothing else can live. <<http://serc.carleton.edu/microbelife/topics/deadzone/>>
- 24 Michael Pollan, "Our Decrepit Food Factories", The New York Times Magazine, 16 December 2007. <<http://www.michaelpollan.com/article.php?id=91>>
- 25 "The household that prepares its own meals in its own kitchen with some intelligent regard for nutritional value, and thus depends on the grocer only for selected raw materials, exercises an influence on the food industry that reaches from the store all the way back to the seedsman." Wendell Berry, The Unsettling of America: Culture and Agriculture. San Francisco: Sierra Club Books, 1977, p24.
- 26 According to 2000 US Census Data (American FactFinder, census tract 125), the age group with the largest percentage in the two Tenderloin census tracts is 35-44 years old (19.2%).
- 27 13% of the male population in the Tenderloin, have completed high school, this is the median education level. 22% have less than a high school education and 44% have more than high school.
- 28 75% of Households in census tract 125 (one of the 2 Tenderloin census tracts) are nonfamily households and the average population per household is 1.65 – 2000 US Census Data, American FactFinder.
- 29 99.8% of the occupied units in the two Tenderloin census tracts are rental
- 30 86% of the occupied housing units in the two Tenderloin census tracts have No Bedroom, US Census 2000
- 31 Median rent in the Tenderloin in 1999 was \$592 (US Census 2000 Summary File 3).
- 32 46% of renters in the two Tenderloin census tracts pay extra for one or more utilities, US Census 2000
- 33 According to the BLS Consumer Expenditures Survey, 2007, 7% of the average citizen's income is spent on utilities.
- 34 Household heating fuel in the two Tenderloin census tracts is 43% from utility gas heat and 43% from electricity; the remaining 14% is split between no fuel, other fuel, and kerosene.
- 35 43% of Occupied housing units with complete plumbing facilities in the two Tenderloin census tracts were built before 1939 and 34% are lacking complete plumbing facilities.
- 36 89% of Workers in the two Tenderloin census tracts worked in Place of Residence
- 37 According to the 2000 Zip Code Business Patterns from the U.S. Census, there are 181 Manufacturing establishments in the 94124 zip code, of which 163 have less than 50 employees.
- 38 Median household income in the Tenderloin in 1999 was \$20,363 (U.S. Census 2000 Summary File 3). Tax Rates taken from Internal Revenue Service, Revenue Procedure 2007-66.
- 39 <http://www.transitinfo.org/cgi-bin/redirect/rides/check>
- 40 Based on City CarShare's average cost of \$6.50/hour for using the car sharing service.
- 41 Green for All et al. "Clean Energy Corps: Jobs, Service and Equal Opportunity in America's Clean Energy Economy". November 2008.
- 42 <http://change.gov>

43 Lorraine Woellert, "Obama Embraces 'Green Path' in Economic Stimulus Plan", Bloomberg.com, 12/2/2008; Rich Miller and Matt Benjamin, "Calls for \$1 Trillion Stimulus Package Grow as Economy Tumbles", Bloomberg.com, 12/4/2008; Louis Uchitelle, "U.S. Loses 533,000 Jobs in November", New York Times, 6 December 2008.

44 Lorraine Woellert, "Obama Embraces 'Green Path' in Economic Stimulus Plan", Bloomberg.com, 12/2/2008

45 Van Jones, The Green-Collar Economy: How one solution can fix our two biggest problems, New York, HarperOne, 2008, p194.

46 Reid Cramer, Rourke O'Brien, and Alejandra Lopez-Fernandini, "The Assets Agenda: Policy Options to Promote Savings and Asset Ownership by Low- and Moderate-Income Americans", New America Foundation, September 2008. p8.

47 Ibid. p8.

48 HR 1514 sec 5(b)1-2

49 Housing and Economic Recovery Act of 2008 (H.R. 3221) section 2401.

50 Charles Duhigg, "Fighting foreclosures, FDIC chief draws fire", New York Times, 11 December 2008.

51 Edmund Andrews, "Washington's New Tack: Helping Home Buyers", New York Times, 5 December 2008.

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