February 10, 2009


*Executive Summary*

The ubiquitous impact of the recent economic downturn has had a profound effect on the U.S. and global economy. As Congress works to reconcile the differences between the House and Senate versions of the American Recovery and Reinvestment Act of 2009, Americans who are experiencing the devastating effects of the recent economic turmoil are anxiously anticipating the assistance the bill seeks to provide.

While the troubles plaguing our economy have been devastating to Americans of all walks of life, the devastation is not even. For example, people in the auto industry as well as those in rural communities have been especially hard hit. In addition, many communities of color have been disproportionately burdened by the financial turmoil. This is compounded by the fact that the stimulus benefits will also be distributed unevenly. Robert Reich and others have noted that a substantial portion of the stimulus money will go to industries in which women and people of color have limited access.

As we rebuild the economy, we have to do it in a way that is consistent with American values, and that is open and fair to all populations, so that no group is limited by the plan’s design or effect. But attention to this goal has not been central to the stimulus plan, and this is not fair or good for the country. No group should be excluded at this historic moment. Marginalized minorities find themselves not only harder hit by the recession but also disproportionately limited in the benefits they derive from the stimulus.

This problem is easily remedied. While it might not be addressed in the legislation, there is broad discretion in the administration of the monies, and there will be new policies in the future. The first task is to be aware of the uneven distribution of burdens and benefits in our society. With sensitivity to need, we should make sure that no population is unfairly left out of the stimulus recovery. While this principle should be applied to all groups to make sure they are fairly included in the American dream, this report focuses on racial minorities. The racially disparate impacts of the recession are staggering:

- The Economic Policy Institute asserts that black and Hispanic unemployment could reach as high as 18.2% and 13.1% respectively in 2010 if a recovery package is not implemented. Both of these figures are more than twice the unemployment rate the groups experienced in 2007 (8.6% for blacks, 5.8% for Hispanics).
♦ African American homeownership gains were reversed after 2004; they have reverted to 2000 levels.

♦ Between 2000 and 2007, median black family incomes dropped 1.0% for all families (down 1.9% for single female-headed families; dropped 9.1% for single male-headed families; married couples saw a modest increase of 1.9% median income). The overall decline is the first in a business cycle of this length since WWII.

These disparate impacts emphasize the need for race-sensitive policy design and implementation. Policy makers must recognize that “universal” policies fail to acknowledge how people are differently situated. In fact, treating people who are situated differently as if they were equally able to access the benefits of “universal” policies can lead to greater inequities. In contrast to a universal approach, we advocate a “targeted universal” approach in which the needs of the particular are uplifted while recognizing that we are all part of the same social fabric. Targeted universal policies are inclusive, yet they target those who are the most marginalized.

In addition to being targeted and acknowledging how people are situated, racially sensitive policies are transparent; this transparency allows for progress toward goals to be gauged and corrections made if necessary. Moreover, racially sensitive policies are outcome driven and are multifaceted, thus recognizing both the complexity of race and the interconnected nature of structures.

It is imperative that the economic stimulus package is race-sensitive. This report analyzes the economic stimulus plan and its implications for communities of color. Projections indicate that the stimulus package will not affect all groups to the same degree, largely because people are segregated not only spatially, but also by sector. While this is only a preliminary analysis, the uneven racial impacts are apparent. For example, while African Americans represent approximately 13% of the U.S. population, the job creation estimate shows an under-representation of African Americans. This is largely because the bulk of the jobs created in the stimulus package are intended for industries in which African Americans are underrepresented, such as the construction industry.

The Obama Administration is facing many challenges that can be opportunities to enact racially-sensitive policy design. In addition to the stimulus, this report also includes a discussion of other broad issues such as the foreclosure crisis, the restructuring of Fannie Mae and Freddie Mac, and integrating our nation’s schools. These are opportunities for the Administration to recognize the interrelated nature of our societal structures and embrace a racially sensitive angle on policy.

Overview
This report seeks to initiate a conversation regarding President Obama's policy priorities and the implications for black communities. This is clearly a time of crisis, and as Rahm Emanuel told a Wall Street Journal conference of top corporate chief executives, “You never want a serious crisis to go to waste.”

The Chinese symbol for crisis is a combination of the symbols for danger and opportunity, and there is both danger and opportunity ahead. The danger lies in either doing nothing, or doing only what we’ve done before. We must look to past times of crisis and renewal to build on their strengths and learn from their mistakes. The “New New Deal” must recognize that people, neighborhoods and businesses stand in different places with respect to their ability to access and leverage opportunity – be it education, health care, capital, or credit.

“Universal” policies that fail to take into account the how different groups are situated is simple not universal. Unfortunately the particular role of race, class and gender in situated population to opportunity is often ignored. The goal of universal including all must be maintained but to achieve this goal we must pay attention to the difference circumstance that group fact. Continued inequalities in labor, education, space and business markets continues to be one way in which we will fail to reverse these inequalities and may even shore them up. Policies must be both universal and targeted. Targeted policies, on the other hand – tailored policies that work together to reach a universal goal – are a more nuanced and effective strategy. To make every school a performing school; to make every neighborhood a high-opportunity neighborhood – all of us want to get there, but we must acknowledge that the routes for each of us and our communities may be different. For a more detail discussion of this see: http://4909e99d35cada63e7f757471b7243be73e53e14.gripelements.com/publications/post-racialism_or_targeted_universalism_powell_feb2009.pdf

What these various pathways share is a commitment to a more just society, an acknowledgement that we are all part of the same social fabric and connected to one another. We can seize this moment to link education policy to housing policy; connect progressive transportation investments to reductions in greenhouse gas emissions; see criminal justice reform as integral to community economic development and the like. I ask you today, and as we move forward with this discussion in the future, to think broadly, energetically, and transformatively about our joint future.

Introduction
This preliminary report presents data on the racially disparate effects of the current recession. It lays out the need for race-conscious policy design, and illustrates the shortcomings of a “universal” policy approach. It offers a preliminary assessment of the new Administration’s first steps, largely though an analysis of selected aspects of the proposed stimulus bill. It identifies broader opportunities and challenges for the new Administration, and concludes with big-picture thinking regarding how we can respond to the crisis – the danger and the opportunity – that faces us today.

I. The racially disparate effects of the recession and the need for race-sensitive policies

The recession is having racially disparate impacts
Key findings from United for a Fair Economy, “The Silent Depression: State of the Dream 2009” include:

- Although the U.S. has been in a recession for more than a year, people of color have been in a recession for nearly five years and have entered a depression during the current economic crisis
- A deep recession would see median U.S. family income drop by 4%; black income would drop 6%. 33% of blacks and 41% of Latinos would be in danger of falling out of the middle class and into poverty, compared to 25% nationally
- Foreclosures have doubled since this time last year; the total loss of housing wealth for homeowners is roughly $2.7 trillion
- Nearly 30% of blacks have zero or negative worth, versus 15% of whites
- In nearly half of low-income households, after housing costs are paid, families have only $257 a month left for food; $29 for clothing; and $9 for medical care

Key findings from Economic Policy Institute Briefing Paper, “Reversal of Fortune: Economic Gains of 1990s overturned for African Americans from 2000-2007” (Algernon Austin) include:

- Between 2000 and 2007, median black family incomes dropped 1.0% for all families (down 1.9% for single female-headed families; dropped 9.1% for single male-headed families; married couples saw a modest increase of 1.9% median income). The overall decline is the first in a business cycle of this length since WWII
- Worker productivity grew 19.2% between 2000 and 2007, but for black workers 25-54 years old, the median weekly wage fell 0.6%
- From 1989 to 2000, the black poverty rate fell 8.5%. In contrast, from 2000 to 2007, the African American family poverty rate increased 2.8%
- African American homeownership gains were reversed after 2004 and are back to 2000 levels

Key findings from Economic Policy Institute Briefing Paper, “Hispanics and the Economy: Economic Stagnation for Hispanic American workers, throughout the 2000s” (Algernon Austin and Marie T. Mora)

- Median Hispanic family incomes grew 0.8% from 1989-2000 and dropped 0.2% from 2000-2007
- Overall worker productivity increased 19.2%, whereas Hispanic wages only grew 4.7%
- Poverty rates for Hispanic families grew .5% from 2000 to 2007. The Hispanic family poverty rate (19.7%) is roughly twice that of the overall poverty rate (9.8%)

Key findings from Economic Policy Institute Briefing Paper, “Without Adequate Public Spending, A Catastrophic Recession for Some” (Lawrence Mishel and Heidi Shierholz) include:

- Projected unemployment rates without a recovery package show disproportionate and severe unemployment levels for blacks and Hispanics (see the following chart from EPI):
The need for race-sensitive policy

We must be clear about what we mean by race-sensitive policy design and implementation. To do this, we must think, talk, and act in a deliberate way about race and policy. After the election of our first African-American President, it is tempting to say that there are no more barriers to success based on the color of our skin. This line of thinking would lead to racially neutral policy design and implementation. Unfortunately, many of our institutions that are affected by state and federal policies, regulations and funding (schools, banks, prisons) have racially isolated populations -- i.e. city versus suburban school demographics; the overrepresentation of minorities in foreclosure proceedings -- and racially disparate outcomes, such as poorly performing schools, unfair lending, and police profiling. These institutions and their policies often work together to compound racial and economic isolation. For example, a racially and economically isolated neighborhood houses high-poverty schools. Concentrated poverty in schools depresses student performance. Depressed educational outcomes lead to low graduation rates. Low graduation rates lead to unemployment or underemployment. Underemployed families are confined to segregated and isolated neighborhoods, and the cycle begins again. Professor Rebecca Blank built on Gunnar Myrdal’s concept of “cumulative causation” in her book, *It Takes a Nation: A New Agenda for Fighting Poverty*. Blank demonstrates that African Americans are more likely than whites to suffer the cumulative effects of prolonged poverty, such as long-term, inadequate health care and lack of access to
the mainstream labor market, even though whites are more likely to be in poverty in absolute numbers. Racial marginalization is thus a combination of factors working together over time. Race is not reducible to phenotype, nor is it “equivalent” to socio-economic status or place of residence. We respectfully disagree with the claim that “class is the new race” or that race is no longer a salient factor in policy design. Because racialized outcomes are complex and interactive, race cannot be “proxied” by other factors, such as socio-economic status, education level, or income. Research supports this with respect to policy design. For example, an analysis by Reardon et. al. found that, with respect to school integration policies, “income integration is no guarantee of even modest racial desegregation.” In fact, recent research has confirmed that the cumulative and interactive processes of concentrated disadvantage are endemic to communities of color – there are simply no “counterfactual” white experiences similar to, say, living in high poverty, highly segregated neighborhoods in Chicago. Given that race is a multi-faceted (and constantly changing) lived experience, policy design and implementation must be multi-faceted (and responsive to change) as well.

For example, the disproportionate impact of the subprime catastrophe in low-income, urban communities of color was due to the historic redlining in the mortgage and insurance industries, racial steering by real estate agents, labor market discrimination that kept residents’ incomes below average, a lack of capital investment in communities of color (such as investment in retail and grocery stores) that ultimately depressed neighborhood housing values, the proliferation of exploitative credit “options” such as rent-to-own and payday lending storefronts, the lack of appropriate regulation in the financial and banking industry, etc., etc. Therefore, fixing only one part of the broken system (i.e. educating real estate agents or investing more capital in neighborhood businesses) does not fix the other parts, and the system remains fundamentally broken. Without a full program of foreclosure relief that includes not only homeowner and neighborhood assistance, but a major overhaul of our regulatory structure, the provision of fair credit, and a revamping of Fannie Mae and Freddie Mac, we will only make piecemeal progress.

_The shortcomings of “universal” policy design_

Universal policies assume a universal norm. This conception, in fact, often reflects a particular in its design and implementation. For example, social security -- often described as the quintessential universal policy -- was universal only insofar as the universal was an able-bodied white male working outside the home. In its early years, the elderly were excluded since they had not been in the work force long enough to qualify. Under the cultural norms of the era, men were the primary wage-earners, and women typically worked in the home. Unpaid household labor and child rearing responsibilities are not counted toward Social Security earnings. Even today, women who take time off to raise children or select careers with more flexible working hours will earn less, on average, than their male counterparts, and will therefore have lower social security benefits upon retirement. And because of exclusions of agricultural and domestic workers, exclusions built-in to appease Southern resistance to the Act, sixty-five percent of African Americans were initially denied its protections.

Unfortunately, when based on a rigid particular (rather than reflecting the different situated-ness of people and communities), “universal” programs are as likely to exacerbate inequality as to reduce it. For example, the Interstate Highway Act of 1956 used federal dollars to subsidize the creation of the suburbs. This was the largest public works project in American history at the time. It gave impetus to waves of migrating middle- and upper-class families to abandon the central cities for the suburbs. At the same time, many downtown regions were surrounded or demolished by massive highway
construction, and the revenue generated by these projects did not return to the communities that lost their churches, schools, and homes. The ensuing arrangement of racially isolated urban dwellers and equally racially isolated suburban residents, hastened by the white flight that followed Brown v. Board of Education’s integration mandate the same year, is a pattern we live with today. The critical insight is this: treating people who are situated differently as if they were equally able to access the benefits of “universal” policies can in fact lead to greater inequities.

Universal and targeted approaches are false choices. There is a third possibility, what we call “targeted universalism.” This is an approach that supports the needs of the particular while acknowledging that we are all part of the same social fabric. Targeting within universalism means being proactive and goal oriented about achievable outcomes. As an initial step, an impact assessment could be employed to gauge how a universal policy would impact particular groups. But an impact assessment alone is not enough. In a complex real world setting, policies have unintended consequences and resistance that thwart policy intentions. It is critical that targeted universal policies set clear goals and use mechanisms to closely monitor and correct for negative feedback loops and other resistance.

President Obama’s proposed infrastructure stimulus plan may reshape our nation as fundamentally as the Highway Act and other public works projects of the last century did for the baby boomer generation. Many of the current proposals for spending the infrastructure funds look to divert much of the funding to existing road proposals across states. This broad and regressive use of the infrastructure stimulus funds may produce jobs in the short term, but it is a replication of existing models of public investment which have produced inequitable and unsustainable growth. In addition, we must think strategically about who benefits from investments in new technologies. Instead of investing billions in wind power infrastructure which would be capital intensive and produce few jobs, would it be better to target funds to energy-efficient home improvements? This labor intensive investment could train and employ underemployed workers to recondition homes with energy efficient measures (like insulation and heating/cooling improvements) while subsidizing these home improvements in low income communities. In essence this approach would produce universal environmental gains (energy conservation), while targeting many of the benefits to our most vulnerable households (through energy savings and employment opportunities).

The opportunities to transform our present institutional and regulatory arrangements are now open. The policies we promulgate will set the course of development for generations to come just as the New Deal and post WW-II arrangements laid the groundwork for generations that followed them. This window of opportunity will remain open for a short time, and as time passes, the chance for dramatic change will diminish. In this moment, we can work towards building a more equitable future, or repeat the mistakes of the past. It is critical that we meet these opportunities with the proper solutions now. If we fail at this, we will be trying to correct our missteps for years to come.

Guiding principles for race-sensitive policy design

In short, racially sensitive policies will be targeted and tailored, outcome driven, and multi-faceted. They will encourage labor and education initiatives that serve as a bridge to the new economy, not a rut in the old one. Their goals and monitoring will be transparent, so that progress can be gauged (and corrections made).
Progressive organizations across the country are coalescing around the need for racially sensitive policy analysis and development. The Applied Research Center (ARC) has produced a short guide to conducting “Racial Equity Impact Assessments of Economic Policies and Public Budgets” which lays out a three-step process: (1) Analyzing Current Problems; (2) Developing and Advancing Proposed Changes and (3) Analyzing Current Proposals. (The full assessment guide is included as an appendix.) The Center for Social Inclusion advocates for economic recovery for everyone through the following reflections on the proposed stimulus plan: (1) Stimulus investments should ensure that most in distress benefit meaningfully; (2) Stimulus investments should support infrastructure projects that benefit distressed communities, not solidify inequities; (3) Stimulus investments should address access to credit in communities pulverized by the collapse of the mortgage market and the job market; (4) Stimulus investments should recognize differences in labor segmentation by race and gender to ensure an equitable distribution of the stimulus’ benefits; (5) Data collection on the race, ethnicity and gender of those served by stimulus money is critical to evaluating the success of the stimulus package and to inform government officials, advocates and the public about what works and does not.

For example, Maya Wiley at CSI suggests incentives for inclusion of people of color in jobs creation, prioritizing investment in public transit projects that connect people to jobs, and grants and loans for small and minority-, women-, and community-disadvantaged businesses. As another example, the National Urban League encourages utilizing a portion of the infrastructure funding to train, place and prepare disadvantaged workers in construction jobs, and to consider schools, libraries, and recreation centers as part of a community’s critical infrastructure. Even “green” groups are encouraging an equity lens in infrastructure spending. America 2050 supports a “Five Step Program: Fix, Phase, Green, Train, Count” that calls for prioritizing projects that promote healthy and compact communities, advancing equitable training (“jobs should be accessible to the people in the communities most deeply affected by the current economic crisis”) and monitoring the results of federal investments and their outcomes.

II. Opportunities and Challenges for the new Administration

The proposed Federal Stimulus Package

The Federal stimulus package is an opportunity to ask, what are our public values for the next century? Does the stimulus package advance fair investment in all people and communities? Does it promote economic and environmental sustainability? Does it have transparent controls for personal, institutional, and regulatory accountability? Is it sensitive to the needs of racially marginalized groups and communities?

In early January of 2009, Christina Romer, the Chair – Nominee – Designate to the Council of Economic Advisors, and Jared Bernstein, from the Office of the (then) Vice-President Elect, released a report entitled “The Job Impact of the American Recovery and Reinvestment Plan.” The report details aggregate job effects, estimates unemployment with and without the recovery plan, and breaks down the estimated jobs produced in each major category of the stimulus plan (jobs in energy, infrastructure, health care, etc.) Section E of the report is then dedicated to “Effects on Different Demographic Groups.” A preamble mentions the disproportionate effects of the recession on workers of color, and then an assessment on the number of created jobs expected to go to women follows. There is no comparable break-out of number of created jobs expected to go to African-Americans or Latinos.
Based on early calculations, the Kirwan Institute updates the “Job Impact” report as follows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Projected Jobs Created in 2010Q4</th>
<th>African American Share of Employment</th>
<th>Projected African American Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>26,000</td>
<td>4.3%</td>
<td>1,118</td>
</tr>
<tr>
<td>Construction</td>
<td>678,000</td>
<td>5.7%</td>
<td>38,646</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>158,000</td>
<td>8.1%</td>
<td>12,798</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>345,000</td>
<td>9.4%</td>
<td>32,430</td>
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<tr>
<td>Manufacturing</td>
<td>408,000</td>
<td>9.7%</td>
<td>39,576</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>214,000</td>
<td>10.1%</td>
<td>21,614</td>
</tr>
<tr>
<td>Other Services</td>
<td>99,000</td>
<td>10.4%</td>
<td>10,296</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>604,000</td>
<td>10.4%</td>
<td>62,816</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>499,000</td>
<td>10.6%</td>
<td>52,894</td>
</tr>
<tr>
<td>Utilities</td>
<td>11,000</td>
<td>11.7%</td>
<td>1,287</td>
</tr>
<tr>
<td>Information</td>
<td>50,000</td>
<td>11.9%</td>
<td>5,950</td>
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<tr>
<td>Education and Health Services</td>
<td>240,000</td>
<td>13.9%</td>
<td>33,360</td>
</tr>
<tr>
<td>Government</td>
<td>244,000</td>
<td>15.8%</td>
<td>38,552</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>98,000</td>
<td>18.4%</td>
<td>18,032</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,674,000</strong></td>
<td><strong>10.1%</strong></td>
<td><strong>369,369</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Projected Jobs Created in 2010Q4</th>
<th>Hispanic or Latino Share of Employment</th>
<th>Projected Hispanic or Latino Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>244,000</td>
<td>8.7%</td>
<td>21,228</td>
</tr>
<tr>
<td>Utilities</td>
<td>11,000</td>
<td>8.8%</td>
<td>968</td>
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<tr>
<td>Information</td>
<td>50,000</td>
<td>9.5%</td>
<td>4,750</td>
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<tr>
<td>Education and Health Services</td>
<td>240,000</td>
<td>9.6%</td>
<td>23,040</td>
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<tr>
<td>Financial Activities</td>
<td>214,000</td>
<td>10.4%</td>
<td>22,256</td>
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<td>Retail Trade</td>
<td>604,000</td>
<td>13.2%</td>
<td>79,728</td>
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<tr>
<td>Mining</td>
<td>26,000</td>
<td>13.4%</td>
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<td>Professional and Business Services</td>
<td>345,000</td>
<td>13.8%</td>
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<td>Wholesale Trade</td>
<td>158,000</td>
<td>14.4%</td>
<td>22,752</td>
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<tr>
<td>Transportation and Warehousing</td>
<td>98,000</td>
<td>14.4%</td>
<td>14,112</td>
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<tr>
<td>Manufacturing</td>
<td>408,000</td>
<td>14.5%</td>
<td>59,160</td>
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<tr>
<td>Other Services</td>
<td>99,000</td>
<td>16.2%</td>
<td>16,038</td>
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<tr>
<td>Leisure and Hospitality</td>
<td>499,000</td>
<td>19.4%</td>
<td>96,806</td>
</tr>
<tr>
<td>Construction</td>
<td>678,000</td>
<td>25.3%</td>
<td>171,534</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,674,000</strong></td>
<td><strong>16%</strong></td>
<td><strong>583,466</strong></td>
</tr>
</tbody>
</table>

**Caveat: the American Recovery and Reinvestment Plan is undergoing debate in the Senate and is not finalized. However, it is unlikely that the general industry share of the stimulus dollars will change very much, allowing for a preliminary look at some potential issues.**

Here we immediately find something interesting. African Americans are roughly 13% of the U.S. population, so the job creation estimate is showing an under-representation of African Americans. [Everything above the red line indicates industries in which African Americans are under-represented;
everything below, industries where African Americans are over-represented.] This is largely because the bulk of the jobs created in this initial stimulus package go to industries in which African Americans are under-represented (or sorely under-represented, such as in construction, where the lion’s share of the jobs is going). Hispanics are also roughly 13% of the U.S. population, and the chart shows a similar breakdown of sectors in which Hispanics/Latinos are under- and over-represented. Hispanics are the most over-represented in leisure and hospitality and construction sectors. However, it is important to note that the proposed public infrastructure works (like road building) may not have the same racial demographics as the catch-all “construction” term, and/or may be union jobs, which may have different racial demographics. Therefore this analysis may in fact overestimate the number of jobs in construction going to Hispanics. This further underscores the need to keep detailed racial data on the job creation as it occurs.

The following chart breaks down each sector listed in the “Job Impact” report by African American, Latino and Asian demographics.

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The next two charts look at different racial breakouts of construction and government stimulus jobs:

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As mentioned above, Hispanics appear to be significantly over-represented in construction jobs. It is important to look at the broad patterns for both groups, however -- both African Americans and Hispanics are receiving more aggregate job opportunities in construction, manufacturing, and leisure and hospitality jobs. These are arguably the jobs with the least mobility, unless significant job-training and capacity building programs are included. Data on the information and finance sectors -- critical technology jobs for the 21st century -- reflect much lower job creation opportunities for people of color. This analysis should encourage African Americans and Latinos to work together to ensure that (a) proper data collection occurs on the job stimulus package and (b) these groups increase their representation in sectors with more job mobility, sustainability, and living wages.

It is especially important to be aware that the Administration could waive current Civil Rights provisions in order to green-light “shovel-ready” projects. While some expedient action is necessary given the

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scope and scale of the economic recession, in the long term, prioritizing shovel-ready construction advances projects that replicate existing (status-quo) structures and policies, such as highway building. Scanning both the House and Senate versions of the American Recovery and Reinvestment Act, the Lawyers' Committee for Civil Rights notes that there is only one provision with any incentives for targeting marginalized groups – but perhaps this can be expanded. Part III, “Incentives for New Jobs,” gives credit for unemployed veterans and disconnected youth. The language from the House Bill is included at the close of this report.

Another way to view spending alongside racial demographics is to look at projected state spending compared to the racial demographics of each state. The following graph, by Julianne Hing at Racewire.org, does just this in one simple graph. The states above the green line and to the right of the red line have high percentages of people of color and above-average jobs training spending per capita. Those below the green line but to the right of the red line have below-average jobs training per capita despite having high minority populations.

2009 House Stimulus Package: State Jobs Training per capita spending by race/ethnicity

Race-sensitive data collection and monitoring

This preliminary analysis points to the need for detailed, accurate data collection and monitoring. The U.S. Senate Committee on Appropriations Press Release of January 23, 2009 notes that the American Recovery and Reinvestment Plan proposes a Recovery Act Accountability and Transparency Board to “coordinate and conduct oversight of recovery spending and provide early warning of problems” and that a special website will provide transparency by posting information about recovery spending, including “grants, contracts, and all oversight activities.” These agencies should be tasked with maintaining data collection on expenditures and revenue streams that are attentive to demographics of race, gender, class, and geography.

Another way to analyze the stimulus package is by proportion of funding allocated to different programs. Here is an example, using figures from Ohio. (Note that these figures are from an early estimate and that the House and Senate have made some changes since these numbers were released.) Again, however, funding priorities become very clear. The overwhelming majority of stimulus funds are targeted toward tax cuts and stabilizing state government budgets. Although these are necessary short-term steps, particularly when state budgets are facing record deficits, it is arguable that some of the most important programs for communities hardest hit by the recession (and facing the worst foreclosure crises) have comparatively paltry allocations. Ohio’s proportions are similar to those of the national proportions (see following charts).

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Put another way, the likely combined total of the national spending on community development block grants and the neighborhood stabilization program will be 1% of the stimulus funding. The TARP allocations for Wall Street, which seem to have done little but cause outrage among the American public, cost us 135 times what the total allocations are for CDBG and neighborhood stabilization funds. And the TARP is not the least of the Wall Street bailouts. CNN added up all the allocations: 9.1 trillion dollars. ix

Addressing the foreclosure crisis

Experts agree that the current economic recession started with the collapse of the housing bubble. x Once housing values stopped rising, subprime lenders could not capture the increased value of the home through predatory refinancing. Since mortgage lending was largely financed by the securitization process, mortgage defaults triggered a system-wide shock.

The foreclosure crisis presents one of the most significant civil rights challenges to emerge in the 21st century. The disparate impact on communities of color is in part a result of those communities being left out of the vast post-World War II housing market expansion, and by their undercapitalization. As new unregulated credit options were coming on line, these exploitative products were targeted to communities that had been redlined decades before. Communities of color have historically been targeted with some of the most exploitative credit instruments used in our nation. From payday lenders to “buy here-pay here” auto dealerships to discriminatory home loans, the private market has taken advantage of the void in credit in communities of color. The lack of adequate credit in these communities existed long before the subprime crisis, and reached far outside of the housing market.

Too little attention has been paid to the interrelated nature of vacancy and abandonment in our cities, the crisis on Wall Street and the global credit market. These issues continue to be thought of as largely separate. So while there is an effort to stabilize banks and other lending institutions, the federal rescue package is only weakly related to the continuing foreclosure crisis that is destabilizing housing markets, neighborhoods and cities across the country. There are good reasons to believe that these fragmented approaches will not work and that instead, a more deliberate effort to address and link these efforts is required. While the financial bailout for Wall Street will cost the nation more than $700 billion, only $4 billion has been allocated to address vacant property relief in our largest cities.

The following maps from Ira Goldstein at The Reinvestment Fund show the correlation of minority neighborhoods and foreclosure in Baltimore and Philadelphia:
Re-thinking Fannie Mae and Freddie Mac

Another opportunity is the new status of Fannie Mae and Freddie Mac. Fannie and Freddie were government chartered, publicly traded companies before their historic takeover by the Federal government in September 2008. They are currently under “conservatorship;” Treasury Secretary Paulson deferred decisions regarding the mission of the companies for the next President and Congress. As newly emerging entities of the federal government, what are the opportunities for holding Fannie and Freddie to the requirement of “affirmatively furthering fair housing” as mandated in 1968 Fair Housing Act? Fannie Mae and Freddie hold about five trillion dollars of housing mortgages (about 70% of all new home loans); these entities set much of the standard for the entire market. Could the federal government proactively utilize Fannie and Freddie to meet the goals of the Fair Housing Act? What about the other financial institutions backed by federal bailout funds? From the emergence of the secondary market through the work of FHA, the federal government historically has been instrumental in expanding housing opportunities and developing our nation’s middle class, but these efforts largely ignored or marginalized communities of color. It is imperative that the concerns and interest of communities of color not be ignored again. A deliberate effort needs to be made to reset loans, to stabilize the market, to develop appropriate products, to extend appropriate credit and to affirmatively further fair housing. We believe these new policy goals should be addressed together as opportunity based housing.

Developing human capital

A global economy with competitive labor is an opportunity to educate all of our citizens to be able to fulfill their potential and lift up their communities. Establishing educational equity is vital to upholding the democratic principles embraced by Americans. One of the fundamental tenants of public education is the preparation of students for citizenship, to allow all to partake in the shaping and imagining of our society, yet this is not possible when public education fails. Our current fractured system of public education is not only leaving a large portion of children behind, it is also robbing us of a true democracy. As numerous studies have documented, the troubles facing our nation’s public schools are extensive and grave. The pervasive segregation that exists throughout our nation’s schools reflects the racial isolation of our neighborhoods. Between 1993 and 2006, the number of nearly all-minority schools (defined as a school where fewer than 5 percent of the students are white) doubled. Data from 2005-2006 indicate that 56% of Hispanic students attended schools where at least half of the student population was Hispanic. Similarly, nearly half of black students attended a majority black school.

Research indicates that this widespread segregation affects a variety of indicators both within and beyond the walls of the classroom. Issues plaguing majority non-white schools include fewer AP/Honors courses, more teachers that are inexperienced, larger class sizes, and lower “promoting power,” meaning that fewer students are promoted each year from grades 9-12. Minority isolation is a strong predictor of low graduation rates even when other school performance indicators are controlled; this phenomenon holds true for both minority and White students. Moreover, students who graduate from predominately minority school districts are less likely to graduate from college, even when accounting for students’ prior test scores and socioeconomic status.

The deleterious effects of segregation undermine academic performance and subsequently limit life opportunities. It is imperative that we as a nation commit to narrowing the achievement gap and work towards revamping the public school system so that it lifts up all students and provides them with the
knowledge and skills necessary for full democratic participation. With school assignment plans increasingly under scrutiny, many school districts have looked to alternate arrangements for assigning students, including reliance on proxies such as socioeconomic status. While utilizing class is less controversial, several school districts that utilized these proxies found that once they terminated their racial integration plans, their schools became increasingly segregated and academic achievement declined. The weaknesses of considering class as a proxy for race only begin to highlight the challenge that creating an integration plan entails. Numerous factors must be considered simultaneously, including geographic place, socioeconomic status, academic performance, and language barriers in addition to race and class.

Beyond the classroom, the long-term effects of attending racially integrated schools are encouraging. Students in integrated schools have greater access to professional jobs and higher incomes, even when factoring in assorted background characteristics. Moreover, integrated schools yield students with greater cross-racial understanding who possess fewer stereotypes and biases. In our increasingly multiracial and multiethnic society, the effects of outcomes such as this may be felt across a range of contexts.

The process of transforming segregated school systems into ones that are integrated and equitable needs to be a high priority in this country. To complete this overhaul, we must recognize that schools are part of a larger web of institutional arrangements, including housing, healthcare, the labor market, and fiscal policy.

Example: Connecting Housing Policy to Education Policy

The Center on Budget and Policy Priorities recently issued a report on the portion of the economic recovery bill being debated with regard to the Low-Income Housing Tax Credit (LIHTC) program. The CBPP writes:

The economic downturn has sharply reduced the effectiveness of the Low-Income Housing Tax Credit, the nation’s primary subsidy for development of affordable rental housing. Faced with lower profits and reduced access to capital, fewer corporations are willing to invest in affordable housing in exchange for the credits. As result, the LIHTC is supporting far less construction and rehabilitation of affordable housing, at a time when the number of homeless families is rising and the already extensive need for affordable rental housing is likely to grow.

The CBPP points out that “a provision of the economic recovery bill that the House of Representatives passed on January 28, 2009 would temporarily allow state housing agencies to exchange some credits for federal grants, which they would then distribute to developers to support the production of affordable rental housing. Recovery legislation that the Senate Finance Committee approved on January 27, 2009 does not include the exchange option.”

This is an opportunity to advocate not only for continued support for LIHTC programs in a time of increased need for affordable housing, but to re-think how we target LIHTC projects to high-opportunity communities.

The Low Income Housing Tax Credit (LIHTC) program is the largest federal program supporting affordable housing opportunities for low-income families. LIHTC has worked to provide housing to

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millions of low-income families, but by typically concentrating affordable housing units in high-poverty, poorly resourced inner-city school districts, the program exacerbates the educational challenges facing low-income children, particularly children of color. Nearly three-quarters of African American and Hispanic LIHTC residents are located in segregated schools. Research has shown that attending a highly impoverished, resource-starved inner-city school significantly depresses educational outcomes for low-income students. Conversely, attending low-poverty schools is associated with dramatic improvements in academic performance.

For a developer to be granted LIHTC credits they must submit a Qualified Allocation Plan (QAP) to the distributing agency of the state. The evaluation process for these plans varies by state and there are no specific federal requirements of evaluation. In response to advocacy reform efforts, some states have started revising their site selection criteria. For example, the Wisconsin QAP now prioritizes zip codes with recent job growth; the Minnesota QAP includes population growth and job growth criteria; Illinois implemented “live near work” criteria to prioritize suburban areas with job growth and labor shortages; and California awards bonus points for high-income, high job growth locations with inclusionary zoning. Many states integrate other opportunity indicators into their site selection evaluation, such as proximity to childcare, access to public transit, and access to nearby services, such as grocery stores and medical facilities.

However, we need a clear and explicit focus on the relationship between LIHTC siting criteria and school choice. While residential segregation and school segregation are connected, policies directed to each are working independently, and perhaps in conflict. A significant number of family LIHTC units should be sited in low-poverty neighborhoods with high-performing schools, a reform that would provide particularly large benefits for low-income students and for the nation as a whole. In addition, Congress must mandate that race-based data be collected on occupancy of LIHTC units in order to assure that the goals of the Fair Housing Act are being upheld by the program.

III. Opportunities for Action

Immediate:

Shape and direct the imminent flow of public dollars

The monies being released in the “bailout” or “relief” packages, as well as the proposed stimulus packages, offer a once-in-a-generation opportunity to effect federal and state policy. How federal stimulus money is spent by the states will help determine if those states lift all their people into a more just society, a robust economy, and global citizenship. Similarly, the reorganization of Fannie Mae and Freddie Mac offer an unprecedented opportunity to use the Fair Housing Act to “affirmatively further fair housing” in deed, not just in intent. We cannot underscore enough to need to intervene into these policy discussions with a clear, informed perspective from communities hardest hit by the economic recession and most in danger of falling permanently out of the fabric of American society. Record foreclosures, widespread layoffs, and state budget deficits threaten to rip what is left of the safety net away from millions of American families. 598,000 jobs were lost this January alone. As mentioned, intervening in public dialogue on the priorities of the federal stimulus funds, targeting the flow of state disbursements of federal money, addressing the foreclosure crisis, re-developing Fannie Mae and
Freddie Mac to affirmatively further fair housing, connecting education policy to housing policy through targeted use of LIHTC funds, insisting on the collection of detailed demographic data on federal and state spending, and developing human capital and capacity are the broad challenges and opportunities that lie immediately ahead.

**Example: Convene and empower advocacy groups**

Advocacy groups need to build increased capacity to respond quickly and proactively to policy opportunities with a particular eye to the needs of marginalized groups. We need a network of groups that are coordinated, “up and running” and ready to intervene in public debate: not just for the immediate stimulus package, but for the subsequent shaping of federal and state policy that will develop over the next four or eight years.

**Example: Shape the framework for data interpretation**

We have repeatedly stressed the need for detailed, accurate, race-sensitive data. But equally critical is the ability to develop a framework for talking about the data in a productive way to push public policy. Research shows that discussion of disparities alone does not move people; contextual information is vital.

**Longer term:**

**Strategic communications**

Many of us struggle with a “crisis of meaning” regarding Obama’s ascension to the White House. We need help with a productive dialogue around the paradox we are witnessing: we have elected our first African American President, yet African Americans, as a group, suffer continued inequalities in education, income, residential choice, criminal sentencing, health care, and the like. We need a nuanced discussion around what race means in the wake of President Obama’s historic election. We must resist the simple, binary narratives that beguile us: that either we are in a post-racial future, where race “doesn’t matter,” or we are locked in an unchanging racist past, where race is “everything.” Neither narrative is entirely true, but each has a grain of truth. The meaning of race does change, it matters more in some situations than others; and we are deeply and personally affected by America’s racist legacies. We must acknowledge our progress while taking measure of our challenges. The ability to talk about race in a nuanced way is in danger of falling prey to a desire to “forget” race entirely or say that we have “moved beyond” it. We must help advance productive discussions around race that thoughtfully inform policy design and advocacy.

**Capacity building**

There is a great need to develop, extend, and connect local community development capacity. In short, everyone should have an opportunity to give voice to the future of their communities. This includes supporting efforts to:

- Improve the participation of marginalized groups in policy design
- Improve data collection, monitoring and evaluation of state and federal programs
• Find, lift up, and bring to scale programs that work

Legal advocacy

Recent challenges to workplace protections and the Voting Rights Act are coming before the Supreme Court. This Court dealt the biggest blow to race-based voluntary integration programs in schools just a year ago. We must lift up the voices of legal scholars, academics, and community advocates in this debate – for amicus curae briefs, legal defense, and litigation. Legal muscle can be brought to bear on civil rights issues at the local, state, and district court level.

Example: “Disparate Impacts” under Title VI

Title VI of the Civil Rights Act of 1964 provides that “[n]o person in the United States shall, on the ground of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.”

Title VI does not cover programs or entities maintained directly by federal agencies, such as Medicare carriers. Under the statute, plaintiffs may bring an intentional discrimination suit or a ‘disparate impact’ suit. A disparate impact suit alleges that the program or activity creates unjustified discriminatory effects. A disparate impact claim may be based upon statistical evidence that a practice or policy has had a disproportionately negative discriminatory impact. The disparate impact test under Title VI applies to the agency or federal department extending assistance. Consequently, every significant federal agency has adopted regulations to that effect.

In 2001, the Supreme Court in Alexander v. Sandoval held in a five-to-four decision that there is no private right of action to enforce disparate impact regulations promulgated under Title VI. Nonetheless, federal agencies may invoke penalties or terminate funding to recipients because of a finding of disparate impact discrimination.
References


ii “The stratification of America’s urban landscape by race and class once again reveals that concentrated disadvantage is a different treatment than simple poverty and one experienced almost solely by Chicago’s black population” (221). Robert J. Sampson, “Moving to Inequality: Neighborhood Effects and Experiments Meet Social Structure,” *American Journal of Sociology* 114(1): 189-231 (July 2008).


vi America 2050, “Call to New Administration: Only One Chance to Do This Right, Invest Wisely.”

vii The Kirwan Institute analyses are based on early estimates prior to the House or Senate passing their versions of the Bill. As such, these estimates should be regarded as only preliminary numbers that are subject to changes as the bill passes through Congress.


xiii Ibid.

xiv Ibid.


xix Ibid.


xx The Denver, San Francisco, and Charlotte-Mecklenburg school systems all experienced these trends. In contrast, rare examples of the converse do exist. In Raleigh, North Carolina, SES diversity created racial integration because


Ibid.


42 U.S.C. 2000d Title VI defines programs or activities as operations of departments, agencies, instrumentalities, and other sectors of state or local governments; colleges and certain public systems of education; local educational agencies and school systems; certain corporations and other private organizations; and other entities established by a combination of two or more of the mentioned entities. 42 U.S.C. 2000d-4


See, e.g., Lau v. Nichols, 414 U.S. 563 (1974) (holding that recipients of aid from the Department of Health, Education, and Welfare must adhere to the disparate impact regulations of that department.); 28 C.F.R. § 42.104(b)(2) (Department of Justice regulations prohibiting recipients from utilizing “criteria or methods of administration which have the effect of subjecting individuals to discrimination because of their race, color, or national origin, or have the effect of defeating or substantially impairing accomplishment of the objectives of the program as respects individuals of a particular race, color, or national origin.”).