



CENTER FOR SOCIAL INCLUSION

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2011 RECESSION IMPACT INDEX

HOW STATES CONTINUE TO BE BURDENED BY
THE RECESSION

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Executive Summary

“The recession is over!” Or so economists and politicians like to claim. That statement is true if we define the term “recession” by the growth in Gross Domestic Product (GDP). But when we define recession by its impact on the economic and social wellbeing of states, a very different story emerges. And while families across the nation continue to take a recessionary pounding, families of color are feeling even greater pain. The recession is not over – it is just hitting its stride.

In October 2009, CSI released a sobering report, the *2009 Recession Impact Index*, which analyzed the recession’s impact on states. Instead of relying on GDP and job growth alone, we devised an alternative measure. Our multi-variable analysis focused on the heart of people’s interests and needs—healthcare, jobs, affordability, and poverty, among other factors—and revealed a picture of the deep economic pain Americans faced, especially in states with significantly high percentages of residents of color.

Today, we release an update to that report, the *2011 Recession Impact Index*. Overall, the picture is bleak. Unemployment remains agonizingly high for all communities. For Whites, the rate remains at a painfully high 7.9%. Rates for Asians are 7.1% and Latino and Black populations have whopping 11.3% and 15.5% unemployment rates, respectively. With high unemployment comes a precipitous drop in health insurance rates, leaving families at risk of financial disaster in the case of illness or medical emergency. Millions of foreclosure proceedings are in a holding pattern, leaving families unsure if they will have a house to call home next month. And as poverty rates increase more people are cutting their personal budgets for items like food and electricity, even as these prices are set to increase this summer.

That is the story, but it is not one we are often told in the context of the recession. Instead, the so-called “end of the recession” has dominated the conversation, providing the impetus and justifications for the latest round of cuts in the 2011 federal budget and proposed cuts in state budgets across the country even as people continue to suffer. Many of these proposed cuts are to the very programs that have helped people weather the storm: education, healthcare, food programs, and unemployment benefits.

How we define the recession is critical in shaping the public discourse on our current budget policy fights. We challenge the assertion that “the recession is over” through this *2011 Recession Impact Index*. Using the latest available data, we examined how states fared both at the height of the Recession and now at its’ supposed “end.” The results of CSI’s Impact Index analysis paint a disappointing picture:



- Of the 15 states with a higher-than-average percentage of people of color (i.e. a population of color that exceeds the national average of 36.9%), 12 have been among the hardest hit by the recession. Only Hawaii, DC, and Maryland remained as low-impact states.
- The majority of states where the population of color is below 30%—those in the Great Plains, Mid-Atlantic, and New England regions—have remained relatively healthy.
- The Rustbelt continued its decades' long economic decline, while the Southern and Southwestern states, where populations of color are above 30%, continue to be the most impacted by the Recession.
- Nevada, with 42.6% people of color, witnessed a disastrous spike in the number of people uninsured as well as foreclosures and unemployment rates, making it the most negatively impacted state in the country.
- Massachusetts, with 23.9% people of color, has been able to escape most of the recession's impact and has been the least impacted by the recession of all states. Interestingly, Massachusetts' relative wellbeing appears linked to the fact that it had the largest and most substantial increase in the health index category. In the Bay State, increased coverage grew at the same time many states saw health insurance rates drop.
- In the overall Recession Impact Index, the health sub-index and the civics sub-index showed the least improvement in states compared to our October 2009 report, while the jobs sub-index and housing sub-index improved. Yet, nearly half of the states that did not improve with respect to jobs and housing were states with people of color populations surpassing the national average.

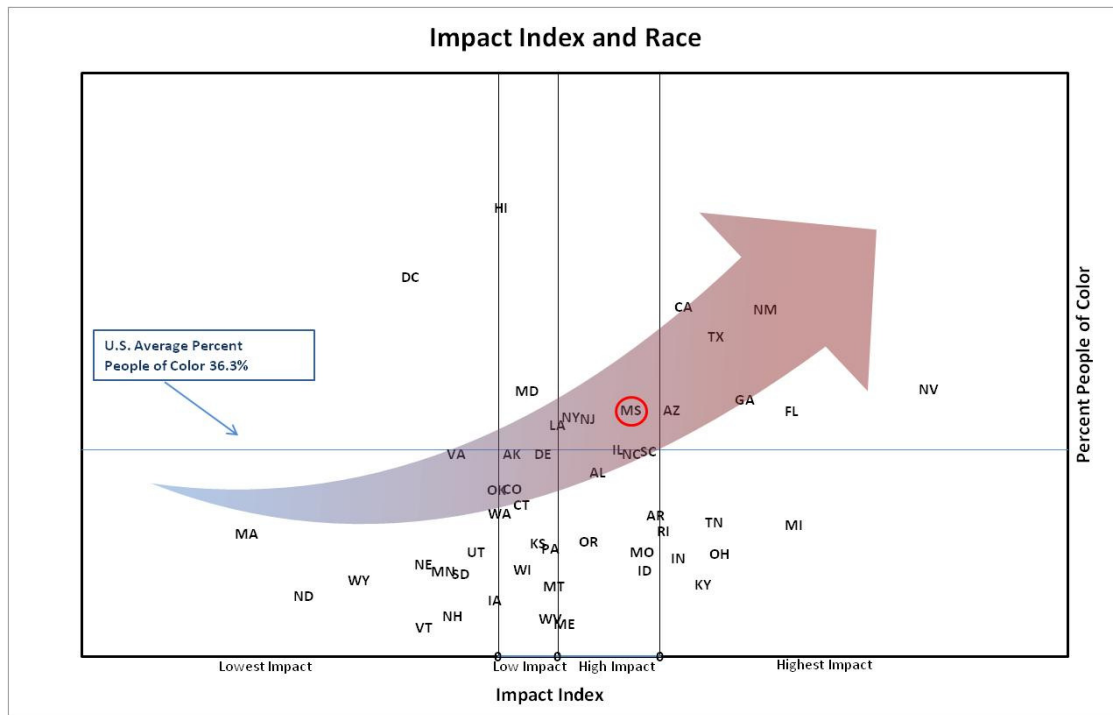
This report details our findings and urges policymakers to consider that the recession is *not* over and will not end until the real needs of communities are met. CSI offers recommendations to help lawmakers ensure that low-income communities and communities of color are not chopped out of the budget and that the government continues to support the programs that will give all people a chance to thrive.

Analysis and Findings

Examining fourteen indicators of economic wellbeing, our 2009 *Recession Impact Index* report found that states with populations of color above 34% were the hardest-hit by the recession. With new data, we reexamined our 2009 *Recession Impact Index*. The four categories (or sub-indices) measured are:

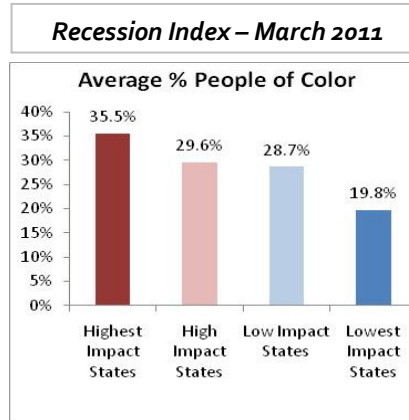
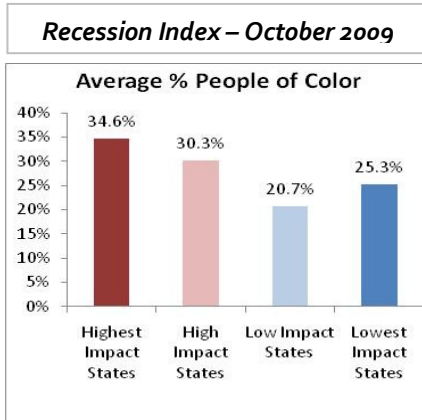
- **Housing:** affordability, foreclosures, vacancies, subprime lending and building permits
- **Health:** extent of healthcare coverage
- **Jobs:** wages, employment rates, income sustainability
- **Socio-Fiscal:** poverty, gross domestic product, state fiscal health

After conducting our analysis, we grouped all 50 states and Washington D.C. into four impact categories. Scores in the bottom 25% are labeled “Highest Impact,” the next 25% “High Impact,” followed by “Low Impact.” Finally, the healthiest states are classified as “Lowest Impact.”

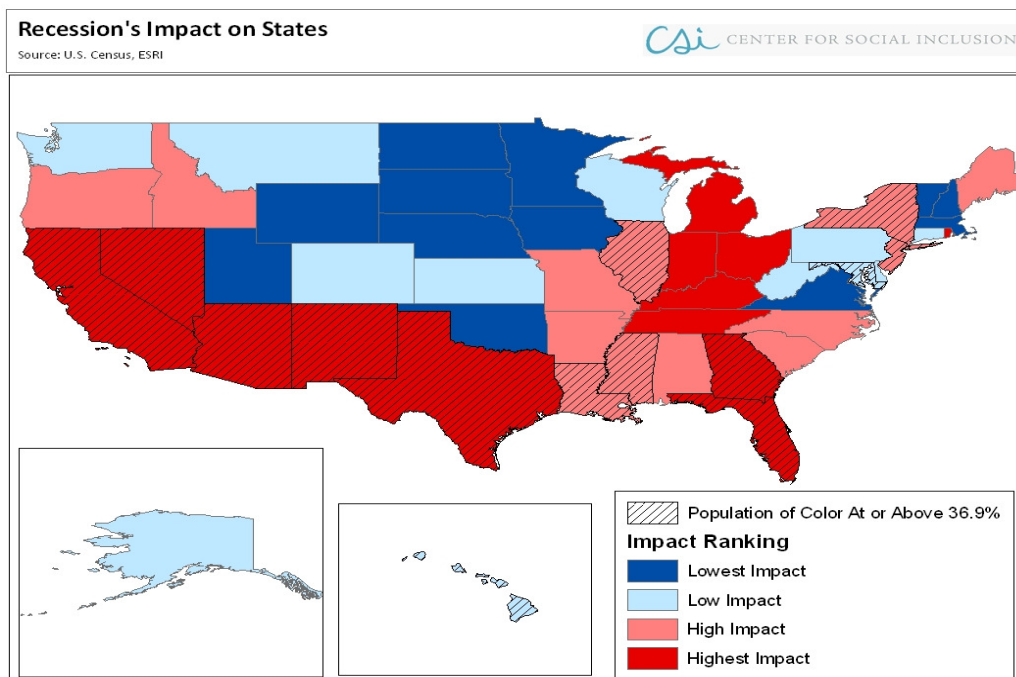


Our index shows that **people of color remain deeply impacted by the recession**. Looking at the chart above, there is a trend upwards from left to right, indicating that states with greater populations of color have tended to be the most impacted by the recession. As was evident in our 2009 report, our updated index continues to show that states with lower populations of color tend to be clustered in the low or lowest impact zone, while states with higher populations tend to cluster in the high and highest impact zones. Using the national average (36.9%) as a barometer for

comparing states' populations of people of color, we find that the results remain stark and unchanged from 18 months ago. Eighty percent (12 of 15) of the states and DC above the national average are in the high impact or highest impact zones, while seventy percent (25 of 36) of the states below the national average of people of color, are in low or lowest impacted zones.



Compared to our 2009 report, the picture is actually worse for people of color. Compared to 18 months ago, more states in the "lowest impact" category have smaller numbers of people of color, decreasing from 25.3% to 19.8%. Most likely this negative change results from Hawaii moving from a lowest-impact to low-impact state as a result of its worsening job sub-index. The map below highlights the geographic breakdown of the recession's impact. **The Great Plains, New England, and Mid-Atlantic states are impacted the least by the recession – all having lower populations of people of color.** The Rustbelt, South, and Southwestern states are the heaviest hit regions.





As seen in the rankings below, the top five “highest impacted” states from 2009 remained in the top five, while all 13 “Highest Impact” states remained in the top 13. **Nevada (45.9% people of color) moved into the top-spot as the highest impact state, according to the CSI Impact Index.** Nevada faced a series of worsening indicators including an increase foreclosures, unemployment, and dramatic loss in healthcare coverage.

Of the 13 lowest-impact states, only Washington DC (65% people of color) has a population of color above the national average. **Massachusetts ranked the best of the 51, seeing improvement in all indices, with the largest improvement in the health index,** which could be correlated to the healthcare reform passed in that state, which provides access and affordability for health coverage. This is crucial as health insurance rates dropped nationwide with increasing unemployment rates.

Rank, 10/09	Rank, 3/11	State	Impact Index	Rank, 10/09	Rank, 3/11	State	Impact Index
2	1	Nevada	Highest Impact	15	26	Louisiana	High Impact
3	2	Michigan	Highest Impact	35	27	Montana	Low Impact
1	3	Florida	Highest Impact	30	28	Pennsylvania	Low Impact
5	4	New Mexico	Highest Impact	32	29	West Virginia	Low Impact
4	5	Georgia	Highest Impact	22	30	Kansas	Low Impact
11	6	Ohio	Highest Impact	34	31	Delaware	Low Impact
7	7	Texas	Highest Impact	36	32	Maryland	Low Impact
10	8	Tennessee	Highest Impact	37	33	Wisconsin	Low Impact
12	9	Kentucky	Highest Impact	39	34	Connecticut	Low Impact
9	10	California	Highest Impact	29	35	Colorado	Low Impact
13	11	Indiana	Highest Impact	20	36	Alaska	Low Impact
6	12	Arizona	Highest Impact	43	37	Hawaii	Low Impact
8	13	Rhode Island	Highest Impact	42	38	Washington	Low Impact
24	14	Arkansas	High Impact	41	39	Oklahoma	Lowest Impact
16	15	South Carolina	High Impact	44	40	Iowa	Lowest Impact
18	16	Idaho	High Impact	47	41	Utah	Lowest Impact
21	17	Missouri	High Impact	45	42	South Dakota	Lowest Impact
19	18	North Carolina	High Impact	28	43	Virginia	Lowest Impact
14	19	Mississippi	High Impact	40	44	Minnesota	Lowest Impact
17	20	Illinois	High Impact	38	45	New Hampshire	Lowest Impact
31	21	Alabama	High Impact	46	46	Vermont	Lowest Impact
23	22	Oregon	High Impact	33	47	Nebraska	Lowest Impact
25	23	New Jersey	High Impact	49	48	District of Columbia	Lowest Impact
26	24	New York	High Impact	48	49	Wyoming	Lowest Impact
27	25	Maine	High Impact	51	50	North Dakota	Lowest Impact
				50	51	Massachusetts	Lowest Impact



Indices Synopsis: *October 2009 vs. March 2011*

The socio-fiscal index puts a spotlight on the predicament states are currently confronting in their budget fights. The data we examined covers the time period where state budget gaps were partially, or fully, covered by stimulus funding - crucial in a time where the majority of states witnessed increased poverty and decreasing GDP. Yet even stimulus spending could not improve all states' fortunes. Despite assistance in programs like unemployment benefits and Medicaid, the index shows that 22 states improved, 24 worsened, and 5 remained the same compared to 2009. **In the majority of states that worsened, relatively low pre-recession poverty rates increased dramatically, while GDP per capita fall significantly.** Florida and Michigan, the two hardest hit states in this category, experienced poverty rate increases that bumped them above the national average, while witnessing decreases of nearly 7% in GDP per capita. In the midst of their economic struggles, states with high poverty rates and slow GDP growth must battle their crisis without federal aid. With heavy budget cuts in areas like education, healthcare and other social services looming large, it is difficult to see how this index will show improvement in the coming year.

Within the health sub-index, 24 states improved, 3 stayed the same and 24 worsened. **Among the 15 states where the population of color was above 36.9%, eight were worse off.** Thirteen of the 27 states suing the Obama Administration over the Affordable Care Act scored worse on the health sub-index compared to October 2009. **Included on these lawsuits are: Nevada, Florida, Arizona, Georgia and Texas, five of the eight states with people of color above the national average and doing worse** in the health sub-index. While the Affordable Care Act presented a solution to the lack of health care access and insurance, significant improvements in health coverage will not materialize until 2014. In the meantime as states debate provisions around expanding coverage, many states are using the budget crisis to gut any health funding already under way. In addition to the 2011 federal budget deal, which cut over 3.5 billion in aid to states to assist in the provision of healthcare to children, states are proposing cuts to Medicaid, public health insurance programs or community health clinics. The projected cuts only paint a bleaker picture for the wellbeing of these states' residents and delay the states' climb out of the recessionary hole.

Examination of the jobs sub-index reveals that 28 states experienced increased wages and employment rates, while 7 stayed the same, and 16 saw decreased wages and increased unemployment. **Eight of these 16 states have populations of color above 36.9%, they include, among others: Nevada, New Mexico, Louisiana and Mississippi.** When looking at unemployment specifically, 5 of the top 10 states with the largest increases in unemployment from November 2007 to March 2011 are states with populations of color above 36.9%, and 9 of the 21 states that saw increases in unemployment since our 2009 Index are states with populations of color above 36.9%.

Lastly, within the housing sub-index, 23 states saw improvements, 15 remained the same and 13 states actually worsened. Of the states that worsened, 5 had populations of color above the national average of 36.9%. The housing sub-index improved mostly due to unresolved, yet slowing rate of foreclosures. This should be watched closely as millions of foreclosures have been delayed due to legal battles, injunctions and modification programs. Since home ownership is the primary method of gaining equity and wealth for a family, foreclosures may be one of the most telling indicators of the recession's continuing burden on states. Many white families have suffered greatly from these foreclosures causing economic fears in a tenuous recovery. Yet, we cannot ignore the imbalanced effects that foreclosures have had on people of color, especially the Black middle-class. **Prior to the recession, the typical Black family had six cents of wealth for every dollar of a White family's wealth. Yet by 2010 after the first wave of the foreclosure crisis, Black family wealth dropped to two cents for every dollar.**¹ Analysts suggest that the foreclosure crisis will actually worsen throughout 2012, which means that states with significant populations of color will be at a risk of falling further behind in their recession recovery.

Recommendations

According to the CSI Impact Index, it is clear that states continue to struggle with unemployment, slow GDP growth, healthcare, foreclosures, vacancies, poverty, and budget deficits. **Among states where the population of color is above the national average, it is even worse.** As the public debate moves from investing to cutting, we are at risk of taking steps backwards. Our latest 2011 budget compromise chopped millions from WIC (the Special Supplemental Nutrition Program for Women, Infants, and Children) and other food programs that aid those in poverty and over a billion dollars from helping states expand health coverage to children or fund community health clinics.

Almost all state governments have proposed cuts to essential services and programs, especially around education programs and healthcare. This is especially true in states with high percentages of Black and Latino residents like Mississippi, Louisiana, and Texas. Furthermore, states that rank among the highest-impacted such as Florida and Michigan—both among the top 3—are refusing federal funding or cutting vital employment benefits.

With policymakers acting like that recession is over, significant disinvestment in services like education and healthcare and the refusal to aid the livelihoods of working families continue to weaken our states ability provide a healthy citizenry for a strong and stable future. Therefore the Center for Social Inclusion recommends the following:

- We urge federal policymakers to create a 2012 budget that invests in our communities' health and wellbeing. **Congress should provide states with funding to invest in public**

¹ <http://www.marketwatch.com/story/wealth-of-black-families-has-disappeared-2011-02-09>



education at all levels: from Head Start to Pell Grants for college students. Without quality education, there will not be a skilled workforce that can be adept and flexible. States that are highly dependent on manufacturing, such as the Rustbelt states, faced severe job loss with little chance of recovering those jobs. Improving skills and opportunities allows workers to be prepared and ready for new opportunities.

- Federal policymakers should revisit recent cuts in anti-poverty programs for the 2012 budget. The cuts to programs like WIC and LIHEAP will put economic pressure on low-income communities and communities of color. Funding these programs will not only ease the burden on these communities, but it will also help reduce the stress on states with high poverty rates such as Mississippi, Texas, Louisiana, and New Mexico.
- Federal policymakers should strengthen the Affordable Care Act (ACA) guidelines to **ensure that all states provide fair, equitable, and quality health coverage choices so that communities of color are not relegated to the bottom of the insurance pool.** States are discussing requirements that insurance providers must meet to take part in health exchanges. Since federal law trumps state law, congressional and agency lawmakers should craft an expansive and thorough set of rules that will ensure insurance plans cannot discriminate against people of color or create a “market-based design” that can skew the coverage pools and hurt those who suffer the most. Comprehensive healthcare has proven to be a source of stability in economic downturns, as evidenced by Massachusetts’ ability to weather the recession by having a bill that provided necessary coverage to those in need. With a strong ACA in place, residents will no longer have to suffer from being uninsured or underinsured during economic peril.
- Both state and federal policymakers must **invest in job-creating community-scale infrastructure.** Such investments include improvements in three areas. First, community-scale broadband that allows communities to be entrepreneurs in the growing technology field. Second, community-scale renewable energy, which allows communities of color to produce renewable energy lowering our reliance on foreign oil and also providing quality jobs to communities and lowering energy prices for residents struggling with increased commodity prices. Third, transportation investments are critical for communities to access jobs, reach health providers and secure educational opportunities. Rural communities and communities of color are often underserved and isolated, limiting their ability to participate fully in our economy, but with better transit alternatives we could build stronger bridges within regions and among entrepreneurs, students and residents of urban and rural America.