

Measuring the Recession: An Impact Index

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Executive Summary

Across America people have been hit hard by the recession, which economists now say is over. However, the primary indicator used to measure economic wellbeing and identify recessions – gross domestic product (GDP) – only tells a small part of the story. GDP does not tell us about the difficulty of finding a job, who has health insurance, where the subprime crisis tore neighborhoods apart, or who was best-positioned to weather an economic storm.

To better understand which parts of the country were hardest hit by the financial meltdown and following economic downturn, The Center for Social Inclusion (CSI) – a member of the New York Stimulus Alliance – developed an “Impact Index”.

CSI will be applying the findings of this index to our coming analysis of the just released data detailing spending from the American Recovery and Reinvestment Act (Recovery Act).

CSI’s Impact Index indicates a clear relationship between states with a high population of people of color and states experiencing the deepest downturn, using a measure based on 14 variables of community health and economic stability. This report outlines our findings, ranks the recession’s impact on all 50 states and the District of Columbia, and offers key recommendations that will help the Recovery Act to reach poor communities and communities of color who shoulder the greatest burden in this time of economic downturn.

- **Only 15 states have a higher percentage of people of color than the national average of 35.4% and 12 of these 15 states have been hit the hardest by the recession, according to CSI’s Impact Index.**
- **Rustbelt states, the Southwest, and those where subprime lending was prevalent (e.g. Florida) were the hardest-hit according to CSI’s Impact Index.**
- **Florida (40% people of color) was ravaged by housing speculation and subprime lending and tops the list as the most-impacted state in the country according to CSI’s Impact Index.**
- **North Dakota (only 10% people of color) has been able to escape most of the recession’s impact and sits on the bottom of the list.**

In the coming weeks, CSI will analyze if recovery spending is reaching these hard hit communities. Our investigation will examine:

- The quality of the data;
- Where projects are located;
- Who has received Recovery Act-funded contracts, grants and loans; and
- How these findings correspond with data that tell us who has been most adversely affected by the recession

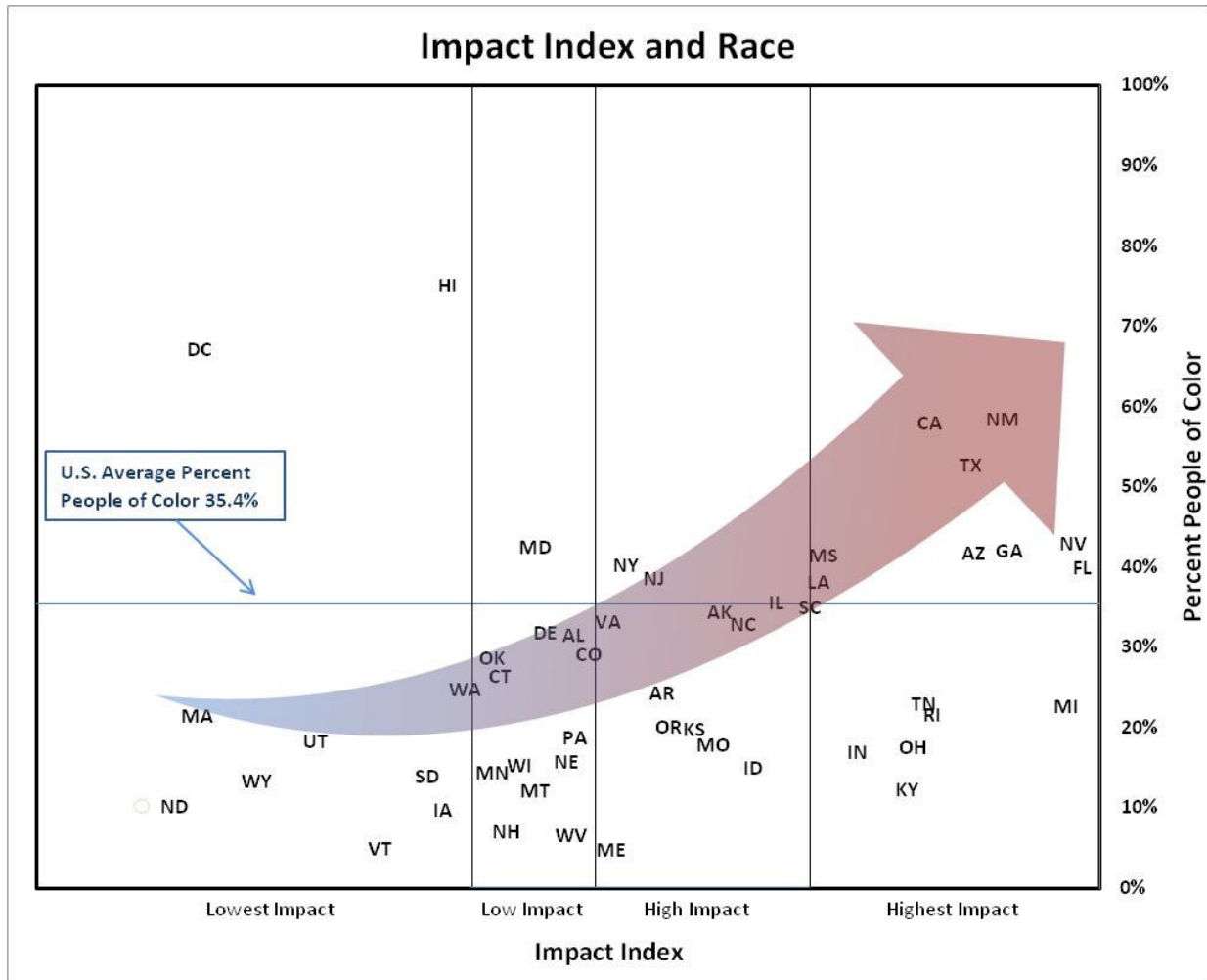
Analysis and Findings

The Impact Index aggregates fourteen variables into a comprehensive measure at the state economic health over the last two years and ranks them. Variables were chosen based on research conducted by CSI and our allies.¹ The resulting framework organizes the variables into five categories (or sub-indices):

- Housing –affordability, foreclosures, vacancies, subprime lending and building permits
- Health – healthcare coverage
- Jobs – wages, employment, income sustainability
- Civics – poverty, gross domestic product, state fiscal health

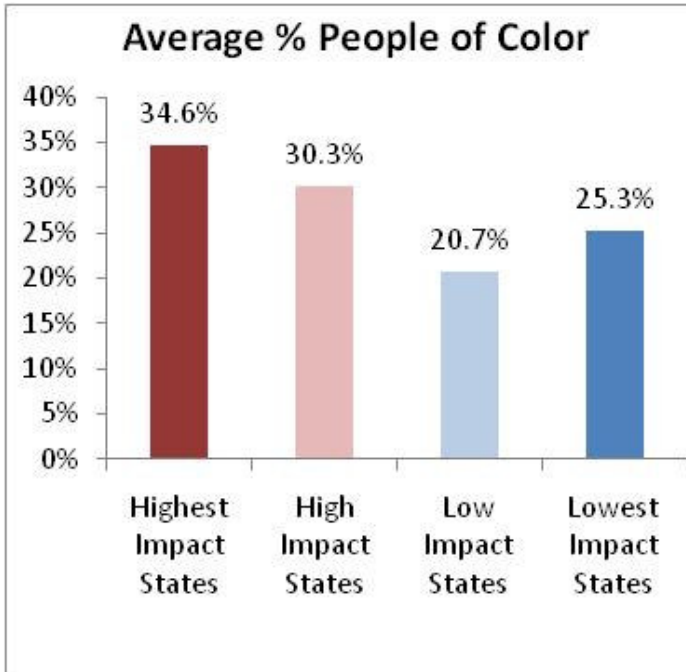
States are grouped into four impact categories. Scores in the bottom 25% are labeled “Highest Impact”, the next 25% “High Impact”, followed by “Low Impact” and the healthier states are classified as “Lowest Impact.”

¹ A full methodology can be found at the end of the document.



Our multi-variable index shows that **people of color are hurt most by the recession**. The graph above shows the relationship between higher impact states and states with higher percentages of Blacks, Latinos, and Asians. Moving from left (Lowest Impact) to right (Highest Impact) the percentage people of color in a particular state increases.

There are a few outliers in this analysis. Both Washington D.C. and Hawaii are home to large communities of color, but are in the Lowest Impact category. Conversely, Michigan is one of the states hardest-hit by the recession, yet only 22.7% of residents are people of color. Outside of these three obvious anomalies, the trend is very clear.



This trend is reinforced when you look at the average population percentage of people of color in states feeling the highest impact from the recession. On average States suffering the Highest Impact from the recession have a population that is 34.6% people of color, while Lowest Impact states have a population that is only 25.3% people of color.

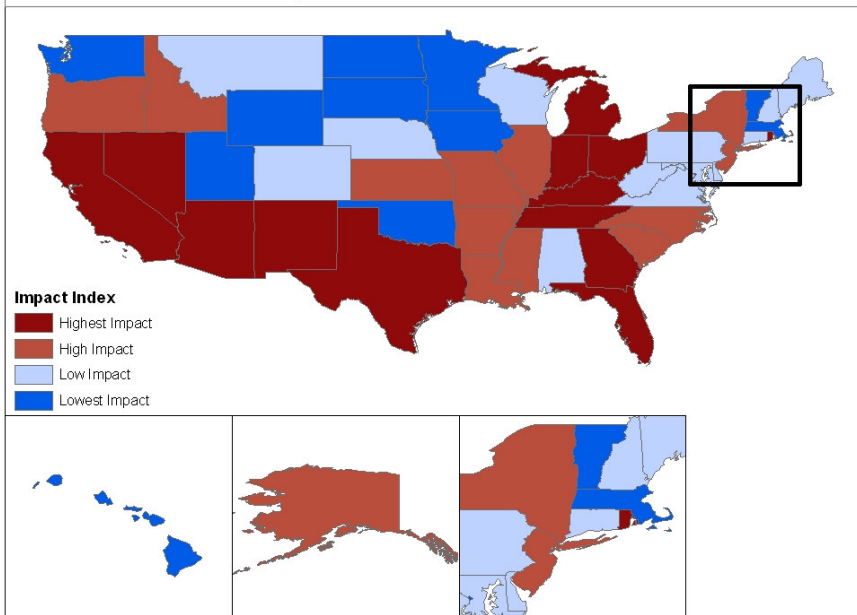
There are only 15 states that have a higher percentage of people of color than the national average of 35.4% and 12 of these 15 states received high and highest impact scores. They are NY, NJ, IL, LA, MS, CA, TX, AZ, GA, NM, NV, and FL.

Rank of States by Impact Index

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

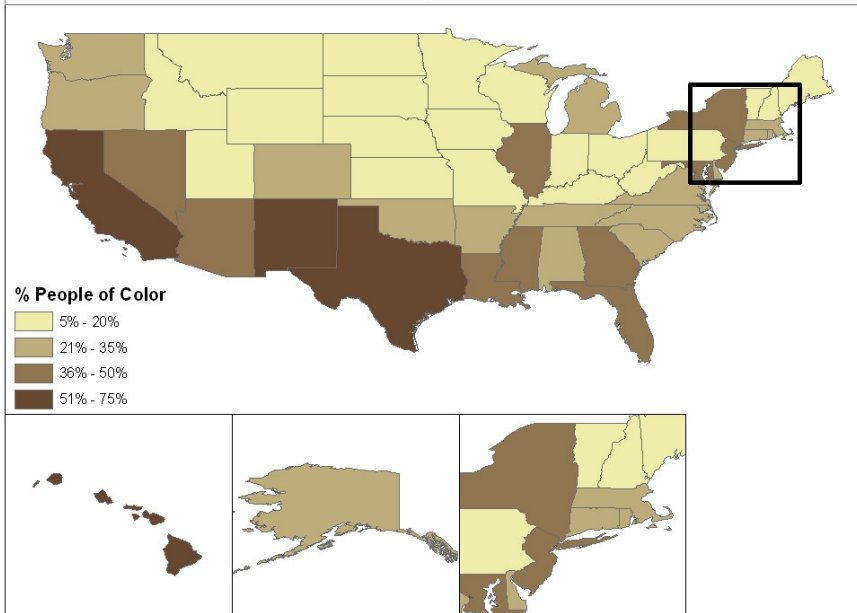
The table above lists all 50 states and Washington D.C. according to the Impact Index. **Florida (40% people of color) was ravaged by housing speculation and subprime lending and tops the list as the most-impacted state in the country according to CSI's Impact Index.** States with similar demographic (Georgia, Nevada, Arizona, etc.) are also among the Highest Impacted. North Dakota (only 10% people of color) has been able to escape most of the recession's impact and sits on the bottom of the list.

The United States: Impact Index



These maps show that the Highest Impact states are concentrated in a few regions. **Rustbelt states, the Southwest, and those where subprime lending was prevalent (e.g. Florida) were the hardest-hit according to the Impact Index.** Again, we see that many of these states have high concentrations of people of color, particularly in the South.

The United States: Percent People of Color



Recommendations

Though more extensive analysis of this data is needed, some of the steps that must be taken in order to ensure the success of the Recovery Act are already clear.

Tracking Projects at the Community Level

The White House Office of Management and Budget (“OMB”) must:

- Require reporting on precise locations for all Recovery Act-funded projects.
- Adjust the current Recipient Reporting Data Model, making it mandatory for recipients to list the full address of the “primary place of performance.”²
- Require agencies administering Recovery Act-funded programs to change regulations that limit the ability to track spending with specificity. For example, U.S. Department of Education (“ED”) regulations governing the Title I program only allow federal dollars to be tracked to the district level. These and other agency regulations must be modified so that we can fully understand the impacts of this historic investment.

Tracking Jobs

Modify the Recipient Reporting Data Model. OMB must require recipients to provide specific information about employed individuals. At a minimum, this information should include:

- Race/ethnicity
- Gender
- Residential zip code
- Immigrant status
- Whether the individual was formerly incarcerated

Make data in broadband grant applications available to the public

USDA and Commerce must share key data from broadband applications with the public so that grantees can be held accountable for providing the services promised.

Invest in Equity

² Currently, though recipients must report the country, state, city, zip code and congressional district of the primary place of performance, address information is optional. See Recipient Reporting Data Model v3.0 14 (2009).

Support broadband infrastructure. USDA and Commerce must create a non-competitive grant program to help small, rural communities to develop strategic technology plans and the capacity needed to implement them.

*Redefine “unserved” and “underserved” under broadband programs.*³ USDA and Commerce must use zip codes and census tracts, and definitions of these terms must incorporate measures of poverty, unemployment, income and other indicators of need.

Invest in bus rapid transit. BRT can connect isolated communities to jobs, create new jobs in transit, and reduce carbon emissions.

Conclusions

For the American Recovery and Reinvestment Act to realize its goal of assisting those most impacted by the economic crisis it must reach poor communities and communities of color. CSI’s analysis demonstrates that communities of color are especially likely to be where the recession’s impact has been deepest.

In the coming weeks, we will offer findings on national trends and conduct finer grain analysis in key locations. Those locations may include KY, NY, MS, AL, SC, and LA. We hope this valuable information will help community members, advocates, and policy-makers direct Recovery Act dollars to communities that need them the most. Please look for these reports.

³ USDA and Commerce define an underserved area as a proposed funded service area, composed of one or more contiguous census blocks meeting certain criteria that measure the availability of broadband service and the level of advertised broadband speeds. The criteria vary across subprograms programs. *Id.* at 33,109.

Methodology

The Center for Social Inclusion’s Impact Index aggregates fourteen variables into a comprehensive measure of the recession’s impact at the state level. Listed below, we chose variables that, taken together, reflect state economic status before the recession and how their status has been affected over the last two years. The resulting framework organizes the variables into five sub-indices:

- Housing – affordability, foreclosures, vacancies, subprime lending and building permits.
- Health – healthcare coverage
- Jobs – wages, employment, income sustainability
- Civics – poverty, gross domestic product, state fiscal health

We developed a value for each variable, state by state. Our analysis relied on large data sets (e.g. the U.S Census). Each value was then converted into a standard score for comparative purposes. This way, we can reasonably evaluate, for example, income sustainability in states as economically different as Wyoming and New York. Each sub-index is an average of the standard scores for each variable. The Impact Index is an average of each sub-index.

States are grouped in categories to simplify presentation of the data. Scores in the bottom 25% are labeled “Highest Impact”, the next 25% “High Impact”, followed by “Low Impact” and the healthier states are classified as “Lowest Impact.”

The Center for Social Inclusion (CSI) is a national policy advocacy organization. CSI's mission is to build a fair and just society by dismantling structural racism, which undermines opportunities for all of us. CSI partners with communities of color and other allies to build a strong multi-racial movement for new policy directions that create equity and opportunity.

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