

HOW THE STATE FISCAL CRISES AND RECOVERY EFFORTS MAY WIDEN RACIAL/ETHNIC INCOME INEQUALITY

Introduction

Despite broad indicators that our economy is emerging from the deepest recession since the Great Depression (e.g., financial markets are stable and investor confidence has risen), the majority of Latino* families report still feeling the effects of the downturn. According to a recent survey of registered voters conducted by the Hart Research Group, 54% of Hispanics report that someone in their household has been personally affected by the recession.¹ In addition, fewer than 30% of Latinos report seeing any direct benefits of federal recovery efforts in their communities, including jobs saved or created in the public and private sectors or new loans for small businesses.²

There are now 47 million Latinos in the U.S. representing more than 15.4% of the overall population and a similar share of all U.S. workers. Like other Americans, many Latinos are struggling to put food on the table, find new jobs, and keep their homes. More than one million Latino workers have lost their jobs, and Latinos have experienced the largest increase in unemployment of any group since the recession began in 2007. The Latino poverty rate grew from 21.3% in 2007 to 23.2% in 2008, and 11 million Latinos were counted as poor in 2008, which represents an increase of one million since 2007.³

Still, the worst may be yet to come; it is estimated that more than 400,000 Latino families will lose their homes to foreclosure in 2009 alone, and there is potential for more as unemployment levels for Latinos have already surpassed 13%.⁴ All Americans have been impacted by the fiscal crisis. However, the effects of recession are historically more severe and last longer for minority workers and families when compared to other Americans. This disproportionate impact can be explained

by many factors, including the fiscal condition of states where many Latino and other minority workers and families reside and the manner in which states respond to the crises.

Deep Fiscal Crises in the States

Nationwide, state and local governments are in the midst of a budgetary crisis. While the economy may appear to be recovering, state and local governments are expected to face budget shortfalls for the next two fiscal years. High unemployment, the housing crisis, and the market crash have all resulted in the greatest decrease in tax revenue for state and local governments in decades. Unlike the federal government, states have legal requirements to balance their budgets each fiscal year. Prior to the beginning of fiscal year 2010, 48 states faced budget shortfalls. The total gap faced by all states was \$158 billion. At least 35 states have developed mid-year 2010 budget shortfalls of \$32 billion, and 36 states anticipate deficits for fiscal year 2011.⁵

Budget gaps have sapped state and local governments of their ability to deliver social services to residents in need. Since spring 2008, at least 41 states have made cuts to social services, particularly education and health care.⁶ States are also cutting funding for government employees, which impacts the quality of service delivery and adds to unemployment. The Center on Budget and Policy Priorities reports that at least 42 states and the District of Columbia implemented state employee layoffs or furloughs.⁷ One analysis found that in the last two years, state and local governments cut 110,000 jobs.⁸ State fiscal analysts are also predicting that budget cuts will only worsen as states prepare for the 2011 fiscal year.

*The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

Majority of Latinos Live in the Hardest-Hit States

Many Latino families are likely to be impacted by state budget cuts because there is a significant overlap between the states with the highest share of the Latino population and the largest state budget gaps. Data on states' budget gaps as a percentage of the general fund reveal the intersection of the Latino population and states with the most severe fiscal crises. The majority of Latinos (57%) live in states where budget gaps exceed 20% of the state's general fund.⁹

In addition, nine of the ten states with the highest share of the Latino population have budget deficits that are 10% or higher than their fiscal year 2010 general fund budget (see Table 1). Within the national context of state fiscal crises, five of the states with the largest share of the Latino population are also in the top ten states with the largest shortfalls (as percentage of the general fund).

TABLE 1: State Budget Deficits in States with the Highest Share of the Latino Population

State	Share of U.S. Latino Population Living in the State	Fiscal Year 2010 Budget Gaps	Percent of Fiscal Year 2010 General Fund	Cuts to Services
California	29.1%	\$19.5 billion	49.3%	Public health; elderly/disabled services; K-12 and early education; higher education; state workforce
Texas	18.9%	\$3.5 billion	9.5%	Early education
Florida	8.3%	\$5.9 billion	22.8%	Public health; elderly/disabled services; K-12 and early education; higher education; state workforce
New York	6.9%	\$20.0 billion	36.1%	Public health; higher education; state workforce
Illinois	4.2%	\$13.2 billion	37.7%	Public health; elderly/disabled services; K-12 and early education; higher education; state workforce
Arizona	4.2%	\$4.0 billion	41.1%	Public health; elderly/disabled services; K-12 and early education; higher education; state workforce
New Jersey	3.0%	\$8.8 billion	29.9%	Public health; higher education; state workforce
Colorado	2.1%	\$1.4 billion	18.6%	Public health; state workforce
New Mexico	1.9%	\$777.6 million	14.1%	Elderly/disabled services; higher education; state workforce
Georgia	1.6%	\$4.1 billion	23.8%	Public health; elderly/disabled services; K-12 and early education; higher education; state workforce

Source: Pew Hispanic Center, *State Demographic Data: Statistical Portrait of Hispanics in the United States, 2007*, Table 14, "Distribution of Hispanics Across States: 2000 and 2007" (Washington, DC: Pew Hispanic Center, 2009), <http://pewhispanic.org/files/factsheets/hispanics2007/Table-14.pdf> (accessed November 2009); Nicholas Johnson, Phil Oliff, and Erica Williams, *An Update on State Budget Cuts: At Least 42 States Have Imposed Cuts That Hurt Vulnerable Residents; Federal Economic Recovery Funds and State Tax Increases Are Reducing the Harm* (Washington, DC: Center on Budget and Policy Priorities, 2009), <http://www.cbpp.org/files/3-13-08sfp.pdf> (accessed November 2009).

Budget Crises in States with Growing Latino Populations Present Unique Challenges

Many of the states where Latinos are concentrated have long-standing and well-established communities and populations. However, Census 2000 revealed a rapidly growing Latino population, particularly in areas that were considered “nontraditional,” such as the Southeast, parts of the Midwest, and the Northwest (see Table 2). Compared to other states, these new immigrant “gateway” states present unique challenges for Latinos. In many instances, these communities lack

immigrant-serving institutions, such as community-based organizations. Hispanics in these states have a harder time accessing needed services because nonprofit and state/local government providers are less prepared to provide culturally and linguistically competent services to immigrant communities. The budget crises in these states will exacerbate the difficulties Latinos face by further limiting access to assistance.

3

TABLE 2: Projected State Budget Gaps in States with the Largest Latino Growth

State	Latino Population Growth Rate 1900–2000	Fiscal Year 2010 Budget Gaps	Percent of Fiscal Year 2010 General Fund	Cuts to Services
Alabama	207.9%	\$1.2 billion	16.7%	Elderly/disabled services; K–12 and early education; higher education; state workforce
Georgia	299.6%	\$4.1 billion	23.8%	Public health; elderly/disabled services; K–12 and early education; higher education; state workforce
Kentucky	172.6%	\$1.1 billion	11.3%	K-12 and early education; higher education; state workforce
Minnesota	166.1%	\$3.2 billion	21.0%	Public health; elderly/disabled services; higher education; state workforce
Nevada	216.6%	\$1.2 billion	37.8%	Public health; elderly/disabled services; higher education; state workforce
North Carolina	393.9%	\$4.6 billion	21.9%	Public health; elderly/disabled services; higher education; state workforce
South Carolina	211.2%	\$725 million	12.5%	Public health; elderly/disabled services; K–12 and early education; higher education; state workforce
Tennessee	278.20%	\$1.0 billion	9.7%	Public health; elderly/disabled services; higher education; state workforce

Source: Pew Hispanic Center, *State Demographic Data: Statistical Portrait of Hispanics in the United States, 2007*, Table 14, “Distribution of Hispanics Across States: 2000 and 2007” (Washington, DC: Pew Hispanic Center, 2009), <http://pewhispanic.org/files/factsheets/hispanics2007/Table-14.pdf> (accessed November 2009); Nicholas Johnson, Phil Oliff, and Erica Williams, *An Update on State Budget Cuts: At Least 42 States Have Imposed Cuts That Hurt Vulnerable Residents; Federal Economic Recovery Funds and State Tax Increases Are Reducing the Harm* (Washington, DC: Center on Budget and Policy Priorities, 2009), <http://www.cbpp.org/files/3-13-08sfp.pdf> (accessed November 2009).

Federal Recovery Efforts

The American Recovery and Reinvestment Act of 2009 (ARRA) contained a host of provisions aimed at providing relief and aid to families and states and creating and saving jobs. For example, ARRA included \$48.6 billion in a State Fiscal Stabilization Fund with \$8.8 billion set aside for a Government Services Fund that states could be used for a variety of stabilization purposes (e.g., to create jobs, reduce unemployment, and avert the need to raise taxes). ARRA also included enhanced federal funding for Medicaid and federal funds for food stamps and income assistance for the poor. That said, the ability of these resources to help minority workers and families to the same degree as other Americans depends largely on how states choose to expend the resources.

To date, ARRA state stabilization funds have not kept states from cutting non-federally funded programs that serve the Latino community. For example, California's legislature and governor reduced Medicaid funding by \$402.4 million in the fiscal year 2010 budget, even after receiving \$4.37 billion in additional ARRA funding for Medicaid. California also cut funding from the fiscal year 2010 budget for community clinics and other programs that served higher numbers of Latinos. In one program that provided insurance for mid-income pregnant women, Access for Infants and Mothers (AIM), 44.3% of enrollees were Hispanic. Similarly, Connecticut and Massachusetts have reduced and cut health coverage for state-based programs that served legal immigrants who did not qualify for federally funded health coverage.

Furthermore, states have reported that ARRA funding has helped prevent layoffs of state government employees as intended. However, there is no evidence that ARRA resources were expended in a way that directly "saved" minority workers from unemployment, and there is reason to question claims that ARRA funding mitigated Latino job loss in particular. Employment data show substantial underrepresentation of Latinos in state government. In 2006 for example, Hispanics made up 36.5% of the total state population in Texas and only 20% of state employees. The data are more striking in other states big and small. Illinois has the fifth largest share of Latino residents (11.5% in 2006) while Hispanics constitute only 2.5% of state employees. In Georgia, Hispanics now constitute 8.6% of residents but the data show 0.0% of state employees are Latino. In Nevada, 22% of residents identified as Latino in 2006, while only 3.3% of state employees were Latino.¹⁰

In sum, the severe impact of the recession on states has, in turn, adversely affected low-income minority workers and families. Federal recovery efforts are helping, but the data suggest that more must be done to ensure that all state residents benefit evenly from federal intervention. Policies that do not target minority communities effectively are likely to fail to reach those most impacted by the recession and related state cutbacks. Policymakers must monitor and act deliberately to prevent widening racial/ethnic income disparities.

Endnotes

¹Hart Research Associates, *Tracking the Recovery: Voters' Views on the Recession, Jobs, and the Deficit*, survey conducted for the Economic Policy Institute (Washington, DC: Economic Policy Institute, 2009), http://www.epi.org/publications/entry/tracking_the_recovery (accessed November 2009).

²New America Media, *Gauging the Impact of the American Recovery and Reinvestment Act*, survey conducted in 2009, <http://media.namx.org/files/2009/10/NAMStimulusPoll.pdf> (accessed November 2009).

³U.S. Bureau of the Census, "Historical Poverty Tables," Table 24, *Current Population Survey*, Washington, DC, 2009, <http://www.census.gov/hhes/www/poverty/histpov/perindex.html> (accessed September 2009).

⁴Center for Responsible Lending, *Projected Foreclosures to Latinos by State* (Durham, NC: Center for Responsible Lending, 2009).

⁵Iris J. Lav, Nicholas Johnson, and Elizabeth McNichols, *Additional Federal Fiscal Relief Needed to Help States Address Recession Impact* (Washington, DC: Center on Budget and Policy Priorities, 2009), <http://www.cbpp.org/files/11-11-09stim.pdf> (accessed November 2009).

⁶Nicholas Johnson, Phil Oliff, and Erica Williams, *An Update on State Budget Cuts: At Least 42 States Have Imposed Cuts That Hurt Vulnerable Residents; Federal Economic Recovery Funds and State Tax Increases Are Reducing the Harm* (Washington, DC: Center on Budget and Policy Priorities, 2009), <http://www.cbpp.org/files/3-13-08sfp.pdf> (accessed November 2009).

⁷Ibid.

⁸Matt Sherman, *More Budget Belt-Tightening Means More Job Losses for States* (Washington, DC: Center for Economic and Policy Research, 2009), <http://www.cepr.net/documents/publications/state-budgets-2009-09.pdf> (accessed October, 2009).

⁹NCLR calculation using Pew Hispanic Center, *Statistical Portrait of Hispanics in the United States, 2007*, Table 14, "Distribution of Hispanics Across States: 2000 and 2007," (Washington, DC: Pew Hispanic Center, 2009), <http://pewhispanic.org/files/factsheets/hispanics2007/Table-14.pdf> (accessed November 2009); Nicholas Johnson, Phil Oliff, and Erica Williams, *An Update on State Budget Cuts: At Least 42 States Have Imposed Cuts That Hurt Vulnerable Residents; Federal Economic Recovery Funds and State Tax Increases Are Reducing the Harm* (Washington, DC: Center on Budget and Policy Priorities, 2009), <http://www.cbpp.org/files/3-13-08sfp.pdf> (accessed November 2009).

¹⁰Lina M. Rombalsky, "Leadership and Diversity: A Snapshot of Hispanic Representation in State Government throughout the United States" (workshop presented at "Leading the Future of the Public Sector: The Third Transatlantic Dialogue," University of Delaware, Newark, DE, June 31, 2007), <http://www.ipa.udel.edu/3tad/papers/workshop2/Rombalsky.pdf> (accessed October 2009).

This economic snapshot was prepared by the National Council of La Raza (NCLR), the largest national Hispanic civil rights and advocacy organization in the United States.