



## States with Greater Racial and Ethnic Diversity and Higher Unemployment Rates Received Less Recovery Funds in 2009

The American Recovery and Reinvestment Act (ARRA) was signed into law almost exactly one year ago, on February 17, 2009. The impetus of this \$787 billion economic stimulus package was to stem the economic crisis and soften the recession. The ways in which stimulus funds are to achieve these goals are expressly directed by ARRA, including: "to preserve and create jobs and promote economic recovery [and] to assist those most impacted by the recession."<sup>1</sup>

Communities of color have been disproportionately impacted by the recession. The January 2010 national unemployment rate is 9.7 percent. For White workers, the unemployment rate is 8.7 percent. But Black unemployment is almost double that—16.5 percent—and Latino employment is 12.6 percent.<sup>2</sup> Moreover, a report by United for a Fair Economy, *State of the Dream 2010: Drained*, asserts that Blacks and Latinos are 2.9 and 2.7 times as likely, respectively, to live in poverty than Whites.<sup>3</sup> It is questionable whether ARRA funds are reaching these populations.

Newly-released federal data published on [www.recovery.gov](http://www.recovery.gov) indicate state ARRA funds allocations in 2009. A new feature of the website, the "diversity index," shows the racial and ethnic diversity of each state. States are ranked from 0 to 100—a rank of 100 means that if two random people were picked in a state, there would be a 100 percent chance that they would be of different races or ethnicities. According to this index, California has the greatest diversity with a score of 83, and Vermont has the lowest diversity with a score of eight.

An analysis by Advancement Project of state ARRA fund allocations in 2009 and their diversity levels reveals a statistically significant *inverse relationship* between the per capita level of ARRA funds and diversity.<sup>4</sup> In other words, states with greater racial and ethnic diversity received less ARRA funds in 2009. **For every one point increase on the diversity index, there was a \$3 decrease in ARRA spending per state resident.**

The range for ARRA spending per state resident starts at a low of \$491 in Florida and goes to a high of \$2289 in Alaska. The second highest is North Dakota at \$1638.<sup>5</sup>

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<sup>1</sup> American Recovery and Reinvestment Act, Pub. L. No. 111-5, § 3 1-2 (2009).

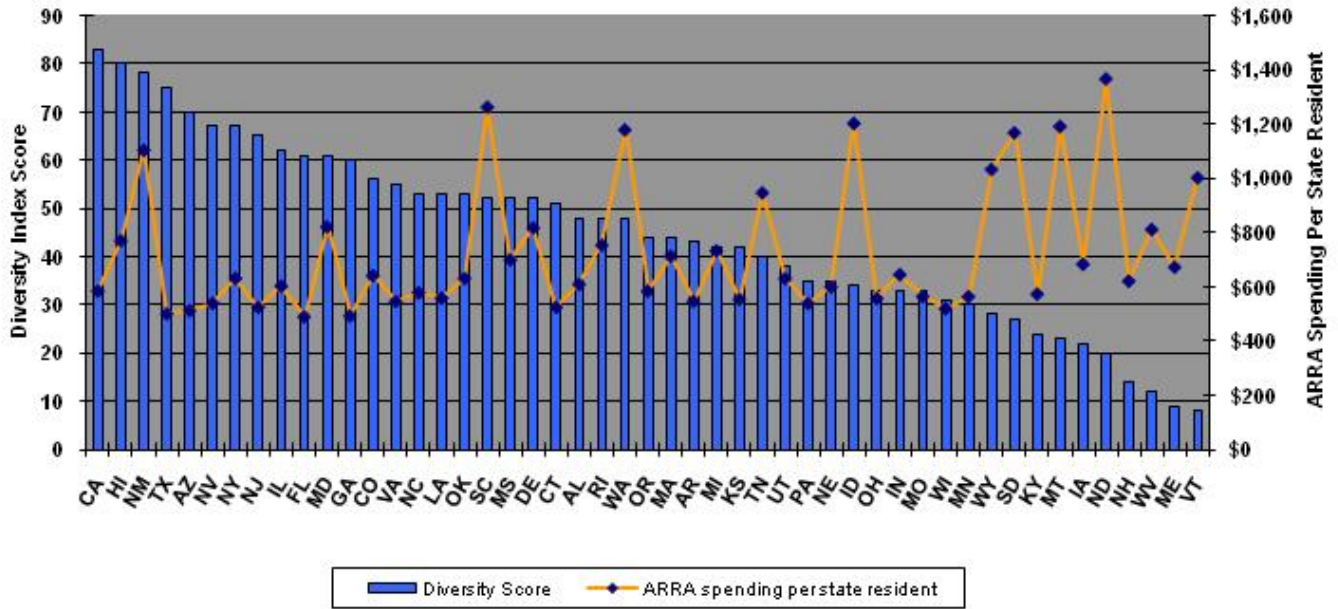
<sup>2</sup> Bureau of Labor Statistics, U.S. Department of Labor, at <http://www.bls.gov/news.release/pdf/empsit.pdf>.

<sup>3</sup> United for a Fair Economy, Report Fact Sheet, *State of the Dream 2010: Drained*, at [http://www.faireconomy.org/state\\_of\\_the\\_dream\\_2010\\_fact\\_sheet](http://www.faireconomy.org/state_of_the_dream_2010_fact_sheet).

<sup>4</sup> The relationship between ARRA spending per capita (by state) and the state's diversity score was tested using bivariate linear regression in STATA. The beta coefficient is -3.4 and  $p = 0.061$ . Alaska was dropped from the dataset because it is an outlier. As for the relationship between ARRA spending per capita and unemployment rates, we obtained a beta coefficient of -28.48 and  $p = 0.098$ .

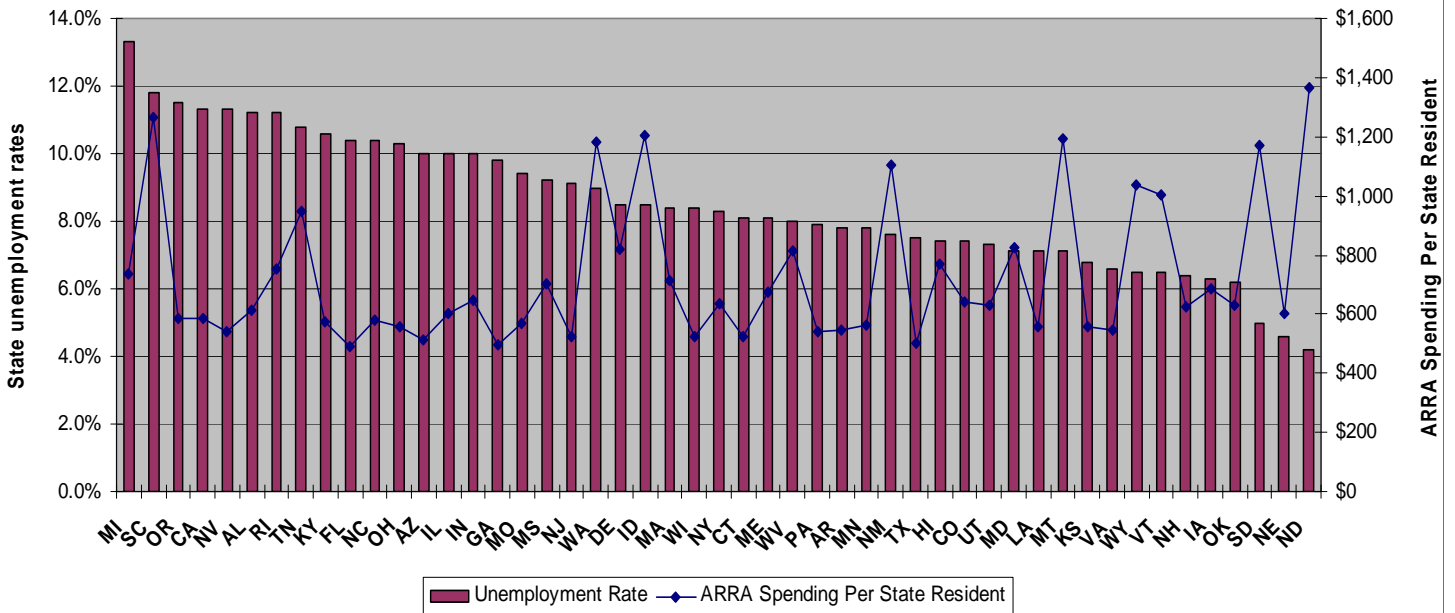
<sup>5</sup> Because Alaska's allocation is so much higher than any other state, it was dropped from our dataset.

### States with Greater Racial Diversity Obtained Fewer ARRA Dollars in 2009



We also examined the relationship between state unemployment rates and ARRA spending. As with racial and ethnic diversity, there is a significant *inverse relationship* between unemployment rates and per capita ARRA funds received. States with higher unemployment rates received less ARRA funding in 2009. **For every one percent increase in the unemployment rate, there is a decrease in ARRA funds of \$28.48 per state resident.**

### States with Higher Unemployment Obtained Less ARRA Funding in 2009



While the reasons for these disparate outcomes in ARRA spending are not clear, there is cause for concern and further investigation. ARRA explicitly states that assisting those most impacted by the recession is one of its main objectives. But these new statistics relating to stimulus dollars released in 2009 suggest that ARRA funds are passing over states with the highest need.

To ensure that ARRA's objectives are met, the federal government can do four things:

- **Make targeted investments:** Create mechanisms and incentives for future ARRA funds so they are applied where they can clearly accomplish the most for an economic turnaround. Investment should be targeted to communities and individuals that have a history of economic distress and have been most impacted by the recession.
- **Collect specific data to ensure equity:** Require data collection by race, ethnicity, and gender as a condition of funding to ensure that ARRA dollars are spent equitably. Disaggregated data should be included for jobs data, contract recipients, as well as communities impacted by ARRA-funded projects.
- **Conduct equity assessments:** Perform systematic evaluations of the effect of ARRA spending in order to maximize equity and inclusion and minimize adverse and unintended impacts.<sup>6</sup> These assessments should be conducted quarterly and made public.
- **Enforce civil rights laws:** Investigate these disparities to ensure that states are not discriminating in the use of ARRA funds and, where necessary, pursue enforcement of Title VI of the Civil Rights Act, which prohibits discrimination in the use of federal funds.

Linking ARRA funds to investments and assessments such as those based on diversity and unemployment can help the stimulus package achieve its critical goals.

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<sup>6</sup> Terry Keleher, *Racial Equity Impact Assessments for Economic Policies and Budgets*, Race Wire (Feb. 3, 2009), available at [http://www.racewire.org/archives/2009/02/racial\\_equity\\_impact\\_assessmen.html](http://www.racewire.org/archives/2009/02/racial_equity_impact_assessmen.html). See also, [http://opportunityagenda.org/files/field\\_file/The%20Opportunity%20Impact%20Statement.pdf](http://opportunityagenda.org/files/field_file/The%20Opportunity%20Impact%20Statement.pdf).