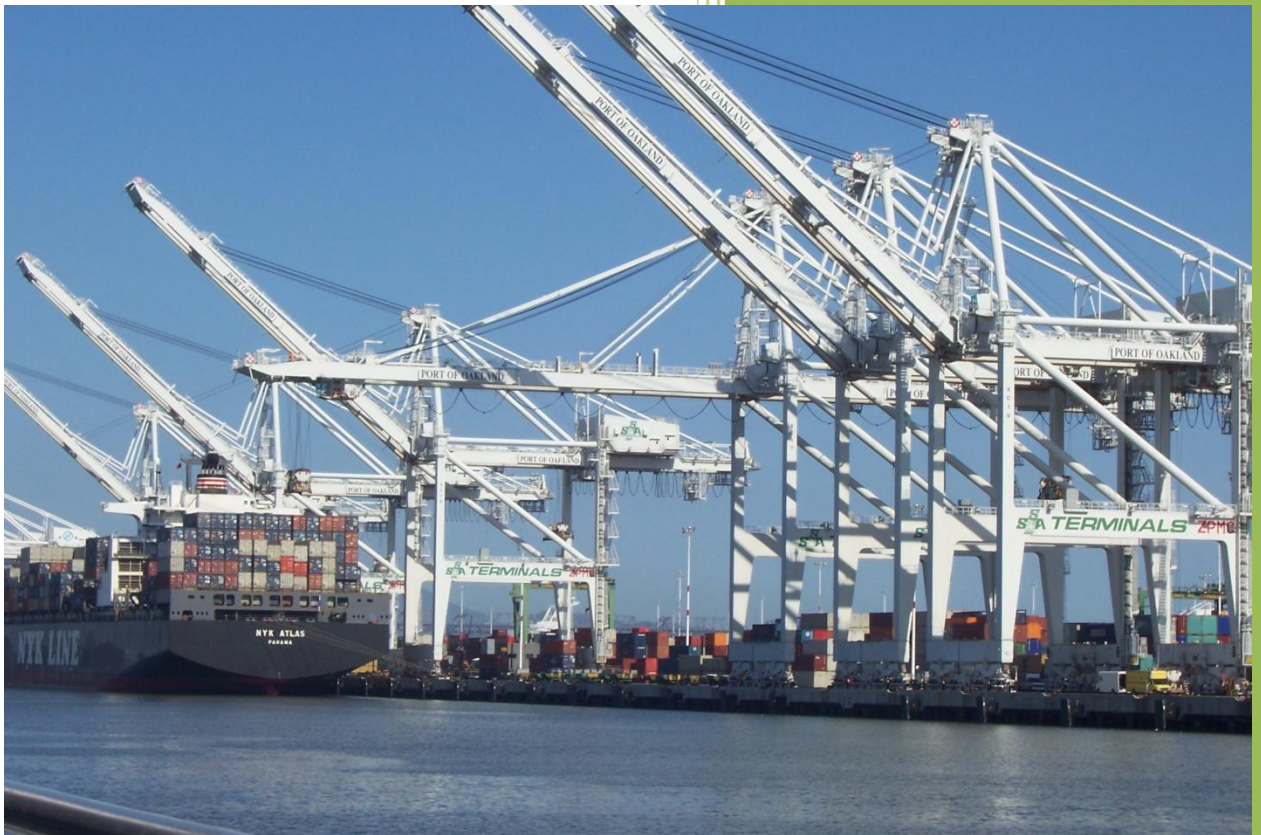


2010

Federal Stimulus Funding in Alameda County: Promise or Peril?



**Voice of California Coalition
1st Edition Community Guide
July 2010**

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About Us

With the passing of the American Recovery and Reinvestment Act (ARRA) in 2009, the Open Society Institute (OSI) awarded grants to several non-profit, non-partisan, coalitions throughout the nation. The goal of these statewide coalitions were to research the best and worst practices in the distribution of ARRA funding in their states, its effect in communities of color, and empower local communities seeking transparency.

Voice of California was amongst three coalitions awarded grants through OSI within the state. More so, *Voice of California* is the most diverse coalition in the nation, with the partnership of California Alliance, Equality California, Mobilize the Immigrant Vote and the PowerPAC Foundation.

Our mission is to research the distribution of stimulus funding in hard hit counties throughout the state of California and advocate for equitable distribution. We work with leaders to empower their communities through job creation, local accountability and statewide government transparency.

As four different organizations, we have united through core integral *values*:

- Equitable distribution of funds and resources
- Government accountability & transparency
- Private – public partnerships
- Job creation & sustainability
- Equality & Dignity

For more information on each partner, please visit www.voiceofcalifornia.org

ARRA Funding

On Feb. 13, 2009, at the urging of President Obama, Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009. The American Recovery and Reinvestment Act was a “bailout” for Main Street as a direct response to the recession affecting many families. By December of 2008, American families had seen the worst recession since the great depression. With unemployment rates skyrocketing, jobs dwindling, and the housing crisis, ARRA had three immediate goals:¹



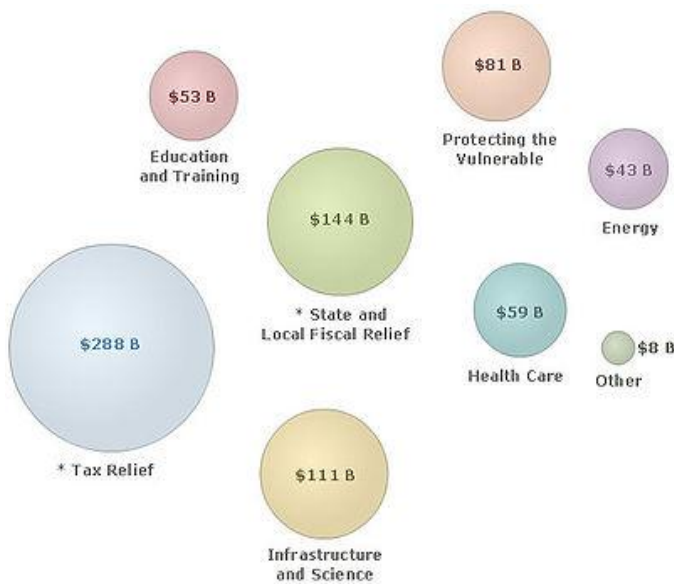
- Create new jobs and save existing ones
- Spur economic activity and invest in long-term growth
- Foster unprecedented levels of accountability and transparency in government spending

The \$787 Billion for ARRA stimulus was divided into short and long term benefits.

The short term benefits provide \$288 billion in tax cuts, increasing federal funding for education and health care, state and local relief, and expanding unemployment benefits. Approximately \$499 billion are currently allocated for programs administered by the federal government, state governments, local governments and private organizations, including “shovel ready” projects in the transportation, and energy sectors.

ARRA targets infrastructure development and enhancement through grants and loans. For instance, ARRA invests in the domestic renewable energy industry and the weatherization of over 1 million private homes across the nation.

Long term project funding includes medical research and the study of medical treatment. ARRA funding was dispersed through several sectors, but mainly through higher education institutions, private and public foundations and hospitals that were capable of extensive research.



Oversight: At the national level, ARRA funds are overseen by federal agencies, such as the Department of Transportation, and the Department of Agriculture amongst others. The Office of Management and Budget (OMB) frequently publishes a guide for federal agencies on how ARRA funds should be disbursed. Moreover, the Council of Economic Advisers (CEA) reports to the President and Congress, outlining the impact of the Recovery Act on the overall economy.

¹ Recovery.gov, “About. The Act.” Internet: http://www.recovery.gov/About/Pages/The_Act.aspx. Accessed, January 2010.

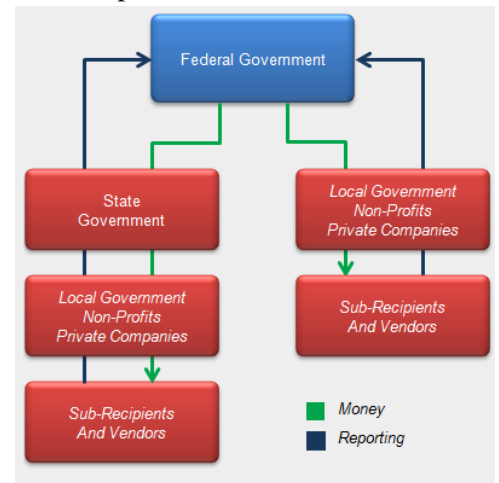
California Recovery

Since 2006, California has experienced an unprecedented downward economic spiral. However, the historical economic downfall began in 1978 with the passage of Proposition 13, which limited the state's ability to change tax law, thus reduced a relatively stable revenue source, property tax. Before 1978, the state's income rested more equally on different sources of revenue. With the passing of Prop. 13 the state's revenue became income dependent, with personal income tax accountable for 49% of the General Fund. This left California particularly vulnerable to recession and economic fluctuations. Moreover, sales taxes have increased to 8.25%, the highest sales tax in the nation. Prop 13 left a financial void that has been increasingly difficult to overcome.^{2,3}

The state's vulnerability coupled with the recession led to massive budget deficits. As the state budget was cut again in 2009-2010, many public social services suffered, propelling a decrease in services and loss of jobs. While California faced a \$40 billion deficit, the federal stimulus proved crucial, almost immediately saving and/or creating jobs throughout the state. However, the federal aid to jump start the state economy did not prevent the state from a budgetary shortfall in the 2010-2011 fiscal year.

In perspective, the estimated ARRA funding for California is \$55 billion, which is equivalent to nearly 50 percent of the entire state budget (not including federal funds). California's share of the Recovery Act funding is also larger than the annual General Fund budgets of all but two states (Texas and New York).⁴

ARRA funds are distributed in a twofold method. Either funds are disbursed directly from Federal agencies to recipients, or are funneled through state agencies. The recipients are then to report directly to the agencies (federal or state) with information regarding their usage of funds. Reporting consists of notifying where the projects are located (geographically), how many jobs were created/ saved, and how much of the funding has been received and used. Federal reporting documents can be found at www.federalreporting.gov.



The State of California utilizes the www.recovery.ca.gov portal as transparency tool for constituents to track funding in their counties. As of January, the reporting can also be viewed by Congressional Districts. Unfortunately, the site is only a great tool for tracking funding but has limited reported information. For example, reporting small businesses receiving any grants/loans do not state whether or not they are minority owned, as the state reporting does not ask these types of questions. In addition, reports do not ask if new hires are local or if the particular position was outsourced to another state, amongst other questions. Thus, vital information to economically empower local communities is limited or nonexistent. The Governor's Recovery Taskforce office spearheads the reporting and transparency process. **They could, if pressured, change the reporting guidelines to display this information.**

The office of the Recovery Inspector General works with community partners throughout the state to *Deter, Detect and Disclose* any misuse or fraud of stimulus funding in the state. In addition, the Recovery Inspector General issues reports on non disbursement and lax oversight to the Governor. If community leaders identify misuse of funding, it is encouraged to contact the Inspector General's office.

<http://www.inspectorgeneral.ca.gov>

² California Budget Project "California's Tax System" February 2009

³ Public Policy Institute of California "California Budget" July 2009

⁴ California Recovery. ARRA Overview. Internet: <http://www.recovery.ca.gov/html/about/recoveryactoverview.shtml>. Accessed March 2010

Alameda County

Alameda is the 7th largest county in California, with a population of 1.5 million.⁵ The county is distinguished by its 14 incorporated cities, the seat being Oakland, and its 5 unincorporated cities (Castro Valley being the largest); each with its own cultural and economic diversity.

As a minority majority county, Alameda relies on local employment opportunities to thrive economically and socially. The top five employment industries are: manufacturing, retail trade, health and social assistance, professional scientific and technological services, hotel and food services, and construction. Unfortunately, these industries are economically strained due to the current recession, impelling increased unemployment rates and a socio-economical recession which affects, in its majority, communities of color.

*Diversity*⁶

- White Non-Hispanic 36%
- Latino 23%
- Black 13%
- American Indian .4%
- Native Hawaiian and Other Pacific Islander 1%
- Asian 24%
- Multiracial 4%

(Total is greater than 100% because of rounding)

Recession, Unemployment and Poverty

According to the American Community Survey the median household income in Alameda is over \$70,000, compared to the \$61,000 state household income average. Although a higher median household income indicates prosperity, the U.S. Census Bureau indicates that 10.4% of Alameda's population lives below the state poverty level. Twenty percent of Black residents and 14% of Latino residents live below the poverty line in Alameda County.⁷

The unemployment rate in Alameda County stands at 11.9%, up 125% from 2008.⁸ This huge rate increase of unemployment necessitated paying over \$90 million in unemployment claims. The City of Oakland has the highest unemployment rate within the county at 17.7%, followed by Cherryland at 16.0% and Ashland at 12.8%.

The recession and foreclosure crisis drastically affected homeowners in Alameda. The housing market bottomed out with 1 in 161 housing units receiving foreclosure notices in March 2009 alone. Alameda County ranks number thirteen in the country in house values and property tax base loss due to this crisis.⁹ In 2008, 38,797 properties underwent foreclosure in Oakland. These properties were concentrated most heavily in East Oakland.¹⁰ The areas in Alameda County with the highest foreclosure rates are also those with the greatest concentrations of low income, African American, and Latino residents. Moreover, in these areas, "subprime" loans were aggressively marketed to people of color.¹¹

⁵ CA County Population. <http://www.counties.org/default.asp?id=399>

⁶ CA Department of Finance "California County Race/Ethnic Population Estimates and Components of Change by Year, July 1, 2000-2008"

⁷ http://www.city-data.com/county/Alameda_County-CA.html#ixzz0r31h8cul

⁸ Ca Employment and Development Department edd.ca.gov

⁹ Center for Responsible Lending "Subprime Spillover" <http://www.responsiblelending.org/mortgage-lending/research-analysis/subprime-spillover.pdf>

¹⁰ Realtytrac.com

¹¹ Bostic RW and Lee KO. "Mortgages, Risk and Homeownership among Low- and Moderate-Income Families." American Economic Review: Papers and Proceedings 2008; 98(2): 310-314

ARRA in Alameda County

Alameda County received a total of \$2.63 billion in ARRA funding through December 2009. Of which, 47% were directed to education and 28% towards transportation projects. A combined 565 jobs were saved and/or created through these funds in both sectors; without ARRA funds, both local sectors and the county would have been catapulted into a deeper recession.

Disparities

By comparing ARRA funding to the foreclosure rates and unemployment rates in the county, research shows that although ARRA aided certain populations, it did not serve all neighborhoods equitably. On the surface, high unemployment in Alameda County was met with a high funding allocation. However, local level data demonstrates that impacted communities received demonstrably less funding, creating an unequal recovery.

For example, although the overall numbers are uplifting, most of the Energy and the National Institute of Health funding were directed and held by the University of California hub. Therefore, the total jobs and funds, \$1.5 billion, accounted for by the UC Regents are not locally invested.

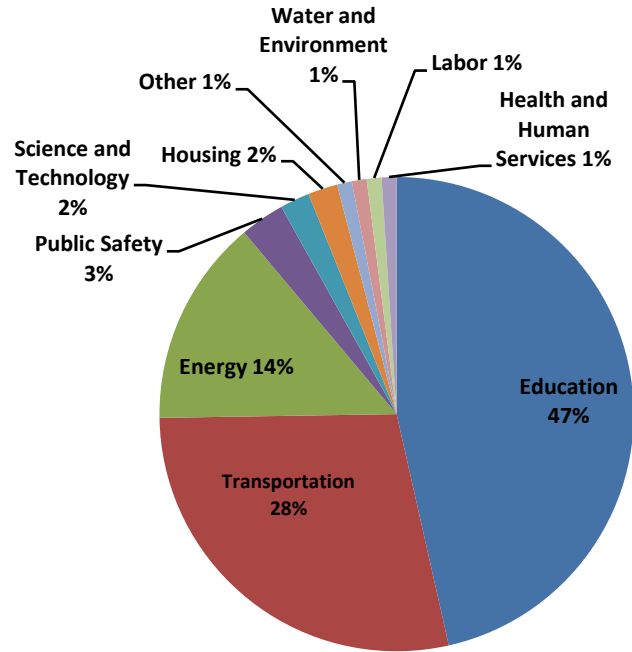


Figure 1: Categorical Distribution of ARRA Funds in Alameda County

Small Businesses & Work Force

A combined 70% of small businesses are owned by people of color and/or women in Alameda County, doubling the state average.¹² Unfortunately, less than 1% of ARRA funding was disbursed for small business loans¹³ and development¹⁴ within the county. Most of these allocations went to zip codes 94501, 94502, 94538, 94551, 94577, and 94607, obtaining 45% of the county total ARRA Small Business Administration funding. Of these zip codes, 94607, located in Oakland, has the highest unemployment rate at 7.50% with a median household income of \$21,124, and only three business were awarded; in contrast, zip code 94538 with an unemployment rate of 2.50% and a median household income of \$84,388, six business were awarded ARRA loans. With high unemployment rates throughout the County, more funding should have been funneled to small businesses that hire locally, boost local economies, and struggle through the recession.

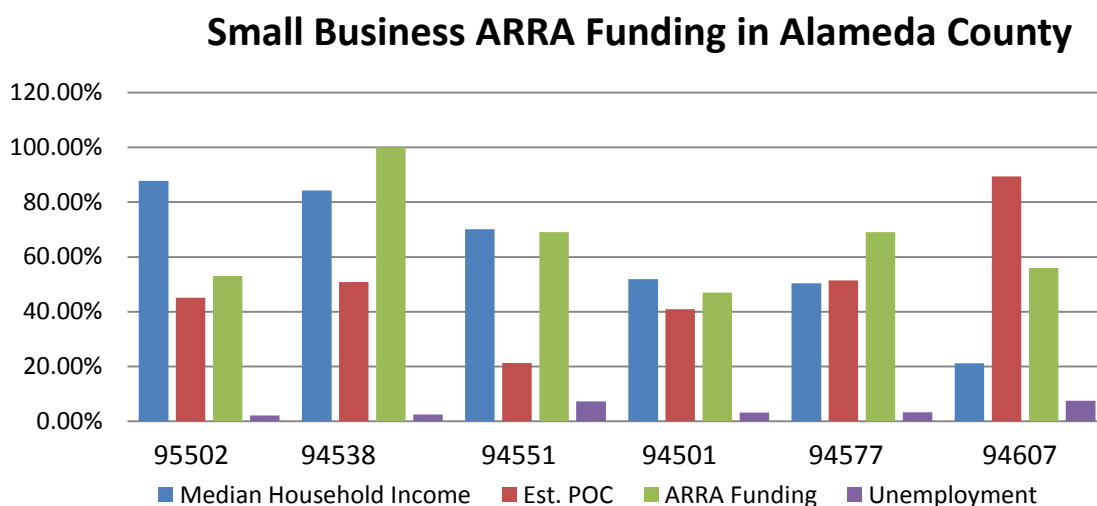
Zip Code	Neighborhood
94501	Central Alameda Downtown Marina District
94502	Bay Farm East Shore Harbor Bay
94538	Fremont – Baylands East Industrial Waterford
94551	Livermore
94577	San Leandro
94607	Oakland

¹² <http://quickfacts.census.gov/qfd/states/06/06001.html>

¹³ Only to businesses that have a 7a certification

¹⁴ Only to business that have a 504 certification

Figure 2: Sampling of Distribution of Small business loans in Alameda County



ARRA Funding for small businesses can better revitalize local economy, increase employment opportunities and better sustain a local vital sector. As previously stated, manufacturing and retail make the top employment sectors for the county, and is essential for cities such as Oakland whose unemployment rate keeps rising. Oakland’s biggest award, \$1.8 million, was given to Cable Moore, Inc. a rigging and machine company. With this loan, Cable Moore, Inc. was able to keep its doors open, and continue to provide manufacturing services to the city of Oakland.

ARRA funding has been difficult to obtain by immigrant business owners, a category not outreached by the Small Business Administration Bureau. The Bay Area's immigrant population makes significant contributions to the local economy and its members are more likely to be self-employed than native-born citizens, according to a report released by The California Immigration Policy Center.¹⁵ Immigrant labor and entrepreneurship is a major part of the food service, maintenance, cleaning and sewing industries, according to the report.¹⁶ Immigrants, in both the Bay Area and South Bay are consistently entrepreneurial and more likely to create and develop their own businesses, than their native-born counterparts; an economic force often left out of the loan and grant process.

Small business loans are crucial to the advancement of businesses of color and the sustainability of a community, Alameda County could have requested more funding for the labor sector and work training programs. By doing so, Alameda, especially Oakland, could have fortified their employment sector and revitalizing their local economies.

Workforce

Alameda County, and California as a whole, should concentrate on providing equally accessible, well paying jobs and job training that will provide long term security for residents. Alameda received only \$16 million for labor development, funded primarily through federal Workforce Investment Act (WIA) Grants. These grants provide employment services, work readiness and occupational skills training for unemployed adults and assist at-risk youth improve their opportunities in the labor market.¹⁷ Workforce Investment Grant funding is crucial to places like Oakland whose residents are saddled with disproportionate levels of unemployment, nonetheless investing only 0.6% of funds towards these vital

¹⁵ <http://sfappeal.com/alley/2010/01/study-half-the-kids-in-the-bay-area-have-one-immigrant-parent.php>

¹⁶ <http://sfappeal.com/alley/2010/01/study-half-the-kids-in-the-bay-area-have-one-immigrant-parent.php>

¹⁷ Recovery.ca.gov “Award Summary” <http://recovery.ca.gov/viewAwardDetails.do?tasNumber=16-0184&isFederalAward=FALSE&awardId=56&subRecipientId=5460&category=Labor>

services is unacceptable and will not address the needs of local communities. More so, it is unknown how and in what areas these funds were disbursed within Alameda County.

Alameda County also received \$731 million dollars for transportation projects, including the Alameda-Contra Costa Transit District, with the 5th highest infrastructure funding in the state at \$25.7 million. However, concentrated funding and lack of job creation cloud this important investment. Infrastructure provides an opportunity for short term employment and infrastructure investment for the county. In Alameda this opportunity is not supported by job training, limiting access to well paying, albeit temporary jobs.

Importantly, Alameda has made several investments into the Green Economy by designating loans and grants to local companies who are developing new and innovative technological advances in the field of alternative energy. Several firms including Solyndra Inc. and Sierra Solar Power located in the City of Fremont are developing thin solar panel technology that can be used by homes and businesses to lessen the demand for energy. Along with creating jobs, this sector will help drive California's economic recovery.

Public Safety in Oakland

Alameda County directed 3% of its total funding to Public Safety efforts. Recovery Act dollars were directed to sustain and enhance funding for law enforcement and victims services. Funding went directly to state, local and tribal law enforcement and community based organizations to support hiring to combat violence against women, fight internet crimes against children, assist crime victims and support youth mentoring. These efforts to reduce and eliminate domestic violence, crimes against children and help victims and improve the functioning of the justice system serve the dual purpose of creating and preserving jobs and stimulating economic growth.¹⁸ Through the COPS Hiring Recovery Program (CHRP), a part of ARRA, Oakland Police Officers continued to engage in primary community policing functions. This program created 41 jobs through a \$19 million grant. The CHRP grant to Oakland Police was the highest awarded in the county and doubled the amount of the next highest grant allotted to the Port of Oakland. This grant, along with a second ARRA grant of \$375,000 provided the City of Oakland with fiscal support for public safety; however, the grants could not stave off the newest round of cuts in 2010.

Due to the recession and continued budget cuts, Oakland struggles to pay for its Public Safety. The city eliminated the \$42 million deficit it faced for the 2010-2011 fiscal year through program and departmental cuts. Such cuts included laying off 80 Oakland Police Officers. Regardless of the drastic measures taken, the deficit for next fiscal year, 2011-2012, is projected at roughly \$50 million.

In late July, after talks with Union officials failed, the city laid off 80 police officers. The police union demanded that the city guarantee that its officers would not be laid off for three years in exchange for giving up some pension benefits that would have eased the city's budget problems. City leaders, however, said it would have been irresponsible of them to agree to protect police jobs for more than one year because the city's budget problems are likely to worsen.¹⁹

Currently, Police Chief Anthony Batts stated that he will ask for federal help in reducing violent crime in the city. Mayor Dellums and Batts are coordinating efforts to reach out to the federal government for funding given our financial situation.²⁰ To date there have been no additional federal support offered.

¹⁸ <http://recovery.ca.gov/html/funding/public%20safety/public%20safety.shtml>

¹⁹ http://articles.sfgate.com/2010-07-14/news/21982318_1_union-s-attorney-officer-layoffs-union-leaders

²⁰ http://www.mercurynews.com/breaking-news/ci_15580664

Health and Human Services

Alameda County received \$15.5 million in ARRA Health and Human Services (HHS) funds as of March 2010. This funding increased access to quality of health care services. Moreover, this funding propelled job creation, preservation, and training to regional and local constituents.

Distribution of funds

ARRA dollars were allocated to several divisions within Health and Human Services in Alameda County. Recovery Act funds support a variety of projects, such as the Federal Medical Assistance Percentages (FMAP) funding for Medicaid/Medical services, food stamp benefits, elderly nutrition services, the Women Infant Children (WIC) program, and employment for persons with disabilities. The distribution of funds in Alameda illustrates the county's priorities for health and economic empowerment. **SEE Figure 3.**

The majority of ARRA HHS funds were disbursed to community health centers (CHC) to which \$11 million were allocated. The funds increased access to services, supported clinic renovations and funded new site development. Community Service Block Grants received \$2 million to increase low-income families' self-sufficiency through a variety of state-level benefits. Funding these programs is vital to Alameda County which serves more than 140,000 patients and provides more than 500,000 visits through CHC providers each year. Equally important, CHCs serve 88% of people of color, and 87% of clients live below the poverty level. CHCs have seen an increased demand for services due to the county's sky rocking unemployment rates in the last three years, ARRA funds have assisted CHC providers but have failed to make a targeted effort in distributing funds in economically devastated areas.

People of Color and Immigrants

Alameda is the seventh most ethnically diverse county in the nation, no one particular ethnic group is in the majority.²¹ Many of these groups live in highly racially segregated areas, as a result of historical racism and poverty. Health outcomes at the neighborhood level illustrate systemic health disparities. Areas with larger concentration of people of color tend to have the highest rates of poverty, and consequently, lack access to health insurance. This results in meager health outcomes.

Oakland and Hayward surpass the countywide and statewide-uninsured rates at 17.8% and 18%, respectively.²² Over 70% of Asian and Pacific Islanders and Latinos as well as 59% of African Americans

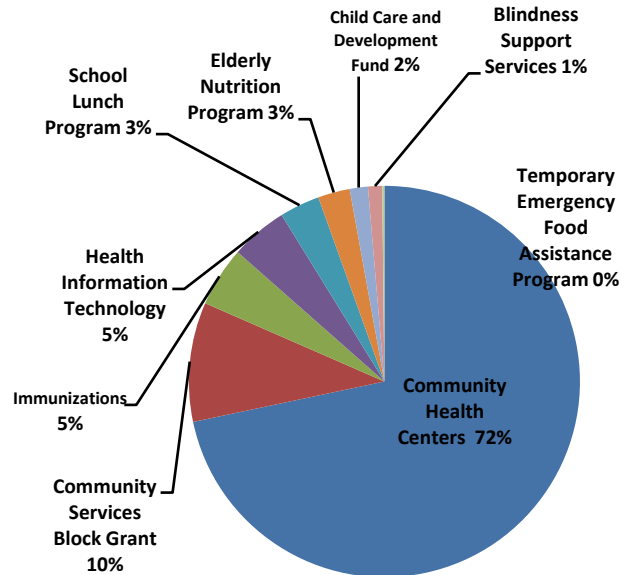


Figure 3: Categorical Distribution of ARRA Health and Human Services Funds in Alameda County

²¹ Urban Male Health Initiative Male Health Status Report, 2010. Alameda County Public Health Department. http://www.acphd.org/user/services/AtoZ_PrgDtls.asp?PrgId=79

²² Select Health Indicators for Cities in Alameda County, 2007. Alameda County Public Health Department. <http://www.acphd.org>

that are uninsured, are either poor or near poor. The cities of Oakland and Hayward highlight some of the challenges that people of color experience in accessing health services. Communities in these cities show the highest poverty in the county averaging 30%.

The Migration Policy Institute estimates that there are 88,000 undocumented immigrants in Alameda County.²³ Approximately 53% are uninsured adults;²⁴ Latino immigrants make 21% of the uninsured, while their Vietnamese immigrant counterparts consist of 38% of the uninsured.²⁵ This marks a disparity between uninsured adults and a greater need to access CHCs. Being uninsured is not a direct correlation to their immigration status, but more so, the unwillingness of their employers to provide health insurance.

HHS & Work Force

Alameda County demonstrates a high need for jobs in the health care industry. Health Care and Social Assistants make up the second highest field of employment, both in the public and private sectors.²⁶ Through ARRA funding, CHCs created a strong short-term solution to improve the health of these communities, but did not immediately contribute to job assistance and long-term economic stability. ARRA funds could have strengthened CHC and Community Based Organization (CBO) partnerships. Such partnerships work toward innovative programs to create health and human service career pathways for people of color and immigrants, advancing culturally competent outreach workers and patient navigators. By increasing job opportunities and reducing barriers to healthcare, communities will move towards improved health outcomes and economic self-sufficiency.

HIV/AIDS

Alameda County has the second highest rate of AIDS cases in the Bay Area. In Alameda County, the average annual HIV/AIDS case rate for males is 37.5 per 100,000, significantly higher than the state's rate of 34.7 per 100,000. The African American rate (121.3 per 100,000) is higher than their White, Latino and Asian Pacific Islander counterparts.²⁷ African Americans make up 45.1% of newly diagnosed male HIV and AIDS cases.²⁸ Regardless of these alarming numbers, CHC's were not awarded stimulus support towards HIV/AIDS prevention and education services. The Kaiser Foundation Hospitals in Oakland was the only program that received ARRA HIV/AIDS funding in the county for research purposes.

With such disproportionate health outcomes among HIV/AIDS positive people of color, the case for improved outreach and delivery of HIV is apparent. HIV/AIDS funding cuts limit the ability for community health centers and advocates to provide culturally and linguistically appropriate care. Adopting the principles of ARRA funds, stimulus dollars would potentially provide hiring and training of community outreach workers, increasing capacity within CHCs to develop culturally and gender sensitive harm reduction, and bolstering health resources for people living with AIDS.

²³ <http://www.drummajorinstitute.org/library/article.php?ID=7171>

²⁴ Ibid

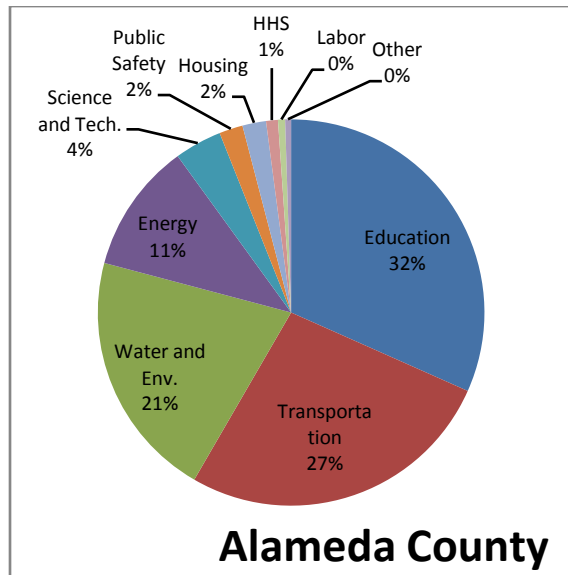
²⁵ Ibid

²⁶ California Facts: Alameda County, November 2008

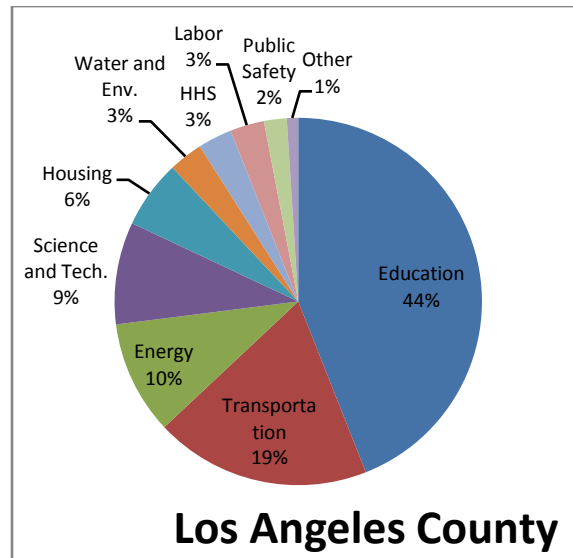
²⁷ Urban Male Health Initiative Male Health Status Report, 2010. Alameda County Public Health Department. http://www.acphd.org/user/services/AtoZ_PrgDtls.asp?PrgId=79

²⁸ Ibid

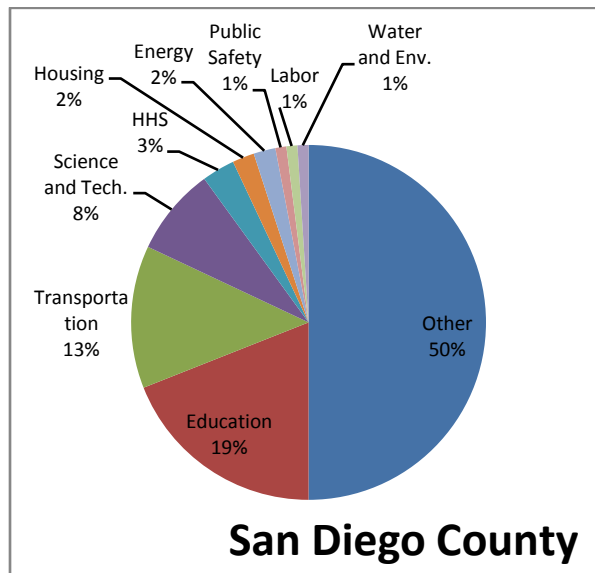
County Comparison



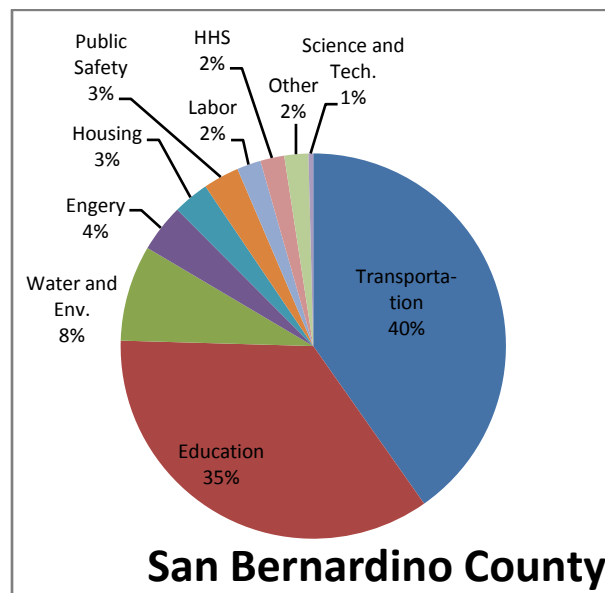
Alameda Total Population: 1,457,169
 Metro Unemployment Rate: 11.4%
 Foreclosure Rate: 1 in every 235
 Total Funding: \$2.75 Billion



Los Angeles Total Population: 9,832,137
 Metro Unemployment Rate: 12.3%
 Foreclosure: 1 in every 232
 Total Funding: \$5.68 Billion



San Diego Total Population: 3,001,072
 Metro Unemployment Rate: 10.4%
 Foreclosure Rate: 1 in every 215
 Total Funding: \$1.44 Billion



San Bernardino Total Population: 1,999,753
 Metro Unemployment: 14.2%
 Foreclosure Rate: 1 in every 116
 Total Funding: \$936 Million

Summary

Problem:

With California's state budget in deficit over the last ten years, ARRA funds have created opportunities to stimulate local and statewide economies. Communities of color, immigrants and LGBT individuals are struggling to obtain a better quality of life in their neighborhoods. Health and Human services are consistently being cut or terminated, and "shovel ready" projects in these neighborhoods have been placed on the backburner. Moreover, the distribution of ARRA is oblivious to the needs of hard hit communities suffering through budget cuts and increasing foreclosures. This problem stems from 1) the local government entities not applying for stimulus funding, or not enough stimulus funding, and 2) local businesses not applying for grants or, more often than not, being under-awarded.

Solution:

The California Recovery Taskforce can and should ensure that ARRA funds are disbursed in the neighborhoods most devastated by the economic recession. By comparing foreclosure rates, unemployment rates and poverty levels to project and granting opportunities in the area, the California Recovery Taskforce and the Federal Recovery Taskforce can equitably distribute ARRA funding; thus, nurturing communities in need and ensuring quality of life, job training, employment and economic stimulation throughout the regions. In addition, local legislators can and should ensure that funds are kept within the state, ensuring job creation and economic stimulation throughout the state.

Ask:

Equitable distributions of federal funds are needed to improve the quality of life of all residents. California must, immediately, seek a method to distribute ARRA funds to communities most in need. The California Recovery Taskforce must develop a transparent process in the distribution of ARRA funding, inclusive of community input, and draft better report backs from grantees, capturing minority statistics.

Action:

Not only has the state failed to provide targeted funding throughout the state, the lack of transparency has limited the ability of citizens to hold them accountable. Now is the time to demand equity, accountability and transparency. **Call** your local legislators and the California Recovery Task Force demanding equitable distribution and transparency of funds. Interested in being a voice of and for California? **Meet** with your community leadership and local grantees to seek public-private partnerships.

Join the Voice of California for updates and actions.

Values

- Grantee transparency and accountability
- Equitable distribution of funds
- Job creation
- State and Federal Taskforce transparency in report backs

www.voiceofcalifornia.org

www.vozdecalfornia.org