

Voice of California

Federal Economic Stimulus:
Peril or Promise in San Diego's Economic Crisis?

Community Involvement Guide

1st Edition, June 2010

Table of Contents

About Us	3
ARRA Funding	4
California Recovery	5
San Diego.....	6
The Recession and ARRA Funding in San Diego County	6
Disparities	7
Workforce	7
Health and Human Services.....	8
Distribution of Funds	8
Immigrants and the Undocumented	8
HIV/AIDS	9
TANF-ECF	10
County Comparison	11
Summary	12



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



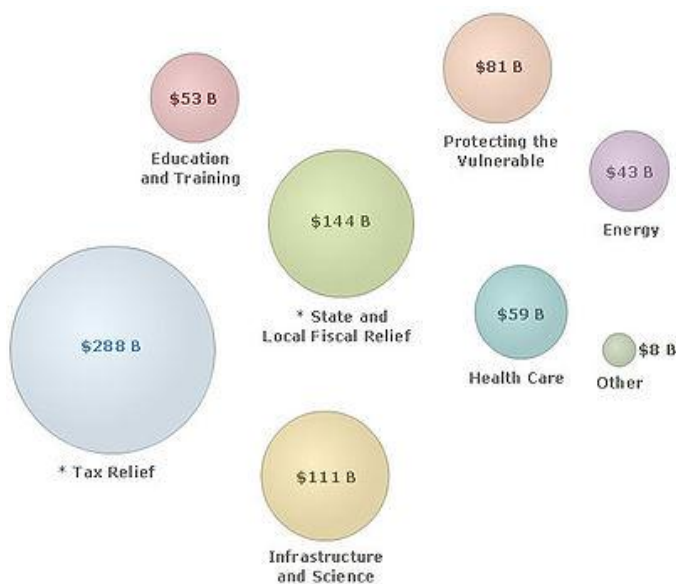
- Create new jobs and save existing ones
- Spur economic activity and invest in long-term growth
- Foster unprecedented levels of accountability and transparency in government spending

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.

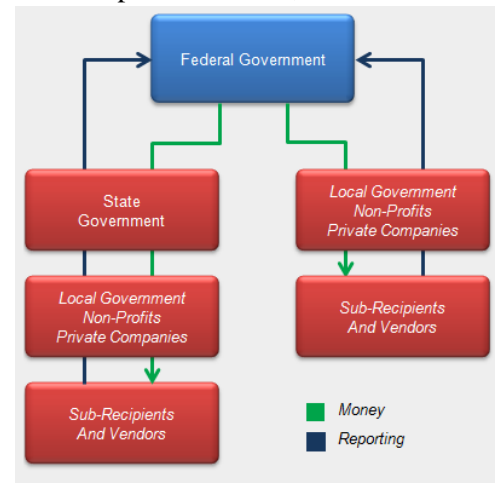
California Recovery

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

San Diego

San Diego is the second most populous county in California, with over 3 million estimated residents. The County is composed of 16 incorporated cities (the largest being San Diego city), 63 unincorporated communities and 18 federally recognized Indian reservations. The ethnic demographic for San Diego County⁵ is as follows:

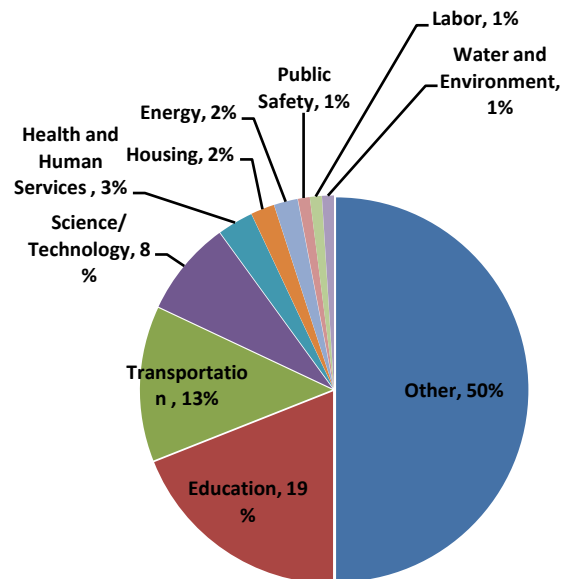
Latino 30%
White 52%
Black 5%
American Indian & Alaska Native <1%
Asian 10%
Native Hawaiian and Pacific Islander <1%
Other 3%

The median household income is \$59,591, yet 8% of the county lives below poverty level. Of this 8%, 40% are female single parents. In addition, the lack of affordable housing is a serious issue for San Diego County. Currently, 61% of residents live in a single family dwelling, of these, 58% are occupied by owners and 42% by renters.

The Recession and ARRA Funding in San Diego County

San Diego County, like the state of California continues to struggle through the current recession. Unemployment in San Diego is currently at 10.6%, up 112% from 2008. This huge rate increase necessitated unemployment payments of over \$129 million in 2009. The housing market in San Diego, once crucial to the local economy, bottomed out with foreclosures increasing by 353%. Tourism, the third largest segment of San Diego's economy that brings more than \$5.6 billion in annual revenues, is down an estimated 12%. Moreover, the high cost of living caused homelessness and hunger to rapidly increase, with food program usage up 16% in 2009. ARRA funding responded to the needs of San Diego County public and private sectors, enabling them to fiscally survive the state

recession, stimulating the economy through shovel ready projects in the transportation and technology sectors, and saving jobs in the education and health and human sectors.



⁵ San Diego County. American Community Survey 2006. Available at: http://www.sandag.org/uploads/publicationid/publicationid_1353_7893.pdf. Accessed December 2, 2009

The stimulus funds have been distributed, as of December 2009 in the following categories:

<u>Project</u>	<u>Budget</u>
Education	\$361,230,639
Higher Education	\$1,571,561
Public Safety	\$28,271,680
Housing	\$48,389,360
Health & Human Services	\$27,638,840
Energy	\$4,996,894
Labor	\$25,531,440
Transportation	\$294,590,900
Water & Environment	\$9,688,108
Science & Technology	\$129,016,300
Other	\$927,018,000

Disparities

Comparing ARRA funding to the foreclosure and unemployment rates in the county, research shows that although ARRA aided certain populations, it did not serve all neighborhoods equitably. For example, neighborhoods in Chula Vista and San Diego City, where foreclosures are high and there are high concentrations of people of color, received little to no ARRA funds nor jobs associated with ARRA funds. For example, zip code 91915 (Chula Vista), a middle class predominately Latino community, has the highest foreclosure rate in the county and only received \$281,000, a little more than .02% of total funding. These disproportionate funding levels will result in the failure to support communities most in need.

Foreclosure levels are stronger markers of the effect of the current recession; however, communities with low home ownership rates and high levels of poverty are also particularly vulnerable to economic downturns. For example, in zip code 92113 (San Diego City), 32% of families are in poverty and only 40% of residents are high school graduates. This neighborhood is in desperate need of investment, however, they received only \$2.8 million, or less than 0.3% of total funds.

Workforce

California should support companies that provide well paying jobs and job training; however San Diego funded only 15 labor development projects, spending about \$29 million, or 2.5% of total funds. For example in La Jolla, several biotech and research institutions, such as Scripps Institute, were granted \$67 million creating 134 jobs. These are well paying jobs and are important to the economic vitality of San Diego, but no funds were directed towards job training. In contrast, San Diego Workforce Partnership Inc. in City Heights, was granted \$24 million and not only created jobs for case managers and programs staff, they assisted unemployed persons to find work and receive the training they need. Without job training, very few will actively participate in the economic recovery of the county, moreover, those neighborhoods and families in poverty will continue in this cycle.

Health and Human Services

As of March 2010, San Diego County received \$63 million in ARRA Health and Human Services (HHS) funds. This funding served to increase access and quality health care services, propel job creation, preservation, and training to regional and local constituents.

Distribution of Funds

San Diego County received ARRA funds in several categories within Health and Human Services. These funds supported over 26 programs, such as 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 San Diego illustrates the county's priorities for health and economic empowerment (see Figure 4).

The majority of ARRA HHS funds, \$51 million, was disbursed to community health centers (CHC), in projects that ranged from increased clinical hours and staffing to the construction of new clinic sites. The second highest amount of funding, \$5 million, went to the County of San Diego in Community Service Block Grants to assist low-income families' self-sufficiency through a variety of state-level benefits. The remainder of funds was distributed to Indian Health Facilities, educational scholarships for disadvantaged students, nursing school federal loan programs, emergency food banks, blindness support, senior nutrition programs, and childcare development. However, the funds were not equitably distributed amongst communities of color. Those often left out of the equation were immigrant and LGBT communities in San Diego.

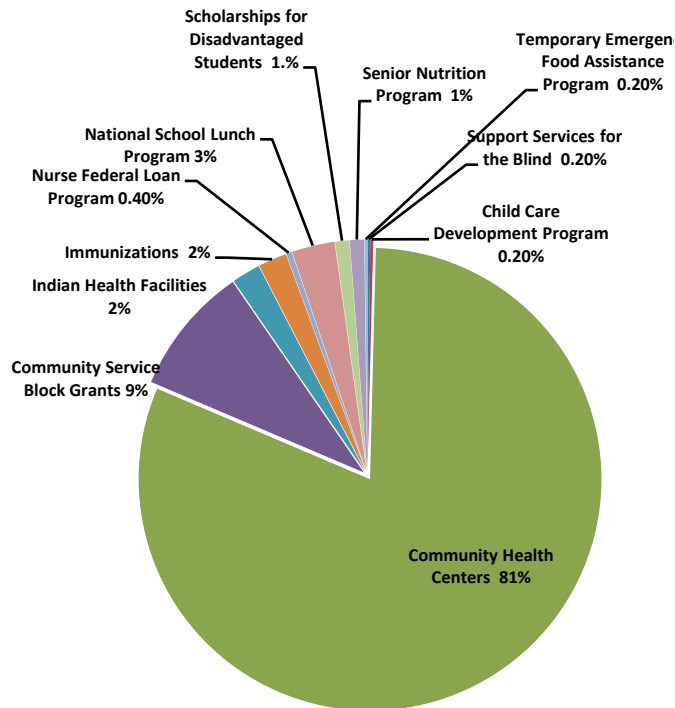


Figure 4: Categorical Distribution of ARRA Health and Human Services Funds in San Diego County

Immigrants and the Undocumented

Immigrants comprise 23% of San Diego County and are a third of the county's labor force.⁶ For a majority of the immigrant community, the current economic recession produced massive unemployment and as a result, eliminated their only source of health insurance. The undocumented population experienced severe budget cuts to and the elimination of programs they relied upon for health services. Research has shown that for the undocumented and immigrant communities, stimulus was inequitably distributed and for the most part, unavailable.

San Diego County's border region illustrates how ARRA HHS stimulus funding could have a positive impact on immigrant and undocumented communities. This particular region, comprised of Imperial Beach, San Ysidro, and National City, is characterized by a high percentage of

⁶ Fact Sheet: Immigrants in San Diego County. California Immigrant Policy Center. <http://caimmigrant.org/search.html>. Accessed February 2010.

immigrant families and child poverty. For example, Imperial Beach/San Ysidro has a 53% immigrant family percentage and a 30% child poverty rate;⁷ furthermore, National City has a 58% immigrant family percentage and a 34% child poverty rate.⁸

With these alarming high rates of poverty in mind, the distribution of HHS funds were inequitable, if compared to other areas, throughout the border region. The border region received a total of **\$5.1 million** in stimulus funding, accounting for only 0.3% of total funds:

- National City received funding for a Health IT (\$1.3 million) and School Lunch Program (\$55,000);
- Imperial Beach received \$690,000 for CHCs;
- San Ysidro received \$36,000 for School Lunch Program and \$3 million for CHCs.

Funding CHCs creates a strong short-term solution to improve the health of these communities, but does not immediately contribute to job assistance and long-term economic stability.

Although it is important to provide CHCs funding to expand health care access, many poverty-stricken immigrant communities could benefit from other human service programs, such as the Community Service Block Grants and the Child Care Development Fund. These programs provide support services that enable low-income families' to receive job training and placement, childcare support, and other support services that will help them become self-sufficient.

HIV/AIDS

Specific regions within San Diego County have remarkably higher rates of HIV and AIDS. The Central and South Regions make a combined 71% of HIV cases in the County.⁹ The Central Region reports an AIDS rate of 25.6% and the Southern Region a rate of 12.6%; consisting of more than a quarter of total AIDS cases in the county in 2008.¹⁰ Although several neighborhoods in these regions received significant ARRA CHC funds, specifically in the Central Region and Southern Region, only two projects were targeted for HIV/AIDS prevention.

The only clinics to receive stimulus dollars for HIV/AIDS programming were Mountain Empire Family Medicine in the Alpine/Descanso neighborhood and Family Health Centers of San Diego in the North Park neighborhood⁵. These funds provided staff training and one HIV outreach worker respectively. Mountain Empire Family Medicine clinic is one of the few clinics that serve the rural, isolated communities of San Diego County where 80% are poor or working poor.

Targeted stimulus funds could have provided a stopgap to the devastating \$82.4M budget cut from HIV/AIDS short-term outreach and contributed to long-term reduction in HIV/AIDS rates.¹¹ ARRA funds if equitably distributed can train and hire community outreach workers in underserved immigrant communities. Furthermore, the stimulus funds could increase capacity within CHCs to develop programs focusing solely on harm reduction, and bolster health resources for people living with AIDS.

⁷ Fact Sheet: The Unique Challenges to the Well-Being of California's Border Kids. California Immigrant Policy Center.

⁸ Ibid

⁹ San Diego Community Profiles by Region, 2010. San Diego Health Archive. <http://sandiegohealth.org/region/index.htm> accessed may 2010.

¹⁰ Ibid

¹¹ National AIDS Treatment Advocacy Project. <http://natap.org>. accessed may 2010.

TANF-ECF

Through the American Reinvestment and Recovery Act of 2009 (ARRA), the US Department of Health and Human Services made an additional \$5 billion in emergency funding available to be administered through the Temporary Assistance for Needy Families (TANF) program. This Emergency Contingency Fund (ECF) “will help states serve more families seeking employment opportunities and other forms of assistance during the economic downturn.”¹² These funds are to be governed by the same programmatic rules pertaining to the Federal TANF block grants and can be used for subsidized work, increased caseload and emergency assistance. However, San Diego County, the second largest county in the state, failed to apply for TANF ECF funding.

On May 12, 2009 Dianne Jacob, chairwoman of the board of supervisors of San Diego, presented a resolution that directed the Chief Administrative Officer to "identify additional County services for outsourcing" to respond to the fiscal crisis facing the county. This resolution was unanimously approved by the board of supervisors.

On October 13, 2009, the Chief Administrative Office reported back on their comprehensive process to review and analyze County functions for their outsourcing potential and recommended the outsourcing of Welfare-to-Work and associated Child Care Stage 1 services. Under this proposal, the provisions of Child Care services Stages 2 and 3 would revert to the State, saving the County associated administrative costs. These were the only services recommended for outsourcing.

Based upon a cost study of the County operated CalWORKs, an estimated savings of \$5.2 million will be achieved through the outsourcing of Case Management and Child Care services. This action will also result in reduction of 159 positions in Fiscal Year 2010-11. Moreover, it will result in an ongoing reduction of \$2.8 million in appropriations and related revenue and reduction of an additional 39 positions. This measure was unanimously approved by the Board of Supervisors. Contracts were awarded to two companies Arbor E&T LLC and Public Consulting Group (these contracts are not available to the public). Arbor and Public Consulting Group also received ARRA funds as sub vendors for other projects throughout the country, excluding California. In addition, Arbor contracted for unspecified work for Workforce Innovation in Florida. Public Consulting Group received \$215,000 for education technology for the Nevada Department of Education.

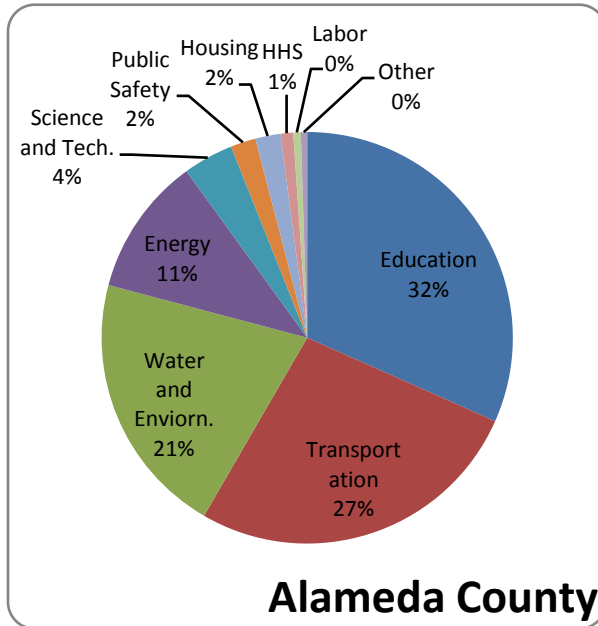
Consequently, because of the transition to Arbor and the Public Consulting Group, the Department of Health and Human Services determined that they did not have the capacity to apply for TANF ECF, leaving their share of \$500 million untouched. Orange County, comparable in sizes received close to \$100,000, and Santa Clara with a comparable poverty rate received \$5.5 million.^{13,14} San Diego County has until September 1, 2010 to apply for such funds, however the Finance Director for Health and Human Services has stated that at this time they Department has no intention of doing so.

¹² Health and Human Services Recovery Programs <http://www.hhs.gov/recovery/programs/tanf/index.html>

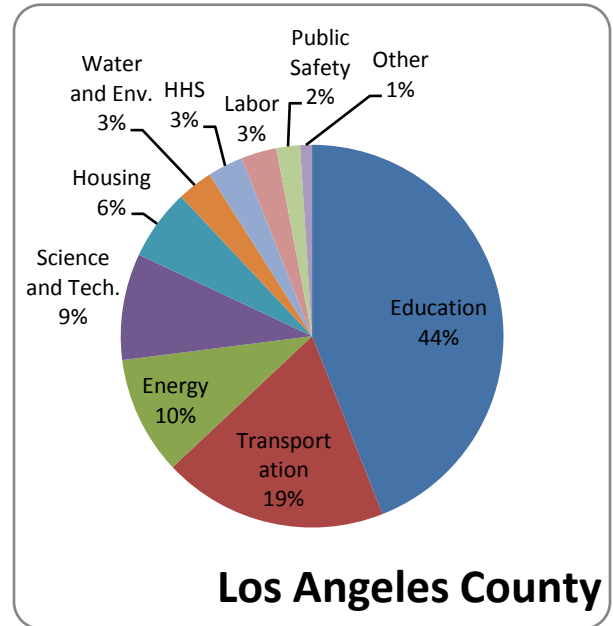
¹³ TANF ECF Funding as reported by the Inspector General of the State of California

¹⁴ Poverty Rates http://www.ppic.org/content/pubs/jtf/JTF_PovertyJTF.pdf

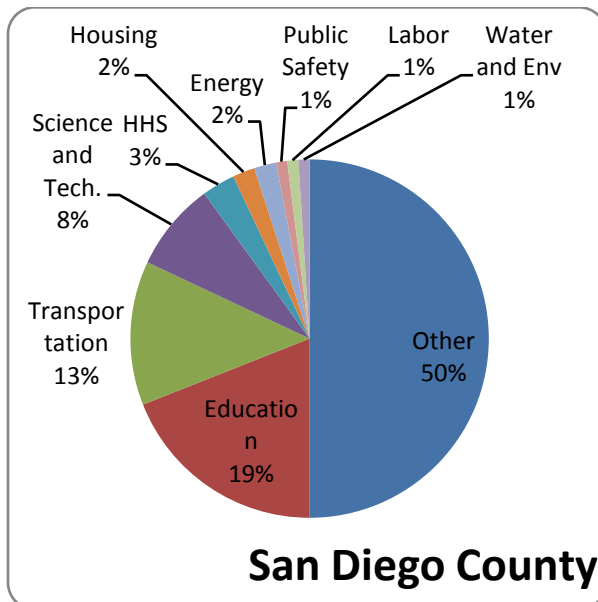
County Comparison



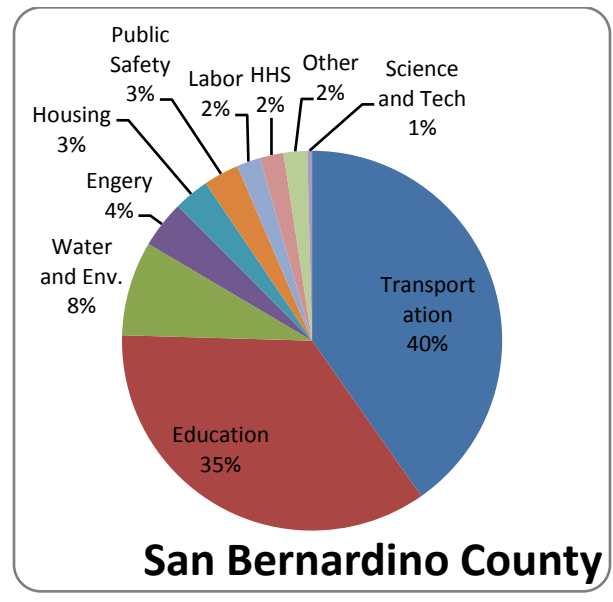
Alameda Total Population: 1,457,169
 Metro Unemployment Rate: 11.4%
 Foreclosure Rate: 1 in every 235
 Total Funding: \$2.75 Billion



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: 9,832,137
 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 ensure 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