BUILDING OPPORTUNITY

A Call For Florida to Assure Transparency, Accountability, and Equity in the Use of Economic Recovery Funds
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Building Opportunity
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The United States is currently experiencing one of the deepest recessions in recent memory. With an unemployment rate comparable to that of the early 1980s, and a financial crisis that has affected nearly every sector of the nation’s economy, the challenge of revitalizing the economy is daunting. In response to these conditions, the Federal government has taken bold measures over the past year in order to diminish the effects of the downturn and to stimulate economic growth. Most notable among these efforts is the passing of a bill of historic proportions, the American Recovery and Reinvestment Act of 2009.

Through the ARRA, an unprecedented volume of resources will be dispensed. The variety of government levels, agencies, and programs through which funds will be channeled, and the range of economic need throughout the country all represent the exceptional challenge of allocating the Recovery Act money. These precious resources must be clearly useful, have impact, and demonstrate to the public that government action can result in public good. To build public trust and community level ownership, steps must be taken to ensure transparent and accountable allocation of the Recovery Act’s resources. To be effective, the investments must be targeted and clearly address structural equity issues.

The Challenge: An Uneven Economic Crisis

What makes this recession so challenging is that while it has affected nearly every industry and community in the country, some communities are experiencing new depths of economic distress that are far worse than those felt by the rest of the nation. Places like Detroit, Michigan and many other cities throughout the Rustbelt have been hit hard by the downturn in the manufacturing sector. The financial crisis on Wall Street rippled throughout the nation, and states like California, Arizona, Nevada, and Florida have experienced unprecedented numbers of foreclosures over the past few years. The impact of the downturn is far from even. Across the country, communities of color, specifically Black and Latino communities, and mostly in urban areas, are bearing the brunt of tough economic times.

There is ample evidence of the disproportionate impact of economic recession on Black and Latino communities. United for a Fair Economy (UFE) recently found that while the U.S. has been in a recession for more than a year, “people of color have been in a recession for nearly five years and have entered a depression during the current
economic crisis.”i Between 2000 and 2007, median black family incomes dropped 1.0% for all families, representing the largest decline during a seven-year period since the World War II era. African American homeownership gains reversed after 2004, and have reverted to 2000 rates.ii The foreclosure crisis has resulted in immense loss of wealth in Black and Latino communities, and it has been estimated that people of color may have lost as much as $213 billion due to subprime loans taken out between 2000 and 2008.iii This was due to predatory lending practices that resulted in African Americans and Latinos being 30% more likely than White borrowers to get high-cost loans.iv Such practices are not only damaging to communities of color but to the entire economy, as the financial meltdown of 2008 and the deep recession have shown. In fact, these communities have been the ‘canary in the coal mine,’ foreshadowing the depth of the impending economic crisis and exposing where the economy is most unsound.

In recessions like the current one, communities of color have historically experienced the highest unemployment rates. The following chart shows these unfortunate trends in Florida.v After the recession of 2001 unemployment peaked for African Americans in 2003 at a rate well over twice that of White unemployment, and came down significantly only in 2005. At its lowest, unemployment for African Americans reached 6% in 2006, still higher than the White unemployment rate during the last recession or the first year the current recession. The current recession has caused unemployment for Hispanic workers in particular to surge, causing a four percentage point increase from the low point in 2006 to 2008, compared with a 2.5 point increase for White and African American workers.

Unemployment in Florida by Race and Ethnicity, 1998 to 2008

Future Implications for Regional Communities

The fundamental flaw of the Florida economy and the nation’s economy is that unequal access to wealth and wealth opportunities has created a hollow economic base which is vulnerable to recession. In light of the fact that communities of color are being hit the hardest by the recession, it is crucial that the resources allotted by the Recovery Act not miss these communities. The failure to ensure that Recovery funds are targeted to address systemic inequities would compound the already unequal economic conditions for generations to come. It is only through targeting investment in these communities, and the potential revitalization that would ensue, that a robust, sustainable economy is possible in Florida. Without such, Florida will continue to rank at the bottom on indicators of social health such as education, health and health care coverage, income inequality, and criminal justice. vi

Working with Black and Latino communities to target resources and develop locally appropriate development strategies is important because our security and prosperity as a country depend on the level of opportunity and participation available to all communities. When some communities are neglected and suffer disinvestment, unemployment, insecurity, and inadequate health care and education, our whole society suffers. Lack of job opportunities in inner-city areas means communities of color cannot build wealth and create safe neighborhoods. Inadequate health care in poor communities denies people healthy, productive lives and drives up costs for the whole system. Poverty and insecurity in certain neighborhoods is seen as “blight” on an entire region which invites gentrification, a quick fix that does not improve the lives of current residents and only fuels the type of hollow, speculative investment that is at the heart of current economic crisis. It is therefore critical that public investment deal directly with the underlying problems of employment, education, and health care, and bring communities of color into the discussion of solutions, instead of relying on the same policies that for decades have ignored community voices and failed to improve lives and neighborhoods.

There is already indication that Recovery Act resources may not be going where they are most needed. According to an analysis by The New York Times, the 100 largest metropolitan areas, which contain some of the hardest hit communities, are set to receive less than their share of the first wave of transportation stimulus money, vii and a similar report published by The Associated Press states that “altogether, the government is set to spend 50 percent more per person in areas with the lowest unemployment than it will in communities with the highest.” viii A Wall Street Journal article also points out that states like Florida, North Carolina, and Oregon, which are battling double-digit unemployment rates, are scheduled to receive relatively low per-capita payouts.ix
Transportation spending is one example of an area where states have the power to allocate funds in a way that improves infrastructure in urban communities which are hardest hit by the changing economy and loss of jobs. In Florida just 22% of Surface Transportation Program dollars have been allocated for highway preservation efforts that extend the life of existing roads systems, while 73% has been allocated towards new road construction. This is the opposite of the national spending pattern where 63% of STP funds are appropriated for existing highway system preservation and only 31% to new highway construction. New highways primarily benefit suburban residents, where unemployment and the impacts of the recession are less severe. It also promotes sprawl and increased traffic rather than improving the condition of city streets and promoting more energy efficient public transportation. Since most of Florida’s hardest hit communities are in areas with older infrastructure in need of repair or replacement, these areas stand to see comparatively little stimulus investment in transportation as of now.

Despite these discouraging patterns, the situation presents two opportunities: First, we have an opportunity to impact the distribution pattern of ARRA spending before 2010, when the largest chunk of Recovery money ($108 billion) is slated to be released. Secondly, we can use data about the way Federal resources are currently prioritized and used at the local level to advocate for a more accountable, effective, and equitable use of federal funds. The Recovery Act represents an immense opportunity to redirect the course of the U.S. economy, and provides an opportunity to help turn around the communities in greatest need.

**Tracking the Recovery in Hard-Hit Communities**

The first task of such an opportunity is to ensure much better tracking of federal dollars than has been in place until now. While there is great commitment to transparency by the Obama administration, the tracking guidelines established by the Office of Management and Budget have significant shortcomings that will make it difficult for the public to understand the impact of Recovery Act spending. Critical information such as the quality of jobs created, who benefitted from the jobs, which areas received funding, what firms and agencies were contracted to complete the work, and how well the work was performed, is absent from Recovery Act data collection. Also, only the first two tiers of grant recipients are required to report on what projects were funded, how much money was spent, and the number of jobs created. This is problematic because it does not reveal how the money ‘hit the ground’ and leaves many questions about which businesses actually did the work and who actually got the jobs.

Moreover, without more transparent and uniform processes, including reporting requirements, it will be difficult to know whether projects were contracted through fair
and open processes that are transparent to the public and open to a wide range of bidders including smaller and minority firms. Existing processes tend to be exclusive and vulnerable to corruption. As a recent analysis from OMB Watch of implementation issues with the tracking guidelines states “Understanding which communities, companies, and individuals are supported by Recovery Act funds is a basic fairness issue. Without it, some communities or sectors could be systematically excluded from support, while well-connected entities may get special deals. Proper transparency mechanisms for tracking spending will help mitigate this. One key element is that all recipients of Recovery Act funds must be required to report in a timely fashion on funds they receive.”

Processes must be developed to ensure that African American and Latino workers and firms are able to fully participate in the opportunities created by the Recovery spending and generate the investment these communities need to recover fully.

**Demanding Transparency, Accountability and Equity**

The Recovery Act represents a unique opportunity for transformative and sustainable investment in hard-hit communities, and in light of the many challenges to its equitable implementation, we call on the Federal government, the state of Florida, and its local governments to exceed the minimal tracking measures for compliance with federal requirements and collect information that measures real impact on hard-hit communities and compliance with anti-discrimination laws. Improved transparency and openness in the decision making process are important goals of the Recovery Act where state and local governments play a large role.

- **Tracking of race and ethnicity, gender, and zip code** - We urge the federal government and Florida’s state and local governments to track indicators relative to opportunity for all jobs and contracts. All recipients of Recovery Act funding should be required to report, in addition to number of jobs, the demographics of those who received or kept jobs due to Recovery spending including race and ethnicity, gender and zip code, the number of hours of jobs created, and wages and benefits paid. Each recipient should be required to report this data directly to the federal government through a centralized data collection system, which should be accessible to the public on-line and searchable by geographic area, recipient name and contract amount. An approach such as this would be helpful for tracking investment in communities of color and other marginalized areas and ensure that funds are spent where they will have the most impact.
• **Opportunity impact statements** - We urge the state government to adopt an “opportunity impact statement” policy for major infrastructure investments. This would mean that each project sponsor would need to provide a fair and honest assessment of the potential impact that their project would have on the community’s level of opportunity. The Opportunity Agenda has developed a model that could be used to define opportunity and measure the degree of benefit that is expected from each project. Priority should thus be given to those projects that show the most promise of improving access to good housing, schools, jobs, health care, social networks, and other indicators of opportunity, especially in communities that currently have little or no access to these opportunities.

• **Resident advisory committees from hard-hit communities** - Local governments should form steering and advisory committees of residents from hard-hit neighborhoods to evaluate and review the use of funds designed to stimulate the economy or promote economic development, including Recovery funds and Neighborhood Stabilization Program funds. Such committees should have authority to collect public comments and work with local planners and officials to ensure that the funds truly meet the needs of the community and the region. This will allow members of those communities to effectively hold their governments accountable for bringing the Recovery home in a way that is transformative and ensures a fair and equitable use of the investments.

**ARRA Tracking Provisions**

Our strategy for ensuring that Recovery spending benefits the communities that need it the most begins with taking the Obama administration seriously about its commitment to transparency and accountability. The ARRA includes with language and commitments to focus on transparency and accountability that presents a unique opportunity to address traditional inequalities in investment and economic prosperity that are common features of most government spending. Section 3(a)(1) of ARRA provides that a purpose of the Recovery Act is to “preserve and create jobs and promote economic recovery.” Section 3(a)(2) indicates that the Act intends to “assist those most impacted by the recession.” Additionally, some programs funded by ARRA specifically call for targeting the areas and populations most in need of assistance. Section 105 of Title I of ARRA requires that at least 10 percent of money for the Rural Housing Service be allocated for assistance in counties with persistent poverty. Section 3001 of Title XIII mandates that the new Office of the National Coordinator for Health Information Technology assess the impact of health information technologies on communities with health disparities and in areas with a high proportion of uninsured, underinsured, or medically underserved individuals.
One of the impressive features of the Recovery Act is that the bill allows states and local areas to develop the capacity for tracking and accountability measures. Besides the mandated reports on the usage of funds found in Section 1512 of the Recovery Act, Section 1552 allows for additional set-asides for reporting and recordkeeping. More specifically, under the authority of the Administrative Procedures Act (5 U.S.C. § 500), this section allows state and local governments to “reasonably adjust applicable limits on administrative expenditures for Federal awards to help award recipients defray the costs of data collection requirements initiated pursuant of this Act.”

By fully employing these tracking provisions, this time we can make sure that communities of color are not left out of the recovery. Tracking the money will allow us to see potential disparities, but more importantly, it will allow us target and track investments into job creation, job training, small business development and set asides, education, healthcare, and transportation access, things that will allow these communities to achieve their full economic potential. All communities must have the opportunity to contribute to the growth and health of their regions.

**The Opportunity to Leave a Lasting Impact**

Despite the challenges associated with distributing the Recovery Act’s vast resources throughout a nation experiencing a complex economic crisis, there remains a great opportunity to make important strides towards bringing fairness, equity and participation to all communities of Florida. Tracking requirements must ensure that Recovery funds are “well spent,” and by this we mean they should be invested in the most effective way to spur long term economic renewal and sustainability. We argue that to do this in Florida requires targeted investment into the communities that have the greatest need. This is also where the biggest transformational breakthroughs are possible. The Recovery Act presents the goal and the opportunity for renewing public faith in the ability of government to positively impact the lives of people and stimulate economic activity. We call on state, local, and federal officials to adequately track measures that will allow the evaluation of the impact of Recovery spending on Florida’s hardest hit communities and on the progress towards improving transparency, openness, and public participation.

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**Kirwan Institute**

A university-wide interdisciplinary research institute, the Kirwan Institute generates and supports innovative analyses of the dynamics that underlie racial marginality and undermine full and fair democratic practices in the United States and throughout the global community. Its work informs policies and practices to produce equitable change.

**RISEP**

Research Institute on Social and Economic Policy at Florida International University publishes research and data on issues of concern to low and middle income workers and their families in Florida. Their work focuses on working conditions, low wage workers, working poverty, living wage law and minimum wage laws, and high road development.

**Miami Workers Center**

The Miami Workers Center helps working class people build grassroots organizations and develop their leadership capacity through community organizing campaigns and education programs. The Center also actively builds coalitions and enters alliances to amplify progressive power and win racial and economic justice.