

Building an Inclusive Economy: How the Better Off Budget Helps People of Color



Center for
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Facts at a Glance

› African Americans make up 22.6 percent of the long-term unemployed while only making up 10.5 percent of the employed workforce.

› Out of the world's top 22 industrialized countries, the United States has the highest level of wealth inequality after accounting for taxes and transfers.

› As a result of the recession, African Americans lost 53 percent of their wealth and Latinos lost 66 percent.

› The Better Off Budget will bring in the necessary revenue to decrease the deficit by more than \$4 trillion over the next 10 years.

The racial wealth gap experienced by communities of color represents one of the starkest points of economic inequality in the United States. Already disadvantaged by disparities in income, which have been exacerbated by decades of stagnating wages for all working families, communities of color have been devastated by the economic effects of the subprime mortgage crisis and the subsequent recession. Evidence includes more dramatic declines in their home values, and disproportionate rates of unemployment, foreclosures, and poverty.

When more people live in poverty with few or negative assets, our families, communities, democratic institutions, and economy are at risk.

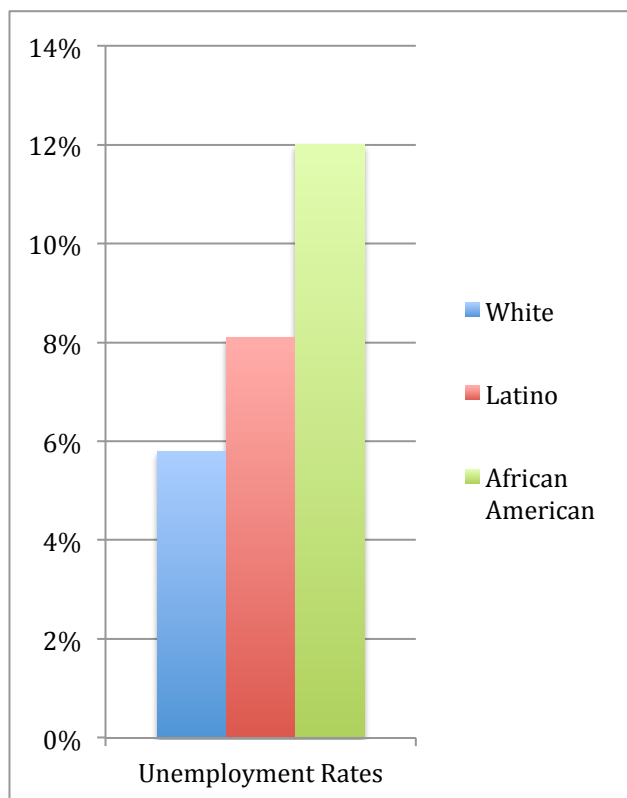
The Better Off Budget, authored by the Congressional Progressive Caucus, offers a plan for investing in the economic and health security of all families, while strengthening the U.S. economy over the short and long term. This brief outlines why the proposal is good for all Americans, but especially for people of color who would benefit greatly from its targeted investments.

The Better Off Budget is good for all Americans, but it is especially helpful for people of color.

Job Security

African American and Latino youth and adults experience higher rates of unemployment when compared to whites. The current African American unemployment rate stands at 12.0 percent, more than double the 5.8 percent rate for whites.¹ Meanwhile, the Latino unemployment rate stands at 8.1 percent.²

The Better Off Budget's targeted investments in job creation and infrastructure development would spur more employment for people of color. Investments in infrastructure (\$820 billion) and public works jobs programs (\$116 billion) would help distressed communities hit hard by the recession, and still struggling years after it officially ended.



This budget proposal also provides workforce development funding through training and employment services for the long-term unemployed. African Americans make up 22.6 percent of the long-term unemployed, but only 10.5 percent of the employed workforce. Similarly, Latinos make up 19.0 percent of the long-term unemployed, but only 15.7 percent of the employed workforce.³ These numbers are stark given that African Americans and Latinos make up 13.1 percent and 16.9 percent of the U.S. population, respectively.⁴

Retirement Security

Households of color are more likely to experience economic insecurity upon retirement because they own fewer assets. On average, near-retirees (ages 55-64) of color have \$30,000 in household retirement savings, which is one-quarter the \$120,000 held by white near-retirees.⁵ As a result, retirees of color rely more heavily on Social Security.

Social Security changes are not included in this proposal because changes to this vital program should not be made through the federal budget process. However, the Better Off Budget advocates strengthening and expanding Social Security benefits by using a more accurate measure of inflation and phasing out the cap on Social Security contributions.

These changes would ensure that seniors and people of color continue to receive their hard-earned benefits and that those benefits are adequate.



Housing Security

Communities of color were the hardest hit by the housing crisis because home equity is a disproportionate share of their wealth and because they were more likely to lose their homes to foreclosures.⁶ Home equity comprises 62 percent of African American wealth and 67 percent of Latino wealth, but only 38 percent of white wealth. Minority homeowners struggled to keep their homes during the recession, and many lost a significant portion of their property's value.⁷

The Better Off Budget helps those families and communities that suffered most during the recession by expanding funding for housing programs such as the HOME Investment Partnerships Program and the Community Development Block Grant. It also mandates that Fannie Mae and Freddie Mac fund the National Housing Trust Fund and the Capital Magnet Fund.

This funding increase would provide assistance for communities of color in need of affordable housing, as well as for those who wish to maintain their current home's property value.

Health and Food Security

The Better Off Budget helps address the health disparities that negatively affect communities of color by strengthening Medicare and Medicaid programs, targeting unhealthy food marketing, and expanding access to care. Affordable access to health care is crucial for communities of color since 24.3 percent of African Americans and 35.2 percent of Latinos under age 65 lack health insurance coverage, compared to only 17.0 percent of whites.⁸

The Better Off Budget seeks to expand access to health care by offering a public option through the health insurance marketplaces created by the Affordable Care Act. It would also ensure continued federal funding to states that might want to provide single-payer health programs. This budget proposal would protect Medicare benefits by reforming the Part D prescription drug benefit to allow for price negotiation.

Certainly one of the most challenging health crises experienced by communities of color is the obesity epidemic. In 2012, 35.2 percent of African American children and 38.9 percent of Latino children age 2-19 were overweight or obese, compared to 28.5 for white children.⁹ The Better Off Budget would end tax deductions for fast food and junk food marketing, which targets youth of color through television, the Internet, and social media.¹⁰

The Better Off Budget would also restore the Supplemental Nutrition Assistance Program cuts put in place through the 2014 Farm Bill. This funding would increase benefits by \$90/month for each family, which would benefit families of color, since they are especially likely to rely on food assistance.

Tax Fairness

Out of the world's top 22 industrialized countries, the United States has the highest level of income inequality after accounting for taxes and transfers.¹¹ Despite redistributive measures such as the Earned Income Tax Credit, the U.S. tax code and other transfers do less to address wealth inequality than has been commonly understood. The Better Off Budget seeks to reduce wealth inequality by taxing income from investments at the same rate as wages, capping itemized deductions, and ending the mortgage interest deduction for yachts and vacation homes. These changes would level the playing field for communities of color, who rarely benefit from federal tax expenditures. The Better Off Budget would ensure that everyone pays his or her fair share.

Finally, the proposal includes an immigration reform package that would keep immigrant families together with a pathway to citizenship, while increasing the number of people paying income and payroll taxes—reducing the deficit by \$700 billion over the next 20 years.

Sensible Revenue Raisers

The Better Off Budget includes reasonable tax increases that will have little effect on low-income families and communities of color, including a small quarterly tax on “too big to fail” companies and a small fee on Wall Street transactions. It also penalizes activities that have harmful effects on society. It would impose a fee of \$25 per metric ton of carbon emissions and it would enact a progressive estate tax that will exempt the first \$2.5 million for individuals.

Overall, this budget proposal would bring in the necessary revenue to decrease the deficit by more than \$4 trillion over the next 10 years. Over this period, it would increase revenues by 3 percent (as a share of GDP) to 21.1 percent—relatively low compared to other industrialized

Conclusion

The Better Off Budget is a strong statement of values and a step in the right direction. It will strengthen economic and health security for all families by targeting those communities that were hardest hit during the Great Recession. People of color will benefit from its investments in areas of critical need, including jobs, retirement, housing, health care, and taxes.

Dr. Maya Rockey Moore and Elvis Guzman authored this brief.

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