BLACK ECONOMIC ALLIANCE

WORK • WAGES • WEALTH

ECONOMIC POLICY

- Job training
- Education and Work
- Opportunity Zones
- Entrepreneurship
- Affordable Housing
- Economic Mobility
- Access to Capital
- Re-entry
- Wealth and Wages
- Childcare

Publish 1/20

The Black Economic Alliance is a coalition of business leaders advocating for public policies that advance work, wages, and wealth in the Black community.

“One hundred years later, the Negro lives on a lonely island of poverty in the midst of a vast ocean of material prosperity.”

Martin Luther King, 1963

“Non-Hispanic whites had a median household wealth of $139,300, compared with $12,780 for black householders”

United States Census Bureau, 2019

Gaps in the Wealth of Americans by Household Type

https://www.census.gov/library/stories/2019/08/gaps-in-wealth-americans-by-household-type.html

BLACK ECONOMIC ALLIANCE
WORK · WAGES · WEALTH

A Plan For The Black Economy

Policy Summary

1. **JOB TRAINING**: Simplify and consolidate federal jobs programs and allocate more job training funds, on a pay for performance basis, to private job training organizations and social entrepreneurs. Locate more skills training services in Black communities. Allow Pell Grants to be used for skills training. Tie college accreditation to employment outcomes.

2. **OPPORTUNITY ZONES**: Modify opportunity zone tax policy to incent new business formation and employment versus real estate projects already in flight. Prioritize opportunity zones for infrastructure spending. Modify allocation formulas that favor rural communities at the county level to more focused opportunity zones.

3. **ENTREPRENEURSHIP:** Incent venture capital and private equity firms to incubate and invest in companies in opportunity zones in exchange for favorable carried interest tax rates. Incent business development companies to lend in opportunity zones.

4. **AFFORDABLE HOUSING:** Incent rent to own options in public and private housing, alternative financing structures, and technology innovations in modular housing. Modify zoning laws for accessory dwelling units and higher density. Accelerate permitting processes and include affordable housing as part of any federal infrastructure bill.

5. **ECONOMIC MOBILITY:** Create relocation and job vouchers that facilitate workers moving to more lucrative geographies for employment. Make childcare more affordable, local, and accessible during non-standard working hours.

6. **WEALTH**: Transition the earned income tax credit to monthly from annual payments and implement a federal retirement savings for low wage workers without retirement plans. Reduce state discretion on allocated federal block grants for means-tested subsistence programs. Implement REPAY student loan restricting program more broadly.

7. **RE-ENTRY**: Establish Certificates of Qualification for Employment in all states or a federal standard accepted in all states. Allow Pell Grants to be used for training of the incarcerated.

WORK

Job Training

Federal jobs training programs are inefficient and less accessible to the Black community.

POLICY RECOMMENDATIONS

- Consolidate and simplify disparate federal jobs and entitlement programs among fewer agencies and application processes.
- Focus federal services on career and life coaching and rely on specialized social entrepreneurs, nonprofits, and industry to deliver the actual skills training on a pay for performance basis.
- Re-allocate and increase training funds based on high priority opportunity zones
- Market training and career paths in Black neighborhoods with career fairs and an organized social media campaign
- Implement more rigorous measurement for performance monitoring of training programs.
- Delegate more industry-recognized apprenticeship programs (IRAPs) to private industry with less prescriptive Department of Labor rules.

Education and Work

The federal government spends $114 billion on higher education at two- and four-year colleges compared to $18 billion on workforce development programs; 43% of college graduates work in jobs that do not require a degree

POLICY RECOMMENDATIONS

- Increase funds for skills training by allowing Pell Grant funds to shorter, skill-based training in collaboration with specific employers; results in less college debt ($1.4 trillion outstanding)
- Market more financially lucrative college majors to Black students who disproportionately major in lower-wage disciplines (e.g. social and community services).
- Add employment outcomes to the accreditation credentials for colleges.
- Incent colleges to collaborate with companies on federal work-study programs. 95% of federal work study students have on-campus, often make-work jobs unrelated to their majors.

Entrepreneurship

There over 2.6 million Black-owned businesses, the fastest growing sector for new business formation, but they lack capital and incubator services.

POLICY RECOMMENDATIONS

- Require a small investment in new opportunity zone-based businesses as a trade-off for private equity and venture capital firms to retain their carried interest tax subsidy.
- Incent professional incubators to engage in opportunity zones. Create a build-to-own corps of engineers deliver skills training and to repair and own abandoned homes.
- Enforce supplier diversity goals as part of infrastructure spending.
- Review and eliminate unnecessary occupational license restrictions.
- Provide an accelerated tax credit for seed round investments in opportunity zones.

Opportunity Zones

Tax advantaged opportunity zones primarily benefit real estate developers for projects that were already in flight.

POLICY RECOMMENDATIONS

- Modify tax policy to incent new business formation and office relocations in opportunity zones by shortening payback period.
- Provide incentives for lenders - risk protection or higher returns – to accelerate lending in opportunity zones.
- Prioritize opportunity zones for federal infrastructure investment given these communities have historically been under invested in and have more severe transportation, maintenance, safety, and water challenges.
- Include affordable housing as core component of any infrastructure bill.
- Re-allocate community development funding based on high priority opportunity zones. County based formulas used in the past (10-20-30 rule) favored rural counties with small Black populations

Childcare

The lack of affordable, local childcare is a significant barrier to work. Only 21% of eligible Black children are benefitting from Child Care Development Block grants.

POLICY RECOMMENDATIONS

- Establish multi-year contracts with childcare centers in Black neighborhoods so parents have predictable childcare year-round in proximity to their homes and that provide service during nonstandard working hours.
- Pay childcare subsidies closer to market rates.
- Create an incubator program for entrepreneurs to provide childcare in opportunity zones with incentives to provide care for difficult to serve populations (e.g. special needs)
- Increase funding for the Child Care and Development Block Grant (CCDBG), Head Start, and Early Head Start.
- Coordinate childcare with head start programs in a single facility so parents don't have to navigate a patchwork of programs in different locations.

WAGES

Savings and Wage Support

Income and wealth disparities in the Black community impact all other areas of quality of life.

POLICY RECOMMENDATIONS

- Evaluate “The Saving for The Future Act” proposed by Sen. Amy Klobuchar of Minnesota and Sen. Chris Coons which is targeted at low wage workers without retirement plans.
- The Act requires employers with ten employees or more to contribute 50 cents per hour worked to a portable retirement fund unless they have some alternative retirement plan.
- Incent states to initiate state level earned income tax credit programs. Review federal minimum wage for an increase over time.
- Lower the age of eligibility for the federal EITC, increase the rate, and pay it monthly.
- Simplify the application process and accelerate the Revised Pay as You Earn (REPAYE) programs to reduce student loan debt.
- Reduce state discretion on allocated federal block grants for means-tested subsistence programs.

Re-entry

Researchers estimate that one hundred million Americans have a criminal record. Nearly half of black males and 40 percent of white males have arrest records by the age of 23.

POLICY RECOMMENDATIONS

- Establish Certificates of Qualification for Employment in all states or a federal standard accepted in all states.
- Expand direct funding for non-profits that demonstrate sustained success in transitional employment programs.
- Expunge records for first-time misdemeanor convictions and place time limits on disclosure of information about past convictions.
- Apply Pell Grants to training the incarcerated.

WEALTH

Economic Mobility

Economic opportunity varies widely by location in such a large country. Studies (Chetty) show that children that move to economically advanced neighborhoods by age 13 are more likely to attend college and earn higher wages.

POLICY RECOMMENDATIONS

- Facilitate mobility for workers who see better job prospects in other cities but can’t relocate without assistance via a relocation voucher.
- Coordinate affordable housing with relocation.
- Create a targeted, portable job voucher that workers control to incent employers to provide training for workers in transition.
- Coordinate federal housing administration across metropolitan regions so applicants aren’t forced to apply for housing in multiple offices in a single metro area/job market.

Access to Capital

Accessing and controlling capital at scale and at competitive rates has been a fundamental barrier to wealth in the Black community

POLICY RECOMMENDATIONS

- Enhance the tax advantages for Business Development Companies that invest in opportunity zones by lowering their capital gains rate for shareholder distributions to 5%.
- Promote alternative lending sources from Fintech startups that are innovating around traditional banks given their capital restrictions.
- Require pensions funds to report the ratio of the diversity of their constituents to the diversity of their fund managers.
- Require pension funds to disclose investments in opportunity zones.
- Incent asset managers to appoint an emerging funds officer.

Affordable Housing

In the past 15 years, black homeownership rates regressed to 1960s levels (40%) when private race-based discrimination was legal.

POLICY RECOMMENDATIONS

- Require all public housing agencies to offer HUD housing choice vouchers toward ownership and not just rental.
- Educate home buyers about alternative mortgage instruments such a shared appreciation loans in opportunity zones and incent small dollar mortgages.
- Expand the market and awareness of rent-to-own companies.
- Tie federal funding to a reduction in single-family home zoning restrictions and accelerate permits for alternative dwelling units and low-income housing.
- Deploy new technologies to lower the cost of building homes with modular components and manufacturing inspired supply chains.

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THE BLACK ECONOMY

A POLICY RESEARCH PAPER

POLICY

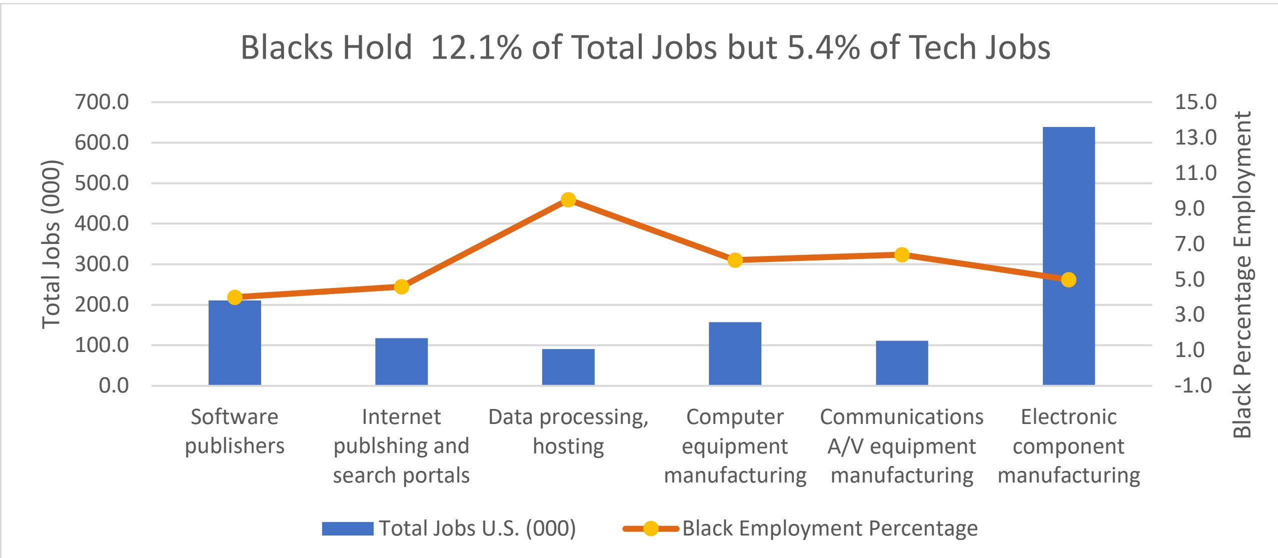
Work Wages Wealth

The Black Economic Alliance is a coalition of business leaders advocating for public policies that advance work, wages, and wealth in the Black community.

This report outlines our policy platform for expanding the Black economy, and in turn, the American economy. You can learn more about BEA in the about us section of this report and at www.blackeconomicalliance.org.

THE FUTURE OF WORK IN BLACK AMERICA

Inevitable disruption from automation and artificial intelligence creates an imperative to reposition and re-skill for the future of work. Blacks are under indexed to the new economy and secular changes are accelerating.



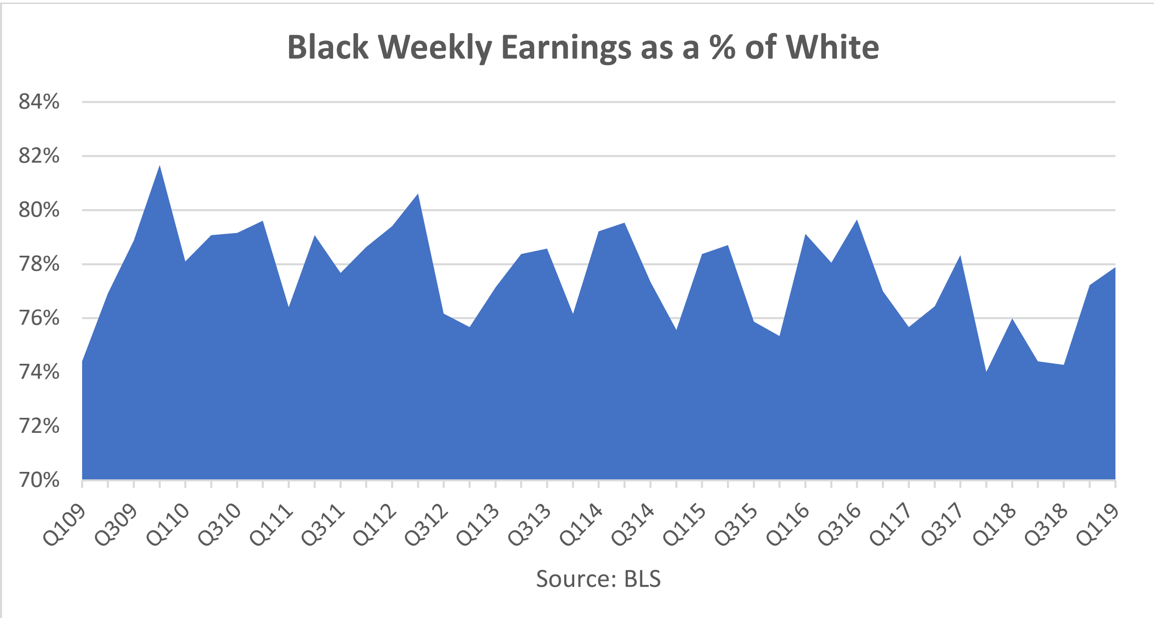
A McKinsey report assessed 2,000 tasks in 800 occupations and concluded that Black Americans are over weighted in at-risk support roles at 56% compared to 43% for all Americans.

For example, there are 156,000 more Black Americans driving trucks than U.S. population demographics would predict. Consequently, driverless trucks disproportionately affect Black workers.

Retraining in just five occupation categories would mitigate nearly 60% of the risk to the Black workforce, according to McKinsey: Food preparation and serving, sales and related, transportation and moving materials, office and administrative support, and production.

Other occupations at risk with high Black representation include postal workers, administrative support, and laborers. By contrast, Black Americans are underrepresented among software engineers by approximately 100,000. Weekly earnings of Blacks ($737) working at full-time jobs were lower than those of Whites ($935) and Asians ($1,157) for the 1H 2019.

Moreover, contingent labor in the form of freelancers, subcontractors, temporary, on-demand workers is on the rise, and these 6 million workers are disproportionality Black and Latino. These jobs often lack healthcare, workers' compensation, employer contributions to social security, pensions, or collective bargaining.



Only 20 million of the 32 million Black people who are 16 years of age or older are currently employed according to the Bureau of Labor Statistics (BLS). The remaining 12 million people are excluded from unemployment calculations because they are not working or looking for work as determined by a census survey.

Getting that 38% of working-age Black people on the sidelines back into the workforce would help household wealth and wages and employers who need more workers.

THE CASE FOR INVESTING IN BLACK WORKERS

- **AMERICA NEEDS WORKERS**: With an aging populace, restrictive immigration, and record low unemployment, the country needs more workers. The Wall Street Journal estimated we have 6.7 million unfulfilled jobs in the country. The obvious and most logical untapped source to fill those jobs is people already here who want to work but need access and training. The tight labor market led to a recent, modest increase in the labor participation rate among all Americans, but the lack of skills and geography is still a challenge to matching supply with demand.

- **SOCIETAL BENEFITS**. The investments we favor can create economic growth in all communities, not just Black households. Higher wages are negatively correlated with crime and mortgage defaults and positively correlated with higher household education and two-parent families.

- **ACCELERATING ENTREPRENEURSHIP:** For the last three decades, the rate of new business creation has been on a steady decline in the U.S. because of consolidation and the recession. The Black community has been the major exception to that trend with a new generation of entrepreneurs that need capital and incubators.

The Commerce Department reports over 2.5 million Black owned businesses, up 34% over the last 5 years with Black women business ownership growing twice that rate without much access to growth capital.

- **RETURN ON INVESTMENT:** America subsidizes companies and industries in hopes of spurring economic growth. For far less, an investment in talent development would produce a greater return. People with well-paying jobs and career growth consume fewer federal entitlements and become attractive customers with disposable income.

A FEW POLICY HIGHLIGHTS

1. **JOB TRAINING**: Simplify and consolidate federal jobs programs and allocate more job training funds, on a pay for performance basis, to private job training organizations and social entrepreneurs. Locate more skills training services in Black communities. Allow Pell Grants to be used for skills training. Tie college accreditation to employment outcomes.

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5. **ECONOMIC MOBILITY:** Create relocation and job vouchers that facilitate workers moving to more lucrative geographies for employment. Make childcare more affordable, local, and accessible during non-standard working hours.

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POLICY DISCUSSION

Job Programs

SYNOPSIS

The allocation of federal spending on higher education at the expense of job training has not evolved to reflect a very different economy.

- Degree-granting higher education institutions in the U.S. spend over $500 billion a year.
- The federal government spends $114 billion and higher education at two- and four-year colleges compared to $18 billion on workforce development programs.
- Research from the Strata Institute documented that 43% of college graduates between 2010-2017 work in jobs that do not require a degree.
- Over 44 million Americans collectively hold more than $1.4 trillion in student loan debt, and only 54.8% of students graduate in six years. These borrowers owed an average of $29,200 in 2018.

Despite that spending on higher education, employers can't find enough workers with the right skills. Instead of free college for all, investing in skills training would benefit more Americans and broadly improve wages.

- Job training is dramatically underfunded. European countries spend ten times more on apprenticeships and workforce development as a percent of GDP.
- Redirecting a greater percentage of federal spending toward skills training programs closely linked to employer needs and actual jobs would yield better results.
- And that would help the 66% of adults do not have a college degree, who are unlikely to benefit from free college and face greater automation risk.

SIMPLIFY JOB PROGRAMS

Federal job training programs are overly complex and difficult for applicants.

Workforce Development in the U.S. is a complex ecosystem with many federal, state, and local programs supplemented by private and nonprofit programs.

The Workforce Innovation and Opportunity Act passed in 2014 is the primary source of dedicated federal funding for worker training programs, but many other agencies have small programs.

A 2011 General Accounting Office study documented 47 programs over nine agencies accounting for some $18B in spending and 2,500 job centers. WIOA requires DOL, Education, and other agencies to work together to implement consistent regulations, accountability systems to streamline the system.

WIOA was an effort to coordinate across federal programs and establish standards and measurements to unify these sprawling array services via a One-Stop network of job centers. But the GAO reports these agencies are still learning about differences in each agency's culture, programs, and processes. State boards appointed by Governors aggregate multiple workforce development funding streams as well as social services and serve constituents through 2,500 job centers. Governors can reserve 15% of these funds for discretionary programs

WIOA enumerates targeted groups that have unique barriers to work and then allocated specific grants and programs to those groups. Just a few of the grants and programs are listed below:

- Wagner-Peyser, Jobs for Veterans Act
- National Farmworker Jobs Program
- Trade Adjustment Assistance and other ETA-funded programs. H-1B
- Technical Skills Training Grants3
- Senior Community Service Employment Program
- Trade Adjustment Assistance
- YouthBuild4
- Indian and Native American Adult Program
- Reentry Employment Opportunities - Youth Program
- H-1B Jobs and Innovation Accelerator Challenge Grants6
- H-1B Ready to Work7
- Reentry Employment Opportunities - Adult Program

We'd note that the Black population is not specifically enumerated.

Applicants must traverse many disparate programs. Our recent application to a federal job site generated 14 different program options – all with different eligibility rules, application procedures, and renewal terms.

- **Streamline workforce development programs where possible for similar skill sets or industries.** Reducing the number of agencies applicants and companies must engage with will improve participation as well as agency effectiveness.

- **Create a single coordinating brand across all agencies to increase awareness.** Retain marketing firms to package and explain these services in Black communities, e.g., job fairs in opportunity zones. There have been efforts under WIOA to establish "American Job Centers" as the overarching brand, but there has only been modest progress.

- **Expand coordination with law enforcement and social services as an integrated service, e.g.,** child support enforcement directing targeted fathers to job programs instead of incarceration.

- **Expand the Family Self-Sufficiency Program (FSS).** FSS enables HUD-assisted families to increase their earned income and reduce their dependence on entitlements and subsidies. Representatives from multiple create a comprehensive plan to coordinate child care, transportation, education, job training, employment counseling, financial literacy, and homeownership counseling, and other services. Each family receives an interest-bearing escrow account and the funds become available when they graduate from the program.

SOCIAL ENTREPRENEURS

Experienced nonprofits proximate to employers and worker needs are a more optimal conduit for skills training.

In the general category of job programs, there is a distinction between job training and job services. Federal programs are more effective at job services. A study by Mathematic Policy Research concluded that job seekers who were assisted by staff for coaching and advice made about 20% more in salary over 30 months. The same study found that actual WIOA job training programs did not increase earnings or employment. The study spanned 34,000 job seekers and 200 job centers.

Social entrepreneurs have built training programs tailored to the needs of local employers and surrounding applicant pool.

Programs such as Per Schola, Project Quest in San Antonio, and the Henry Street Settlement in New York City, and Youth Build in Somerville, Massachusetts – are all highly credible with employers with high placement and retention rates. But they are primarily privately funded complimented by sporadic federal grants.

- **Allocate a higher percentage of WIOA funds directly to established nonprofits and for-profit training specialists on a pay for performance basis.** Private organizations with appropriate experience and credentials retained on a pay for performance basis would be effective at localized training and apprenticeships. Federal job services to help applicants identify the appropriate programs would be complimentary.

  Several job training organizations are ready to scale and willing to be compensated based on results. One model is a three-year royalty payment based on the income of their graduates. That model incents jobs programs to focus not only on placement but on wages and retention.

- **Establish a standard accreditation program for job training programs modeled after university accreditation.** Accreditation is a better role for government than delivering educational services itself. But prescribing classroom hours, teacher certifications, etc. will not work in private industry. The jobs are too different and not always classroom optimized. The accreditation should focus on outcomes in the form of skills and wage growth rather than process.

- **Establish multi-year funds instead of one time and unpredictable federal grants.** Organizations can't recruit staff and applicants based on one-time grants.

- **Fund employer-led collaboratives with workers' compensation payments.** Employers are mandated to pay workers compensation insurance for workplace injuries into a state insurance pool. Some states refund excess payments over claims. Others allocate some of that excess for training.

- **Encourage unions to provide training and participate in WIOA.** Apprenticeships were a traditional role for unions. Increasing training through unions and reducing excessive occupational licensing could help rebuild their membership.

- **Eliminate underperforming and subscale federal job training programs.** The Labor Department's inspector general concluded that the Job Corps, largely administered by contractors, does not demonstrate beneficial job outcomes. The program began in the 1960s with a now dated workforce model based on housing students in fenced-in former military bases and closed hospitals often miles relevant jobs and employers.

- **Allow employers to contribute toward employee's student loans as a retention tool.** A tax free contribution toward a student loan would free up employee capital for 401-K matches and home purchases – in effect, a fiscal stimulus for the economy.

COLLEGE MAJORS THAT CREATE WEALTH

Investments in higher education produce a lower return for Black Americans and have not closed the racial wealth gap.

Black college graduates earned about 21% less on average than white college graduates. The wage gap is even greater for Black men at 25%. The top 5% of Black male earners make about 47% less than the top-earning white men. Those are familiar statistics, but the causal factors are not.

The fact is Black students major in lower-paying professions, and until that changes, that gap is likely to persist.

Black students disproportionately major in areas connected to social and community services. These are lower-earning jobs ($41,000 to $46,000) with less upward mobility.

Graduates that earn less default on their student loans more; 21% of Black bachelor's degree recipients defaulted within 12 years of entering college compared to lower rates for whites (3%) and Hispanic or Latino (8%).

When Black students major in disciplines with greater market value, they earn more. An analysis of the 137 detailed majors by Georgetown University, Black students who majored in pharmacy, pharmaceutical sciences, and administration have the highest median earnings at $84,000. Industrial, manufacturing, chemical, electrical, mechanical, computer, and civil engineering graduates follow, with median earnings ranging from $68,000 to $76,000.

However, Black students account for only 8% of general engineering majors, 7% of mathematics majors, and 5% of computer engineering majors and are similarly under-represented in business - only 7% of finance and marketing majors.

COLLEGE MAJOR	% BLACK
Early Childhood Education	10
Human Services and Community Organization	20
Social Work	19
Theology and Religious Vocations	11
Health Administrative Services	21
Public Administration	17
Sociology	14
Human Resources	14
Source: Georgetown University	

The college enrollment rate for Black Americans increased from 31% to 36% between 2000 and 2017. Among students enrolled in four-year public institutions, 45.9 % of black students complete their degrees in six years. Financial hardship is the leading factor.

Black students are far more likely to attend community colleges and for-profit schools and enter with fewer financial resources and exit with more debt.

SKILLS TRAINING IN COLLEGES

Pew Research data the median Black graduate owes more in student loans than they originally borrowed after a decade.

Black students are more likely to attend for-profit colleges and less likely to graduate in four years.

- **Apply Pell Grant funds to shorter, skill-based training linked to specific employers**. Pell Grants to help low-income students finance college. But today, only degree programs lasting more than 600 hours qualify. Valuable training and certification programs are increasingly shorter, more focused apprenticeships. Some of the skills in demand in the market do not require 600 hours of training or a degree.

- **Double Pell Grant Funding**. Pell Grants help over 7 million low- and moderate-income students, but the purchasing power of Pell Grants has declined over time as tuition and expenses increased. Pell Grant students carry a disproportionate debt load relative to higher-income students.

- **Restore Pell Grants for defrauded students**. For-profit colleges enroll 9% of college students but account for one-third of all loan defaults. Students defrauded should have a chance to repair that damage.

- **Establish an occupational or industry degree to remove the stigmatism of specialized training**. Feedback from students and parents and cultural history suggests many students still want a degree, not a certificate. A degree not defined by time, but skills would lower student debt and accelerate trained people into the job market.

- **Add employment outcomes to the accreditation credentials for colleges.** Scrutinizing colleges that fail to prepare students for the modern economy will force universities to build career pathways for students.

- **Remove limits on private work for federal work-study programs**. Over 98% of work-study funds are for on-campus jobs, often make-work positions that have nothing to do with the student's major. Require universities to offer a minimum percentage of employer-sponsored work, and students can decide if they are interested.

- **Equalize wage share requirement for work-study at 50% so that small businesses have the same rate as non-profits.** Some nonprofits are much larger than the small businesses attempting to participate in the program, and we need to encourage private sector partnerships.

- **Allow incarcerated individuals to use Pell Grants to prepare for re-entry.**

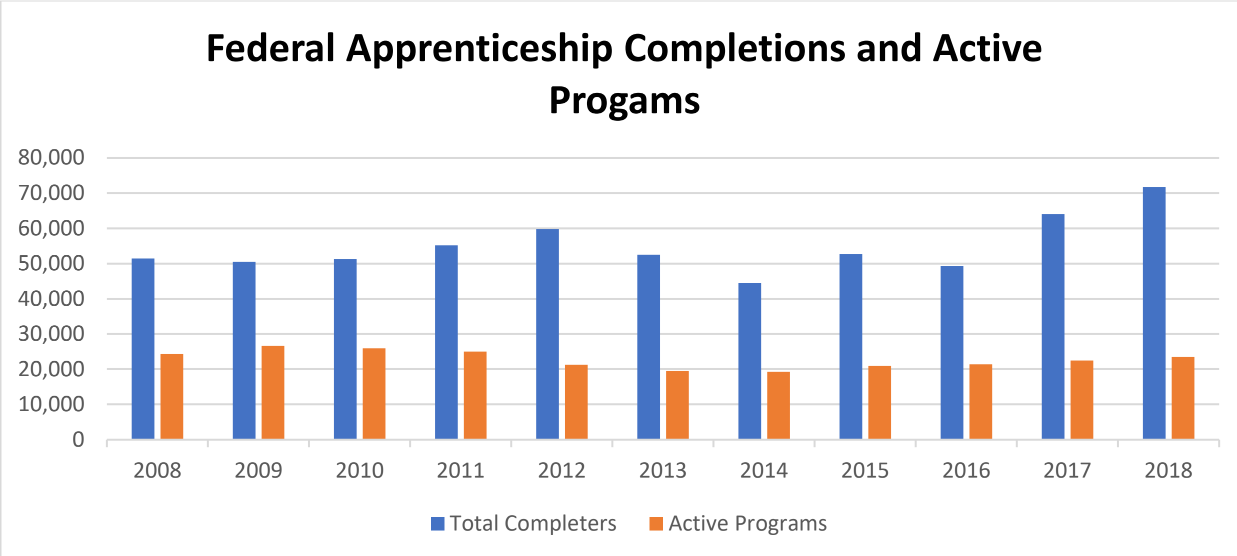
INDUSTRY-RECOGNIZED APPRENTICESHIP PROGRAMS

Apprenticeships have a mixed meaning and history in the Black community, but it's time to revisit the subject.

Graduating from college with $40,000 in debt with a major in low demand and even lower job prospects may be less attractive than a paid apprenticeship with no debt and a direct path to a higher starting salary.

Industry-recognized apprenticeship programs (IRAPs) are recognized programs certified with the Department of Labor.

But private industry s apprenticeships aren't tailored to regulations that dictate minimum class hours, mandatory wage increases, program length, and working conditions. Add-in registration overhead and companies often conclude the federal dollars aren't worth the effort. Consequently, apprenticeships are overwhelmingly sponsored exclusively by the private sector and the federal programs are small participants.



The federal government today spends only $1 billion annually on Career and Technical Education (CTE), and that investment has been declining in real dollars for decades. These numbers are notably marginal when compared to the $150 billion spent on higher education and the $1.3 million in student loans outstanding.

- **Delegate more apprenticeship programs to private industry and nonprofits.** A focus on wage outcomes, employment tenure, and promotions can create acceptable accountability.

- **Fund apprenticeships in more industry sectors.** The construction industry alone lost 1.5 million workers during the financial crisis, according to the National Association of Home Builders. Almost 70% of the registered apprentices are in the construction industry.

BETTER REPORTING AND DATA COLLECTION

Starting in 2016, each state workforce development board must submit two-year plans outlining how they intend to spend WIOA funds. Limited data exist on the efficacy of these job programs and the impact on the Black community, although there is some initial data on participation rates.

Students and workers need better information on quickly changing occupational trends.

- **Require long-range planning by race, gender, zip code, and opportunity zone.** The 332-page state plan of Georgia mentions the term African Americans once.

- **Institute monthly reporting on how many Black workers are benefiting, what types of skills are they receiving, placement outcomes, wages, and retention rates.** WOIA collects and reports participation, but tracking wage increases by role, industry, skill set, and geography could provide additional insights.

- **Establish a comprehensive program to educate students and workers about fast-changing occupational choices and career options.** The student career awareness gap inhibits their ability to make informed decisions about career and educational options. That data collection needs to occur organically from wage and payroll data by adding occupational title, hours worked, and credentials. The Employment Training Agency maintains O*NET, which contains hundreds of descriptors on 1,000 occupations but struggles to keep it current.

- **Integrate Departments of Education and Labor data to link occupations to education and training programs.** A database of specific jobs linked to required training and credentials would help guide students.

EQUITABLE FUNDING ALLOCATION

States select which cities and constituents to recruit for job training, and we should measure and examine the resources deployed in Black communities.

In addition to WIOA, discretionary grants allow the federal government to target geographic areas, populations, and occupations. Groups such as migrant farmworkers, veterans, and Native Americans have mandatory allocations.

Some past funding formulas often favored rural countries. The 10-20-30 formula championed by Rep Clyburn targets 10% of total investments to counties where 20 percent or more of the population had lived below the poverty line for the last 30 years.

The county-level formula favors rural communities since Black Americans in urban areas may live in impoverished neighborhoods in an otherwise affluent county. With this formula, over 80 percent of eligible counties fall outside of metropolitan areas, including Detroit's Wayne County, Los Angeles County, Chicago's Cook County, Cleveland's Cuyahoga County, and the District of Columbia.

The Department of Agriculture administers its own jobs programs in rural communities. For example, the Strike Force program funded 190,000 projects in six years, costing $23.5B for building homes, feeding youth, and assisting farmers.

- **Revise the allocation formula for workforce development funds to evaluate opportunity zones as a proxy for need.** Past formulas favored county-level formulas or assess per capita poverty rates over a large area.
- **Set diversity targets for Workforce Development Boards since they allocate much of the funding.** These state boards decide how job training funds are spent and should reflect the overall interest of the population.
- **Set recruiting goals in the Black community.** Adding the Black community would not be inconsistent with past practices.
- **Measure and report performance by opportunity zone to include the number of jobs created as well as household wealth and incomes.**

Barriers to Work

SYNOPSIS

A major barrier to work for Black women is affordable childcare.

Research shows that that childcare assistance increases maternal employment anywhere from 5 to 21 percent among single mothers depending on the level and consistency of funding.

Another constraint to upward mobility is geography. America is a vast country, and new economy jobs are often far away from old-economy cities and distressed neighborhoods. Durham University researchers documented the correlation between low unemployment rates and access to public transportation in Black communities.

CHILDCARE

The lack of childcare is a constraint to employment and 35% of women who would like to work but can't site childcare as their reason for not searching for a job.

Most Black and Latina women in a recent poll stated that reliable childcare close to work or home during the hours needed was out of reach for them. Only 21% of eligible Black children are benefitting from Child Care Development Block Grants. In 35 states, families pay more for child care than for mortgages. Funding levels and geographic choice are dramatically below levels needed to address the needs of working families.

Federal childcare policy disproportionally benefits higher-income families. Federal subsidies are mean tested while federal tax credits are not and benefit wealthier mothers likely to be working.

- **Create an incubator program for entrepreneurs to provide childcare in opportunity zones with more hourly options and incentives to provide care for difficult to serve populations**. Only 41% of poor working families receive childcare assistance. Families with wage earners that work in the evenings need childcare outside of normal business hours.

  Federal subsidies typically go to formal daycare centers who can pass health, safety, and annual monitoring inspections. Small, informal providers who can offer nonstandard hours have difficulty meeting these standards. In addition to parents with non-traditional work schedules, caregivers need incentives to serve special needs children and infants and toddlers.

- **Pay child tax credit monthly.** The current law limits the credit to 15 percent of income above $2,500, which penalizes people making the least. Only $1,400 is refundable today, meaning that you get it even if you owe no taxes. As an aside, middle- and high-income households benefit from the Child and dependent care tax credit as well, and there is no income limit.

- **Pay childcare subsidies closer to market rates.** Some childcare programs set a payout rate at 75% of the market or lower. Parents must make up the difference, but many can't. Reducing that co-pay to zero for certain segments would allow more parents to participate.

- **Cultivate in-home care programs with training and funding.** In-home care represents 23% of childcare services according to the Urban

Institute and is important for parents working non-traditional hours, especially in the Black community. With specialized training and subsidies, in-home childcare could provide more comprehensive services for a wider range of children.

- **Establish more contract arrangements with childcare centers**. About 90% of childcare subsidies are in the form of vouchers, and parents find the childcare center of their preference. That approach provides flexibility for parents but unpredictable demand for a given center and limited services for a neighborhood.

  Recurring funding for local childcare centers would provide reliable childcare to parents and plan and work.

- **Increase funding for the Child Care and Development Block Grant (CCDBG), Head Start, and Early Head Start and coordinate services.** Coordinating childcare with early education has many development benefits and would be more efficient. Nationally we spend $660 billion on K-12 education but only $30 billion on child care and pe-K education. Research shows that by 24 months, toddlers living in poverty begin to show behavioral and cognitive delays. The most rapid development period of development of the brain is in the first 1,000 days of life – the period we are investing the least in cognitive development.

  Creating a comprehensive full day and evening service for low-income families that include child care and education can be delivered by a single nonprofit or coordination across organizations. Head Start programs can share facilities with childcare centers. The goal is to avoid forcing parents to navigate a patchwork of services to put together a workable childcare plan.

RELOCATION VOUCHERS

Economic opportunity varies by location in such a large country. There is a geography to prosperity.

The gap in GDP between Massachusetts and Mississippi is as wide as the gap between Switzerland and Slovakia, according to a study by the Hamilton Project. The study further reports that the life expectancy in Gadsden, Alabama, is 72.9 years, the same as El Salvador, compared to 82.7 years in San Jose, CA. And poor places are no longer closing the gap with more prosperous places.

New evidence from the Moving to Opportunity program that HUD administered in five cities over a decade documented positive results.

A study by Chetty, Hendren, and Katz (2016) found that children who moved to new, more affluent neighborhoods before age 13 were

- more likely to attend college,
- less likely to become single parents,
- earned 31% more than the control group and
- tended to live in lower-poverty neighborhoods as adults.

The findings match results from other countries, including a study in Denmark that tracked where refugees were assigned. Those assigned to high crime neighborhoods were far more likely to commit crimes themselves and realize lower economic outcomes.

At the same time, cities needing workers or with dwindling populations are trying novel approaches to attract new residents. Maine, for example, has offered to relocate refugees to expand its workforce. Vermont and the city of Tulsa have offered $10,000 for professional to relocate with an emphasis on remote workers who can live anywhere.

- **Facilitate mobility for workers who see better job prospects in other cities but can't relocate without assistance.** A mobile workforce is a market-based principle of matching supply with demand across a vast geography. Federal agencies already pay federal employees to relocate and accept a position in another location. Companies have long offered relocation packages for select positions, but it's less common for mid or entry-level employees.

- **Coordinate affordable housing with relocation.** Poor locations are no longer catching up to rich ones in economic growth and standard of living. Economic prosperity across regions was converging up until 1980. At the same time, Americans have become less mobile and relocate less than they did 30 years ago to seek opportunity.

  A study by Ganong and Shoag (2017) document this breakdown and link the change to the housing market. Housing has become too expensive for some lower-wage workers to relocate to more productive parts of the country. Consequently, relocation only works when tied to affordable housing, which is discussed later in this report.

JOB TRAINING VOUCHERS

A federal job guarantee has become a popular idea. Besides the obvious political impediments at a time of low unemployment, there is the problem of crowding out private-sector jobs with lower-wage jobs with limited growth potential and creating a new bureaucracy.

A more economical option is a job voucher.

- **Create a targeted, portable job voucher that workers control.** A job voucher would provide applicants with portable training funds like a school voucher.

  The first year of employment and training would be paid for by the job voucher, which lowers the employer's marginal cost and risk of hiring people. Most hiring incentives are targeted at and controlled by employers. Alternatively, the applicant could shop for a job training program that fits their career goals.

  The vouchers should not subsidize routine hires from traditional sources. We would narrowly target the vouchers to people transitioning from low income, low skilled jobs to higher-income jobs that require re-training and investment.

  Companies that have internal training programs could be certified and eligible for voucher credits. The Department of Labor has specific requirements for industry-recognized apprenticeships and with some modification to focus on outcomes versus processes, could be the screen for voucher use.

- **Vouchers enable workers to look for opportunities in industries, professions, and locations they prefer**. It also unleashes market forces, and supply will find demand. People that want work and companies that need workers to discover each other in the private market but still take advantage of federal funding to incent both parties to engage. The goal is to encourage employers to extend offers to a broader segment of the population. The program would need job services to help applicants select appropriate training for their career goals.

- **Federal and state social workers provide valuable coaching to optimize the vouchers.** Career counselors can play an important role in guiding applicants to more lucrative career paths to best use their vouchers.

RE-ENTRY

Researchers estimate that one hundred million Americans have a criminal record. Nearly half of black males and 40 percent of white males have arrest records by the age of 23.

Blocking such a large percentage of the population from meaningful employment has an obvious detrimental impact on their lives, families, and communities. The American Bar Association documented 44,500 collateral consequences of a criminal conviction.

The state of Ohio pioneered a state-wide Certificate of Qualification for Employment after a law became effective in 2012. CQEs demonstrate that ex-offenders have been rehabilitated and often remove licensing other restrictions but don't seal criminal records. The Ohio data as reviewed by researchers shows ex-offenders holding certificates received nearly three times as many interviews and job offers when applying for jobs that did not explicitly bar applicants with criminal records.

- **Establish Certificates of Qualification for Employment in all states or a federal standard accepted in all states.**
- **Expand direct funding for non-profits that demonstrate sustained success in transitional employment programs.** Accomplished transitional programs like Ready4Work organize housing assistance, wellness care, mentoring, and skills training.
- **Expunge records for first-time misdemeanor convictions.** States should also place time limits on disclosure of information about past convictions.
- **Apply Pell Grants to training the incarcerated.** The 1994 crime bill excluded the incarcerated from the federal Pell Grant program. Of the more than 1.5 million incarcerated people, 64%of them already had a high-school diploma or a GED before they went to prison. But only 9 percent of prisoners complete some form of postsecondary education behind bars.
- **Review and eliminate unnecessary occupational license restrictions for the formerly incarcerated.** Since 2016, 14 states — Arizona, Connecticut, Delaware, Georgia, Kentucky, Illinois, Indiana, Kansas, Louisiana, Maryland, Massachusetts, Nebraska, New Hampshire, and Tennessee — have passed laws revising offender licensing restrictions

or requiring boards to track how many people are rejected based on a past criminal conviction.

Entrepreneurship

SYNOPSIS

There over 2.6 million Black-owned businesses, according to the Commerce Department, which is up 700,000 over the last decade.

But the businesses tend to be small and with higher failure rates because of the lack of capital, advisory services, and business networks.

INCUBATORS AND ACCELERATORS

New businesses can benefit from professional coaching from professionals in the business of building companies. That's the role of venture capital firms.

According to survey data from Equal Ventures, only 3% of venture capitalists are black.

However, state-supported incubators with training, coaching, and facilities, often on university campuses and privately funded, have become common innovation pods that mimic the role of VCs. The National Business Incubator Association has 1,400 members in the U.S.

- **Require a small investment in new opportunity zone-based businesses as a small trade-off to retain the carried interest tax subsidy**. Venture capital and private equity firms enjoy a reduced tax rate, 25%, although most of the capital at risk is from third parties.

  Additionally, they will discover new talent once they venture beyond the limited set of zip codes they normally frequent.

  We are also recommending incenting VCs to establish a pro bono program to assist new businesses needing advice and coaching.

- **Incent professional incubators to engage in opportunity zones.** Venture collaboratives like TechNexus, NewMe, Techstars Foundation, Ampify.LA, and 500 Startups can help companies scale, find seed capital, and provide the coaching that many Black businesses don't have access to. But these organizations need incentives and funding to expand geographically beyond typical technology and business centers.

- **Create location incentives for companies to establish new employment in opportunity zones.**

OPPORTUNITY ZONES

Opportunity Zones were established in the Tax Cuts and Jobs Act of 2017 to incent long-term investments in low-income urban and rural communities. Opportunity Zones provide a tax incentive for investors to re-invest their unrealized capital in tax-advantaged funds. Investors get an immediate tax deferral for gains invested in Opportunity Zones funds, and up to 15% of that capital will remain tax-exempt indefinitely under certain conditions.

Past programs such as Empowerment Zones, Renewal Communities, and Enterprise Communities were narrowly focused on hundreds of communities and primarily used limited tax credits. Opportunity Zones are more targeted by neighborhood but cover much more geography with 8,766 zones with an average poverty rate of 31%. Over 8.3 million Americans residing in Opportunity Zones live in poverty.

Opportunity Zones cover one-quarter of the country's low-income census tracts, but they represent 38% of the tracts that have been in chronic poverty over the last 40 years. The median family income in the average Opportunity Zone is $44,700 versus a national average of $70,850. Eighteen percent of adults in O-zones have a college degree versus 31% nationally and 45% own a home compared to 63% nationally.

- **Provide incentives for lenders - risk protection or higher returns – to accelerate lending in opportunity zones.** To lenders, opportunity zones deals look like any other deal.
- **Amend the opportunity zone legislation to favor new business formation and not just real estate rehabilitation**. Bringing jobs to people instead of people to jobs simplifies transportation challenges and is environmentally constructive. Many of the initial projects are related to real estate since the assets are tangible and easily valued. Opportunity zone projects should accompany jobs and wealth creation goals to offset the impact of gentrification.

- **Require incremental value for the community**. In the early stages of the opportunity zone program, many are recapitalization projects that are already underway. The bulk of investments that benefit from deferred and discounted capital gains taxes might flow to projects that don't need incentives.

  This gentrification outcome has happened before. The Community Reinvestment Act was intended to prevent redlining and force banks to lend in minority communities. However, a Cato Institute study revealed that two-thirds of the CRA lending went to wealthier borrowers moving into those neighborhoods to gentrify them.

Access to Capital

SYNOPSIS

Accessing and controlling capital at scale has been a fundamental barrier to wealth in the Black community.

SMALL BUSINESS LENDING

Since 2008, banks have lost 20% market share within the small business lending market, and nonbank originators became more prevalent. More conservative lending practices and stricter capital ratios post the financial crisis creating an opening for entrepreneurs to go after under severed market segments.

- **Enhance the tax advantages for Business Development Companies that invest in opportunity zones by lowering their capital gains rate for shareholder distributions to 5%.** A Business Development Company is an unregistered closed-end investment entity that lends to small businesses.

  These are tax-advantaged funds that simulate venture capital and private equity funds but are open to small investors and have become popular, now totaling $100 billion, since traditional banks faced stricter lending rules. These firms don't pay taxes if 90% of their income gets distributed to shareholders who, in turn, can place the funds in a tax-deferred account. Pension funds could offer BDCs directly in opportunity zones.

- **Promote alternative lending sources from Fintech startups.** Nonbanks such as BlueVine, Become, and OnDeck put pressure on traditional banks to serve Black businesses or lose market share. According to a survey from the Federal Reserve Bank of Richmond, in 2016 only 58% of loan applications from small businesses were approved by traditional banks, compared to 71% approved by alternative lenders.

ASSET MANAGEMENT AND DIVERSITY

The total assets of the top 1,000 U.S. retirement plans reached a record $10.326 trillion in 2018, up 10% from a year earlier, according to *Pensions & Investment.* A study by FundFire found the executive committees of asset management firms to be 88% white 6.7% Asian, and 2.4% Black. Minority-owned private equity firms represented 34% of the top quartile of performers but have less than 1 percent of total assets under management.

- **Incent asset managers to appoint an emerging funds officer.** A top state pension fund recently hired a dedicated executive to focus on growing its $5.8 billion emerging investment manager program. The diverse asset manager may be more comfortable with allocating capital in non-traditional assets

- **Require pensions funds to report the ratio of their constituents and the diversity of their fund managers.** The Federal Employees Retirement System made annuity payments to 2.6 million workers. It includes the Thrift Savings Plan, a defined contribution plan with assets of $558 billion, as well as Social Security and a FERS Annuity.

  These funds total well over a trillion dollars in assets. The federal workforce is 18% Black, which is almost double the expected percentage based on demographics. Yet the fund managers investing these assets do not reflect the diversity of the contributors.

- **Require pension funds to disclose investments in opportunity zones.**

- **Add personal income tax credits against current income for investors in social impact funds.**

Infrastructure Investment

SYNOPSIS

Everyone agrees we should invest in infrastructure. We should make sure we focus on infrastructure in communities where we've invested the least.

Black Americans are still concentrated in neighborhoods and schools with low-quality infrastructure and are less likely than other groups to own private vehicles. The lack of investment in public transit has employment and wealth consequences for the Black community.

- **Require job training in any federal infrastructure program with designated targets for low-income residents and those living in opportunity zones.**

- **Establish a target percentage of jobs on federal infrastructure for apprenticeships.** U.S. Senators Tim Kaine (D-VA), and Rob Portman (R-OH), both co-chairs of the Senate Career and Technical Education (CTE) Caucus, reintroduced the Building U.S. Infrastructure by Leveraging Demands for Skills (BUILDS) Act. The Act ensures workers obtain skills needed for infrastructure jobs in fields like construction, transportation, and energy.

- **Designate public and affordable housing as infrastructure.** Highways, ports, railways, and airports are understood to be critical infrastructure. We would add affordable housing and public housing to that list.

- **Create a build-to-own corps of engineers to repair and own abandoned homes.**   There are 17 million vacant homes in America. A third of those homes are pending rental, sale, or seasonally vacant, according to the Census Bureau. The rest are in a state of disrepair. A public-private partnership with construction firms could turn these abandoned homes into skills and wealth

- **Enforce supplier diversity goals as part of infrastructure spending.** Hispanics tend to benefit disproportionately from infrastructure investments because they are more likely than other groups to work in construction and transportation occupations. 6.8 percent of the Hispanic labor force works in construction, compared with 4.1 percent of the white labor force and just 2.1 percent of the black labor force.

- **Streamline infrastructure project approval.** Project sponsors must navigate a sequential approval process across multiple agencies. Federal, state, and local governments spent $441 billion on infrastructure in 2017 or 2.3 percent of gross domestic product. States spend another $250 billion annually, but that spending has been trending down even as low-interest rates favor long term project financing.
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- **Expand broadband infrastructure to more opportunity zones.** Some 17% of U.S. students do not have access to computers at home, and 18% do not have broadband internet, according to an Associated Press review of census data.

- **Target initial infrastructure spend in opportunity zones with poor water, transportation, environmental safety, schools, and sewage services**. Many low-income communities of color face these pressing infrastructure needs because of the legacy of past policies that redlined Black neighborhoods and labeled them as hazardous or uneconomic.

Wealth

SYNOPSIS

Black families where the wage earner graduated from college have less wealth than white families where the head dropped out of high school.

Overall, income disparities are a growing issue for the entire country, but it's particularly acute in the Black community.

RETIREMENT SAVINGS FOR LOW WAGE WORKERS

Hourly workers and tend not to have retirement plans and are more transient employees. The aging demographics will create a growing problem for Social Security. Creating a portable retirement plan for hourly workers would disproportionately benefit Black and Latino Americans.

- **Evaluate "The Saving for The Future Act" proposed by** Sen. Amy Klobuchar of Minnesota and Sen. Chris Coons. The Act requires employers with ten employees or more to contribute 50 cents per hour worked to a portable retirement fund unless they have some alternative retirement plan. We would not include the tax increase provisions but endorse the concept of retirement contribution for hourly workers. White-collar workers already have retirement savings, such as 401K plans.

  At a rate of 50 cents an hour, companies would contribute an estimated $1,000 per year into workers' savings accounts, which could compound to $600,000 in savings at retirement.

EARNED INCOME TAX CREDIT

Working households qualify for an EITC based on earnings. As a household earns more, the EITC increases. The "phase-in rate" depends on marital status and number of children. The supplements inadequate market wages for low-wage workers and creates an incentive to work.

ETIC doesn't help people out of work, but it's an important contributor to the standard of living for many lower-income workers. Tax credits generally act as a forced savings plan since recipients get a single annual refund.

- **Incent states to initiate EITC programs.** Only 29 states have an Earned Income Tax Credit (EITC) program to offset state taxes.

- **Pay EITC monthly.** The EITC does not help current in-year cash flow immediately since it's a once a year tax credit. There is ample research to show that monthly credits tend to reduce debt and borrowing. Households should have an option of annual payments, which can be a savings plan.

- **Lower the age of eligibility.** Pending legislation lowers eligibility from 25 to 19, which helps our community.

- **Increase the EITC rate.** The maximum EITC has not increased in real terms in over two decades. Increasing the value to adjust for inflation would create more work incentives.

STUDENT LOANS

The researchers found that black young adults take on 85 percent more education debt than their white counterparts. An estimated 77.7% of black students borrow federal student loans to pay for higher education. Among black students who started school in 2003, 1 in 2 defaulted on student loans within the following 12 years. Black students also saw their starting balance grow by a median of 113% in that time frame, which reduces the capacity to buy a home in later years.

Revised Pay as You Earn (REPAYE), borrowers pay 10 percent of their discretionary income for 20 years (25 years if a graduate borrower). But the application process has discouraged use: of the roughly 28,000 borrowers who applied for loan forgiveness when it first became available, just 96 had their loans discharged.

- **REPAYE should be the default repayment plan with an opt-out option.** Research shows that enrollment in income-driven plans like REPAYE reduces delinquency, improves credit scores, and increases the likelihood of homeownership among delinquent borrowers.

EQUITABLE ENTITLEMENTS

The discussion around entitlements and income inequality normally excludes the impact of entitlements and taxes. Medicare, Food Stamps, and among some 95 programs that reduce poverty. The average bottom-quintile household receives $45,389 in government transfers which also means income inequality isn't as broad as perceived according to the Cato Institute.

But many of the entitlements desired to help the poor are in the form of block grants to states who can add eligibility criteria and when states have too much discretion, that can be bad for the Black community.

Fifty-five percent of Black people leave in southern states, which, not coincidentally, have the most restrictive government cash assistance programs.

A low-income family in Vermont, where 94% of residents are white, is 20 times as likely to receive welfare as compared with a similar resident in Louisiana where nearly a third of residents are black, according to the Center on Budget and Policy Priorities.

- **Reduce state discretion on allocated federal block grants for means-tested subsistence programs.** States with higher minority populations cap and shorten family benefits and impose stricter eligibility requirements, and punitive sanctions.

- **Standardize eligibility for entitlements as we've done for many other federal subsidy and tax credit programs.**

- **Review critical services that are tied to work requirements.** In 2018, Arkansas became the first state to implement work requirements in Medicaid. The share of 30-to-49-year-old Arkansans with Medicaid or marketplace coverage fell from 70.5% in 2016 to 63.7% in 2018 and unemployment increased according to the New England Journal of Medicine. Some groups saw a 12-percentage point decline in healthcare coverage.

Home Ownership

SYNOPSIS

In the past 15 years, black homeownership rates regressed to 1960s levels when private race-based discrimination was legal.

The homeownership rate of black millennials stands at 13 percent today compared with 37 percent for white millennials. White high school dropouts have a higher ownership rate than Black college graduates. There is, of course, a historical context that is relevant. Between 1910 and 1997, Black Americans lost nearly 90% of their farmland. That property lost is a major factor in the racial wealth gap.

The shortage of affordable housing and tightened credit standards have also impacted ownership rates. New household formation of 1.5 million in 2018 compares to 1.2 new homes built in the same year. The median credit score to qualify for a mortgage has also increased post the 2008 mortgage crisis.

FINANCING

With over 50 million residential properties and $10 trillion in debt, the American mortgage market is the largest consumer lending in the world.

The largest federal housing subsidy, the mortgage interest deduction, cost the treasury $40 billion in 2018. Renters can't deduct rent from taxes, but property owners benefit from mortgage deductions.

But the sources of financing have changed. Between 2009 and 2018, the share of mortgage loans made by non-bank and online lenders increased from 9% to more than 52%, according to *Inside Mortgage Finance.* On-line lenders rely less on traditional credit scores and levels of debt. But conventional banks still participate in subprime loans by arranging mortgage bonds. About $2.5 billion worth of subprime loans, those with FICO credit scores below 690, were bundled into mortgage bonds in the first quarter of 2019.

However, a study at the University of California concluded that both online and traditional bank lenders charge minority borrowers 11-17% more in fees and interest. The loans in the study were all guaranteed by the government-sponsored enterprises, which removed credit risk as a factor in pricing differences.

- **Include other sources of information such as rentals and utility payments as well as** diverse sources of income for an expanded definition of a credit score. Credit access tightened post the financial crisis, and the median credit score for purchase mortgages is 779, compared with the pre-crisis median of 692. New credit score models such as VantageScore added some 40 million new consumers who were previously un-scorable or had dormant credit files by adding more data elements. These new models look at credit behaviors over time instead of static files.

- **Proactively audit lending policies with test applicants to enforce antidiscrimination laws**. Lending discrimination is harder to detect in online applications or unadvertised sales.

- **Incent small-dollar mortgages for home purchases and renovation through syndicated funds**. Homes in inexpensive geographies in the Midwest and South aren't attractive to traditional banks since they generate low fees.

- **Educate home buyers about alternative mortgage instruments such a shared appreciation loans in opportunity zones**. With a shared appreciation mortgage, startups like Landed, Point, and Unison receive some or all the repayment in the form of a share of the increase in value the appreciation of the property which reduces the down payment

- **Expand the market and awareness of rent-to-own companies and create more favorable tax treatment for qualified companies that serve opportunity zones**. Companies such as Home Partners of America and startups like Divvy and Ribbon cover all closing costs, taxes, and insurance and apply for rent payments a down payment. Renters typically qualify for a mortgage in less than three years at a pre-determined price.

- **Prevent online mortgage advertisers from excluding prospects based on race, gender, or neighborhood.** Facebook enabled advertisers to exclude Black, Hispanic, and other ethnic affinities as well as women or families with children, which prompted litigation. The company recently stated it plans to change this feature.

- **Market down payment assistance programs, but carefully.** Putting people into mortgages and homes they can't afford always ends badly. These programs need to be accompanied by buyer counseling to avoid repeat bubble of foreclosures and bankruptcies. The federal government offers an array of down payment programs already, but they could be better targeted. More than 13% of borrowers who used the FHA mortgage in the first three months of this year got government help with the down payment, up from 8.6% five years earlier.

HUD's Good Neighbor Next Door provides down payments for law enforcement officers, Firefighters, Emergency medical technicians, Teachers in targeted areas. The National Homebuyers Fund proves 5% down payments for first time home buyers through participating lenders but has criteria related to FHA and USDA loans.

The USDA provides 0% down payment financing in rural areas. There are many more programs for specific groups, e.g., veterans, teachers.

According to the recent Borrower Insight Survey from Ellie Mae, a 48.6% of renters think they need to put 20% or more down on a home purchase, but almost half of the buyers don't do that.

AFFORDABLE HOUSING

This linkage between housing and economic mobility is axiomatic.

As noted earlier, increased regulation slows the construction of affordable housing and raises the costs, which in turn, inhibits lower-income people from migrating to higher productivity cities. High housing costs force lower-wage earners to move away from economically vibrant regions,

The only way to decrease prices is to increase the supply of housing yet homeowners often resist new construction to protect high home prices. Rothwell and Massey (2009) also documented how more restrictive zoning exacerbates segregation and contributes to wealth inequality.

Regulation combined with expensive, bespoke building processes that have not changed in decades serves as a barrier to economic mobility. Studies show that families with high housing cost burdens are unable to afford necessary health care services, prescriptions, and nutritious food.

Addressing the shortage of affordable housing will require several initiatives that

1) expand the supply of housing by converting rental units to ownership,

2) preserve the existing stock of affordable housing, and

3) lower the cost of building housing with technology and streamlined permitting and zoning.

The shortage of housing is a barrier to wealth via homeownership. In New York City, employment has grown 7.3% to 4.4 million employees since 2015 but the housing stock only increased 2.2% over that period. The so-called jobs-housing gap is expanding. In 2018 New York City granted permits for 20,910 new housing units in a city of more than 8 million people.

California has a similar housing shortage, with employment growing 6.5% since 2015 with housing additions of only 251,000 units over that timeframe on a base of 14 million units. California Governor Gavin Newsom recently signed 18 pro-housing-supply bills passed by the legislature to speed permitting, eliminate new restrictions, and increase densities.

- **Update zoning laws to reduce traditional single-family home restrictions.** Minneapolis recently passed zoning reform that eliminated all single-family zoning and allowed triplexes to be built anywhere in the city. Zoning laws need to support accessory dwelling units (ADUs). ADUs are second, small dwelling on the same grounds (or attached to) a regular single-family house – e.g., a renovated garage or basement by adding a kitchen. ADUs add inexpensive housing but have many other benefits. Larger houses use more energy, and aging demographics mean more of them have one or two residents. ADUs allow owners to age in place, possibly with companionship.

  In Los Angeles, ADU permits increased from 117 in 2016 to 4,171 in 2018 and now comprise 20% of new building permits citywide. About 15% of New York City's residential land is zoned only for single-family homes, especially in Queens and Staten Island, and ADUs could expand inventory).

- **Accelerate permits for low-income housing**. Economists have long documented how regulations are important drivers of higher housing prices. Quigley and Rosenthal (2005) cite some 40 studies. A Glaeser, Gyourko, and Saks study demonstrates how regulations increased Manhattan residential prices by 50% in the early 2000s.

  Elongated permitting times exacerbate the housing shortage and delay and add unnecessary cost and uncertainty to new construction. The delays also reduce the tax base for municipalities and regional economic growth.

  Modern city governments are implementing one-stop permitting centers and streamlining processes. Some states are allowing developers to appeal denials or forcing cities to approve projects with a least 50% affordable housing.

- **Deploy new technologies to lower the cost of building homes.** Prefabricated and modular building blocks from new companies such as Panoramic Interests, MicroPad, and Blokable result in 40-50% faster build times and lower costs. Homebuilding processes haven't changed dramatically over the last century and are still bespoke projects completely built on site.

  Companies like Modus are re-inventing the multi-home construction industry to model proven manufacturing processes with standard, modular components that are assembled on site.

  The new methods are far different from the old idea of modular homes, which constructed complete homes offsite using traditional methods. Instead, components are fabricated off-site and then assembled on site. This is the beginning of the era of mass production of housing components that leverage best practices from manufacturing.

  The result is a cheaper home built with less noise, energy, and congestion on a much safer, cleaner job site since the manufacturing is done off-site instead of in the neighborhood. Homes can still have different designs since the facade is yet another replaceable component on a standard chassis. Supply chains can be decentralized with multiple suppliers. Homes can also be upgraded over time by replacing modules.

  All of this requires government to modernize permitting and accept new technologies.

- **Incent investors to finance affordable housing.** Private-equity firms, real-estate speculators and others that buy properties comprised more than 11% of U.S. home purchases in 2018, according to a report from CoreLogic Inc. Investors are especially impactful in the low end of the market and purchased one in five homes in the bottom third price range in 2018.

  Companies like Roofstock make it easy for investors to purchase and rent out homes they've never seen since Roofstock handles property and tenant management and guarantees a rent stream in 45 days. Investors who can't afford a home in a metro area can be remote owners in lower-cost cities. But this market is for single-family housing.

  The federal government could help initiate a parallel market for affordable multifamily housing by guaranteeing a payment stream and teaming with these iBuyers. Impact funds sponsored by foundations and corporations are also designed to serve this market, but private investors could greatly expand financing.

- **Require all public housing agencies to offer HUD housing choice vouchers toward ownership and not just rental.** The Housing Choice Voucher (HCV) homeownership program has an option for families to use their voucher to buy a home. The HCV homeownership regulations contemplate a down payment grant option, but Congress has never funded the option.

  There are 7 million single homes and detached duplexes that part of public housing that should be assessed for conversion to increase wealth and stability. HUD distributes funds and administers programs through 2,338 local public housing agencies, and they have the option to offer homeownership and vouchers, and most don't.

- **Expand the Low-Income Housing Tax Credit (LIHTC) program to accelerating the construction of new housing**. LIHTC is the primary federal program for attracting private equity investment into public housing and is run by the Treasury Department. Investors and banks purchase federal income tax credits that are used to finance new or rehabilitated affordable housing.

  LIHTC costs the federal government around $8 billion per year. The Internal Revenue Service (IRS) allocates federal tax based on each state's population. A newly constructed building or the substantial rehabilitation of an existing building is eligible for the 9 percent credit unless the building is financed with tax-exempt bonds.

  The program works. Long-term performance – including an aggregate foreclosure rate of just 0.62%, according to accounting firm CohnReznick. This approach is efficient and relives the federal government from oversight burdens. The LIHTC program shifts construction, lease risk, and regulatory compliance obligations away from the federal government and onto project sponsors and third-party private sector investors.

- **Restrict local governments from burdening the LIHTC with excessive requirements.** As the program has matured, states are adding needless regulatory burdens by attempting to design housing with more prescriptive requirements – dictating building materials, square footage, expensive amenities, specific energy measures, and so on.

  Instead of trying to dictate the details of each transaction – states should create incentives to help private-sector partners advance projects that respond efficiently and creatively to local housing needs.

- **Provide creative options for LIHTC funded housing are sold after the initial term of ownership**. States should use their discretion to defer or forgive repayment to promote preservation transactions.

- **Incent collaboration between Housing and Urban Development (HUD) and the Department of Labor to pair housing programs with workforce development resources**. Pairing housing and workforce development worked with between HUD and the VA (HUD-VASH program). Veteran homelessness fell 42% in seven years by providing comprehensive case management that helped veterans get work and a home. Pairing housing programs like Rapid Re-Housing with job services could accelerate work, wages, and wealth in the Black community.

- **Simplify the application process for low-income housing and consolidate public housing authorities by metro region.** There are nearly 3,800 public housing authorities across the country, and many exist in the same metropolitan area, that administer public housing and housing and rental vouchers. Geographically close neighborhoods are often administered by separate agencies making public housing searches complicated and inefficient.

- **Require all public housing agencies to offer housing vouchers in economically vibrant zones.** Housing Choice Vouchers (HCV) under HUD allow families to move to private housing and HUD subsidizes the differential between the market rental price and what the family can afford. The family is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. But qualifying properties tend to be in lower economic zones.

Wages

SYNOPSIS

Black men are falling behind in wages stemming from many factors.

In 1979, black men earned 80% of what white men earned ($15 per hour versus $19 per hour in inflation-adjusted dollars). In 2016, that figure declined to 70% percent ($18 per hour vs. $25 per hour).

From 1979 to 2016, wages for black women fell from 95% of what white women earned ($11 an hour versus $12 an hour) to 82% ($16 versus $20). Researchers at the Federal Reserve noted that varying occupations, education, and age explained part of the gap, but a large share was due to unexplained factors

WAGE EQUITY DISCLOSURE

- **Require companies to disclose demographics on gender and race and salary bands.** A study by Cornell University reported that disclosure reduced the pay gap by 7%.
- **Remove prior salary information as an interview question.** A specific job and related experience and skillset have a market value regardless of prior salary, gender, or race.

MINIMUM WAGE

The federal minimum wage has been $7.25 an hour since July 24, 2009. e that time, purchasing power has fallen with inflation while the country has enjoyed one of its longest economic expansions.

Bureau of Labor Statistics data shows that low wage service jobs such as personal-care aides, food-prep workers, and waitstaff are some of the fastest-growing occupations in the country. These are jobs with median incomes under $25,000. These are often jobs of last resort with few benefits or potential for wage growth and disproportionately held by Black workers.

The federal minimum wage for tipped workers is $2.13, and the state minimum wage in 17 states is below $5. Of the 4.4 million tipped workers in the U.S., two-thirds of them are women.

Federal entitlements like SNAP (food stamps), TANF (financial assistance and support services), and subsidized transportation have declined in real terms and are administered differently by state. TANF average monthly caseload has fallen by almost two-thirds — from 4.4 million families in 1996 to 1.3 million families in 2017 because of welfare reform.

The debate over the economic impact of raising the minimum wage has been a long one with legitimate concerns on both sides. But we now have more empirical evidence given over forty cities, and seven states are phasing in a $15 minimum wage.

One of the most comprehensive and recent studies (July 2019) from the Institute for Research on Labor and Employment at the U.C. Berkeley. The study used data from the American Community Survey, which samples 3 million addresses annually. The report found a positive wage effect from minimum wage increases without adverse effects on employment. The wage increases also resulted in substantial declines in household and child poverty

- **Raise the federal minimum wage.** Researchers at the Massachusetts Institute of Technology assessed the average living wage in the country at $16.14 per hour, or $67,146 total – the amount to cover basic needs. Currently, 29 states and DC have a minimum wage that exceeds the federal minimum. Some companies with employees in multiple states welcome the consistency, and it levels the competitive playing field.

  According to the Bureau of Labor Statistics data, 80% of employees who are at or below the federal minimum wage work in three sectors: retail, leisure and hospitality, and education and health services. Economists differ, but there is a significant and credible contingent that believe a gradual minimum wage increase would be a positive for the economy because of the increase in disposable income.

  Given the cost of living variances in each state, we aren't recommending a single figure for all states, but directionally, the floor needs to be higher.

ABOUT US

THE BLACK ECONOMIC ALLIANCE

We are a coalition of business leaders and allies who have joined together to accelerate economic growth in the Black community.

We will focus on initiatives that advance **work, wages, and wealth in the Black community**. The goal is for more Black Americans can share in the American dream to the benefit of community and country.

Several board members have run large companies, major business units, served on public boards and founded start-ups. Many of these executives have served in state or federal administrations, run corporate PACs, or served as party delegates.

1. We advance an economic policy agenda focused on improving economic outcomes in three core areas: Work, Wages, and Wealth.
2. We support candidates for office who are aligned with that agenda by providing endorsements and funding key elections.
3. We influence government officials across the political spectrum and hold them accountable to that agenda.

COLLECTIVE IMPACT

Our network of business colleagues has given millions to candidates for decades. But we gave as individuals with no collective impact, cohesive objectives, or demand for specific outcomes.

We've made three key assumptions:

1. By pooling our resources and aligning our objectives we can closely link funding to accountability for specific policies and outcomes.
2. Government policy, properly structured, can generate jobs and economic growth in communities of need.
3. Our political leaders are open to and need new ideas to improve work, wages, and wealth.

THE OBJECTIVES

- Elected officials proactively consider positions on Black economic progress and incorporate these issues into their platforms for economic equity
- Black Economic Alliance provides partners, allies, and advocates with information about candidates and their positions on a range of economic issues facing the Black community
- Black Economic Alliance contributes to policy conversations around economic growth in the Black community

THE URGENCY – THE BLACK ECONOMY

The Black Economy made initial progress after Dr. King's final speech in 1968 that called for a "greater economic base." The annual income of the median Black household increased 42.8 percent between 1968 and 2016, and poverty rates declined ten percentage points.

But that economic journey is incomplete, and progress has stalled. Black Americans live in the wealthiest country in the history of the world, but their incomes are only 61.6% of that of the median white household. On almost any economic metric, the divergence is stark.

Black homeownership at just over 40 percent has not changed in 50 years and 22% of Black Americans remain below the poverty line. The median wealth of Black households at $17,100 is 10% of White households.

The reality is 9 million Black people have no realistic on-ramp to the American Dream and live below the poverty line in near third-world conditions. In 25 states, at least 20% of the Black population lives in poverty.

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