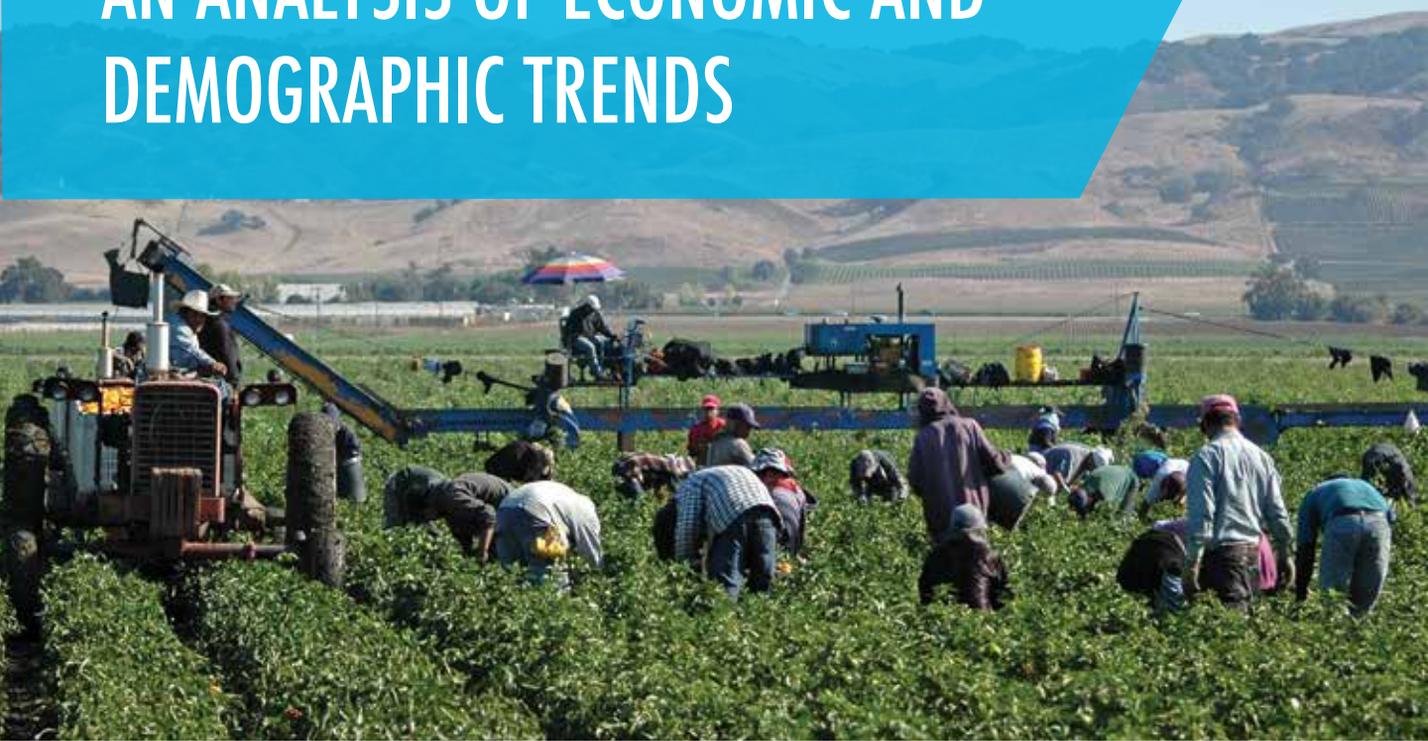




LATINOS IN THE GOLDEN STATE: AN ANALYSIS OF ECONOMIC AND DEMOGRAPHIC TRENDS





The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to build a stronger America by creating opportunities for Latinos. Through its network of nearly 300 affiliated community-based organizations, NCLR reaches millions of Hispanics each year in 37 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR expands opportunities for Latinos through capacity-building assistance to a national network of multiservice Affiliate organizations rooted in Latino communities; robust and tested program models; applied research, policy analysis, and advocacy; and civic engagement efforts. In addition, NCLR strengthens these efforts with communications and collaboration with a range of external partners.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC, serving all Hispanic subgroups in all regions of the country. It has state and regional offices in Chicago, Los Angeles, Miami, New York, Phoenix, and San Antonio.

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Printed in the United States of America

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Acknowledgments

This report was authored by Renato Rocha, Policy Analyst, Wealth-Building Initiative, Economic Policy Project at the National Council of La Raza (NCLR). From NCLR's Office of Research, Advocacy, and Legislation, Eric Rodriguez, Vice President; Samantha Vargas Poppe, Associate Director of the Policy Analysis Center; and Lindsay Daniels, Associate Director of Economic Policy provided substantive and editorial oversight. Marisabel Torres, Senior Policy Analyst of the Wealth-Building Initiative and Feliza Ortiz-Licon, Senior Director of K-16 Education Programs provided additional guidance and support. John Marth, Senior Content Specialist and Kelly Isaac, Graphic Designer and Production Manager, Print and Digital edited this report and designed it for publication.

NCLR also thanks several of its partners in California policy and advocacy for providing peer review and editing support, including the Western Center on Law and Poverty and the Ella Baker Center for Human Rights.

This report was made possible through generous support from the Prudential Foundation and the Citi Foundation. The views and conclusions expressed here are those of NCLR alone and do not necessarily reflect the opinions of our funders.



Prudential



Introduction

Latinos* represent one in six Americans today and are poised to shape the nation's future as one of the fastest-growing segments of the U.S. population. The U.S. Hispanic population stands today at 56 million and, by 2050, is estimated to reach 106 million, accounting for one out of every four people in the country.¹ Looking ahead, the growth of the Hispanic community will increasingly contribute to national demographic changes. For example, an increasing number of states will become majority-minority and the United States will be a predominantly minority nation by 2044.²

The Hispanic community's size, work ethic, and resilience have contributed to the national economic resurgence following the Great Recession. With respect to economic contributions, Latinos lead the country in labor force participation, nationwide unemployment among Hispanics is at its lowest level since March 2007, and Latino buying power is projected to reach a staggering \$1.7 trillion by 2019. At the same time, Latinos make up the largest share of workers earning poverty-level wages, continue to see wages stagnate, and feel the negative effects of deepening wealth inequality.³ In 2013, the wealth of White households, based on median net worth, was \$141,900 versus \$13,700 for Hispanic households. This \$128,200 gap in wealth represents an increase from 2010 when the gap was \$122,600.⁴

A national snapshot of the Hispanic community's economic well-being provides an important gauge for the economic health of the country overall. However, a state-level analysis of California, a state where Latinos are the largest ethnic group and have more political influence than anywhere else in the United States, offers a glimpse of trends that may surface nationally as the Latino population grows.⁵ NCLR is proud of its long presence and impact in California, and is committed to advocating for policies that not only allow Latinos to contribute to the economy, but also share in the Golden State's economic opportunities. NCLR's 62 California Affiliates include a broad range of service providers such as community health clinics, charter schools, and community development corporations. In 2015 alone, NCLR's California Affiliate Network of community-based organizations and nearly 14,000 staff served 3.1 million people across the state in an effort to achieve that goal.⁶

This report describes the Latino population in California, and focuses on economic indicators for the well-being of California's Latino community.[†] The report also offers recommendations for public policies at the state and national level that can boost the economic mobility and security of more individuals.

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

† The data in this report comes from the most recent and complete data sets available. As such, data points and comparison years may vary throughout this report. Income data presented in this report is not adjusted for inflation.

Figure 1
California Economic Snapshot



GDP (in millions)⁷



2015 budget (in billions)⁸



Civilian labor force (in millions)⁹



Labor force participation rate¹⁰



Unemployment rate¹¹



Minimum hourly wage¹²



Median household income¹³



Poverty rate¹⁴



Renters facing high rental costs*¹⁵



Median home sale price¹⁶

California

United States

\$2,513,807

\$18,111,864

\$167.60

\$3,688.30

19.4

160.6

63%

63.1%

7.3%

6.3%

\$10

\$7.25

\$64,500

\$55,775

15.3%

14.7%

55.8%

50.6%

\$509,830

\$296,200

* Those defined as cost-burdened spend 30% or more of their monthly income on rent and utilities.

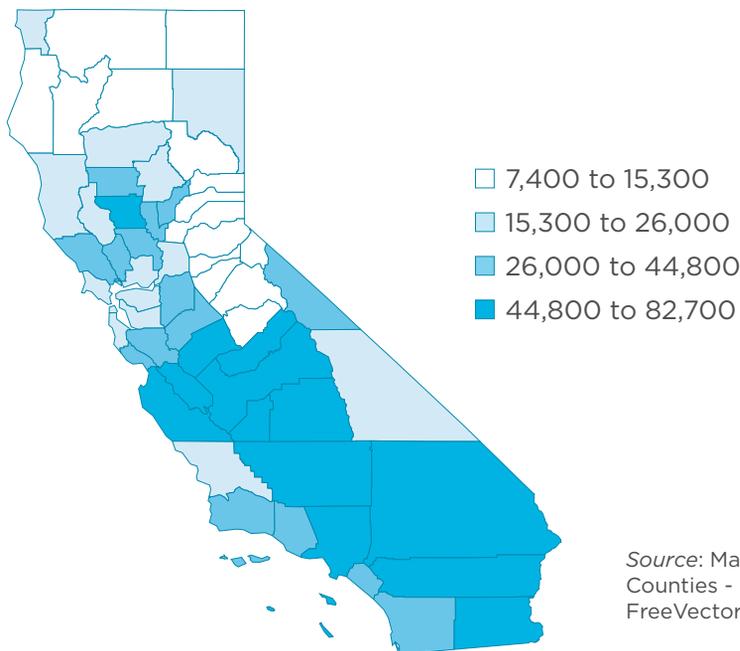


A Closer Look at California

Latino families in California face a mixed picture of progress, setbacks, and stalled growth with respect to economic security. Examining Latinos' status across a range of indicators in California can improve financial outcomes for Latinos in California and help other states prepare for coming demographic shifts to ensure that more Americans, including Latinos, have greater economic opportunity and improved quality of life. Demographic trends of note in California include:

- California has the largest Latino population in the nation, with two in every five Californians (39%) identifying as Latino.¹⁷ The 15.2 million Latinos living in California account for nearly one-third (27%) of the nation's total Hispanic population.¹⁸ The largest share of Latinos is found in Southern and Central California counties, as illustrated in Figure 2.
- California has the nation's largest immigrant population at approximately 10.3 million, accounting for 25% of the entire U.S. immigrant population.¹⁹ More than a quarter (27%) of the state's population is foreign-born and more than half of these individuals are naturalized U.S. citizens. Immigrants represent about 20% of the state's workforce.²⁰ Slightly more than half (53%) of the California foreign-born population is originally from Latin America.²¹

Figure 2
Hispanics (per 100,000 Total Population) by County²²



Source: Map of California with Counties - Single Color by FreeVectorMaps.com

Spotlight

Latinos Fuel California's Agricultural Industry, But Reap Few Benefits

California is not only the largest producer of agricultural goods by value in the country, but also one of the largest agricultural-producing regions in the world.²³ Despite the role California agriculture plays in the economy, the workers who make vital contributions to the nation's food supply face considerable disadvantages.

- Most (96%) of California's 825,000 agricultural workers are Latino.²⁴
- Most (91%) of California farmworkers are foreign-born, with the majority (89%) of those coming from Mexico. About one out of every two farmworkers in California do not have work authorization.²⁵
- Most farmworkers in California (78%) have less than a high school education with the highest grade completed being seventh grade, on average.²⁶
- In 2013–2014, the median annual family income range of California farmworkers was \$20,000–\$24,999. Farmworkers in California worked 45 hours per week and earned \$10.09 per hour, on average.²⁷
- Sixty-four percent of California farmworkers have no health insurance, 54% have no unemployment insurance, and 23% do not have workers' compensation.²⁸
- Nationally, farmworkers are among the few workers who are excluded from federal overtime pay protections, but, in 2016, California passed legislation that will phase in those protections for farmworkers over the next several years.

Americans and others around the world depend on the work of California's farmworkers for their food supply. Understanding the characteristics of this vital segment of California's workforce is critical to the future well-being of the state's economy and Latino community.

- In 2000, California became the second state in the country to have a majority-minority population. New Mexico became a majority-minority state in 1994. The whole United States is expected to have a majority-minority population in 2044.²⁹
- More than one-third (36%) of the total California population is either younger than 18 years old (9,116,418 residents) or older than 65 years old (5,189,558 residents).³⁰ Latinos account for more than half (52%) of the state's children (ages zero–17).³¹ Among those who are older than 65 years of age, Latinos account for 19% of California's population.
- While certain indicators point to recovery of the state economy in the wake of the Great Recession, those positive trends have not resulted in a recovery of wealth for all racial and ethnic groups. Nationally, Hispanic families have only 8% of the wealth of White families, on average. The disparity is even more pronounced in California with the typical Hispanic family having only 6% of the wealth of a typical White family.³²

Figure 3
California Hispanic
Snapshot for 2015³³

	Hispanics in California	Non-Hispanic Whites in California	All of California
 Population	15,184,545	23,824,254	39,144,818
 Bachelor's degree	8.6%	20.3%	20.3%
 Labor force participation rate	66.3%	62.2%	63%
 Unemployed	5.4%	4.2%	4.6%
 Median household income	\$49,682	\$67,191	\$64,500
 Poverty rate	21%	14.1%	15.3%
 Uninsured rate	14.1%	8%	8.6%
 Homeownership rate	42%	57.7%	53.6%
 Renters facing high rental costs*	60.7%	54.4%	55.8%

* Those defined as cost-burdened spend 30% or more of their monthly income on rent and utilities.



Trends and Indicators that Support Improved Economic Security

While clear economic inequities remain, the community has earned positive gains in several areas that can support economic opportunity, security, and mobility:

Increase in Median Household Income and Decline in Poverty Rate: Median household income for Hispanics in California was \$49,682 in 2015 compared to \$67,191 for non-Hispanic White households. Between 2011 and 2015, California Latinos saw an increase of \$5,305 in annual median household income. Additionally, the poverty rate of Hispanics in California decreased by 2.4 percentage points between 2011 and 2015, a considerably larger reduction of poverty than that of non-Hispanic White Californians over that time. In sum, 171,369 California Latinos climbed out of poverty during this five-year period. However, Hispanic Californians had a poverty rate of 6.9 percentage points higher than non-Hispanic White Californians in 2015.³⁴

Hispanics Lead California in Labor Force Participation: Latinos in California lead the state in the percentage of the population in the labor force (64.7% compared to 62.2% overall). In 2015, Latino men in California had the highest employment-to-population ratio among men of all other racial and ethnic groups in California at 74.7%, compared to White men at 71% and 63.5% for Black men. The share of Latinas in California's labor force (54.8%) is roughly equal to the state average of 55%.³⁵



Growth in Latino-Owned Businesses and Purchasing Power: The number of businesses owned by Latinos in California increased by 43.9% between 2007 and 2012. During this same period, non-Hispanic White-owned businesses in California decreased by 8%. In 2012, Latinos in California owned 815,304 businesses, compared to two million non-Hispanic White-owned businesses. Latino-owned businesses in California generated \$98.9 million in gross receipts in 2012, a 23% increase from \$80.3 million in 2007.³⁶ Additionally, Latino purchasing power in California totals \$320 billion in 2014, a 367% increase from 1990.³⁷

More Latino Children Have Health Insurance: Between 2013 and 2014, California had the country's largest decrease in the number (132,000) of uninsured Latino children. California accounted for approximately 44% of the reduction in uninsured Latino children nationally.³⁸ Despite this reduction of uninsured Latino children, the Latino child uninsurance rate (4%) is still double that of non-Hispanic White children (2%). Access to health coverage is critical for children, as those with coverage are more likely to surpass the economic status of their parents than those who lack coverage.³⁹

More Hispanics Have Earned a College Degree: The number of Latinos ages 25 or older in California who had a bachelor's degree or higher was 737,297 in 2015, up from 589,381 in 2011. The number of Hispanic Californians with a bachelor's degree or higher increased by 25.1% from 2011 to 2015, a rate of increase nearly triple that of non-Hispanic White Californians (8.8%). Latino Californians also experienced a 13% increase in the number of associate's degrees over this same period, while non-Hispanic White Californians only experienced a 1% increase during this period.⁴⁰



Trends and Indicators that Hinder Economic Security

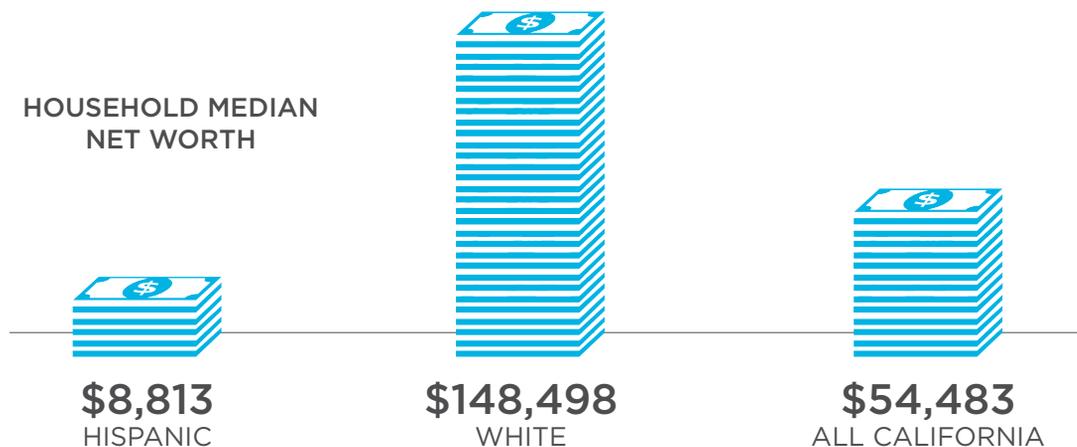
Hispanic communities in California continue to encounter challenges that hinder their ability to share in the nation’s economic prosperity. Longstanding inequities in key areas continue to affect overall economic well-being and include:

Latino Household Wealth Is Only Six Cents on the Dollar Compared with White Households: In 2011, Hispanic household median net worth in California was just \$8,813, compared to \$148,498 for White households. Two out of three (67.6%) Latino households in California do not have enough savings to live at poverty level for three months without income, in the event of illness or unemployment, for example.⁴¹

Figure 4

Latino Households Have Less Wealth than Other Californians

Value of Assets Held by Households Minus Liabilities at the Middle of the Wealth Distribution, California, 2011



Source: CFED, “Racial Disparity Report: California”(Washington, DC: CFED 2016), <http://scorecard.assetsandopportunity.org/latest/report/racial-disparity-report>.

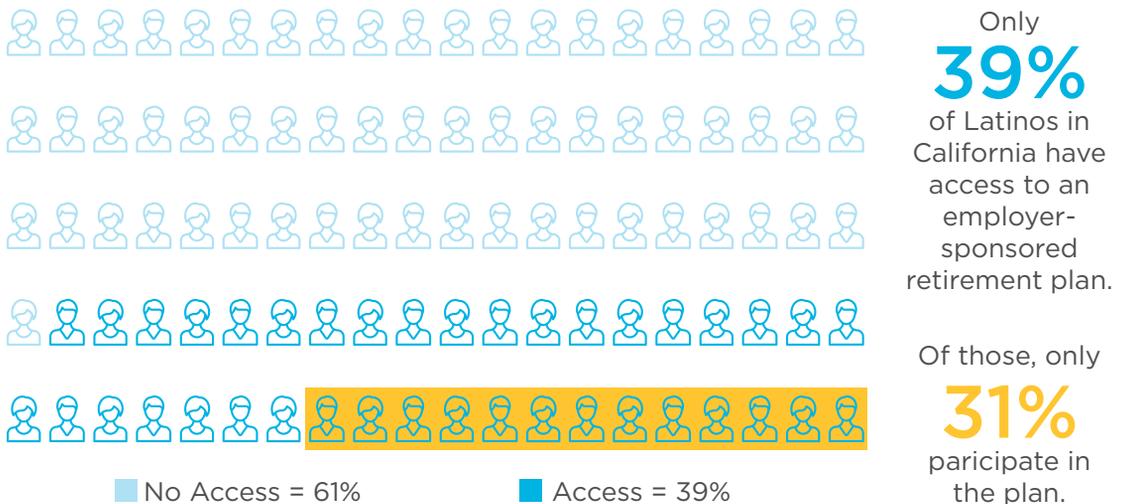
Hispanics Remain Outside of the Financial Mainstream: Latinos in California face issues accessing safe and affordable financial products. In 2015, 14.8% of Latino households were unbanked, and 26.9% were underbanked,* compared to 1.7% and 13.7% of White households, respectively.⁴² In 2015, 31.7% of Latinos and 10.9% of Whites had used an alternative financial service (payday loan, pawn shop, rent-to-own, refund anticipation loan, or auto title loan) in the last 12 months.⁴³ Without access to mainstream banking products, Hispanics are more susceptible to paying high fees and interest rates and to fall into a cycle of debt.⁴⁴

Latinos Have Few Opportunities to Save for Retirement: California is among the nation’s bottom 25 states for Hispanic retirement savings access and participation.⁴⁵ Overall, 51% of workers had access to an employer-based retirement savings plan, and, of those, 44% were participating. Among Hispanic workers, only 39% had access to a plan, and less than a third (31%) were participating, considerably less than their White counterparts who have access and participation rates of 60% and 54%, respectively.⁴⁶ Latinos account for nearly half (47%) of the 7.5 million Californians without a workplace retirement plan.⁴⁷ The gap in retirement savings plan access is due in part to the fact that small businesses and employers in agriculture, service, and construction industries—where Latinos are overrepresented—are far less likely to offer their workers a retirement savings option.

Figure 5

Latinos in California Have Limited Access to and Participation in Workplace Retirement Plans

Share of Latino Workers with Access to and Participation in Employer-Sponsored Retirement Plans, California, 2016



Source: The Pew Charitable Trusts, “Employer-based Retirement Plan Access and Participation Across the 50 States: Who’s in, Who’s out,” (Washington, DC: The Pew Charitable Trusts, 2016) <http://www.pewtrusts.org/en/multimedia/data-visualizations/2016/employer-based-retirement-plan-access-and-participation-across-the-50-states>.

* Those who are underbanked are typically defined as account holders who own accounts but use them infrequently. This group also includes bank account holders who also use nonbank services like payday loans, check cashing, or prepaid cards.

Hispanics Have Lower Health Coverage Rates than Non-Hispanics: At over 3.3 million, California has one of the largest uninsured populations in the country.⁴⁸ Approximately 2.1 million Latinos are uninsured in California, accounting for two out of every three uninsured Californians.⁴⁹ In 2015, 14.1% of Hispanics in California were not insured, considerably higher than the uninsured rate of 8% of non-Hispanic White Californians.⁵⁰ The gap in coverage rates is due in part to the concentration of Latinos in low-wage jobs that do not offer employer-sponsored health insurance.

The Economic State of California's Latinas

While many of California's 7.5 million Latinas are working hard, inequities make it difficult to find better financial security.

- Hispanic women in California have the lowest median earnings compared to other women and men of all other major racial groups. Latinas in California earn an average of \$30,000 for full-time, year-round work, and earn 43 cents for every dollar men in California earn.⁵¹ White women in California earn approximately \$54,000, and earn 76 cents for every dollar men in California earn.⁵²
- California's Latinas have one of the lowest labor force participation rates in the state at 63%. At 70%, White California women's labor force participation rate is seven percentage points higher than California Latinas.⁵³
- Latinas in California are less likely to work in higher-paying professional occupations and more likely to work in low-wage jobs than other groups. Twenty-three percent of Hispanic women in California work in managerial or professional occupations, compared to 50% of White women. In contrast, nearly a third (28%) of California Latinas are employed in low-wage occupations, compared to only 13% of White California women.⁵⁴
- Nearly a quarter (22%) of California Latinas age 18 and over live in poverty. The Latina poverty rate in California is twice as high as the poverty rate of White women in California (11%).⁵⁵
- Latina single mothers face staggering housing and child care costs in California. Fair market rent in California accounts for approximately 74% of Hispanic single mothers' median income, compared to 42% of White single mothers' median income. The annual cost of child care for both an infant and a school-age child is 83% of Hispanic single mothers' median income, compared to 47% of White single mothers' median income.⁵⁶

While economic inequities affect all women, they are especially harmful for working Latinas and other women of color. By considering the distinct challenges facing Latinas, policymakers and other stakeholders can design solutions where all women, families, and communities can see better returns on their work.

Latino Homeownership Rate Remains Low and Too Many Latino Homeowners Are Underwater*: The Hispanic homeownership rate continues to be lower than the overall rate of homeownership in California, at 42% compared to 53.6%.⁵⁷ Since 2012, the Latino homeownership rate has stalled, only increasing by a fraction of a percentage point from a low of 41.8% in 2012 to 42% in 2015. Many Californians still live under the threat of foreclosure; 18 of the nation's top 100 cities with the highest incidence of negative equity are located in California.⁵⁸ Nearly three-quarters of these are majority Black and Latino populations, and eight cities have more than two-thirds of their population made up of Blacks and Latinos, as illustrated in Figure 6.⁵⁹ Lack of access to financing options and negative equity are underlying issues affecting Latinos' ability to not only become homeowners, but also sustain homeownership and build wealth.⁶⁰

Figure 6
Share of Homes Underwater and Minority Share of Population Among California Cities⁶¹

National Rank	City	Percent of Homes Underwater	Population	Percent Black and Latino
18	Victorville	40%	115,069	66%
25	Vallejo	36%	116,417	47%
29	Stockton	35%	292,262	54%
34	Lancaster	33%	155,496	59%
35	San Bernadino	32%	210,624	76%
40	Palmdale	31%	151,841	71%
47	Visalia	31%	123,905	48%
49	Fresno	30%	495,777	56%
55	Moreno Valley	29%	193,758	74%
62	Modesto	29%	201,986	42%
63	Fairfield	29%	105,407	44%
64	Bakersfield	29%	347,091	55%
65	Antioch	29%	102,575	53%
66	Richmond	28%	104,225	67%
83	Sacramento	26%	467,467	43%
84	Rialto	25%	100,009	85%
91	Fontana	24%	196,129	78%
94	Salinas	24%	150,634	77%

* These homes have negative equity, meaning their mortgages are worth more than the value of the home.

Latino Children Experience Disparities in K-12 Educational Achievement: Nearly one in every two (47%) children in California classrooms is Hispanic⁶² and achievement gaps between Latino and other students are evident. Less than half (46%) of California's Hispanic fourth-grade students were reading at proficient levels in 2015, significantly less than the proficiency rate of Whites at 78%.⁶³ Reading proficiency at the fourth-grade level is an important indicator of educational success for young students. The disparity among Hispanics and Whites is even greater in the achievement level for mathematics. In 2015, only 17% of Hispanic fourth-grade students were at or above mathematics proficiency, a fraction of the proficiency rate of Whites at 48%.⁶⁴ The achievement gap is even more pronounced for Hispanic English language learners; there was a decline in mathematics proficiency from 8% to 4% between 2011 and 2015.*

Latinos Face Disproportionate Contact with the Criminal Justice System: While less than 60% of California's adult male population is not White, Latinos (42%), Blacks (29%), and those of other races (6%) make up more than 75% of the men in California prisons.⁶⁵ At the same time, Latinos in California are more likely to be victims of crime. Latinos are murdered in California at a rate twice that of Whites (5.1 per 100,000 compared to 2.4).⁶⁶ Additionally, between 1994 and 2011, Latinos were more likely to be shot and had higher home burglary rates than their White counterparts.⁶⁷ Involvement in the criminal justice system is a major barrier to employment, undermines the social well-being of the Hispanic community, and diminishes opportunities for economic mobility for millions of low-income Latinos.



* This data is derived from the National Assessment of Educational Progress (NAEP). During this timeframe, California transitioned from the Standardized Testing and Reporting (STAR) model to the Smarter Balanced Assessment System (SBAC). California also adopted Common Core standards during this period.

What Latino Registered Voters in California are Saying Data from an October 2016 NCLR-Latino Decisions Poll⁶⁸

Latino voters in California are optimistic about the economy:

- Half of Latino voters* in California say the economy is getting better.
- Approximately half believe that their hard work will pay off (51%).
- Over half believe that that their investment in education will help them and their children get ahead (53%).
- Nearly half feel that they can find affordable housing in the neighborhood they want to live in (48%).

A significant number of voters still feel anxiety about their short-term economic situation:

- Most Latino voters (79%) in California agree that making ends meet each month is sometimes difficult.
- Nearly one in two (47%) Hispanic voters in California say they are worried that they or someone in their household might become unemployed in the next year.
- More than a third (41%) do not have enough saved up to pay for small emergencies like car repairs or unexpected medical bills.

Hispanic voters are also concerned about their larger economic goals and long-term financial security:

- A vast majority of Latino voters (92%) in California want to own a home, but many identify key barriers to owning a home. More than half (53%) say that credit scores, down payments, and other requirements make it hard to get a home loan and nearly half (44%) report that they have too much other debt and do not want to take on more.
- Approximately eight in 10 Latino voters in California worry (81%) that Social Security will not be around when they retire and anticipate (79%) that they will need to help with their parents' living and health care expenses when they get older.

* Methodology: On behalf of NCLR, Latino Decisions interviewed a total of 1,000 Latino registered voters, the sample included 226 California registered voters. The survey was conducted October 7-16, 2016. Interviews were conducted in English or Spanish, based on the respondent's choice. Surveys were completed using a blended sample that included live telephone interviews on landlines and cell phones, and online surveys. The California sample (N=226) carries a margin of error of +/- 6.5 percentage points.



Policies to Support Economic Security

State Policies

California's policymakers have demonstrated tremendous leadership nationally in implementing public policies to enhance economic opportunities for more people. In addition, many organizations throughout the state, including NCLR's California Affiliate Network, have worked to advance policy solutions that bolster the financial stability of Latino families, and all Californians. The state should continue to build on these recent public policy victories and look for new opportunities to enhance economic security of Hispanics and their families in the Golden State. State policymakers should:

- **Ensure Successful Implementation of the California Secure Choice Retirement Savings Program.** In September 2016, Governor Jerry Brown signed into law a bill that allows workers to access state-run Individual Retirement Accounts (IRAs), which will feature automatic enrollment for people working for employers with five or more employees. Half of the 7.5 million Californians who will be eligible for the program are Latino.⁶⁹ For California's workforce to safely build their retirement savings over time by participating and retaining in the program, stakeholders must work together to assure successful implementation of Secure Choice, especially with regard to communicating and educating potential benefits to both employers and workers.
- **Preserve Homeownership for Distressed Borrowers and Keep Rent Affordable.** Many California homeowners remain underwater, yet California homeowners

At A Glance

State Policy Recommendations

- Ensure Successful Implementation of the California Secure Choice Retirement Savings Program
- Preserve Homeownership for Distressed Borrowers and Keep Rent Affordable
- Ensure Accessible and Affordable Health Care Coverage for All Californians
- Expand the Eligibility Criteria of the California Earned Income Tax Credit
- Establish Strong Protections on Consumer Loans
- Reduce the Disproportionate Contact of Hispanics with the Criminal Justice System

face high denial rates and long waiting periods when applying for U.S. Treasury Department's Hardest Hit Fund (HHF).⁷⁰ As of June 2015, more than 125,000 homeowners have applied for foreclosure assistance, but less than half of the homeowners (51,612 applicants) have received assistance.⁷¹ Furthermore, California homeowners seeking HHF assistance waited a median of over three months (108 days) for help to reduce a second mortgage on their homes.⁷² The California Housing Finance Agency Mortgage Assistance Corporation should move quickly to distribute HHF funds and help struggling borrowers stay in their homes. In addition, California lawmakers should ensure that the state's housing market remains affordable for renters and qualified home buyers by establishing a local affordable housing trust fund program that would match state grant funds with local housing trust funds to support down payment assistance and construction loans for rental housing. Lastly, stakeholders should direct distressed homeowners to housing counseling agencies to evaluate the best possible mitigation strategy and expand the accessibility of local nonprofits to bid on distressed asset pools in the U.S. Department of Housing and Urban Development's Distressed Assets Stabilization Program.

- **Ensure Accessible and Affordable Health Coverage for all Californians.** Two recently passed pieces of legislation take important steps to ensure undocumented immigrants have access to health coverage. Under SB 75, children under 19 years of age are eligible for Medi-Cal benefits regardless of immigration status, if they meet other eligibility criteria.⁷³ Approximately 175,000 California children are affected by this change in Medi-Cal coverage.⁷⁴ Under SB 10, state agencies can seek a waiver to allow all immigrants, regardless of immigration status, to buy insurance through its state health exchanges.⁷⁵ It will be critically important that state agencies work with local groups to identify potential beneficiaries and provide enrollment support services.
- **Expand the Eligibility Criteria of the California Earned Income Tax Credit (CAL EITC).** CAL EITC specifically targets lower-income families, those who are working less than full-time and earning minimum wage, to climb out of deep poverty.⁷⁶ Given its more limited reach than the federal credit, only about one-fifth of Californians who receive the federal credit qualify for CAL EITC.⁷⁷ While CAL EITC provides a critical safety net for some Californians, the tax credit can be strengthened in several ways to maximize its effectiveness. For example, California lawmakers could extend CAL EITC eligibility by rewarding self-employment (84,000), reaching childless workers (440,000), and raising the income threshold (678,000), and including ITIN holders. Approximately 1.2 million more low-income California households could benefit from the credit.⁷⁸
- **Establish Strong Protections on Consumer Loans.** The Consumer Financial Protection Bureau has issued a proposed rule addressing payday and car title lending. While this is a positive step in curbing abusive lending practices in an industry that has been unregulated at the federal level, CFPB does not have congressional authority to set an interest rate cap. A 36% state rate cap on loans would help ensure consumers are protected from high-cost predatory loans, such as payday loans.
- **Reduce the Disproportionate Contact of Hispanics with the Criminal Justice System.** In November 2014, California voters passed Proposition 47, which reduces certain drug possession felonies to misdemeanors.⁷⁹ As a result of Proposition 47, California's jail population declined by approximately 9% in the year following the proposition's passage, allowing thousands of Californians a second chance at rebuilding their lives and becoming productive members of the community.⁸⁰ Another major component of Proposition 47 is the reinvestment of state correctional savings in behavioral health treatments and other prevention programs.⁸¹ In an effort to help establish a more equitable criminal justice system, stakeholders should work together to ensure the law is implemented effectively by reducing racial disparities, lowering costs, and redirecting resources to community-based treatment and prevention programs.

Federal Policies

In many cases, the federal government and other states can look to California for sound policies that reduce Latino poverty and inequality, while increasing economic opportunity. At the same time, federal policies can play a crucial role to complement existing state policies and support hardworking people in the absence of specific state policies. Some key federal policies that support greater economic security include:

- Restore the Value of the Federal Minimum Wage.** The federal minimum wage should be raised to \$15 per hour by 2020, followed by automatic increases to keep pace with inflation. In California, lawmakers reached a deal to increase the state minimum wage to \$15 by year 2022, which will greatly benefit Latino workers, who tend to be concentrated in low-wage occupations. Some local municipalities have voted for higher wages to be implemented faster than the state law. Nationally, the effects of a higher minimum wage would benefit more than 35 million workers, the communities they live in, and the nation's economy.⁸²
- Enhance Latino Savings and Retirement Security.** At the national level, there has been bipartisan congressional support for an automatic Individual Retirement Account to reach workers whose employers do not offer a retirement savings plan. Latinos are especially likely to work for employers who do not offer retirement savings plans, such as those employed by small businesses and those working in the agriculture, service, and construction industries, leaving more than 60% of Latinos without access to an employer-based retirement savings plan nationally.⁸³ Federal-level efforts to protect and strengthen Social Security, increase the monthly grant of Supplemental Security Income (SSI) program, and expand access to and incentivize private retirement savings can improve the retirement security outlook for low- and moderate-income workers.
- Enact Comprehensive Immigration Reform and Oppose Mass Deportation.** Granting legal status and citizenship would have a positive economic effect for individuals and the country. Research shows that legal status and citizenship enable undocumented immigrants to produce and earn significantly more than they do when they are on the fringes of the economy.⁸⁴ In the absence of immigration reform, executive action for undocumented immigrants through Deferred Action for Childhood Arrivals (DACA) would allow undocumented individuals to work legally, creating enormous economic benefits. Granting deferred action to undocumented immigrants would create an average of 28,814 new jobs per year nationally and increase U.S. GDP by \$230 billion over 10 years.⁸⁵ In California, the state GDP would increase by \$75.8 billion, cumulative earnings for all Californians would increase by \$39.3 billion, and 9,500 new jobs would be created annually over the next decade.⁸⁶ Additionally, a

At A Glance

Federal Policy Recommendations

- Restore the Value of the Federal Minimum Wage
- Enhance Latino Retirement Security
- Enact Comprehensive Immigration Reform and Oppose Mass Deportation
- Protect and Strengthen the Social Safety Net
- Ensure Effective Implementation of the Every Student Succeeds Act
- Expand the Earned Income Tax Credit
- Establish Strong Lending Protections
- Enable Latino Homeownership

policy of mass deportation would cause deep economic harms. Removing seven million undocumented workers would immediately decline our nation's GDP and reduce national employment by an amount similar to the Great Recession.⁸⁷ California, a state with a sizeable undocumented population, stands to experience the largest decline in state GDP. If mass deportation takes place, California's GDP will drop by approximately 5%, a reduction of about \$105 billion annually.⁸⁸

- **Protect and Strengthen the Social Safety Net.** Because poverty is higher among Hispanics, despite higher rates of participation in the workforce, a strong social safety net is needed to protect children from the long-term harm of poverty. Federal nutrition programs like the Supplemental Nutrition Assistance Program; the Women, Infant and Children (WIC) Program; the Summer Food Service Program; and the National School Lunch and Child and Adult Care Food Programs should be protected from federal cuts or block granting, barriers to participation should be addressed, and programs should be expanded to reduce the incidence of hunger. Health safety net programs, such as the Affordable Care Act, should remain strong and not be repealed, preserving seven million Hispanics' access to health care, preventative services, and screenings under the law.
- **Ensure Effective Implementation of the Every Student Succeeds Act.** This recently passed legislation takes important steps to ensure equitable achievement among more students, including the 13 million Latino students in U.S. schools and five million English learners across the country. It is now critical that stakeholders work together to ensure the law is implemented effectively; enhances accountability, equity, and achievement; and results in more students graduating high school and ready to succeed in college and career.
- **Expand the Earned Income Tax Credit (EITC).** A legislative change to expand eligibility for the EITC could provide a much-needed boost to an estimated 13.5 million hardworking individuals, including 3.3 million Latinos and more than 1.5 million Californians.⁸⁹ Expanding eligibility for childless workers and noncustodial parents to receive the EITC could increase the average filer's credit by more than \$340 and help support many Latinos' financial well-being.⁹⁰
- **Establish Strong Lending Protections.** Strong consumer protections like the Consumer Financial Protection Bureau's forthcoming rule on payday loans, vehicle title loans, and certain high-cost installment loans are necessary to ensure that companies cannot prey on and target vulnerable people with predatory lending practices and products. The typical payday loan has an annual percentage rate of nearly 400%, and almost 70% of payday borrowers take out a second payday loan within a month of the first, creating a dangerous debt trap.⁹¹ Legislative and regulatory actions are needed to increase access to small-dollar credit, provide strong consumer protections from predatory or discriminatory practices, and support individualized financial counseling, all essential aspects of a strong economy.
- **Enable Latino Homeownership.** Projections show that by 2030, Hispanic families will account for 56% of new homeowners.⁹² However, the national rate of homeownership for Latinos (45%)—down from a peak of 50% in 2007—still lags behind the national homeownership rate of 63%.⁹³ To ensure Latino households are able to enter the mortgage market, federal policies should reform the housing finance system so that it works for all creditworthy borrowers, especially first-time home buyers, communities of color, and other underserved communities. For example, federal policies should increase access to affordable homeownership, uphold fair and nondiscriminatory lending practices, and expand the role of lenders that deliver innovative responsible lending models.⁹⁴ Further, federal funding for housing counseling programs is essential to ensure Latinos can protect what, for many, is their greatest financial asset: their home.



Conclusion

Demographic trends have long predicted that Latinos will be a large and growing proportion of the country's population, workforce, and economy. These forecasts are a reality today in California, where we get a glimpse into the nation's demographic and economic future.

As shown by the experiences of Hispanic Californians, hard work alone is not enough to support the economic security of Latinos as they struggle to recover from the Great Recession and face growing wealth inequality. As the Latino community continues to drive economic growth in the state and throughout the country, it is critical that national, state, and community leaders create and advance solutions that do not undermine hard work while addressing long-standing inequities and inequalities faced by Latino households.

- Nationally, efforts to extend equitable opportunity to more people in this country should be a priority. National leaders must come together to develop and implement policies that improve job quality and increase economic opportunity and security.
- As a community, Latinos can and should continue contributing economically, culturally, and politically to enrich their communities and make their voices heard.
- As an organization, the National Council of La Raza will continue supporting its network of nearly 300 community-based organizations to promote economic opportunity, provide essential services, and work toward a vibrant future for Latinos.

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