



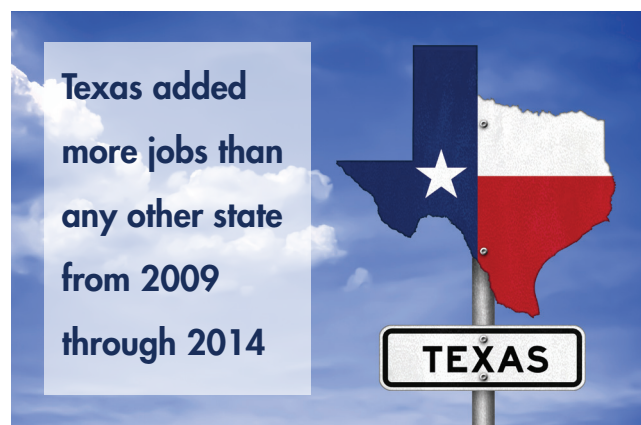
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## The Business Case for Expanding Opportunity and Equity in Texas: Race, Income, and Economic Growth

### Overview

With low taxes and costs of living, a friendly business climate,<sup>1</sup> and ample land and natural resources, the economy of Texas has been growing faster than the national average for the past four decades. Texas added more jobs than any other state from 2009 through 2014, and was the second fastest growing state economy in 2014.<sup>2</sup> The recent downturn in the price of oil slowed this growth, but the state's economy diversified since the oil bust of the mid-1980s, and long-term growth projections remain positive.

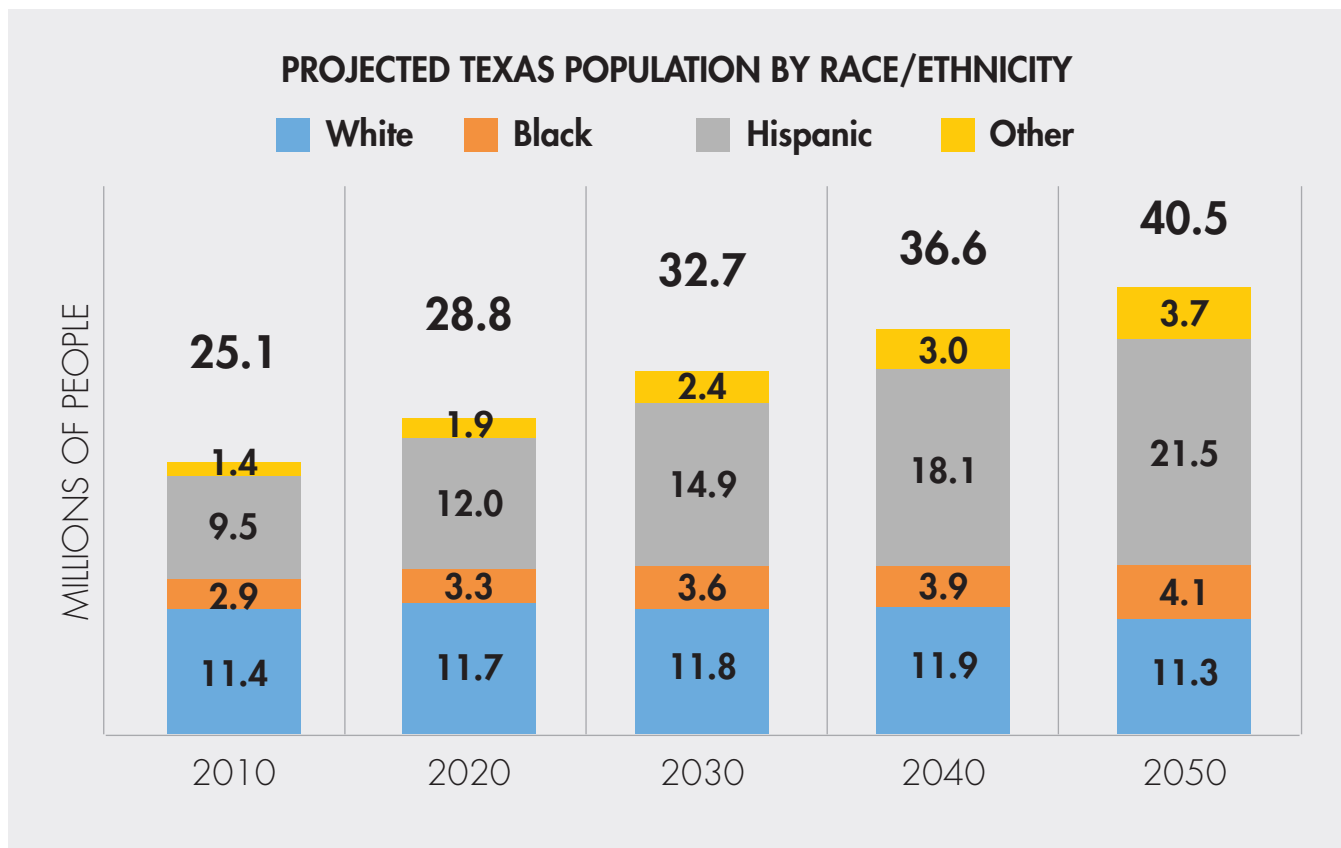


Texas led the nation in population growth for more than a decade. The state is projected to grow by 350,000 to 400,000 people per year through the middle of the century.<sup>3</sup> About half this population growth is from the natural increase in the resident population; the other half is from people moving to Texas from around the country and the world.<sup>4</sup> Steady immigration into Texas keeps the state relatively young. Texas is aging, like the rest of the nation, but the median age will continue to be three to four years younger than the national average for the next few decades.

More than half of Texans are Hispanic, Black, Asian, American Indian, or another historically “minority” racial or ethnic group, making Texas one of a handful of states that are “majority minority.” According to the Census Bureau, the U.S. as a whole will reach this mark in less than 30 years.

Both natural growth and migration into Texas are contributing to an increasingly diverse population and workforce. Two-thirds of Texas children are children of color. Although five out of six immigrants to Texas come from elsewhere in the U.S., foreign-born immigrants are coming from a wider range of countries, with almost equal numbers coming from Asia and Latin America, as well as smaller numbers from Europe and Africa.<sup>5</sup>

Texas’s size, robust population growth, relative youth, and increasing diversity represent tremendous potential assets in attracting businesses and supporting continued economic vitality. Renewable and alternative energies, health care and biotechnology, and other technical fields are expanding, but will require a new generation of skilled and technologically savvy workers.<sup>6</sup> Unfortunately, the youngest and fastest-growing groups in Texas, those that will dominate the workforce in the near future, are also those that are currently furthest behind in education, health, and income.<sup>7</sup> If current gaps don’t narrow faster than they have been, Texas will become bigger and more diverse, but, on average, poorer, less healthy, and less educated.<sup>8</sup> The economic stakes are high. As we show in this brief, even modest improvements in life outcomes for these groups would represent billions of dollars in additional earnings, tax revenues, and purchasing power in the state.



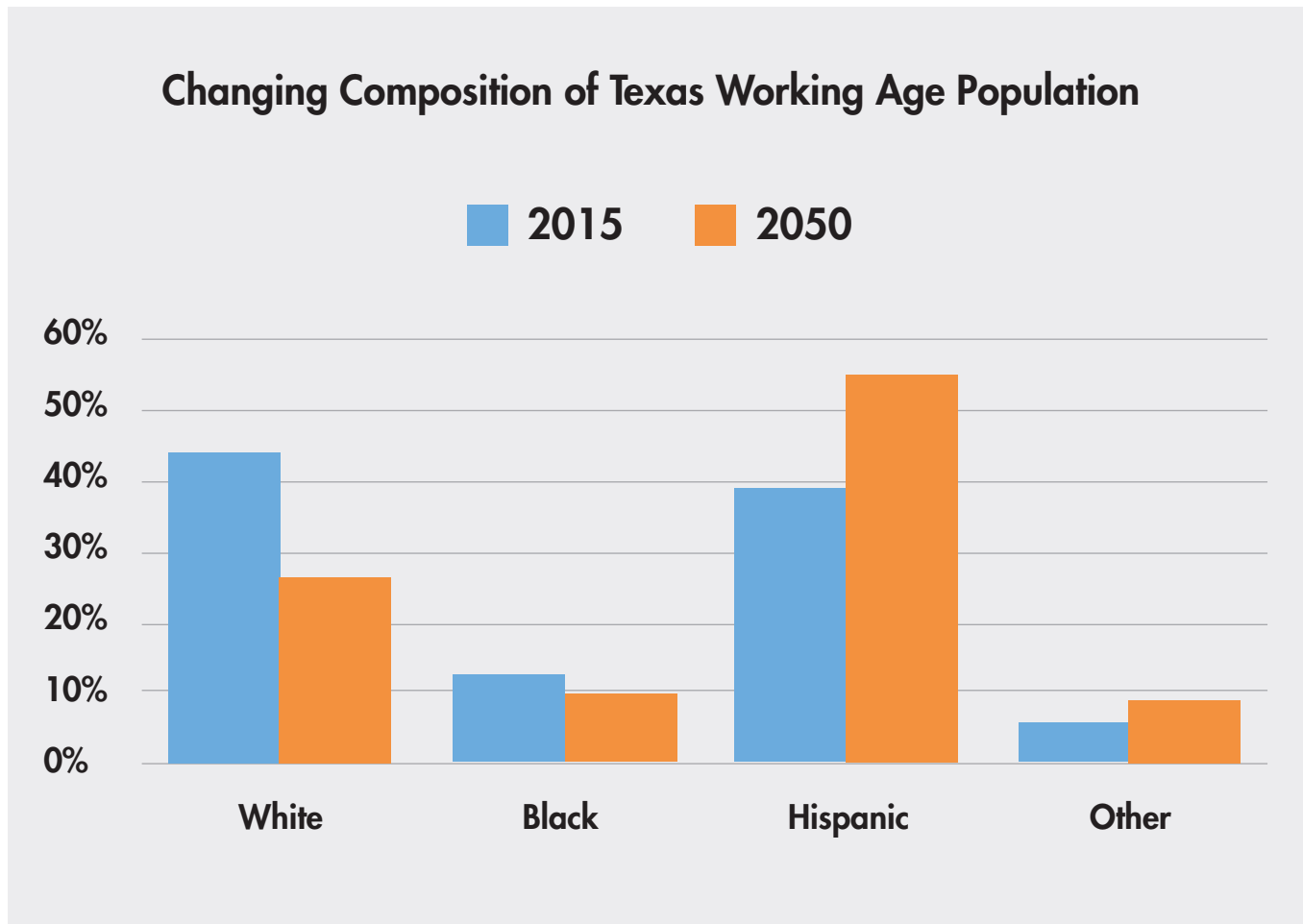
## The Texas population is growing in size and diversity

From a current population of about 27 million people, moderate growth projections put the Texas population at more than 40 million people by 2050.<sup>9</sup> Virtually all of this population growth will come from people of color, mostly people of Hispanic origins.

As recently as 1990, Texas was roughly two-thirds White and one-quarter Hispanic.<sup>10</sup> Between 2000 and 2010, the White population fell below 50 percent, as the population of Hispanic origin grew. Today, Texas is about 43 percent White and 40 percent Hispanic. By 2020, the Hispanic population will be larger than the White population at 42 percent and 41 percent, respectively. Blacks have grown in numbers but remained roughly 11 percent of the population since 1990, while the combination of Asians, those of mixed race, and others has grown from two percent of the population in 1990 to six percent today.

The working age population, key to attracting and retaining employers, will grow by 6.8 million people by 2050, a growth of more than 40 percent. This population will shift from predominantly White to predominantly Hispanic, as Whites shrink from 43 percent to 26 percent of the working age population, while Hispanics grow from 39 percent to 54 percent.

The roots of this demographic shift are in today’s children. Half of the seven million children in Texas today are Hispanic, 12 percent are Black, six percent are Asian or other, and one-third are White.



# Implications for businesses and the state economy

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As today's children of color become the majority adult population, their circumstances and life outcomes will define the way the Texas workforce, customer base, neighborhoods, and communities evolve. Forward-looking business leaders may ask:

- Will working age Texans have the skills and levels of education employers need, particularly as experienced older workers retire?
- Will Texas businesses need to continue to invest in remedial training or recruiting educated talent from outside the state?
- How many working age Texans will be employed, and how many will be unable to find a job that matches their qualifications? How many will struggle with the lifelong adverse effects of incarceration?
- What will the next generation of workers represent to employers and the state in health care costs, sick days, productivity, and premature life years lost?
- Will the Texans of tomorrow have the income and family wealth to own homes, buy goods and services, and invest in communities as they do today?
- Will the inflow of tax revenues and the need for spending on social services, the penal system, and health care in the state budget allow for the common resources to maintain a favorable business climate?

Life outcomes are strongly influenced by forces that start at birth and are interconnected and reinforcing. Healthier, better-educated people tend to earn more and live in higher-income neighborhoods, where they experience lower crime rates, less pollution, better quality education and community amenities, and have more resources to stay healthy. The wealth accumulated through homeownership in neighborhoods with increasing home values improves financial stability and allows families to support higher education and make other investments in future generations. For people born into neighborhoods of concentrated poverty, the reinforcing cycle works in the opposite direction.

Although significant reductions in legal discrimination have occurred over the past 50 years, children of color still face circumstances shaped by a history of laws and practices that created disadvantages, including limitations on voting and owning property and discriminatory lending, hiring, and sentencing practices. The facts in the following section show that the average Hispanic or Black child in Texas today is much more likely to be born into the reinforcing cycle of poorer health, lower educational attainment, fewer employment opportunities, and less financial stability than the average White child.<sup>11</sup>

# Current disparities in opportunity and achievement in Texas

**Children living in poverty.** One in four Texas children lives in poverty (less than \$24,000 a year for a family of four), and the likelihood is much higher for children of color.<sup>12</sup> One-third of Hispanic and Black children live in poverty, compared to 11 percent of White and 12 percent of Asian children.<sup>13</sup>

**Children living in neighborhoods of concentrated poverty.** Not only are children of color more likely to be poor, but they are much more likely to live in a neighborhood where many families are poor. Thirty percent of Hispanic and 23 percent of Black children live in neighborhoods of concentrated poverty, where 30 percent or more of families are poor – as do 4 percent of White and 7 percent of Asian children.<sup>14</sup> Living in such a neighborhood means that not only are your family’s resources low, but your community has less to invest in local schools, parks, transportation, and public safety, and to support local businesses to create accessible job opportunities.

**Readiness for school.** An important first step to success in school is being ready for kindergarten, including cognitive, social, and emotional readiness. High quality preschool has been shown to improve school readiness, especially for children at risk of poor educational performance. In Texas, 42 percent of three- and four-year-olds are enrolled in public or private pre-school, giving the state a ranking

of 38 out of 51 states for school readiness.<sup>15</sup> The state is doing well with four-year-olds, with more than half enrolled, but few three-year-olds are enrolled.<sup>16</sup> Public pre-kindergarten programs are successfully enrolling about three-quarters of all Black and Hispanic four year olds, about 175,000 children in 2014-15.<sup>17</sup>



**Changing needs facing Texas public schools.** Texas public schools have seen a 28 percent increase in enrollment of economically disadvantaged children over the past 10 years; in 2014–15, 75 percent of Hispanic children, 72 percent of Black children, 29 percent of Asian, and 28 percent of White children in public schools were deemed economically disadvantaged.<sup>18</sup> By another measure, two-thirds (65 percent) of Texas children attend a school that receives federal Title I funding. 78 percent of Hispanic children, 70 percent of Black children, 44 percent of White children, and 36 percent of Asian children attend Title I schools.<sup>19</sup> 18 percent of students were in bilingual/English as a Second Language programs – nearly 1 million children.<sup>20</sup>

Percent of Texas students testing at or above proficiency, 2015

	4th grade reading	8th grade reading	8th grade math
White	45%	43%	48%
Hispanic	17%	19%	23%
Black	18%	20%	16%
Asian	66%	55%	67%

**Grade level proficiency.** As shown in these data from the 2015 National Assessment of Educational Progress, a much higher percentage of White and Asian students in Texas currently score at or above grade level proficiency than Hispanic or Black students – two to three times higher.<sup>21</sup>

2015 High School Graduation Rates

White	93%
Asian	95%
Black	84%
Hispanic	86%

**High school.** Texas has made great strides in high school graduation rates in recent years, and as of 2015 has a higher-than-average graduation rate of 88 percent. Racial and ethnic gaps have narrowed as well, but important differences remain, as graduation rates are 93 percent for White students, 95 percent for Asian students, 84 percent for Black students, and 86 percent for Hispanic students.<sup>22</sup> Hispanic and Black students are also underrepresented in high school Advanced Placement math and science courses.<sup>23</sup>

**Overall educational attainment.**

Fifty two percent of Texans have some type of postsecondary education, including 33 percent who have earned a credential and 19 percent who have enrolled but not attained a credential.<sup>24</sup> The remaining 48 percent of Texans have a high school diploma or less (33 percent with only a high school diploma plus 15 percent with less than a high school diploma). By 2020, 62 percent of jobs in Texas are projected to require post-secondary education, while only 38 percent of jobs will require a high school diploma or less.<sup>25</sup> Texas already imports more than 90,000 people with a post-secondary education each year.<sup>26</sup> Breaking down the overall 52 percent rate of post-secondary education, 61 percent of Whites, 52 percent of Blacks, and 37 percent of Hispanics have some post-secondary education.<sup>27</sup> Without more rapid progress in closing educational achievement gaps, the current imbalance between employer needs and population skills will worsen as Hispanics become a much larger share of the workforce.

**Employment rates.** Texas weathered the Great Recession better than many states, but people of color were hit especially hard. Unemployment rates peaked in late 2009 and early 2010 at 14.8 percent for Blacks, 10.1 percent for Hispanics, and 6.2 percent for Whites.<sup>28</sup> Disparities in unemployment rates remain, but have decreased significantly through the recovery. As of the first quarter of 2016, the unemployment rate in Texas was 4.4 percent, lower than the national rate of 5.0 percent, with the White rate at 3.5 percent, the Black rate at 6.5 percent, the Hispanic rate at 4.7 percent, and the Asian rate at 4.1 percent.<sup>29</sup>

**Incarceration.** In Texas and the U.S., incarceration rates have increased dramatically since the 1980s, mainly due to more arrests and longer sentences for drug-related crimes. This increase has disproportionately affected populations of color. The incarceration rate in Texas is 584 people per 100,000 (higher than the U.S. rate of 471), with Whites at 457, Hispanics at 541, and Blacks at the highest rate of 1,844.<sup>30</sup> The large differences in incarceration are in spite of the fact that there is no evidence of greater drug use among populations of color. As of 2014, 225,000 people were incarcerated in Texas, another nearly 400,000 were on probation and more than 100,000 were on parole, for a total of more than 700,000 people involved with the corrections system. These individuals are both a loss to the state's economy and an expense for the state's budget. Not only does incarceration have lifelong consequences for the young men of color who make up the majority of those imprisoned, it strongly affects their children, families, and communities. An estimated 477,000 Texas children have had a parent incarcerated at some point in their lives.<sup>31</sup>

**Health.** Health varies by level of education, level of income, and by race and ethnicity. Better health leads to higher educational achievement and higher income, and more productive workers. More education and higher income is also associated with better health. In Texas, 85 percent of Whites and Hispanics, but only 76 percent of Blacks say their health is good or better.<sup>32</sup> Hispanics and Blacks have higher rates of obesity and diabetes, as do lower income groups.<sup>33</sup> Only 61 percent of those without a high school diploma say their

health is good or better; good health grows with each level of education, topping out at 93 percent of those with an advanced degree.

**Health insurance coverage.** Access to affordable health care is one factor in maintaining good health. Texas ranks last among states in the proportion of people without health insurance, having the largest population of uninsured in the nation. In 2014, 19 percent of Texans under age 65 – about 5 million people – lacked health insurance, compared to 12 percent for the nation.<sup>34</sup> Of the uninsured, 59 percent are Hispanic, while 27 percent are White, 10 percent are Black, and 4 percent are Asian or other. As more states expand their Medicaid programs, Texas is falling further behind in financial access to healthcare for families living below the poverty line.



**Earnings.** Median family income in Texas was about \$55,000, somewhat lower than the national average of \$61,000, and varying considerably by race and ethnicity.<sup>35</sup> Income for Whites was \$85,000, for Hispanics was \$38,000 and for Blacks was \$39,000, making incomes for average Hispanic and Black families less than half that of White families. Earnings per person show gaps comparable to family incomes: the average White man or woman in Texas earned about \$42,500 in 2012, while Asians earned \$34,000,

Blacks \$25,000, and Hispanics \$21,000.<sup>36</sup> Thus, the average Hispanic person in Texas earns half what his or her White counterpart earns, while Blacks on average earn about 40 percent less. Asians currently earn about 20 percent less than Whites on average. Overall, persons of color earn 46 percent less than the average White person of the same age and sex. Many factors may be reflected in earnings differences, including educational achievement, health, access to employment opportunities (including transportation), and likelihood of incarceration. Analyses show that for Blacks, two-thirds of the difference in earnings in Texas was due to differences in wages, while one-third was due to differences in employment rates (including the impact of incarceration).<sup>37</sup> For Hispanics, three-quarters of the difference was due to differences in wages, and one-quarter was due to differences in employment rates.

**Homeownership.** Homeownership in neighborhoods with rising home values is the primary source of family wealth accumulation for middle class households in the U.S., enabling families to save for retirement or education, invest in their children’s future, or accumulate

capital to invest in entrepreneurship. Texas ranks 43rd in the nation for homeownership, with only 61 percent of Texans owning their own home. Not surprisingly, given wide disparities in education and earnings, this rate varies considerably by race and ethnicity, with 70 percent of White households, 61 percent of Asians, 41 percent of Blacks and 55 percent of Hispanics owning homes in 2014.<sup>38</sup>

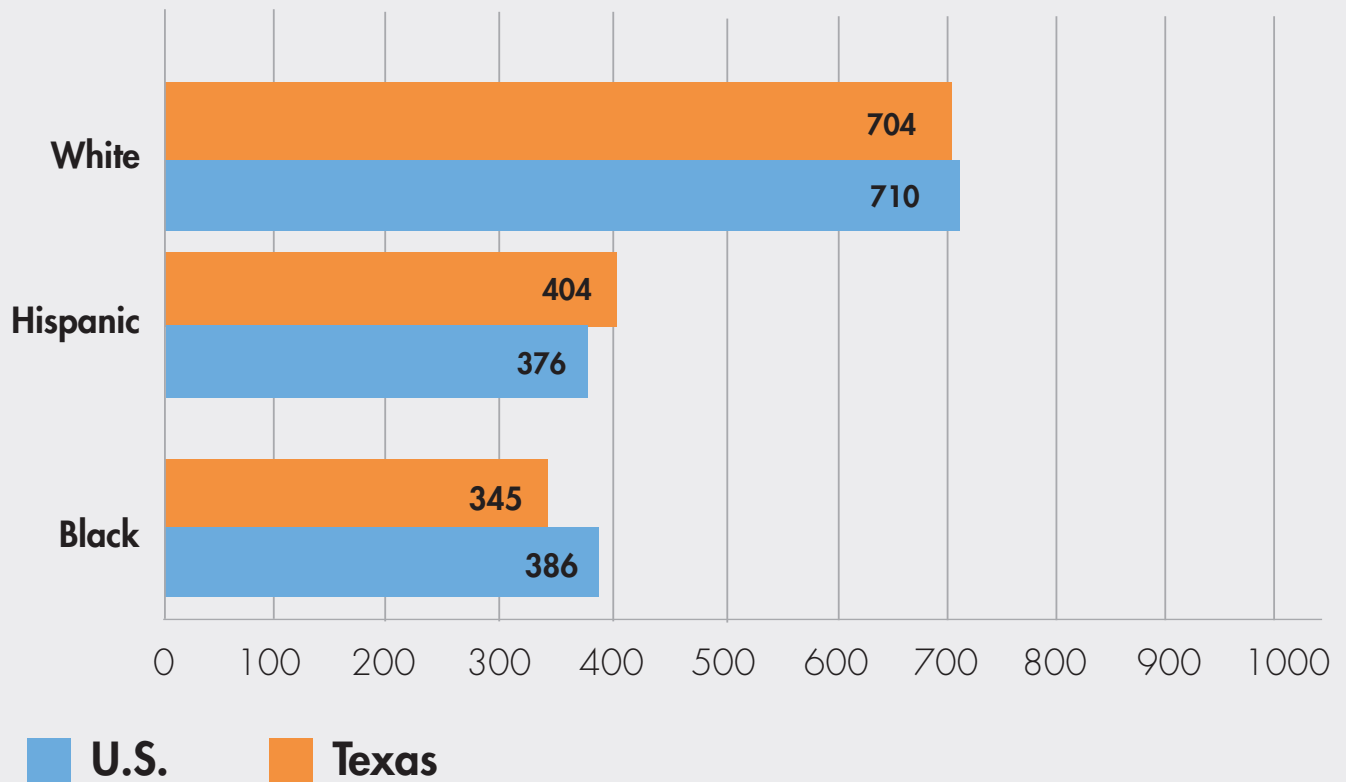
**Wealth.** Median net worth is often used as a measure of wealth and financial well-being, and represents the ability to respond to unexpected expenses or to invest in a home, education, or business. In 2008, Texans had a median net worth of \$53,000, but, again, it varied widely, at \$91,000 for Whites and \$28,000 for Hispanics.<sup>39</sup> Gaps in wealth are found to be mostly driven by disparities in homeownership and the value of those homes, although educational attainment and higher earnings are also important factors.<sup>40</sup>

**Overall opportunity.** The Annie E. Casey Foundation created the “Race for Results” index, combining 12 measures of success at each stage in life, from birth to adulthood, to create a composite score between zero and 1,000 for each racial or ethnic group; the higher the score, the greater the likelihood of success.<sup>41</sup> Individual measures include birthweight, preschool participation, grade level proficiency, graduation rates, and poverty levels. Patterns in Texas mirror the nation, with a value of 710 out of 1,000 for Whites and only 376 and 386 for Hispanics and Blacks, respectively.





**RACE FOR RESULTS COMPOSITE INDEX OF OPPORTUNITY (OUT OF 1000)**



**Comparing Texas to other states in measures of opportunity.**

According to the Annie E. Casey Foundation, Texas ranks below most states in opportunity for children at 43rd overall, 33rd for economic well-being, 32nd for education, 38th for health, and 47th for family and community.<sup>42</sup> The Corporation for Enterprise Development places Texas at 43rd in the nation for “Financial Assets and Income” and 41st on “Overall Outcomes” for household financial security and economic opportunity.<sup>43</sup> Finally, the Brookings Institution Metro Monitor program tracks the 100 largest metropolitan areas in the U.S., including six

areas in Texas. Four of the six (Austin, Houston, Dallas/Fort Worth, and San Antonio) are in the top 10 in the nation for overall growth and prosperity, but their rankings drop to between 17th (Houston) and 58th (Dallas/Fort Worth) when measured according to “inclusion by race,” which considers disparities in employment, wages, and poverty by race. On the other hand, the remaining two Texas metropolitan areas, McAllen and El Paso, are ranked 18th and 24th for overall growth but perform well at 9th and 12th for inclusion.

## Economic impacts of gaps in opportunity

Disparities in life outcomes represent missed economic opportunity not only for those directly affected, but for Texas businesses, governments, and communities. This is true today, but it will be increasingly true in the coming decades. By translating these disparities into measures of earnings, tax revenues, government expenditures, and purchasing power, we can quantify the potential magnitude of the economic impacts. The figures show that there is tremendous untapped potential in the Texas population, and that progress in areas like education and health could affect many billions of dollars.


- **Earnings** are a good summary measure of gaps in opportunity because they reflect the combined effect of many areas where there are disparities, including education, health, employment opportunities, and incarceration. We noted that persons of color in Texas earn 46 percent less than the average White person. If the average Hispanic, Black, or other person of color in Texas achieved the average earnings of their White counterparts at each age, total Texas earnings would have increased by about one-third, representing **\$182 billion** in 2015. The corresponding increase in the state's total economic output would be \$520 billion in 2015.<sup>44</sup>
- With the state's booming population growth coming from families of color, the potential impact of closing earnings gaps will increase significantly over time. **By 2050**, closing earnings gaps would increase earnings by more than 50 percent, or **\$335 billion**, increasing Texas economic output by nearly **\$2 trillion** – an increase that is more than the current GDP of Canada, Australia, Korea, Spain, or Mexico.
- Higher earnings mean **more spending on goods and services**. Based on the way average households in the U.S. spend their income<sup>45</sup>, a \$182 billion increase in earnings in 2015 would have been associated with about **\$18 billion** more in food purchases, **\$5 billion** in apparel and services, **\$24 billion** in cars, gas, and other transportation expenses, and **\$7.4 billion** in entertainment. By 2050, closing the earnings gap would be associated with **\$34 billion** more in food, **\$9 billion** in apparel and services, **\$45 billion** in transportation, and **\$13.6 billion** in entertainment spending.<sup>46</sup>

- Higher earnings also generate **higher state and local tax revenues**, improving the fiscal outlook for the state. Although Texas does not collect a state income tax, other types of taxes are collected that are associated with higher spending and earnings. The Tax Foundation estimates the Texas state and local tax burden at 7.6 percent of income.<sup>47</sup> Thus, the \$182 billion increase in income associated with closing earnings gaps in 2015 would generate nearly **\$14 billion** in increased tax revenues. For comparison, the Texas Comptroller of Public Accounts reports that in 2015, about \$50 billion in total was collected in state taxes.<sup>48</sup> By 2050, the additional \$335 billion in earnings would generate more than **\$25 billion** in additional state and local tax revenues.

- **Education** has consistently been shown to have a strong impact on unemployment and earnings. Analyses have shown that while gaps in earnings exist by racial and ethnic category in the U.S., higher levels of education increase lifetime earnings for all categories. For example, for White males, having a graduate degree is associated with \$1.9 million more in lifetime earnings than having less than a high school degree. The lifetime earnings advantage was \$1.6 million for Hispanic males, \$1.4 million for Black males, and \$2.3 million for Asian males.<sup>49</sup> Beyond earnings, the benefits of a college degree versus a high school diploma include: incidence of poverty 3.5 times lower, 24 percent higher probability of being employed, higher likelihood of health insurance and a retirement plan, 44 percent more likely to be in good health, probability of incarceration 4.9 times lower, life expectancy at age 25 is 7 years longer, and increased volunteering, charitable donations, and civic involvement.<sup>50</sup>



- If racial and ethnic disparities in health were eliminated, annual health care spending could be nearly **\$1.7 billion** lower and productivity could be **\$3 billion** higher.<sup>51</sup> Premature deaths due to current disparities in health are estimated at nearly 400,000 lost life years, representing an economic impact of nearly **\$20 billion**.<sup>52</sup> By 2050, if current disparities remain, population growth and changing demographics alone will increase the effects to nearly **\$3 billion** in excess health spending, **\$5.5 billion** in productivity costs, and **\$35 billion** in lost life years.



**By 2050, if current rates continue, there will be a nearly 50 percent increase in the prison population, for a corrections budget of more than \$5 billion (in today's dollars).**

- Texas spends \$3.5 billion a year on **corrections**, second only to California. If Blacks and Hispanics had the same average rates of incarceration as Whites, there would be 30 percent fewer inmates, corresponding to savings in government spending of **\$1 billion** per year.<sup>54</sup> By 2020, under current incarceration rates, the prison population will increase by 8 percent. If people of color were incarcerated at the same (already high) rates as Whites, even with population growth, the prison population in Texas would be 25 percent lower by 2020. By 2050, if current rates continue, there will be a nearly 50 percent increase in the prison population, for a corrections budget of more than \$5 billion (in today's dollars). If incarceration rates were equalized at current White rates, by 2050, even with population growth the prison population would remain about the same as it is today. This represents a difference of **\$1.5 billion** in expenditures. Of course, reductions in crime and incarceration would have many other beneficial effects on families and communities.

Dr. Steve H. Murdock and colleagues have been studying demographic trends in Texas and the economic implications of these trends for decades, calling these forces “The Texas Challenge.” Their recent comprehensive analysis concludes with six realities that are consistent with the facts we have presented in this brief:<sup>55</sup>

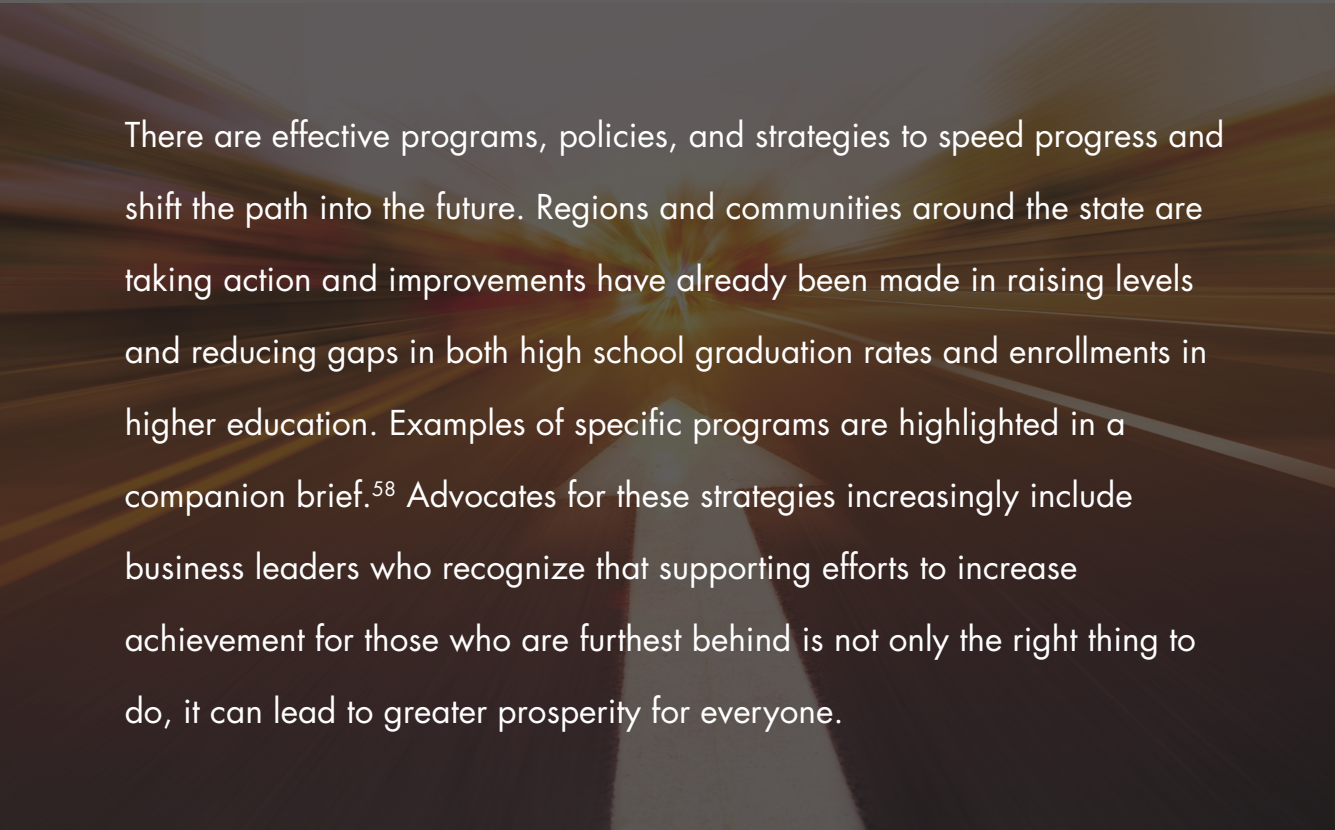
- 1.** Population growth in Texas will be largely driven by the Hispanic population.
- 2.** Hispanic and Black populations are likely to continue to have lower levels of education, lower earnings, and higher rates of poverty than other groups. Given the growth projected in these populations, Texas overall is likely to be poorer.
- 3.** Without improvements to the socioeconomic conditions faced by Hispanics and Blacks in Texas, the state as a whole will be poorer and less competitive in the near future. Impacts include higher demand for state services such as education and Medicaid and lower revenues.
- 4.** Although progress is being made in closing gaps in opportunity, current rates of change (even at the higher end of what has been seen in the past 30 years) will not be enough to prevent a decline in per capita resources in Texas. Change will need to happen faster than it has in the past few decades.
- 5.** Education can play a major role in increasing earnings and life outcomes for Hispanics, who are currently furthest behind in educational attainment, and for all people in Texas. Closing gaps in education will mean strengthening each step, including school readiness, grade level competencies in elementary and middle schools, transitions into high school, high school graduation rates, and achievement of the post-secondary degrees or certificates that will be increasingly essential to support the desirable skilled jobs of the future.
- 6.** Increasing the socioeconomic resources of Hispanics and Blacks to the average levels of Whites would lead to substantial increases in the state’s socioeconomic resources, including increased numbers of people in professional positions, increased state income, higher consumer expenditures, and greater tax revenues. In other words, expanding opportunity for persons of color improves economic conditions for all Texans.

## Which path into the future?

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Unlike many states that are aging but not growing, Texas should have plenty of workers. The greater diversity in this workforce should also be an advantage in an increasingly global economy; businesses with more diverse workforces have been shown to have more customers, higher revenues and profits, greater market share, less absenteeism and turnover, and a higher level of commitment to their organization.<sup>56</sup>

However, the current path for Texas means a less educated workforce at the same time the experienced Baby Boomers will be retiring and more workers with postsecondary training will be needed.<sup>57</sup> It means Texas could be faced with a combination of too many low-skilled job seekers at the same time employers need to step up recruitment of educated workers from outside the state or grow their businesses elsewhere. It means higher health care spending and lower productivity than could be achieved if disparities in health were reduced. It means lower tax revenues and more pressure on social services. And it means a population with less purchasing power to support Texas businesses.



There are effective programs, policies, and strategies to speed progress and shift the path into the future. Regions and communities around the state are taking action and improvements have already been made in raising levels and reducing gaps in both high school graduation rates and enrollments in higher education. Examples of specific programs are highlighted in a companion brief.<sup>58</sup> Advocates for these strategies increasingly include business leaders who recognize that supporting efforts to increase achievement for those who are furthest behind is not only the right thing to do, it can lead to greater prosperity for everyone.

# Notes

- <sup>1</sup> Texas ranks in the top 10 in the Tax Foundation's State Business Tax Climate Index, has ranked either 1st or 2nd in the 10 years of CNBC's Top States for Business ranking, and consistently ranks 1st in the Best and Worst State Rankings in *Chief Executive* magazine's annual survey.
- <sup>2</sup> *Office of the Governor of Texas, Overview of the Texas Economy: Current state economic and demographic trends*, updated July 2015. <http://gov.texas.gov/files/ecodev/texas-economic-overview.pdf> Accessed March 11, 2016.
- <sup>3</sup> Texas Demographic Center, Texas Population Projections Program, 2014 Population Projections by Age, Sex, and Race/Ethnicity, 2010-2050, middle series (assumes in-state migration continues at half the pace of 2000 to 2010 migration). Downloaded from <http://osd.texas.gov/Data/TPEPP/Projections/> on March 11, 2016.
- <sup>4</sup> Office of the State Demographer, Introduction to Texas Domestic Migration, April 2016.
- <sup>5</sup> White, S. et al, *Origins of Immigrants to Texas*, Office of the State Demographer, May 2015.
- <sup>6</sup> Texas Workforce Commission, Labor Market and Career Information, *Working Texas Style*, <http://www.lmci.state.tx.us/shared/workingtexasstyle/>.
- <sup>7</sup> Murdock, Steve H. and Michael E. Cline, Mary Zey, P. Wilner Jeanty, Deborah Perez, *Changing Texas: Implications of Addressing or Ignoring the Texas Challenge*, Texas A&M University Press, 2014, especially Chapter 9: Conclusions and Implications and Chapter 7: Health, Human, and Correctional Services.
- <sup>8</sup> Ibid.
- <sup>9</sup> Texas Demographic Center, Texas Population Projections Program, 2017 Population Projections by Age, Sex, and Race/Ethnicity, 2010-2050, middle series (assumes in-state migration continues at only half the pace seen from 2000 to 2010). Projections that assume migration continues at current pace estimate more than 50 million Texans by 2050. Downloaded from <http://osd.texas.gov/Data/TPEPP/Projections/> on March 11, 2016.
- <sup>10</sup> Throughout this report, Hispanic refers to those of any race whose ethnicity is identified as Hispanic or Latino, White refers to those who identify as white and are not Hispanic, and Black refers to those who identify as black or African-American and are not Hispanic.
- <sup>11</sup> Center for Public Policy Priorities, Texas Kids Count Project, State of Texas Children 2016: Race and Equity, May 2016, "The Future of Texas," page 4.
- <sup>12</sup> Annie E. Casey Foundation KIDS COUNT Data Center, <http://datacenter.kidscount.org/>. Accessed May 9, 2016.
- <sup>13</sup> Ibid.
- <sup>14</sup> Ibid.
- <sup>15</sup> Corporation for Enterprise Development. Assets & Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/tx> Accessed May 29, 2016.
- <sup>16</sup> Anne E. Casey Foundation KIDS COUNT Data Center, 2013-14 data. <http://datacenter.kidscount.org/> Accessed May 9, 2016.
- <sup>17</sup> Texas Education Agency, *Enrollment in Texas Public Schools 2014-15*, April 2016.
- <sup>18</sup> Ibid.
- <sup>19</sup> Ibid.
- <sup>20</sup> Ibid.
- <sup>21</sup> *National Assessment of Educational Progress: 2015 Mathematics Assessment and 2015 Reading Assessment*. Washington, DC: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2015, from CFED Scorecard.
- <sup>22</sup> *Four-Year Regulatory Adjusted Cohort Graduation Rate, School Year 2013-14*. Washington, DC: U.S. Department of Education, 2015. <http://eddataexpress.ed.gov/state-report.cfm/state/TX/>
- <sup>23</sup> Center for Public Policy Priorities, Texas Kids Count Project, *State of Texas Children 2016: Race and Equity*, May 2016, based on CPPP analysis of Texas Education Agency 2014-15 data.
- <sup>24</sup> Murdock, Steve H. and Michael E. Cline, Mary Zey, P. Wilner Jeanty, Deborah Perez, *Changing Texas: Implications of Addressing or Ignoring the Texas Challenge*, Texas A&M University Press, 2014, Table 4.9, page 53.
- <sup>25</sup> Carnevale, Anthony P., Nicole Smith, and Jeff Strohl, "Recovery: Job Growth and Education Requirements through 2020, State Report," Georgetown University Public Policy Institute, Center on Education and the Workforce, June 2013.
- <sup>26</sup> Hunt, Woody L, Chairman, Higher Education Strategic Planning Committee, "The Future of Higher Education in Texas" presentation slide 18. Cites 2011-2013 U.S. Census Bureau American Community Survey data. Higher Education Strategic Planning Committee
- <sup>27</sup> Murdock, Steve H. and Michael E. Cline, Mary Zey, P. Wilner Jeanty, Deborah Perez, *Changing Texas: Implications of Addressing or Ignoring the Texas Challenge*, Texas A&M University Press, 2014, Table 4.9, page 53.
- <sup>28</sup> Bureau of Labor Statistics Current Population Survey.
- <sup>29</sup> Wilson, Valerie, *State unemployment rates by race and ethnicity at the start of 2016 show a plodding recovery, with some states continuing to lag behind*, Economic Policy Institute, May 17, 2016, based on analysis of BLS local area unemployment statistics and monthly CPS microdata. <http://www.epi.org/publication/state-unemployment-rates-by-race-and-ethnicity-at-the-start-of-2016-show-a-plodding-recovery-with-some-states-continuing-to-lag-behind/>

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**POLICY BRIEF: The Business Case for Expanding Opportunity and Equity in Texas**

<sup>30</sup> The Sentencing Project <http://www.sentencingproject.org/the-facts/#map>.

<sup>31</sup> Annie E. Casey Foundation, KIDS COUNT Policy Report, "A Shared Sentence: the devastating roll of parental incarceration on kids, families, and communities," April 2016.

<sup>32</sup> Texas Health Data, Center for Health Statistics, 2011-2014 Behavioral Risk Factor Surveillance System data, <http://healthdata.dshs.texas.gov/HealthRisks/BRFSS>, accessed May 29, 2016. Percent of respondents rating their health as Fair or Poor.

<sup>33</sup> United Health Foundation, *America's Health Rankings Annual Report: Texas*. Data for 2015.

<sup>34</sup> Kaiser Family Foundation State Health Facts, from analysis of 2015 Census Bureau's March Supplement to the Current Population Survey.

<sup>35</sup> Annie E. Casey Foundation KIDS COUNT Data Center, <http://datacenter.kidscount.org/>. Accessed May 9, 2016.

<sup>36</sup> PolicyLink/PERE National Equity Atlas, economic indicators for Texas, <http://nationalequityatlas.org/indicators> accessed March 21, 2016.

<sup>37</sup> PolicyLink/PERE National Equity Atlas, wage and employment shares of gain economic indicator for Texas, <http://nationalequityatlas.org/indicators> accessed March 21, 2016.

<sup>38</sup> 2014 American Community Survey. Washington, DC: U.S. Department of Commerce, Census Bureau, 2015, from the Corporation for Enterprise Development. Assets & Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/tx> Accessed May 29, 2016.

<sup>39</sup> *Survey of Income and Program Participation, 2008 Panel, Wave 10*. Washington, DC: U.S. Department of Commerce, Census Bureau, 2013. Data calculated by Haveman Economic Consulting., from the Corporation for Enterprise Development. Assets & Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/tx> Accessed May 29, 2016. Net worth in 2011 dollars.

<sup>40</sup> Sullivan et al, "The Racial Wealth Gap: Why Policy Matters" 2015. [http://www.demos.org/sites/default/files/publications/RacialWealthGap\\_1.pdf](http://www.demos.org/sites/default/files/publications/RacialWealthGap_1.pdf)

<sup>41</sup> Annie E. Casey Foundation KIDS COUNT data center. <http://datacenter.kidscount.org/data/tables/8060-race-for-results-index-values-by-race-and-ethnicity#detailed/2/2-9,11-52/false/869/4215,3301,4216,4218,4217/15486>, Accessed May 9, 2016.

<sup>42</sup> Annie E. Casey Foundation, KIDS COUNT 2016 State Rankings. <http://www.aecf.org/m/databook/2016rankings.pdf> Accessed August 11, 2016.

<sup>43</sup> Corporation for Enterprise Development. Assets & Opportunity Scorecard, <http://scorecard.assetsandopportunity.org/latest/state/tx> Accessed May 29, 2016

<sup>44</sup> Author's calculations based on current earnings gaps, middle series population projections from the Texas Demographic Center, and GDP projections from the Texas Comptroller of Public Accounts Fall 2015-16 Texas Economic Forecast. Since the GDP projections stopped at 2045, they were extended to 2050 by applying the 3.2 percent annual growth seen in the 2030 to 2045 projections another five years.

<sup>45</sup> Bureau of Labor Statistics Consumer Expenditure Survey, Mid-year update July 2014 – June 2015, released April 15, 2016, last modified April 24, 2016. [http://www.bls.gov/news.release/archives/cesmy\\_04152016.pdf](http://www.bls.gov/news.release/archives/cesmy_04152016.pdf).

<sup>46</sup> Spending estimates by category based on author's calculations applying U.S. Consumer Expenditure Survey spending percentages for households with average income to Texas earnings gap estimates.

<sup>47</sup> <http://taxfoundation.org/state-tax-climate/texas>

<sup>48</sup> [http://www.texastransparency.org/State\\_Finance/Budget\\_Finance/Reports/Revenue\\_by\\_Source/](http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Revenue_by_Source/)

<sup>49</sup> Julian, Tiffani A., and R. A. Kominski, "Education and Synthetic Work-Life Earnings Estimates." American Community Survey Reports, ACS-14, Washington, DC, U.S. Census Bureau, 2011.

<sup>50</sup> Trostel, Philip for the Lumina Foundation, *It's Not Just the Money: The Benefits of College Education to Individuals and Society*.

<sup>51</sup> Turner A, LaVeist T, Gaskin D, Munoz-Rumsey E, "Economic Impacts of Health Disparities in Texas," Episcopal Health Foundation and Methodist Healthcare Ministries, December 2016.

<sup>52</sup> Hirth RA, Chernew ME, Miller E, et al. 2000. "Willingness to Pay for a Quality-Adjusted Life Year: In Search of a Standard." *Medical Decision Making* 20: 332–342. In the range of values identified in this paper, the \$50,000 per life year used in this calculation represents a conservative estimate.

<sup>53</sup> National Association of State Budget Officers State Expenditure Report, Examining Fiscal 2013-2015 State Spending.

<sup>54</sup> Author's calculations based on Texas Population Projections Program middle series population 2014 projections by race and ethnicity, reported rates of incarceration, and Texas corrections budget estimates from the National Association of State Budget Officers State Expenditure Report, Examining Fiscal 2013-2015 State Spending.

<sup>55</sup> Murdock, Steve H. and Michael E. Cline, Mary Zey, P. Wilner Jeanty, Deborah Perez, *Changing Texas: Implications of Addressing or Ignoring the Texas Challenge*, Texas A&M University Press, 2014.

<sup>56</sup> Page S. *The difference: how the power of diversity creates better groups, firms, schools, and societies*. Princeton, NJ: Princeton University Press; 2007.

<sup>57</sup> Texas Workforce Commission, Labor Market and Career Information, *Working Texas Style*, Chapter 1, <http://www.lmci.state.tx.us/shared/workingtexasstyle/>.

<sup>58</sup> Turner A, Beaudin-Seiler, B, "Expanding Opportunity and Equity in Texas: Highlights of Promising Programs," March 2017.

<sup>59</sup> <http://www.readynation.org/readynation-opens-texas-office/>