THE BUSINESS CASE FOR EQUITY IN ARKANSAS

RESEARCH BRIEF

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Summary

Equity will exist when all Arkansans, regardless of background or circumstances, have the education, economic tools, and opportunity to thrive in a prosperous state economy. Advancing equity means increasing the number of Arkansans who can earn a family-sustaining wage and build generational wealth. It means addressing systemic barriers and personal biases to open opportunities to all groups.

This vision of equity is both a social justice imperative and a strategy for economic growth. Equity of opportunity will create a stronger workforce and customer base and a better fiscal outlook at a time when Arkansas is aging, and the state's population growth is being sustained by groups that have historically been disadvantaged. By 2050, when today's children are in their prime working years, there will be only 2.4 Arkansans of working age for every one of retirement age. Shifting demographics mean that by 2050 nearly half (46%) of the working age population will be people of color.

Even today in Arkansas, while unemployment is low, more than 40% of households earn less than what is needed to meet their basic needs. Further, wide disparities exist in average health, earnings, wealth, homeownership, incarceration, and other life outcomes by characteristics such as race, ethnicity, and geographic location.

If economic equity were achieved and all households earned at least the minimum to make ends meet, total annual income in the state would be $8.4 billion higher. The state budget would gain $2.4 billion per year, a 9.6% increase, through greater tax revenues ($850 million increase) and less need for spending on Medicaid ($1.28 billion savings), corrections ($130 million savings), and income assistance ($152 million savings). Businesses would be supported by $6.87 million more in annual consumer spending power, including $884 million more in spending on food, $337 million more on entertainment, and $210 million more on apparel each year under typical spending patterns. With the projected growth in the size and diversity of the population, the gains would be even larger by 2050, when the Arkansas economy could be $22.4 billion or 13% larger under an equity scenario.

These economic gains should be viewed as upper bounds as they represent fully achieving equity goals, and they do not include the cost of investments needed to achieve equity. Nevertheless, the order of magnitude of these estimates shows that even some progress in advancing equity has the potential to produce significant benefits not only to those whose lives are improved, but to the state overall.

Meeting Arkansas's Challenges

Arkansas enjoys low unemployment, a low cost of living, a temperate climate, and a steadily growing population. Located in the center of the country and supported by a comprehensive transportation infrastructure, Arkansas is home to the headquarters of six Fortune 500 companies and the second highest percentage of manufacturing employment in the south.[1]

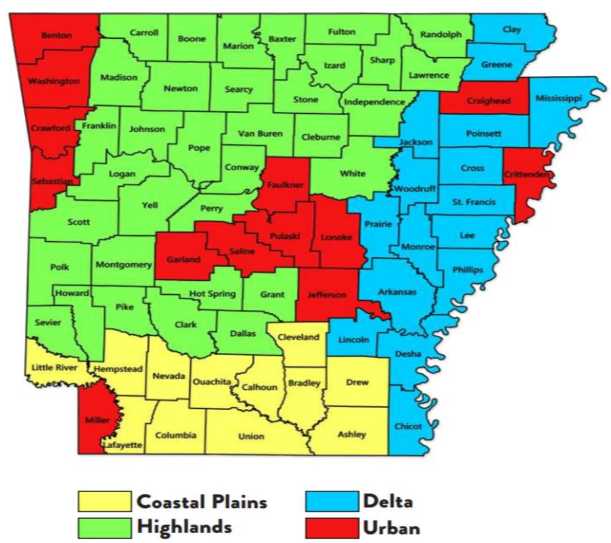
Yet while a high percentage of Arkansans are working, the state has a lower median household income and higher rates of poverty than the U.S. average. Nearly 70% of the 1.6 million jobs in Arkansas do not require more than a high school diploma and most of these jobs pay less than a family-supporting wage.[2] Even with the state's relatively low cost of living, *United for ALICE* estimates that nearly 475,000 households, more than 40% of Arkansas households, earn less than is needed to meet basic needs for housing, food, health care, child care, and transportation.[3]

Economic development plans and goals for Arkansas emphasize recruiting industries and increasing jobs that offer the opportunity for family-supporting wages. Such jobs usually require a post-secondary degree or certification, and while Arkansas compares favorably with other states in high school graduation rates, a smaller share of adults have a college degree than in most other states. Forbes ranks the Arkansas business climate highly in the categories of business costs (12th in the country) and regulatory environment (18th), but less favorably in the categories of labor supply (45th) and growth prospects (47th).[4] Clearly, efforts to attract skilled jobs will be most effective if complemented by corresponding investments in the workforce, and in Arkansas's young people, who are the workforce of the near future.

Where a person is born in Arkansas and their racial or ethnic background can have a major impact on their ability to be successful and to fully participate in the state's economy. There are currently significant disparities in child poverty, health, incarceration, income, wealth, access to banking and other factors affecting opportunity and life outcomes.

Most of Arkansas geographically is rural. As shown in Exhibit 1, 62 out of 75 counties are rural.[5] In terms of population, 41% of Arkansans live in a rural county, compared to 14% of the population nationwide. By most measures, including income, health, infrastructure, population migration, and economic growth, Arkansas's rural regions – the Delta, the Highlands, and the Coastal Plains – are struggling relative to the urban areas of the state such as central and northwest Arkansas.

EXHIBIT 1
Map of Rural and Urban Regions in Arkansas



Source: Miller, Wayne and Tyler Knapp, "Rural Profile of Arkansas 2019: Social & Economic Trends Affecting Rural Arkansas," University of Arkansas System Division of Agriculture.

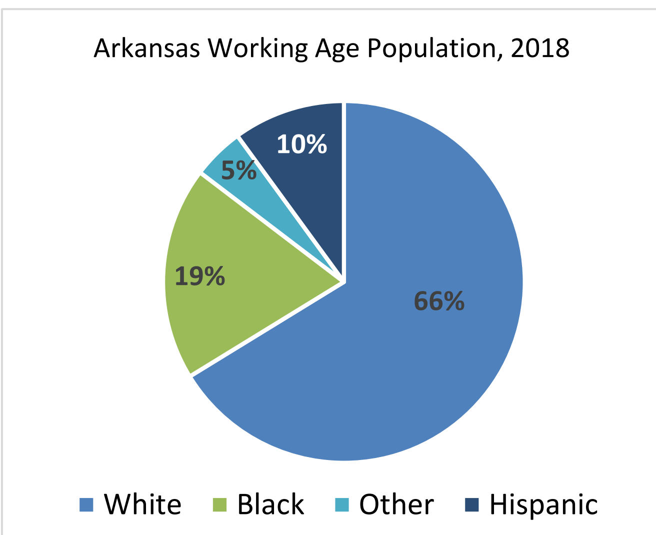
Demographics and the Arkansas Workforce

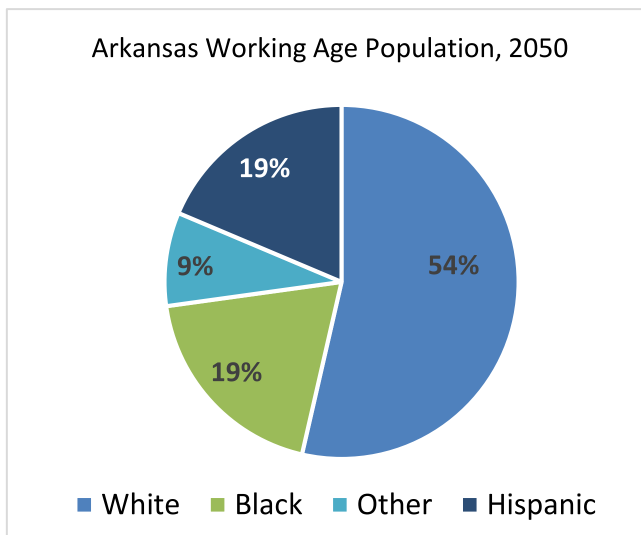
Arkansas's population is growing steadily. U.S. Census Bureau data show total growth of about one-half of one percent per year, much of it from net in-migration of people from other states and other countries. The population is also becoming older, more urban, and more racially and ethnically diverse. Within the state, migration from rural to urban areas continues, increasing the concentration of economic activity in the metropolitan areas, and increasing challenges for the large geographic area of the state that remains rural.

Today's Arkansas's population of just over 3 million people is 72% White, 16% Black, 8% Hispanic, and 4% "other," a category that includes Asian American, American Indian, mixed race, and other populations of color.[6] Arkansas's population is expected to grow to nearly 3.5 million people by 2050.[7] Over these same two decades, the White population will drop slightly, the Black population will grow by about 25%, and the Hispanic and "other" populations will roughly double.

By 2050, when today's children are in their prime working years, people of color will represent nearly half (46%) of the working age population in Arkansas, compared to their one-third share today. While the total population of prime working age (age 25 to 64) will grow by about 200,000 people, the number of White Arkansans of working age will fall by about 50,000 people. Blacks of working age will grow by just over 60,000, "other" racial groups will grow by just under 60,000, and the Hispanic population of working age will grow by nearly 125,000.[8]

EXHIBIT 2
Composition of Arkansas Prime Working Age Population, 2018 and 2050





Source: Data and Research Division, Institute for Economic Advancement, College of Business, University of Arkansas at Little Rock

Arkansas, like most of the country, is also aging. The state's population age 65 and older is growing twice as fast as the total population. There are currently 3.0 people of working age for every person of retirement age; by 2050, there will be 2.4 people of working age for every older resident, making the productivity of the remaining workers particularly important to the state's economic and fiscal outlook.

What Do We Mean by Equity?

An equitable society is one in which opportunity is equally available to all. It is a society in which all groups can participate and reach their potential. Advancing equity means helping groups that have been disadvantaged to regain ground and removing barriers to opportunity moving forward.

For the Winthrop Rockefeller Foundation (WRF), equity means all Arkansans have the core educational and economic tools needed to thrive in a prosperous state economy. The Foundation has defined a three-part equity vision:

- ECONOMIC EQUITY will exist when all Arkansans can achieve widely shared prosperity as all earn a living wage, participate in a thriving economy, and are able to build generational wealth.
- EDUCATIONAL EQUITY will exist when all Arkansans can attain the skills and education needed to support their families and communities without undue differences in outcomes based on age, ability, gender, race, or geographic location.
- SOCIAL AND RACIAL EQUITY will exist when systemic barriers, personal biases, and legacies of unfairness have been addressed and eliminated.

These three dimensions go hand in hand. Achieving educational equity supports achieving economic equity. Achieving social and racial equity – overcoming legacy effects of past discrimination and eliminating ongoing barriers to opportunity – supports achieving both educational and economic equity.

Business and Economic Benefits of Equity

Advancing equity is investing is the people of Arkansas and the state's economic future, strengthening the workforce and producing financial benefits to families, businesses, and governments.

A stronger workforce to support businesses and attract new economic investment. A well-prepared, healthy, and diverse workforce is crucial to the success of Arkansas businesses. It is also an important factor in attracting new employers that can offer well-paying jobs. As the population ages and retires, the growth in the working age population will come from people of color, who on average have lower levels of educational attainment and poorer health today. Absent targeted change, the workforce of the next few decades will be less able to support the skilled jobs being recruited for the state.

$8.4 billion more in state income. Hundreds of thousands of Arkansans are living in poverty, earning less than the Federal Poverty Level (FPL) based on family size. Hundreds of thousands more are **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, or "ALICE," earning above the FPL, but not high enough to meet basic household needs. Researchers with *United for ALICE* defined minimum survival budgets for households in Arkansas based on family size and composition for each county within the state. All households with incomes below these defined survival budgets are deemed ALICE; some earn less than the FPL and some earn between the FPL and the ALICE threshold.

Based on different costs of living throughout the state, the ALICE survival budget thresholds vary by county; state averages include $18,240 for a single adult and $46,812 for an Arkansas family of four (two adults with one infant and one preschooler). Today, more than 40% of households in Arkansas earn less than the ALICE threshold for their county.[9]

If all households in Arkansas earned at least the ALICE survival budget, total earnings in Arkansas would be $8.4 billion higher, a 12% increase.[10] The incomes of households currently living below the FPL would be double what they are today (207% increase) and the incomes of households currently earning between the FPL and ALICE thresholds would rise by 44%.

By 2050, given the expected growth and increasing diversity of the working age population, bringing all Arkansas household incomes to at least the ALICE survival budget would result in $12.3 billion in higher total earnings (in today's dollars), a 13% increase.

Achieving economic equity also improves social and racial equity, reducing disparities in income by race and ethnicity. The average Black household in Arkansas today earns 60% of the average non-Hispanic White household; under economic equity, the share rises to 72%. Similarly, the average Hispanic household income moves from 71% to 77% of the non-Hispanic White household average.

$6.9 billion more in annual consumer spending. Households that earn more tend to spend more on goods and services. Under current consumer spending patterns, achieving economic equity in Arkansas would translate to an additional $6.87 billion in annual consumer spending, including:

- $884 million more spending on food per year,
- $2.28 billion more spent on housing,
- $210 million more spending on apparel and services,
- $1.1 billion more spending on automobiles and transportation, and
- $337 million more spent on entertainment.[11]

By 2050, there would be an additional $10.1 billion in annual consumer spending, including:

- $1.29 billion more spending on food per year,
- $3.33 billion more spent on housing,
- $307 million more spent on apparel,
- $1.6 billion more spent on transportation, and
- $536 million more spent on entertainment.

$2.4 billion net gain for the state budget. When all Arkansas households are earning at least a survival wage, higher incomes will generate more payroll, income, sales, and other tax revenues. Families will also require less public spending on programs supporting food, housing, medical care, and other essential needs.

Achieving economic equity would generate an additional $850 million in annual state and local tax revenues.[12] Income assistance spending would decrease by about $152 million annually, and Medicaid spending in Arkansas would decrease by about $1.27 billion annually. Together, the increases in revenue and decreases in spending would generate a net gain of more than $2.4 billion annually to the Arkansas state budget, representing 9.6% of the total state budget of about $25 billion. By 2050, there would be an additional $1.244 billion per year in state and local tax revenues and a net gain to the Arkansas state budget of more than $3.5 billion in today's dollars.

13% increase in the size of the state economy by 2050. The ways in which higher incomes for ALICE households are achieved will affect how the income gains translate to economic growth. To the extent that higher incomes are achieved through greater productivity (such as better health or more skills and education), an additional $15.3 billion would be generated in economic output, representing a 12% increase in Arkansas's Gross State Product (GSP).[13] By 2050, achieving economic equity would represent up to a $22.4 billion gain in economic output, a 13% increase in Arkansas's projected GSP.

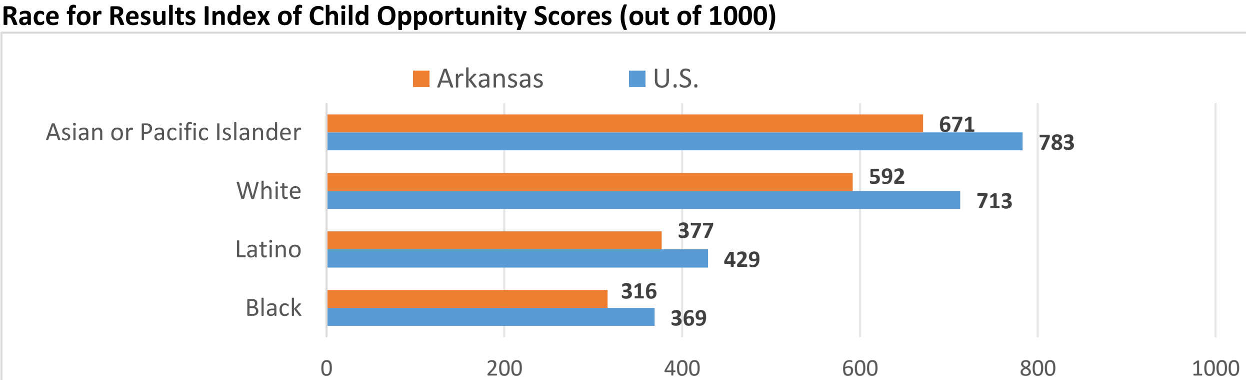
A Path Forward: Domains of Opportunity

The forces that impact life outcomes are interconnecting and reinforcing. Healthier, better-educated people tend to earn more and live in higher-income neighborhoods where there are lower crime rates, less pollution, better-quality education, and more resources to stay healthy. The wealth that families build by owning a home in a neighborhood with increasing home values improves their financial stability and enables them to support higher education and other investments in future generations. For children born into poverty, especially in neighborhoods where many families are living in poverty, this reinforcing cycle works in the opposite direction.

How do these forces impact the likelihood of success for children born into different sets of circumstances in Arkansas today? The Annie E. Casey Foundation's Race for Results Opportunity Index assembles 12 predictors of future success, including birth weight, preschool participation, academic proficiency scores, graduation rates, and family poverty levels, and creates a single composite score between 0 and 1,000; the higher the score, the greater the likelihood of success. Scores are also broken out for each racial or ethnic group in a state.

In 2017, this index of opportunity for White children in Arkansas was 592 out of 1,000, compared to a national score for White children of 713. For Hispanic/Latino children in Arkansas, the opportunity score was 377, also below the U.S. average, and for Black children it was 316 — indicating that Black children in Arkansas on average have only one-third of the full potential opportunity for success.[14]

EXHIBIT 3
Race for Results Index of Child Opportunity Scores (out of 1000)



To raise opportunity for all children of Arkansas and move toward the goals of educational, economic, and social/racial/ethnic equity, we examine domains that strongly influence life outcomes: housing and neighborhoods, education, health, crime and criminal justice, and employment and entrepreneurship. In each domain, we look at where Arkansas stands now, drivers of current challenges, and ways that equity can be advanced. While there is no one magic solution, the interconnectedness of life circumstances offers many points of intervention, and there are strategies that have been shown to be effective in increasing opportunity, reducing barriers, and supporting upward mobility.

HOUSING AND STRONG NEIGHBORHOODS

Housing inequities are a root cause of disparities in life outcomes in two ways. First, where we are born and raised has a significant effect on our health, wealth, and educational and employment opportunities in ways that vary across the state and by population subgroup. Secondly, homeownership is the major path to asset building for middle class families, so differences in homeownership and the trajectory of home values in neighborhoods strongly impact the opportunity to build intergenerational wealth.

Where is Arkansas now in homeownership and neighborhood opportunity?

About two-thirds of Arkansans today are homeowners. Not surprisingly, homeownership rates vary by income and by race and ethnicity. Less than half (44%) of Arkansans living below the ALICE threshold are homeowners, compared to around 60% of those earning just above the ALICE threshold. Across all incomes, homeownership varies widely by race and ethnicity, with 47% of households of color owning their own home compared to 71% of White households in Arkansas. Given that housing equity makes up about two-thirds of the wealth of an average household, housing differences are a major reason that the family wealth gap between racial and ethnic groups is even larger than the income gap.

The good news is that homes are relatively more affordable in Arkansas than in other states. Median home prices in Arkansas are lower than the U.S. average, and even though wages are lower as well, the ratio of median home price to median household income is 2.8, nearly 30% lower than the national average ratio of 3.6. The state ranks 9th best in the country for affordability of homeownership.[15]

While individual household poverty impacts opportunity, neighborhood poverty may be even more powerful. Research has shown that the negative effects of living in a poor neighborhood become significant when 20% or more of families in that neighborhood are living in poverty. In Arkansas, 14% of children live in neighborhoods where 30% or more of people are poor, somewhat higher than the national average of 12%. Further, some groups of children are much more likely to grow up in these high-poverty neighborhoods than others: 37% of Black children in Arkansas live in areas of concentrated poverty, as do 23% of Hispanic/Latino children, 12% of Asian/Pacific Islander children, and 6% of White children.[16]

Family net worth (assets minus debts) provides a cushion for economic hard times, greater financial stability, and the ability to save for retirement, invest in education, or gain financing for entrepreneurship. One in five (20.3%) of Arkansans have zero or negative net worth, compared to the U.S. average of 16.5%, the second highest rate in the country. According to Census Bureau data, the median net worth of White households in Arkansas was $66,000 (in 2013 dollars), among the lowest in the country and about half the U.S. average of $127,200. While low compared to the national average, the average net worth of White families in Arkansas was nine times the $7,000 average net worth of families of color.

What has led to some of the current challenges?

The concentration of families of color in high-poverty neighborhoods and their relatively lower rates of homeownership are not accidental. For much of the 20th century, the financing, development, and sale of housing in the U.S. was shaped by policies that helped White families achieve homeownership in desirable neighborhoods, supporting wealth accumulation, financial stability, and the ability to invest in the future. At the same time, these policies explicitly discriminated against non-White homebuyers, creating diverging paths for White families and families of color. The residential segregation that resulted from these policies often constrained families of color to higher-poverty and lower-opportunity neighborhoods, hindering the intergenerational wealth building that can break cycles of poverty.

How can equity be advanced through action in housing and neighborhoods?

Improving neighborhood environments to create more opportunity for children and families can include revitalizing existing neighborhoods, supporting families moving to better opportunity neighborhoods, and using zoning and other city planning tools to encourage more affordable housing and more socioeconomically integrated neighborhoods.

Rental assistance vouchers for low income families, especially when combined with counseling and other services to support movement to neighborhoods with more opportunity, have been shown to have long-term benefits for children, including higher college attendance rates and higher earnings, particularly if children move before the age of 13.[17] Real estate and other businesses can have a big impact on the success of housing voucher programs, since they require an adequate supply of affordable housing, landlords willing to take the vouchers, and methods to connect families qualifying for vouchers with higher-opportunity neighborhoods. Arkansas law does not protect families using vouchers from discrimination in the housing market as many other states do.

Inclusionary zoning requires a percentage of new housing developments to be set aside for low- or moderate-income housing to increase the availability of affordable housing. There are more than 1,300 inclusionary zoning programs operating in 24 states and the District of Columbia, although none yet exist in Arkansas.[18] Research finds that inclusionary zoning increases economic and racial integration by incentivizing the creation of low-income housing outside of high-poverty neighborhoods and that such programs are most effective when tailored to conditions in the local housing market. Businesses associated with residential development of homes and rental units can play a major role in creating more equitable communities by supporting this type of zoning and working to make it successful.

Not everyone can move to a higher-opportunity neighborhood or to newly built affordable housing. Improving conditions in current communities is also an important strategy to reduce the impact of housing inequities and expand opportunity. Businesses, along with public, private, and philanthropic organizations across the country, are supporting neighborhood revitalization efforts that improve lives and enhance the value of those neighborhoods.

Finally, access to responsible lending in areas and for populations with low rates of homeownership should be explored as a barrier. Arkansas has higher than average rates of people who have no bank account ("unbanked") or who have a standard account but still use high-cost financial services ("underbanked"). Arkansas ranks 40th in the country with 7.5% of households unbanked compared to the average 6.5%. The state ranks 31st with 19% of household underbanked compared to the average 18.7%. There are also wide disparities by race and ethnicity, with 6% of White households unbanked compared to 17% of Black and 14% of Hispanic households, and 17% of Whites households underbanked compared to 25% for people of color.

Not surprisingly, income levels are strongly associated with homeownership in Arkansas today. Just 53% of households earning below the ALICE threshold were homeowners compared to 74% of those earning just above the ALICE threshold (1.0 to 1.25 times the threshold).

EDUCATION

More education is associated with better health, lower odds of unemployment, higher lifetime earnings, and many other desirable life outcomes. On the other hand, higher education is expensive and young people are increasingly burdened with educational debt that does not always lead to correspondingly higher paying jobs. The people of Arkansas and the businesses in the state need alignment between a workforce that meets employer needs and jobs that pay a living wage. One of the pillars of WRF's vision for an equitable and prosperous Arkansas is educational equity – equal opportunity for all Arkansans to gain the skills and education needed to support their families and communities.

Where is Arkansas now in educational opportunity and outcomes?

Preparing Arkansans to participate in the workforce and their communities starts in early childhood and continues through primary and secondary school and possibly a post-secondary credential that leads to satisfying and household-sustaining employment. Educational outcomes in Arkansas today are a mixture of encouraging progress and continued challenges.

Early childhood education enrollment in Arkansas has averaged at or above the national average over the past ten years. The share of three- and four-year-old children enrolled in pre-Kindergarten programs has been measured at between 45% and 51% from 2007 through 2017, compared to the current U.S. rate of 48%. Most states show enrollment between 40% and 55% and Arkansas currently ranks 29th.[19]

Grade level proficiency in reading and math is a focus of programmatic attention and is showing improvement, but still lags most other states. In 8th grade reading proficiency, 28.7% of Arkansas students tested at or above proficient, for a state rank of 41 out of 51 (U.S. average 36.1%). In 8th grade math proficiency, 25.5% of Arkansas students tested at or above proficient in 2017, for a state rank of 44 (U.S. average 34.3%).[20]

High school graduation rates in Arkansas have been consistently above the U.S. average and rising in recent years. As of the 2016 graduation year, the four-year high-school graduation rate was 87%, above the U.S. average of 84.1% and placing Arkansas 17th in the country.[21]

Post-secondary educational attainment is the educational outcome on which Arkansas ranks the lowest compared to other states. Only 23.4% of Arkansans have completed a four-year baccalaureate degree, compared to one-third of U.S. adults, giving the state a ranking of 49 out of 51.[22] This rate has increased from 19% ten years ago, but has consistently lagged the U.S. average by about ten percentage points.

What has led to some of the current challenges?

Some educational challenges are rooted in legacy effects, while some stem from current practices. It is easy to forget that when today's baby boomers were children, most schools in the U.S. were still segregated by race. The Jim Crow laws following Reconstruction were not overturned until the landmark 1954 U.S. Supreme Court decision in Brown v. Board of Education of Topeka, and it took decades of subsequent court rulings and civil rights actions to drive greater integration and more equitable school funding. Although children of color have made significant gains, persistent racial and ethnic gaps in readiness for school, educational achievement, and educational attainment remain.

The past three decades have seen a significant increase in exclusionary discipline methods such as suspensions and expulsions in U.S. schools, and in referrals of students to law enforcement, even when misbehaviors are not dangerous or harmful to other students. These types of punishments have been shown to be harmful to the educational achievement and life outcomes of affected students, and they are more likely to be applied to some of the most vulnerable. In Arkansas, Black students, students eligible for free or reduced lunch, and students with special education status disproportionately receive referrals for various types of infractions and are more likely to receive exclusionary discipline for those infractions. Black students receive 117 referrals per 100 students, averaging more than one per student, while for White, Hispanic, and students of other racial/ethnic groups, the rate is between 37 and 40 per 100 students. Black students also receive suspensions or expulsions about 25% of the time, compared to 15% for student of other races.[23]

How can equity be advanced through action in education?

To improve educational outcomes and raise levels of educational attainment, attention is needed at all phases of the educational process. Ensuring all children are ready for school through high quality child care or preschool, ensuring resources are commensurate with need in bringing all children to grade level reading and math during elementary and middle school, ensuring successful transitions to high school, increasing high school graduation rates, connecting education to employer job requirements, and supporting both entry to and completion of post-secondary education – all are important and all work together to prepare the workforce and community members of the future.

Long-term evaluations of high-quality early childhood interventions, particularly those involving both children and their families, have demonstrated meaningful impacts on educational performance and other outcomes, providing benefits that accumulate over lifetimes and into future generations. Nobel Prize–winning economist James Heckman estimates that every dollar spent on quality early childhood education returns $13 over the long term. In Arkansas, 45% of three- and four-year-old children are enrolled in public or private pre-school, slightly below the U.S. average of 48%.[24]

The court case *Lake View School District No. 25 v. Huckabee* examined the structure for the funding of Arkansas schools in a grueling, fifteen-year process. This case led to the subsequent overhaul of public school funding with the aim to be fairer and to benefit all Arkansas students.

Restorative justice is an approach to school discipline that moves away from punishments in the form of suspensions and expulsions in favor of requiring recognition of the harm caused by wrongdoing and taking responsibility to make things right. A series of legislative policies have been passed in Arkansas aimed at reducing harmful exclusionary discipline, such as a prohibition on expulsion in grades K through 6. Attention will be needed to ensure these policies are consistently implemented.

Arkansas's Career Pathways Initiative (CPI) is an innovative program leveraging federal Temporary Assistance to Needy Families (TAMF) funds to help more than 30,000 low-income Arkansans to acquire the training and credentials for jobs in high-demand, high-wage industries.[25] Research evaluating program outcomes has shown a doubling of the rate of attainment of post-secondary degrees or certificates and increased job placement rates and wages compared to those who did not participate. Research has also found a return of $1.79 for every dollar invested over a five-year period.

Another important strategy is the partnering of business and education leaders to connect education with employer needs and job opportunities. Programs such as the Arkansas STEM Coalition and the Modern Workplace program are connecting industry leaders with educators to produce a workforce that supports jobs that will pay well and expand the economy of Arkansas.[26]

HEALTH

Health is fundamental to quality of life and is an important measure of societal well-being. Despite spending more than any other country on health care, the U.S. ranks below other advanced countries in health and life expectancy, and there are wide disparities in health by geography, race, ethnicity, and income in the country and in Arkansas.

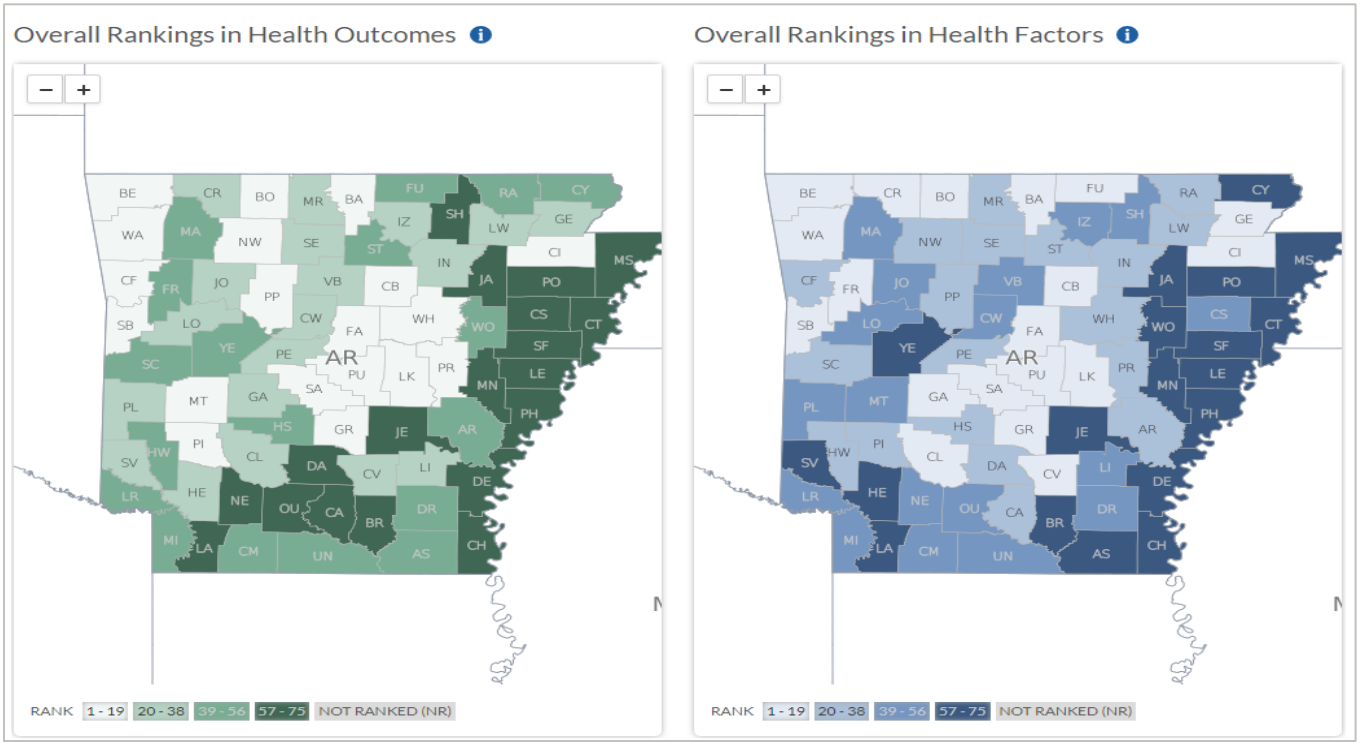
Where is Arkansas now in health status and factors that contribute to health?

Arkansas is among the states facing the greatest health challenges, ranking 46th out of 50 overall in the most recent United Health Foundation's America's Health Rankings.[27] Arkansans had high rates of smoking and inactivity but low rates of excessive drinking and drug deaths. The shares of Arkansans experiencing frequent mental and physical distress, at 17.3% and 16.4%, are among the highest in the country. Infant mortality, deaths from cancer and cardiovascular disease and overall premature death rates are also among the highest in the country. Arkansas ranks more highly (top 16) on health policy factors such as public health spending and rates of immunizations.

Like many other life outcomes, health is strongly influenced by one's environment. Where a person lives can dramatically affect that person's chance of living a longer, healthier life. The life expectancy of a child born in Arkansas varies by more than 20 years, depending on where they are born. According to the CDC, life expectancy at birth by census tract in Arkansas ranges from a low of 65.8 years to a high of 89.6 years, a difference of more than 23 years.

EXHIBIT 4

Ranking of Arkansas Counties by Health Outcomes and Factors that Influence Health



Source: University of Wisconsin Population Health Institute. County Health Rankings 2019.

Health disparities are also seen by racial and ethnic group. Poorer birth outcomes are a persistent and significant challenge for Black Arkansans. The share of low birth weight babies ranges from 7% for Hispanic babies in Arkansas to a high 15% for Black babies.[28]

How do we advance health equity?

Giving all Arkansans the opportunity for good health and longevity will require addressing gaps in access to health care, differences in the quality of health care received, and, most importantly, the effects of the social and environmental determinants of health such as access to healthy food and play and exposure to the ongoing negative stresses of financial instability and adverse life events.

Closing gaps in health insurance coverage is one strategy for improving health and family financial security, and an area where Arkansas can strive to maintain recent progress. The state's Children's Health Insurance Program, AR-KidsFirst, provides coverage to more than 94% of qualifying low-income children.[29] By expanding Medicaid under the Affordable Care Act through the state's innovative "private option," more than 250,000 Arkansans gained health care coverage and the uninsured rate dropped by more than 50% between 2013 and 2017.[30] The fate and the impact of Medicaid work requirements enacted by the state remains uncertain.

Prenatal and early childhood "home visiting" programs have a strong evidence base for improving both short-term and long-term health and other outcomes. For participating mothers, these programs have been found to decrease smoking rates during pregnancy, increase workforce participation, and decrease the use of public assistance. For the children born to these mothers, injuries, substance abuse, and crime have been reduced. There are seven major evidence-based home visiting programs operating in Arkansas today with state and federal dollars. The Arkansas Home Visiting Network promotes awareness of member programs and facilitates collaboration between programs and other support services.

Health issues affecting low-income children and children of color, including missing days of schools because of illness, being hungry, and having unaddressed vision or hearing problems, affect not only long-term health outcomes but educational outcomes as well. School-based health clinics (SBHCs) provide primary care health services to students in grades K–12 and may also provide mental and oral health care, social services, and health education. These centers have been shown to improve health outcomes, including increasing vaccination rates, reducing asthma morbidity, and decreasing emergency department and hospital admissions. SBHCs have also been shown to improve educational outcomes, including school performance, grade promotion, and high school completion. Arkansas now has a total of 47 SBHCs, with 36 of them funded over the past nine years under the Arkansas School-based Health Center Grant.[31] With three-quarters of the clinics funded since 2010, things are moving in the right direction. There are 269 school districts in the state, so 17% are now covered by SBHCs.

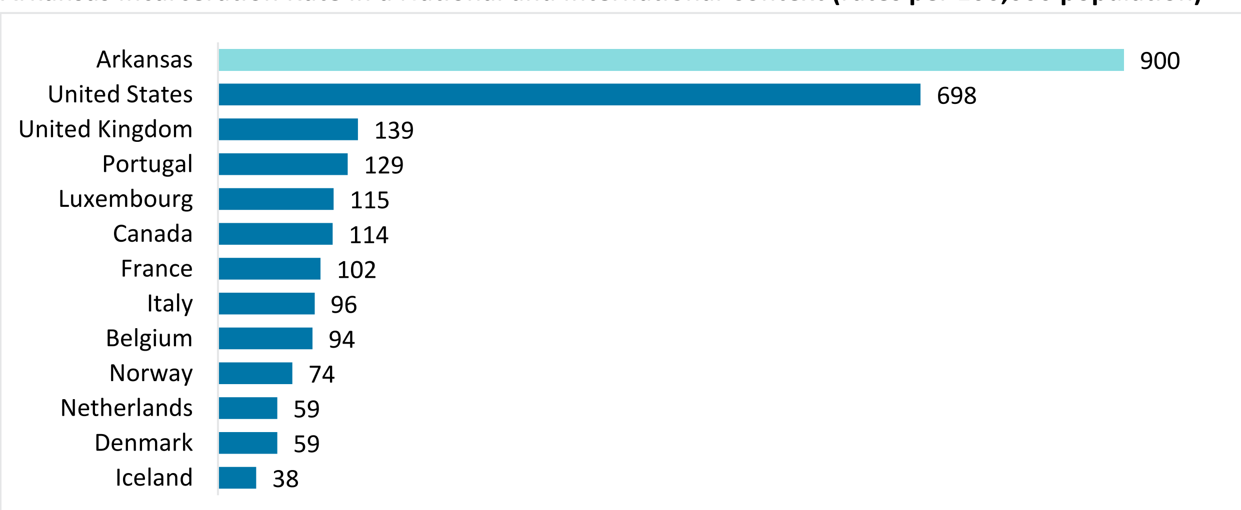
CRIME AND CRIMINAL JUSTICE

Where is Arkansas now in incarceration and criminal justice outcomes?

The U.S. has the highest incarceration rate in the world, far exceeding that of peer nations. Arkansas's rate is even higher than the U.S. average and ranks in the top ten of U.S. states.

EXHIBIT 5

Arkansas Incarceration Rate in a National and International Context (rates per 100,000 population)



Source: https://www.prisonpolicyorg./global/2018.html

As elsewhere in the country, there are also large disparities in incarceration rates by race. Black Arkansans are incarcerated at six times the rate of Whites, with 1,665 Blacks incarcerated per 100,000 versus 443 Whites.[32] If these disparities were eliminated and incarceration rates for Blacks brought down to the rate of Whites in Arkansas, the prison population would be reduced by about one-third, from about 18,300 to about 12,400 prisoners. At an average annual cost to the state of about $22,000 per prisoner, this represents a potential reduction in annual corrections costs of $130 million.

In addition to the direct costs of incarceration, Arkansas's economy loses potential employees and taxpayers who are out of the workforce during the time they are in prison and are likely to have lower lifetime earnings. Research has found that incarceration reduces former inmates' earnings by 40% and limits their future economic mobility.[33] Crime itself takes an economic toll on victims, creates harmfully stressful environments for children and families, lowers home values, and reduces the quality of life in neighborhoods and communities. Researchers at Washington University in St. Louis estimate that for every dollar saved in prison costs due to reduced incarceration, $10 in overall societal costs are saved. Using this estimate, the total societal savings of reducing Arkansas's Black incarceration rates to the level of state's White rates would be more than $1 billion.[34]

High incarceration rates also have intergeneration impacts. More than half of inmates are parents with children under the age of 18. Incarceration significantly impacts the economic resources and stability of families. Research has shown that children with incarcerated parents are more likely to experience homelessness, drop out of school, develop learning disabilities, experience anxiety, stress, and depression, and suffer from physical health problems, all of which hinder educational and other outcomes.[35] In Arkansas, 13% of children have had a parent incarcerated, including 12% of White children and more than one in five (22%) Black children.[36]

Nationally, there have been modest declines in the incarcerated population in recent years, as more policymakers on both sides of the aisle recognize the human and monetary cost of very high levels of incarceration that have not been shown to contribute to public safety. Unfortunately, Arkansas is one of a handful of states whose prison population has risen in recent years.[37]

What has led to some of the current challenges?

High incarceration rates are a national phenomenon. There has been a fivefold increase in incarceration across the U.S. since the 1980s. More than 2 million people are in U.S. prisons and jails, and our incarceration rate is more than four times the world average.[38] Laws and policies enacted in response to high crime rates and the "war on drugs," including mandatory sentencing that gave more power to prosecutors to determine sentencing by specifying the charges, contributed to this trend.

The burden of increased incarceration has disproportionately been borne by people of color. People of color, especially Black men, are more likely to be stopped, questioned, arrested, brought to trial, and given a longer sentence for similar crimes. People of color are disproportionately imprisoned on drug charges, even though White Americans have been found to use illegal drugs at similar rates.

How do we advance equity through the criminal justice system?

Criminal justice reforms and programs focusing on prevention, addiction, and workplace re-entry can disrupt the cycle of incarceration and lessen the lifelong toll incarceration takes on children, families, and communities. These programs are increasing receiving bipartisan support around the country.

The Arkansas Fines Collection Law of 1995 requires that an individual's ability to pay be considered prior to incarceration for failure to pay legal financial obligations. As documented by the Lawyers' Committee for Civil Rights Under Law, Arkansas courts do not consistently implement such consideration, supporting a modern-day debtors' prison system that creates greater incarceration and poverty. [39] Thousands have been incarcerated simply for the inability to pay, disproportionately harming opportunity and life outcomes for those already in poverty and people of color. The Committee recommends action to ensure defendants are notified that their ability to pay is an important issue, that all have the opportunity for a court proceeding to consider their ability to pay, and that the courts adopt "bench cards" or similar resources defining these procedures and definitions of ability to pay. These steps can be implemented immediately and are consistent with current law in Arkansas and with the recently approved long-term strategic plan of the Arkansas Supreme Court.

Education is particularly critical for juvenile offenders, who have long future life paths and often enter the criminal justice system behind academically. Researchers with the National Academy of Sciences reviewed modeling results on costs and benefits of a range of juvenile justice interventions. Educational services were shown to offer the highest direct economic benefits, at more than $100,000 per youth.[40]

Businesses can play a role in reducing the impact of mass incarceration by pursuing policies that offer opportunity to returning community members. For example, "ban the box" policies remove the question about conviction history from initial job applications so that job-seekers re-entering society can be considered for employment. The Equal Employment Opportunity Commission offers guidance on best practices for using arrest and conviction information in hiring decisions. Currently, Arkansas has no state or local ban the box laws. Public and private prisoner job training and reentry programs and businesses that provide opportunities to returning community members are important actions to advance equity.

EMPLOYMENT AND ENTREPRENEURSHIP

Where is Arkansas now in employment and entrepreneurship?

The unemployment rate in Arkansas in the first quarter of 2019 was a low 3.7% and has stood at or below the national rate for many months. Beneath this low total, there are disparities by race and educational attainment. For Whites, unemployment was at was 3.1%, while for Blacks it was 6.8% and for Hispanics 4.5%.[41]

Rates of business ownership also vary by race and gender. Men own businesses at more than three times the rate of women in Arkansas. 17.9% of Whites in the labor force owned businesses compared to 13.3% of people of color. The total value of business receipts is even more heavily weighted toward male business owners and White owners.[42]

What has led to some of the current challenges?

While discrimination based on race or ethnicity has been illegal for more than 50 years, systematic biases remain in employment opportunities and access to capital. In a well-known University of Chicago study, when the same resume was submitted to job postings under different names, a callback for an interview was 50% more likely when the resume had a stereotypically White name instead of a stereotypically African American name.[43] In a separate experiment, White, Black, and Hispanic/Latino participants with similar demographic characteristics and interpersonal skills were given equivalent resumes and sent in person to apply for hundreds of low-wage jobs. Black applicants were half as likely as equivalent White applicants to be called back or offered the job. Remarkably, both Black and Hispanic/Latino applicants with no criminal records had the same success rates as White applicants who reported being recently released from prison.[44] Discrimination or unconscious bias based on gender or age have also been shown to create barriers for workers seeking hiring or advancement.

Entrepreneurship can be an important source of new jobs, but Arkansas has a high rate of people without access to banking and capital. People of color start businesses at the same or higher rates as White entrepreneurs, but businesses owned by people of color tend to be smaller and to have lower survival rates. There are several factors that contribute to gaps in small-business ownership and performance, including more limited access to capital to weather initial bumps and take advantage of opportunities to expand and less access to business skills and experience. Less capital and collateral and lower credit scores may contribute to Black and Hispanic/Latino business owners being denied financing or being charged higher interest rates, but there is also persistent evidence that applicants of color are more likely to be denied loans even when controlling for other characteristics. For more details on the experience of entrepreneurs in Arkansas, see forthcoming research by Julia Chears-Young on small business access to capital in the state.

How do we advance equity through employment and entrepreneurship?

Arkansas's businesses can evaluate internal practices in recruitment, hiring, retention, and advancement to identify and break down biases and shape work environments to promote diversity and inclusion.[45] These practices can produce immediate gains in retention and employee satisfaction. Looking to the future, new business solutions and new market opportunities can come from combining different perspectives.[46]

Private and public organizations can invest directly in Arkansas's workforce and support economic development efforts, especially those that target underrepresented groups. These investments create pipelines to good workers and better communities in which to live, work, do business, and attract more talent and investment.

Whether through public policy or private sector commitment, raising the pay of low wage workers above the outdated federal minimum wage can achieve significant progress toward economic equity. Arkansas-based large employers such as Walmart have been proactive in raising hourly wages to as high as $14 per hour in Little Rock. Arkansas voters recently supported a phased increase in the minimum wage up to $11 per hour by 2011. Recent research shows measured increases in the minimum wage were not associated with decreases in employment. The Earned Income Tax Credit (EITC) is financial policy widely recognized by economists as addressing poverty while encouraging work. Prosperity Now recommends states add a minimum of 15% to the federal EITC and that it be fully refundable so even those without a tax liability can benefit; Arkansas currently offers no official state EITC but has created a set of exemptions and tax credits for very low-income households.

Efforts to increase entrepreneurship can focus on removing barriers for women and people of color, whether due to legacy effects of past discrimination or ongoing biases. For example, programs to increase access to capital for underserved populations and support business training and mentorship could leverage the initiative that already exists and drive a significant increase in the number of successful small businesses, reducing both earnings and wealth gaps.

Next Steps to Advance Equity in Arkansas

Economic equity can be achieved through combinations of tax, income, and other policies, investments in health, education, and other domains impacting life outcomes, and through strategies to reduce structural barriers and biases.

Advancing equity in Arkansas will not be the work of one group or sector. Individuals, businesses, state and local governments, philanthropies – alone and in partnership – all will be needed. Each stakeholder can act within their sphere of influence and each can lend support to policies that promote greater equity, including early childhood investments, sentencing reform and reentry, and other high-leverage, evidence-based strategies highlighted in this brief and summarized below.

1) Invest early to maximize lifelong health and educational achievement. Proven strategies include home visiting programs such as Nurse-Family Partnership, which provides prenatal and early childhood care and counseling, and early childhood investments, including preschool and quality early child care.

2) Improve the environment in existing communities through neighborhood revitalization efforts. Improving the physical environment and promoting new businesses in underserved neighborhoods can improve health and economic opportunity and inspire hope in the communities.

3) Empower social mobility by supporting recipients of housing voucher programs in moving to higher opportunity neighborhoods. The younger children are when they move to a better neighborhood, the greater the lifelong benefits.

4) Increase future equity and economic growth by implementing inclusionary zoning policies. Greater availability of affordable housing and greater integration of income levels, races, and cultures will reduce opportunity gaps and strengthen communities. Purposeful school zoning also can create more socioeconomic diversity in schools, more evenly distributing education-associated opportunity.

5) Keep children in school by implementing more effective school discipline policies. Restorative justice — requiring taking responsibility and making restitution — has been shown to be an effective consequence of misbehavior, while reducing suspensions and expulsions. Remaining in the classroom and in school improves academic performance and graduation rates.

6) Change laws and policies governing nonviolent crime through evidence-based sentencing reform. The high cost of incarceration for individuals, families, and taxpayers, and evidence that increased incarceration and longer sentences in most cases do not reduce crime, have led to bipartisan support for sensible sentencing reform.

7) Support successful transitions to society for returning citizens through re-entry programs. Giving returning citizens the opportunity and supports they need during this critical transition not only lowers recidivism, it expands the pipeline to productive and dedicated workers.

8) Better connect youth to job skills through career-focused education. Across the country, employers are partnering with high schools, community colleges, and universities to support and influence training that will best meet employer needs and increase job opportunities.

9) Create economic opportunity through business development in low-opportunity areas. High-poverty neighborhoods are less able to support local businesses, so jobs are scarce; supporting the establishment of businesses in these neighborhoods increases opportunities for employment and the development of job skills.

10) Grow successful entrepreneurship through expanding access to capital and business expertise, especially for historically underserved populations.

Appendix A: Economic Impacts by County

EXHIBIT A-1:
Gains in Income and Consumer Spending under Economic Equity by County ($ millions)

County	Additional Income under Economic Equity	Additional Consumer Spending	Spending on Food	Spending on Housing	Spending on Apparel	Spending on Transportation	Spending on Healthcare	Spending on Entertainment	Spending on Education	Spending on Personal care	Cash Contributions	Spending on Insurance and Pensions	All Other Spending
Arkansas	61.21	49.97	6.43	16.54	1.52	7.97	4.10	2.66	1.24	0.63	1.56	5.63	1.67
Ashley	64.59	52.72	6.78	17.46	1.61	8.41	4.33	2.81	1.31	0.67	1.64	5.94	1.76
Baxter	124.55	101.68	13.08	33.66	3.10	16.21	8.34	5.42	2.52	1.29	3.17	11.46	3.40
Benton	438.81	358.21	46.10	118.59	10.93	57.11	29.39	19.10	8.89	4.54	11.17	40.38	11.99
Boone	100.78	82.27	10.59	27.24	2.51	13.12	6.75	4.39	2.04	1.04	2.57	9.28	2.75
Bradley	36.04	29.42	3.79	9.74	0.90	4.69	2.41	1.57	0.73	0.37	0.92	3.32	0.98
Calhoun	17.70	14.45	1.86	4.78	0.44	2.30	1.19	0.77	0.36	0.18	0.45	1.63	0.48
Carroll	73.33	59.86	7.70	19.82	1.83	9.54	4.91	3.19	1.49	0.76	1.87	6.75	2.00
Chicot	34.12	27.86	3.58	9.22	0.85	4.44	2.29	1.49	0.69	0.35	0.87	3.14	0.93
Clark	70.09	57.21	7.36	18.94	1.75	9.12	4.69	3.05	1.42	0.73	1.78	6.45	1.91
Clay	42.51	34.70	4.47	11.49	1.06	5.53	2.85	1.85	0.86	0.44	1.08	3.91	1.16
Cleburne	74.18	60.55	7.79	20.05	1.85	9.65	4.97	3.23	1.50	0.77	1.89	6.83	2.03
Cleveland	25.99	21.21	2.73	7.02	0.65	3.38	1.74	1.13	0.53	0.27	0.66	2.39	0.71
Columbia	80.18	65.45	8.42	21.67	2.00	10.44	5.37	3.49	1.62	0.83	2.04	7.38	2.19
Conway	66.55	54.33	6.99	17.99	1.66	8.66	4.46	2.90	1.35	0.69	1.69	6.12	1.82
Craighead	273.62	223.36	28.74	73.95	6.82	35.61	18.33	11.91	5.54	2.83	6.97	25.18	7.48
Crawford	181.89	148.48	19.11	49.16	4.53	23.67	12.18	7.92	3.69	1.88	4.63	16.74	4.97
Crittenden	179.25	146.32	18.83	48.44	4.47	23.33	12.01	7.80	3.63	1.86	4.56	16.50	4.90
Cross	63.27	51.65	6.65	17.10	1.58	8.23	4.24	2.75	1.28	0.66	1.61	5.82	1.73
Dallas	27.00	22.04	2.84	7.30	0.67	3.51	1.81	1.18	0.55	0.28	0.69	2.48	0.74
Desha	41.28	33.70	4.34	11.16	1.03	5.37	2.77	1.80	0.84	0.43	1.05	3.80	1.13
Drew	55.56	45.35	5.84	15.01	1.38	7.23	3.72	2.42	1.13	0.58	1.41	5.11	1.52

County	Additional Income under Economic Equity	Additional Consumer Spending	Spending on Food	Spending on Housing	Spending on Apparel	Spending on Transportation	Spending on Healthcare	Spending on Entertainment	Spending on Education	Spending on Personal care	Cash Contributions	Spending on Insurance and Pensions	All Other Spending
Faulkner	283.50	231.43	29.78	76.62	7.06	36.90	18.99	12.34	5.75	2.94	7.22	26.09	7.75
Franklin	59.33	48.44	6.23	16.04	1.48	7.72	3.97	2.58	1.20	0.61	1.51	5.46	1.62
Fulton	35.65	29.11	3.75	9.64	0.89	4.64	2.39	1.55	0.72	0.37	0.91	3.28	0.97
Garland	318.34	259.87	33.44	86.04	7.93	41.43	21.32	13.86	6.45	3.30	8.10	29.30	8.70
Grant	54.63	44.60	5.74	14.77	1.36	7.11	3.66	2.38	1.11	0.57	1.39	5.03	1.49
Greene	111.24	90.81	11.69	30.06	2.77	14.48	7.45	4.84	2.25	1.15	2.83	10.24	3.04
Hempstead	61.69	50.36	6.48	16.67	1.54	8.03	4.13	2.69	1.25	0.64	1.57	5.68	1.69
Hot Spring	97.67	79.73	10.26	26.40	2.43	12.71	6.54	4.25	1.98	1.01	2.49	8.99	2.67
Howard	43.60	35.59	4.58	11.78	1.09	5.67	2.92	1.90	0.88	0.45	1.11	4.01	1.19
Independence	99.56	81.27	10.46	26.91	2.48	12.96	6.67	4.33	2.02	1.03	2.53	9.16	2.72
Izard	36.16	29.52	3.80	9.77	0.90	4.71	2.42	1.57	0.73	0.37	0.92	3.33	0.99
Jackson	56.21	45.89	5.91	15.19	1.40	7.32	3.77	2.45	1.14	0.58	1.43	5.17	1.54
Jefferson	218.32	178.22	22.94	59.00	5.44	28.42	14.62	9.50	4.42	2.26	5.56	20.09	5.96
Johnson	80.49	65.71	8.46	21.75	2.01	10.48	5.39	3.50	1.63	0.83	2.05	7.41	2.20
Lafayette	22.25	18.16	2.34	6.01	0.55	2.90	1.49	0.97	0.45	0.23	0.57	2.05	0.61
Lawrence	43.54	35.54	4.57	11.77	1.08	5.67	2.92	1.90	0.88	0.45	1.11	4.01	1.19
Lee	33.31	27.19	3.50	9.00	0.83	4.34	2.23	1.45	0.67	0.34	0.85	3.07	0.91
Lincoln	31.01	25.31	3.26	8.38	0.77	4.04	2.08	1.35	0.63	0.32	0.79	2.85	0.85
Little River	41.23	33.66	4.33	11.14	1.03	5.37	2.76	1.79	0.84	0.43	1.05	3.79	1.13
Logan	71.50	58.37	7.51	19.32	1.78	9.31	4.79	3.11	1.45	0.74	1.82	6.58	1.95
Lonoke	169.97	138.75	17.86	45.94	4.23	22.12	11.38	7.40	3.44	1.76	4.33	15.64	4.64
Madison	41.91	34.21	4.40	11.33	1.04	5.45	2.81	1.82	0.85	0.43	1.07	3.86	1.14
Marion	45.11	36.82	4.74	12.19	1.12	5.87	3.02	1.96	0.91	0.47	1.15	4.15	1.23
Miller	132.40	108.08	13.91	35.78	3.30	17.23	8.87	5.76	2.68	1.37	3.37	12.18	3.62
Mississippi	165.60	135.18	17.40	44.75	4.13	21.55	11.09	7.21	3.36	1.72	4.22	15.24	4.52
Monroe	31.30	25.55	3.29	8.46	0.78	4.07	2.10	1.36	0.63	0.32	0.80	2.88	0.86
Montgomery	30.63	25.01	3.22	8.28	0.76	3.99	2.05	1.33	0.62	0.32	0.78	2.82	0.84

County	Additional Income under Economic Equity	Additional Consumer Spending	Spending on Food	Spending on Housing	Spending on Apparel	Spending on Transportation	Spending on Healthcare	Spending on Entertainment	Spending on Education	Spending on Personal care	Cash Contributions	Spending on Insurance and Pensions	All Other Spending
Nevada	26.85	21.92	2.82	7.26	0.67	3.50	1.80	1.17	0.54	0.28	0.68	2.47	0.73
Newton	21.34	17.42	2.24	5.77	0.53	2.78	1.43	0.93	0.43	0.22	0.54	1.96	0.58
Ouachita	86.01	70.21	9.04	23.24	2.14	11.19	5.76	3.74	1.74	0.89	2.19	7.92	2.35
Perry	30.02	24.51	3.15	8.11	0.75	3.91	2.01	1.31	0.61	0.31	0.76	2.76	0.82
Phillips	73.59	60.07	7.73	19.89	1.83	9.58	4.93	3.20	1.49	0.76	1.87	6.77	2.01
Pike	33.55	27.39	3.52	9.07	0.84	4.37	2.25	1.46	0.68	0.35	0.85	3.09	0.92
Poinsett	89.20	72.82	9.37	24.11	2.22	11.61	5.97	3.88	1.81	0.92	2.27	8.21	2.44
Polk	69.67	56.88	7.32	18.83	1.74	9.07	4.67	3.03	1.41	0.72	1.77	6.41	1.90
Pope	188.20	153.64	19.77	50.86	4.69	24.50	12.61	8.19	3.81	1.95	4.79	17.32	5.14
Prairie	35.66	29.11	3.75	9.64	0.89	4.64	2.39	1.55	0.72	0.37	0.91	3.28	0.97
Pulaski	1,108.77	905.12	116.48	299.66	27.62	144.31	74.27	48.27	22.47	11.48	28.23	102.04	30.29
Randolph	48.53	39.62	5.10	13.12	1.21	6.32	3.25	2.11	0.98	0.50	1.24	4.47	1.33
St. Francis	87.71	71.60	9.21	23.71	2.19	11.42	5.88	3.82	1.78	0.91	2.23	8.07	2.40
Saline	211.19	172.40	22.19	57.08	5.26	27.49	14.15	9.19	4.28	2.19	5.38	19.44	5.77
Scott	34.34	28.04	3.61	9.28	0.86	4.47	2.30	1.50	0.70	0.36	0.87	3.16	0.94
Searcy	22.58	18.44	2.37	6.10	0.56	2.94	1.51	0.98	0.46	0.23	0.57	2.08	0.62
Sebastian	383.28	312.89	40.26	103.59	9.55	49.89	25.67	16.69	7.77	3.97	9.76	35.27	10.47
Sevier	51.74	42.24	5.44	13.98	1.29	6.73	3.47	2.25	1.05	0.54	1.32	4.76	1.41
Sharp	50.84	41.50	5.34	13.74	1.27	6.62	3.41	2.21	1.03	0.53	1.29	4.68	1.39
Stone	34.21	27.93	3.59	9.25	0.85	4.45	2.29	1.49	0.69	0.35	0.87	3.15	0.93
Union	139.01	113.48	14.60	37.57	3.46	18.09	9.31	6.05	2.82	1.44	3.54	12.79	3.80
Van Buren	47.85	39.06	5.03	12.93	1.19	6.23	3.20	2.08	0.97	0.50	1.22	4.40	1.31
Washington	641.38	523.58	67.38	173.34	15.98	83.48	42.96	27.92	13.00	6.64	16.33	59.03	17.52
White	265.81	216.99	27.92	71.84	6.62	34.60	17.80	11.57	5.39	2.75	6.77	24.46	7.26
Woodruff	26.15	21.34	2.75	7.07	0.65	3.40	1.75	1.14	0.53	0.27	0.67	2.41	0.71
Yell	61.43	50.15	6.45	16.60	1.53	8.00	4.11	2.67	1.24	0.64	1.56	5.65	1.68
State of Arkansas	8,417.54	6,871.50	884.28	2,274.94	209.71	1,095.60	563.82	366.46	170.59	87.18	214.29	774.67	229.97

EXHIBIT A-2:
State Budget Impacts under Economic Equity by County ($ millions)

County	Gain in State and Local Tax Revenue	Reduction in Medicaid Spending	Reduction in Income Assistance	TOTAL Positive Contribution to State Budget
Arkansas	6.18	15.50	2.65	24.33
Ashley	6.52	12.38	1.49	20.39
Baxter	12.58	4.94	1.85	19.37
Benton	44.32	69.26	3.95	117.53
Boone	10.18	4.00	1.50	15.68
Bradley	3.64	6.91	0.83	11.38
Calhoun	1.79	0.89	0.47	3.15
Carroll	7.41	2.91	1.09	11.40
Chicot	3.45	6.53	0.78	10.77
Clark	7.08	11.44	1.05	19.57
Clay	4.29	10.43	2.29	17.01
Cleburne	7.49	6.95	0.96	15.40
Cleveland	2.62	4.98	0.60	8.20
Columbia	8.10	4.02	2.11	14.23
Conway	6.72	10.88	0.08	17.68
Craighead	27.64	65.40	13.50	106.53
Crawford	18.37	36.08	2.45	56.90
Crittenden	18.10	33.28	2.06	53.44
Cross	6.39	5.26	-	11.65
Dallas	2.73	1.36	0.71	4.80
Desha	4.17	7.91	0.95	13.03
Drew	5.61	10.64	1.28	17.53
Faulkner	28.63	33.15	-	61.78
Franklin	5.99	7.84	1.56	15.39
Fulton	3.60	3.34	0.46	7.40
Garland	32.15	51.95	4.79	88.88
Grant	5.52	16.15	3.11	24.78
Greene	11.24	27.29	5.99	44.52

County	Gain in State and Local Tax Revenue	Reduction in Medicaid Spending	Reduction in Income Assistance	TOTAL Positive Contribution to State Budget
Hempstead	6.23	17.08	1.57	24.88
Hot Spring	9.86	15.93	1.47	27.27
Howard	4.40	5.76	1.14	11.31
Independence	10.06	9.32	1.29	20.66
Izard	3.65	3.38	0.47	7.50
Jackson	5.68	2.97	0.12	8.77
Jefferson	22.05	64.51	12.45	99.00
Johnson	8.13	13.16	0.09	21.39
Lafayette	2.25	6.16	0.57	8.98
Lawrence	4.40	10.68	2.34	17.42
Lee	3.36	2.77	-	6.13
Lincoln	3.13	5.94	0.71	9.78
Little River	4.16	11.41	1.05	16.63
Logan	7.22	9.44	1.88	18.54
Lonoke	17.17	19.88	-	37.05
Madison	4.23	1.67	0.62	6.52
Marion	4.56	1.79	0.67	7.02
Miller	13.37	36.65	3.37	53.39
Mississippi	16.73	30.74	1.90	49.37
Monroe	3.16	2.60	-	5.76
Montgomery	3.09	5.00	0.46	8.55
Nevada	2.71	7.44	0.68	10.83
Newton	2.16	0.85	0.32	3.32
Ouachita	8.69	4.31	2.27	15.26
Perry	3.03	4.91	0.03	7.98
Phillips	7.43	6.12	-	13.55
Pike	3.39	9.28	0.85	13.52
Poinsett	9.01	7.42	-	16.42
Polk	7.04	9.20	1.83	18.06
Pope	19.01	30.78	0.21	50.01

County	Gain in State and Local Tax Revenue	Reduction in Medicaid Spending	Reduction in Income Assistance	TOTAL Positive Contribution to State Budget
Prairie	3.60	1.89	0.08	5.57
Pulaski	111.99	244.54	32.32	388.84
Randolph	4.90	11.90	2.61	19.42
St. Francis	8.86	7.29	-	16.15
Saline	21.33	28.19	1.38	50.89
Scott	3.47	4.54	0.90	8.91
Searcy	2.28	0.89	0.34	3.51
Sebastian	38.71	76.02	5.16	119.89
Sevier	5.23	6.83	1.36	13.41
Sharp	5.13	4.76	0.66	10.55
Stone	3.46	3.20	0.44	7.10
Union	14.04	6.97	3.67	24.67
Van Buren	4.83	4.48	0.62	9.93
Washington	64.78	25.01	5.10	94.89
White	26.85	14.06	0.57	41.47
Woodruff	2.64	1.38	0.06	4.08
Yell	6.20	10.05	0.07	16.32
State of Arkansas	850.17	1,280.79	152.21	2,283.16

Methods

Arkansas population estimates and projections to 2050 by age group, sex, and race/ethnicity are from the Data and Research Division, Institute for Economic Advancement, College of Business, University of Arkansas at Little Rock, processed from data from Regional Economic Models, Inc., and available at: https://aedi.ualr.edu/demores/demoscripts/projections_state_2010_base.php?race=1&age=1&sex=1

Arkansas Gross State Product (GSP) for 2018 is from the U.S. Bureau of Economic Analysis. Growth in GSP through 2050 was set to 1% per year in computing the dollar impact of equity on Arkansas GSP in 2050. Alternate assumptions about baseline Arkansas GSP growth would not change the percentage increase in 2050 GSP under an equity scenario, only the future GSP dollar impact reported.

The **income gain** under equity was estimated as follows:

1. Household-level data from the U.S. Census Bureau American Community Survey (ACS) 5-year Public Use Microdata Sample (PUMS) dataset for 2013-2017 was linked with individual-level ACS PUMS data for 2013-2017. Each household was assigned the race and ethnicity and other individual-level characteristics the reference person for that household.
2. ALICE income thresholds were obtained from United for ALICE researchers conducting a ongoing study of Arkansas. The ALICE thresholds represent the annual Household Survival Budgets. These thresholds were specific to county, reflecting different costs of living across the state, and were broken out by households headed by persons under 65 years old and older than 65.
3. The sub-state geographic regions identified in the PUMS data are the Census-defined Public Use Microdata Areas (PUMAs), which are based on minimum population size for reporting results. We developed a mapping using the Census Bureau's PUMA reference file between the 20 PUMAs and the 75 counties in Arkansas so that the appropriate ALICE threshold by county could be aligned with each household. In the few cases where a county spanned more than one PUMA, a weighted average based on population was used to generate county estimates. Applying this mapping, an ALICE threshold was computed for each PUMA.
4. Income for each household was compared to the ALICE threshold for the PUMA of residence, distinguishing between under and over age 65. Where household income was below the ALICE threshold (including households below the federal poverty line), the difference between the income and the threshold was computed. The total potential income gain under economic equity was computed as the sum of this difference across all households currently living in poverty or ALICE, by PUMA and for the entire state.
5. To estimate income gains by county, counts of households by county were obtained separately from the Census Bureau's American Fact Finder (now at data.census.gov). The share of households in poverty and ALICE and the average income gap from the associated PUMA was then multiplied by the household counts by county to get county estimates of potential income gains under equity.

The **potential gain in GSP** was estimated as follows:

1. The income gains as described above were computed for the year of interest and divided by total earnings to compute the percent increase in total earnings that would occur under economic equity.
2. The GSP estimate, or projection for 2050, was increased by the percentage computed in step 1 to compute the dollar increase in GSP. This approach assumes an increase in GSP proportional to the increase in earnings, with the gain in earnings achieved by increasing productivity. It also assumes that the increase in GSP associated with greater equity is on top of the baseline GSP projection (set to 1% growth per year).

Gains in consumer spending in each major category of goods and services were estimated by multiplying the average share of earnings spent by U.S. households on each category according to the BLS National Consumer Expenditure Survey, 2017 data, released September 2018. Since income gains were computed for households by county and for the state, consumer spending increases could be computed and reported by county as well as for Arkansas.

The **increase in state and local tax revenues** was computed as 10.1% of the increase in earnings, based on tax rate on earnings in Arkansas from The Tax Foundation's "Facts and Figures, How Does Your State Compare?" 2019. Since income gains were computed for households by county, tax increases could be computed and reported by county as well as for Arkansas.

Savings associated with eliminating disparities in incarceration rates was estimated by computing the number of incarcerated people using the state-specific population estimates and incarceration rates by race from the Sentencing Project, then subtracting the number that would be incarcerated if Blacks were incarcerated at the White rate. The difference was multiplied by the average cost per prisoner for Arkansas from the Vera Institute. While small changes in the incarcerated population would reduce spending by the smaller marginal cost per prisoner, we used average costs to compute a ballpark estimate of potential cost savings because the large size of the estimated decrease in the prison population make it likely that both fixed and marginal costs would be reduced.

Reductions in Medicaid spending were computed using a combination of ACS data, ALICE thresholds, and Arkansas state budget data. ACS data allow identification of individual health insurance status, including Medicaid coverage. Using our individual-to-household linked ACS PUMS data file, we summed the individuals in each household having Medicaid to estimate the average number of Medicaid enrollees per household. To compute the savings under economic equity, we assumed that households currently earning below the ALICE threshold would look like households at or just above the ALICE threshold. This approach is consistent with our estimate of income gains computed by setting household incomes at the ALICE threshold. Using ACS data, we compared the average number of Medicaid enrollees per household for those currently ALICE and below to the same metric for households at incomes of 1.0 to 1.25 times the ALICE thresholds. Note that it was necessary to define a small range of incomes at or above ALICE to examine associated household characteristics because there were very few households exactly on the threshold.

To estimate a cost savings, we needed to translate a decrease in Medicaid use to Medicaid spending. We used Arkansas annual budget data from the National Association of State Budget Officers 2018 State Budget Report to estimate a total state Medicaid budget. We averaged 2017 Arkansas Medicaid spending and preliminary 2018 spending to estimate a Medicaid annual budget of $7,116 billion. Using the ACS data, we computed the percentage decrease in total Medicaid enrollees due to the movement of the ALICE and below households at 18%. We took an 18% reduction in the estimated Medicaid budget of $7,116 billion to estimate a reduction in Medicaid spending of $1.28 billion.

To estimate reductions in Medicaid spending associated with each county, we used ACS data to compute individuals on Medicaid per household before and after moving households at or below ALICE to just above ALICE threshold incomes. We multiplied these estimates by the numbers of households in each county to estimate the decrease in the number of people leaving Medicaid coverage by county. We computed each county's share of the total leaving Medicaid, then distributed the estimated state Medicaid spending reduction across counties based on these shares.

Reductions in income assistance spending. ACS data break out an individual's income by source, including public assistance. Using our linked data file, we summed across individuals in each household to get income by source for the household. We combined the categories of Supplemental Security Income and Public Assistance (which includes general assistance and Temporary Assistance to Needy Families) to represent household income received as "income assistance."

To compute the savings in income assistance under economic equity, we assumed that households currently earning below the ALICE threshold would look like households at or just above the ALICE threshold. This approach is consistent with our estimate of income gains computed by setting household incomes at the ALICE threshold, and with our method of computing Medicaid savings. Using ACS data, we compared income assistance income for those currently ALICE and below to income assistance received by households at incomes of 1.0 to 1.25 times the ALICE thresholds. As noted earlier, it was necessary to define a small range of income at or above ALICE to examine associated household characteristics because there were very few households exactly on the threshold. We found that when moving from below the threshold to at or just above the ALICE thresholds, income assistance fell for these households by 31%, or $152 million.

To estimate reductions in income assistance associated with each county, we used household counts by county from ACS American Fact Finder (now data.census.gov), combined with data on income by source at the PUMA level and our PUMA-to-county mappings to compute the difference in income assistance income between households below the ALICE threshold and those at 1.0 to 1.25 times the ALICE threshold.

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