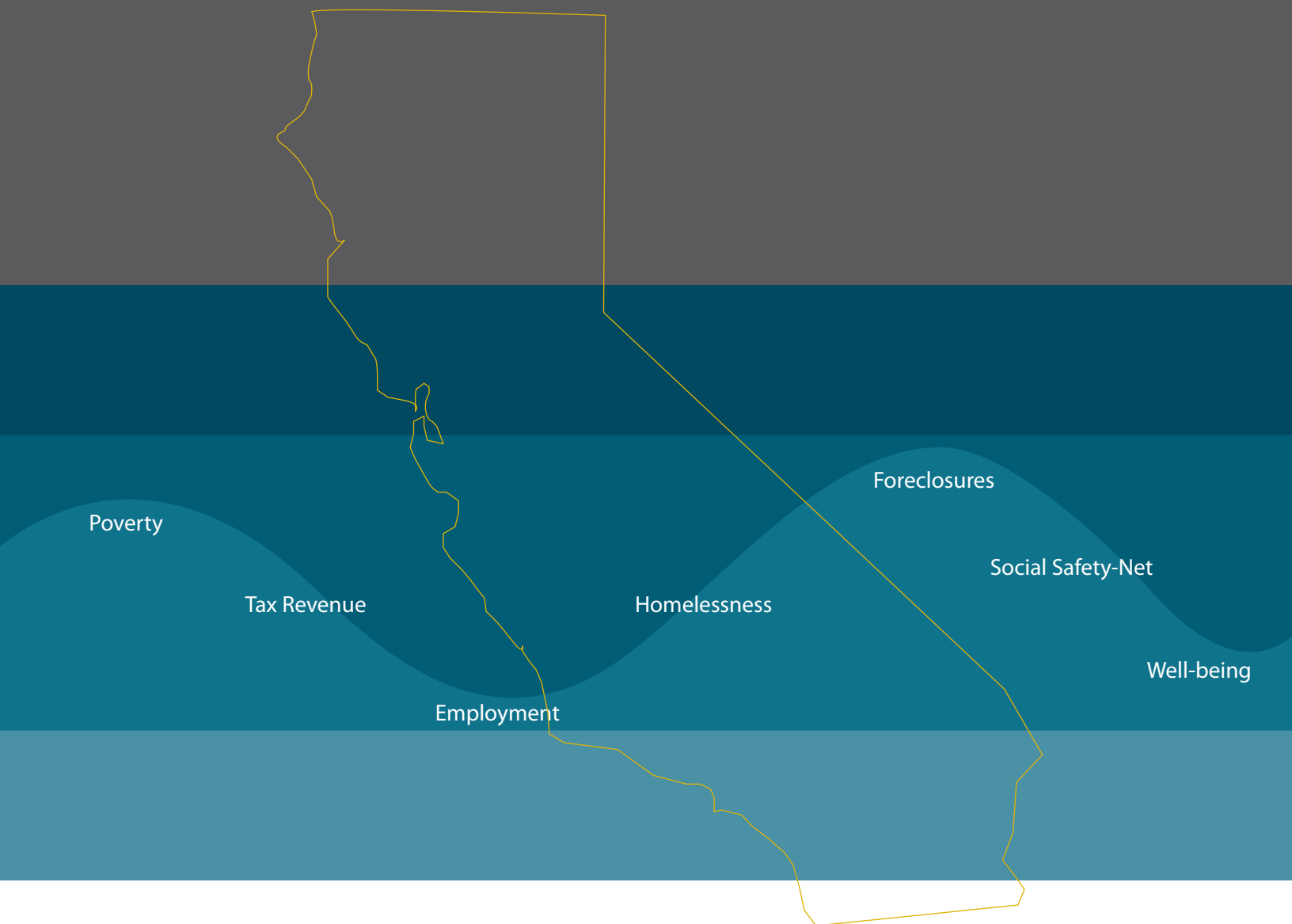


Ebbing Tides in the Golden State

Impacts of the 2008 Recession on California and Los Angeles County

Daniel Flaming
Patrick Burns
Michael Matsunaga



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Underwritten by
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Daniel Flaming
Michael Matsunaga Patrick Burns

ECONOMIC ROUNDTABLE
A Nonprofit, Public Policy Research Organization
315 West Ninth Street, Suite 1209, Los Angeles, California 90015
www.economicrt.org

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EXECUTIVE SUMMARY

The most concrete characteristic of a recession is that demand disappears for some of the commodities produced by workers and unwanted unemployment is imposed on a large segment of the labor force. With growing job losses in the current recession it is important to know, whose boat falls when the economic tide recedes? Benchmarks of dislocation from past economic declines are instructive of what lies ahead. The link between loss of jobs and diminished well-being is powerful and clearly demonstrable. When households lose their incomes, a predictable range of vulnerabilities to economic, housing, family and health emergencies are created.

California has immense human and financial resources. It is the largest state, with an economy larger than all but a few nations. If these resources are used wisely, irreversible long-term damage to the well being of California residents will be prevented and the state will continue to grow and thrive after the recession ends.

Los Angeles was the epicenter of a severe recession in the 1990s. It went through that recession with no strategy and little public leadership, and still has not recovered the jobs that were lost. The current policy environment is far different from what it was in 1990. The national government is undertaking thoughtful, aggressive and far-reaching economic interventions. Los Angeles and California are challenged step up to this mark by sensibly assessing priorities and using the state's resources strategically to prevent irreversible long-term harm to residents.

Communities that have come of age are able to make decisions that shape their future and safeguard their well-being. One critical measure of California and Los Angeles' standing in 2009, the second year of an increasingly severe recession, is their capability to take actions that preserve the foundations of shared well being.

The Labor Market

When households lose employment, they are more likely to sink into poverty, require public assistance, lose their homes, experience family dysfunctions, and have increased susceptibility to health problems. Job loss projections that provide the basis for projecting other impacts of the recession in this report are based on actual losses from 2007 to 2008 of 4 percent in LA and 1.7 percent in California, and the UCLA Anderson forecast of 2.6 percent California job loss in 2009 and 0.6 percent in 2010. This adds up to 7 percent employment decline in Los Angeles County and 4.8 percent decline in California at the trough of the recession, and is our Mid-Impact projection. We also produce High-Impact projections equivalent to job losses in LA's 1990 recession, and Low-Impact projections reflecting outcomes if job losses end in 2009.

Unemployment, which counts only unemployed workers who are actively seeking jobs, is projected to peak at 12.2 percent in Los Angeles County and 11.7 percent in California. *Under-employment*, which is a truer measure of job loss because it includes not only unemployed workers but also discouraged workers, conditionally interested

workers and workers who have been involuntarily reduced to part-time employment, is projected to peak at 18 percent in LA and just over 17 percent in California.

The burden of unemployment falls unevenly across the labor force. Unemployment rates for workers without a high school diploma are 53 and 100 percent higher, respectively, than overall unemployment rates. This means that at the trough of the recession, there will be 19 percent *unemployment* and 26 percent *under-employment* among workers in LA who do not have a high school diploma, and 23 percent *unemployment* and 32 percent *under-employment* in California.

Unemployment rates for African Americans and Latinos are 57 percent and 14 percent higher, respectively, than overall unemployment rates in both Los Angeles County and California. This means that at the trough of the recession there will be 19 percent *unemployment* and 24 percent *under-employment* among African Americans in Los Angeles County, with corresponding rates of 18 and 24 percent in California. And there will be 14 percent *unemployment* and 18 percent *under-employment* among Latinos in LA, with corresponding rates of 13 percent and 18 percent in California.

Average income goes down in recessions because earned income, which accounts for 84 percent of total income, declines as workers are laid off or have their work hours reduced. Personal income in California (in constant dollars) is projected to decline 17.6 percent at the trough of the recession from the peak in 2007. Annual taxable sales (in constant dollars) are projected to decline 18 percent from the 2006 level in Los Angeles County and 17 percent in California. Bankruptcy filings have increased 206 percent in LA and 240 percent in California since 2006, and further increases appear likely.

Recessions accelerate the decline of vulnerable industries. Based on first-year impacts of the 2008 recession, vulnerable industries appear to include the Durable Goods Manufacturing sector, including Transportation Equipment Manufacturing and Computer and Electronic Product Manufacturing, the Nondurable Goods Manufacturing Sector, including Apparel, Printing, and Plastics and Rubber Products, and the Information Sector, including Newspaper Publishing.

Recommended Actions to Save Jobs and Assist Unemployed Workers

Government influence over the trajectory of the economy is at least as great during a recession as during times of growth. Strategic regulatory and budget decisions, and use of special funds designated for redevelopment and job creation can have the effect of nudging the economy toward sustained growth.

1. *Encourage participation in education and training* – There are fewer jobs than there are workers. Unemployed workers, welfare-to-work parents, and prospective new entrants into the labor market should be encouraged to participate in vocational training and formal education to improve their future productivity and earnings potential. Continued funding of community colleges and adult education is necessary to meet these education and training needs.
2. *Make land use, economic development and educational decisions that increase sustainable employment and earnings:*
 - Understand industry strengths and monitor trends to identify key industries.

- Make land use decisions that support growth of key industries.
- Foster attentive, informed interaction with stakeholders in key industries.
- Preserve a stable and competitive environment for key industries.
- Intervene in measured ways to avert decline in key industries.
- Use government purchasing power to support growth in key local industries.
- Prioritize infrastructure improvements to help key industries.
- Use strategic infrastructure assets to leverage value-added activity and jobs.
- Take measured steps to make business capital available to targeted industries.

Housing

Collapse of the housing market helped trigger the current recession, which in turn has greatly diminished the income available to renters and buyers for obtaining shelter. Housing production in 2009 is estimated to be 28 percent of the 2004 peak in Los Angeles County and only 16 percent in California. It is all but certain that market-driven construction activity will fall well short of keeping pace with housing demand, particularly the demand for affordable housing, over the next five years.

By the end of 2008, the first year of the recession, both the growth rate and number of eviction filings in Los Angeles County already exceeded the total increases experienced in the 1990 recession.

At the close of 2008, 1.8 percent of LA's and nearly 2.7 percent of California's residential properties were foreclosed. California recorded an unprecedented 253,000 foreclosures in 2008, more than three times the peak of foreclosures in the 1990 recession. Approximately 18 percent of all households impacted by foreclosures are renters. The share of foreclosures in low-income neighborhoods is 46 percent higher than in the 1990 recession.

After the first year of the current recession, home prices had already fallen much more than they did in the entire course of the 1990 recession – 39 percent in LA and 40 percent in California. Los Angeles County's property tax roll is projected to peak in 2009 and then decline 11 percent (in constant dollars) and California's property tax roll is projected to decline 4 percent.

Recommended Actions to Provide Homes for Californians:

Metropolitan areas of California have acute shortages of affordable housing. For example, in Los Angeles, 30 percent of renter households are severely rent-burdened, paying 50 percent or more of their income for rent. The rapid decline in housing prices that is one of the causes of the current recession is creating opportunities for public sector action to increase the supply of homes that working families can afford.

1. *Land banking* – Take advantage of reduced land prices by buying and banking parcels for future housing development.
2. *Master leases* – Take advantage of reduced rental rates and increased vacancies by master leasing blocks of rental units for low-income populations eligible for housing subsidies such as homeless families and General Relief recipients.

3. *Affordable housing* – Take advantage of the lull in development activity by enacting inclusionary zoning to require that a portion of all new rental developments include affordable units, and by enacting affordable housing fees that require new developments to help pay the cost of affordable housing for workers employed at those sites.
4. *Affordable construction* – Construction costs have fallen sharply as the recession has deepened, creating cost savings opportunities for using public housing development funds to build affordable housing.

Poverty, Welfare and Human Services

Poverty rates have been, on average, 24 percent higher in Los Angeles County than in California, and close to the national average in California, since 1989. The economic wreckage from recessions includes high poverty rates that persist for almost two years after unemployment starts declining.

The poverty rate is projected to reach 18.5 percent in LA, with nearly 2 million people in poverty and 17 percent in California, with nearly 6.7 million people in poverty.

Poverty rates for adults without a high school diploma are twice as high as the overall poverty rate. This means that 37 percent of LA adults, and 34 percent of California adults who are not high school graduates are projected to be in poverty when the peak impacts of the recession are felt.

Medi-Cal is far more successful than any other public assistance program in reaching people in poverty. The enrollment in both LA and California is as large as the poverty population. A key reason for this success is that health care providers are active partners in encouraging and assisting client enrollment. When peak impacts from the recession are felt, the Medi-Cal Only caseload (which leaves out people receiving other forms of aid along with Medi-Cal) is projected to include 1,876,000 Los Angeles County residents and 6,600,000 California residents.

Despite the specific intent set forth in California's legislation to provide a safety net for children through CalWORKs, the share of impoverished children who are aided by cash grants declined from 74 percent in 1991 to 51 percent in 2008. Given current enrollment rates, when the impacts of the recession peak there are projected to be:

- 1.5 million impoverished residents in Los Angeles County and 5.1 million in California without cash aid
- 1,175,000 impoverished residents in Los Angeles County 3,884,000 in California without Food Stamps

The revised state budget submitted to the California legislature in May 2009 calls for complete elimination of CalWORKs. This recommendation is unwise because of the harm it would do to children and families and because of the federal funds that would be forfeited. Thirty-seven percent of the money for this \$6.4 billion program comes from the state, 2 percent from counties, and 61 percent from the federal government. Since it is so highly leveraged, expenditure of state funds for this program have the impact of:

- Creating 1 job for every \$35,794 spent

- Generating 1 dollar of economic output for every \$0.25 spent
- Generating 1 tax dollar for every \$1.71 spent

Homelessness is the most extreme manifestation of poverty and acute poverty is the most powerful predictor of homelessness. The number of people homeless on a given day is estimated to equal 5.28 percent of the population in poverty. Los Angeles County's point-in-time homeless population is projected to reach 103,300 and California's 352,400 when poverty peaks; 36 and 38 percent increases, respectively, over 2007 levels.

Changes in employment levels explain two-thirds of changes in the number of child welfare emergencies, with a one-year lag. The annual number of child welfare emergencies in Los Angeles County is projected to peak at 195,000 and in California at 581,000, annual increases of 28,000 and 88,000 cases respectively.

Recommended Actions to Protect Human Welfare

1. *Preserve CalWORKs and expand enrollment to include at least three-quarters of all children in poverty* – Replicate the Medi-Cal model of enlisting service providers as active partners in encouraging and assisting client enrollment.
2. *Increase enrollment of homeless residents in SSI* – Supplemental Security Income (SSI) is a federal income maintenance program for disabled persons and enables homeless residents with disabilities such as mental illness to become housed. An estimated 36 percent of homeless residents are disabled but not receiving SSI.
3. *Protect endangered children* – Child protective services agencies must prepare to assist increased numbers of endangered children.

Health and Well Being

People's income impacts their health, since housing, health care, nutritious food, and hygiene supplies all require money. The recession is lowering the incomes of many households, swelling the ranks of the uninsured, and changing people's ability to address health needs. This will increase public costs for health care. As more workers lose jobs, Medi-Cal and Medicare will have a growing role in paying for Californians' health care.

The revised state budget submitted to the California legislature in May 2009 calls for complete elimination of Healthy Families, the low cost insurance program for children and teens that provide health, dental and vision coverage. This recommendation is unwise because of the harm it would do to children and because of the federal funds that would be forfeited. Thirty-five percent of the money for this \$1.3 billion program comes from the state and the rest from the federal government. Because this program is so highly leveraged, the expenditure of state funds for this program has the impact of:

- Creating 1 job for every \$25,970 spent
- Generating 1 dollar of economic output for every \$0.20 spent
- Generating 1 tax dollar for every \$1.31 spent

Increased mental health problems result from the increased stress of losing jobs, social validation and the income to sustain households. As a result of the recession,

mental health problems are expected to account for an increasing share of total hospitalizations.

Homeless individuals are defined by the absence of connections that are crucial for well being, including connections to shelter, family and health. Increased poverty means increased numbers of homeless residents with health risks resulting from marginal living conditions and inadequate access to health care. More homeless residents will arrive at hospitals, often for mental health or substance abuse crises. LA hospitals will continue to provide the largest share of inpatient care for the state's homeless residents.

Births to young mothers are likely to increase statewide after a steady period of decline. High-poverty neighborhoods are likely to experience the greatest concentration of births to teen mothers. It is likely that fewer mothers will receive prenatal care in the first trimester of pregnancy, with the greatest shortfall in care occurring in high-poverty neighborhoods. Based on scenarios that quantify the link between increased poverty and increased medical risk, it is projected that:

- The share of pregnant women who do not receive first trimester prenatal care will increase by over a third to 15.1 percent in Los Angeles County and 19.1 percent in California when peak impacts of the recession are felt.
- The rate of pregnancies and deliveries with complications will increase by about a sixth, to 14.6 percent in LA and 15.6 percent in California.
- The rate of complications among neonates will increase by about a seventh, to 20.2 percent in Los Angeles County and 21.5 percent statewide – an increase of almost 13,000 impacted babies annually in California.

Recommendations for Preserving Health and Well Being

1. *Preserve Healthy Families* – Health care coverage for children represents a basic standard of social responsibility as well as a far-sighted and practical measure to protect the state's future. Unaddressed health needs of children become future long-term disabilities.
2. *Expand Medi-Cal enrollment and services as the eligible population increases* – Health care providers and county social service agencies must prepare for caseload growth.
3. *Ensure access to prenatal care in poverty neighborhoods* – The increased risk of declining early prenatal care and more childbirths with medical complications increases the need for public health outreach to low-income pregnant women.
4. *Ensure access to crisis mental health services* – The likelihood of increased mental health emergencies and hospitalizations makes access to crisis mental health services a critical public health need.

Public Revenue

California has a long-standing problem of receiving insufficient tax revenue to pay for the level of public services expected in a state with a high standard of living and a

large concentration of well-educated workers. Furthermore, tax revenue is highly dependent on personal income taxes, which in turn are sensitive to stock market changes and fluctuation in capital gains taxes. In the 2008-2009 fiscal year, unemployment rose sharply and the stock market plummeted causing steep decline in personal income tax revenue from both earned income and capital gains. This revenue crisis is likely to continue for two or three more years.

- *Personal income tax revenue* in constant dollars fell 18 percent in 2008-2009 from the 2007-2008 level, and is projected to be 17.6 percent of the 2007-2008 level in the 2009-2010 fiscal year.
- *Sales tax revenue* fell 7 percent from the 2007-2008 level (in constant dollars) in 2008-2009, and is projected to be only 86 percent of the 2006-2007 level in the 2009-2010 fiscal year.
- *Property tax revenue*, which goes to cities, counties and school districts unless borrowed by state government, is projected to decline 4 percent statewide (in constant dollars) by the 2012-2013 fiscal year.

California has a strong economy. Short-sighted arbitrary budget reductions are likely to create a wide swath of social damage that will cause far more lasting harm to the economy and the human capital of the state than intelligently designed tax increases. California must increase its revenue to pay for essential services.

Recommendations for Increasing Public Revenue

1. *Enact temporary taxes for unhealthy consumer items* – Enact a temporary tax targeting unhealthy products that directly contribute to state healthcare costs including all sales of alcohol, tobacco, sodas, and junk food.
2. *Enact fee for served alcohol* – Enact a per drink fee for served drinks.
3. *Collect taxes on the informal economy* – Bring the barter and cash economies into the formal economy through regulation and taxation. Collect taxes on services and goods produced by 13 percent of California and 16 percent of LA County's labor force that is informally employed, including in food service, construction, street vending, nondurable manufacturing, and arts and entertainment.
4. *Create a pool of revolving funds for green retrofits of buildings* – This recommendation is revenue neutral, creating jobs that pay for themselves through energy saving and power generation from retrofitted buildings, with cost savings recycled to pay for more retrofits and create more jobs.
5. *Equalize the property tax base* – Depending on when they purchased their property, owners in the state pay vastly different amounts of tax on properties with comparable market value. This skews tax avoidance benefits toward commercial properties, which turn over more slowly than residential properties. This inequity needs to be corrected through taxation of properties. This will broaden and stabilize the state's revenue base.
6. *Oil severance tax* – Enact a tax on oil pumped out of the ground.

Chapter 2

LABOR MARKET AND INDUSTRY IMPACTS

Loss of jobs causes much of the destructive impact of recessions. When households lose the income and social inclusion provided by employment, they are more likely to sink into poverty, require public assistance, lose their homes, experience family dysfunctions, and have increased susceptibility to health problems.

Seventeen U.S. Recessions Since 1918

Most U.S. recessions have been short. The period of economic contraction averaged:

- 18 months in 6 recessions from 1918 to 1944
- 10 months in 11 recessions from 1945 to 2001

However, economic contraction lasts longer in severe recessions. This was the

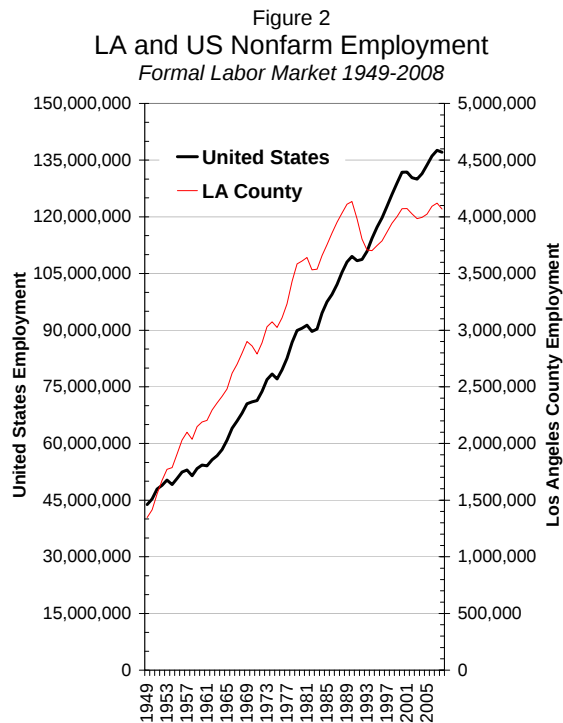
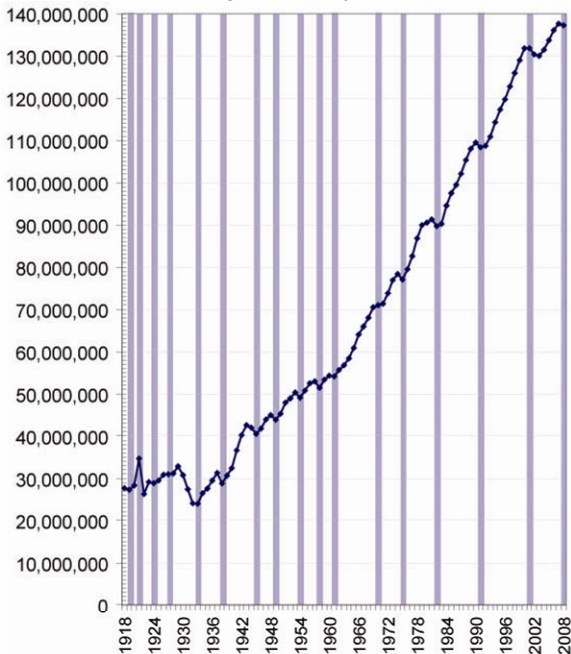


Figure 1
U.S. Annual Nonfarm Employment 1918-2008
Recession troughs shown by shaded areas



case in the **1929 recession, the most severe U.S. recession for which we have employment data. It resulted in a 27 percent decline in employment.** There were 43 months of economic contraction followed by 50 months of incomplete recovery before the next recession (Figure 1).¹

Los Angeles Labor Market Trajectory

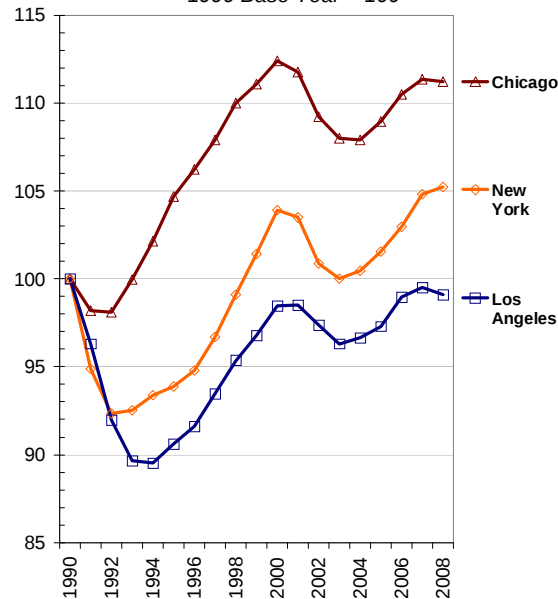
Employment data for Los Angeles County extends back to 1949. **The most severe Los Angeles recession for which we have data began in 1990, and resulted in a 10 percent decline in formal employment.** Los Angeles County's employment trajectory is overlaid on the national trajectory in Figure 2. The 1990

recession was minor at a national level, lasting only 8 months, but Los Angeles still has not recovered the jobs lost in that recession. Despite having 11 percent population growth since 1990,² LA's formal wage and salary employment (i.e., the segment of the labor market in which employers comply with labor and tax laws) is smaller than it was in 1990. The informal economy where jobs are paid under the table is now LA's growth engine – growing outside the stagnant formal labor market.

Metropolitan Area Recessions

All three of the largest U.S. metropolitan regions have experienced recessions that were more severe than the concurrent national recessions, as shown in Figure 3. Los Angeles lost 10 percent of its

Figure 3
Employment Change Index: Los Angeles, Chicago, New York
1990 Base Year = 100



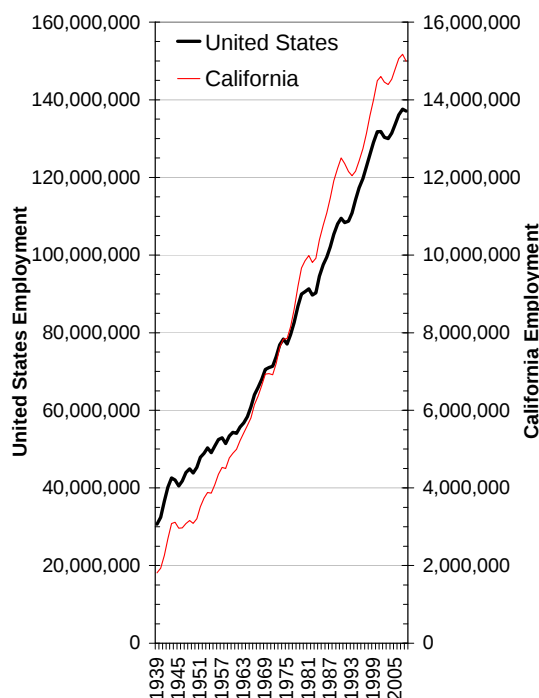
Sources: US Bureau of Labor Statistics, Current Employment Statistics - CES

jobs, New York 8 percent and California 4 percent (Figure 4) in the 1990 recession, while in the United States there was only 1 percent job loss. Similarly, Chicago lost 5 percent of its jobs in the 2001 recession, while in the United States there was only 1 percent job loss.

California Labor Market Trajectory

Comparing job losses in California and the United States in nine recessions from 1939 through 2008 (Figure 4), we see that except for 1990, every recession has impacted the national economy more severely than California's economy. The average decline in national employment in these recessions was 1 percent, the average decline in California employment was 0.2 percent.³ **The most severe California recession for which we have data began in 1990, and resulted in a 4 percent decline in formal employment.**

Figure 4
California and U.S. Nonfarm Employment
Formal Labor Market 1939-2008



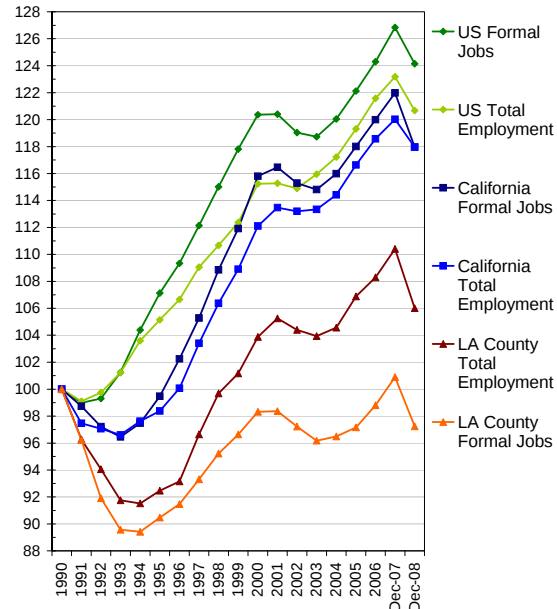
Source: US Bureau of Labor Statistics, Current Employment Statistics - CES

Job Change in Formal and Informal Labor Market Sectors

Since the 1990 recession, a growing share of Los Angeles' employment has emerged in the informal labor market. These jobs do not show up in employers' payroll tax reports (the source of most employment statistics) but do show up in households surveys such as those conducted by the Census Bureau. This trend can be seen in Figure 5, in the widening gap between formal and total employment in LA.⁴ This distinction is important because in the first year of the 2007 recession, these two labor markets are showing different outcomes.

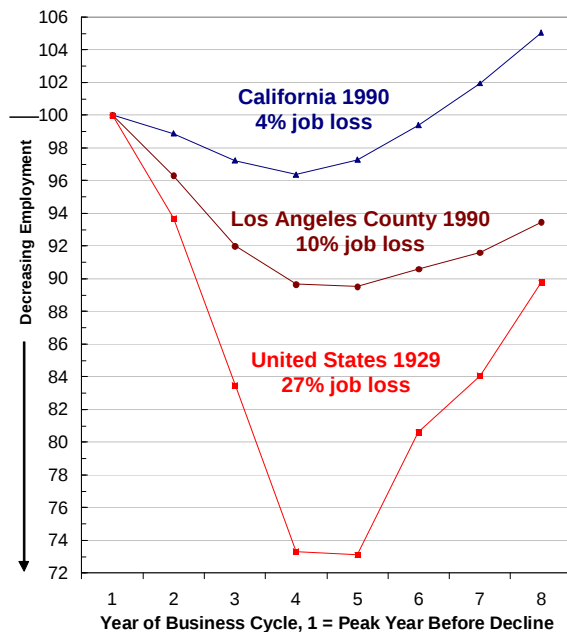
The employment index for the formal labor force and the total labor force (including informal and self-employed workers) in Figure 5 shows that since 1990, the

Figure 5
Employment Index for U.S., California and LA County – Total and Formal Labor Markets
1990 Base Year = 100



Sources: US Bureau of Labor Statistics, Current Employment Statistics (CES) for US formal nonfarm employment and Current Population Survey (CPS) for US total employment; California EDD LMID (March 2008 benchmark) for total and formal employment in California and Los Angeles County; Annual average data 1990-2006, monthly data for December 2007 and 2008

Figure 6
Index of Change in the Number of Employed Workers in the Most Severe Recessions Recorded for the U.S., California and LA
Employment in Peak Year Preceding Recession = 100



Source: US Bureau of Labor Statistics, Current Employment Statistics - CES

formal labor force has grown more than the total labor force in California and the United States. However, in Los Angeles, the total labor force has grown much more rapidly than the formal labor force, driven by the rapid growth in informal employment.⁵ It is also apparent in Figure 5 that the first year of the current recession in Los Angeles County clearly echoes the severe decline in employment that marked the beginning of the 1990 recession.

Worst Three Recessions

Job losses in the most severe recessions recorded for the United States, California and Los Angeles County are shown in Figure 6. California's 1990 recession is the mildest of the three, with

4 percent of formal jobs lost at the trough of the recession. LA's job losses in that recession were two and a half times greater than the State's, with 10 percent of formal jobs lost. In the 1929 recession during the Great Depression, United States employment declined 27 percent.

We can begin to gage the severity of the current recession by comparing job losses in the first year of this recession with job losses in the first year of each of the three most severe recessions. *First-year job losses* in those recessions were as follows:⁶

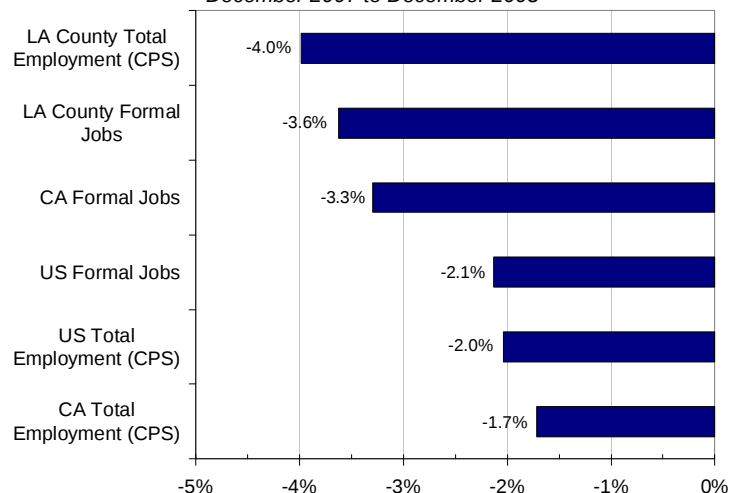
- California formal labor force, 1990 recession -1.6%
- California total employment, 1990 recession -3.4%
- LA County formal labor force, 1990 recession -4.2%
- LA County total employment, 1990 recession -5.7%
- U.S. Nonfarm labor force, 1929 recession -6.3%

Job Losses in the First Year of the Current Recession

Job losses in the first year (December 2007 to December 2008) of the current recession vary among labor markets, as shown in Figure 7. Nationally, employment has declined 2 percent in the total labor force and 2.1 percent among wage and salary workers in the formal economy. California employment has declined 1.7 percent in the total labor force and 3.3 percent in the formal labor force. Thus, at the national and state levels we are seeing first-year job losses in the formal labor market of wage and salary workers that exceed those in the total labor market, which includes self-employed persons and informal workers.

Los Angeles County, which has a much larger share of informal workers than the state or nation, has had larger job losses in the total labor force (4.0 percent) than in the formal labor force (3.6 percent). The higher rate of job loss in the total labor force than in the formal labor force is probably explained by severe job losses among informal workers. Many of LA's industries that have lost the most jobs in the first year of the recession have high rates of informal employment, including retail trade, construction, temporary employment agencies, nondurable manufacturing, wholesale trade, and hotels. The only sector with major job losses that does not include a high concentration of informal workers is financial services.

Figure 7
Los Angeles County, California and U.S. Employment Change
December 2007 to December 2008



Source: US BLS, Current Employment Statistics and Current Population Survey California EDD
Formal jobs are nonfarm wage and salary employment reported by employers

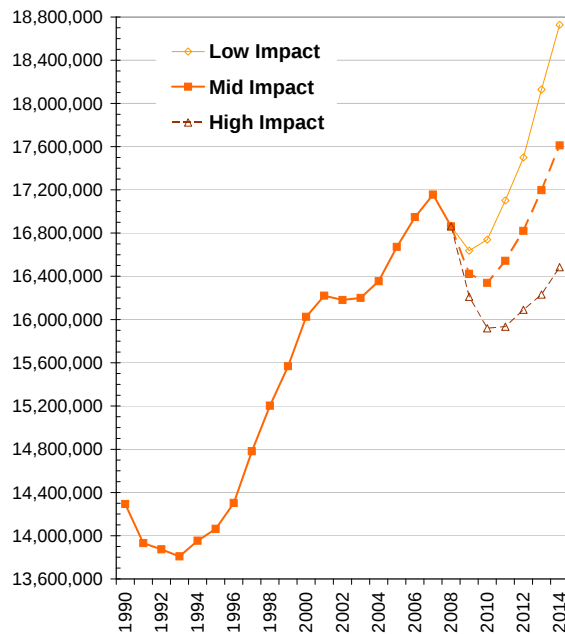
California's current first-year job losses present a mixed picture. Job losses in the formal labor force are twice as great as first-year losses in the 1990 recession, but job losses in the total labor force are only half as great as they were in the 1990 recession. Los Angeles County's job losses in the formal and total labor markets are roughly three-quarters as great as its first-year losses in the 1990 recession – a recession from which LA still has not recovered.

Scenarios of Employment through 2014

Three scenarios for Low-, Mid- and High-Impact losses in total employment⁷ for Los Angeles County and California, shown in Figures 8 and 9, are based on:

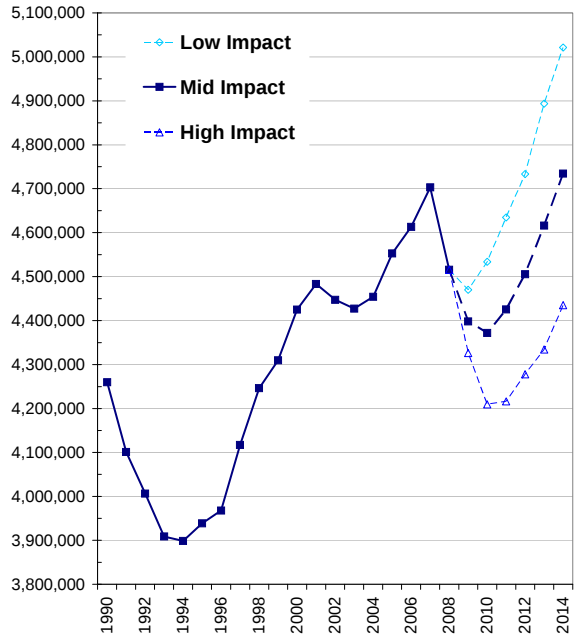
- Actual total job losses from 2007 to 2008 of 4.0 percent in LA and

Figure 9
Low-, Mid- and High-Impact Scenarios of Total Employment in California through 2014
Actual data through 2008; Scenarios 2009 to 2014



Sources: EDD LMID, UCLA Forecast, Economic Roundtable scenarios

Figure 8
Low-, Mid- and High-Impact Scenarios of Total Employment in LA County through 2014
Actual data through 2008; Scenarios 2009 to 2014



Sources: EDD LMID, UCLA Forecast, Economic Roundtable scenarios

- 1.7 percent in California⁸
- UCLA Anderson forecast of 2.6 percent California job loss in 2009 and 0.6 percent in 2010⁹
- The 1990 recession in Los Angeles County and California

Mid-Impact Scenario

The Mid-Impact scenario applies the UCLA forecast of employment decline in 2009 and 2010 to the actual losses in total employment that have already occurred in Los Angeles County and California through 2008. Because LA's losses at the end of 2008 were greater than those of California, LA's losses at the projected bottom of the recession in 2010 exceed those of California, with a **Mid-Impact scenario of 7.0 percent employment decline projected for Los Angeles County and**

4.8 percent for California at the trough of the recession in 2010. This is 98 and 103 percent, respectively, of the total employment losses that LA and California experienced at the trough of the 1990 recession. The projected recovery from the current recession is based the average of LA and California's rates of recovery from the 1990 recession in the years 1995 through 1998. In the Mid-Impact scenario, LA will have 101 percent of its 2007 employment in 2014, and California will have 103 percent.

High-Impact Scenario

The High-Impact scenario assumes total employment losses that are as great as the formal employment losses were in the 1990 recession, and projects Los Angeles County's levels of formal job loss in 1992 and 1994, rather than the UCLA forecast, onto Los Angeles County employment levels in 2009 and 2010.¹⁰ Since California's rate of decline in total employment in the first year of the recession was only 69 percent of LA's, this share of LA's employment change is applied to California for 2009 and 2010. **The High-Impact scenario shows 10.5 percent employment decline for Los Angeles County and 7.2 percent for California at the trough of the recession in 2010.** This is 102 and 105 percent, respectively, of the total employment losses that LA and California experienced at the trough of the 1990 recession. The rate of recovery in LA's formal economy from 1995 to 1997 is projected onto the recovery years of 2011 to 2014. In the High-Impact scenario, LA will have 94 percent of its 2007 employment in 2014, and California will have 96 percent.

Low-Impact Scenario

The Low-Impact scenario is based on the optimistic premise that job losses will end in 2009 and employment will grow in 2010. The scenario for Los Angeles County through 2012 and for California through 2014 mark positive spreads from their respective Mid-Impact scenarios that equal the negative spreads of their respective High-Impact scenarios. The projected rate of recovery for LA in 2013 and 2014 is based on California's rate of recovery in 1998 and 1999. **The Low-Impact scenario shows 5 percent employment decline for Los Angeles County and 3 percent for California at the trough of the recession in 2009.** This is 95 and 101 percent, respectively, of the

Table 1
Three Recession Scenarios of Change in Total Employment in
Los Angeles County and California 2007-2014

	Low-Impact		Mid-Impact		High-Impact	
	Employment	% 2007	Employment	% 2007	Employment	% 2007
December 2007						
LA County			4,702,900	100%		
California			17,156,300	100%		
Recession Trough						
LA County	4,470,000	95%	4,372,000	93%	4,210,000	90%
California	16,636,000	97%	16,339,000	95%	15,918,000	93%
2014						
LA County	5,021,000	107%	4,734,000	101%	4,435,000	94%
California	18,727,000	109%	17,612,000	103%	16,484,000	96%

total employment losses that LA and California experienced at the trough of the 1990 recession. It is noteworthy that even the Low-Impact projection for California shows greater job losses than it experienced in the 1990 recession. In the Low-Impact scenario, LA will have 107 percent of its 2007 employment in 2014, and California will have 109 percent.

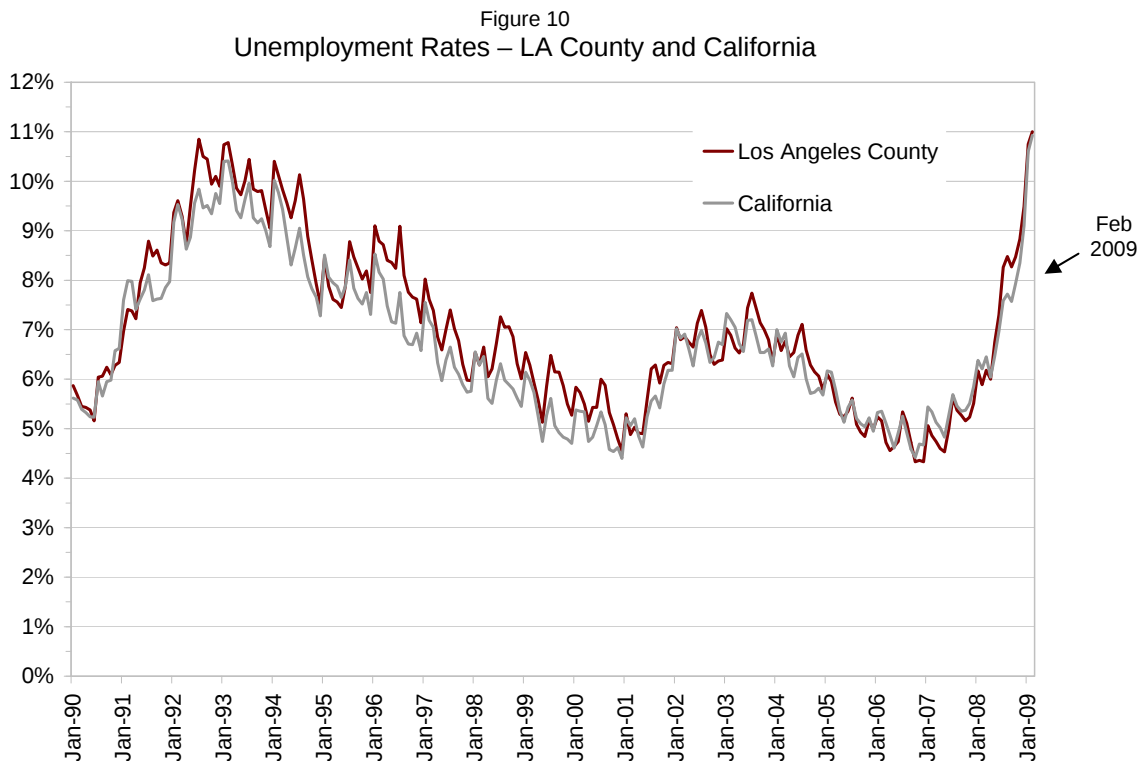
Employment levels projected in the three scenarios are summarized in Table 1. There is a 13 percent range in employment in 2014 between the High- and Low-Impact scenarios, a range of uncertainty that represents over half a million jobs in Los Angeles County and over two million jobs in California.

In the following sections, we estimate impacts on the economic and social fabric of Los Angeles County and California that may result from these recession-driven employment changes.

Unemployment Rate

The official unemployment rate is the percent of the labor force made up of unemployed workers that are actively seeking a job. Only workers that are employed or unemployed and actively seeking a job are counted as part of the labor force in official statistics. Discouraged workers who have stopped looking for a job are not counted.

The unemployment rate in Los Angeles County has largely mirrored the rate in California for the last two decades, with slightly higher rates of unemployment during



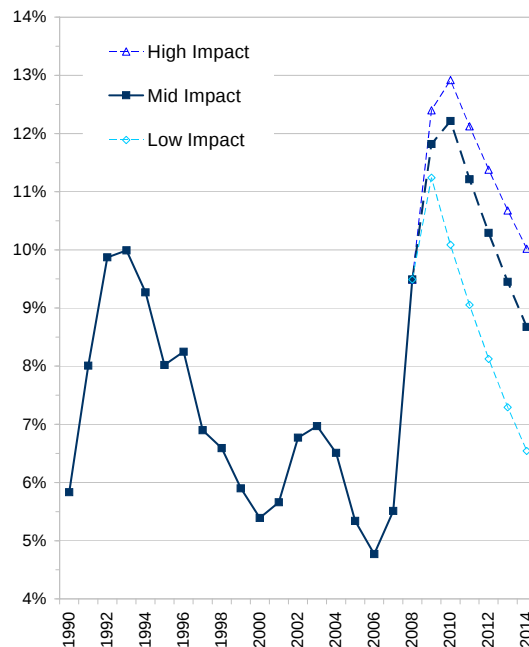
Source: CA Employment Development Department Labor Market Information Division (EDD LMID)

economic downturns in the early 1990s, 2000s and current recession (Figure 10). Unemployment rates peaked in early 1993 during the 1990s recession, when both the County and the State saw unemployment rates rise above 10 percent. From 1990 to 1993, LA County and California's annual average unemployment rates increased 71 percent and 65 percent, respectively. The County's annual average unemployment rate increased from 5.8 percent to 10.0 percent, and the State's rate increased from 5.8 percent to 9.5 percent. Unemployment rates did not return to 1990 levels until 1999.

Joblessness increased again following the 2001 recession, but was considerably less severe than the 1990s recession. Unemployment in the County and State peaked in mid-2003 at over 7 percent. From 2000 to 2003, the County and State saw annual average unemployment rates increase 30 and 39 percent, respectively.

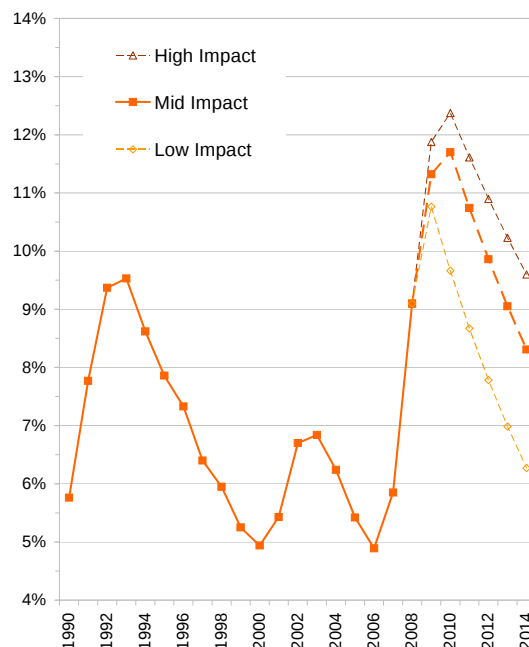
The severity of the current recession is captured by an acute increase in joblessness, a reversal of labor market conditions that occurred very rapidly, suggesting that many workers, particularly less-educated workers, may have been precariously employed in 2007 when the recession began. In the first year, from December 2007 to December 2008, LA County's unemployment rate jumped 72 percent, from 5.5 percent to 9.5 percent. Unemployment in the State increased 56 percent, from 5.9 percent to 9.1. Unemployment growth during the first year of this recession is equivalent to total growth over three years in the severe 1990s recession. Most official statistics for the first quarter of 2009 indicate that unemployment rates for Los Angeles County and California are above 10 percent, leaving more than 1 in 10 workers in the labor force without a job.

Figure 11
Low-, Mid- and High-Impact Scenarios of Unemployment in LA County through 2014



Source: EDD LMID; UCLA Forecast; Economic Roundtable Scenarios

Figure 12
Low-, Mid- and High-Impact Scenarios of Unemployment in California through 2014



Source: EDD LMID; UCLA Forecast; Economic Roundtable Scenarios

Scenarios of Unemployment through 2014

Three (low-, mid- and high impact) scenarios for unemployment changes in Los Angeles County and California are shown in Figures 11 and 12. The scenarios are based on:

- Actual unemployment changes from 2007 to 2008¹¹
- UCLA Anderson forecast of 11.7 percent annual average unemployment for California in 2010¹²
- Historical unemployment trends from the 1990s recession¹³

Mid-Impact Scenario

The Mid-Impact scenarios utilize the UCLA forecast for increases in the unemployment rate.¹⁴ **The annual average unemployment rate in the State is expected to peak in 2010 at 11.7 percent.** Because the County's unemployment rate was higher than the State's unemployment rate at the end of the first year of the current recession, **the Mid-Impact unemployment rate for the County is projected to peak in 2010 at an annual average of 12.2 percent.** The decline in unemployment rates from 2011 to 2014 is based on the average rate of recovery in Los Angeles and California between the years of 1994 and 1998. In this scenario, recovery will be slow. Rates in Los Angeles remain over 10 percent through 2012 and over 8 percent in 2014. In California, rates remain over 10 percent through 2011 and above 8 percent in 2014.

High-Impact Scenario

The High-Impact scenarios for Los Angeles County and California assume that unemployment rates will increase at a rate 25 percent greater than the Mid-Impact scenarios and recover at a rate 25 percent slower than the average rate of recovery during the 1990s recession. In this scenario, **annual average unemployment peaks in 2010 at 12.9 percent in the County and 12.4 percent in the State.** Recovery will be much slower; over 10 percent of the County's workforce will be without a job through 2014. In California, unemployment rates will remain over 10 percent through 2013 and above 9 percent in 2014.

Low-Impact Scenario

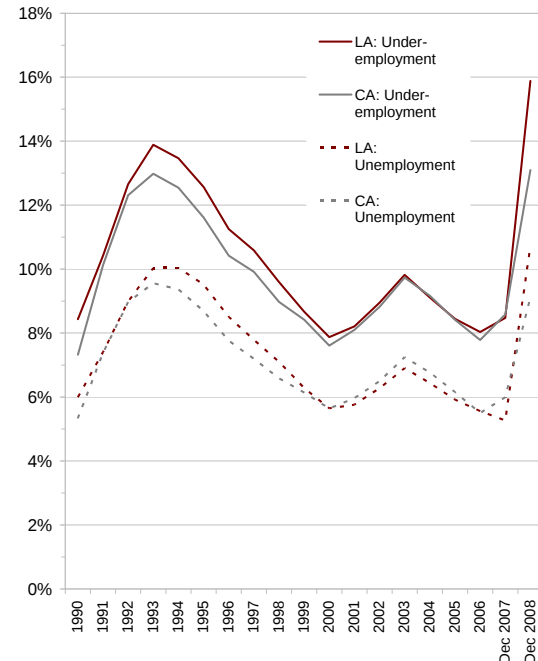
The Low-Impact scenarios for Los Angeles County and California are based on the optimistic premise that the acute rise in unemployment will cease in 2009 and recovery will take place at a rate 25 percent faster than the average rate of recovery during the 1990s recession. **In 2009, annual average unemployment rates are projected to peak in Los Angeles County and California at 11.2 percent and 10.8 percent, respectively.** In this scenario, rates will fall below 7 percent both in LA and statewide by 2014.

Under-Employment Rate

While unemployment rates are commonly used to depict changing economic conditions, under-employment rates are a more comprehensive measure of labor market conditions and workforce participation. Under-employment rates include both unemployed and underutilized workers participating in the labor force and marginalized workers not included in the labor force,¹⁵ a group often referred to as “hidden unemployment.” More specifically, a measure of under-employment includes the following four categories of workers.

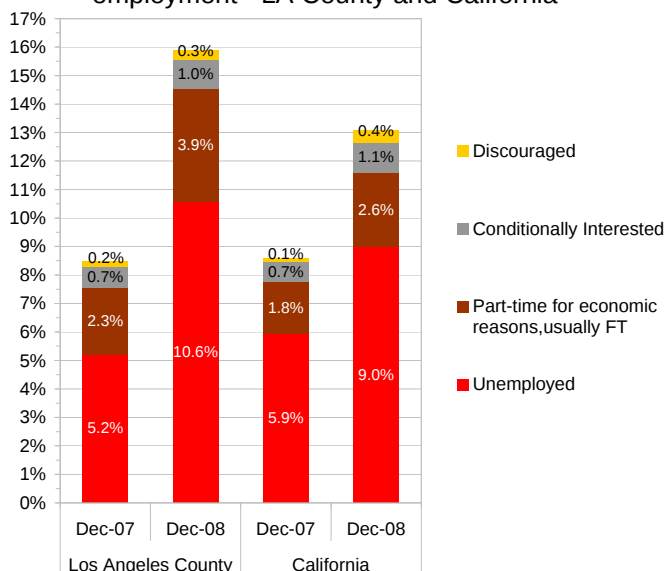
- **Unemployed workers** [in official labor force statistics]
- **Employed workers who are working part-time (for economic reasons)** that usually work full-time [in official labor force statistics]
- **Discouraged workers** [not in official labor force statistics] – These are persons

Figure 13
Under-Employment and Unemployment Rate
LA County and California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average
Notes: 1990-1993 under-employment rates for LA and CA are estimated.

Figure 14
Under-Employment Rate by Category of Under-employment - LA County and California



Source: U.S. Census Bureau, CPS Basic
Universe: Civilian labor force plus all marginally attached workers (not in labor force)

who are not currently looking for a job because they believe there are no jobs available or there are none for which they would qualify, but they want and are available for work and have looked for work sometime in the last 12 months.

- **Conditionally interested workers** [not in official labor force statistics] – These are persons who want to work, but who have not looked for work recently because they face barriers to employment, such as lack of transportation or child care.

Since 1990,¹⁶ the under-employment rates in Los Angeles County and California have been, on average, 41 percent and 37 percent higher than their respective unemployment rates (Figure 13).

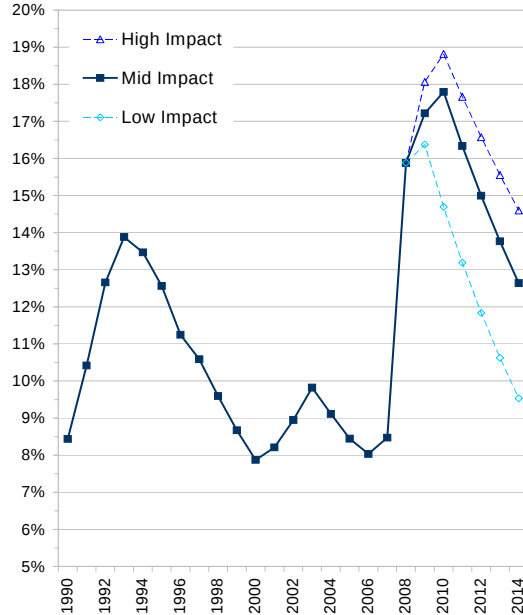
When unemployment was peaking in 9 to 10 percent range in both Los Angeles and California during the 1990s recession, under-employment rates were in the 13 to 14 percent range. Under-employment rates spiked again in the first year of the current recession. Under-employment rates in the County grew 87 percent, from 8.5 percent in December 2007 to 16 percent in December 2008. In California, under-employment rates increased 53 percent, from 8.6 percent to 13 percent during the first year of this recession.

A closer examination of recent increases in under-employment rates, shown in Figure 14, reveals increasing shares of workers in each of the four categories that compose the universe of the under-employed. The share of workers who are unemployed and those forced to work part-time (even though they desire full-time work) increased the most in Los Angeles County. Statewide, the share of workers across all categories of the under-employed, except for discouraged workers, increased by 45 to 50 percent during the first year of the recession. The share of discouraged workers nearly quadrupled, but still represents only a small share of all workers. The addition of under-utilized labor and marginalized workers to the official unemployment rate illuminates labor market conditions that are far graver than depicted by the unemployment rate alone.

Scenarios of Under-Employment through 2014

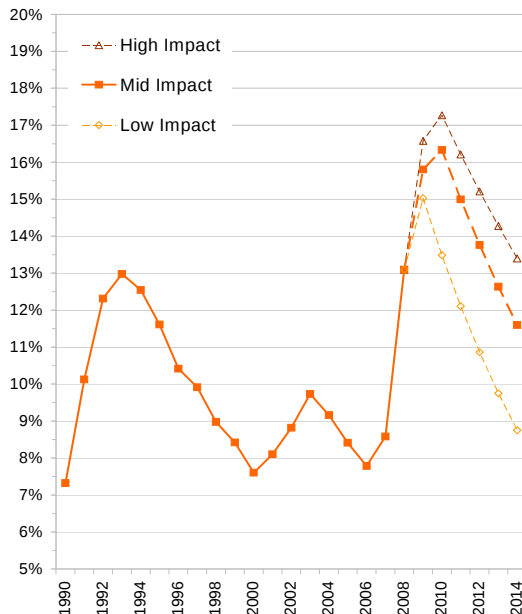
Three (low-, mid- and high impact) scenarios for under-employment in Los Angeles County (Figure 15) and

Figure 15
Low-, Mid- and High-Impact Scenarios of Under-Employment in LA County through 2014



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; Economic Roundtable Scenarios
Notes: 1990-1993 under-employment rates are estimated.

Figure 16
Low-, Mid- and High-Impact Scenarios of Under-Employment in California through 2014



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; Economic Roundtable Scenarios
Notes: 1990-1993 under-employment rates are estimated.

California (Figure 16) were developed by applying current and historical under-employment data from the U.S. Census Bureau to the unemployment projections in the previous section.¹⁷ Much like the projected unemployment rates for the peak of the current recession, projected peak under-employment rates for the County and the State, even under the most optimistic scenario, far surpass those present during the worst year of the 1990s recession.

Mid-Impact Scenario

- *Los Angeles:* Under-employment peaks in 2010 at just under 18 percent. Rates decrease to 12.6 percent by 2014.
- *California:* Under-employment peaks in 2010 at 16.3 percent. Rates remain above 11 percent in 2014.

High-Impact Scenario

- *Los Angeles:* Under-employment peaks in 2010 at almost 19 percent. Recovery will be slow, with rates remaining higher than 14 percent through 2014.
- *California:* Under-employment peaks in 2010 at over 17 percent. Recovery will be slow, with rates remaining above 13 percent through 2014.

Low-Impact Scenario

- *Los Angeles:* Under-employment peaks at 16.4 percent in 2009, one year earlier than in the Mid- and High-Impact scenarios. Rates decrease to 9.5 percent by 2014.
- *California:* Under-employment peaks in 2009 at 15 percent. Rates decrease to under 9 percent by 2014.

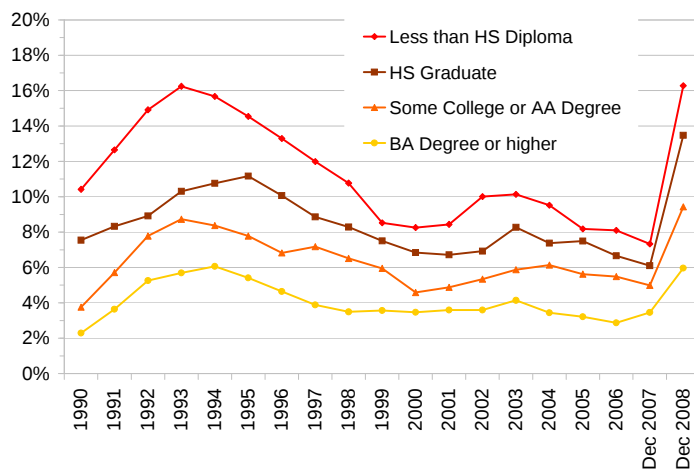
Employment Outcomes by Labor Market Segment

Unemployment by Educational Attainment

Disproportionate employment outcomes become evident when unemployment rates are broken out by labor market segment. Figures 17 and 18 break out the labor force by educational attainment – a proxy for skilled and unskilled workers or workers in low and high wage jobs.

The inverse relationship between unemployment and educational attainment is

Figure 17
Unemployment Rate by Educational Attainment
LA County



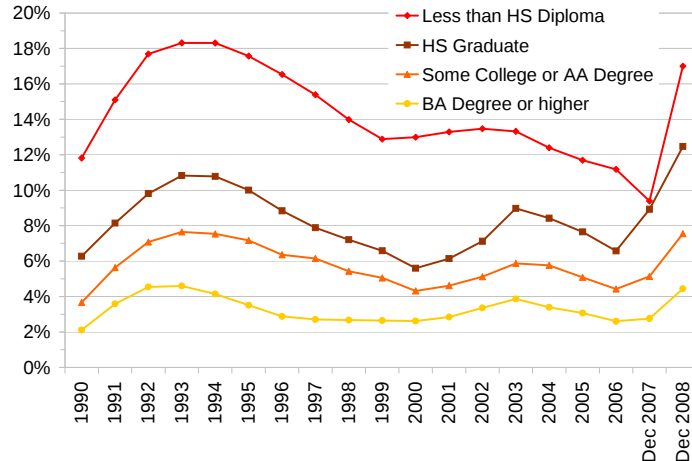
Source: U.S. Census Bureau, CPS March Supplement, CPS Basic, 3-year moving average

evidenced by the distinct stratification of unemployment rates among workers in both figures. Over the last two decades, **unemployment rates for the least educated (less than HS diploma) segment of Los Angeles County's labor force are, on average, 53 percent greater than overall unemployment rates for the region.** Unemployment rates for the most educated (BA degree or higher), on the other hand, are 45 percent lower than overall unemployment rates. This spread increases when we look at California. **Unemployment rates for the least-educated and most-educated workers statewide are, respectively, 2-times greater and 54 percent less than overall unemployment rates.**

The 1990 recession provides valuable benchmarks for the current recession, given that it was the most severe recession in Los Angeles County and California for which we have labor force data. The impact of the 1990s recession was felt by all segments of the workforce, from the least educated to the most educated workers. Most notably, the unemployment rate for the least educated segment of workers in Los Angeles County increased from 10 percent in 1990 to above 16 percent in 1993 (Figure 17). In California, 1993 unemployment rates rose above 18 percent for this group of workers (Figure 18). Unemployment rates for the most educated workers (BA degree or higher) were substantially lower, but increased more than the rates for other segments of workers during the 1990s recession (as shown in Table 2). Nevertheless, the large proportion of less educated workers who are unemployed during economic downturns is sobering.

Unemployment rates for the first year of the current recession have grown at a much faster rate than the first year of the 1990s recession. Table 2 compares the change

Figure 18
Unemployment Rate by Educational Attainment
California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

Table 2
Change in Unemployment Rates by Educational Attainment of Labor Force
Los Angeles and California

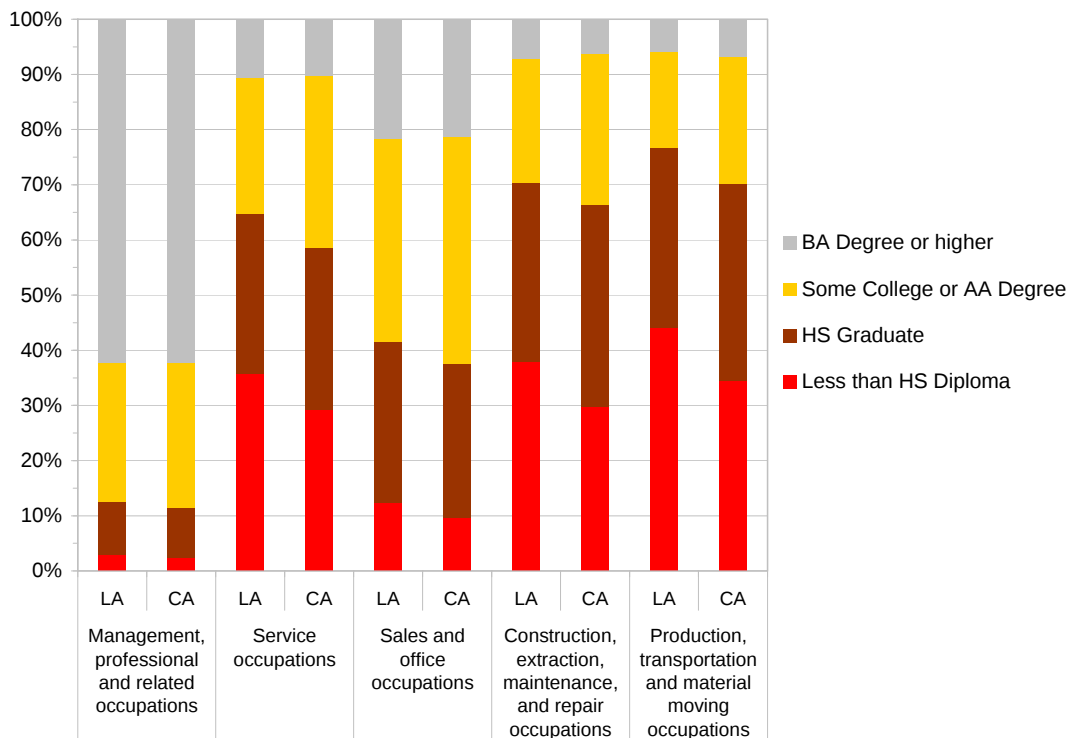
	Current Recession		1990s Recession			
	Dec 2007 to Dec 2008		1990 to 1991		1990 to 1993	
	LA Co.	CA	LA Co.	CA	LA Co.	CA
Less than High School Diploma	+122%	+81%	+22%	+41%	+65%	+66%
High School Graduate	+121%	+40%	+1%	+30%	+23%	+80%
Some College or A.A. Degree	+89%	+47%	+49%	+72%	+165%	+118%
B.A. Degree or Higher	+72%	+61%	+91%	+93%	+212%	+135%

Source: U.S. Census Bureau, CPS March Supplement, CPS Basic

in unemployment rates by educational attainment for the first year of the current recession (December 2007 to December 2008) to the one-year and the three-year change in unemployment rates for the 1990s recession. In the first year of the current recession, the growth in unemployment for less-educated workers has outpaced that of more-educated workers. This is unlike the 1990s recession when unemployment growth was largest for the most skilled segments of the workforce. **At the close of the first year of the current recession, unemployment rates for the least educated workers in the County and State were above 16 percent compared to much low rates of 4 to 6 percent for the most educated workers.** These early trends indicate that the dynamics of the current recession are different from the 1990s recession and will likely produce more severe labor force dislocations for less educated workers.

Less-educated workers are a plurality of the labor force in LA's service occupations, construction and maintenance occupations, and production and transportation occupations, and close to a plurality statewide (Figure 19). As the producers, distributors and providers of goods and services, they perform crucial roles in the day-to-day functions and sustainability of local and regional economies. Their susceptibility to labor market dislocation during periods of economic decline affects the economy at large as well as their own households. Data from the first year of the current recession clearly shows that the least educated segment of the workforce is first to lose jobs and may very well be the first to experience compromised health and wellbeing caused by unemploy-

Figure 19
Occupation Concentration by Educational Attainment of Labor Force
Los Angeles County and California



Source: U.S. Census Bureau, 2007 American Community Survey

ment and loss of income. A detailed examination of industry changes and health impacts are provided in upcoming sections of the paper.

Unemployment by Race/Ethnicity

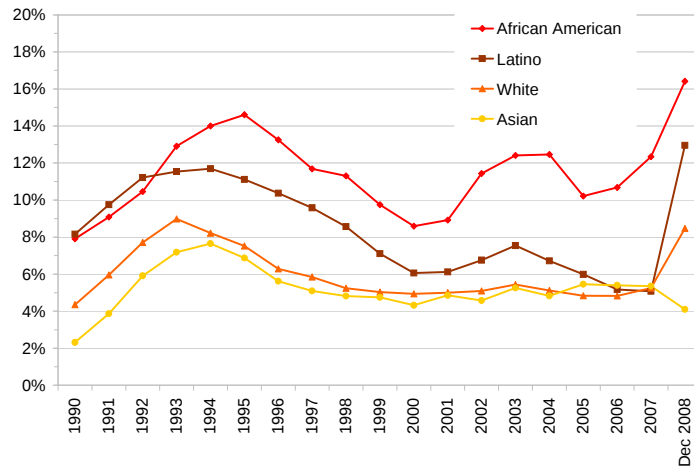
A breakout of the labor force by race/ethnicity (Figures 20 and 21) shows skewed employment outcomes similar to those found when using educational attainment to distinguish labor market outcomes. Since 1990 and particularly during

economic downturns, large shares of African Americans and Latinos have been without jobs. Unemployment rates for African Americans and Latinos are, on average, 57 percent and 14 percent, respectively, higher than overall unemployment rates in Los Angeles County and California. In contrast, unemployment rates for whites and Asians are 19 percent and 28 percent, respectively, lower than overall unemployment rates.

During the 1990s recession, unemployment rates in Los Angeles County peaked at over 14 percent for African Americans, nearly 12 percent for Latinos, 9 percent for whites, and 8 percent for Asians (Figure 20). Statewide, unemployment rates peaked at over 16 percent for African Americans, 13 percent for Latinos, 8 percent for whites and 7 percent for Asians (Figure 21).

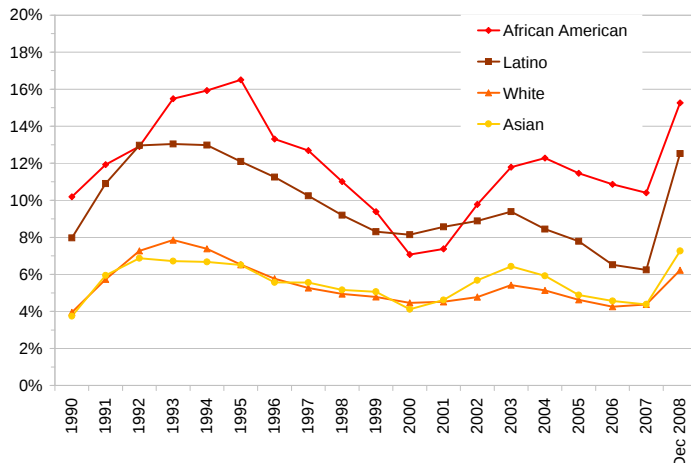
Interestingly, unemployment trends in Los Angeles County indicate that Latinos

Figure 20
Unemployment Rate by Race/Ethnicity
LA County



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

Figure 21
Unemployment Rate by Race/Ethnicity
California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

have made strides in securing jobs in recent years. Unemployment rates for Latinos in the County were, on average, 60 percent higher than rates for whites during the 1990s. In the 2000s, this disparity was cut by more than half; unemployment rates for Latinos were, on average, 25 percent higher than rates for whites. By 2007, unemployment rates for Latinos were at parity with whites and Asians. However, this parity collapsed with the onset of the current recession.

Statewide, the gap between Latino and white unemployment rates also narrowed, but with less convergence than in LA. During the 1990s and 2000s, unemployment rates for Latinos in California were, on average, 87 percent and 75 percent, respectively, higher than rates for whites. By 2007, rates for Latinos were 42 percent higher than rates for whites.

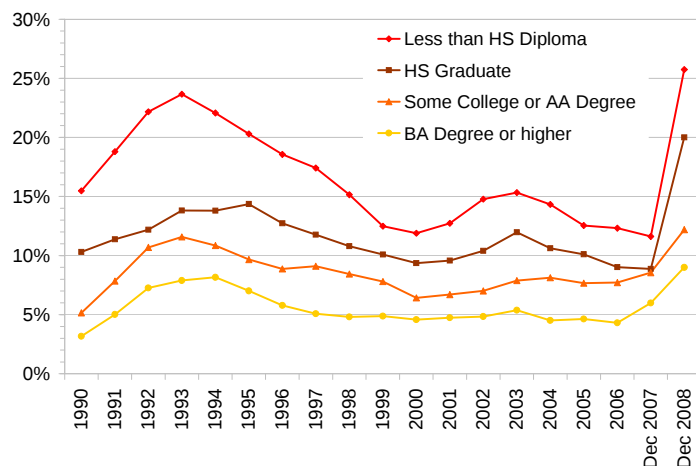
Decreasing disparities in unemployment rates between Latinos and whites indicate some degree of progress, but the quality and sustainability of these jobs are in question, particularly since the unemployment rate for Latinos shot up to above 12 percent in both the County and State in December 2008. This sudden increase in joblessness may well reflect the tenuous labor market connections of many Latino workers, specifically workers holding the informal and contingent jobs that have flourished since the 1990s.

Unemployment problems of African Americans are the most alarming. African Americans have experienced the highest unemployment levels of all groups and have seen little progress in reducing this employment disparity. In Los Angeles, the unemployment gap between African Americans and whites widened from the 1990s to the 2000s. Unemployment rates for African Americans were, on average, 85 percent higher than rates for whites during the 1990s. In the 2000s, unemployment rates for African Americans were, on average, over 100 percent higher than rates for whites. In California, the gap has largely remained unchanged. Throughout the 1990s and the 2000s, statewide unemployment rates for African Americans have been approximately 120 percent higher than rates for whites. The current recession has further compounded this unemployment problem; **at the close of the first year of this recession (December 2008), African American unemployment rates were above 16 percent in Los Angeles County and above 15 percent in California.**

Under-Employment by Educational Attainment

The breakout of under-employment rates by labor market segment shows a spread of outcomes across groups that are similar to unemployment rates, but higher (Figures 22 and 23). Under-employment rates for the least educated workers in LA County and California are 62 percent and over 100 percent, respectively, higher than overall under-employment rates for those regions since 1990. Under-employ-

Figure 22
Under-Employment Rate by Educational Attainment
LA County



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average
Note: 1990-1993 underemployment rates are estimated.

ment rates for the most-educated are 46 percent and 55 percent, respectively, lower than the overall under-employment rates in the County and State.

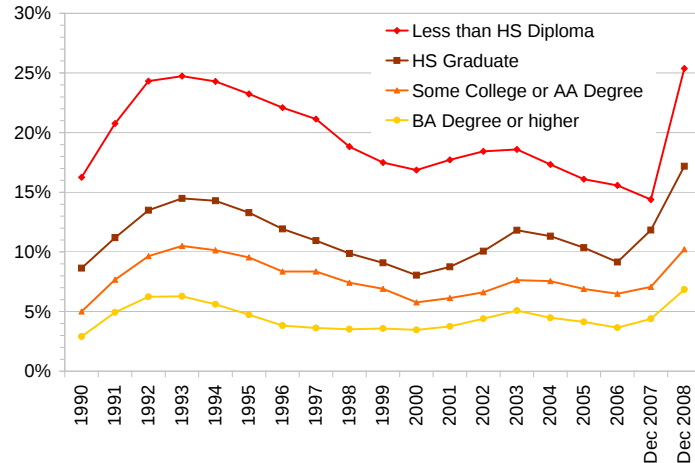
During the peak of the 1990s recession, nearly a quarter of Los Angeles County's workforce with less than a high school education was under-employed (Figure 22). This was over 60 percent growth from 1990 to 1993 and a rate 50 percent greater than LA's unemployment rate. Approxi-

mately 14 percent of high school graduates, 11 percent of workers with some college education and 8 percent of workers with a bachelor's degree or higher were under-employed during the same period. Under-employment rates at the state level were comparable to that of the County (Figure 23). However, under-employment rates for the least educated workers in the State remained high for a longer period than in LA.

By the end of the first year of the current recession (December 2008), under-employment rates already surpassed those of the 1990s recession for all segments of the County and State's workforce. In Los Angeles County, under-employment for workers with a high school education or less more than doubled in the first year of the current recession. **From December 2007 to December 2008, under-employment went**

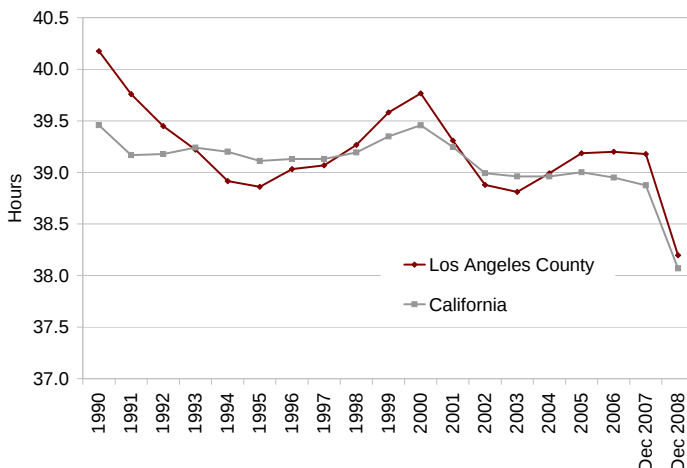
from 12 percent to 26 percent for workers with less than a high school diploma and from 9 percent to 20 percent for workers with just a high school diploma. Under-employment rates for workers with at least some college education increased by approximately half during this time. In California, under-employment rates across all segments of workers, from the most vulnerable to the most educated, were slightly lower than those for the County.

Figure 23
Under-Employment Rate by Educational Attainment
California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average
Note: 1990-1993 underemployment rates are estimated.

Figure 24
Average Hours Worked Last Week
LA County and California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

Average Hours Worked by

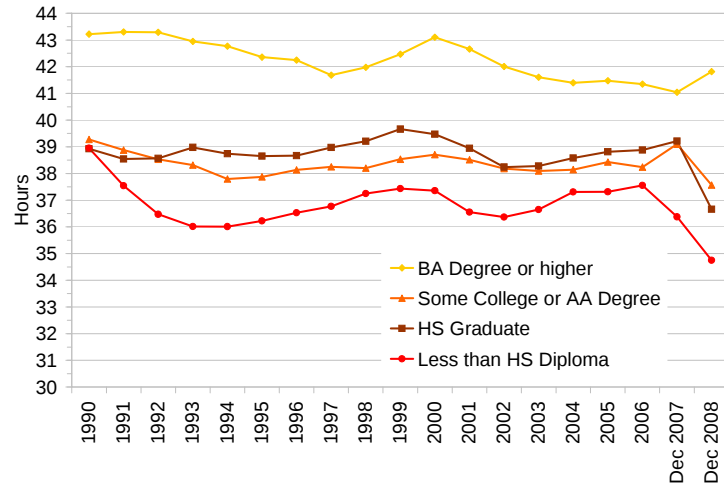
Educational Attainment

In both Los Angeles County and California, the average paid workweek fluctuated in tandem with periods of contraction and recovery in the economy, as shown in Figure 24. During the 1990s recession, the average weekly hours worked by the labor force decreased both in LA and Statewide. Along with a sharp increase in unemployment in the first year of the current recession, the average weekly hours worked for the employed labor force was cut shorter. The employed labor force averaged around 39 hours per week entering the recession in December 2007. One year later, workers averaged closer to 38 hours per week.

A break out of average weekly hours worked by different segments of workers illustrates contrasting outcomes across the workforce. Figures 25 and 26 show trends for average weekly hours worked, broken out by the educational attainment of workers in Los Angeles County and California.

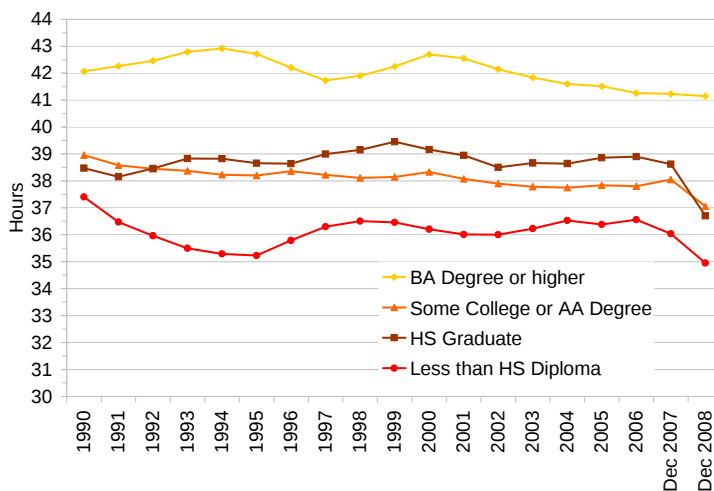
Overall, both sets of figures show that the average weekly hours for workers with

Figure 25
Average Hours Worked Last Week by Educational Attainment
LA County



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

Figure 26
Average Hours Worked Last Week by Educational Attainment
California



Source: U.S. Census Bureau, CPS March Supplement, CPS Basic; 3-year moving average

a high school education or some college education have remained relatively stable over the last two decades until the current recession. Their average workweek decreased by 1 to 2 hours from December 2007 to December 2008. The average workweek for the most educated segment of workers has historically remained over 40 hours per week, even during periods of economic downturns. Despite a slight up-tick at the county level and a slight decline at the state

level, the average workweek for the most educated workers remained relatively stable during the first year of the current recession. These early trends, however, may change as employers are compelled to issue furloughs before resorting to layoffs as the recession deepens.

Not only are the least educated workers more likely to be marginally attached to or completely detached from work opportunities than other segments of workers, they average the shortest workweek and experience the greatest decline in work hours during economic downturns. The average workweek has declined over the last two years for workers with less than a high school education. **By December 2008 and for the first time in almost two decades, the average worker with less than a high school education is working part-time, 35 hours or less, further illustrating their tenuous attachment to sustainable work.** The growing informal market and service sectors that are largely supported by workers with limited education provide little security for workers and families who already face housing, health and economic uncertainty. The breakouts of employment outcomes by labor market segments clearly shows the vulnerability of specific populations to employment dislocation or marginalization that threatens their connection to the work needed to sustain their households.

Industry Restructuring in Recessions

Los Angeles County

Each recession tests the industrial strengths of the economy, altering the number and type of jobs available in the labor market, and quite possibly the wages offered for those jobs. LA's economic trajectory for wage and salary jobs in the formal economy from 1981 to 1990 (the peak of one business cycle to the peak of the next) is shown in Figure 27. Every significant industry sector, except Durable Manufacturing – the biggest sector – had grown (as shown by alignment along the vertical axis). Sixty percent of the jobs paid a living wage – \$40,000 or more in 2007 dollars (as shown by alignment along the horizontal axis). This economy supported a higher standard of living and stronger public sector revenue than the economy that emerged after the 1990 recession.

In 1990, the Central Committee of the Soviet Union's Communist Party agreed to give up its monopoly of power and the Cold War ended. This led to large cutbacks in defense spending that precipitated the collapse of LA's aerospace industry, which made up most of the Durable Manufacturing sector. LA sank into its most severe economic downturn since the Great Depression, a downturn that has not yet ended.

During the decade of the 1990s, Los Angeles had net out-migration of 1,100,000 residents who moved to other regions of the U.S. A steady flow of hopeful, energized immigrants saved LA from the fate of having a shrinking population and economy. However, a lesser set of problems accompanied these new arrivals, including a less-skilled labor force and a growing informal economy.

In the 1981-1990 business cycle, private sector employment grew 18 percent; in the 2001-2007 cycle it grew only 1 percent, still without regaining the level it was at in 1990. LA's economic trajectory from 2001 to 2007 (the peaks of the two most recent

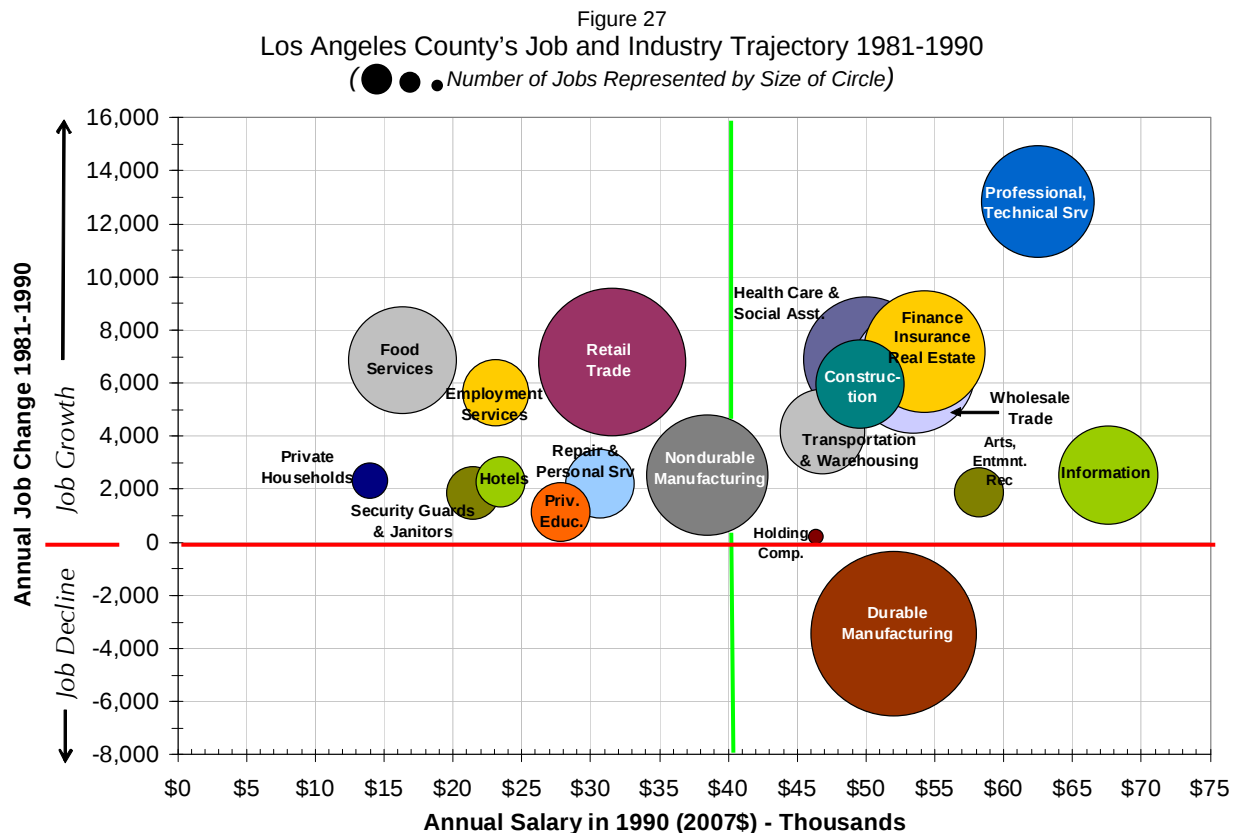
business cycles) is shown in Figure 28. LA entered the 2008 recession with weak growth – the size of many industry sectors remained unchanged. The two sectors with the most growth were Professional, Technical and Scientific Services (18 percent) and Health Care and Social Assistance (15 percent). Finance Insurance and Real Estate and Construction had grown as well, but were the first casualties of the 2008 recession.

Growing wage polarization is evident in the wage distribution of LA's industries. The middle is missing. The median household income (in 2007 dollars) declined 10 percent - from \$59,230 in 1989 to \$53,573 in 2007.¹⁸ The income bridge between LA's lower- and higher-wage industries that used to be provided by the Manufacturing sector has largely disappeared.

LA's Most Vulnerable Industries

Industries that fail to thrive during the upswing of a business cycle are at greater risk of dislocation and decline during the falling tides of a recession. The following four sectors of the formal economy had the greatest decline during the growth cycle that continued through 2007.

Los Angeles County's *Manufacturing* sector continues to hemorrhage jobs. Employment in *Durable Goods Manufacturing* declined 26 percent from 2001 to 2007, losing 83,000 jobs. The biggest loser within this industry group was *Transportation*



Sources: California EDD LMID for employment, US BEA for wages; formal wage and salary employment shown in graph

Equipment Manufacturing, losing 18,700 jobs.

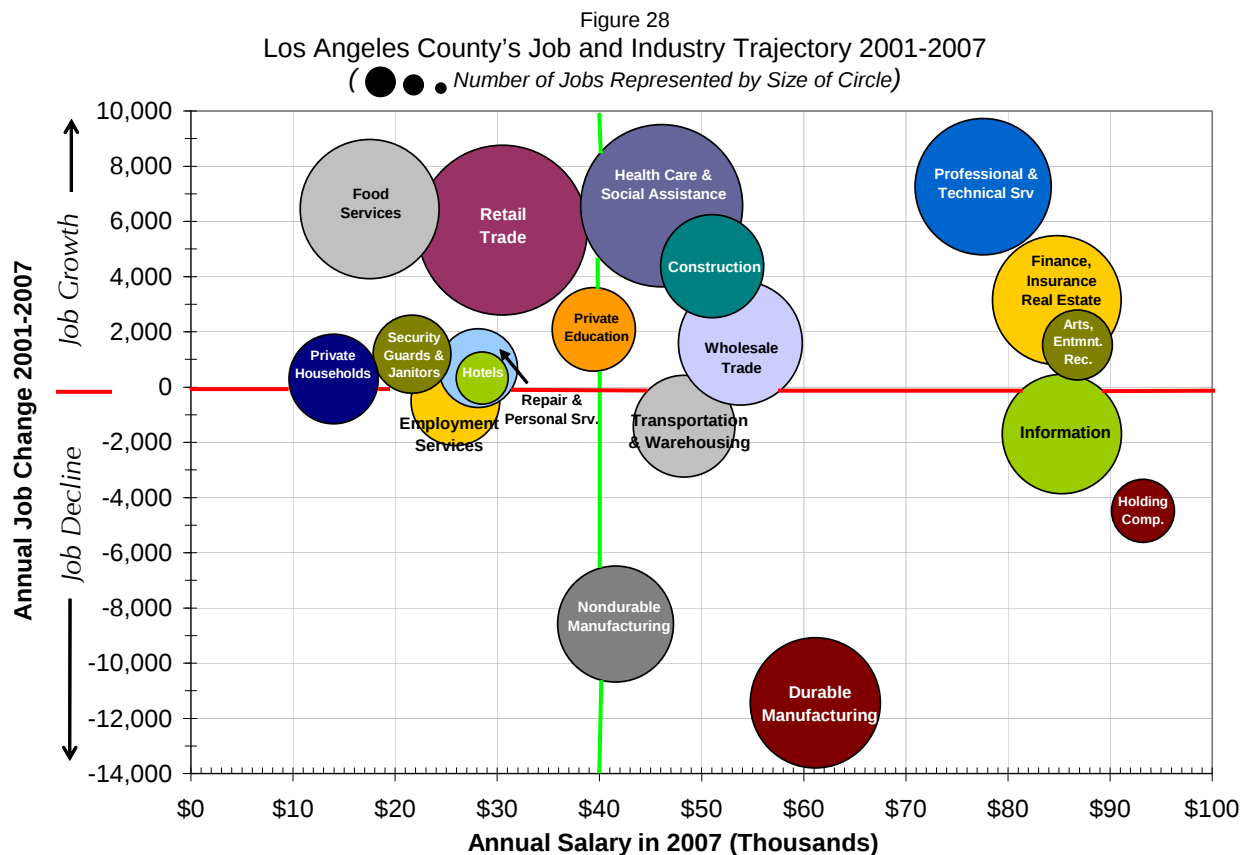
Nondurable Goods Manufacturing fared almost as poorly, losing 22 percent of employment, or 56,000 jobs. The biggest loser within this industry group was *Apparel Manufacturing*, losing 31 percent of employment, or 25,200 jobs.

The *Information* sector, which includes Publishing, Motion Pictures, Broadcasting, Telecommunications, and Internet Services, lost 9 percent of its jobs. These losses were distributed across *Internet Service Providers* (63 percent of jobs lost), *Newspaper Publishing* (39 percent of jobs lost), and Telecommunications (24 percent of jobs lost).¹⁹

The *Transportation and Warehousing* sector lost 6 percent of its jobs. Most of this loss was in *Air Transportation*, where employment declined 34 percent and 10,100 jobs were lost.

California

California entered the 2008 recession with a stronger economy than Los Angeles County. California's job and industry trajectory from 2001 to 2007 is shown in Figure 29. The most important differences between California and LA's economic trajectories over the last business cycle (2001 to 2007) are:

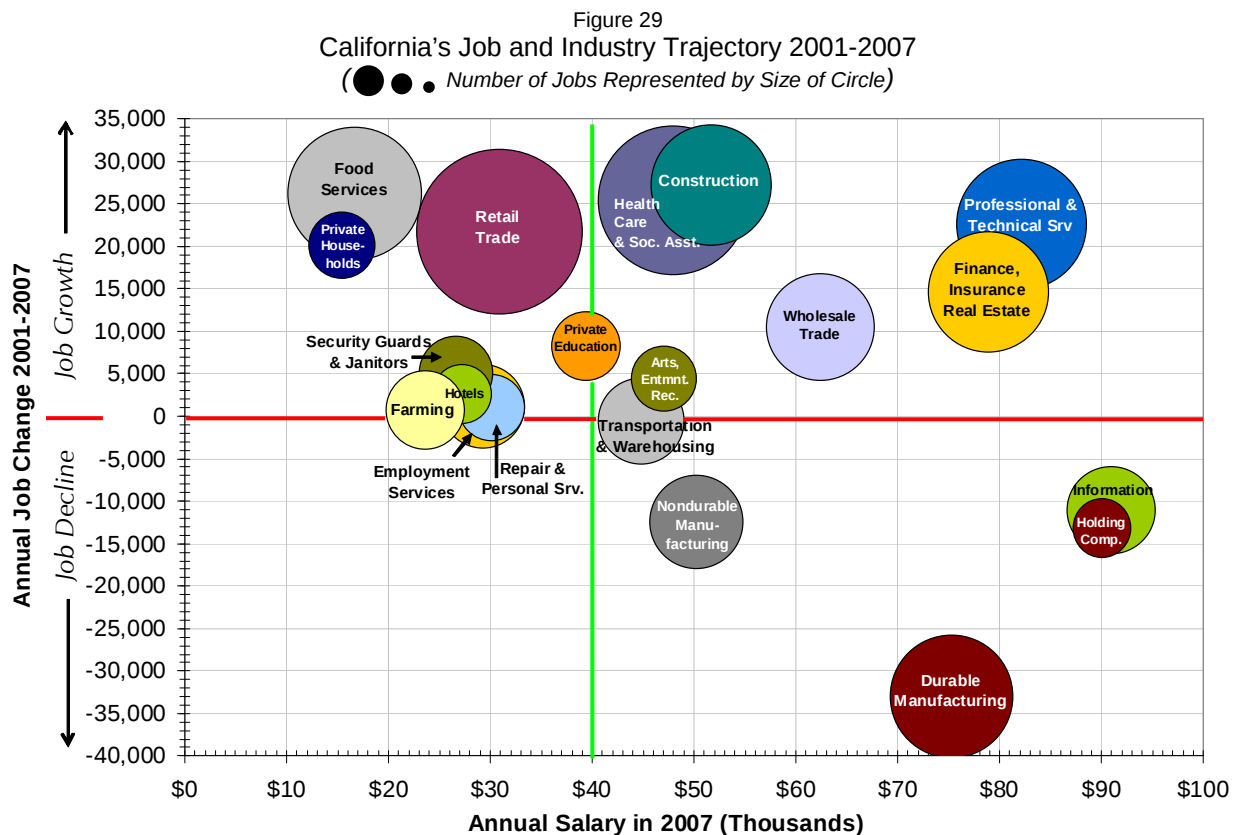


- California had a higher rate of private job growth – 4 percent vs. 1 percent for LA.²⁰
- California has a higher median household income - \$59,948 vs. \$53, 573 for LA.²¹
- A larger share of California’s employment is in wage and salary jobs – the share of employment that is not in wage and salary jobs is 30 percent greater in LA than in California – suggesting that the informal economy is more pervasive in LA.²²
- The distribution of employment across industry sectors is substantially similar, although Construction accounts for 56 percent more of employment in California than in LA, and Information accounts for 61 percent more of employment in LA than in California.²³

Given that the 2008 recession is driven by national and global economic forces that are likely to have similar effects on given industries throughout the state, Los Angeles County and California appear to share similar risks, although California’s stronger growth momentum and higher incomes may provide some added protection.

California’s Most Vulnerable Industries

California’s most severe job losses from 2001 to 2007 were in *Durable Goods Manufacturing*, where employment declined 20 percent for a loss of 233,500 jobs. Much



Source: California EDD LMD; formal wage and salary employment shown in graph

of this loss occurred in *Computer and Electronic Product Manufacturing*, where employment declined 26 percent for a loss of 105,600 jobs.

Holding Companies or Regional Managing Offices declined 27 percent for a loss of 77,500 jobs. Establishments in this sector own a controlling interest in, or have management control of, the businesses they oversee and provide strategic planning and decision making for those businesses.

Nondurable Goods Manufacturing declined 13 percent for a loss of 80,800 jobs. Within this sector the losses were greatest in *Apparel Manufacturing* (30 percent employment decline, 31,500 jobs lost), *Printing and Related Support Activities* (24 percent employment decline, 18,800 jobs lost), and *Plastics and Rubber Products Manufacturing* (22 percent employment decline, 15,300 jobs lost).

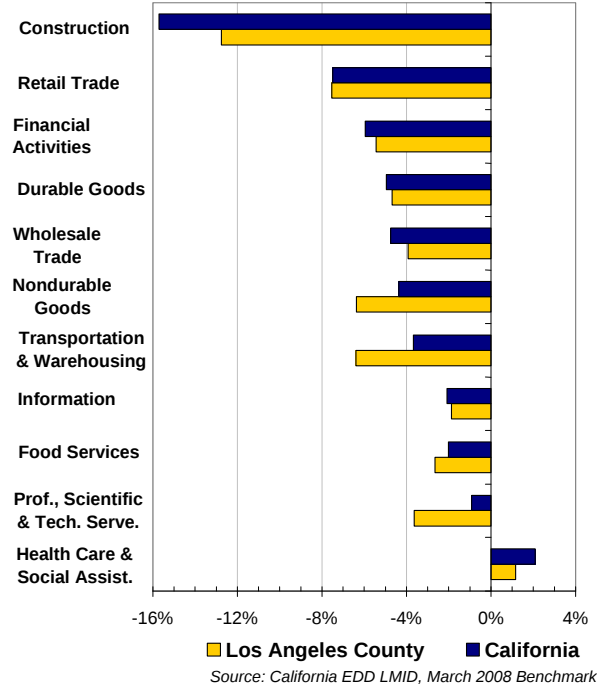
The *Information* sector lost 11,000 jobs a year, for a total loss of 15 percent of employment between 2001 and 2007. The biggest losses were in *ISPs, Search Portals, and Data Processing* (70 percent of jobs lost), *Telecommunications* (20 percent of jobs lost), and *Newspaper Publishers* (20 percent of jobs lost).²⁴

Changes in Formal Industry Employment in the First Year of the Recession

The industries that are most sensitive to an economic downturn are those supplying goods or services that consumers are most likely to defer using when they have less income. First-year changes in employment by industry in Los Angeles County and California's formal economies, from December 2007, the peak of the business cycle before the recession began, to December 2008, are shown in Figure 30.

- *Construction*, which was a precipitating factor in the recession, had the biggest job losses - 16 percent statewide and 13 percent in LA.
- *Retail* lost 7 percent statewide and 8 percent in LA.
- *Financial Activities* lost 6 percent statewide and 5 percent in LA.
- *Durable Goods Manufacturing* lost 5 percent both statewide and in LA.
- *Wholesale Trade* lost 5 percent statewide and 4 percent in LA.
- *Nondurable Goods Manufacturing* lost 4 percent statewide and 6 percent in LA.
- *Transportation and Warehousing* lost 4 percent statewide and 6 percent in LA.

Figure 30
Change in Formal Wage and Salary Jobs
California and LA County December 2007 to December 2008



- *Information* lost 2 percent both statewide and in LA.
- *Food Services and Drinking Places* lost 2 percent statewide and 3 percent in LA.
- *Professional, Scientific and Technical Services* lost 1 percent statewide and 4 percent in LA.
- *Health Care and Social Assistance* grew 2 percent statewide and 1 percent in LA. This was the only major industry sector with job growth. Most of the growth was in *General Medical and Surgical Hospitals*.

Formal employment declined 3.3 percent statewide and 3.6 percent in Los Angeles County in the first year of the recession. Total employment, including wage and salary workers, self-employed persons, and informal workers declined 1.7 percent statewide and 4.0 percent in LA.

Conclusions: Effects of the Economy on the Labor Market and Industries

The destructive outcomes of recessions include loss of jobs increased unemployment, and erosion or elimination of some industries. Loss of jobs, in turn, causes many other dislocations that are discussed in other sections of this report. The data about employment decline and increased unemployment presented in this report indicates that impacts of the current recession are likely to include:

- *7.0 percent employment decline in Los Angeles County and 4.8 percent decline in California*
- *12.2 percent peak unemployment in Los Angeles County and 11.7 percent unemployment in California*
- *Under-employment rates in Los Angeles County and California that are 41 percent and 37 percent higher than their respective unemployment rates.*
- *Under-employment peaking at just under 18 percent in Los Angeles County and just over 17 percent in California.*
- *Unemployment rates for the least educated (less than HS diploma) segment of LA and California's labor force that are 53 percent and over 100 percent, respectively greater than overall unemployment rates.*
- *Unemployment rates for African Americans and Latinos that are 57 percent and 14 percent, respectively, higher than overall unemployment rates in Los Angeles County and California.*
- *Declining hours of work for workers with less than a college education.*
- *Further erosion of the Durable Goods Manufacturing sector, including Transportation Equipment Manufacturing and Computer and Electronic Product Manufacturing, the Nondurable Goods Manufacturing Sector, including Apparel, Printing, and Plastics and Rubber Products, and the Information Sector, including Newspaper Publishing.*

Chapter 3

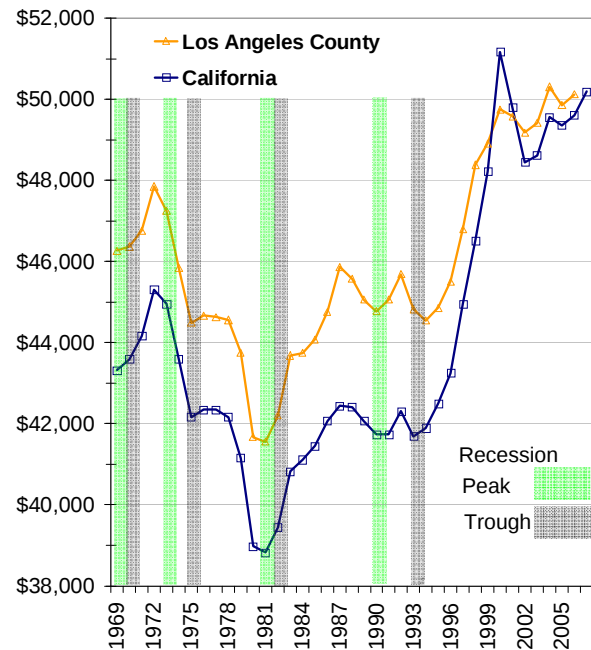
INCOME AND SPENDING IMPACTS

Average Wages

Wages of workers who remain employed during a recession tend to remain stable, or even increase, as shown in Figure 31. Average wages increased in the 1969 and 1981 recessions, decreased in the 1972 recession, and both increased and decreased in the course of the 1990 recession.

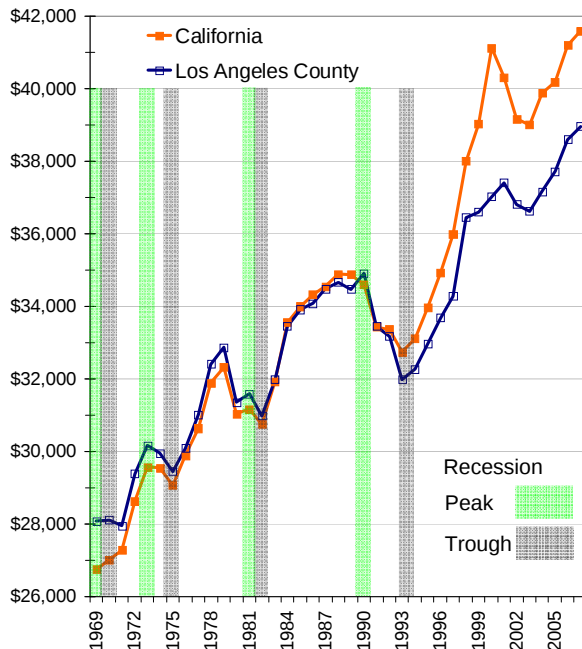
Looking at national wage data for 2007 and 2008 (state and county data for those years are not available yet) we see that the seasonally adjusted average annual wage in the United States (in 2007 dollars) increased 2 percent from the fourth quarter of 2007 (the peak of the business cycle before the recession) to the fourth quarter of 2008.²⁵ This

Figure 31
Average Wage per Job in California and LA
California and LA County, 1969-2007, 2007 Dollars



suggests that the average wage is increasing in the current recession.

Figure 32
Average per Capita Income in California and LA
California and LA County, 1969-2007, 2007 Dollars



Average Per Capita Income from All Sources

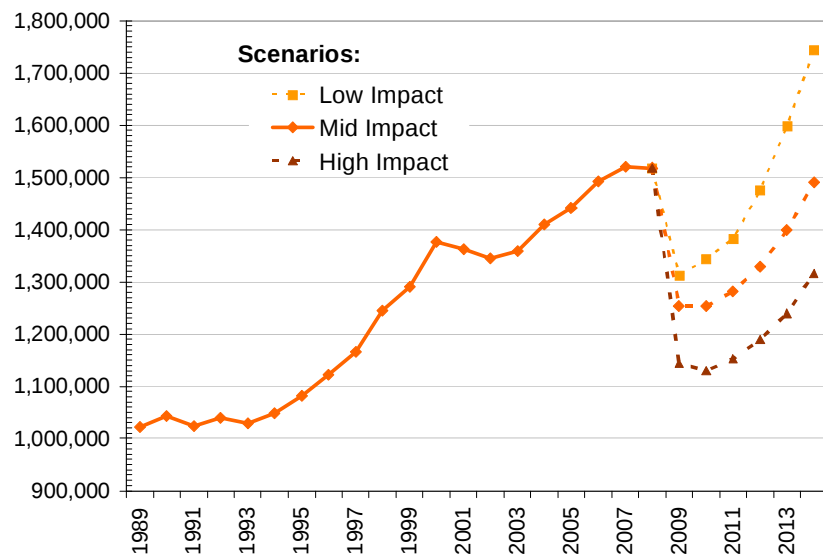
Average income goes down in recessions because earned income, which accounts for 84 percent of total income,²⁶ declines as workers are laid off or have their work hours reduced. This pattern of a decline in average per capita income from the peak of the business cycle before recessions begin to the trough of recessions can be seen in Figure 32. In the 1981, 1990 and 2001 recessions, per capita income in Los Angeles County and California de-

clined an average of 5.4 percent from the peak preceding the recession to the trough of the recession.

Projected Change in Total Personal Income in California

The projected decline in employment in the current recession under the Low-, Mid- and High-Impact scenarios has been scaled to the ratio of change in total personal income to change in total employment in California's 1982, 1991 and 2001 recessions (Figure 33).

Figure 33
Total Personal Income in California 1989 to 2008, Millions of 2007\$



Source: Regional Economic Information System, Bureau of Economic Analysis and Economic Roundtable projection

Tax revenue is highly dependent on personal income taxes, which in turn are sensitive to stock market changes and fluctuation in capital gains taxes. In the 2008-2009 fiscal year, unemployment rose sharply and the stock market plummeted causing steep decline in personal income tax revenue from both earned income and capital gains.²⁷ Personal income is likely to remain depressed in the 2009-2010 fiscal year, given the likelihood of increasing unemployment and slow growth in the stock market.

Variation in total employment explains 92 percent of variation in total personal income in Los Angeles County and 98 percent of changes in California. The results from statistical tests of this relationship using 20 years of data for LA and 23 years of data for the state are shown in Table A2 in the Statistical Appendix. *It should be noted that while there is a logical connection between loss of jobs and loss of income, the statistical procedures used to test the strength of association between pairs of indices used to make projections in this report demonstrate the extent to which they change together but do not demonstrate causation.*

Assuming that personal income declines in the same ratio to declining employment as in these past three recessions, and factoring in reduced capital gains income, **personal income (in constant dollars) is projected to decline 17.6 percent from the peak in 2007 in California to the trough of the recession** (projected for 2010), with a Low-Impact scenario of 13.7 percent decline and High-Impact scenario of 25.7 decline.²⁸ **In the following economic recovery, personal income is projected to regain 98 percent of the 2007 level (in constant dollars) in California by 2014**, with the Low- and High-Impact scenarios reaching 115 and 86 percent, respectively, of the 2007 level.

Declining personal income will reduce state personal income tax revenue, which was budgeted to provide 49.1 percent of California's general fund revenue in 2009-2010.²⁹

Consumption

Consumer expenditure data is only available at the national level, but it suggests that consumers spend less of their income during and after recessions. Figure 34 shows household expenditures (excluding taxes) as a percent of after-tax household income. This percentage declined from 99 percent in 1990, before the start of that mild national recession, to 95 percent in 1994. It also declined from 95 percent in 2000, before the onset of the 2001 recession, to 82 percent in 2007. **A**

Figure 34
Personal Expenditures as a Percent of Income
United States households by income quintile 1989-2007
After tax income, personal taxes excluded

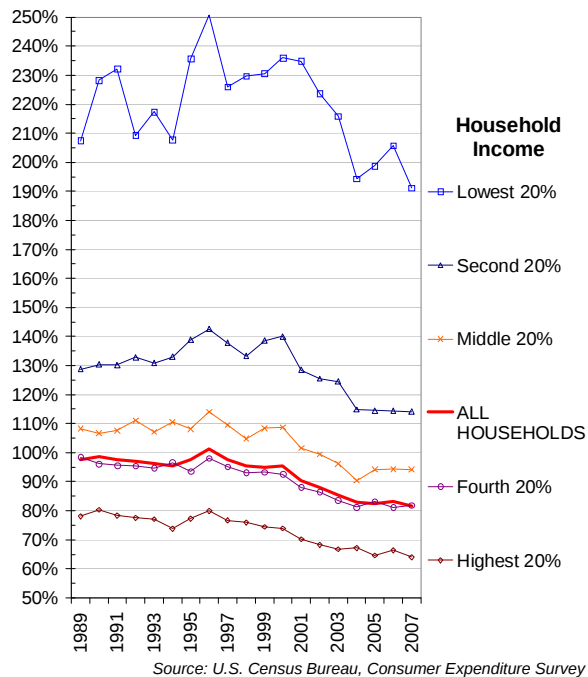
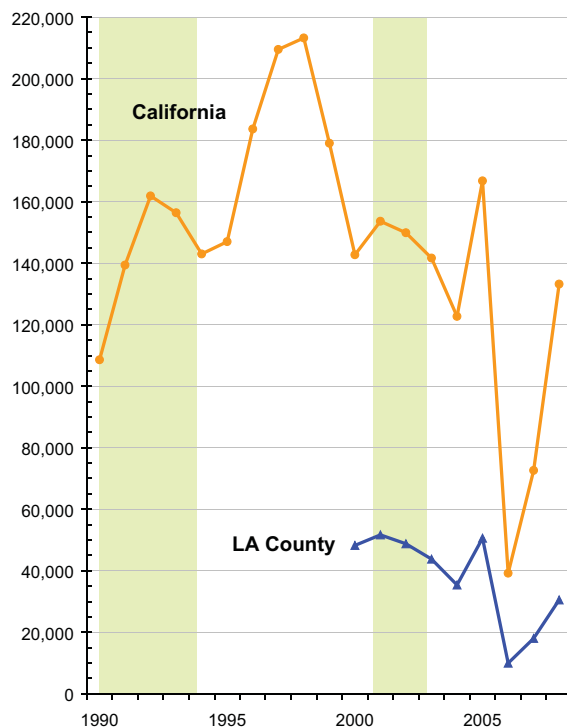


Figure 35
Total Bankruptcy Filings in California and Los Angeles County 1990-2008



sustained decline in consumption has followed the 2001 recession.

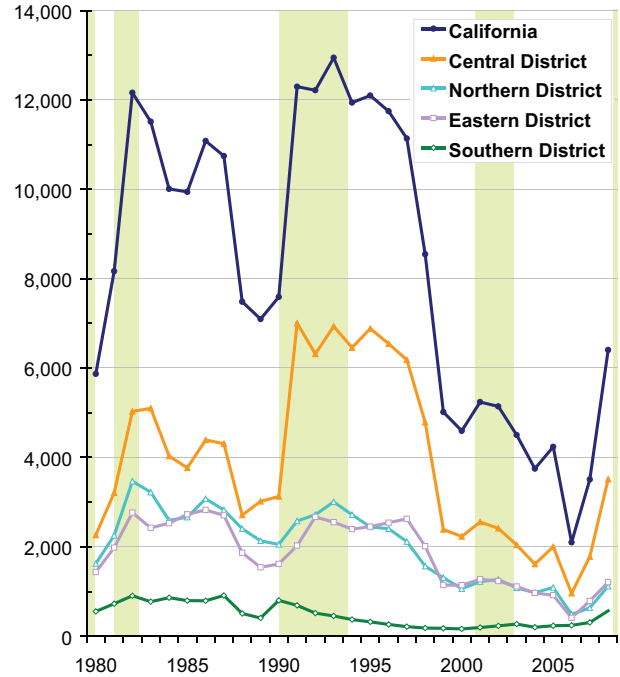
Lower income households are particularly vulnerable to economic downturns because their consumption extends beyond the limits of their income. In 2007, the average U.S. household in the bottom income fifth of the income distribution reported an after-tax annual income of \$10,662, and pre-tax expenditures that totaled \$20,372.³⁰ This degree of financial leveraging is unlikely to be sustainable in the long term, even without loss of a job. As discussed earlier, the unemployment rate for wage earners in these households is far above average; **many low-income households are vulnerable to financial catastrophes in recessions.**

Bankruptcy

Bankruptcies are an indicator of distress in the economy, revealing how many individuals and businesses stop receiving enough income to pay their bills.³¹ Bankruptcy filings increase during recessions, as can be seen in Figure 35, which shows all filings in California and Los Angeles County.³² **Bankruptcy filings have increased 206 percent in Los Angeles County and 240 percent in California since 2006, and substantial further increases appear likely.** Other factors including regulatory changes in 2005, have caused additional spikes in filings.³³

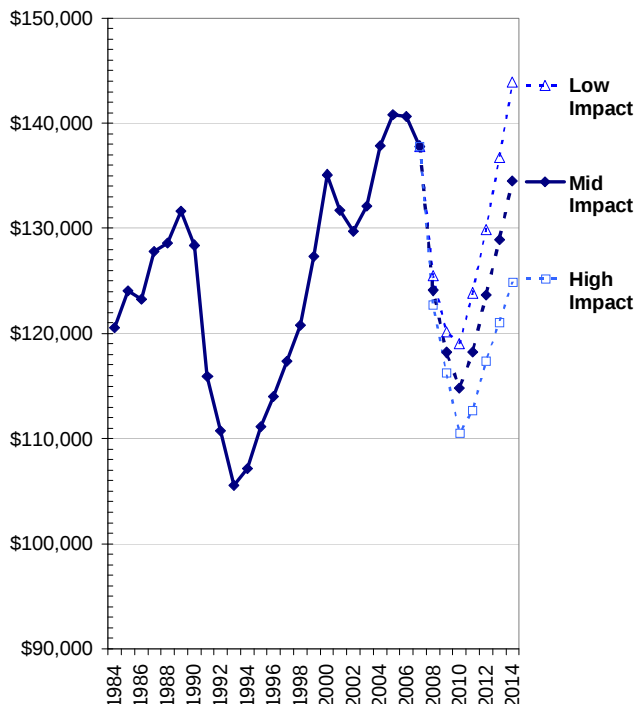
Businesses filings for bankruptcy are a subset of all filings, accounting for 20 percent or less of the total. These filings more closely corre-

Figure 36
Business Bankruptcy Filings in California and Federal Judicial Districts within the State 1980-2008



Source: American Bankruptcy Institute

Figure 37
Total Taxable Sales in Los Angeles County
Millions of 2007\$, 1984-2007 actual, 2008-2014 projected



Source: California State Board of Equalization, Research and Statistics Section

spond to the peaks and troughs of the economy's business cycles (Figure 36). The elevated number of business bankruptcies filed in the early 1990s in California and Los Angeles (part of the "Central District" in this data) illustrate the prolonged negative impacts of the aerospace industry decline and subsequent incomplete economic recovery. As with previous recessions, the first two years of the current economic downturn have seen a rapid rise in the number of business bankruptcy filings, likely skewed towards construction and real estate-related businesses.

Sales Tax Revenue

Consumer spending decreases in recessions for at least

two reasons. First, aggregate income for making consumer purchases declines as workers become unemployed or under-employed and have less income. Second, many households reduce expenditures because of uncertainty about the security of their job or other sources of income, thus spending less of the income they do have. These spending reductions compound the original causes of a recession by further diminishing the output of goods and services that is required to satisfy market demand.

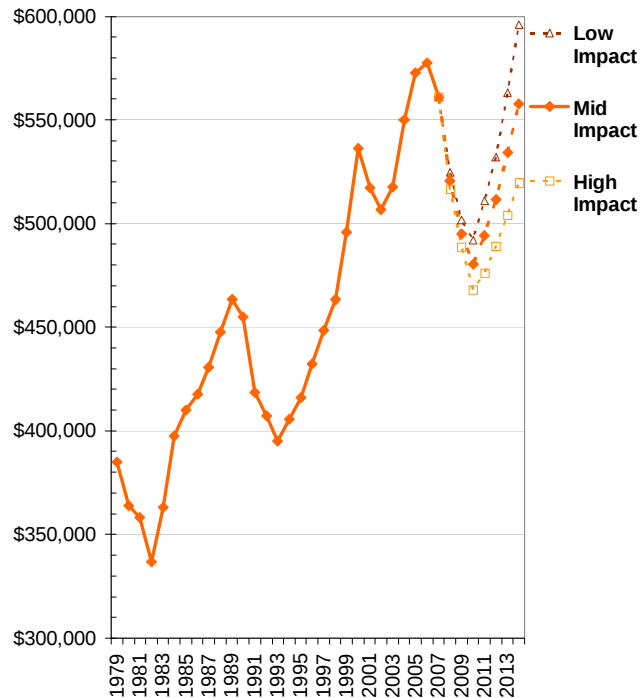
Decreased spending also reduces sales tax revenue for state and local government. In the 2008-2009 fiscal year, sales taxes were budgeted to provide 28.8 percent of California's baseline revenue, 5 percent of Los Angeles City's revenue, and 0.2 percent of Los

Angeles County's revenue.³⁴ Total taxable sales from 1984 for Los Angeles County and from 1979 for California, with actual data through 2007 and projections through 2014, are shown in Figures 37 and 38. From 1989 to 2006, per capita annual sales tax revenue (in constant dollars) declined 5 percent in Los Angeles County and 3 percent in California, however, population growth has offset this decline, except during recessions.³⁵

Projected Decline in Sales Tax Revenue

Variation in employment explains 85 percent of variation in taxable sales in Los Angeles County and California (Table A3, Statistical Appendix). Assuming that taxable sales decline in the same ratio to declining employment as in the 1990 recession, **annual**

Figure 38
Total Taxable Sales in California
Millions of 2007\$, 1984-2007 actual, 2008-2014 projected



Source: California State Board of Equalization, Research and Statistics Section

Table 3
Projected Change in Taxable Sales in Los Angeles County and California
Base year of 2006, projected in constant dollars

Change in Annual Sales Tax Revenue from 2006 (constant dollars)	Los Angeles County			California		
	Low Impact	Mid Impact	High Impact	Low Impact	Mid Impact	High Impact
2007 (actual)		-2%			-3%	
2010 (projected trough)	-15%	-18%	-21%	-15%	-17%	-19%
2014 (projected recovery)	2%	-4%	-11%	3%	-3%	-10%

taxable sales (in constant dollars) are projected to decline 18 percent from the 2006 level in Los Angeles County and 17 percent in California by the trough of the recession (projected for 2010), with a 3 percent margin on either side of this projection for the Low- and High-Impact scenarios in LA, and a 2 percent margin on either side for the state (Table 3).³⁶ **In the following economic recovery, taxable sales are projected to return to within 4 percent of their 2006 level in Los Angeles and 3 percent of that level in California by 2014**, with a 6 to 7 percent margin on either side of this projection for the Low- and High-Impact scenarios.

Excluding recent increases in sales tax rates, these Mid-Impact projected changes in taxable sales at the trough of the recession will result in the following overall decreases in budgets, as they were structured for the 2008-2009 fiscal year:

- California -5 percent
- Los Angeles County -0.04 percent
- Los Angeles City -0.9 percent

Conclusions: Effects of the Economy on Income and Spending

Job destruction and prolonged unemployment affects the amount of wealth in the region and the state and the level of consumption. The data about income decline and decreased spending that has been reviewed indicates that impacts of the current recession are likely to include:

- *Personal income in California (in constant dollars) is projected to decline 17.6 percent from the peak in 2007.*
- *Low-income households are likely to have disproportionate exposure to excessive and unmanageable debt loads.*
- *Bankruptcy filings have increased 206 percent in Los Angeles County and 240 percent in California since 2006, and substantial further increases appear likely.*
- *Annual taxable sales (in constant dollars) are projected to decline 18 percent from the 2006 level in Los Angeles County and 17 percent in California by the trough of the recession.*

Chapter 4

HOUSING IMPACTS

Housing Prices

Housing prices for the region, state and nation peaked ahead of the recession, in July 2006 (Figure 39).³⁷ At the peak of the business cycle, in December 2007, prices had already dropped:

- 15 percent in LA
- 15 percent in California
- 11 percent in the U.S.

By January 2009, housing prices had dropped a total of:

- **39 percent in LA**
- **40 percent in California**
- 30 percent in the U.S.

Changes in home prices in LA and California have been similar, and about a third greater than in the U.S.

This is different than the 1990 recession, when employment and housing prices peaked at the same time - in June 1990, and both declined together as the recession progressed. In that recession, the decline in prices ended almost six years later, in the first quarter of 1996. When dropping home prices bottomed out, values had decreased:

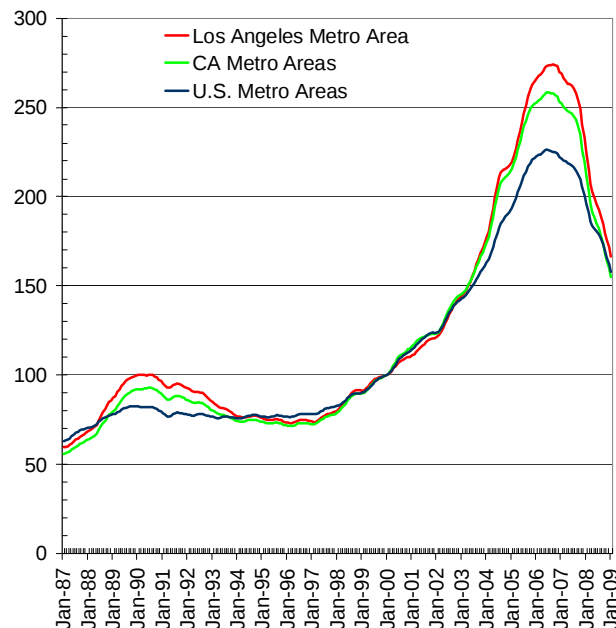
- 27 percent in LA
- 23 percent in California
- 7 percent in the U.S.

After the first year of the current recession, home prices have already fallen much more than they did in the entire course of the 1990 recession.

New Housing Construction

Construction of new housing has not kept pace with population growth. There has been substantial fluctuation in housing production levels, with a strong recent growth cycle ending in 2007. However, from 1990 to 2007, there was 11 percent population growth in Los Angeles County and 23 percent growth in California, but the respective housing inventories grew only 7 percent and 19 percent.³⁸ One consequence has been that from 1999 to 2007, the share of renters who are rent-burdened (paying 30 percent or

Figure 39
U.S., California and Los Angeles Region Residential
Housing Price Indices
January 1987 through January 2009



Source: S&P/Case-Shiller Home Price Indices, not seasonally adjusted

more of their income for rent) has increased from 46 to 56 percent in Los Angeles County and from 45 to 54 percent in California.³⁹

Employment levels are the most significant single factor affecting construction of new housing units, although other important factors include interest rates, housing affordability and market demand. We have estimated

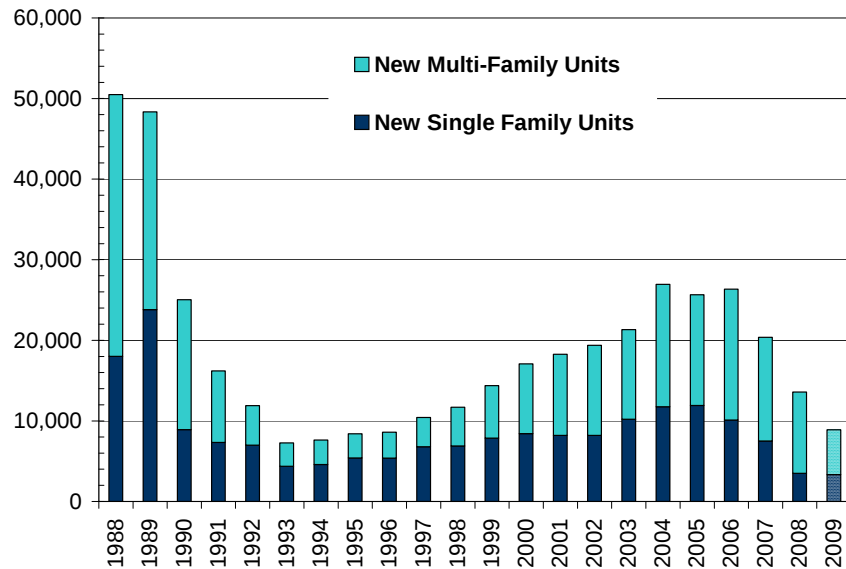
housing production for 2009 based on the number of permits in the first quarter. This is shown in Figure 40 for Los Angeles County and Figure 41 for California.

Permits for new residential construction peaked in 2004 at 26,935 in Los Angeles County and 212,960 in California. These levels held roughly constant until 2005 in California and 2006 in Los Angeles County, and then fell rapidly.

Housing production in 2009 is estimated to be 28 percent of the 2004 peak in Los Angeles County and only 16 percent in California.

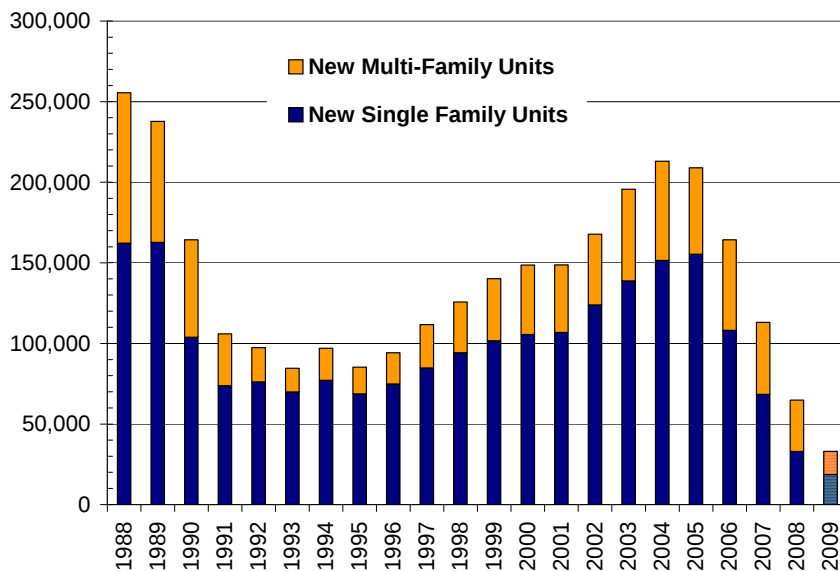
Previous construction cycles demonstrate that the housing market builds upward momentum incrementally but can decline precipitously. Given the very low level of construction activity we now see, it is reasonable to

Figure 40
Building Permits in Los Angeles County for New Housing 1988-2009
Annual permits 1988-2008, 1st quarter extrapolation for 2009



Source: Construction Industry Research Board and Economic Roundtable extrapolation for 2009

Figure 41
Building Permits in California for New Housing 1988-2009
Annual permits 1988-2008, 1st quarter extrapolation for 2009



Source: Construction Industry Research Board and Economic Roundtable extrapolation for 2009

expect that market-driven construction activity will fall well short of keeping pace with housing demand, particularly the demand for affordable housing, over the next five years.

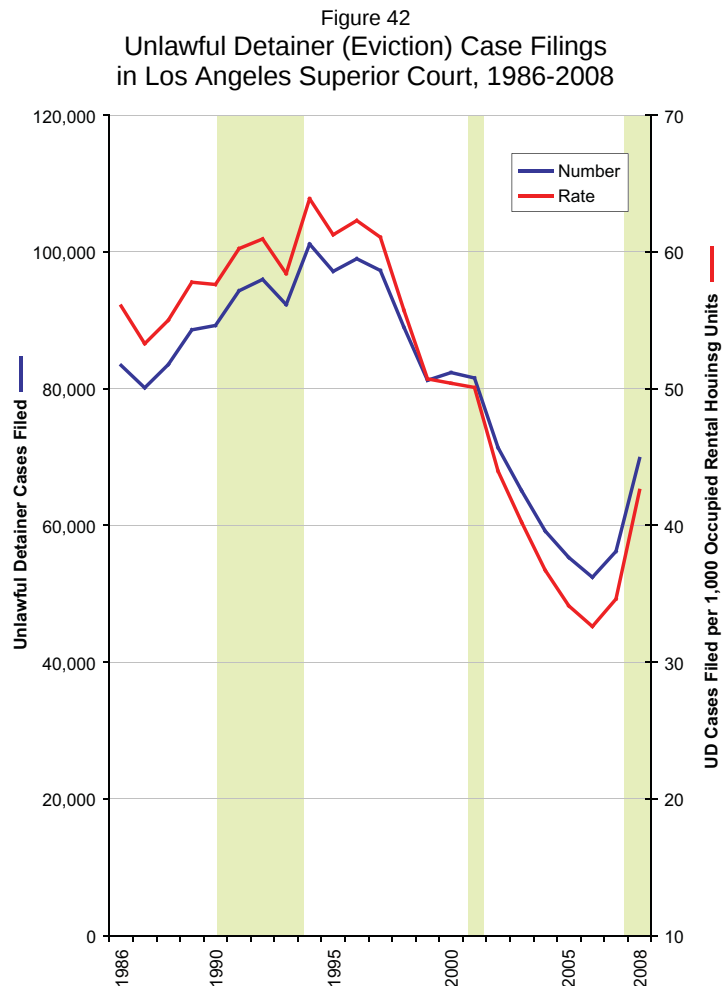
Evictions from Rental Housing

In Los Angeles County, just over half (51 percent) of all occupied housing units are rented.⁴⁰ For the occupants of rental units, economic downturns can hamper their ability to pay rent on time and in full, which in turn can lead to their eviction. Although there are other grounds for eviction, non-payment of rent cases surge during recessions.⁴¹

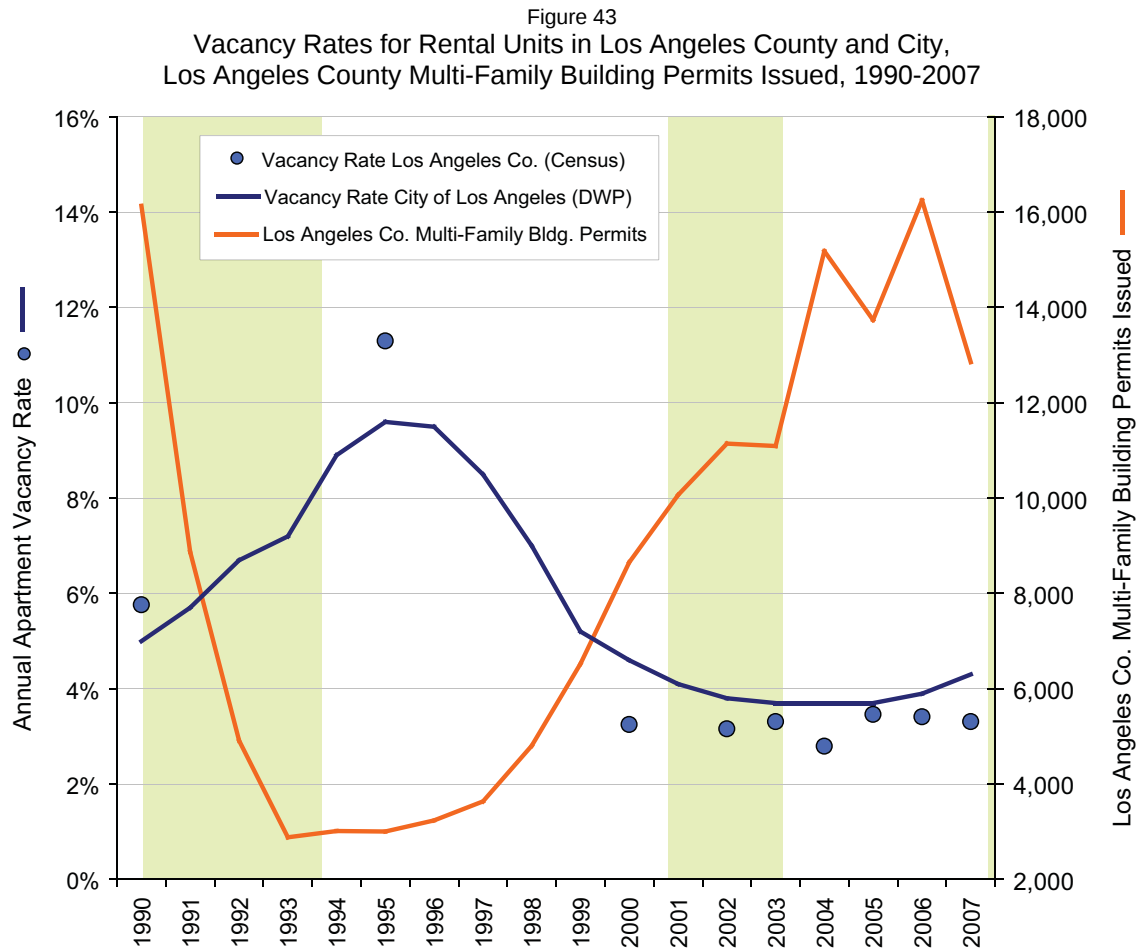
In Los Angeles County, the *number* of unlawful detainer cases peaked in 1994 (101,148 cases filed), coinciding with the trough of the region's 1990s recession (Figure 42). The *rate* of unlawful detainer cases filed also peaked in 1994, with just under 64 cases filed per 1,000 occupied rental housing units in the county.⁴²

There was a steady decrease in both the number and rate of unlawful detainer cases filed from 1996 until 2006, except for a three-year leveling of unlawful detainer cases filed from 1999-2001. What explains this dramatic ten-year decline in cases filed? We believe that two overlapping trends offer an explanation:

1. The vacancy rate for rental housing in Los Angeles was unusually high in the mid-1990s, at one point exceeding 10 percent (Figure 43).⁴³ The high number of vacancies put renters in a much stronger bargaining position as rent prices declined for some rental housing units during this period.
2. Construction of new multi-family housing units in Los Angeles began increasing in the late 1990s after a stagnant period mid-decade (Figure 43).



Sources: Los Angeles Superior Court, Management Systems Analysis Unit, 1986-2008 Superior Court Limited Jurisdiction Summary Reports; 1980, 1990 & 2000 US Census of Population and Housing (Tenure); 2002-2007 American Community Survey; Construction Industry Research Board (1989-2006 building permit data).



Sources: 1990 & 2000 US Census of Population and Housing; 2002-2007 American Community Survey (Vacancy Status and Tenure); 1995 US Census and Department of Housing and Urban Development "American Housing Survey for the Los Angeles-Long Beach Metropolitan Area in 1995" (Current Housing Reports H170/95-7). City of Los Angeles Department of Water and Power. Individually Metered Apartment Vacancy Survey data and Residential Meter Activity data, produced on a monthly basis for the Los Angeles Housing Department. Construction Industry Research Board (1989-2006 building permit data).

The increase in construction of larger multi-family housing continued through the recent housing boom until 2006, adding to Los Angeles' rental housing supply. Although this boom has displaced renters in properties that were demolished or converted to condominiums, overall it coincided with a decline in overcrowded rental units.⁴⁴

These two trends – heightened apartment vacancy rates, followed by the rebounding of multi-family housing construction – likely contributed to the dramatic decline in unlawful detainer case filings from 1996 to 2006, alleviating some of the pressure in Los Angeles' rental housing market.

During the current recession, Los Angeles rental property owners and managers are filing a growing number of unlawful detainer cases. **By the end of 2008, with the recession fully underway, unlawful detainer cases had increased 25 percent compared to the 2006 low point.**⁴⁵ Both the growth rate and amount of these increased eviction filings already exceed what Los Angeles experienced in the 1990s

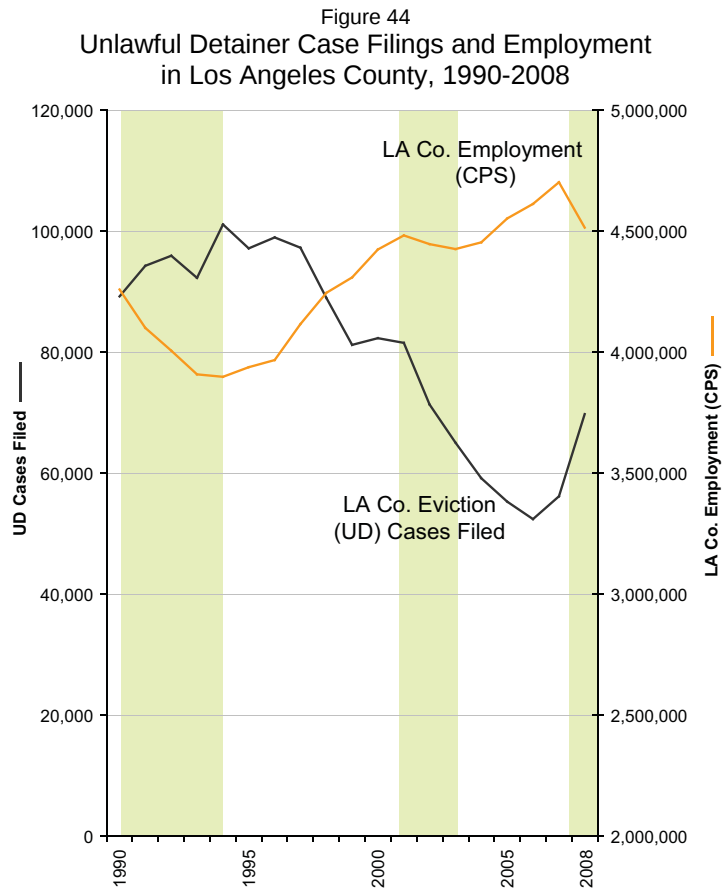
recession. This is because the housing market collapse is *leading* the economic downturn in the current recession.

Statistical analysis of the evictions data reveals a close relationship with several other recession trends discussed in this report, including the local housing prices, wage and salary earnings, overall personal income, and employment (Table A4 in the Statistical Appendix). An example of this is the *inverse* relationship between court filings for evictions and changes in LA County employment, shown in Figure 44. Evictions have tended to decrease when the number of people employed rose. This inverse relationship is seen from 1995 to 2006, when the amount of unlawful detainer cases filed annually declined, albeit with a slight uptick during the 2001 recession.

Given the current recession's unprecedented increase in unlawful detainer case filings relative to the two earlier recessions for which there is data, we are left without a direct basis for projecting further increases in filings. Yet all of the available indicators, including more unemployment among renters and a further slowdown in overall housing construction, suggest that the annual number of eviction filings will increase in 2009 and 2010.

Foreclosures

The rapid increase in the number foreclosures in 2007 and 2008 was the result of conditions unlike those present during the rise of foreclosures during the 1990s recession, when foreclosures in Los Angeles County and California peaked several years after the peak of the recession. Foreclosures in the 1990s were likely the lagging effect of joblessness caused by a declining aerospace/ defense industry and industrial restructuring brought on by a burgeoning global economy. The most recent foreclosure crisis, driven by sub-prime loans, predatory lending practices, and speculative purchasing during a

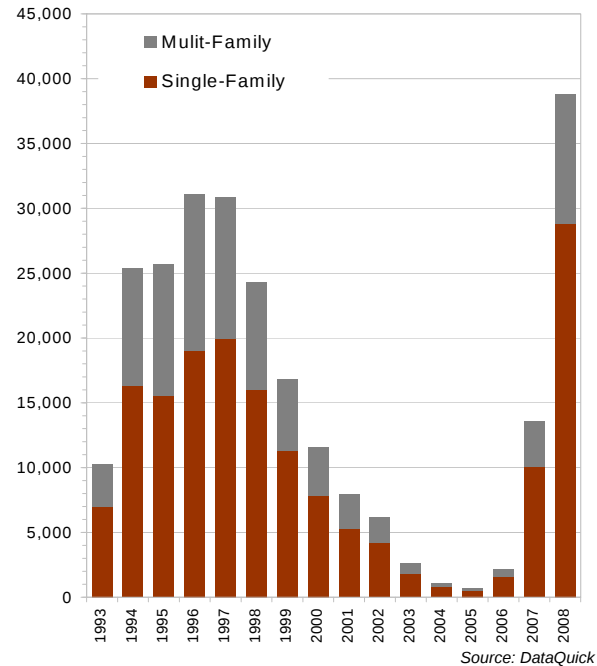


Source: Los Angeles Superior Court, Management Systems Analysis Unit, 1990-2008; US Census, 1990-2007; Current Population Survey; UCLA Anderson Forecast, March 2009.

period when home values rapidly increased, paved the way for the current recession. Foreclosures and contractions in the housing market and housing-related industries (e.g., construction) have created ripple effects with serious economic and social implications for both Los Angeles County and California. Beyond its impact on the banking industry and larger economy, foreclosures will reduce property tax revenue, contribute to community blight and crime, and diminish family stability.

Foreclosures are not unfamiliar to residents in Los Angeles County; they were high (over 24,000 per year) during the 5 years from 1994 through 1998, as shown in Figure 45. The number of foreclosures in the County peaked at over 31,000 in 1996, accounting for 1.6 percent of LA's residential properties (Figure 47). Foreclosures in the County tripled from

Figure 45
Residential Foreclosure in Los Angeles County
1993-2008

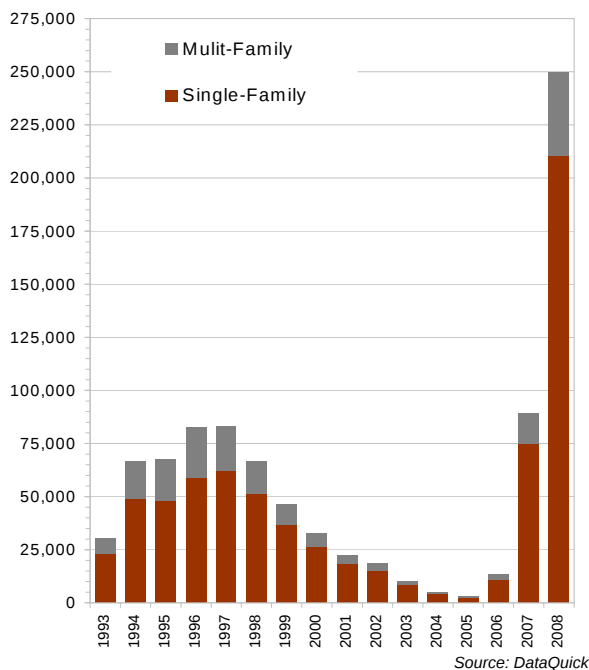


1993, the earliest year for which we have data, to the peak in 1996.

The rapid rate at which foreclosures increased going into and during the first year of the current recession makes the problem particularly acute. Since the peak of the housing boom in 2005, the number of foreclosures has grown exponentially. The number of foreclosures in the County more than tripled from 2005 to 2006; 2007 totals were 6.3 times greater than 2006 totals; and from 2007 to 2008, the number of foreclosures nearly tripled, closing the year with nearly 39,000 foreclosed residential properties.

Foreclosures at the state level rose less than in Los Angeles County during the 1990s. Compared to LA, where the number of foreclosures tripled from 1993 to 1996 and accounted for nearly 1.6 percent of all residential properties in 1996, the number of fore-

Figure 46
Residential Foreclosures in California
1993-2008



closures at the state level increased 2.7 times and accounted for 1.1 percent of all California residential properties (Figures 46 and 47).

The current foreclosure crisis differs from the 1990s in that this crisis paved the way for the recession and it is much more acute statewide than in LA. The ratio of foreclosures to total residential properties was near parity for the County and the State between 2003 and 2005. However, **at the close of 2008, 1.8 percent of the County's residential properties and nearly 2.7 percent of California's residential properties were foreclosed. The State recorded an unprecedented 253,000 foreclosures in 2008, nearly 200 percent greater than the peak of foreclosures in 1997, when the State recorded over 85,000 foreclosures. The County had 25 percent more foreclosures in 2008 than it did in 1996, when foreclosures peaked.**

The difference in outcomes between the waves of foreclosures in the 1990s and the current crisis is the likely result of two major factors: 1) the 1990s recession had more severe impacts in Los Angeles County than at the state level, and 2) housing growth/construction during the boom period of the 2000s was more heavily concentrated in areas of the state that are less developed than Los Angeles County.

Both the rate of increase and overall level of foreclosures in the current recession greatly exceed increases in the 1990 recession, leaving us without a basis for projecting further increases in foreclosures that are likely to continue through at least 2010.

Foreclosures of Multi-Family Properties in LA County

In 2008, multi-family property foreclosures accounted for a quarter of the total foreclosures in Los Angeles County (Figure 45), raising concerns about tenant displacement in a region where 51 percent of all households are renters and 53 percent of all renter households are rent burdened, paying 30 percent or more of their income for rent.⁴⁶ A closer examination of 2008 foreclosure data reveals that two-thirds of all multi-family property foreclosures are condominiums, which are largely owner-occupied units, but can also be occupied by renters (Table 4). The balance of multi-family property foreclosures is predominately smaller properties with 2 to 4 units.

Figure 47
Ratio of Residential Foreclosures to
Residential Properties
Los Angeles County and California 1993-2008

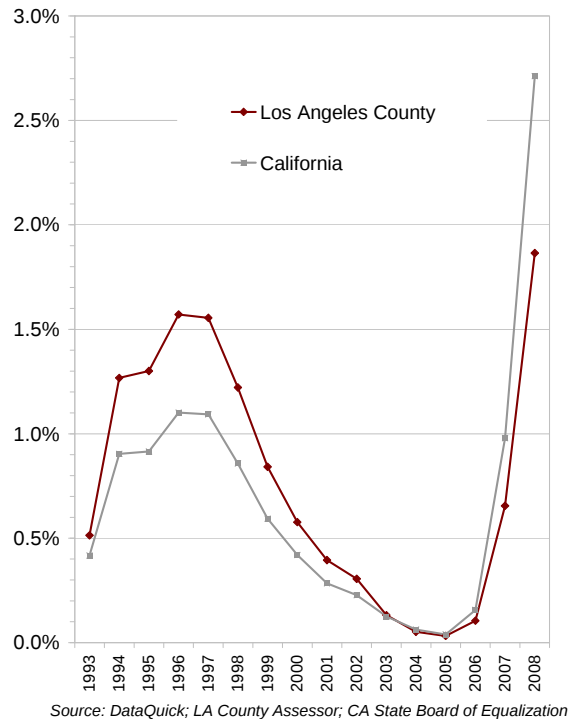


Table 4
Multi-Family Property Foreclosures by Type in LA County, 2008

Type of Multi-Family Property	# of Foreclosures	% of Total Multi-Family Residential Property Foreclosures	Estimated Number of Foreclosed Rental Units
5+ Units	122	1.3%	610
Quadruplex	507	5.3%	2,028
Triplex	520	5.4%	1,560
Duplex	2,135	22.2%	4,270
Condominium	6,329	65.8%	-
Total	9,613	100%	

Source: DataQuick

A conservative estimate is that over 8,400 households in rental units on over 3,200 foreclosed multi-family properties (excluding condominiums) were displaced from their homes in 2008 alone.⁴⁷ Because of multi-family properties, the number of households impacted by foreclosures is about 12 percent greater than the number of properties foreclosed. **Approximately 18 percent of all households impacted by foreclosures are renters.** These impacts are being felt by lower-income residents. Los Angeles County renters earn modest incomes compared to families that own their homes. The median household income for renter households is less than half that of owner households – \$36,942 for renters vs. \$78,567 for owners.⁴⁸ Poverty rates for families who rent are 5-times greater than families who own their home. Twenty-one percent of families that rent are living below the federal poverty threshold compared to 4 percent of families that own their homes.⁴⁹

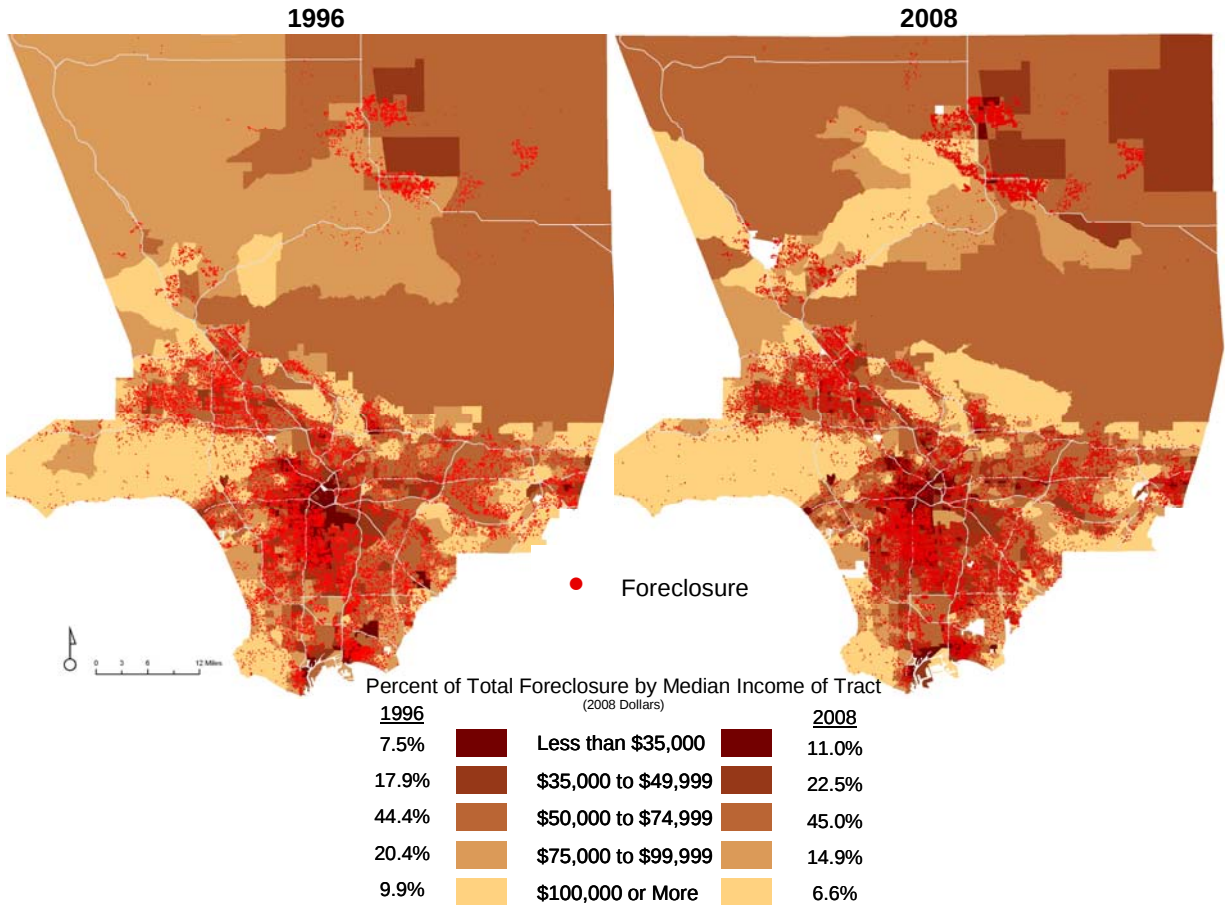
Policies aimed at stabilizing the lives of individuals, families and communities affected by foreclosures should include mechanisms to protect renters who have been or are soon to be displaced by foreclosures. Furthermore, the rise in the number of multi-family property foreclosures presents local governments with the rare opportunity to push for policies and initiatives that increase the stock of affordable housing. There are opportunities for municipalities to purchase land (already zoned for multi-family units) at reduced prices, aid non-profits in developing foreclosed properties, and create or assist existing land trusts in protecting land from the speculative market to ensure affordable rents in perpetuity.

Distribution of Foreclosures in Los Angeles County

The spatial distribution of foreclosures in 1996 and 2008 (Figure 48) looks similar at the macro-level, with a large concentration of the foreclosures located in the core of the County. There is, however, a noticeable growth of foreclosures at the periphery of the County, namely in the Lancaster, Palmdale and Santa Clarita areas where there has been substantial new housing development since the 1990s.

A closer examination of foreclosures at the tract level, overlaid with median household income, reveals a slightly different distribution for the current wave of foreclosures. While the bulk (45 percent) of the foreclosures took place in communities

Figure 48
Residential Foreclosures in Los Angeles County – 1996 and 2008



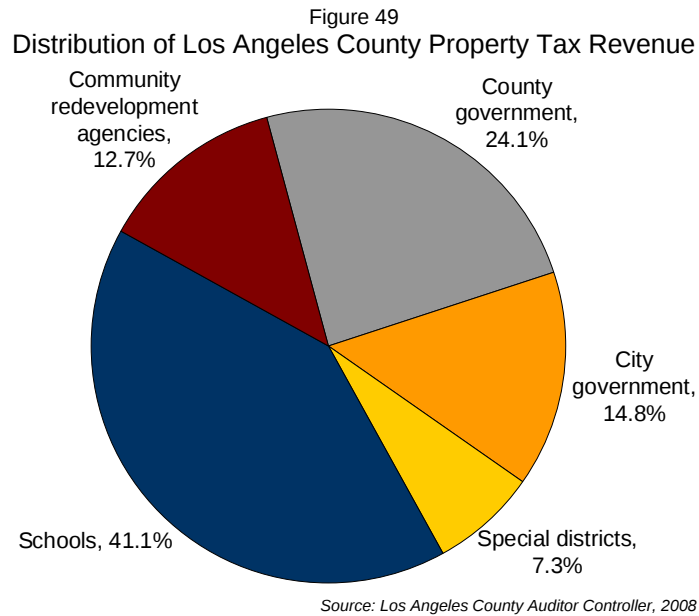
Source: DataQuick; U.S. Census Bureau 1990, 2000

where the median household income was in the \$50,000 to \$74,000 range (in constant dollars) in 1996 and 2008, the 2008 distribution varies from the 1996 distribution at the polar ends of the income distribution, as shown in the legend of Figure 48. Most notably, in 2008, a smaller share of foreclosures took place in wealthier communities and a larger share of foreclosures took place in poorer communities. **Eleven percent of all foreclosures in 2008 occurred in census tracts where the median household income was below \$35,000.** Comparatively, in 1996, 7.5 percent of foreclosures were in similar low-income neighborhoods.

The growth and sheer quantity of foreclosures in low-income communities compounds the multiple social, economic and health problems that tend to be concentrated in such areas. As foreclosures and joblessness continue to rise in the deepening recession, there is a need for policies that will bring stability to lower-income families and neighborhoods hardest hit by the current crisis.

Property Tax Revenue

Declining property values will result in declining property taxes, with a likely lag time of two-year from the onset of the recession, based on property tax assessment trends in past recessions. Impacts will vary by county, but in most counties this decline will have the greatest impact on schools, which in Los Angeles receive 41 percent of property tax revenue (Figure 49).⁵⁰ Counties, cities, and redevelopment agencies, which receive roughly a quarter, a seventh, and an eighth, respectively, of property tax revenue, will also be significantly impacted by declining assessments.



Projected Decline in Property Tax Revenue

Variation in employment explains 69 percent of variation in the total assessed value of the following year's property tax roll in Los Angeles County and 80 percent of changes in California. Other indices that also have powerful explanatory value include housing sale prices, eviction rates, population change, and changes in personal income (Table A5, Statistical Appendix). We have projected property tax revenue through 2014, using the ratio of change in the Case-Schiller housing price indices to change in total assessed property value in the 1990 recession as a benchmark for projecting the change in total assessed property value that is likely to result from changes in the Case Schiller housing price indices that have already occurred, and are expected, in the current recession. Of course, declining market value only affects property tax assessments when property is sold or transferred, or when property assessments are adjusted downwards by county or state assessors. This methodology takes into account the fact that since the passage of Proposition 13, the assessed value of property that has remained under the same ownership for several years is likely to be less than the market value, and therefore it is unlikely that the property tax assessment of those properties will decline.

Los Angeles County's property tax roll is projected to peak in 2009 and then decline 11 percent (in constant dollars) by 2012, with the biggest drops in revenue occurring in 2011 and 2012 (Figure 50). The Low- and High-Impact scenarios represent a 5 percent margin on either side of the Mid-Impact scenario, based on the projected range of variation in the employment change. In the following economic recovery,

assessed values are projected to increase 5 percent by 2014.

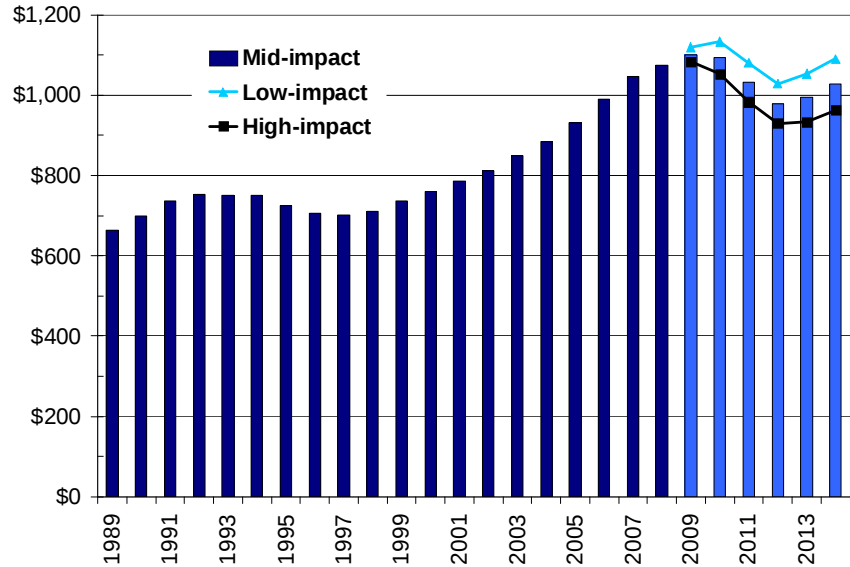
California's property tax roll is projected to peak in the 2009-2010 fiscal year and then decline 4 percent (in constant dollars) by the 2012-2013 fiscal year (Figure 51). The Low- and High-Impact scenarios represent a 2 percent margin on either side of the Mid-Impact scenario. In the economic recovery

that follows, assessed values are projected to increase 3 percent by 2014.

It is noteworthy that the projected decline in California assessments is only about a third of the decline in LA, even though the decline in metro area home prices shown by the Case-Schiller home price indices is virtually identical. Possible explanations for this

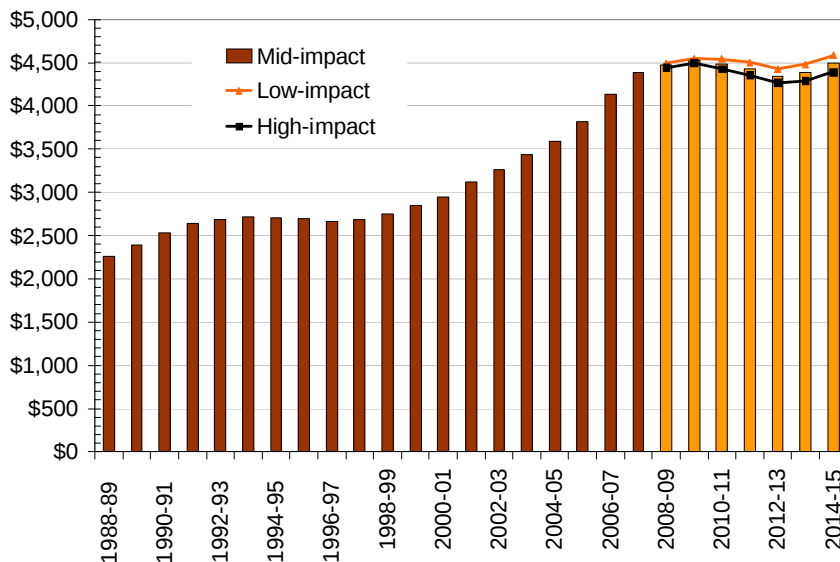
disparity include slower rates of fluctuation in the value of agricultural and timber property in rural counties as well as residential real estate cycles in non-metropolitan counties that may lag or be counter-cyclical to residential cycles in more expensive metropolitan areas.

Figure 50
Los Angeles County Total Local Property Tax Roll 1989 to 2014
Billions of 2007\$, Actual data 1989-2008, Projection 2009-2014



Source: Los Angeles County Assessor and Economic Roundtable projection

Figure 51
California Total Local Property Tax Roll 1989 to 2014
Billions of 2007\$, Actual data 1989-2008, Projection 2009-2014



Source: California Board of Equalization and Economic Roundtable projection

Conclusions: Effects of the Economy on Housing

Collapse of the housing market helped trigger the current recession, which in turn has greatly diminished the income available to renters and buyers for obtaining shelter. The data about the housing market that we have reviewed indicates that impacts of the current recession are likely to include:

- *Housing production in 2009 is estimated to be 28 percent of the 2004 peak in Los Angeles County and only 16 percent in California.*
- *The rate of new housing construction is likely to increase slowly.*
- *By the end of 2008, with the recession fully underway, unlawful detainer cases had increased 25 percent compared to the 2006 low point. Both the growth rate and amount of these increased eviction filings already exceed what Los Angeles experienced in the 1990s recession.*
- *The rate of evictions is likely to increase and remain high.*
- *At the close of 2008, 1.8 percent of the County's residential properties and nearly 2.7 percent of California's residential properties were foreclosed. California recorded an unprecedented 253,000 foreclosures in 2008, more than three times greater than the peak of foreclosures in the 1990s recession.*
- *The rate of foreclosures is likely to increase and remain high with impacts greatest in low-income communities.*
- *After the first year of the current recession, home prices have already fallen much more than they did in the entire course of the 1990 recession - 39 percent in LA and 40 percent in California.*
- *Los Angeles County's property tax roll is projected to peak in 2009 and then decline 11 percent (in constant dollars) and California's total property tax roll is projected to decline 4 percent.*

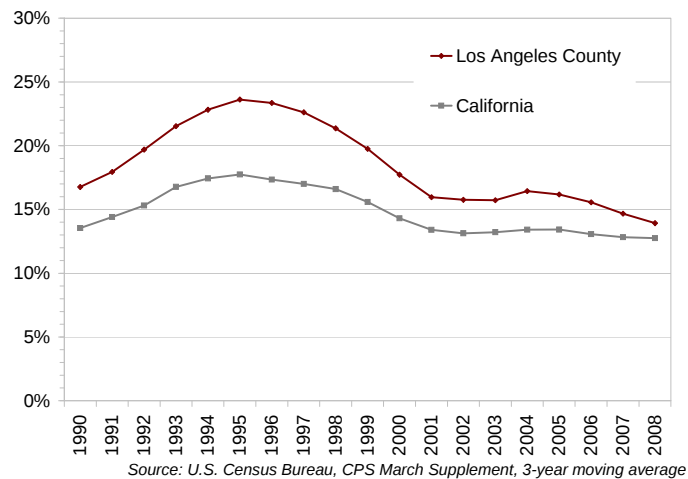
POVERTY, WELFARE, AND HUMAN SERVICES IMPACTS

Poverty

Poverty rates have been, on average, 24 percent higher in Los Angeles County than in California, and close to the national average in California, since 1989. During the 1990s recession, poverty rates in the County and State peaked in 1995 at 24 percent and 18 percent, respectively, reflecting the impacts of surging joblessness and under-employment occurring during this period (Figure 52, shown with three-year moving average).

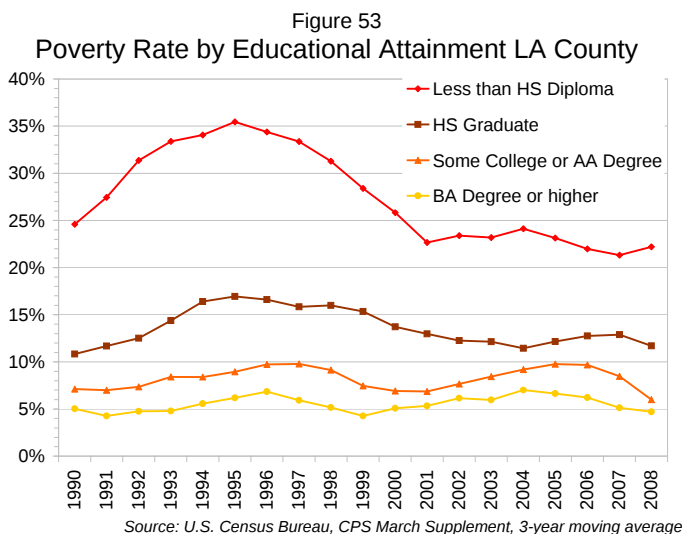
The peak of poverty rates lagged the peak of unemployment by almost 2 years. Following the trough of the 1990 recession, when unemployment rates in Los Angeles County and California increased by 71 percent and 65 percent, respectively, poverty rates grew by over a half and over a third, respectively.

Figure 52
Poverty Rate in Los Angeles County and California



Poverty Rates by Educational Attainment

A break out of poverty rates by educational attainment shows the disparate



outcomes experienced by different segments of the population (Figures 53 and 54).

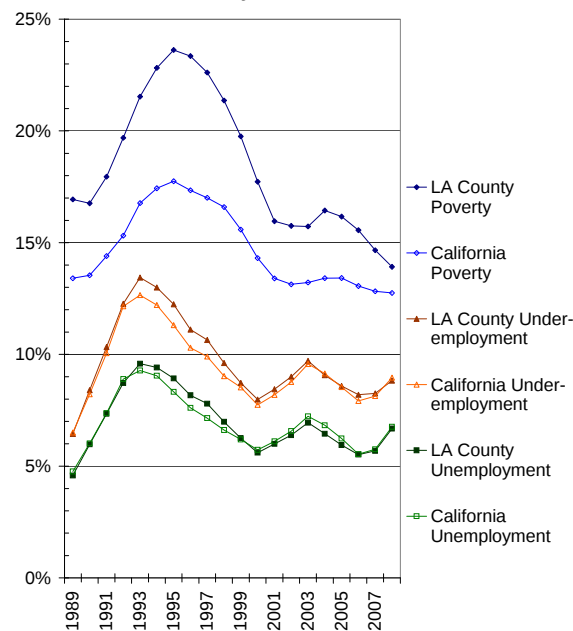
Those with limited educational attainment experience extremely high rates of poverty during economic downturns. Since 1989, poverty rates for residents (age 25 years and over) in the County and the State without a high school diploma have been more than twice as high as overall poverty rates in their respective region. Comparatively,

poverty rates for residents with a college degree have been 60 percent less than overall poverty rates.

Poverty rates for the least educated workers in the County and State reached as high as 35 percent and 30 percent, respectively, during the 1990s recession. From 1990 to 1995, the County saw poverty rates for workers with less than a high school education increase nearly 60 percent. Statewide, poverty rates for the same population of workers increased over 40 percent.

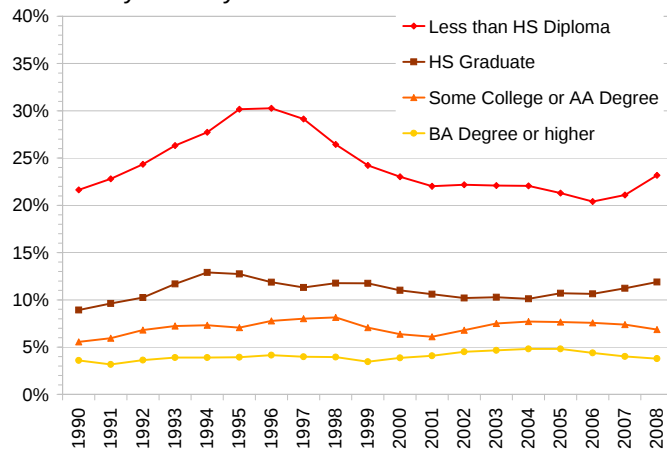
Unemployment will be followed by poverty for many workers who lose their jobs in this recession. Yet these measures of labor market and economic marginalization are not seamlessly linked, as can be seen in Figure 55. Unemployment is an individual condition; poverty is a household condition. Individuals who lose their jobs do not fall into poverty if other members of the household have incomes that keep the household above the poverty threshold. Despite having very similar unemployment and underemployment rates, the statewide rate typically is only three-quarters as high as LA's rate.

Figure 55
Poverty, Unemployment and Underemployment Rates in LA County and California 1949-2008



Source: U.S. Census Bureau, CPS March Supplement, 3-year moving average

Figure 54
Poverty Rate by Educational Attainment California



Source: U.S. Census Bureau, CPS March Supplement, 3-year moving average

Poverty Projections

Changes in poverty correlate very closely with changes in employment, providing a strong basis for projecting poverty levels over the course of this recession. Ninety-one percent of changes in the size of LA County's poverty population, and 56 percent of changes statewide, can be explained by changes in the number of employed workers (see Table A6 in the Statistical Appendix).

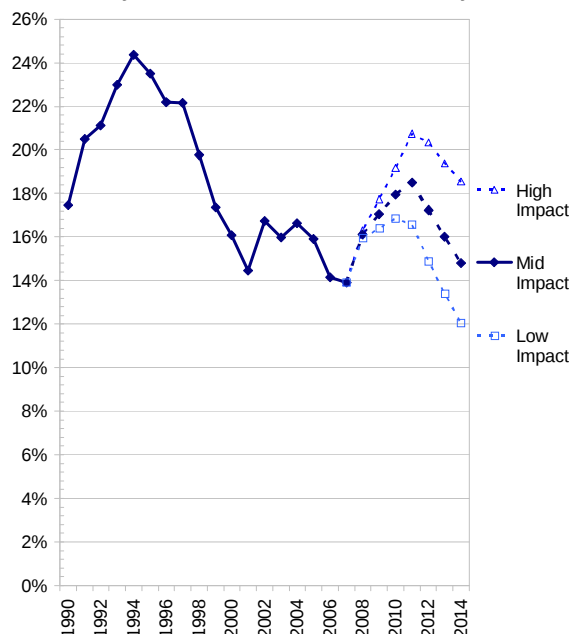
Families that fall below the poverty income threshold are very poor. The 2008 threshold for a family with one parent and two children was \$17,346; for a family with two parents and two children it was \$21,834.⁵¹ A budget for

providing basic family necessities is about two and a half times greater than the poverty threshold.⁵²

In 2007, prior to the onset of the recession, LA had a 13.9 percent poverty rate, meaning that 1.4 million residents were impoverished (Figure 56).⁵³ The poverty rate entering the current recession was three and a half percentage points lower than the rate at the beginning of the 1990 recession, quite possibly reflecting the economic progress that has been achieved by immigrant workers. The lower poverty rate at the beginning of this recession means that even though the poverty rate is likely to increase significantly, it is unlikely to go as high as in the 1990 recession. Based on projected employment changes, the poverty rate in Los Angeles County under the Low-, Mid- and High-Impact scenarios is projected to peak at:

- **Mid Impact:** 18.5 percent, or

Figure 56
Percent of Los Angeles County Residents in Poverty 1990-2007, 2008-2014 Projected



Sources: U.S. Census Bureau Current Population Survey, March Supplement, data aligned with reference year in survey, i.e., prior year

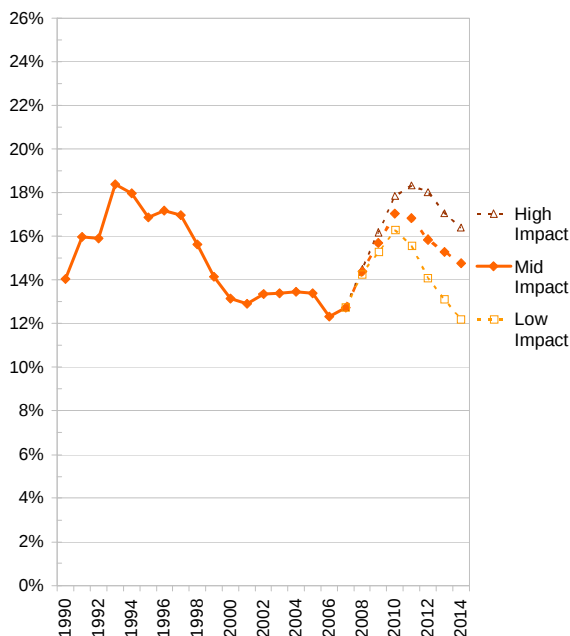
nearly 2 million residents

- **High Impact:** 20.7 percent, or nearly 2.2 million residents
- **Low Impact:** 16.8, or nearly 1.8 million residents

California's poverty rate in 2007, before the recession began, was 12.8 percent, a percentage point lower than LA's, and California job losses are projected to be lower than LA's (Figure 57). Consequently, the projected statewide poverty rate is also lower. Statewide poverty rate projections for this recession are:

- **Mid Impact:** 17.0 percent, or nearly 6.7 million residents
- **High Impact:** 18.3 percent, or nearly 7.3 million residents
- **Low Impact:** 16.3, or nearly 6.4 million residents

Figure 57
Percent of California Residents in Poverty 1990-2007, 2008-2014 Projected



Sources: U.S. Census Bureau Current Population Survey, March Supplement, data aligned with reference year in survey, i.e., prior year

The Mid-Impact projections show the number of impoverished residents growing 36 percent in LA and 38 percent statewide.

Public Assistance

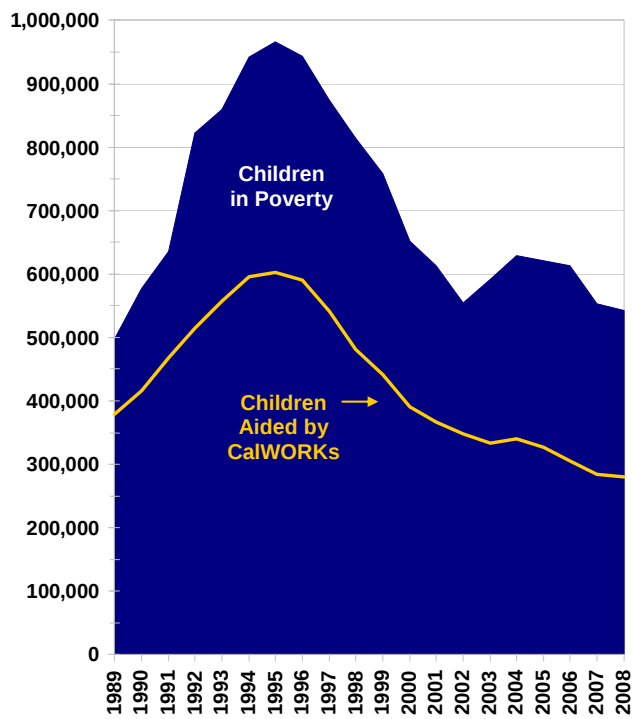
We have entered this recession with dwindling safety net assistance for impoverished residents, including children. This deteriorating network of protections is primarily designed to assist workers who are temporarily between jobs and provides little help for individuals who simply cannot find work and are destitute – those with no job when the music stops in a labor market with 10 to 12 percent unemployment. Aid programs include Unemployment Insurance for workers between jobs, Earned Income Tax Credit for low-wage workers, State Disability Insurance for injured or ill workers, Supplemental Security Income or Social Security Disability for certifiably disabled individuals. Assistance for those who do not find a job or have a certified disability is temporary and often meager. General Relief for destitute adults averages \$199 per month; CalWORKs for destitute families averages \$555 per month.⁵⁴

The current recession is the first severe and protracted labor market downturn that has occurred since welfare reform with mandatory employment requirements and time-limited welfare eligibility was enacted. Over the next several years, Los Angeles and California will have great increases in the number of unemployed people in poverty. Growing numbers of poor people will seek help from social safety net programs.

Impoverished Children

California's families with children that have little or no cash are eligible for cash assistance through CalWORKs to meet their basic needs. There is a five-year time limit for adults but the children can remain on aid if the family continues to be poor.⁵⁵ However, despite the specific intent set forth in the legislation to provide a safety net for children, the share of impoverished children aided by CalWORKs has declined steadily. This is illustrated by the enrollment levels for LA's poor children shown in Figure 58. From the onset of the 1990 recession to the onset of the 2008 recession, the coverage rate by

Figure 58
Los Angeles County Children in Poverty and Children Aided by CalWORKs 1989-2008



Sources: U.S. Census Bureau Current Population Survey, March Supplement, Los Angeles County Department of Public Social Services

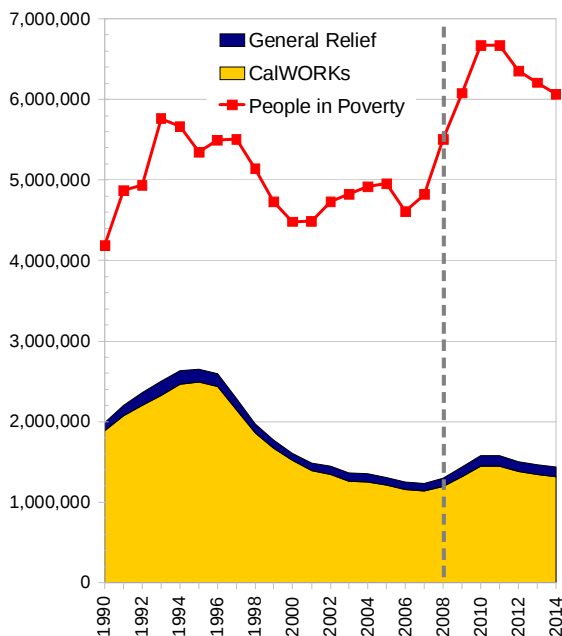
CalWORKs of children in poverty has declined by half:

- 1989-1991: 74 percent
- 1992-1997: 63 percent
- 1998-2004: 58 percent
- 2005-2008: 51 percent

Cash Aid and Poverty

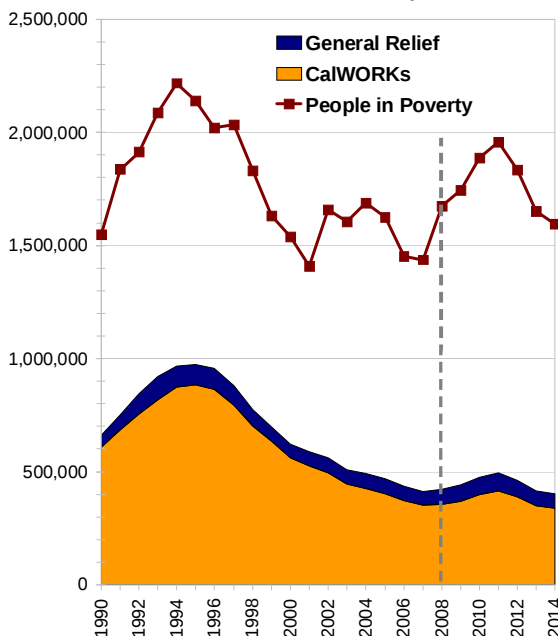
Changes in employment account for 86 to 96 percent of changes in the number of people receiving cash aid, depending on whether we look at LA or California, and at CalWORKs, General Relief or the two programs combined. This correlation is substantially stronger than the relationship with unemployment changes, which are often used to explain caseload trends. Employment changes provide a strong basis for projecting changes in caseload size (see Tables A7-A9 in the Statistical Appendix).

Figure 60
Poverty and Cash Aid Populations in California
1990-2008, 2009-2014 Projected



Sources: U.S. Census Bureau Current Population Survey, March Supplement, Los Angeles County Department of Public Social Services

Figure 59
Poverty and Cash Aid Populations in LA County
1990-2008, 2009-2014 Projected



Sources: U.S. Census Bureau Current Population Survey, March Supplement, Los Angeles County Department of Public Social Services

The Mid-Impact projection for LA shown in Figure 59 indicates that even if there are not further reductions in public assistance programs, **when impacts of the current recession peak, there will be .5 million impoverished residents of Los Angeles County with cash aid and 1.5 million without aid.** Based on the 1990's recession, this peak will be a year after the trough of the recession, when job recovery has begun. This projection is based on the current enrollment rate for these aid programs (24.6 percent of the poverty population enrolled in CalWORKs and 4.2 percent in General Relief) and the Mid-Impact poverty projection.⁵⁶

The Mid-Impact projection for California shown in Figure 60 indicates that, even without more reductions in public assistance, **when impacts of the recession peak, there will be 1.6 mil-**

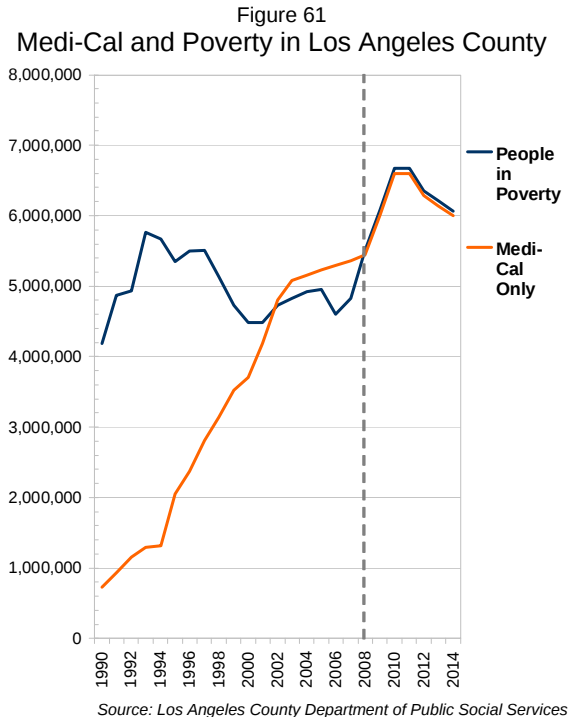
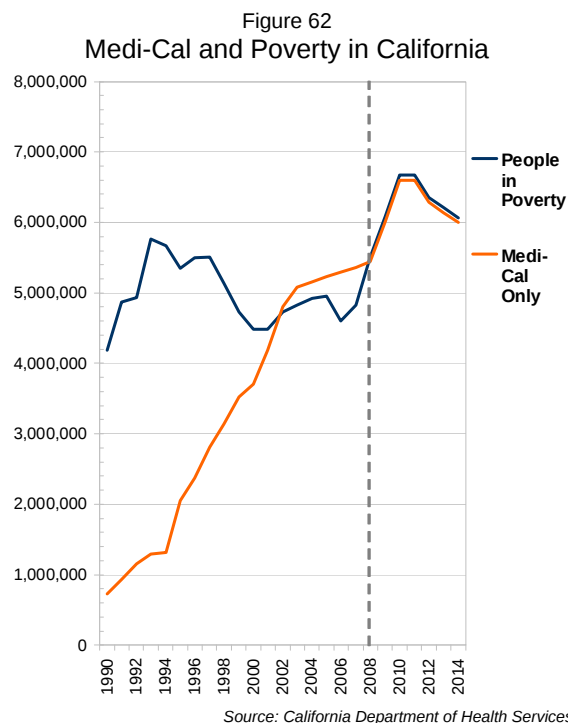
lion impoverished residents of California with cash aid and 5.1 million without aid. This projection is based on the current enrollment rate for these aid programs (21.7 percent of the poverty population enrolled in CalWORKs and 1.9 percent in General Relief) and the Mid-Impact poverty projection.⁵⁷

Medi-Cal

Medi-Cal is a successful model for linking eligible needy residents with a crucial public benefit. Since 2006, the Medi-Cal Only caseload (which does not count people receiving other forms of aid such as CalWORKs along with Medi-Cal) has been as large as the poverty population (Figure 61). The ratio of people in LA

receiving only Medi-Cal to people

- 1 person receiving Medi-Cal Only to 4.4 people receiving cash aid in 1986
- 1 person receiving Medi-Cal Only to 1.6 people receiving cash aid in 1996
- 3.8 people receiving Medi-Cal Only to 1 person receiving cash aid in 2006



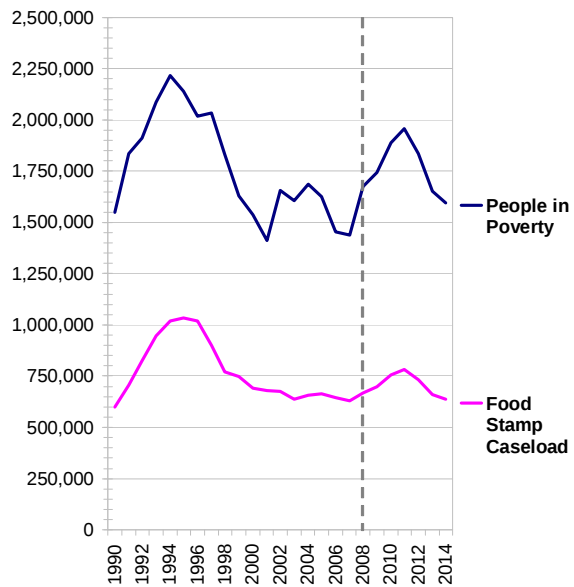
Changes in employment explain 70 percent of LA's changes in Medi-Cal Only enrolment and 93 percent of statewide changes, providing a solid basis for projecting changes in enrollment levels over the course of the recession (Table A10 Statistical Appendix).

Los Angeles County's Medi-Cal Only caseload is projected to peak at 1,876,000 residents in 2011, a 17 percent increase over the 2008 enrollment level. This projection is based on LA's current rate of enrolling 96 percent of the poverty population in Medi-Cal Only and the Mid-Impact poverty projection.

California's Medi-Cal Only caseload is projected to peak at 6,600,000 residents in 2011, a 21 percent increase over 2008 enrollment. This projection is based on California's current rate of enrolling 99 percent of the poverty population in Medi-Cal Only and the Mid-Impact poverty projection (Figure 62).

A key reason why the number of people receiving Medi-Cal is four times as large as the cash aid population is that health care service providers are active partners in encouraging and assisting client enrollment. This partnership builds on their inherent incentive to enable patients to pay health care costs. It is worth considering whether comparable partnerships can be built to expand enrollment of eligible residents in income maintenance programs such as SSI for disabled residents and CalWORKs for impoverished families.

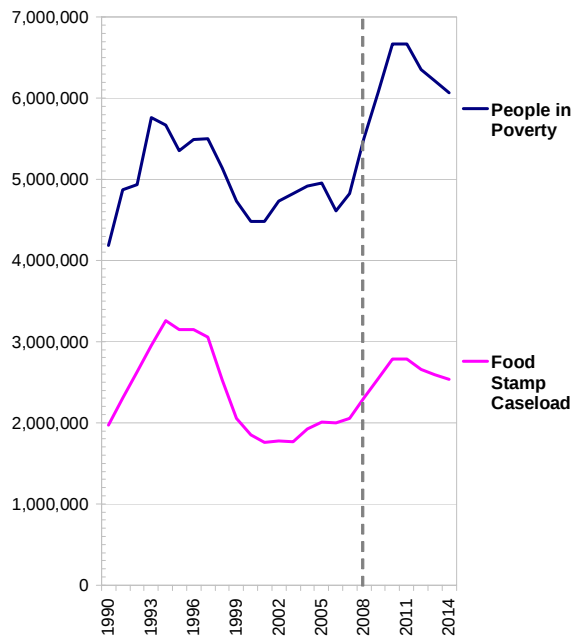
Figure 63
Food Stamps and Poverty in LA County



Source: Los Angeles County Department of Public Social Services

Food Stamps

Figure 64
Food Stamps and Poverty in California



Source: California Department of Health Services

The food stamp program helps low-income people buy food. To be eligible applicants must be a U.S. citizen, a U.S. national or have status as a qualified alien. Recipients get an Electronic Benefit card (Golden State Advantage) that they can swipe at the grocery store check out to pay for food. A family of three can receive up to \$426 a month in benefits.

Changes in the poverty rate explain roughly 90 percent of changes in the Food Stamp caseload in LA and statewide, and changes in employment explain 84 percent of changes in LA and 69 of changes in California (Table A11 Statistical Appendix). This provides a solid basis for projecting changes in the number of Food Stamp recipients over the course of the recession.

Declining enrollment in cash aid programs appears to have reduced enrollment in Food Stamps, which participants receive as a bundled benefit in those programs but may not pursue separately when they leave those programs. In 2008, LA's Food Stamp caseload equaled 40.0 percent of its poverty population, down from 50.5 percent in 1996 (Figure 63). In California, Food Stamp recipients equaled 42 percent of the poverty population, down from 59 percent in 1995.

Los Angeles County's Food Stamp caseload is projected to increase 17 percent to 786,000 people in 2011, leaving 1,175,000 impoverished residents without Food Stamps if the current enrollment rate does not increase. California's Food Stamp caseload is projected to increase 21 percent to 2,789,000 people in 2011, leaving 3,883,503 impoverished residents without Food Stamps if the current enrollment rate does not increase (Figure 64).

These projections are based on LA and California's current respective enrollment rates of 40 and 42 percent of the poverty population in Food Stamps and the Mid-Impact poverty projections.

Homeless Population

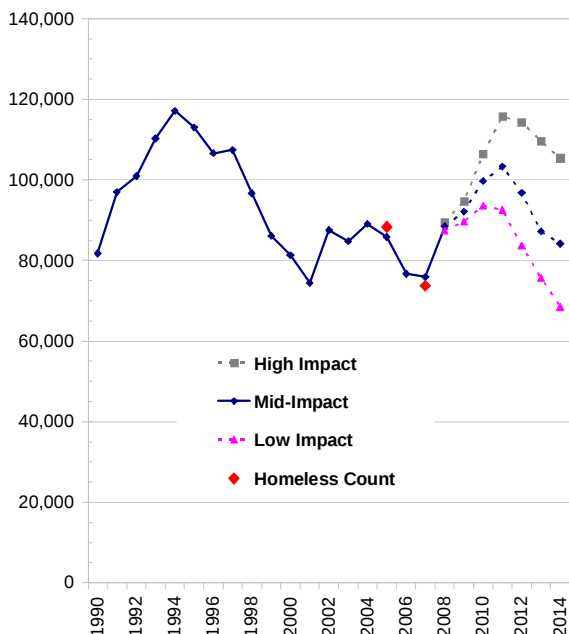
Homelessness is the most extreme manifestation of poverty and acute poverty is the most powerful predictor of homelessness.⁵⁸ The acute deprivation, desperation, and chaos inherent in homelessness destabilize the lives of individuals and also communities. On a given day, there is a large population of people at risk of becoming homeless and a smaller population of people who are actually homeless. Most of those at risk of homeless live in poverty or have acute personal crises (e.g., health, legal, financial) that make their ability to retain housing precarious.

Drawing on two homeless enumerations in Los Angeles County that showed the point-in-time homeless population to be 5.28 percent of the poverty population,⁵⁹ this ratio of persons homeless to persons in poverty was applied to poverty projections to estimate the growth of homelessness in the current recession.

Los Angeles County's point-in-time homeless population (Figure 65) is projected to peak in 2011 at:

- **Mid Impact: 103,300**
- *Low Impact: 92,576*
- *High Impact: 115,800*

Figure 65
Los Angeles County Estimated Point-in-Time Homeless Population



Source: Economic Roundtable based on poverty data from CPS and LAHSA 2005 and 2007 homeless counts

LA's Mid-Impact scenario is a 36 percent increase in homelessness over 2007.

California's point-in-time homeless population (Figure 66) is projected to peak in 2011 at:

- **Mid Impact: 352,400**
- *Low Impact: 298,600*
- *High Impact: 382,000*

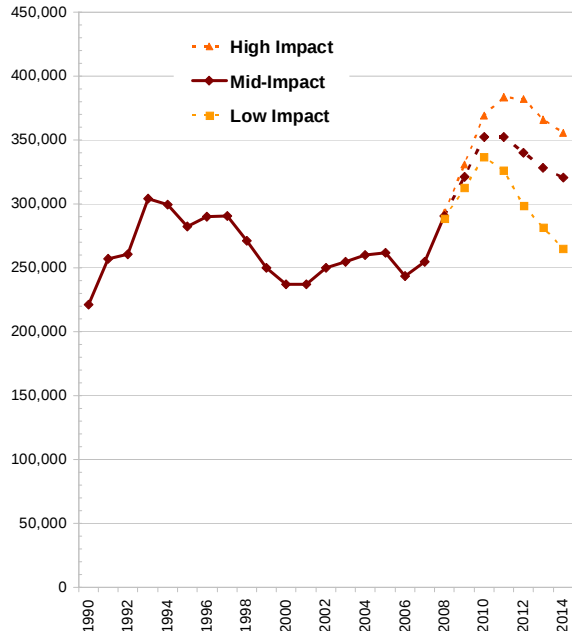
California's Mid-Impact projection is a 38 percent increase over 2007.

Endangered Children

Changes in employment levels explain 62 percent of changes in the annual number of alleged child welfare emergencies Los Angeles County (comparable data is not available for California), with a one-year lag in changes in the number of child welfare emergencies. These statistical results are shown in Table A12 in the

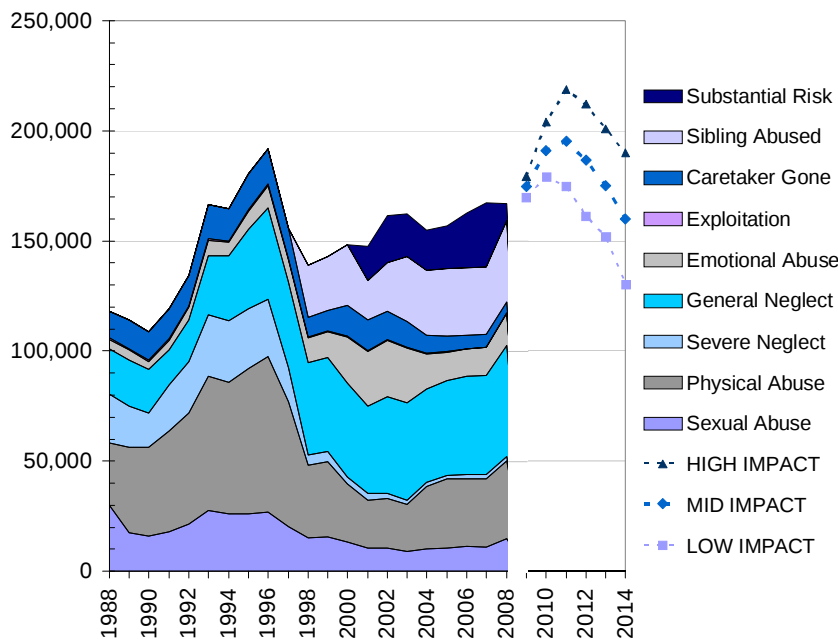
Statistical Appendix. The fact that changes in employment explain roughly two-thirds of

Figure 66
California Estimated Point-in-Time Homeless Population



Source: Economic Roundtable based on poverty data from CPS and LAHSA 2005 and 2007 homeless counts

Figure 67
Annual Responses to Alleged Child Welfare Emergencies
Los Angeles County 1988-2008, projected to 2014



Source: Los Angeles County Department of Children and Family Services, Economic Roundtable Projection

changes in child welfare emergencies provides an adequately reliable basis for projecting impacts of the current recession on the number of endangered children.

It is noteworthy that there is a strong association (adjusted r-squared of .48) between changes in the General Relief caseload, made up of impoverished single adults, and changes in the number child welfare emergencies, which deal with

inadequately nurtured children. The economic and societal dynamics that marginalize and isolate members of society concurrently impact vulnerable children within families and vulnerable adults without families.

The labels attached to child welfare emergencies have changed over time. In 2008, the three most frequent types of allegations, accounting for nearly three-quarters of all allegations, were general neglect (30 percent), at risk because sibling abused (22 percent), and physical abuse (21 percent). Aggregating all types of child welfare emergencies, the projected annual number of child welfare emergencies in Los Angeles County (Figure 67) when impacts of the current recession peak are:

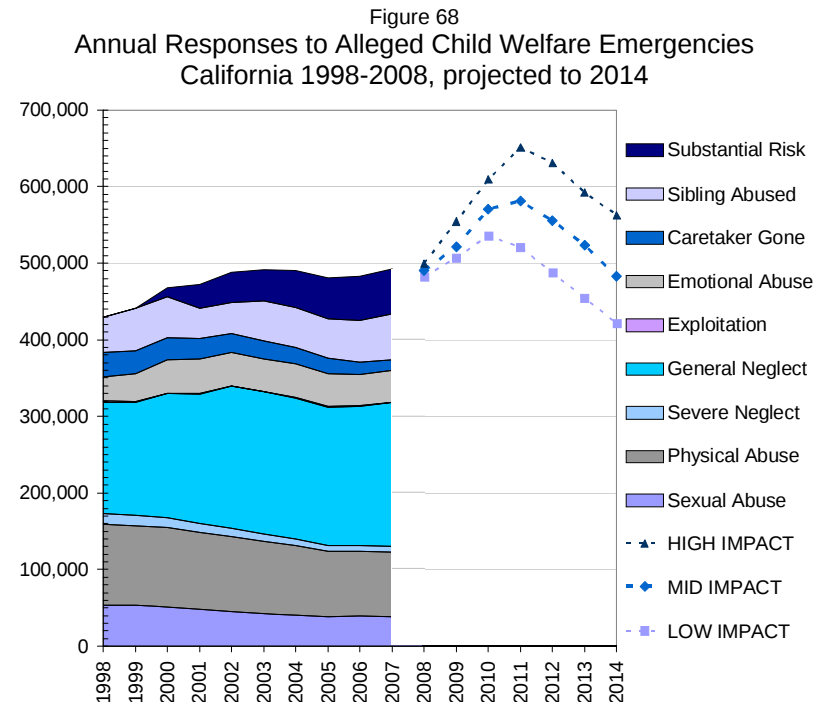
- **Mid-Impact: 195,000 (annual increase of 28,000 cases)**
- *High-Impact: 219,000 (annual increase of 52,000 cases)*
- *Low-Impact: 179,000 (annual increase of 10,000 cases)*

Drawing on the ratio of job loss to child welfare emergency increase in Los Angeles County and applying it statewide based on projected overall job loss in California, the projected annual number of child welfare emergencies in the state (Figure 68) when impacts of the current recession peak are:

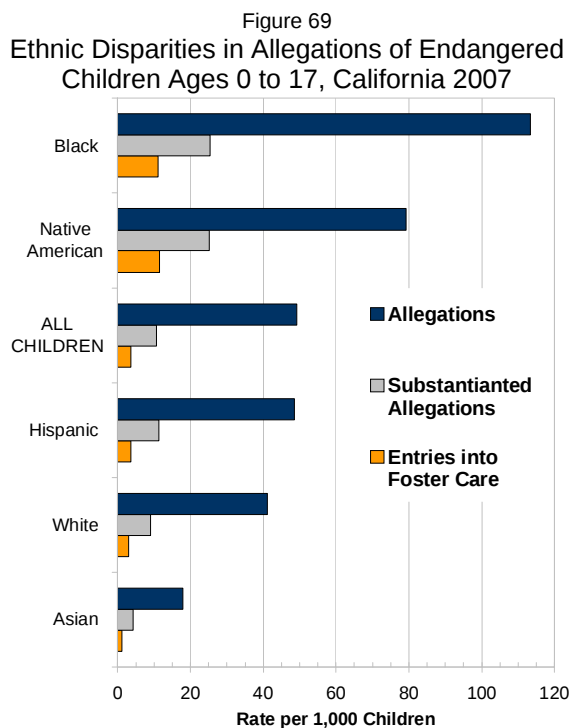
- **Mid-Impact: 581,000 (annual increase of 88,000 cases)**
- *High-Impact: 651,000 (annual increase of 159,000 cases)*
- *Low-Impact: 535,000 (annual increase of 43,000 cases)*

African American children are significantly over-represented in child welfare emergencies (Figure 69). Compared to all California children, the likelihood that children of different ethnicities will have it alleged that they are in a child welfare emergency, that the allegation will be substantiated, and that they will be placed in foster care are as follows:

- African American
 - o Allegations 230 percent
 - o Substantiations 237 percent
 - o Foster care 310 percent



- Native American
 - Allegations 161 percent
 - Substantiations 234 percent
 - Foster care 321 percent
- Hispanic
 - Allegations 99 percent
 - Substantiations 106 percent
 - Foster care 103 percent
- White
 - Allegations 84 percent
 - Substantiations 84 percent
 - Foster care 83 percent
- Asian
 - Allegations 36 percent
 - Substantiations 41 percent
 - Foster care 35 percent



Source: Child Welfare Dynamic Report System, California Department of Social Services / University of California at Berkeley

Conclusions: Effects of the Economy on Poverty, Welfare and Human Services

The destructive outcomes of recessions and loss of jobs include increased poverty, social dependency and need for public services. When households lose the income and the social inclusion provided by employment, they are more likely to sink into poverty, require public assistance, and, experience family dysfunctions. The data about poverty and need for human services that has been reviewed indicates that impacts of the current recession are likely to include:

- *An 18.5 percent poverty rate in Los Angeles County with nearly 2 million people in poverty, and 17.0 percent poverty rate in California with nearly 6.7 million people in poverty.*
- *Poverty rates for adults without a high school diploma that are twice as high as the overall poverty rate.*
- *1.5 million impoverished residents in Los Angeles County and 5 million impoverished residents in California without cash aid if current enrollment rates in public assistance programs continue.*
- *The Medi-Cal Only caseload is projected to peak at 1,876,000 residents in Los Angeles County and 6,600,000 residents in California.*
- *Los Angeles County's Food Stamp caseload is projected to increase 17 percent to 786,000 people, leaving 1,175,000 impoverished residents without Food Stamps, and California's Food Stamp caseload is projected to increase 21 percent to*

- 2,789,000 people, leaving 3,883,503 impoverished residents without Food Stamps if the current enrollment rates do not increase.*
- *Los Angeles County's point-in-time homeless population is projected to peak at 103,300 residents and California's to peak at 352,400 homeless residents; 36 and 38 percent increases, respectively, over 2007 levels.*
 - *The annual number of child welfare emergencies in Los Angeles is projected to peak at 195,000 and in California at 581,000, annual increases of 28,000 and 88,000 cases respectively.*

HEALTH AND WELL-BEING IMPACTS

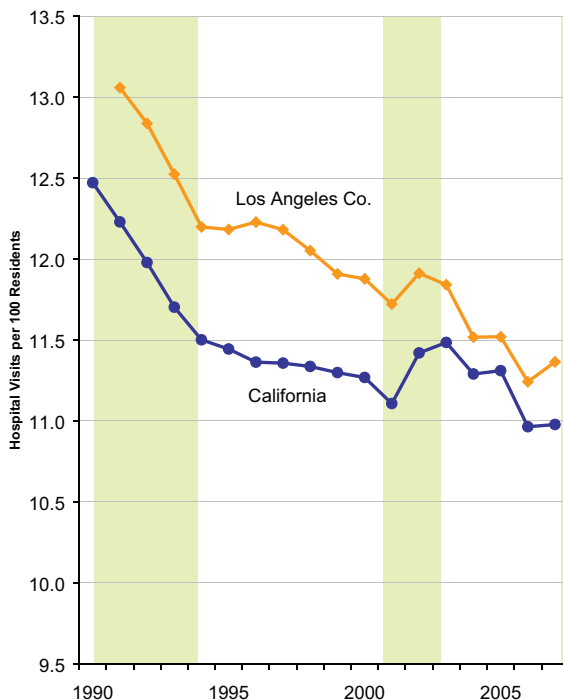
People's economic status significantly impacts their current and future health, since their housing, access to healthcare services, and ability to purchase nutritious food and hygiene supplies all require money. As the current recession worsens, it will reduce workers' wages, lower the incomes of many households and swell the ranks of the uninsured, all changing the degree to which people are able to address their varying health needs. In addition to the economy's negative impacts, a second tide of change impacting public health and access to care is *longer-term* structural change in how US health care is delivered, how it is financed and who offers health care services. Because of the concurrent and intertwined impacts of economic changes structural changes in health care delivery, it is unreliable to use changes that occurred in past recessions as a template for predicting how the current recession will impact health care delivery.

In this section, we look at several types of health indicator data in order to examine how economic downturns interact with public health and affect demand for services from government health agencies that care for low-income and disabled residents. Questions to be explored include:

- Are hospitalizations per capita becoming more or less frequent?
- How much do hospitalizations cost and who pays for it?
- Why are people hospitalized?
- What are the health problems of vulnerable groups such as homeless residents?

California and its most populous county, Los Angeles, have both seen long-term decline in their rates of hospitalization since 1990 (Figure 70). This partly reflects the shift in health care service delivery from overnight hospitalizations to outpatient walk-in clinics and doctors' offices. From 1990 to 1994, both California and Los Angeles County saw the most rapid decline, eight and seven percent respectively. This steeper decline may well have been influenced by the 1990s recession, when the state lost hundreds of thousands of manufacturing jobs – most with good wages and health benefits. By that recession's end, the annual rate of decline in per capita hospitalizations had slowed, to about two to three percent in 2000. In the current decade, Los Angeles County

Figure 70
Hospitalization Rate 1990-2007
Recession troughs shown by shaded areas



Source: CA Office of Statewide Health Planning and Development (OSHPD). 1990-2007. Patient Discharge Data

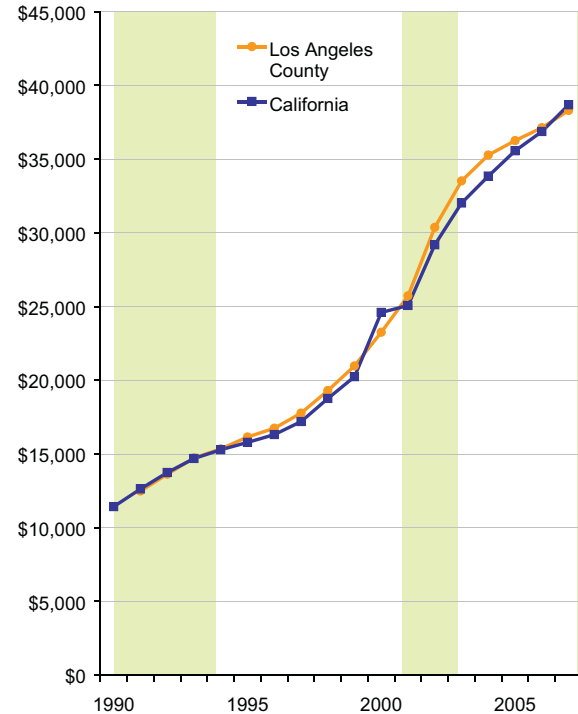
has continued to see a declining rate of hospitalizations per capita, while the state has possibly reached a plateau. The current recession and accompanying job and health benefit losses may well cause a recurrence of the trends seen in the 1990s recession, further driving down the number of hospitalizations.

The average cost per hospitalization is similar for California and Los Angeles County, and both have soared (Figure 71). Adjusted for inflation,⁶⁰ these average costs doubled during the 1990s, and tripled from 1990-2007. This increase has happened for a number of reasons:

1. As hospitalizations per capita have declined, the remaining visits to hospitals for inpatient care are for more expensive care and procedures. In most cases, clinics and other non-hospital care facilities are siphoning off the less expensive visits.
2. Medical testing (blood labs, x-rays, advanced imaging scans) are increasingly common and expensive diagnostic tools, in part due to doctors and hospitals' exposure to malpractice lawsuits.
3. The population is aging and as people pass middle age, they average more medical care costs. California's population aged 65 and older is expected to grow twice as fast as the population 64 and younger from 2009 to 2050.⁶¹
4. Prescription drugs – both for new treatments and those that replace older medications – are increasingly expensive.
5. Health care for treating uninsured patients is partly covered by public subsidies, but also absorbed by the general operating budget of hospitals, affecting the cost of care passed on to insured patients.
6. Rising cost of care-givers' malpractice liability insurance is passed on to hospitals and then to patients and their health plans.
7. Medical record documentation systems must be updated to comply with government regulation, such as HIPPA.

The net effect of these forces of change appears to be to increase cost for overnight hospital stays or “encounters” more during economic downturns than other periods, although there may be some lag in this relationship. As a result of the growing number of workers and families who are losing both their jobs and the private health insurance provided by their employers, the current recession is likely to accelerate escalation in health care costs.

Figure 71
Average Hospital Charges per Encounter
Adjusted for Inflation, 1990-2007

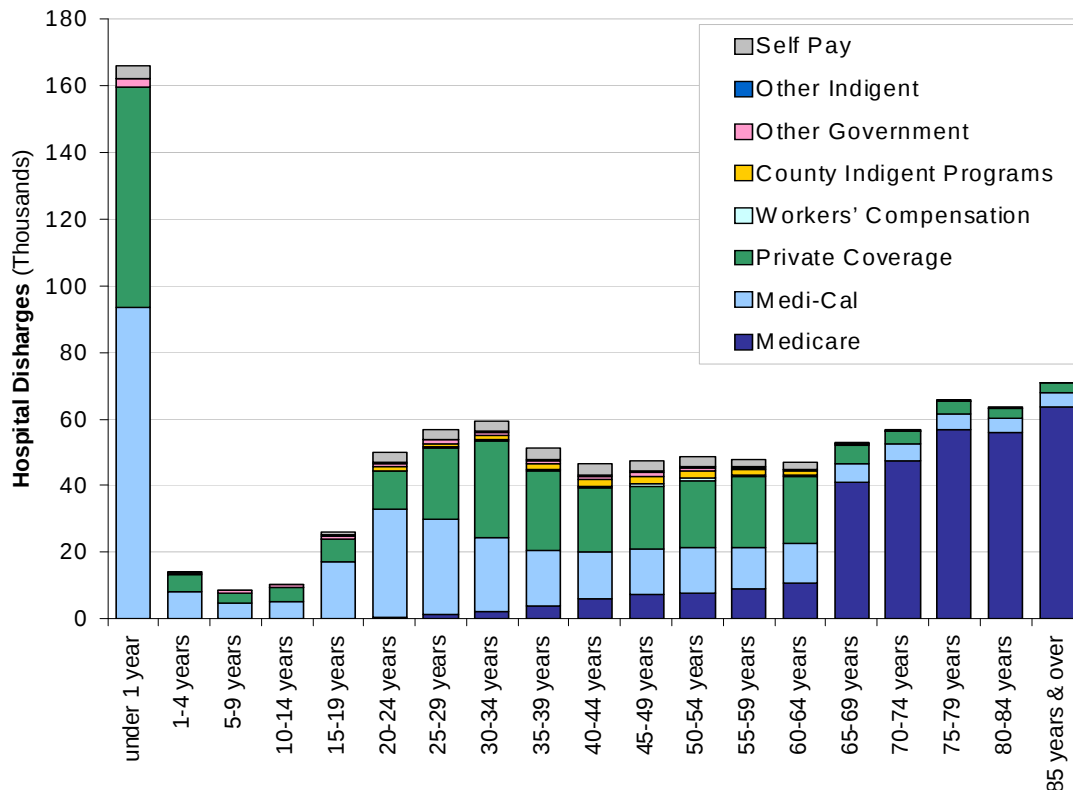


Source: CA Office of Statewide Health Planning and Development (OSHPD). 1990-2007. Patient Discharge Data

The rapid rise in average costs per hospital visit raises the questions of how Angelinos and Californians are paying for their health care and if this is changing over time. The three most common sources of payment for hospitalizations are private insurance, Medicare (US Department of Health and Human Services) and Medi-Cal (California Department of Health Services). Other categories of payment tracked include: self-paid, indigent / no charge, other government programs⁶², and worker's compensation insurance. Depending upon a patient's age, income and benefits received through employment – their hospitalizations are paid for in different ways (Figure 72). Private Insurance covers people in their working years (ages 16 to 65, and especially after age 24), plus many newborns and infants. State Medi-Cal covers hospitalizations for an increasing number of working poor, plus the majority of children from infancy through their mid-twenties. The federal Medicare program covers many seniors aged 65 or greater, plus some working aged residents with disabilities.

The 1990s recession had a definite impact on how Californians pay for their health care. While still the most frequent payer for services, private insurance companies' coverage for hospitalizations fell by 12 percent from 1991-1995, followed by a growth period from 1995-2000 that saw an eight percent increase (Figure 73). The statewide number of hospitalizations paid for via private insurance has stayed stable since

Figure 72
Hospitalizations by Patient Age and Payer, Los Angeles County

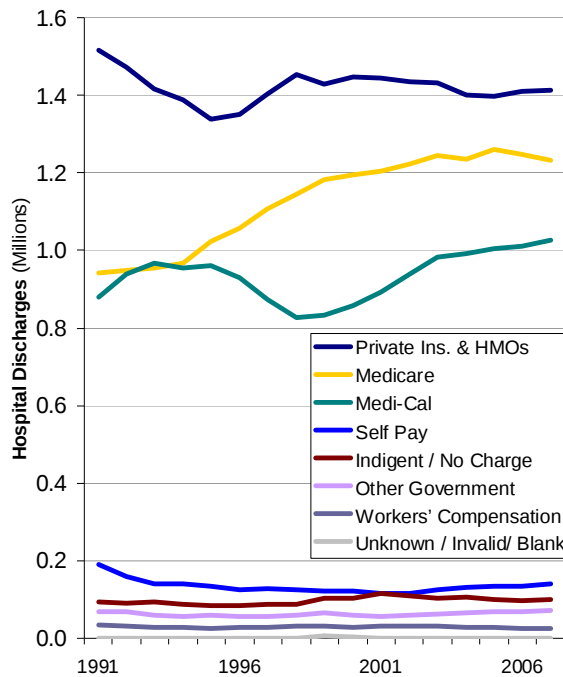


Source: CA Office of Statewide Health Planning and Development (OSHPD). 2004. Patient Discharge Data.

the late 1990s. A different story has played out in Los Angeles County, where the number of hospitalizations paid for by private insurance plummeted 18 percent from 1991 to 1995, then rebounded slightly in the later 1990s (Figure 74). As LA County entered the current decade, the downward trend in the number of hospitalizations paid for by private insurance resumed, leading to a 10 percent decline from 1995 to 2007.

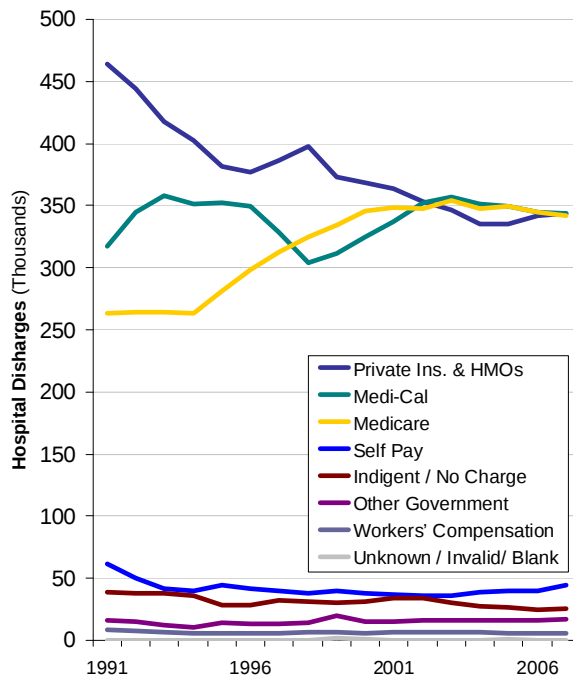
Hospitalizations paid by Medicare increased statewide from 1991-2005, although it is unclear whether this was due solely to the *aging* of the population. The number of Californians age 65 plus is growing, but their share of the total population is shifting slowly (Table 5). Instead, the *types* of diagnoses covered by Medicare are an increasing part of hospitals' workload and essential to their income stream. These more serious and expensive health care pro-

Figure 73
California Hospitalizations by Payer
1991-2007



Source: CA Office of Statewide Health Planning and Development (OSHPD)

Figure 74
Los Angeles Co. Hospitalizations by Payer
1991-2007



Source: CA Office of Statewide Health Planning and Development (OSHPD)

Table 5
California Population Age 65+ and
Hospitalizations paid by Medicare

Year	Population Age 65+	Hospitalizations paid by Medicare
1990	9.7%	25.3%
2000	9.7%	31.3%
2007	10.2%	29.6%

Sources: CA Office of Statewide Health Planning and Development (OSHPD). US Census of Population and Housing 1990 & 2000; American Community Survey 2007.

cedures often cannot be diverted to smaller clinics and outpatient facilities. Some of the most common and costly diagnoses covered by Medicare are shown in Table 6.

Table 6
Number and Average Cost of Hospitalizations Paid by Medicare,
by Diagnosis-Related Group (DRG), Los Angeles County

Diagnosis-Related Group (DRG)	Discharges	Avg. Charge
Major Joint & Limb Reattachment Procedures of Lower Extremity	10,203	\$68,424
Respiratory System Diagnosis w Ventilator Support	5,015	\$154,559
Other Vascular Procedures with Complications & Comorbidities	3,257	\$81,044
Major Sm & Lg Bowel Procedures with Complications & Comorbidities	3,065	\$128,955
Tracheotomy w Mechanical Ventilator 96+ Hrs...	1,912	\$559,092
Operating Room Procedure for Infectious & Parasitic Disease	1,666	\$160,298
Extensive Operating Rm Procedure Unrelated to Principal Diagnosis	1,558	\$144,918
Major Cardiovascular Procedures with Complications & Comorbidities	1,344	\$136,097
Percutaneous Cardiovascular Proc w Drug Eluting Stent w AMI	1,308	\$90,241
Coronary Bypass w Cardiac Catheterization	1,307	\$194,708
Other Respiratory System Operating Room Procedures with C & C	1,239	\$136,939
Major Chest Procedures	1,196	\$101,435
Coronary Bypass w-o Cardiac Catheterization	1,002	\$150,040
Amputation for Circulatory System Disorders, excluding Upper Limbs	972	\$115,106
Cardiac Valve & other Major Cardiothoracic Proc w-o Catheterization	850	\$224,566

Source: CA Office of Statewide Health Planning and Development (OSHPD). 2004. Patient Discharge Data.

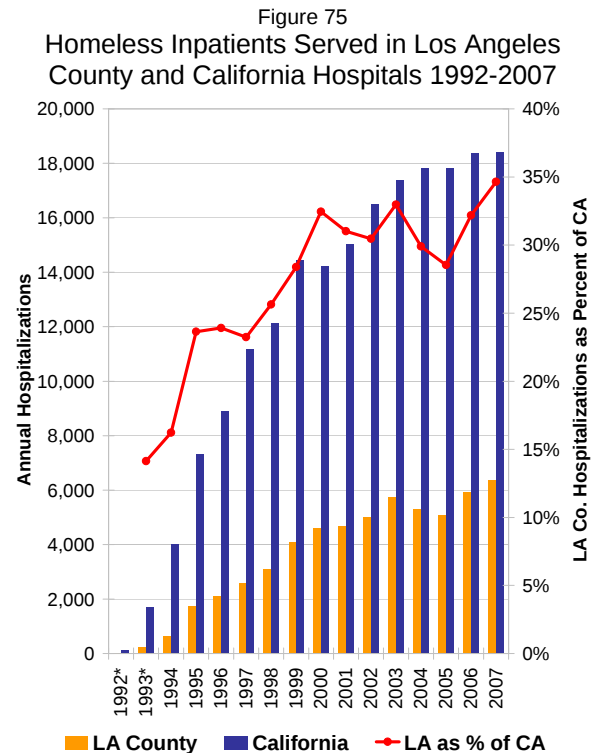
In Los Angeles, the federal Medicare program now covers the same share of hospitalizations as private insurance, after having surpassed the number covered by private insurance for several years in the mid-2000s (Figure 74). After the 1990s recession, use of Medicare to pay for hospitalizations rose with the economy by 31 percent from 1994 to 2000. Caring for the mostly 65 years and older Medicare-eligible population is a major role of area hospitals, made more urgent by the loss of many manufacturing jobs with health insurance benefits in the early 1990s.

The third major source of payment for hospitalizations in California, Medi-Cal, surged nine percent during the 1990s recession, then dropped 14 percent from 1995 to 1998, only to rise again since 1998 by 20 percent. In Los Angeles County, a similar trend in Medi-Cal-paid hospitalizations has made this payment source as common as private insurance. These surges in Medi-Cal utilization for hospitalization payments are partly explained by the economic downturns and recoveries, but also by program expansion. Medi-Cal and the Healthy Families program have grown since the late 1990s to offer low cost health, dental and vision insurance coverage for otherwise uninsured children and teens. As the public opinion and political momentum have built in support of investments in prevention, early care and universal health insurance coverage, the government is allocating more funding for program expansion. Additionally, the number of eligible children in working poor families is growing, especially in Los Angeles County, a further legacy of the 1990s recession.

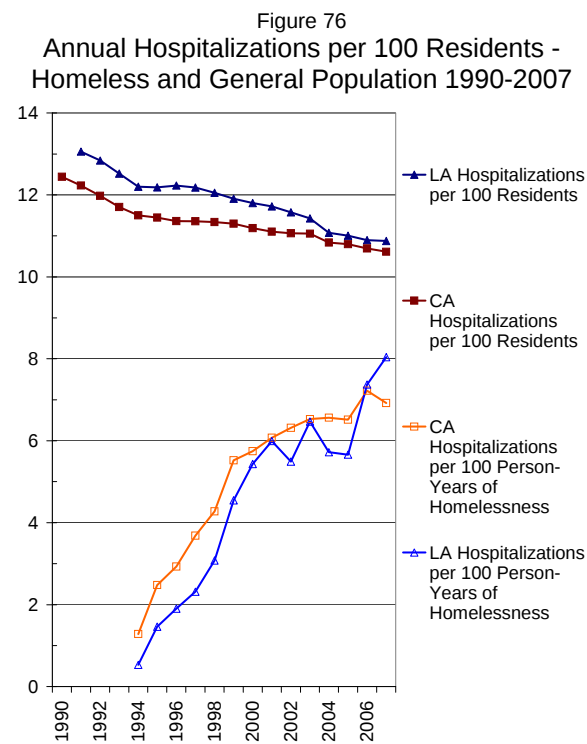
Homeless Health Problems

Homelessness is the most extreme manifestation of poverty and acute poverty is the most powerful predictor of homelessness. Homeless individuals are defined by the absence of connections that are crucial for well being, including connections to shelter, family and health. Increased poverty means increased numbers of homeless residents with increased health risks resulting from marginal living conditions and inadequate access to health care.

California and Los Angeles County hospitals have admitted increasing numbers of homeless residents for care since 1994, when this data began being collected (Figure 75). This growth trend started leveling off in 2004-2005, but appears to be picking back up, especially in Los Angeles.



Source: CA Office of Statewide Health Planning and Development (OSHPD). Patient Discharge Data. *OSHPD has required hospitals to report care for homeless residents since 1994, with partial data extending back to 1992.



Source: CA Office of Statewide Health Planning and Development (OSHPD)

LA hospitals accounted for 35 percent of the state's total inpatient visits by homeless residents in 2007, despite the county having only 27 percent of the state's overall population.⁶³ LA hospitals' engagement in caring for homeless residents is dramatically greater than in 1994, when LA accounted for 14 percent of the state's homeless visits.

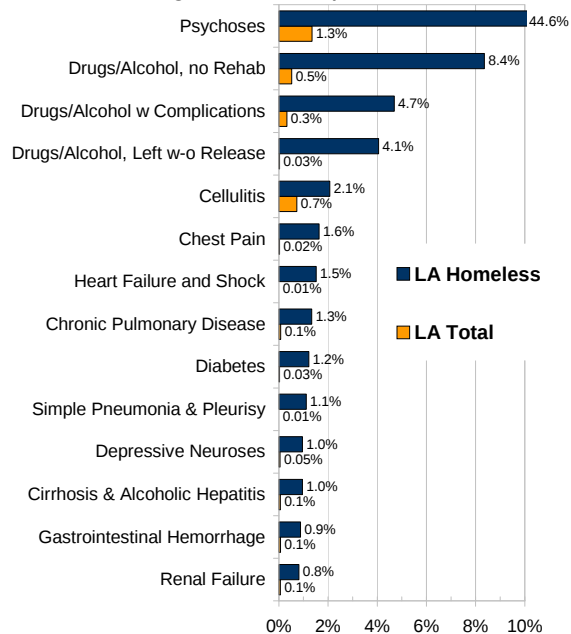
The hospitalization rate for homeless residents has increased markedly since 1990, at the same time that the rate for the overall population has declined, as shown in Figure 76. The hospitalization rate for identified homeless individuals, which undoubtedly undercounts the overall number of homeless inpatients, has increased eight fold, from one hospitalization annually per hundred homeless people in 1994 to eight hospitalizations in

2007.⁶⁴ Currently, hospitals are one of the few institutions, along with correctional facilities, that can be relied upon to care for marginalized and desperate residents.

Extreme poverty and social exclusion are associated with health problems markedly different from those of the overall population. The fourteen diagnoses shown in Figure 77 cover three-quarters of all homeless hospitalizations in LA, but only 3 percent of hospitalizations for the overall population.

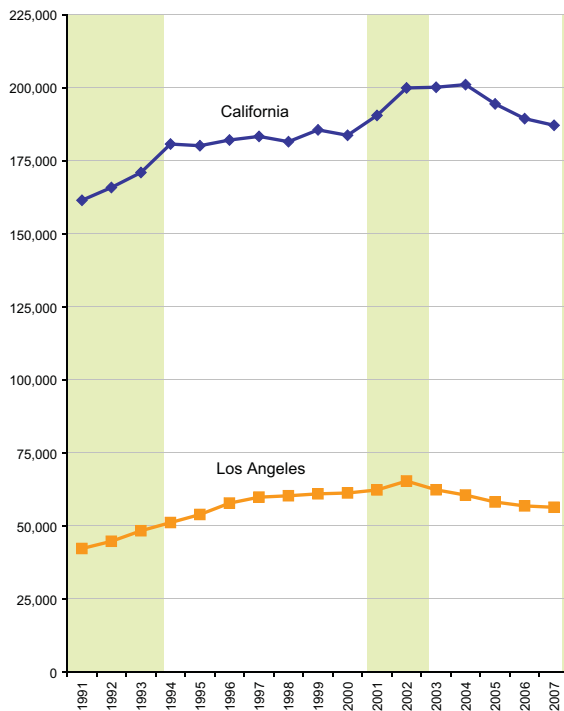
Nearly half of all homeless hospitalizations are for psychoses (44.6 percent vs. 1.3 percent for the overall population). Drug or alcohol abuse or dependency accounts for 17.1 percent of all homeless hospitalizations vs. 0.9 percent for the overall population. Living in places not meant for human habitation causes or

Figure 77
Diagnoses of Los Angeles County Residents Discharged from Hospitals in 2007



Source: CA Office of Statewide Health Planning and Development (OSHPD)

Figure 78
Percent of all Hospitalization for Mental Diseases and Disorders, Los Angeles County 1991-2007



Source: CA Office of Statewide Health Planning and Development (OSHPD). Patient Discharge Data, MDG 19.

compounds problems such as cellulitis (skin infection), chronic obstructive pulmonary disease, pneumonia, and pleurisy, which account for six times as many hospitalizations among homeless residents as among the overall population.

Mental Disorders

Hospitalizations for mental diseases and disorders appear to account for an increased share of total hospitalizations during recessions, as shown in Figure 78. From 1991 to 1994, the share statewide increased from 4.3 to 5.0 percent, and in LA where recession was more severe and protracted, the percent of total hospitalizations that were for mental diseases and disorders increased from 3.6 percent to 4.6 percent during this

period. There also appears to have been an up-tick in the 2001 recession. It is entirely plausible that increased mental health problems result from the increased stress of losing jobs, social validation and the means to sustain households.

Mothers and Newborns

The health and well-being of mothers and children is a significant indicator of regional well being. This indicator includes teen pregnancies, pregnancies without first trimester prenatal care, and births with medical complications.

Young Mothers

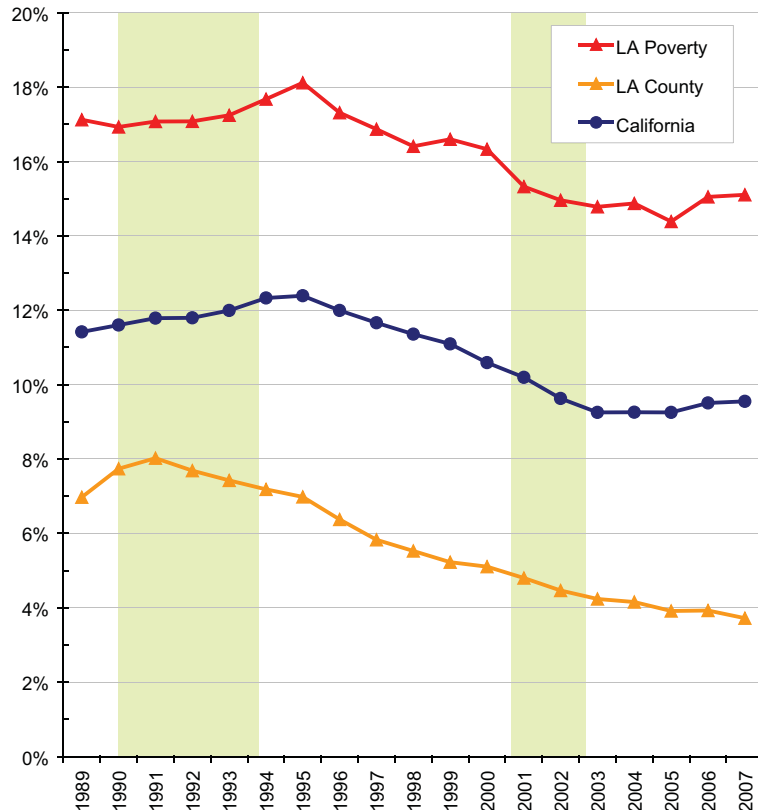
Young women 19 years of age or less account for a higher share of births in Los Angeles' high-poverty neighborhoods⁶⁵ than in LA County as a whole or California (Figure 79). Although teen pregnancy rates have been in general decline since the mid-1990s, there has been an increase in the percent of births to teen mothers in Los Angeles' high-poverty neighborhoods and statewide in the run-up to the current recession. The increase in poverty during the current recession will likely be accompanied by an increase in young mothers, especially in high-poverty neighborhoods. This raises several concerns:

- Teen mothers have lower high school graduation rates.
- The children of teenage mothers are often born at low birth weight, experience health and developmental problems, and all too often are poor, abused, and/or neglected.
- Teenage pregnancy creates added costs because of increased need for public social services such as health care and foster care.⁶⁶

Prenatal Care

From the 1990s through the early 2000s, California made significant progress in providing all pregnant women with first trimester prenatal care (Figure 80). This

Figure 79
Percent of Births to Mothers Under 20 Years of Age
1989-2007



Source: California Department of Health Services, Birth Profiles by ZIP Code

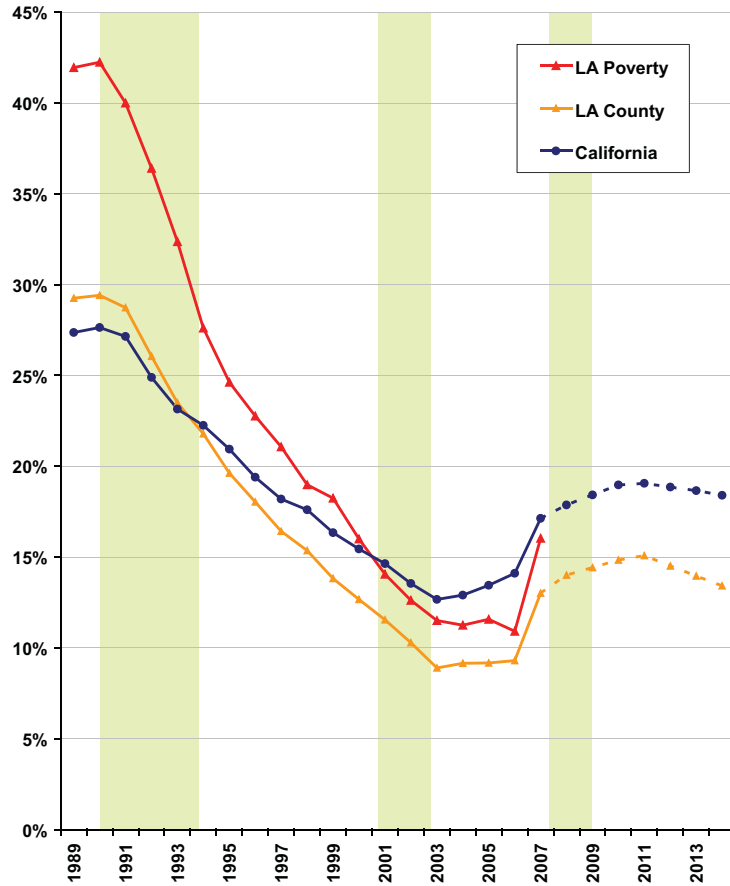
progress was made during a period that included the previous two recessions and saw Los Angeles County achieving better outcomes than the state as a whole. That said, impoverished mothers are typically less likely to receive first trimester prenatal care, although that gap was closing in Los Angeles County by 2006.

The onset of the current recession has seen a reduced rate of first trimester prenatal care as well as a widening gap between Los Angeles' poor neighborhoods and the county as a whole. In 2007, the share of mothers with no first trimester prenatal care increased to 17 percent in California, 16 percent in Los Angeles' high-poverty neighborhoods, and 13 percent in Los Angeles County.

The increased risk of inadequate prenatal care in high poverty neighborhoods raises the possibility that increased poverty in the current recession will be accompanied by greater prevalence of inadequate prenatal care. We are constrained in projecting the likely outcomes from this risk by the fact that there are at least three major forces causing change in the health care field – regulation, technology and the economy. It is beyond the scope of this study to isolate the effects of the economy and poverty with sufficient statistical reliability to project future trends based on the anticipated economic impacts of the recession. Instead, we have used three reasonable assumptions to produce a *scenario* that links the likely increase in inadequate prenatal care to our poverty projections for 2008 to 2014. The three assumptions that underlie this *scenario* linking increased poverty to increased medical risk are:

1. The higher rate of inadequate prenatal care in high poverty neighborhoods is linked to the higher rate of poverty in those neighborhoods.
2. As the rate of poverty in Los Angeles County and California increases, there is likely to be a proportionate increase in the rate of inadequate prenatal care.

Figure 80
Deliveries with no First Trimester Prenatal Care
1989-2014



Source: California Department of Health Services, Birth Profiles by ZIP Code. Data for 2008-2014 is based on Economic Roundtable scenario and projections.

3. The ratio of pregnancies with inadequate prenatal care in high poverty neighborhoods to inadequate prenatal care countywide provides a benchmark for estimating how the increase in poverty throughout California will be linked to statewide increases in inadequate prenatal care.

The outcome produced under this *scenario* is that **growth in poverty projected for Los Angeles County during the recession will be linked to an increase in pregnant women who receive no first-trimester prenatal care from 9.3 percent before the onset of the recession in 2006, to 15.1 percent in 2011.** This equates to 22,400 pregnant women in Los Angeles County who will not receive first-trimester prenatal care in 2011, up from 14,020 in 2006 (Figure 80).

Based on this *scenario*, **California will see the share of births to mothers who do not receive prenatal care during their first trimester increase from 14.1 percent in 2006, to 19.1 percent of all birth in 2011.** This equates to 105,600 births in 2011 by mothers who do not receive prenatal care in their first trimester, as compared to 78,699 in 2006.

Pregnancies and Deliveries with Complications

In California's hospitals, childbirth services for mothers (MDC 14) and health care services for newborns and neonates (MDC 15) account for a third of all inpatient hospital encounters.⁶⁷ In Los Angeles County, the median hospital charge for health services to mothers for childbirth is about \$12,000, while the median charge for newborns is about \$2,500. However, just over one percent of neonates have complications such as prematurity that lead to very high hospital charges of \$200,000 or more, and these expensive babies account for 50 percent of all hospital charges for neonates. Reducing the number of these births with complications is important for improving health outcomes for mothers and newborns as well as containing health care costs.

The share of total hospitalizations that are for pregnancies and births with complications was reviewed to see if these increased or decreased in correspondence with poverty.⁶⁸ The percent of pregnancies and deliveries with complications⁶⁹ for mothers has hovered around 12 percent in California and Los Angeles County. In Los Angeles County's highest poverty neighborhoods, the occurrence of complications for mother during pregnancy and childbirth is about half again higher than in the county as a whole (Figure 81). By 2007, 18 percent of pregnancies and births by mothers residing in LA's high poverty neighborhoods had complications. **The higher rate of complicated pregnancies in poverty neighborhoods, despite the lower average age of mothers in those neighborhoods, indicates that higher poverty rates are linked to increased risk of medical complications during pregnancy.**

Using the three assumptions linking poverty to medical risk outlined in the previous scenario, we have built a *scenario* that projects increases in pregnancies and deliveries with complications based on the higher rate found in high poverty communities

and our projections of increased poverty in Los Angeles County and California over the course of the recession.

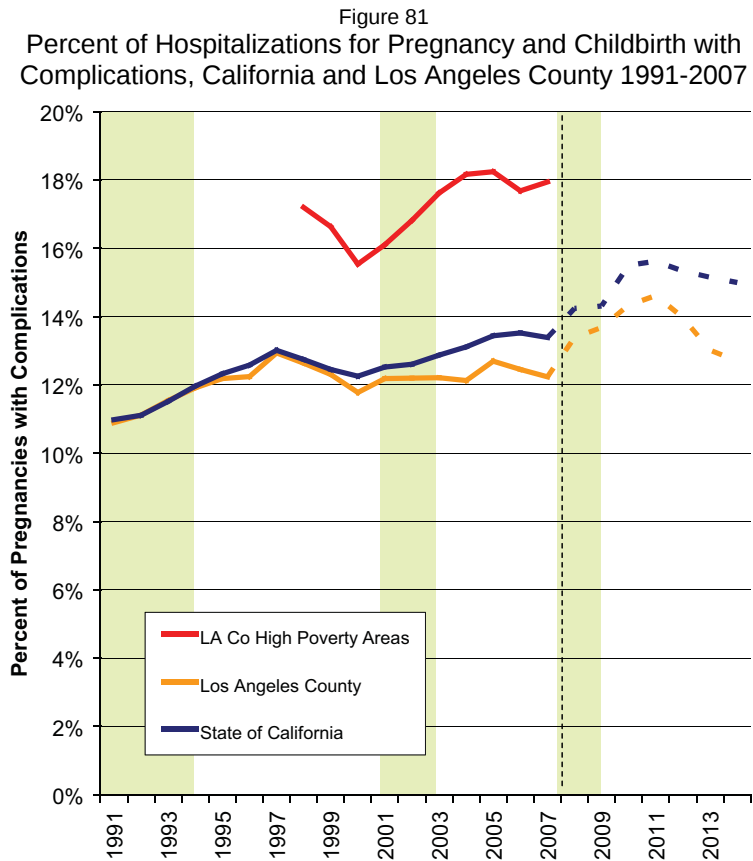
Based on this *scenario*, pregnancies and deliveries with complications will increase significantly in the next several years, based upon the expected rise in poverty.⁷⁰ **The percent of pregnancies and deliveries with complications in Los Angeles County will increase to 14.6 percent of all child-births by 2011, up from 12.2 percent in 2007.** This equates to 24,300 pregnancies and deliveries with complications in 2011, up from 20,358 in 2007.

Under this *scenario*, **the percent of pregnancies and deliveries with complications statewide will rise to 15.6 percent by 2011, up from 13.4 percent in 2007.** This growth adds up to 94,900 pregnancies and deliveries with complications in 2011, as compared to the most recent count of 81,384 in 2007.

Neonates with Complications

Health care providers in Los Angeles County and California have achieved steady progress in reducing complications among newborns and neonates (MDC 15),⁷¹ albeit with some slight increases during in the 1990 and 2001 recessions, as shown in Figure 82. Yet we also know that in Los Angeles County's high poverty neighborhoods there is a higher rate of newborns and neonates with complications, indicating that increased in poverty is accompanied by an increase in the number of babies born with medical complications.

The rate of neonates in Los Angeles County hospitals diagnosed with complications declined from 30 percent in 1994 to 18 percent in 2007. Based on our *scenario* factors linking increases in poverty to increases in medical risks, we project that there will be an increase in complications among neonates over the course of this recession. **The rate of complications among neonates in Los Angeles County is**



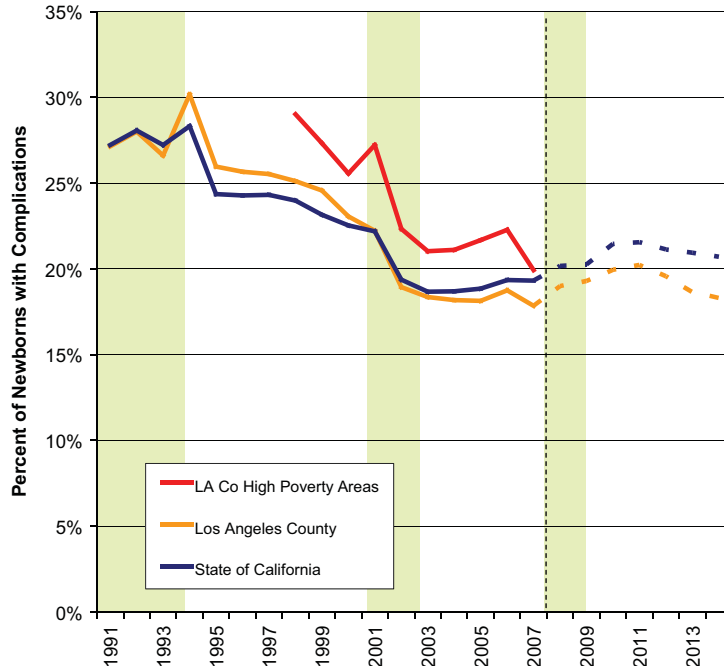
Source: CA Office of Statewide Health Planning and Development (OSHPD). Patient Discharge Data records of MDC 14 Pregnancy, Childbirth & The Puerperium. Projection data covers 2008 through 2014.

projected to increase to 20.2 percent in 2011, up from 17.8 percent in 2007.

This equates to 31,492 neonates with complications in 2011, up from 27,782 in 2007 – an increase of almost four thousand babies.

The rate of complications among neonates in California is projected to increase to 21.5 percent in 2011, up from 19.3 percent in 2007. This equates to 124,661 neonates with complications in 2011, up from 111,763 in 2007 – an increase of almost thirteen thousand impacted babies.

Figure 82
Percent of Hospitalizations for Newborns and Neonates with Complications, California and Los Angeles County 1991-2007



Source: CA Office of Statewide Health Planning and Development (OSHPD). Patient Discharge Data. (MDC 15: Newborn and Other Neonates). Projection data covers 2008 through 2014.

Conclusions: Effects of the Economy on Health and Well Being

The destructive outcomes of recessions and loss of jobs include adverse impacts on health and well-being. When households lose the income and the social inclusion provided by employment, they are more likely to sink into poverty and have increased susceptibility to health problems. The data about health trends that has been reviewed indicates that impacts of the current recession are likely to include:

- *Increases in the overall costs of health care for individuals relative to their income. There will also be increases in public costs for health care. As more workers lose jobs with health benefits, both Medi-Cal and Medicare will have a growing role in paying for Californians' health care.*
- *More homeless residents will arrive at hospitals seeking health care, often for mental health or substance abuse crises. Los Angeles hospitals will likely continue to provide the largest share of inpatient care for homeless residents in the state.*
- *Increases in the rate of mental health problems as a cause of hospitalization. The emotional turmoil of economic dislocations caused by the current recession will likely contribute to an increase in persons with mental health problems.*

- *More births to young mothers will likely increase statewide and in Los Angeles County after a steady period of decline. High-poverty neighborhoods are likely to experience the greatest concentration of births to teen mothers.*
- *Fewer mothers receiving prenatal care in the first trimester of pregnancy. This will likely continue and be most concentrated in high-poverty neighborhoods.*
- *Based on scenarios that quantify the link between increased poverty and increased medical risk, it is projected that:*
 - *The share of pregnant women who do not receive first trimester prenatal care will increase by over a third to 15.1 percent in Los Angeles County and 19.1 percent in California when peak impacts of the recession are felt.*
 - *Pregnancies and deliveries with complications will increase by about a sixth, to 14.6 percent in Los Angeles County and 15.6 percent in California.*
 - *The rate of complications among neonates will increase by about a seventh, to 20.2 percent in Los Angeles County and 21.5 percent statewide – an increase of almost 13,000 impacted babies annually in California.*

POLICY DISCUSSION

Communities that have come of age are able to make decisions that shape their future and safeguard their well-being. One critical measure of California and Los Angeles' standing in 2009, the second year of an increasingly severe recession, is their capability to take actions that preserve the foundations of shared well-being.

Los Angeles County will soon have 18 percent unemployed *and* underemployed workers and California 17 percent. If the financial markets do not return to normal quickly, job losses will become more severe, replicating losses in the 1990 recession (high-impact scenario) or worse. Hardships that are likely to flow from mid-impact job loss projections for California include:

- 6.7 million impoverished residents – an increase of one-third
- 3.2 million unemployed and underemployed workers
- 581,000 annual child welfare emergencies
- 352,000 homeless residents on a given day
- Increased mental health emergencies
- Increased child births with serious medical complications

Much of the job destruction and ensuing vulnerability that occurs in recessions is arbitrary; productive industries, firms and workers are marooned by shrinking markets. For example, many construction workers who were building much needed housing just months ago are now jobless and their families are scrambling to survive, despite a persistent housing shortage.

The current policy environment is far different from what it was in 1990. The national government is undertaking thoughtful, aggressive and far-reaching economic interventions. Los Angeles and California are challenged to step up to this mark by sensibly assessing priorities and using resources strategically to prevent irreversible long-term damage to the well-being of California residents.

Economy and Labor Market

Government influence over the trajectory of the economy is at least as great during times of scarcity, like the current recession, as during times of growth. Strategic regulatory and budget decisions, and use of special funds designated for redevelopment and job creation can have the effect of nudging the economy toward greater sustainability.

Recommendations:

3. *Encourage participation in education and training* – The harsh labor market reality is that there are fewer jobs than there are workers. Within the limits of whatever policy and budget discretion is available, unemployed workers and prospective new entrants into the labor market should be encouraged to invest in

their own human capital by participating in vocational training and formal education, thereby improving their future productivity and earnings potential, while reducing the number of idle workers. Continued funding of community colleges and adult education programs is necessary to meet these education and training needs. In addition, facilitating the participation of welfare-to-work parents in education and training will help their families move toward long-term self-sufficiency.

4. *Make land use, economic development and educational decisions that increase sustainable employment and earnings:*⁷²
 - Understand industry strengths and monitor trends to identify key industries.
 - Make land use decisions that support growth of key industries.
 - Foster attentive, informed interaction with stakeholders in key industries.
 - Preserve a stable and competitive environment for key industries.
 - Intervene in measured ways to avert decline in key industries.
 - Use government purchasing power to support growth in key local industries.
 - Prioritize infrastructure improvements to help key industries.
 - Use strategic infrastructure assets to leverage value-added activity and jobs.
 - Take measured, efficient steps to make business capital available to targeted industries in targeted communities.
 - Help residents get good jobs through training and employment initiatives.

Housing

Metropolitan areas of California have acute shortages of affordable housing. For example, in Los Angeles, 30 percent of renter households are severely rent-burdened, paying 50 percent or more of their income for rent.⁷³ The rapid decline in housing prices that is one of the causes of the current recession is creating opportunities for public sector action to increase the supply of affordable housing.

Recommendations:

5. *Land banking* - Take advantage of reduced land prices by buying and banking parcels for future affordable housing development.
6. *Master leases* - Take advantage of reduced rental rates and increased vacancies by master leasing blocks of rental units for low-income populations eligible for housing subsidies such as homeless families and General Relief recipients.
7. *Affordable housing* - Take advantage of the lull in development activity by enacting inclusionary zoning to require that a portion of all new rental developments include affordable units, and by enacting affordable housing fees that require new developments to help pay the cost of affordable housing for workers employed at those sites.

8. *Affordable construction* – Construction costs have fallen sharply as the recession has deepened, creating cost savings opportunities for using public housing development funds to build affordable housing

Social Safety Net

California risks lasting damage to its social fabric and human capital through the harm this recession is causing to children and families. This harm includes the hardships of poverty, child welfare emergencies and homelessness. Safeguarding people from catastrophic damage is at the heart of the trust that holds society together and gives government legitimacy. This includes using society's resources fairly and effectively to protect members from suffering arbitrary, life-altering misfortune in a disaster.

The revised state budget submitted to the California legislature in May 2009 calls for complete elimination of CalWORKs, the public assistance program for impoverished families with children. This recommendation is unwise because of the harm it would do to children and families and because of the federal funds that would be forfeited. Thirty-seven percent of the money for this \$6.4 billion program comes from the state, 2 percent from counties, and 61 percent from the federal government.⁷⁴ Because this program is so highly leveraged, the expenditure of state funds for this program have the impact of:⁷⁵

- Creating 1 job for every \$35,794 spent
- Generating 1 dollar of economic output for every \$0.25 spent
- Generating 1 tax dollar for every \$1.71 spent

Recommendations:

1. *Preserve CalWORKs and expand enrollment to include at least three-quarters of all children in poverty* – An innovative strategy for increasing enrollment is to replicate the Medi-Cal model of enlisting service providers as active partners in encouraging and assisting client enrollment. This partnership must build on an active incentive to help families obtain public assistance benefits, possibly by subcontracting case management responsibilities for the expanded portion of the caseload to nonprofit service providers.
2. *Increase enrollment of homeless residents in SSI* - Supplemental Security Income (SSI) is a federal program that provides income maintenance for disabled persons and enables homeless residents with disabilities such as mental illness to become housed. An estimated 36 percent of homeless residents are disabled but not receiving SSI.⁷⁶
3. *Protect endangered children* – The stress and dislocations that are caused as families lose jobs and income are projected to cause a 17 percent increase in child welfare emergencies, with the most disproportionate burden falling on African

American children. Child protective services agencies must prepare to assist increased numbers of endangered children.

Health and Wellbeing

The destructive outcomes of recessions and loss of jobs include adverse impacts on health and well-being. These include more mental health emergencies, more teen parents, more delays in getting prenatal care (especially for poor mothers), more babies born with medical complications (particularly in poverty households), more hospitalizations of homeless residents, and increased dependence on public funding for health care.

The revised state budget submitted to the California legislature in May 2009 calls for complete elimination of Healthy Families, the low cost insurance program for children and teens that provide health, dental and vision coverage. This recommendation is unwise because of the harm it would do to children and because of the federal funds that would be forfeited. Thirty-five percent of the money for this \$1.3 billion program comes from the state and the rest from the federal government. Because this program is so highly leveraged, the expenditure of state funds for this program have the impact of:⁷⁷

- Creating 1 job for every \$25,970 spent
- Generating 1 dollar of economic output for every \$0.20 spent
- Generating 1 tax dollar for every \$1.31 spent

Recommendations:

5. *Preserve Healthy Families* – Health care coverage for children represents a basic standard of social responsibility as well as a far-sighted and practical measure to protect the state’s future. Unaddressed health needs of children become future long-term disabilities.
6. *Expand Medi-Cal enrollment and services as the eligible population increases* – Health care providers and county social service agencies must prepare for caseload growth.
7. *Ensure access to prenatal care in poverty neighborhoods* – As increasing numbers of financially vulnerable residents sink into poverty, there is increased risk that the rate of early prenatal care will decline and the rate of medical complications among newborns will increase.
8. *Ensure access to crisis mental health services* – Increased mental health emergencies and hospitalizations are likely as the recession causes increased loss of jobs, loss of social validation, and loss of the means to sustain households.

Public Revenue

California has a long-standing problem of receiving insufficient tax revenue to pay for the level of public services expected in a state with a high standard of living and a strong concentration of well-educated workers. Furthermore, tax revenue is highly dependent on personal income taxes, which in turn are sensitive to stock market changes and fluctuation in capital gains taxes. In the 2008-2009 fiscal year, unemployment rose sharply and the stock market plummeted causing steep decline in personal income tax revenue from both earned income and capital gains.

- *Personal income tax revenue* in constant dollars fell 18 percent in 2008-2009 from the 2007-2008 level, based on budget data shown in the Governor's May 2009 budget revision; 17.5 percent based on mid-impact projections shown in this report. This revenue source is likely to remain depressed given the likelihood of increasing unemployment in the 2009-2010 fiscal year and slow growth in the stock market, given a continued weak housing market⁷⁸ and depressed consumer spending. Data in the May budget revision shows 2009-2010 revenue at 16 percent below the 2007-2008 level (in constant dollars); mid-impact projections in this report show it at 17.6 below the 2007-2008 level.
- *Sales tax revenue* fell 7 percent in 2008-2009 from the 2007-2008 level, based on budget data shown in the Governor's May 2009 budget revision; 10 percent based on mid-impact projections in this report. This revenue source is likely to remain depressed given the likelihood of increasing unemployment in the 2009-2010 fiscal year and weak consumer spending. The Governor's May budget revision presents an optimistic scenario that in the 2009-2010 fiscal year, this revenue source will rebound to 99 percent of its 2006-2007 level (in constant dollars). Our analysis shows that this is unlikely, with a mid-impact projection of sales tax revenue in the 2009-2010 fiscal year that is only 86 percent of the 2006-2007 level (in constant dollars).
- *Property tax revenue*, which goes to cities, counties and school districts, unless borrowed by state government, is projected in this report to decline 4 percent statewide (in constant dollars) by the 2012-2013 fiscal year.

California will have serious revenue shortfalls through at least the 2010-2011 fiscal year; an interval when many residents will have critical needs for state-funded services. California has a strong economy. Shortsighted arbitrary budget reductions are likely to create a wide swath of social damage that will create far more lasting damage to the economy and the human capital of the state than intelligently designed tax increases. California must increase its revenue to pay for essential services.

Recommendations:

1. *Enact temporary taxes for unhealthy consumer items* – Enact a temporary tax targeting unhealthy products that directly contribute to state healthcare costs including all sales of alcohol, tobacco, sodas, and junk food.

2. *Enact fee for served alcohol* - Enact a per drink fee for served drinks.
3. *Collect taxes on the informal economy* - Bring the barter and cash economies into the formal economy through regulation and taxation. Collect taxes on services and goods produced by 13 percent of California and 16 percent of LA County's labor force that is informally employed, including in food service, construction, street vending, nondurable manufacturing, and arts and entertainment.
4. *Create a pool of revolving funds for green retrofits of buildings* – This recommendation is revenue neutral, creating jobs that pay for themselves through energy saving and power generation from retrofitted buildings, with cost savings recycled to pay for more retrofits and more jobs.
5. *Equalize the property tax base* – The amount of taxes paid on properties as a percent of market value varies depending on when the property was purchased, with the result that property owners in the state pay vastly different amounts of tax on properties with comparable market value. This is a legacy of Proposition 13, with the unintended consequence of skewing tax avoidance benefits toward commercial properties, which turn over more slowly than residential properties. This inequity needs to be corrected through consistent valuation and tax assessment for properties. This will broaden and stabilize the state's revenue base.
6. *Enact severance tax on oil* – California is the only major oil producing state that does not tax oil that is taken out of the ground. A tax as low as six percent would raise roughly a billion dollars a year.⁷⁹

STATISTICAL APPENDIX

This statistical appendix presents detailed data tables showing the strength of the relationship between changes in employment and changes in other indicator of social well-being. The variables used for these statistical tests are listed below.

Variable	Description of Indicator (Source)
ALL_FORE	All foreclosures (<i>DataQuick</i>)
ALLEGAT	LA County allegations of child welfare emergencies (<i>LA Co. DCFS</i>)
CA_T_POP	Total population, State of California (<i>US Census, CA Dept. of Finance</i>)
CALWOR_R	CalWORKs recipients as ratio to LA Co. pop. of children 0-17, women 18-64
CALWORKS	CalWORKs Caseload (persons) (<i>CA DSS, LA Co. DPSS</i>)
CASH_AID	Cash Aid Population, i.e., CalWORKs + GR Populations (<i>CA DSS, LA Co. DPSS</i>)
CES_EM_R	Nonfarm employment as ratio to population 18-64 years (<i>US BLS CES, CA Dept. Fin.</i>)
CES_EMPL	Nonfarm employment (<i>US BLS Current Employment Statistics</i>)
CS_INDEX	Case-Schiller housing price index (<i>Standard & Poor's Financial Services LLC</i>)
EM_CPS_R	Employment rate based on CPS survey
EMP_CPS	Employed workers based on CPS sample and weights
EVICTION	Unlawful detainer (eviction) case filings (<i>Los Angeles Superior Court</i>)
FS_CAS_R	Food Stamp caseload (persons) as ratio to total population (<i>CA DSS, LA Co. DPSS</i>)
FS_CASES	Food Stamp Caseload (persons) (<i>CA DSS, LA Co. DPSS</i>)
G_REL_R	General Relief as ratio to population 18-64 (<i>CA DSS, LA Co. DPSS</i>)
G_RELIEF	General Relief Caseload (persons) (<i>CA DSS, LA Co. DPSS</i>)
H_FORECL	Housing foreclosures (<i>DataQuick</i>)
LA_T_POP	Total population, Los Angeles County (<i>US Census, CA Dept. of Finance</i>)
LA_W_C_P	Population Children 0-17 and Women 18-64 (<i>US Census, CA Dept. of Finance</i>)
MEDI_CAL	Medi-Cal Only Caseload (persons) (<i>CA DSS, LA Co. DPSS</i>)
PC_INCOM	Average per capita income BEA REIS CA04, in 2007 dollars (<i>US BEA</i>)
POP18_64	Population 18-64 (<i>CA Dept. of Finance</i>)
POVERT_R	Poverty as ratio to total population (<i>US Census Bureau survey records, CA Dept. Fin.</i>)
POVERTY	Poverty Population in reference year of CPS survey (<i>US Census Bureau CPS records</i>)
PPOP_TAX	Total LA County Property Tax Roll (in Billions, 2008 dollars (<i>LA Co. Assessor</i>))
TOT_EM_R	Total employment as ratio to population 18-64 years (<i>CA EDD, Dept. Fin.</i>)
TOT_EMPL	Total employment (<i>CA EDD</i>)
TOT_INC	Personal income BEA REIS CA04 (\$000) (<i>US BEA</i>)
TOT_SALE	Total Taxable Sales in LA County, in 2007 dollars (<i>LA Co Assessor</i>)
UN_CPS_R	Unemployment rate based on CPS survey
UND_CPS	Under-employed workers based on CPS sample and weights
UNDER_R	Underemployment as ratio to pop. 18-64 (<i>Census Bureau CPS records, CA Dept. Fin.</i>)
UNEM_CPS	Unemployed workers based on CPS sample and weights
UNEMP_MM	Unemployed workers (<i>US Census Bureau CPS records</i>)
UNEMP_R	Unemployment as ratio to pop. 18-64 (<i>US Census Bureau CPS records, CA Dept. Fin.</i>)
WS_EARN	Average wage and salary earnings BEA REIS CA04, in 2007 dollars (<i>US BEA</i>)
WS_EMP_R	Wage and Salary Emp., 2008 Benchmark, as ratio to pop. 18-64 (<i>CA EDD, Dept. Fin.</i>)
WS_EMPL	Wage and Salary Employment, 2008 Benchmark (<i>CA EDD</i>)

The Economic Roundtable obtained annual data for Los Angeles County and the State of California, for the variables listed above, typically covering 1988 to 2008. This data appears in the tables below:

Los Angeles County Indicator Data, 1988-1995

YEAR	1988	1989	1990	1991	1992	1993	1994	1995
ALL_FORE						10,326	25,510	25,828
ALLEGAT	117,984	114,089	108,911	119,136	134,248	166,613	164,716	180,586
CALWOR_R	9.16	9.27	8.52	7.69	7.13	6.61	6.22	6.16
CALWORKS	551,547	550,819	609,811	685,735	752,891	816,930	873,774	882,867
CASH_AID	593,585	598,905	661,017	750,365	844,587	920,219	967,571	974,712
CES_EM_R	1.35	1.36	1.36	1.41	1.48	1.52	1.52	1.49
CES_EMPL	4,034	4,111	4,136	3,983	3,804	3,708	3,702	3,747
CS_INDEX	76.39	94.79	99.36	94.07	89.68	81.08	76.75	74.85
EM_CPS_R			94%	93%	91%	88%	90%	91%
EMP_CPS			4,095,197	3,896,779	4,055,872	3,933,686	3,733,125	3,807,777
EVICTON			89,238	94,320	95,981	92,295	101,148	97,165
FS_CAS_R	16.48	15.99	14.80	12.71	10.99	9.60	8.93	8.79
FS_CASES	524,180	548,453	598,785	704,610	824,662	946,249	1,019,532	1,034,965
G_REL_R	129.90	116.20	110.03	87.17	61.57	54.43	59.82	60.90
G_RELIEF	42,038	48,086	51,206	64,630	91,696	103,290	93,797	91,844
H_FORECL						10,270	25,402	25,704
LA_T_POP	8,639,399	8,768,685	8,860,302	8,955,322	9,060,253	9,083,688	9,106,495	9,101,127
LA_W_C_P	5,054,738	5,104,281	5,193,657	5,276,078	5,365,953	5,401,487	5,432,902	5,440,408
MEDI_CAL	151,056	175,848	246,911	326,125	454,255	582,732	635,322	603,645
PC_INCOM	\$34,664	\$34,464	\$34,908	\$33,445	\$33,173	\$31,979	\$32,268	\$32,965
POP18_64	546,887	558,735	563,402	563,407	564,561	562,234	561,092	559,362
POVERT_R		15.9%	17.5%	20.5%	21.1%	23.0%	24.4%	23.5%
POVERTY			1,547,873	1,835,980	1,912,406	2,088,443	2,218,336	2,139,989
PROP_TAX		664.64	699.30	735.87	753.34	750.12	749.95	723.87
TOT_EM_R	1.329	1.339	1.323	1.374	1.409	1.438	1.439	1.420
TOT_EMPL	4,108,700	4,171,900	4,259,700	4,101,000	4,006,700	3,908,500	3,898,600	3,938,600
TOT_INC	\$300,451,928	\$303,069,840	\$309,928,383	\$299,269,965	\$300,402,576	\$291,010,897	\$293,532,240	\$299,614,432
TOT_SALE	\$128,599,569,220	\$131,632,916,140	\$128,397,963,300	\$115,919,311,143	\$110,754,275,774	\$105,561,438,229	\$107,168,704,227	\$111,154,697,236
UN_CPS_R			6.0%	7.3%	8.9%	10.8%	10.4%	8.9%
UNDER_R			8.4%	10.3%	12.6%	15.1%	13.9%	11.3%
UNEM_CPS			261,066	306,389	397,294	474,297	434,066	374,011
UNEMP_MM			271,100	324,994	396,646	467,251	447,619	383,018
WS_EARN	\$52,214	\$51,537	\$51,293	\$50,718	\$52,375	\$51,419	\$51,335	\$50,984
WS_EMP_R	1.35	1.35	1.36	1.41	1.48	1.51	1.51	1.49
WS_EMPL	4,046,400	4,124,800	4,149,500	3,992,600	3,813,600	3,716,800	3,710,400	3,754,500

Los Angeles County Indicator Data (cont.), 1996-2003

YEAR	1996	1997	1998	1999	2000	2001	2002	2003
ALL_FORE	31,255	30,998	24,395	16,908	11,614	7,987	6,205	2,655
ALLEGAT	191,921	155,777	139,034	142,787	148,450	147,352	161,638	162,361
CALWOR_R	6.30	6.94	7.89	8.81	10.10	10.96	11.81	13.31
CALWORKS	865,174	792,988	702,085	634,760	561,619	525,567	495,392	444,939
CASH_AID	958,282	879,135	772,425	697,803	620,659	589,372	561,767	509,526
CES_EM_R	1.48	1.46	1.45	1.46	1.46	1.48	1.52	1.55
CES_EMPL	3,788	3,865	3,944	4,003	4,072	4,074	4,027	3,983
CS_INDEX	74.08	76.62	87.01	96.12	106.00	116.49	132.47	157.73
EM_CPS_R	91%	93%	93%	93%	95%	95%	93%	94%
EMP_CPS	3,899,584	4,167,182	4,326,296	4,198,373	4,178,589	4,453,505	4,412,770	4,386,432
EVICTION	98,996	97,277	88,992	81,231	82,344	81,573	71,360	65,072
FS_CAS_R	8.93	10.21	12.00	12.54	13.91	14.33	14.69	15.75
FS_CASES	1,019,979	899,568	772,457	748,938	688,772	679,954	674,783	638,055
G_REL_R	60.08	65.63	81.51	92.60	100.79	94.63	92.18	95.80
G_RELIEF	93,108	86,148	70,341	63,043	59,040	63,804	66,375	64,587
H_FORECL	31,087	30,842	24,262	16,812	11,563	7,932	6,175	2,648
LA_T_POP	9,108,069	9,185,566	9,265,805	9,394,314	9,578,960	9,747,138	9,910,245	10,046,518
LA_W_C_P	5,451,463	5,501,096	5,541,419	5,595,285	5,671,130	5,761,241	5,849,089	5,920,250
MEDI_CAL	606,076	563,276	553,681	777,424	893,290	1,022,542	1,248,609	1,411,656
PC_INCOM	\$33,681	\$34,284	\$36,451	\$36,602	\$37,031	\$37,438	\$36,888	\$36,739
POP18_64	5594102	5653867	5733778	5837626	5,950,795	6,037,808	6,118,592	6,187,424
POVERT_R	22.2%	22.2%	19.8%	17.4%	16.1%	14.5%	16.7%	16.0%
POVERTY	2,019,704	2,035,286	1,830,815	1,630,269	1,539,066	1,409,802	1,657,772	1,605,386
PROP_TAX	706.68	700.93	711.81	736.17	760.26	786.72	812.44	850.26
TOT_EM_R	1.410	1.373	1.350	1.355	1.345	1.347	1.376	1.398
TOT_EMPL	3,967,800	4,117,000	4,246,100	4,309,400	4,424,900	4,483,400	4,447,100	4,427,100
TOT_INC	\$307,409,883	\$315,628,706	\$339,486,221	\$345,421,241	\$353,426,965	\$361,014,371	\$359,052,569	\$360,091,958
TOT_SALE	\$114,009,331,361	\$117,359,599,521	\$120,795,469,457	\$127,336,813,750	\$135,106,133,639	\$131,685,856,660	\$129,726,528,121	\$132,129,209,875
UN_CPS_R	9.2%	7.4%	6.8%	7.1%	4.9%	4.9%	7.5%	6.5%
UNDER_R	12.4%	10.0%	9.3%	9.5%	7.2%	6.9%	10.5%	9.4%
UNEM_CPS	394,306	332,212	314,930	322,363	216,702	228,363	356,075	304,363
UNEMP_MM	397,135	326,542	308,448	326,560	230,606	231,823	356,176	308,795
WS_EARN	\$51,153	\$52,700	\$54,472	\$55,006	\$55,237	\$55,483	\$55,733	\$55,779
WS_EMP_R	1.47	1.46	1.45	1.46	1.46	1.48	1.52	1.55
WS_EMPL	3,795,700	3,872,000	3,951,200	4,010,200	4,079,800	4,082,000	4,034,600	3,990,800

Los Angeles County Indicator Data (cont.), 2004-2009

YEAR	2004	2005	2006	2007	2008	2009
ALL_FORE	1,056	663	2,177	13,621	38,977	
ALLEGAT	154,993	156,831	162,711	167,325	166,745	
CALWOR_R	14.05	14.87	16.09	17.04	16.98	
CALWORKS	424,962	403,414	373,360	353,187	354,794	
CASH_AID	490,868	468,344	434,795	412,928	422,737	
CES_EM_R	1.56	1.56	1.55	1.56	1.58	
CES_EMPL	3,997	4,024	4,093	4,116	4,098	
CS_INDEX	202.71	243.27	271.33	257.10	194.70	
EM_CPS_R	93%	94%	95%	94%	93%	
EMP_CPS	4,354,873	4,524,927	4,565,032	4,483,273	4,348,602	
EVICTON	59,185	55,322	52,428	56,205	69,787	
FS_CAS_R	15.43	15.34	15.95	16.37	15.52	
FS_CASES	657,976	666,010	643,475	630,722	669,271	
G_REL_R	94.78	96.87	103.25	107.23	95.32	
G_RELIEF	65,906	64,930	61,435	59,741	67,942	
H_FORECL	1,051	657	2,162	13,573	38,830	
LA_T_POP	10,152,410	10,216,326	10,262,451	10,323,161	10,385,372	10,449,155
LA_W_C_P	5,970,988	5,997,810	6,007,258	6,019,669	6,024,521	6,026,712
MEDI_CAL	1,339,960	1,375,500	1,611,238	1,604,497	1,605,605	
PC_INCOM	\$37,311	\$37,853	\$39,244	\$39,794		
POP18_64	6,246,482	6,289,939	6,343,000	6,406,251	6,476,340	6,554,361
POVERT_R	16.6%	15.9%	14.2%	13.9%		
POVERTY	1,686,816	1,625,647	1,452,736	1,437,084	1,674,887	
PROP_TAX	885.57	931.35	989.71	1,045.76	1,075.76	
TOT_EM_R	1,400	1,380	1,373	1,370	1,409	
TOT_EMPL	4,454,100	4,552,800	4,613,200	4,662,700	4,598,300	
TOT_INC	\$367,182,501	\$372,698,268	\$385,632,598	\$390,295,865		
TOT_SALE	\$137,842,131,248	\$140,787,607,052	\$140,652,550,982	\$137,820,418,000	\$135,390,088,183	
UN_CPS_R	6.8%	6.1%	4.9%	5.7%	6.9%	
UNDER_R	9.6%	8.4%	7.4%	8.4%	12.5%	
UNEM_CPS	315,825	291,893	236,846	270,391	321,257	
UNEMP_MM	322,175	291,480	238,948	269,031	437,980	
WS_EARN	\$57,676	\$57,019	\$56,126	\$54,612		
WS_EMP_R	1.56	1.56	1.55	1.55	1.59	
WS_EMPL	4,004,100	4,031,600	4,100,100	4,129,600	4,076,200	

State of California Indicator Data, 1986-1993

Year	1986	1987	1988	1989	1990	1991	1992	1993
CA_T_POP	27,052,291	27,716,860	28,393,094	29,142,106	29,828,473	30,458,589	30,987,369	31,314,191
CALWOR_R	9.79	9.73	9.86	9.72	9.15	8.54	8.22	7.88
CALWORKS	1,606,592	1,650,263	1,663,038	1,724,302	1,883,687	2,071,716	2,198,482	2,324,265
CASH_AID					1,988,134	2,202,682	2,361,781	2,500,020
CES_EM_R	1.54	1.52	1.51	1.51	1.51	1.54	1.58	1.60
CES_EMPL	11085.5	11472.6	11911.5	12238.5	12499.8	12358.9	12153.5	12045.4
CS_INDEX		59.39	70.61	86.96	91.91	87.37	83.95	77.34
EM_CPS_R					95%	92%	91%	90%
EMP_CPS					13,345,176	13,013,111	13,211,589	13,314,100
FS_CAS_R			16.79	16.16	15.13	13.22	11.77	10.59
FS_CASES			1,691,065	1,802,991	1,972,074	2,303,725	2,633,569	2,956,118
G_REL_R					180.33	145.48	117.74	109.96
G_RELIEF					104,447	130,966	163,299	175,754
LA_W_C_P	15,724,282	16,061,536	16,392,511	16,756,628	17,233,882	17,683,565	18,076,809	18,326,574
MEDI_CAL			459,165	548,380	726,635	934,823	1,151,879	1,292,975
PC_INCOM	\$34,283	\$34,598	\$34,960	\$34,962	\$34,832	\$33,618	\$33,581	\$32,933
POP18_64	17,018,442	17,458,000	17,931,683	18,466,310	18,834,672	19,052,710	19,226,314	19,326,559
POVERT_R					14.0%	16.0%	15.9%	18.4%
POVERTY					4,187,746	4,870,087	4,932,882	5,762,972
PPOP_TAX				2,264,835	2,387,609	2,533,461	2,638,003	2,688,451
TOT_EM_R	1.37	1.35	1.34	1.34	1.32	1.37	1.39	1.40
TOT_EMPL	12,434,100	12,910,000	13,371,600	13,770,500	14,294,100	13,931,700	13,874,200	13,808,300
TOT_INC	\$929,131,108	\$961,054,158	\$995,098,341	\$1,021,520,032	\$1,043,554,676	\$1,024,348,347	\$1,040,127,978	\$1,029,966,000
TOT_SALE	\$417,675	\$430,531	\$447,784	\$463,446	\$454,899	\$418,655	\$407,076	\$395,026
UN_CPS_R					5.3%	7.9%	8.9%	10.1%
UNDER_R				6.5%	7.3%	10.8%	12.0%	13.6%
UNEM_CPS					751,755	1,116,635	1,289,933	1,496,260
UNEMP_MM				691,300	812,003	1,198,853	1,348,558	1,517,259
UNEMP_R				4.8%	5.4%	7.9%	8.8%	9.9%
WS_EARN	\$42,032	\$42,506	\$42,505	\$42,174	\$42,013	\$41,968	\$42,575	\$41,950
WS_EMP_R					1.46	1.50	1.54	1.56
WS_EMPL					12,863,400	12,700,900	12,505,100	12,407,600

State of California Indicator Data (cont.), 1994-2001

Year	1994	1995	1996	1997	1998	1999	2000	2001
CA_T_POP	31,523,690	31,711,845	31,962,952	32,452,789	32,862,956	33,418,581	34,105,437	34,789,735
CALWOR_R	7.51	7.48	7.71	8.87	10.40	11.65	13.04	14.50
CALWORKS	2,461,692	2,492,165	2,436,596	2,149,400	1,853,066	1,674,517	1,517,064	1,391,182
CASH_AID	2,630,148	2,653,980	2,590,219	2,286,072	1,964,201	1,770,887	1,604,402	1,482,842
CES_EM_R	1.59	1.57	1.54	1.52	1.49	1.48	1.46	1.48
CES_EMPL	121,595	124,22	127,43.4	131,29.7	135,96.1	139,91.8	144,88.2	146,02
CS_INDEX	74.39	72.89	72.36	75.50	85.48	95.16	108.59	120.77
EM_CPS_R	90%	92%	92%	93%	93%	94%	94%	95%
EMP_CPS	13,436,963	13,599,777	13,795,042	14,452,195	14,811,248	15,108,249	15,430,399	15,954,808
FS_CAS_R	9.67	10.08	10.17	10.61	13.03	16.23	18.40	19.80
FS_CASES	3,261,526	3,146,504	3,144,373	3,057,888	2,522,682	2,058,873	1,853,086	1,757,276
G_REL_R	115.07	120.26	127.64	145.96	182.61	214.87	242.45	235.83
G_RELIEF	168,457	161,816	153,623	136,672	111,134	96,370	87,338	91,660
LA_W_C_P	18,498,346	18,633,882	18,789,783	19,070,376	19,269,907	19,503,853	19,788,387	20,176,377
MEDI_CAL	1,311,179	2,047,242	2,375,669	2,812,542	3,138,084	3,521,752	3,709,980	4,185,962
PC_INCOM	\$33,286	\$34,101	\$35,024	\$35,895	\$37,718	\$38,544	\$40,483	\$39,489
POP18_64	19,384,708	19,459,334	19,608,051	19,949,190	20,294,674	20,707,139	21,175,215	21,616,295
POVERT_R	18.0%	16.9%	17.2%	17.0%	15.6%	14.2%	13.1%	12.9%
POVERTY	5,666,050	5,347,664	5,495,706	5,504,770	5,137,455	4,730,691	4,484,193	4,486,386
PPOP_TAX	2,721,671	2,709,528	2,692,367	2,665,954	2,691,096	2,754,914	2,853,632	2,951,224
TOT_EM_R	1.39	1.38	1.37	1.35	1.33	1.33	1.32	1.33
TOT_EMPL	13,953,900	14,062,400	14,303,500	14,780,800	15,203,700	15,566,900	16,024,300	16,220,000
TOT_INC	\$1,047,981,816	\$1,080,869,801	\$1,121,424,395	\$1,166,075,966	\$1,244,265,823	\$1,291,212,262	\$1,376,390,535	\$1,362,628,512
TOT_SALE	\$405,698	\$416,104	\$432,373	\$448,512	\$463,263	\$496,003	\$536,469	\$517,126
UN_CPS_R	9.7%	8.3%	8.1%	6.9%	6.6%	6.3%	5.5%	5.1%
UNDER_R	12.4%	10.7%	10.9%	9.3%	9.5%	8.2%	7.8%	7.2%
UNEM_CPS	1,438,483	1,235,208	1,209,430	1,070,915	1,048,818	1,008,869	905,244	860,270
UNEMP_MM	1,388,810	1,237,738	1,200,126	1,096,854	1,088,003	1,012,867	958,373	915,203
UNEMP_R	9.1%	8.1%	7.8%	6.9%	6.7%	6.2%	5.7%	5.3%
WS_EARN	\$42,112	\$42,670	\$43,368	\$44,839	\$46,177	\$47,621	\$50,371	\$48,753
WS_EMP_R	1.55	1.52	1.49	1.47	1.45	1.44	1.42	1.44
WS_EMPL	12,539,100	12,795,500	13,151,700	13,542,700	14,002,300	14,395,800	14,896,700	14,981,500

State of California Indicator Data (cont.), 2002-2009

Year	2002	2003	2004	2005	2006	2007	2008	2009
CA_T_POP	35,397,005	35,994,731	36,525,947	36,957,436	37,380,870	37,810,582	38,246,598	38,688,293
CALWOR_R	15.21	16.51	16.87	17.58	18.55	19.08	18.32	
CALWORKS	1,348,361	1,262,465	1,252,310	1,213,878	1,161,329	1,138,375	1,194,615	
CASH_AID	1,444,691	1,358,958	1,351,027	1,310,844	1,254,991	1,232,495	1,301,358	
CES_EM_R	1.52	1.56	1.56	1.56	1.55	1.56	1.60	
CES_EMPL	14457.8	14392.8	14532.6	14801.3	15060.3	15173.5	14994.1	
CS_INDEX	134.81	157.10	198.04	235.77	256.13	241.81	183.38	
EM_CPS_R	93%	93%	93%	94%	95%	95%	93%	
EMP_CPS	15,455,006	15,745,180	15,570,616	15,974,455	16,107,032	16,669,932	16,543,785	
FS_CAS_R	19.96	20.34	19.02	18.39	18.66	18.36	16.62	
FS_CASES	1,773,317	1,769,800	1,920,381	2,009,753	2,003,043	2,059,062	2,301,298	
G_REL_R	228.43	231.99	230.33	237.60	249.55	251.87	225.26	
G_RELIEF	96,330	96,493	98,717	96,966	93,663	94,120	106,743	
LA_W_C_P	20,512,837	20,840,875	21,121,628	21,341,752	21,537,894	21,724,136	21,889,696	22,053,285
MEDI_CAL	4,800,344	5,076,984	5,161,248	5,226,191	5,291,135	5,359,295	5,445,294	
PC_INCOM	\$38,508	\$38,467	\$39,576	\$40,178	\$41,337	\$41,805	\$41,289	
POP18_64	22,005,041	22,385,789	22,737,159	23,038,741	23,373,770	23,705,768	24,044,666	24,394,369
POVERT_R	13.4%	13.4%	13.5%	13.4%	12.3%	12.8%		
POVERTY	4,732,039	4,823,085	4,918,051	4,951,714	4,607,045	4,820,862		
PPOP_TAX	3,125,606	3,265,124	3,438,529	3,592,228	3,816,074	4,137,958	4,385,055	
TOT_EM_R	1.36	1.38	1.39	1.38	1.38	1.39	1.41	
TOT_EMPL	16,180,800	16,200,100	16,354,800	16,671,900	16,948,400	17,108,700	17,059,600	
TOT_INC	\$1,344,585,396	\$1,358,183,556	\$1,410,104,615	\$1,441,796,128	\$1,493,147,898	\$1,520,754,918	\$1,517,662,530	
TOT_SALE	\$506,675	\$517,743	\$549,903	\$572,887	\$577,419	\$561,050	\$547,136	
UN_CPS_R	7.2%	7.1%	7.4%	5.8%	5.3%	5.4%	6.6%	
UNDER_R	9.6%	9.5%	9.6%	8.3%	7.7%	7.7%	9.0%	
UNEM_CPS	1,205,318	1,209,196	1,239,704	981,303	901,341	954,668	1,175,976	
UNEMP_MM	1,267,291	1,227,769	1,276,094	1,077,606	940,162	944,576	1,243,587	
UNEMP_R	7.3%	7.1%	7.3%	6.1%	5.3%	5.2%	6.8%	
WS_EARN	\$47,576	\$47,860	\$49,067	\$49,211	\$49,601	\$50,182		
WS_EMP_R	1.48	1.52	1.52	1.52	1.51	1.52	1.56	
WS_EMPL	14,830,500	14,768,000	14,919,000	15,179,500	15,435,500	15,557,200	15,384,900	

Descriptions of Statistics Used in this Report

Using the indicator data variables in the previous tables, the Economic Roundtable explored the relationship between annual changes in employment and several other variables that one would expect to be impacted by economic recessions. The next section of statistical analysis results tables uses the following abbreviations and result terms.

N: Number of records in the regression analysis; each record represents annual average data for one year.

Adjusted R-Squared: The coefficient of determination, R^2 , is the proportion of variation in dependent variable that is accounted for by variation in the independent variable. It provides a measure of how well future outcomes are likely to be predicted by the model. Adjusted R^2 is a modification of R^2 that adjusts for the number of records in the model. The adjusted R^2 will always be less than or equal to R^2 . This statistic can be interpreted as the percent of change in the dependent variable that is explained by change in the independent variable. It should be noted that this statistic describes the strength of association between pairs of indices and demonstrates the extent to which they change together but it does not demonstrate causation.

Standardized Coefficient: The standardized coefficient is an index of the extent to which each distinct increase or decrease in the independent variable is accompanied by increase or decrease in the dependent variable. It represents change in terms of standard deviations in the dependent variable that result from a change of one standard deviation in an independent variable. A standardized coefficient of 0.5 means that every time the independent variable changes by one standard deviation, the dependent variable is estimated to change by half a standard deviation, on average. Standardized coefficients have been standardized so that they vary between zero and one, or zero and minus one.

t: The ratio of the coefficient to its standard error. If the t-statistic is more than 2 (the coefficient is at least twice as large as the standard error), it generally means that the independent variable has a significant impact on the dependent variable.

df: Number of degrees of freedom, that is, the number of independent pieces of data being used to make the calculation.

F-ratio: The F-ratio is a measure of systematic variation to unsystematic variation. Values less than 1 represent non-significant effects. Given the number of records in this analysis, values greater than 3 are large enough not to be chance results and to reflect an effect of the independent variable.

p-value: The probability of getting a value of the test statistic as extreme as or more extreme than that observed by chance alone. The p value ranges from zero to one. The lower the p-value, the less likely the null hypothesis that the relationship between the dependent and independent variables is random, so the more "significant" the result.

Results Tables for Simple (single-independent-variable) Regressions

The tables below are referenced throughout the report.

The confidence level for all results shown in these tables is 0.95.

Some independent variables are “lagged 1 year” in order to explore the delayed relationship to and impact upon the dependent variable, for example the lag between when change in independent variables related to employment occurs and when change in dependent variables such as housing prices, Medi-Cal caseload, or child welfare emergencies subsequently occurs. These variables have the extension “_1” at the end of the variable label. This means that the independent variable data has been moved one year forward (e.g., 1994 becomes 1995).

Table A1: Results from Regression Analysis of the Relationship between Dependent Variable, Unemployment in Los Angeles County and California, and Explanatory Variables

Dependent Variables	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Annual Average CPS Unemployment Rate	<i>Annual Average CPS Employment Rate</i>	LA Co.	19	1.000	-1.000	-	17	0.000	0.000
		CA	19	1.000	-1.000	-	17	0.000	0.000
Annual Average CPS Unemployment	<i>Annual Average CPS Employment</i>	LA Co.	19	0.402	-0.66	-3.623	17	13.123	0.002
		CA	19	0.126	-0.418	-1.896	17	3.594	0.075
Annual Average Unemployed Workers as a Ratio to Annual Average Population 18-64 Years	Annual Average Total Employment, as a Ratio to Annual Average Population 18-64 Years	LA Co.	19	0.668	0.828	6.100	17	37.207	0.000
		CA	20	0.275	0.560	2.865	18	8.207	0.010
	CES nonfarm employment as a ratio to population 18-64 years	LA Co.	19	0.000	0.063	0.260	17	0.067	0.798
		CA	20	0.352	0.621	3.365	18	11.325	0.003
Annual Average Unemployed Workers	Annual Average EDD Wage and Salary Employment, 2008 Benchmark	LA Co.	19	0.564	-0.767	-4.924	17	24.247	0.000
		CA	19	0.172	-0.467	-2.176	17	4.736	0.044

Table A2: Results from Regression Analysis of the Relationship between Dependent Variable, Total Personal Income in Los Angeles County and California, and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Total Personal Income	<i>Annual Average Per Capita Income</i>	LA Co.	20	0.937	0.970	16.823	18	283.005	0.000
		CA	23	0.923	0.962	16.254	21	264.180	0.000
	<i>Annual Average Total Employment</i>	LA Co.	20	0.915	0.959	14.316	18	204.941	0.000
		CA	23	0.978	0.990	31.460	21	264.180	0.000
	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark</i>	LA Co.	20	0.821	0.911	9.399	18	88.343	0.000
		CA	22	0.945	0.974	19.077	20	363.951	0.000
	<i>Annual Average Total Employment, with Total Personal Income Lagged 1 Year</i>	LA Co.	20	0.815	0.908	9.193	18	84.510	0.000
		CA	22	0.944	0.973	18.901	20	357.258	0.000
	<i>Annual Average Total Sales</i>	LA Co.	20	0.675	0.832	6.364	18	40.505	0.000
		CA	23	0.864	0.933	11.850	21	140.429	0.000

Table A3: Results from Regression Analysis of the Relationship between Dependent Variable, Total Annual Taxable Sales in Los Angeles County and California, and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Total Annual Taxable Sales	<i>Annual Average Total Employment</i>	LA Co.	21	0.847	0.925	10.588	19	112.104	0.000
		CA	23	0.827	0.914	10.316	21	106.415	0.000
	<i>Annual Average Per Capita Income</i>	LA Co.	20	0.802	0.901	8.837	18	78.096	0.000
		CA	23	0.937	0.970	18.131	21	328.745	0.000
	<i>Annual Average CES Nonfarm Employment</i>	LA Co.	21	0.775	0.887	8.362	19	69.917	0.000
		CA	23	0.848	0.924	11.106	21	123.350	0.000
	<i>Annual Average Poverty Population</i>	LA Co.	20	0.763	-0.881	-7.886	18	62.188	0.000
		CA	18	0.307	-0.589	-2.919	16	8.518	0.010
	<i>Total Annual Personal Income in Los Angeles County</i>	LA Co.	20	0.675	0.832	6.364	18	40.505	0.000
		CA	23	0.870	0.933	11.850	21	140.429	0.000
	<i>Annual Average Total Employment, with Total Taxable Sales Lagged 1 Year</i>	LA Co.	21	0.638	0.810	6.020	19	36.246	0.000
		CA	22	0.750	0.873	8.001	20	64.022	0.000
	<i>Annual Average Wage and Salary Earnings</i>	LA Co.	20	0.575	0.773	5.164	18	26.669	0.000
		CA	22	0.868	0.935	11.802	20	139.282	0.000
	<i>Annual Average Population</i>	LA Co.	21	0.445	0.688	4.129	19	17.049	0.001
		CA	23	0.705	0.848	7.317	21	53.540	0.000

Table A4: Results from regression analysis of the relationship between dependent variable, total unlawful detainer cases filed in Los Angeles County, and other explanatory trends

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Total Unlawful Detainer Cases Filed	Case-Schiller Housing Price Index	LA Co.	19	0.892	-0.948	-12.22	17	149.334	0.000
	Average wage and salary earnings BEA REIS CA04 - 2007\$, 1+ Year	LA Co.	19	0.88	-0.941	-11.51	17	132.41	0.000
	Total Population Los Angeles County	LA Co.	19	0.862	-0.933	-10.66	17	113.71	0.000
	Personal income BEA REIS CA04 (\$000)	LA Co.	18	0.841	-0.922	-9.518	16	90.59	0.000
	Personal income BEA REIS CA04 (\$000), 1+ Year	LA Co.	19	0.831	-0.917	-9.472	17	89.714	0.000
	Total Employment	LA Co.	19	0.803	-0.902	-8.633	17	74.531	0.000
	Total Taxable Sales in LA County - 2007\$	LA Co.	19	0.788	-0.894	-8.246	17	67.99	0.000
	Total Employment, 1+ Year	LA Co.	19	0.773	-0.886	-7.892	17	62.276	0.000
	Average Per Capita income BEA REIS CA04 - 2007\$	LA Co.	18	0.762	-0.881	-7.437	16	55.311	0.000
	Average wage and salary earnings BEA REIS CA04 - 2007\$	LA Co.	18	0.707	-0.851	-6.483	16	42.024	0.000
	Total Taxable Sales in LA County - 2007\$, +1 Year	LA Co.	19	0.701	-0.847	-6.572	17	43.189	0.000
	Property Tax	LA Co.	19	0.687	-0.839	-6.358	17	40.418	0.000
	All Foreclosures, Data +1 Year	LA Co.	15	0.655	0.824	5.248	13	27.544	0.000
	Housing Foreclosures, Data +1 Year	LA Co.	15	0.655	0.824	5.248	13	27.546	0.000

Table A5: Results from Regression Analysis of the Relationship between Dependent Variable, Total Property Tax Roll in Los Angeles County and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Total Assessed Value of Property Tax Roll in Constant Dollars	Case-Schiller Housing Price Index, with Property Tax Roll Lagged 1 Year	LA Co.	20	0.956	0.979	20.223	18	408.976	0.000
		CA	20	0.918	0.96	14.587	18	212.792	0.000
	Evictions, with Property Tax Roll Lagged 1 Year	LA Co.	18	0.904	-0.954	-12.72	16	161.661	0.000
		CA							
	Total Population	LA Co.	20	0.822	0.912	9.418	18	88.696	0.000
		CA	20	0.871	0.937	11.359	18	129.03	0.000
	Case-Schiller Housing Price Index	LA Co.	20	0.817	0.909	9.256	18	85.668	0.000
		CA	20	0.764	0.881	7.903	18	62.454	0.000
	Total Personal Income, with Property Tax Roll Lagged 1 Year	LA Co.	20	0.756	0.877	7.73	18	59.759	0.000
		CA	20	0.798	0.899	8.711	18	75.882	0.000
	Total Employment, with Property Tax Roll Lagged 1 Year	LA Co.	20	0.689	0.84	6.567	18	43.119	0.000
		CA	20	0.798	0.899	8.711	18	75.878	0.000
	Evictions	LA Co.	19	0.687	-0.839	-6.358	17	40.418	0.000
		CA							
	Total Personal Income	LA Co.	19	0.651	0.819	5.877	17	34.541	0.000
		CA	20	0.755	0.877	7.726	18	59.686	0.000
	Per Capita Income, with Property Tax Roll Lagged 1 Year	LA Co.	20	0.649	0.817	6.013	18	36.153	0.000
		CA	20	0.657	0.821	6.109	18	37.321	0.000
	Total Employment	LA Co.	20	0.575	0.773	5.165	18	26.68	0.000
		CA	20	0.736	0.866	7.341	18	53.895	0.000
	Per Capita Income	LA Co.	19	0.551	0.759	4.809	17	23.127	0.000
		CA	20	0.622	0.801	5.676	18	32.215	0.000
	Wage and Salary Earnings, with Property Tax Roll Lagged 1 Year	LA Co.	20	0.516	0.736	4.614	18	21.287	0.000
		CA	20	0.638	0.811	5.876	18	32.215	0.000

Table A6: Results from Regression Analysis of the Relationship between Dependent Variable, Poverty Population in Los Angeles County and California, and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Poverty Population	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark</i>	LA CO.	19	0.906	-0.954	-13.179	17	173.684	0.000
		CA	18	0.236	-0.530	-2.501	16	6.256	0.024
	<i>Annual Average CES Nonfarm Employment</i>	LA CO.	19	0.906	-0.955	-13.208	17	174.443	0.000
		CA	18	0.243	-0.536	-2.539	16	6.449	0.022
	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark, with Poverty Population Lagged 1 Year</i>	LA CO.	19	0.676	-0.833	-6.204	17	38.484	0.000
		CA	17	0.558	-0.765	-4.602	15	21.178	0.000

Table A7: Results from Regression Analysis of the Relationship between Dependent Variable, Cash Aid Population in Los Angeles County and California, and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Cash Aid Population, i.e., Combined CalWORKs and General Relief Populations	<i>Poverty Rate</i>	LA Co.	18	0.913	0.958	13.39	16	179.16	0.000
		CA	18	0.889	0.947	11.74	16	137.72	0.000
	<i>Total Employment</i>	LA Co.	21	0.850	-0.926	-10.68	19	114.13	0.000
		CA	19	0.902	-0.952	-12.89	17	166.19	0.000
	<i>Poverty Population</i>	LA Co.	18	0.811	0.907	8.60	16	73.90	0.000
		CA	19	0.280	0.566	2.83	17	8.01	0.012
	<i>Total Employment, 1 Yr Lag</i>	LA Co.	21	0.787	-0.893	-8.66	19	74.91	0.000
		CA	19	0.890	-0.947	-12.13	17	147.12	0.000
	<i>CES Employment</i>	LA Co.	21	0.746	-0.871	-7.73	19	59.77	0.000
		CA	19	0.889	-0.946	-12.05	17	145.13	0.000
	<i>Wage & Salary Employment</i>	LA Co.	21	0.730	-0.863	-7.43	19	55.21	0.000
		CA	19	0.881	-0.942	-11.60	17	134.49	0.000
	<i>CES Employment, 1 Yr Lag</i>	LA Co.	21	0.624	-0.801	-5.84	19	34.13	0.000
		CA	19	0.914	-0.959	-13.89	17	192.79	0.000
	<i>Wage & Salary Employment, 1 Yr Lag</i>	LA Co.	21	0.616	-0.797	-5.75	19	33.05	0.000
		CA	18	0.959	-0.980	-19.95	16	397.92	0.000

Table A8: Results from Regression Analysis of the Relationship between Dependent Variable, Number of People Receiving CalWORKs Benefits in Los Angeles County and California, and Explanatory Variables

Dependent Variables	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Annual Average Persons in CalWORKs Caseload	Annual Average Total Employment	LA Co.	21	0.865	-0.934	-11.369	19	129.25	0.000
		CA	23	0.448	-0.688	-4.339	21	18.83	0.000
	Annual Average Total Employment, with CalWORKs Caseload Lagged 1 Year	LA Co.	21	0.819	-0.910	-9.559	19	91.37	0.000
		CA	22	0.515	-0.733	-4.824	20	23.27	0.000
	Annual Average CES Nonfarm Employment	LA Co.	21	0.700	-0.846	-6.907	19	47.71	0.000
		CA	23	0.474	-0.706	-4.565	21	20.84	0.000
	Annual Average Poverty Population	LA Co.	20	0.694	0.843	6.645	18	44.16	0.000
		CA	18	0.421	0.675	3.655	16	13.36	0.002
	Annual Average EDD Wage and Salary Employment, 2008 Benchmark	LA Co.	21	0.683	-0.836	-6.634	19	44.01	0.000
		CA	19	0.880	-0.941	-11.516	17	132.62	0.000
	Annual Average CES Nonfarm Employment, with CalWORKs Caseload Lagged 1 Year	LA Co.	21	0.602	-0.788	-5.586	19	31.20	0.000
		CA	22	0.566	-0.766	-5.326	20	28.37	0.000
	Annual Average EDD Wage and Salary Employment, 2008 Benchmark, with CalWORKs Caseload Lagged 1 Year	LA Co.	21	0.593	-0.783	-5.495	19	30.19	0.000
		CA	18	0.960	-0.981	-20.107	16	404.28	0.000
Persons Receiving CalWORKs as Ratio to Children 0-17 & Women 18-64	Annual Average Poverty Rate	LA Co.	19	0.707	-0.851	-6.671	17	44.50	0.000
		CA	18	0.754	-0.877	-7.284	16	53.05	0.000

Table A9: Results from Regression Analysis of the Relationship between Dependent Variable, Number of People Receiving General Relief Benefits in Los Angeles County and California, and Explanatory Variables

Dependent Variables	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Annual Average Persons Receiving General Relief Benefits	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark</i>	LA Co.	21	0.852	-0.927	-10.772	19	116.03	0.000
		CA	19	0.737	-0.867	-7.164	17	51.319	0.000
	<i>Annual Average CES Nonfarm Employment</i>	LA Co.	21	0.835	-0.918	-10.113	19	102.28	0.000
		CA	19	0.738	-0.868	-7.194	17	51.754	0.000
	<i>Annual Average Poverty Population</i>	LA Co.	20	0.818	0.909	9.280	18	86.116	0.000
		CA	18	0.625	0.805	5.418	16	29.359	0.000
	<i>Annual Average Unemployed Workers</i>	LA Co.	19	0.602	0.790	5.311	17	28.205	0.000
		CA	19	0.463	0.702	4.065	17	16.528	0.001
	<i>Annual Average CES Nonfarm Employment, with General Relief Caseload Lagged 1 Year</i>	LA Co.	21	0.516	-0.735	-4.722	19	22.294	0.000
		CA	19	0.661	-0.824	-6.003	17	36.042	0.000
	<i>Underemployed Workers</i>	LA Co.	19	0.515	0.736	4.487	17	20.132	0.000
		CA	19	0.504	0.729	4.396	17	19.324	0.000
	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark, with General Relief Caseload Lagged 1 Year</i>	LA Co.	21	0.515	-0.734	-4.715	19	22.233	0.000
		CA	18	0.798	-0.900	-8.252	16	68.099	0.000
Annual Average Persons Receiving General Relief Benefits as a Ratio to Annual Average Population 18-64 Years	<i>Annual Average Poverty Rate</i>	LA Co.	19	0.811	-0.906	-8.845	17	78.231	0.000
		CA	18	0.910	-0.957	-13.172	16	173.49	0.000
	<i>Annual Average Underemployment Rate</i>	LA Co.	19	0.613	-0.797	-5.437	17	29.559	0.000
		CA	19	0.659	-0.823	-5.984	17	35.810	0.000

Table A10: Results from Regression Analysis of the Relationship between Dependent Variable, Number of People Receiving Medi-Cal Only Benefits in Los Angeles County and California, and Explanatory Variables

Dependent Variable	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Annual Average Persons Receiving Medi-Cal Only	<i>Annual Average Total Employment with Medi-Cal Only Caseload Lagged 1 Year</i>	LA Co.	21	0.700	0.846	6.912	19	47.773	0.000
		CA	21	0.933	0.968	16.773	19	281.343	0.000
	<i>Annual Average Total Employment</i>	LA Co.	21	0.643	0.813	6.084	19	37.016	0.000
		CA	21	0.944	0.973	18.311	19	335.287	0.000

Table A11: Results from Regression Analysis of the Relationship between Dependent Variable, Number of People Receiving Food Stamps in Los Angeles County and California, and Explanatory Variables

Dependent Variables	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	p-value
Annual Average Number of People Receiving Food Stamps	<i>Annual Average Poverty Population</i>	LA CO.	20	0.848	0.925	10.349	18	107.103	0.000
		CA	18	0.753	0.876	7.268	16	52.817	0.000
	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark</i>	LA CO.	21	0.841	-0.922	-10.344	19	106.990	0.000
		CA	19	0.504	-0.729	-4.395	17	19.312	0.000
	<i>Annual Average EDD Wage and Salary Employment, 2008 Benchmark, with Food Stamps Caseload Lagged 1 Year</i>	LA CO.	21	0.721	-0.857	-7.254	19	52.617	0.000
		CA	18	0.688	-0.840	-6.198	16	38.419	0.000
Annual Average Persons Receiving Food Stamps as a Ratio to Annual Average Population	<i>Annual Average Poverty Rate</i>	LA CO.	19	0.894	-0.949	-12.377	17	153.183	0.000
		CA	18	0.897	-0.950	-12.209	16	149.062	0.000
	<i>Annual Average Unemployment Rate</i>	LA CO.	19	0.542	-0.753	-4.720	17	22.278	0.000
		CA	20	0.402	-0.659	-3.713	18	13.786	0.002

Table A12: Results from Regression Analysis of the Relationship between Dependent Variable, Annual Allegations of Child Welfare Emergencies in Los Angeles County, and Explanatory Variables

Dependent Variables	Independent Variables	Region	N	Adjusted R-Squared	Standardized Coefficient	t	df	F-ratio	P-value
Annual Allegations of Endangered Children as Ratio to Children 0-17	Total Employment, as Ratio to Population 16-64 years, with the Dependent Variable lagged 1 Year	LA Co.	21	0.624	-0.802	-5.847	1	34.191	0
	Total Employment, as Ratio to Population 16-64 Years	LA Co.	21	0.53	-0.744	-4.853	1	23.554	0
	General Relief Caseload as Ratio to Population 16-64 years, with the Dependent Variable 1 Year	LA Co.	21	0.484	0.714	4.444	1	19.749	0
	EDD Wage and Salary Employment, 2008 Benchmark, as Ratio to Population 16-64 Years, with the Dependent Variable 1 Year	LA Co.	21	0.437	-0.682	-4.063	1	16.511	0.001
	CES Nonfarm Employment, as Ratio to Population 16-64 Years, with the Dependent Variable 1 Year	LA Co.	21	0.437	-0.682	-4.063	1	16.506	0.001
Annual Allegations of Endangered Children	General Relief Caseload, with the Dependent Variable 1 Year	LA Co.	21	0.457	0.696	4.221	1	17.813	0

ENDNOTES

¹ National Bureau of Economic Research (NBER), "US Business Cycle Expansions and Contractions," <http://www.nber.org/>

² U.S. Census Bureau, 1990 Decennial Census and 2007 American Community Survey.

³ This comparison was made using annual average nonfarm employment as reported by the Bureau of Labor Statistics in CES data. There were a total of 9 recessions from 1939 through 2007. One recession, in 1980, lasted only 6 months and did not cause a decline in average annual employment data – it is not included in this comparison.

⁴ It should be noted that formal employment is based on jobs reported by employers in payroll tax reports. Since some workers have more than one job, the unduplicated count of workers holding formal jobs is 4 percent smaller than the number of jobs. CPS only counts employed persons once, regardless of the number of jobs they hold. This data distinction is important for some comparisons but does not affect this comparison of size-change trends in the total and formal labor forces.

⁵ For a discussion of the informal economy in Los Angeles County see the Economic Roundtable report, "Hopeful Workers, Marginal Jobs," <http://www.economicrt.org/publications.html>.

⁶ Job losses for Los Angeles County and California in the 1990 recession are based on change in monthly employment reported for Civilian Employment (total employment derived from Current Population Survey data, which includes wage and salary workers, informal workers and wage and salary workers) and for Total Employment, All Industries (wage and salary workers in the formal labor market) by the California Employment Development Department based on the March 2008 benchmark. Employment change for the first 12 months of the recession is calculated by comparing the peak month in 1990 to the same month in 1991. For California, the employment change is from July 1990 to July 1991, for Los Angeles County, it is from May 1990 to May 1991. Monthly employment data is not available for the U.S. in 1929 so employment change for the first year of the recession is based on comparing annual average employment in 1929 and 1930.

⁷ Total employment data comes from the monthly Current Population Survey conducted by the Census Bureau and includes the total employed population of wage and salary workers in the formal economy, self-employed workers, and informal workers.

⁸ The 2008 decline in employment is based on the change from December 2007 (the peak month before the onset of the recession) to December 2008, California Employment Development Department, Labor Market Information Division March 2008 benchmark, seasonally unadjusted CPS data.

⁹ Edward E. Leamer, UCLA Anderson Forecasting, *The UCLA Anderson Forecast for the Nation and California: 2009 1st Quarter – 2011 4th Quarter*, March 2009, p. 80.

¹⁰ The most severe job losses in the 1990 recession occurred in Los Angeles County's formal labor market, which by 1994 had lost 10.5 percent of the jobs in had in 1990, compared to an employment decline of 8.5 percent in the total labor force. Data from California Employment Development Department, March 2008 benchmark.

¹¹ The 2008 increase in unemployment is based on the change from December 2007 (the peak month before the onset of the recession) to December 2008, California Employment Development Department, Labor Market Information Division March 2008 benchmark, seasonally unadjusted CPS data.

¹² Jerry Nickelsburg, UCLA Anderson Forecasting, *The UCLA Anderson Forecast for the Nation and California: 2009 1st Quarter – 2011 4th Quarter*, March 2009, p. 81.

¹³ The decrease in unemployment rates for the current recession is based on the average rate of decrease in unemployment rates from the 1990s recession, using U.S. Census Bureau CPS data.

¹⁴ Unemployment rate projections are based on the UCLA Anderson Forecast. Regression analyses show a weak relationship between changes in employment and changes in the unemployment rate. Changes in total employment explain 67 percent and 35 percent of changes in unemployment rates in Los Angeles and California, respectively (Table A1, Statistical Appendix). This weak relationship is attributed to fluctuating labor force numbers caused by populations moving in and out of the labor market (according to the Census' official definition of who is in the labor force) and sampling issues in the Current Population Survey (CPS). Regression analyses of the relationship between unemployment rates and employment rates, however, show a perfect correlation (Table A1, Statistical Appendix).

¹⁵ The U.S. Census Bureau defines "not in labor force" as all people 16 years old and over who are not classified as members of the labor force. This category consists mainly of student, housewives, retired workers, seasonal workers and people doing only incidental unpaid family work. However, the "not in labor force" category also includes workers who are able and desire to work, but were not employed and did not actively look for work in the previous 4 weeks.

¹⁶ 1990 to 1993 under-employment rates for Los Angeles County and California are estimated by applying the average difference between unemployment and under-employment rates found in the years between 1994 and 2008. From 1967 through 1993, the CPS used a consistent set of definitions to collect data on persons outside the labor force who wanted a job. In 1994, the U.S. Census Bureau applied changes to the definition of discouraged workers. See Monica Castillo, "Persons Who Want a Job," *Monthly Labor Review*, July 1973, p.35.

¹⁷ Under-employment and unemployment rates for the last month of each quarter between December 2007 and December 2008 were used to find the average difference between the unemployment rate and under-employment rate. This was completed by using monthly CPS data from the U.S. Census Bureau. The average difference was applied to each of the three unemployment scenarios for Los Angeles County and California to develop the under-employment scenarios.

¹⁸ U.S. Census Bureau decennial census data, Table P080A, Median Household Income in 1989, and U.S. Census Bureau American Community Survey data, Table B19013, Median Household Income in 2007. Inflation factor for converting 1989 dollars to 2007 dollars derived from US Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, Series Id: CUURA421SA0, CUUSA421SA0, Not Seasonally Adjusted, Los Angeles-Riverside-Orange County, CA, All items.

¹⁹ Employment data for the Information sector is from the US Bureau of Labor Statistics CES data series whereas employment data for other industry sectors is from the California Employment Department (EDD). CES data was used to identify job losses among industries in this sector because EDD data does not provide a sufficiently long time series of employment within this industry group.

²⁰ Employment Development Department, Labor Market Information Division, "Industry Employment and Labor Force - by Annual Average," March 2008 benchmark for California and Los Angeles County, <http://www.labormarketinfo.edd.ca.gov/>

²¹ U.S. Census Bureau American Community Survey data, Table B19013, Median Household Income in 2007.

²² Employment Development Department, op. cit.

²³ Ibid.

²⁴ Employment data for the Information sector is from the US Bureau of Labor Statistics CES data series whereas employment data for other industry sectors is from the California Employment Department (EDD).

CES data was used to identify job losses among industries in this sector because EDD data did not break out employment below the sector level.

²⁵ Wage data from U.S. Bureau of Economic Analysis, Table 2.2B, Wage and Salary Disbursements by Industry, seasonally adjusted at annual rates, last revised February 27, 2009. Wage and salary labor force size data (used to compute average wages) from U.S. Bureau of Labor Statistics, Current Employment Statistics survey (National), Series Id: CEU0000000001, nonfarm employment.

²⁶ U.S. Bureau of Economic Analysis, CA04 Personal income and employment summary Los Angeles-Long Beach-Glendale, CA Metropolitan Division, 2006, <http://www.bea.gov/>. Total personal income for Los Angeles County was \$369,174,348,000, total earnings was \$308,747,336,000.

²⁷ The relationship between declining employment and declining total personal income during recessions in California is quite strong. The r-squared values for the correlation between change in total income and employment, which can be read as a percent and interpreted as the proportion of the variance in total income attributable to the variance in employment, are .97 to .98, meaning that 97 to 98 percent of variation in total California income can be explained by variation in employment. Notwithstanding the strong r-square values, there has been significant variation in the ratio of dollars of income lost per job lost in different California recessions. This appears to be largely attributable to variation in capital gains or losses due to the presence or absence of stock market downturns during the recession. Given the severe decline in the value of most investment instrument instruments during the first year of the current recession and the likely increase in stock values in following years, the average ratio of \$168,000 in lost personal income per job lost that is embedded in the projections includes wide variation.

²⁸ Under the mid-impact scenario, total personal income in California (in 2007 dollars) is projected to decline from \$1.52 trillion in 2007 to \$1.25 trillion in 2010, and during the following economic recovery to increase to \$1.5 trillion by 2014.

²⁹ California Governor's Budget 2009-2010, Revenue Estimates, p. 68. We have not estimated the impact of our projected decline in personal income on state income tax revenue because it is beyond the scope of this study to disaggregate income by type (e.g., wages vs. capital gains), or by tax payer income bracket (the top 15 percent of state taxpayers, those with adjusted gross incomes over \$100,000, paid 84 percent of the personal income tax in 2006, in large part because of the higher tax rates for those with higher incomes). However, we estimate that because of the disproportionate concentration of total personal income in California among higher-income households, the decline in personal income tax revenue will be roughly proportionate to decline in total personal income.

³⁰ U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2007, Table 55, Quintiles of income before taxes, <http://www.bls.gov/cex/csxashar.htm>.

³¹ Bankruptcy occurs when a person or business declares in court that they are unable to pay debts such as bank loans, bills, credit cards, or mortgages. The US Constitution and several acts of Congress allow debtors to file for bankruptcy protections. There are several different types or "chapters" of bankruptcy. Under chapter 7 bankruptcies, the debtor's property and assets are sold off and the sale proceeds are distributed to the creditors. In others (chapters 11, 12 and 13), debtors undergo a "reorganization" that allows them to keep some or all property and use future earnings to pay off creditors. The United States, in Article 1, Section 8, Clause 4, authorizes Congress to enact "uniform Laws on the subject of Bankruptcies throughout the United States." Congress has enacted several laws on bankruptcy over the years, developing and modifying the different chapters of bankruptcy. For example, the Bankruptcy Reform Act of 1978 codified Title 11 of the United States Code, commonly referred to as the Bankruptcy Code ("Code"). The Code has been amended several times since 1978, most recently in 2005 through the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 or BAPCPA.

³² This graph shows bankruptcy filings under Chapters 7,11,12 and 13. Data for Los Angeles County also includes Chapter 9 (municipality) and Chapter 304 (foreign-owned subsidiary) filings.

³³ Enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act in late 2005 made it more difficult for consumers and businesses to file for and receive bankruptcy protection. As a result, a large number of people filed in 2005 before the law went into effect, creating a spike and then a sudden drop in the number of bankruptcies filed. Between the mid-April 2005 signing date of the Bankruptcy Abuse Prevention and Consumer Protection Act and its mid-October effective date, a large number of bankruptcy filings (about 14 months' worth) were made in a couple of months to get "under the wire" before the bill went into effect. This spike in bankruptcy filings took place in September and October 2005. The dramatic drop in bankruptcy filings for 2006 is the result of that earlier rush, and is only now starting to even out. Source: Lori Boswell, US Trustee Program/Region 16 Los Angeles.

³⁴ City of Los Angeles Budget Summary 2008 to 2009, <http://www.lacity.org/cao/budgetsum/budgtsum.htm>; Los Angeles County 2008 to 2009 Final Adopted Budget and Revenue Summary http://file.lacounty.gov/lac/cms1_113710.pdf; and California Summary Budget Charts and Revenue estimates, 2008 to 2009, <http://www.ebudget.ca.gov/BudgetSummary/BSS/BSS.html>.

³⁵ Per capital sales taxes in Los Angeles County (in 2007 dollars) declined from \$14,969 in 1989 (the peak before the 1990 recession) to \$14,235 in 2006 (the peak before the 2007 recession). The comparable decline in California was from \$15,948 to \$15,481. However, because of population growth during this interval, total taxable sales in Los Angeles County (in 2007 dollars) increased \$131.6 billion in 1989 to \$140.7 billion in 2006. The comparable increase in California was from \$463.4 billion to \$577.4 billion. Source: California Board of Equalization annual reports of taxable sales by county and statewide.

³⁶ Under the mid-impact scenario, annual taxable sales in Los Angeles County (in 2007 dollars) are projected to decline from \$141 billion in 2006 to 115 billion in 2010, and during the following economic recovery to increase to \$135 billion in 2014. The projected mid-impact scenario in California is a decline from \$577 billion in 2006 to \$480 billion in 2010, with an increase to \$558 billion by 2014.

³⁷ The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. These indices use the repeat sales pricing technique to measure housing markets. This methodology collects data on single-family home re-sales, capturing re-sold sale prices to form sale pairs. Price data for California is derived from the average of indices for the Los Angeles, San Diego and San Francisco Metropolitan Statistical Areas, weighted by population. Rural areas of California are not represented in the data.

³⁸ US Census Bureau, 1990 Decennial Census, Table P001 Persons and Table H001 Housing Units, and 2007 American Community Survey, Table B01003 Total Population and Table B25001 Housing Units.

³⁹ U.S. Census Bureau, Table H69, Gross Rent as a Percentage of Household Income in 1999, Census 2000 Summary File 3, and Table B25070, Gross Rent as a Percentage of Household Income in the Past 12 Months, 2007 American Community Survey.

⁴⁰ US Census. 2005-2007 American Community Survey 3-Year Estimates. Housing Tenure (B25003) in Los Angeles County, California. Universe: Occupied Housing Units:

	Estimate	Margin of Error
Total	3,176,441	+/-4,813
Owner occupied	1,565,122	+/-7,855
Renter occupied	1,611,319	+/-8,990

Data are based on a sample and are subject to sampling variability.

⁴¹ A statewide source of unlawful detainer data was not found for this study, so data for California is not presented. Only a limited amount of case statistics on unlawful detainers are reported by the counties to the Judicial Council of California, and the U.S. Department of Justice does not report statistics on unlawful detainers separate from other civil cases. The best information on evictions comes from the Los Angeles Superior Court, where unlawful detainer cases are filed and heard. An unlawful detainer case decides whether the landlord can take back the property (housing unit) from the tenants that occupy it through a lease or month-to-month rental agreement, and can be filed when:

- The tenants do not move out after breaking a part of the lease agreement (such as paying specified rent on time) and failing to remedy the situation.
- The tenants use the property to do something illegal.
- The tenants do not leave when the lease (or month-to-month rental agreement) expires.

A successful unlawful detainer case evicts the tenant household, a process always carried out by the county sheriff's department.

⁴² The *rate* of unlawful detainer cases is calculated in this report by using the number of occupied rental housing units in Los Angeles County as the denominator, and then multiplying the resulting fraction by one thousand. Data for the number of occupied rental housing units comes from the 1980, 1990 & 2000 US Census of Population and Housing and 2002-2007 American Community Survey, using the housing "Tenure" variable. The amount of annual increase in occupied rental housing units in between these Census years are straight line estimates. The 1990-2000 straight line estimate was then adjusted using the annual number of multi-family construction permits issued in the county (as captured by the Construction Industry Research Board), lagged one year to account for the time between issuance of permits, completion of construction and occupancy of the housing unit. Supporting data for this figure, Unlawful Detainer (Eviction) Case Filings in Los Angeles Superior Court, 1986-2008 (number and rate), are as follows.

Year	Occupied Rental Units	Rental Housing Units Data Source	Unlawful Detainers	Ratio	Rate per Thousand
1980	1,374,160	1980 Census of Pop. & Housing	(no data available)		
1986	1,488,423	ERT straight line estimate	83,417	0.056044	56.044
1987	1,503,489	ERT straight line estimate	80,123	0.053291	53.291
1988	1,518,555	ERT straight line estimate	83,525	0.055003	55.003
1989	1,533,622	ERT straight line estimate	88,613	0.057780	57.780
1990	1,548,688	1990 Census of Pop. & Housing	89,238	0.057622	57.622
1991	1,557,227	ERT straight line estimate, adjusted	94,320	0.060569	60.569
1992	1,565,766	ERT straight line estimate, adjusted	95,981	0.061300	61.300
1993	1,574,306	ERT straight line estimate, adjusted	92,295	0.058626	58.626
1994	1,582,845	ERT straight line estimate, adjusted	101,148	0.063903	63.903
1995	1,591,384	ERT straight line estimate, adjusted	97,165	0.061057	61.057
1996	1,599,923	ERT straight line estimate, adjusted	98,996	0.061875	61.875
1997	1,608,462	ERT straight line estimate, adjusted	97,277	0.060478	60.478
1998	1,617,002	ERT straight line estimate, adjusted	88,992	0.055035	55.035
1999	1,625,541	ERT straight line estimate, adjusted	81,231	0.049972	49.972
2000	1,634,080	2000 Census of Pop. & Housing	82,344	0.050392	50.392
2001	1,628,482	ERT straight line estimate	81,573	0.050091	50.091
2002	1,622,885	ERT straight line estimate	71,360	0.043971	43.971
2003	1,617,287	2003 American Community Survey	65,072	0.040235	40.235
2004	1,611,947	2004 American Community Survey	59,185	0.036716	36.716
2005	1,621,543	2005 American Community Survey	55,322	0.034117	34.117
2006	1,607,392	2006 American Community Survey	52,428	0.032617	32.617
2007	1,623,435	2007 American Community Survey	56,205	0.034621	34.621
2008	1,623,435	ERT straight line estimate	69,787	0.042567	42.567

⁴³ Vacancy data for the City of Los Angeles is used here for comparison purposes, since accurate apartment vacancy *annual* data for all of Los Angeles County is not readily available. City of Los Angeles data comes from their Department of Water & Power's *Individually Metered Apartment Vacancy Survey data and Residential Meter Activity* data series, which is produced on a monthly basis for the Los Angeles Housing Department. However, it is believed that this LA-DWP data undercounts the amount of vacancies because the electricity remains 'on' in many units after tenants move out. In the case of individually-metered apartment units, owners take over payment of the electricity bill do this because units are easier to show to prospective new tenants when the electricity is on. In the case of master-metered apartment buildings, LA-DWP cannot determine the number of vacant units because the apartment owners have to pay the entire buildings' electricity bill continually (passing on the expense to tenants in their rent charge), regardless of how many units are occupied or vacant. It is unknown, however, how much LA-DWP vacancy data undercounts the true vacancy rate, which is why this data is presented alongside US Census estimates.

⁴⁴ Economic Roundtable. 2009. Economic Study of the Rent Stabilization Ordinance (RSO) and the Local Housing Market. Commissioned and Underwritten by the Los Angeles Housing Department, City of Los

Angeles (forthcoming). The US Census data cited in that report includes the following, drawn from the decennial census of population and housing (*), as well as the annual American Community Survey (**):

	1990*	2000*	2006**	2007**
Not Crowded (1.00 or fewer occupants per room)	71%	68%	81%	80%
Overcrowded (1.01 to 1.50 occupants per room)	8%	8%	11%	11%
Severely Overcrowded (1.51+ occupants per room)	21%	24%	8%	9%

⁴⁵ In 2008, 69,787 unlawful detainer cases were filed in the Los Angeles Superior Court, according to the court's Management Systems Analysis Unit. Of that total, 3,094 cases (4.4 percent) were for commercial properties and 15 cases were for drug-related offenses. The remaining 95.5 percent of unlawful detainer cases were evictions from residential properties, which also can include some based upon drug-related or other nuisance complaints. This breakdown of 2008 unlawful detainer cases is based on entries made from the Civil Case Coversheets filed by plaintiffs' attorneys, provided by D. Duran, Court Management Analyst for the Los Angeles Superior Court.

⁴⁶ U.S. Census Bureau, 2007 American Community Survey

⁴⁷ The estimated number of foreclosed rental units was calculated by multiplying the size of the building (number of units) by the number of foreclosures for that particular type of property. Condominiums were excluded from the calculation. For properties with 5 or more units, the number of foreclosures was multiplied by a factor of 5 to create a conservative estimate.

⁴⁸ U.S. Census Bureau, 2007 American Community Survey, Table B25119, Median Household Income the Past 12 Months by Tenure

⁴⁹ U.S. Census Bureau, 2007 American Community Survey, Table C17019, Poverty Status in the Past 12 Months of Families by Tenure

⁵⁰ Special Districts include: Park/recreation, cemetery, fire, sanitary, hospitals, insect control, conservation, public utilities/ transit, airport, separation of grade, flood control, community service, irrigation, and water districts. Los Angeles County Auditor Controller, http://auditor.co.la.ca.us/Tax_Division_Frequently_Asked_Questions.htm#P365_1197

⁵¹ U.S. Census Bureau, Housing and Household Economic Statistics Division, <http://www.census.gov/hhes/www/poverty/threshld.html>

⁵² The Economic Policy Institute has produced the basic family budgets shown in the table below: http://www.epi.org/content/budget_calculator/?family_type=2P2C&state=CA&area_name=Los+Angeles-Long+Beach%2C+CA+HUD+Metro+FMR+Area

Basic Family Budget			
Los Angeles-Long Beach, CA HUD Metro FMR Area			
Item	1 Parent and 2 Children	2 Parents and 2 Children	
Monthly Housing	\$1,300	\$1,300	
Monthly Food	\$465	\$643	
Monthly Child Care	\$1,025	\$1,025	
Monthly Transportation	\$277	\$401	
Monthly Health Care	\$252	\$312	
Monthly Other Necessities	\$424	\$467	
Monthly Taxes	\$351	\$359	
<i>Monthly Total</i>	<i>\$4,095</i>	<i>\$4,506</i>	
<i>Annual Total</i>	<i>\$49,135</i>	<i>\$54,078</i>	

⁵³ Poverty rates have been computed from U.S. Census Bureau Current Population Survey records from the annual March Supplement. These rates have been moved backward one year to align them with the reference year of the survey. For example, the survey in March 2008 asked about respondents income in 2007, so the poverty rate shown in the 2008 survey is presented as the rate for 2007.

⁵⁴ County of Los Angeles Department of Public Social Services, Bureau of Contract and Technical Services, Statistical Report January 2009, p.1.

⁵⁵ California Department of Social Services, <http://www.cdss.ca.gov/cdssweb/PG54.htm#families>

⁵⁶ County of Los Angeles Department of Public Social Services, Bureau of Contract and Technical Services, Statistical Reports January through December 2008.

⁵⁷ California Department of Social Services, Data Systems and Survey Design Bureau, Administration Division, DFA 256, Federal Food Stamp Program/Total, Public Assistance (PA), and Nonassistance (NA) Persons, July 2003 - January 2009.

⁵⁸ This conclusion is based on unpublished work done by the Economic Roundtable in 1997 using Bayesian probability modeling on behalf of the Los Angeles County Homeless Services Authority to estimate the geographic distribution of homeless residents in Los Angeles County. A discriminate function analysis was conducted in which the sample of homeless cases in 1990 U.S. Census Bureau PUMS records was combined with a random sample of PUMS records for nonhomeless county residents to determine the reliability of different factors in differentiating homeless individuals from the general population. By far the most important piece of information from PUMS data for identifying people at risk of homelessness was income as a percent of the poverty threshold, particularly incomes that were 50 percent or less of the poverty threshold. Poverty data provided about 80 percent of the predictive power of the model, which correctly differentiated homeless from nonhomeless records 84.53 percent of the time.

⁵⁹ The counts of homeless persons conducted by the Los Angeles County Homeless Services Authority in 2005 and 2007 produced enumerations that were 5.43 percent and 5.13 percent, respectively of the annual to the annual population estimates for Los Angeles County produced by the Demographic Research Unit of the California Department of Finance. We have used the average of these two rates, 5.28 percent, to estimate the point-in-time homeless populations in Los Angeles County and California. In the absence of statewide enumeration data, Los Angeles County's ratio of homelessness to poverty is the best data available for a statewide estimate, particularly given that Los Angeles County accounts for 30 percent of California's poverty population. There is, however, substantial uncertainty in this method; statewide rates of homelessness among people in poverty may differ from those in Los Angeles County.

⁶⁰ Average charges for hospital discharge data are adjusted to 2007 dollars using the Consumer Price Index, All Urban Consumers - (CPI-U), U.S. city average, All items. Adjustment factor calculated as 1-(CPI for data year / CPI for 2007). Source: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

⁶¹ State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007, <http://www.dof.ca.gov/research/>.

⁶² Other government programs that pay for hospitalizations include:

CHAMPUS: The Civilian Health and Medical Program of the Uniformed Services is a federally-funded health program that provides beneficiaries with medical care supplemental to that available in military and Public Health Service (PHS) facilities. All CHAMPUS beneficiaries move over to Medicare at age 65. CHAMPUS is like Medicare in that the government contracts with private parties to administer the program.

CHAMPVA: The Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) is a comprehensive health care program in which the VA shares the cost of covered health care services and supplies with eligible beneficiaries.

VA: The Department of Veteran's Affairs is required by law to provide eligible veterans hospital care and outpatient care services that are defined as "needed." VA defines "needed" as care or service that will

promote, preserve, and restore health. This includes treatment, procedures, supplies, or services. The VA also offers targeted health programs for veterans, including treatment for Blindness Rehabilitation, Agent Orange Exposure, and HIV/AIDS.

Title V: Each state has a Title V Program for Children with Special Health Care Needs (CSHCN) that is funded, in part, through the Federal Title V Maternal and Child Health Block Grant. These programs began in 1935, when Congress passed the Social Security Act in order to bring some financial and health security into the lives of America's most vulnerable citizens. The fifth article of that act (Title V) provided funds to states to develop and operate public health care programs for certain children with special health care needs as well as to establish other programs to promote the health of low income mothers and children.

⁶³ US Census. 2005-2007 American Community Survey 3-Year Estimates. Washington D.C.

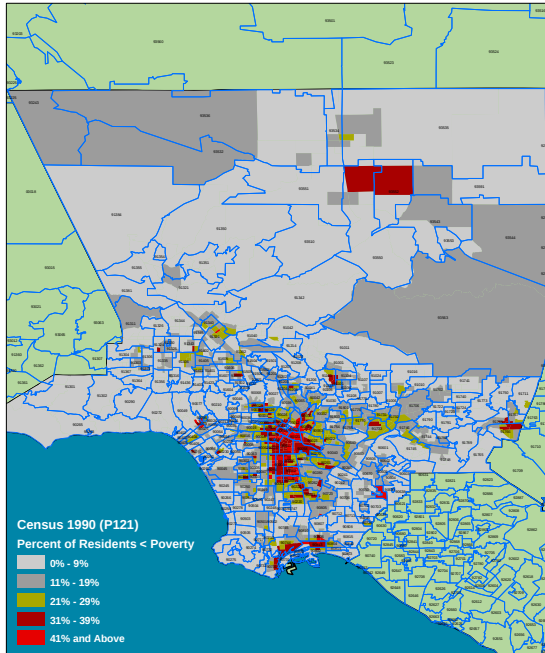
⁶⁴ The hospitalization rates for homeless residents of Los Angeles County are derived from: 1) OSHPD records with the Patient ZIP Code of ZZZZZ, which identifies patients identified as homeless by the hospital, 2) the estimates of annual average point-in-time homeless population presented in the Poverty, Welfare and Human Services section of this report, and 3) the point-in-time population converted into annual full-time-equivalent homeless residents. The data for converting the point-in-time population to full-time-equivalent population is from the Economic Roundtable report, *Homeless in LA, Final Research Report, 2004*, Table 8, p 74. Many individuals who experience homelessness during the course of a year are homeless for only part of the year, leaving the streets to be replaced by other newly homeless persons, thus the annual homeless population needs to be adjusted to full-time equivalents to be comparable to the overall annual average populations of Los Angeles County and California. The net effect of these adjustments is nearly a full loop – the full-time-equivalent homeless population is similar to the point-in-time population.

⁶⁵ High poverty neighborhoods in Los Angeles County are ZIP code areas (ZCTAs) that overlay areas so determined from the Economic Roundtable paper "Concentrated Poverty in Los Angeles." These ZIP code areas include neighborhoods that had concentrated poverty characteristics both in 1990 and 2000, as captured by the US Census. The following ZIP code areas are included: 90001, 90002, 90003, 90005, 90006, 90007, 90011, 90012, 90013, 90015, 90017, 90021, 90026, 90031, 90033, 90037, 90044, 90057, 90059, 90061, 90089 and 90222.

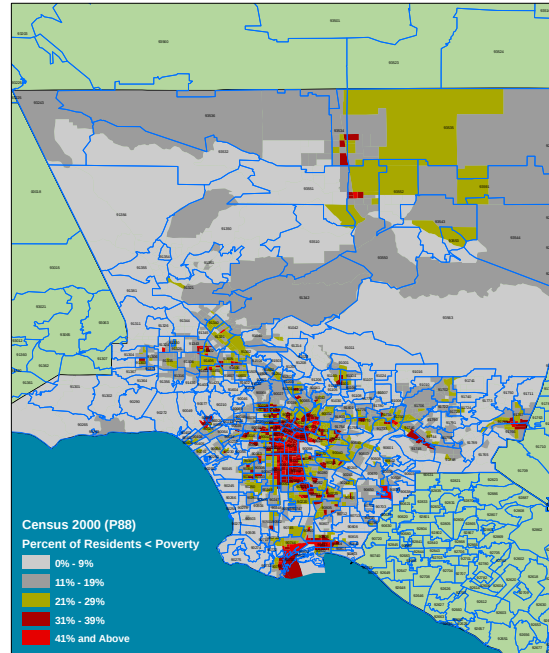
The map below shows where the high poverty neighborhoods are located throughout the county, with ZIP code area (ZCTA) boundaries overlaid:

1990 Census

Percent of Residents per Tract Below Living Poverty

**2000 Census**

Percent of Residents per Tract Below Living Poverty



⁶⁶ Annie E. Casey Foundation. (1998). *When Teens Have Sex: Issues and Trends*. Baltimore, MD: Annie E. Casey Foundation.

⁶⁷ California Office of Statewide Health Planning and Development (OSHPD), Healthcare Information Division. 2007. *Inpatient Hospital Discharges: Frequencies by County*, table "Statewide Major Diagnosis Category by Type of Care, 2007," page 56.

⁶⁸ Hospital diagnoses that were flags for complicated births are as follows:

⁶⁹ This period includes the 'Puerperium,' the time immediately after the delivery of the baby. Complications that can arise in this period include 'Puerperal fever' caused by an infection of the placental site within the uterus. Source: MedicineNet.com (<http://www.medterms.com/script/main/art.asp?articlekey=7922>)

⁷⁰ Our scenario assumes that as poverty increases, both mothers with medical complications in childbirth and newborns with medical complications also increase. Further, the assumptions include that:

1. Higher rate of childbirth complications in high poverty neighborhoods is due to the higher rate of poverty in those neighborhoods
2. As the rate of poverty in California increases, there is likely to be an increase in the rate of childbirths with complications

3. The ratio of births with complications in high poverty neighborhoods to complications countywide can serve as a benchmark for estimating how the increase in poverty throughout California will be linked in an increase in births with complications.

This scenario on projected increase in complicated births and newborns assumes that health care regulatory and technological changes will not create impacts equal to or greater than impacts caused by growing poverty during the recession.

⁷¹ MDC 15 covers newborns and other neonates during the perinatal period, which extends from gestation up through seven days after birth. Complications during this period can include severe jaundice and immature lungs

⁷² For a more extensive discussion of public economic development strategies, including criteria for weighing both risks and benefits of applying strategies to specific industries, see: Briefing Paper: Planning Economic Growth, Economic Roundtable, 2007, <http://www.economicrt.org/>

⁷³ Economic Roundtable, *Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market*, 2009, p.71.

⁷⁴ 2009-2010 California budget, May 2009 revision CDSS, Table Number 3, Page 19; includes \$600 million in federal stimulus funds for TANF.

⁷⁵ Economic impacts generated using IMPLAN input-output modeling software and data for 2007. Forty-seven percent of the CalWORKs budget was modeled in IMPLAN sector 12001 – State and Local Government-nonEducation, and 53 percent in IMPLAN sector 10001-Households with Incomes Less than \$10K.

⁷⁶ Economic Roundtable, *Homeless in LA: Final Research Report*, 2004, pp. 37-38, www.economicrt.org.

⁷⁷ Economic impacts generated using IMPLAN input-output modeling software and data for 2007. Five percent of the Healthy Families budget was modeled in IMPLAN sector 12001 – State and Local Government-nonEducation, 63 percent in IMPLAN sector 394-Offices of physicians, dentists, and other health practitioners, and 31 percent to IMPLAN sector 397-Hospitals.

⁷⁸ California has felt much of the impact of subprime mortgage foreclosures but it has yet to feel the full impact of home foreclosures driven by adjustable rate mortgages. Far more adjustable rate mortgages were written than subprime mortgages, and 58 percent of all U.S. adjustable rate mortgages are in California. Other likely problems in the real estate market include home equity lines of credit that were written together with jumbo home mortgages as well as foreclosures on commercial properties. For a discussion of this issue see Daily Kos: State of the Nation, "Subprime meltdown over; now comes the bad part," June 1, 2009, <http://www.dailykos.com/story/2009/6/1/737325/-Subprime-meltdown-over;-now-comes-the-bad-part>.

⁷⁹ Michael Hiltzik, "A California tax on oil drilling? Why not?" Los Angeles Times, June 15, 2009.