



LIFE IN THE VALLEY ECONOMY

SILICON VALLEY PROGRESS REPORT

Louise Auerhahn • Bob Brownstein • Brian Darrow • Phaedra Ellis-Lamkins

WORKING PARTNERSHIPS USA

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Dear Friend,

Silicon Valley has always led the way in creative innovation and is proud of the high standard it has set for our community. After spending far too long living the aftermath of the Dot Com crash, a light is finally emerging at the end of the tunnel. Even as optimism begins to return to Silicon Valley, we need to think critically about the long term.

Are we creating quality jobs that will enable workers to raise healthy families and put down roots in our communities? Are we preparing the next generation to survive and thrive in the global economy? How can we promote growth that strengthens the fundamentals of our economy and our community?

Life in the Valley Economy shines a spotlight on Silicon Valley's fundamentals, bringing to light deficiencies that should concern us all. Its findings delineate an ongoing shift to an "insecurity economy" that threatens future growth and prosperity.

At the same time, the study points the way forward. In areas ranging from children's health to access to social services, the Silicon Valley community has come together and developed collaborative, innovative solutions addressing the specific problems faced by our unique population.

As we work collectively to make changes on a national level, it is important that we do not overlook the importance of seeking and developing local, community-based solutions. More than ever before, states and regions are our nation's "laboratories of democracy" — we look to the grassroots to develop and refine the ideas that will rise to become national policy.

Life in the Valley Economy challenges us to generate a model for the nation and the world of how to create shared prosperity in our global economy. We must ensure our future is one in which every Silicon Valley resident can prosper.

Sincerely,

U.S. Representative Mike Honda

CONTENTS

Foreword	8
Executive Summary	9
Introduction	13
Profile of Santa Clara County	15
 Chapter 1: Making a Living	17
Household Budgets	18
Employment and Wages	24
Achieving Self-Sufficiency	30
 Chapter 2: Seeking Security	35
Savings and Debt	36
Job Security	44
The Safety Net	53
 Chapter 3: Staying Healthy	63
Children's Health	64
Adult Health	69
Health Care Access	73
 Chapter 4: Building a Community	81
Housing and Neighborhoods	82
Transportation	94
Public Safety	101
 Chapter 5: Pursuing the Dream	107
Education	108
Income Inequality and Mobility	122
 Acknowledgements	134
Notes	136
Summary of Trends	149

FOREWORD

Life in the Valley Economy marks an innovative stage in Working Partnerships USA's decade-long project to reframe the debate over the direction of the Silicon Valley economy. Beyond simply reporting how working and middle-class families are impacted by economic trends, Working Partnerships' new analysis aims to provide community members with the knowledge and capacity to shape those trends. Our efforts are founded in the conviction that, given the means and the voice, residents and communities of Santa Clara County have the ability to figure out creative, effective solutions to the region's problems.

Working Partnerships initiated this project with the 1998 release of *Growing Together or Drifting Apart? A Status Report on Social and Economic Well-Being in Silicon Valley*. Launched during the height of the high-tech boom, this report was among the first to call attention to the growing economic divide produced by the New Economy and its attendant social dilemmas.

On the basis of the challenges identified in *Growing Together*, we convened a cross-section of the Valley's communities to commence the Community Blueprint process. In a series of roundtable discussions involving more than 400 local leaders, the Community Blueprint generated a roadmap for regional equity identifying the issues and policy initiatives at the top of a Working Families Agenda: insufficient housing, congested roads and lack of usable public transit, difficulty in finding affordable and quality education, declining access to health care services, and reduced economic prosperity and security for the majority of working residents.

Nine years later, our view of Silicon Valley looks very different. We may have emerged from the depths of the dot-com crash, but we are no longer on top of the world, and it is widely acknowledged that we have much to do in order to maintain our stature in the global economy.

At the same time, Santa Clara County communities have made progress on some of the problems that bedeviled us in the 1990s. We've built 14,500 affordable housing units, improved some of our most congested highways, expanded the Light Rail network, and created a model universal children's health insurance program.

Yet the central contradictions remain. We spend big bucks – of taxpayers' money – to subsidize economic development without stopping to ask whether that development will really create good jobs or fulfill a local need. We promote the expansion of economic policies that reward job churning and “creative destruction” as corporate strategies, while simultaneously defunding and dismantling the safety net that is supposed to cushion families against the ups and down of economic insecurity. We talk of creating an “ownership society” while redistributing more wealth to the already wealthy, leaving the majority “owning” little more than an ever-increasing debt.

This report is a reality check – analyzing the real and urgent problems facing Santa Clara County. But it is not intended to sow pessimism or negativity. Rather, it calls for our communities to aim high.

It is incumbent upon us not to let a few bad years lead to a permanent lowering of our expectations. Santa Clara County has the resources, the people, and the creative spirit to tackle these underlying problems, if all of us – neighborhoods, government, business, labor, educators, health care providers, residents of all ages, faiths, and ethnicities – are allowed and encouraged to play a role in the process. The problems are collective and systemic; so too must be the solutions.

I hope that *Life in the Valley Economy* will become a new tool in the arsenal of community organizations, neighborhood activists, union members, people of faith, economic justice advocates, and all those struggling to bring broadly shared prosperity to Silicon Valley.

Phaedra Ellis-Lamkins
Executive Director
Working Partnerships USA

EXECUTIVE SUMMARY

Economically, working and middle-class families in Santa Clara County remain worse off today than in 2000. Incomes have fallen while the cost of living continues to soar; residents face ballooning prices not just for housing, but also for utilities, gas, health care, education, and child care. Employment levels have finally ceased a headlong rush downward and even begun to grow a bit, but we have not come close to recovering the jobs that we so recently lost. The region's largest job-producing industries remain depressed. Officially, unemployment is low, but far too many of us have been forced to accept substandard, insecure jobs, and some have given up the job search altogether. With wages stagnating, the housing market faltering, and higher payments on thousands of adjustable-rate mortgages beginning to come due, Silicon Valley's residents face an increasingly uncertain future.

Meanwhile, although diversity and inclusiveness are among the Valley's chief assets, we are failing at providing equal access to education, quality jobs, and homeownership for residents of all races. In our majority-minority community, combating racial disparities is not optional; unless everyone, regardless of background, has the opportunity to succeed, we are putting the next generation in jeopardy.

Still, Santa Clara County remains a great place to live. We score high on public safety and are committed to building family-friendly communities, placing a high priority on public policies and practices that support kids. We have come together to try to address key livability issues including housing affordability and transportation. And we show compassion for our neighbors who are most in need.

In short, the Valley in its current state reveals fundamental weaknesses that, if unaddressed, will continue to block broadly shared growth and prosperity. But there is reason for optimism. Santa Clara County communities have demonstrated their ability to solve social problems through collaboration and innovation. If we put our minds to it, we will be able to collectively – and successfully – tackle these new challenges.

The following sections summarize the past six years' trends in five broad indicator areas: Making a Living, Seeking Security, Staying Healthy, Building a Community, and Pursuing the Dream.

MAKING A LIVING

One of the most basic measurements of a family's well-being is the ability to make ends meet. Since 2000, a combination of falling or stagnant incomes and rising household expenses has meant that more Santa Clara County households find their budgets stretched thin.

Behind families' falling incomes are three interconnected trends: rising unemployment, high levels of job insecurity, and stagnant wages. Hundreds of thousands of Silicon Valley workers have lost their jobs since 2001 as the region's working families experienced a recession that went deeper and lasted longer than just about anywhere else in the country. In 2005-06, the hemorrhaging of jobs finally began to slow as total employment ticked upward. But in both of the region's two largest industries, manufacturing and business/professional services, the number of jobs is still more than 30% below 2000 levels.

Executive Summary

Despite the economic slowdown, Santa Clara County still holds the dubious honor of having one of the highest costs of living in the nation. Sky-high prices for housing, health care, energy, child care, and other basic needs mean that even people working full-time at salaries well above the minimum wage often struggle to provide for themselves and their families.

- **Income:** Median real household income fell from \$83,370 in 2000 to \$74,293 in 2005: a drop of \$9,011. Incomes fell most dramatically for Asian-American and Latino-headed households.
- **Cost of Living:** Between 2000 and 2005, a California family's average cost for job-based health insurance doubled; the price of electricity grew 15%; and the average cost for child care in Santa Clara County went up 40%.
- **Jobs:** There were 156,700 fewer jobs available in Jan. 2007 than in Jan. 2001: a 15.4% drop.
- **Wages:** Workers' median real earnings have stagnated since 2002; seven of the region's 20 largest occupations now pay less than a living wage.
- **Poverty:** 31,000 more people lived in poverty in 2005 than did in 2000, as the official poverty rate grew from 6.5% to 8.3%.

SEEKING SECURITY

Over the past three decades, a transformation of the nature of work in the United States, coupled with changes in public policy, has resulted in a dramatic shift of risk: away from corporations and other large-scale institutions, and onto individual families. Today, the middle class walks a tightrope of insecure jobs, unreliable incomes, inaccessible health insurance, and increasing debt.

"The great risk shift" has accelerated in the past five years, with its impact perhaps nowhere more evident than in Silicon Valley. The Valley's workers have been hit first and hardest by trends such as outsourcing, contracting out, contingent and temporary employment, vanishing career ladders, and the movement from stable wages and pensions to forms of compensation dependent on the stock market. As a result, an increasing proportion of jobs offer low pay, few if any benefits, and no job security.

The social safety net, intended to provide support for households negatively impacted by economic conditions, is in a state of advanced decay, with a health insurance system on the verge of collapse and an unemployment insurance program designed for the job market of fifty years ago. Cash-strapped families are therefore turning to the only safety net that remains: credit. Yet a reliance on credit rather than a family-supporting income is pushing households into ever-greater, often unsustainable debt. The shift away from stable employment plus a fraying safety net adds up to heightened insecurity for the middle class.

- **Debt:** Median real debt for households in the Western U.S. shot up from \$41,529 in 2001 to \$77,574 in 2004.
- **Foreclosures:** After falling for two years, foreclosure activity jumped in 2006, with 2,601 Santa Clara County homeowners receiving notices of default. Latinos in San Jose face the third highest rate in the nation of disproportionate subprime loans, which are more likely to result in foreclosure.
- **Layoffs:** In 2001-03, one of every six adults in the county lost a job due to layoffs, spending an average of 17 weeks out of work.
- **Unemployment Insurance:** Only 40% of unemployed workers in California actually receive unemployment benefits. At \$40 to \$450 per week, even the maximum unemployment benefit is less than the median housing cost for a homeowner in Santa Clara County.
- **Public Assistance:** Since 2001, the number of Santa Clara County households receiving CalWORKs aid has grown by 38%.

STAYING HEALTHY

The health care system in the United States has long relied on employer-sponsored private insurance coverage. It is becoming increasingly evident that this system is broken. As premium rates skyrocket, access to job-based health coverage is plummeting while uninsurance and underinsurance rates soar.

When it comes to children's health coverage, Santa Clara County has risen to meet the challenge. Through a community-wide commitment to making sure every child is covered, the county has managed not only to compensate for vanishing job-based coverage, but to expand the percentage of children with health insurance, approaching closer to the goal of 100% coverage.

For adults, however, there is no existing program that can compensate for the ongoing collapse of employer-sponsored health coverage. If the current trend of soaring premiums continues, projections indicate that by 2010, the uninsurance rate in California for working-class adults (below 300% of the Federal Poverty Level) will rise to 42%.

In addition, access to health services in Santa Clara County is increasingly threatened. The closure of San Jose Medical Center and the termination of Medi-Cal contracts at Regional Medical Center and other hospitals have limited health access options for local residents and put an added strain on the remaining health care providers. To make matters worse, the county faces a total \$238 million budget deficit next year that is likely to result in deep cuts to a health and hospital system already stretched thin.

- **Children's Health Coverage:** 97.4% of Santa Clara County's children were covered by health insurance in 2005, up from 95.6% in 2001.
- **Adult Health Coverage:** Job-based health insurance declined for adults, with the countywide coverage rate falling from 74.7% in 2001 to 70.6% in 2005.
- **Health Care Costs:** The average cost to workers in California for job-based family health coverage has doubled: from \$1,477 in 2000 to \$2,883 in 2006.
- **Access to Care:** In 2005, an estimated 153,000 children and adults in Santa Clara County did not have access to a usual source of health care.
- **Safety Net Funding Crisis:** The Santa Clara Valley Health and Hospital System faces proposed cuts of \$109.9 million in fiscal year 2007-08, an 8.65% reduction in its total budget.

BUILDING A COMMUNITY

Santa Clara County ranks high among the best places to live in the country – if you can afford it. The Valley's family-friendly environment, low crime rate, accessible parks and public facilities, and the diversity, open-mindedness, and community spirit of its residents make the South Bay an attractive community. San Jose is consistently listed as one of the nation's top ten "most livable cities". Based upon its low rates of theft and violent crime, San Jose has also been recognized as the "safest big city in America" for six years running.

But the region holds another, less desirable distinction: it is one of the most expensive areas in the nation in which to buy a home. The lack of housing affordability in Santa Clara County is reaching crisis levels, as workers in fields from firefighting to software engineers

Executive Summary

commute hours each way from lower-cost counties, or simply decide to locate elsewhere, depriving the Valley of their talents. Transportation is also an ongoing challenge to Silicon Valley's livability. Traffic congestion has eased since 2000, reducing the time (and gas) that residents must spend stuck in traffic. Yet at the same time, declining sales tax revenues have forced cuts in public transit, reducing transit accessibility and ridership, and both gas prices and transit fares have increased substantially.

- **Housing Costs:** From 2000 to 2005, the proportion of households spending more than half their income on housing grew for both renters (from 18.3% to 22.8%) and homeowners (9.6% to 18.4%).
- **Housing Market:** Home sales in Santa Clara County have dropped 26% since 2004, presaging the burst of the housing bubble. However, home prices have yet to end their upward climb; the median sale price for single-family homes grew from \$521,240 in 2000 to \$775,000 in 2006.
- **Community Centers:** Staffing levels at San Jose community centers have been cut in half, falling from 149 full-time employees in 2000 to 75 employees in 2006.
- **Transportation:** Traffic levels improved, with congestion on Santa Clara County freeways falling 54% from 2000 to 2005. However, public transit ridership decreased by 26% from 2000-2006.
- **Crime:** The already-low rate of violent crime in Santa Clara County fell 28% between 2000 and 2005.

PURSuing THE DREAM

Education is one of the most important predictors of economic success for workers and their families. Santa Clara County is home to world-class universities, an unparalleled network of community colleges, and a collection of innovative and forward-thinking K-12 school districts. However, the state and county educational systems, from pre-K through college, lack adequate resources to make higher education accessible, and those resources that do exist are often not targeted to support the students who most need them. The rising cost of college, in particular, is one of the leading causes of educational disparities.

The essence of the American Dream is that everyone has the opportunity to reach the middle class, no matter his or her background. Yet the American reality increasingly belies the dream. Silicon Valley, with its integral ties to the global economy and accompanying labor market trends, can be seen as a bellwether for the nation in this respect; the Valley is experiencing an ongoing decline in the numbers of the secure middle class, with more and more households falling down into the lowest income bracket.

- **Educational Attainment:** The overall educational level of Santa Clara County adults (age 25+) increased between 2000 and 2005; 44.6% held at least a bachelor's degree, up from 40.0% in 2000. However, enormous ethnic disparities remain: 66.9% of Latino adults have never attended college.
- **College-Going Youth:** Only 49% of the county's high school Class of 2005 enrolled in college, making it the first class in the past twenty years to send less than half its graduates on to higher education.
- **Income Inequality:** In the past five years, the proportion of households making \$50,000 to \$99,999 – the secure middle class – fell by 4.4%. The share with income less than \$10,000 grew by 53.3%.
- **Income Mobility:** Intergenerational mobility (children's ability to move into a different economic class than their parents) has declined over the past twenty years. For the cohort of Americans born in the 1950s and 1960s, those with low-income parents had just a 5.9% chance of reaching the top quintile, compared to a 41.9% chance for those with high-income parents.

INTRODUCTION

Workers, families, and businesses in Santa Clara County suffered an economic earthquake in 2001 from which the region has yet to recover. More than five years later, it is evident that the shockwaves of the dot-com bust exposed fundamental weaknesses in our economy's foundation.

Life in the Valley Economy evaluates the recent performance of Silicon Valley's economy from the perspective of the Valley's majority: middle-class, working, and low-income families and households. It attempts to paint a comprehensive picture of families' financial circumstances today and how those circumstances have been altered by the economic transformations taking place in this first decade of the twenty-first century.

Overall, the picture that emerges is not pretty. True, 2006 showed some hopeful signs of expansion, and employment has continued to creep upward through the beginning of 2007. But the jobs deficit is still huge; the Valley needs 156,700 additional jobs just to regain 2001 employment levels, without accounting for its growing population. The list of challenges is long: incomes remain stalled, the cost of living continues to soar to unprecedented heights, housing remains unaffordable, the health care crisis daily grows more acute, an ever-increasing share of jobs are inherently insecure, and wide racial disparities in income, assets, health, and education threaten our long-term future.

With all this, Santa Clara County remains a great place to live. Our communities' strengths include a world-renowned talent for innovation, a tremendously diverse and open-minded culture, an optimistic attitude coupled with a strong work ethic, and a spirit of and knack for broad-based collaboration.

Solving problems is part of our culture—and not just problems in engineering or biotech. Silicon Valley has long been a center of innovation and collaboration to address socioeconomic challenges. Policy initiatives first developed here are often copied by other regions, and some have gone on to become statewide models, among them the Children's Health Initiative, the Santa Clara County Citizenship Collaborative, and San Jose Unified School District's "A-G for all" college readiness curriculum.

This report highlights working families' urgent needs today and outlines the long-term issues that underlie them, with the hope that this information will help spur Silicon Valley to apply its creativity and collaborative spirit to these challenges. As we are finally beginning to rebuild the heights demolished by the 2001 collapse, we need to underlay them with a solid foundation, so that working families do not once again end up buried in the debris of the next crash.

Structure of Report

Life in the Valley Economy examines the state of Silicon Valley's economy through the lens of middle-class and working-class households trying to make ends meet and secure their family's future. Its primary focus is on how factors affecting family finances have changed since the beginning of the decade, before the 2001 recession.

Silicon Valley, famed for big ideas, is itself an idea—not a region limited by clearly defined geographical boundaries. For data analysis purposes, however, it is necessary to choose a set of boundaries. In order to better evaluate the impacts of public policies on family finances and the larger economy, we define our geographical region of analysis as a single county, Santa Clara. (Where data is not available for Santa Clara County alone, the region of analysis is noted.)

Introduction

The report is divided into five chapters:

Making a Living appraises the household ledger to ask: is the average family better off or worse off than they were at the decade's start? Delving into the multiple factors affecting household budgets, this chapter examines income, employment, wages, the cost of living, and poverty.

Seeking Security assesses the local impacts engendered by the "great risk shift": the increasing burden of economic risk and insecurity being borne by American families. It provides data on several of the interconnected elements that contribute to the security or precariousness of the average household, including household savings and debt, homeownership and mortgages, unemployment and job security, and the adequacy of the social safety net.

Staying Healthy provides an overview of the condition of the region's health care system with an emphasis on affordability of and access to quality health care – recognizing that individuals who lack access to care, or cannot afford it, suffer long-term consequences to their financial as well as their physical well-being. This chapter includes analyses of health coverage for children and for adults, as well as access to health care providers and the state of the county's health care infrastructure.

Building a Community scans several of the elements that contribute to creating livable communities, promoting civic engagement, and maintaining quality of life. High on the list is a neighborhood's physical infrastructure, including housing, transportation, and neighborhood amenities such as libraries, parks and community centers. Also examined are crime, neighborhood involvement, and family stresses.

Pursuing the Dream considers the long term changes in how opportunity and rewards are distributed in our society. Taking as its foundation the "American Dream" of a society where every child has the opportunity to reach the middle class, this chapter scrutinizes whether our educational system is effectively providing pathways to opportunity for students of all backgrounds. The final section takes on income inequality, looking at recent trends in the distribution of income in Silicon Valley as well as longer-term measurements of economic mobility across generations.

In the big picture, LIVE seeks to contribute to the debate over the future of the New Economy by helping to open up discussion on how to create an economy that works for everyone. We cannot commit all our resources to chasing after venture capital while half our high school graduates are not attending college; on the other hand, we will not solve systemic economic issues by attacking a few highly paid CEOs. Growth and equity are not contradictory goals; far from it, the U.S. economy in the past century has demonstrated that sustained growth is strongest when the fruits of growth are distributed among all income levels.

However, only by making this a conscious goal in policy decisions will we move towards justice and equal opportunity. Just as the GI Bill opened up access to college for a generation, the growth of unions raised wages and benefits to build a strong middle class, and the mortgage interest deduction made it possible for millions of Americans to own their homes, so too in the new economy, we must develop public policies that seek to restore the American Dream by building an economy capable of generating broadly shared prosperity.

PROFILE OF SANTA CLARA COUNTY, CALIFORNIA

Total population: 1,791,869

PEOPLE

Male:	849,384	White:	657,355	U.S.-born:	1,063,590
Female:	820,506	Mexican:	355,935	Naturalized US citizens:	297,610
		Other Latino:	60,725	Non-U.S. citizens:	308,690
		Chinese/Taiwanese:	144,259		
Age 0-17:	426,575	Vietnamese:	106,893	Speak English only:	777,720
Age 18-64:	1,243,315	Asian Indian:	95,693	Speak English & another language:	425,881
Age 65 & over:	169,440	Filipino:	78,357	Speak English less than "very well":	334,371
Median age:	36	Other Asian/ Pacific Islander:	84,524		
		African-American:	39,985		
		Native American:	5,404		
With a disability:	143,946	Multiracial/Other:	41,671		

HOME AND FAMILY

Married couples:	314,999
Single mothers:	31,131
Single fathers:	14,053
Other families:	45,875
Nonfamily households:	174,072
Families with children:	207,665
Grandparents raising grandchildren:	9,349
Women with a birth in the past year (age 15-50):	26,717
Renter households:	230,742
Homeowner households:	349,388
Average household size:	2.88
Moved to Santa Clara within past year (from U.S.):	55,609
Moved to Santa Clara within past year (from abroad):	19,444

EDUCATION, WORK, AND INCOME

High school or less (age 25+):	324,846
Some college (age 25+):	274,245
Bachelor's degree (age 25+):	287,196
Advanced degree (age 25+):	208,632
Employed (age 15+):	801,650
Unemployed (age 15+):	57,538
Not in labor force (age 15+):	427,630
Median hourly wage:	\$22.06
25th percentile hourly wage:	\$13.01
75th percentile hourly wage:	\$37.93
Median annual earnings for workers:	\$45,386
Median household income:	\$76,810
People in poverty:	8.3%

Sources: California Dept. of Finance, July 2006, 2005 American Community Survey, U.S. Census Bureau; Occupational Employment Statistics, California Employment Development Dept., 2006 Q1.

1.

MAKING A LIVING

INDICATOR 1: HOUSEHOLD BUDGETS

INDICATOR 2: EMPLOYMENT AND WAGES

INDICATOR 3: ACHIEVING SELF-SUFFICIENCY

INDICATOR 1: HOUSEHOLD BUDGETS

KEY STATISTICS

- Adjusted for inflation, median household income in Santa Clara County fell from \$83,370 in 2000 to \$74,293 in 2005: a drop of \$9,011.
- Median income fell most dramatically for Asian-American-headed households (17.4% decline) and Latino-headed households (16.3% decline).
- Median gross rent declined slightly between 2000 and 2005, from \$1,344 to \$1,209. However, households spending more than thirty percent of their income on housing grew for both renters (from 40% to 47%) and homeowners (from 34% to 48%).
- Between 2000 and 2005, a California family's average cost for job-based health insurance doubled; the price of electricity grew 15%; and the average cost for child care in the county went up 40%.

WHY IT MATTERS

This indicator focuses on one of the most basic measurements of a family's well-being: the ability to make ends meet. Do family members collectively bring in enough income in a year to cover the cost of living? If the answer is yes, then the household budget is balanced, and excess income can be saved or invested. But if income is not enough to cover expenses, the household will have to reduce its standard of living, dip into its savings, or go into debt to pay the difference.

Since 2000, a combination of falling or stagnant incomes and rising household expenses has meant that more Santa Clara County households find their budgets stretched thin.

KEY PUBLIC POLICIES

- Unlike 20 other states, California has no state Earned Income Tax Credit to support working families¹. The state does have a model Child and Dependent Care tax credit.
- In 2002, less than one-third of families in the county with young children who needed financial assistance for child care actually received it. There is an urgent need for public policy to expand access to child care and early childhood education; vital elements include expanded financial assistance for parents needing childcare, creating incentives for the development of child care centers as part of land use planning, and ensuring that the care offered is high quality and prepares children for school.²
- Education is a vital investment, yet the rapidly rising cost of college means that families have difficulty budgeting for tuition. Since 2000-01, the cost of tuition for a state resident at the University of California has doubled. A proposal currently in the state Legislature (AB 152, Beall) would allow parents to pre-pay their children's tuition at current prices. Mirroring programs in place in 18 other states, it essentially creates a type of college savings account that does not depend on market and inflationary fluctuations.³

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Reform needed



HOUSEHOLD INCOME

Median household sees drop in income

“Real household income” is income adjusted for the overall rate of inflation experienced by American consumers each year (known as the Consumer Price Index). While the overall inflation rate does not necessarily reflect the experiences of each particular family, the trend in real household income is a useful measure of whether or not incomes have kept up with the average cost of living.

For Santa Clara County households, real median income has been on the decline since 2001. The median household earned \$9,011 less in 2005 than in 2000 after adjusting for inflation: an 11% decline in real income.

For a family of five, \$9,011 means the difference between renting a four-bedroom home or crowding into a two-bedroom apartment.⁴

Asian and Latino households lose the most

All of the county’s major ethnic groups suffered from the decline in real incomes. But, on average, Asians and Latinos absorbed much greater blows to their budgets than did whites. Median real household income dropped by 4.4% for white-headed households, whereas households headed by Asians or Latinos saw alarming declines of 17.4% and 16.3% respectively.

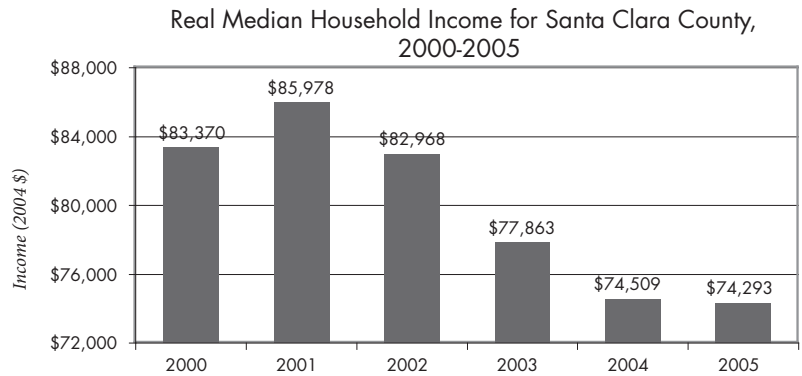


Figure 1.1, Source: American Community Survey

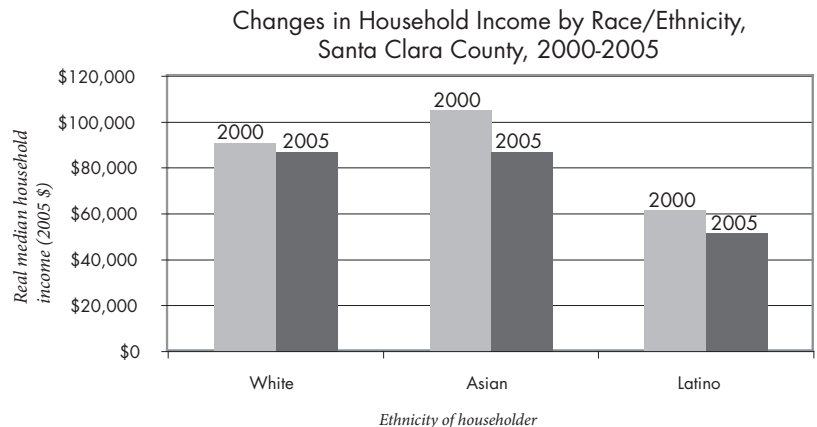


Figure 1.2, Source: American Community Survey

Making a Living: Indicator 1: Household Budgets

Secure middle class shrinks; number of lower-income households grows rapidly

By dividing the household income distribution into \$50,000 increments, we gain a better understanding of how households are distributed by income level, and of the change in the mix of households over time.

In 2000, households making between \$50,000 and \$99,999 comprised the largest single income bracket in Santa Clara County. These 185,101 households made up the “secure middle class.” Though far from wealthy in Silicon Valley’s high-cost environment, secure middle class households are, for the most part, able to pay for housing and other needs without severe hardship and put aside some savings for college or retirement.

By 2005, the largest group of households was no longer the secure middle class. The number of households earning between \$50,000 and \$99,999 fell from 185,101 to 175,117. Households with incomes between \$100,000 to \$149,999 and \$150,000 to \$199,999 also dropped; only in the very highest bracket, \$200,000 or more, was there any growth. (All income thresholds are adjusted for inflation.)

At the same time, the number of households falling into the lowest income bracket grew enormously, from 148,304 to 204,872 – making “less than \$50,000” by far the largest group. With the median mortgage payment at \$30,600 annually,⁵ families earning less than \$50,000 can rarely afford to own a home, often live paycheck to paycheck, and may have trouble making ends meet.

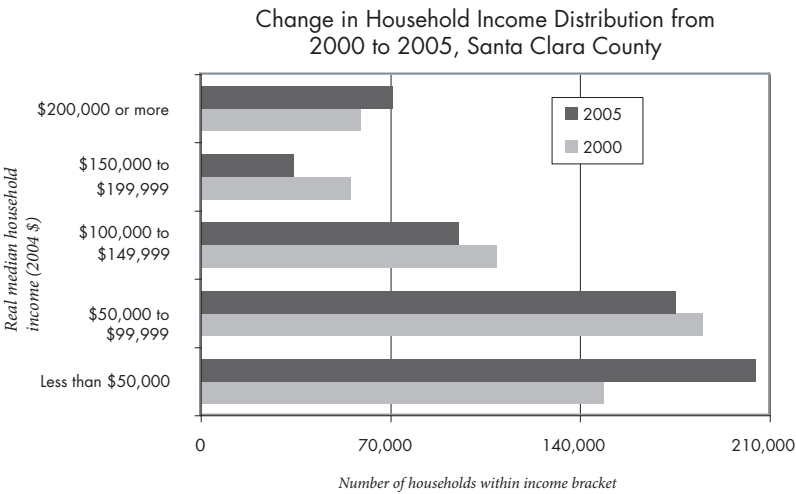


Figure 1.3, Source: American Community Survey

Change in Household Income Distribution from 2000 to 2005, Santa Clara County (2004 real dollars)

Real Income	Number of Households					
	2000	2001	2002	2003	2004	2005
Less than \$50,000	148,304	152,308	170,842	177,412	194,246	204,872
\$50,000 to \$99,999	185,101	178,257	173,097	173,482	167,707	175,117
\$100,000 to \$149,999	109,276	113,385	115,586	106,672	110,111	94,986
\$150,000 to \$199,999	55,196	58,103	50,745	52,213	46,868	34,083
\$200,000 or more	59,098	62,051	53,564	52,213	45,738	70,735

Source: American Community Survey

COST OF LIVING

Driven by housing costs, average household expenditures grow despite drop in income

Despite the wage stagnation and general decline in household income, the cost of living for Silicon Valley families has continued to grow. Between 2000 and 2005, the overall cost of living for working families in the San Francisco Bay Area, as measured by the Consumer Price Index, increased by 12.9%.⁶

The figure at right shows average expenditures for Bay Area households by the type of expense. Most notably, housing remains the single largest expense, with average expenditures on housing growing by 16.3% over the past five years. Although health care remains a relatively small portion of most households' total budgets, its cost is growing by leaps and bounds, with a 36.6% increase in average household expenditures over the past five years and a 75.5% increase since 1994-95.

Housing remains by far the largest expense for Santa Clara County households and is the major contributor to Silicon Valley's high cost of living. However, child care and health care are among the fastest-growing costs for working families, accounting for an increasing portion of the strain on household budgets. (Child care is not included in the above graph because households without young children have no child care expenses, making the average child care expenditure low. However, for those families that do need child care, it can be a major expense, as discussed on the following page.)

The following section analyzes recent trends in the costs of health care and child care, as well as household electricity. See Chapter 4 of this report, *Building a Community*, for data on the costs of housing and transportation.

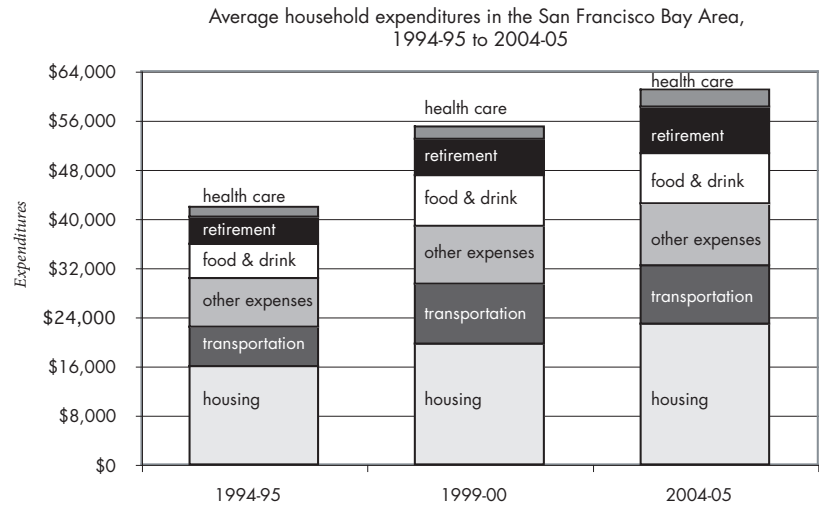


Figure 1.4, "Other expenses" includes: apparel and services, entertainment, personal care, reading, education, tobacco, miscellaneous, and cash contributions. Source: Consumer Expenditure Survey

Making a Living: Indicator 1: Household Budgets

Cost of health care doubles in just five years

The cost of health care, historically a small portion of household expenses, is growing at an extreme rate. Between 2000 and 2005, the average cost to a worker in California for employment-based family health coverage doubled: from \$1,477 to \$2,883.

This sum does not include out-of-pocket health care costs such as co-payments and deductibles. Moreover, access to job-based coverage is declining, forcing families to purchase even more costly individual insurance, or pay all costs out of pocket.

Child care costs grow 39%; may equal or exceed rent

For working families with children, child care also makes up an increasingly large portion of household expenses. The average cost for one year of licensed child care for a preschooler grew from \$7,320 in 2001 to \$10,207 in 2005. By comparison, median rent in 2005 was \$14,508 annually, meaning that for families with two or three young children, child care could in fact be their household's major expense, exceeding even the cost of housing.

The market cost of child care is unaffordable for many families. In 2002, Santa Clara County families needed financial assistance for child care for an estimated 34,600 children aged 0-5, but only 11,000 were actually receiving assistance through public child care subsidies.⁷

Growth in Cost of Health Care,
California, 2000-2005

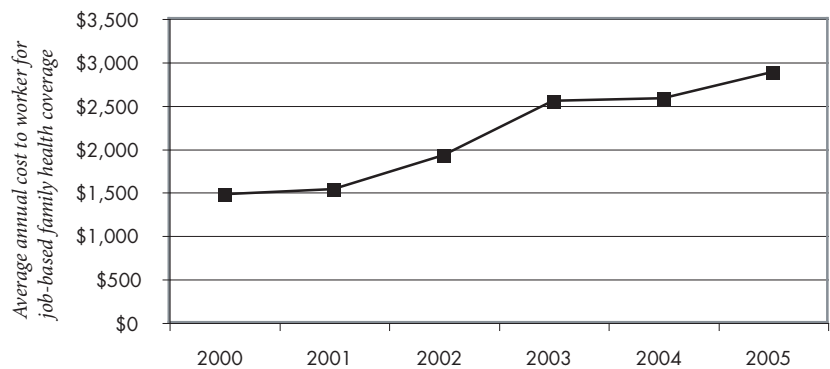


Figure 1.5, Source: KFF/HRET Employer Health Benefits Survey

Growth in Cost of Childcare,
Santa Clara County, 2001-2005

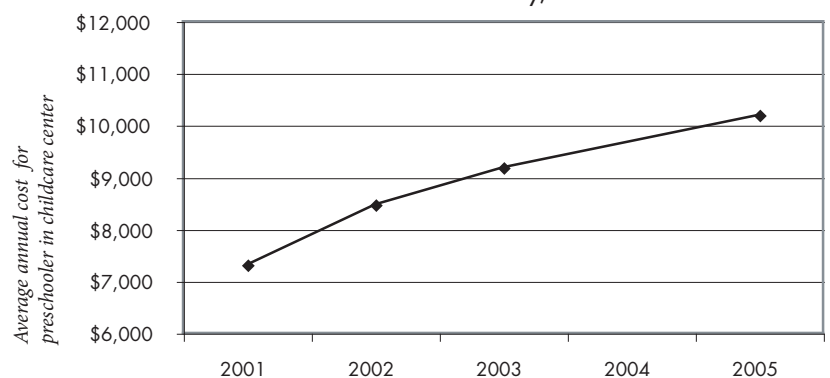


Figure 1.6, Source: Community Child Care Council of Santa Clara

Electricity costs level off, but still high compared to 2000

The California electricity deregulation crisis of 2000-01 sent electric rates for consumers soaring. Since 2002, the average residential price per kilowatt hour has levelled off, even falling slightly. However, the rate increases incurred during the electricity crisis have not been reversed; prices remain 15% higher than in 2000.

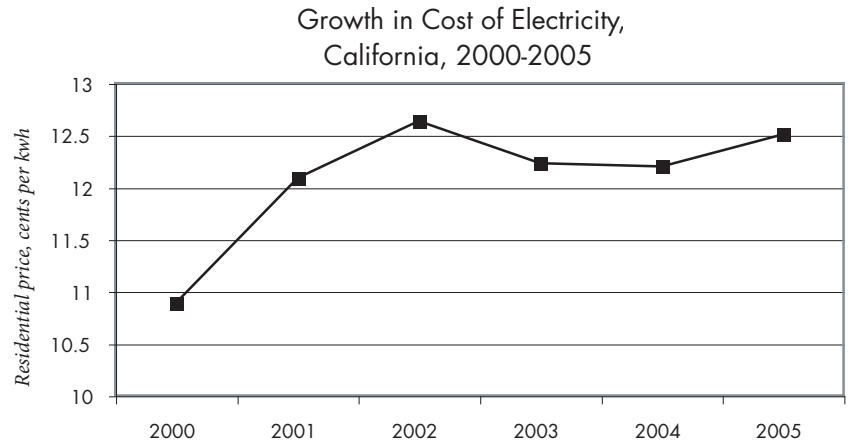


Figure 1.7, Source: Energy Information Administration, Dept. of Energy

INDICATOR 2: EMPLOYMENT AND WAGES

KEY STATISTICS

- There were 156,700 fewer jobs available in Jan. 2007 than in Jan. 2001: a 15.4% drop. As of Dec. 2006, the number of workers remained lower than at any point from 1990 through 2004.
- Each of the region's two largest industries, manufacturing and business services, has lost more than 30% of its jobs since 2000. Job growth has been concentrated in educational and health services.
- Workers' median real earnings have stagnated since 2002; seven of the region's 20 largest occupations now pay less than a living wage.

WHY IT MATTERS

The large majority of Santa Clara County families depend on work as their primary source of income. But hundreds of thousands of Silicon Valley workers have lost their jobs since 2001 as the region experienced a recession that – as experienced by working families – went deeper and lasted longer than just about anywhere else in the country. As economic analyst Stephen Levy observed, “Santa Clara County lost 20 percent of its job base. That's the highest percentage loss of any metro area since the Great Depression. This area got hammered.”⁸

In 2005-06, the hemorrhaging of jobs finally began to slow. 2006 saw a small amount of job growth, with total employment up from 861,000 to 898,000. For most laid-off workers, however, this growth was too late and far too little.

KEY PUBLIC POLICIES

- San José's living wage policy helps to ensure that city-funded jobs provide stable quality employment. However, the vast majority of workers in Silicon Valley are not covered by Living Wage requirements, leaving them with an inadequate ability to confront the Valley's high cost of living. Roughly twenty percent of the Santa Clara County workforce earns less than a living wage.⁹
- The City of San José gives away several million dollars in subsidies to private companies each year with the aim of promoting economic development, yet the City has no process by which to evaluate whether or not its investments will produce returns for taxpayers in the form of quality, stable jobs.¹⁰
- Silicon Valley is currently embracing the promotion of “green tech” and “clean tech” as engines to drive the local economy while combating environmental degradation and climate change. As local and state governments debate how to support these new green and clean industries, public policy should also ensure that these industries grow in ways that create a sustainable economy, producing stable middle-class jobs for our local workforce.¹¹

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Reform needed



JOBS AND LABOR FORCE

Slight job growth seen in 2006, but enormous jobs deficit remains

2006 showed some positive signs for employment, as the number of jobs in the San Jose metropolitan region ticked upwards from 861,000 to 898,000.¹²

However, total jobs remain far below pre-crash levels. Compared to December 2000, the San Jose metro region has an employment deficit of 156,700 missing jobs.

Looking at change over the entire decade, the region holds fewer jobs than it did in December 1996, when total jobs were 915,600. This long-term deficit points to a serious shortage in available employment compared to the number of people needing work, especially in light of the region's population growth. Over the past decade, Silicon Valley has added 192,537 people,¹³ but lost 23,700 jobs.

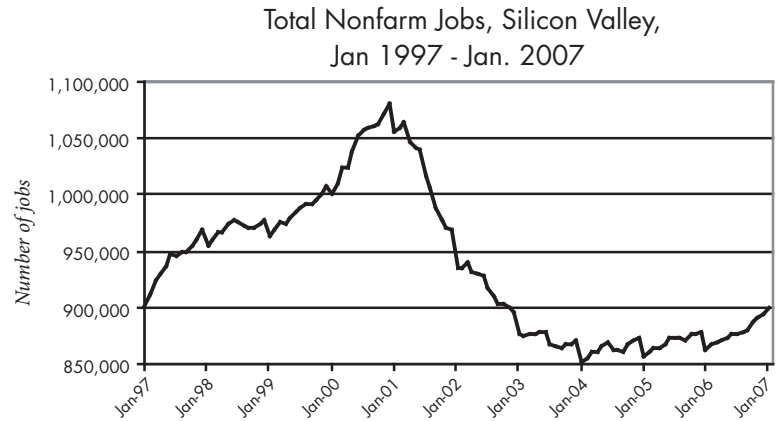


Figure 1.8, Source: Current Employment Statistics (CES)
Graph based on San Jose MSA, which includes Santa Clara and San Benito counties

Making a Living: Indicator 2: Employment and Wages

Labor force remains below 1990 levels

Even more strikingly, within Santa Clara County there are 22,200 fewer people in the labor force today than in 1990,¹⁴ despite the region's substantial growth and development over the last fifteen years. In fact, the labor force in December 2006 was smaller than at any point between 1990 and 2004. (The labor force is the total number of county residents who are employed or actively looking for work.)

The shrinking labor force signifies that far fewer people in the county have jobs, affecting families' ability to support themselves as well as the region's prospects for long-term economic health. Between 2000 and 2005, the share of households in the county with zero wage or salary income grew from 14.9% to 17.8%.¹⁵ Fewer Santa Clara County residents working may result in less disposable income available for families to spend, which in turn could have an adverse effect on industries that primarily serve the local population, including retail stores, restaurants, and many others.

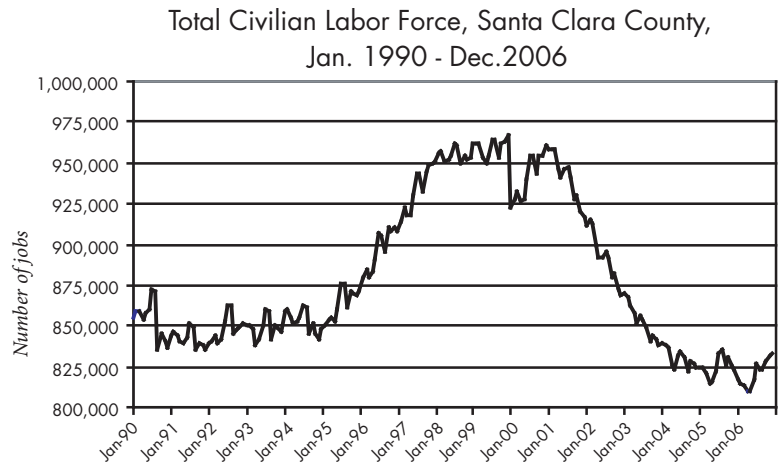


Figure 1.9, Source: California Employment Development Dept.

TRENDS IN EMPLOYMENT BY INDUSTRY

Region's two largest industries each lose 1/3 of jobs; growth seen in education and health services

For Santa Clara County, the impacts of the past five years reach beyond a cyclical decline in unemployment; not only have the number of jobs declined, but the nature of the region's employment base is shifting.

The manufacturing industry remains the region's largest source of employment, providing 19.2% of all jobs. The professional and business services industry follows closely behind with 18.4%.

Yet the Valley's two largest industries also suffered the largest job losses, falling by 36% and 30% respectively since December 2000 for a combined loss of 167,100 jobs. In addition, jobs in the information sector fell by 20.4%; trade, transportation, and utilities (including retail jobs) dropped 12.4%; and construction jobs declined 10.5%.

In contrast, jobs in educational and health services increased by 14.6%, the leisure and hospitality sector grew by 4.3%, and the tiny financial activities industry grew by 6.0%. Figure 1.10 breaks down jobs in Silicon Valley by industry; Figure 1.11 shows job gains and losses for all major industries since December 2000.

While the growing educational and health sector is an important source of quality jobs, it cannot replace all the jobs lost in the manufacturing and professional/business sectors. Indeed, none of the growing sectors is "export-oriented;" they primarily serve the residents of the region rather than bringing dollars in from outside. Leisure and hospitality serves visitors, but here too the potential for growth is limited compared to the total jobs lost. Until the three largest industry sectors (manufacturing, professional & business services, and trade, transportation & utilities) show stronger job growth, it is difficult to argue that Silicon Valley has truly recovered from its 2001 crash.

Major Industries in Silicon Valley
by Number of Jobs, Dec. 2006

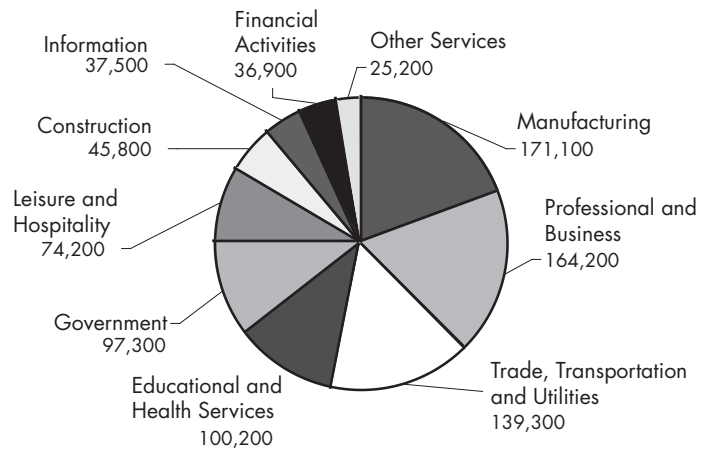


Figure 1.10. Source: Current Employment Statistics.
San Jose metro region includes Santa Clara and San Benito counties.

Jobs Gained and Lost in San Jose Metro Industries,
Dec. 2000 - Dec. 2006

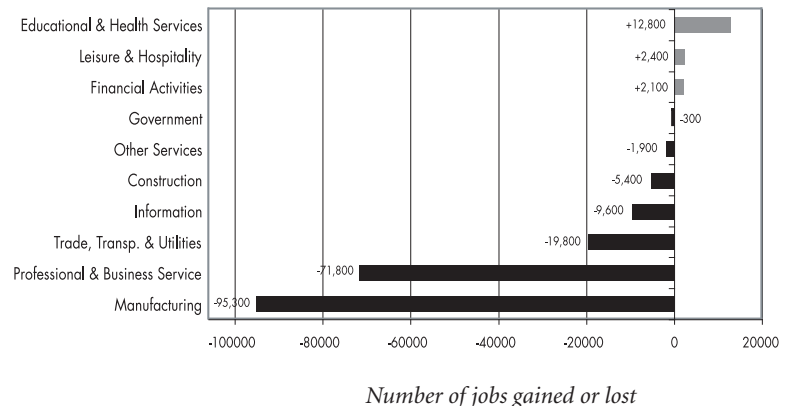


Figure 1.11. Source: Current Employment Statistics.
San Jose metro region includes Santa Clara and San Benito counties.

Making a Living: Indicator 2: Employment and Wages

WAGES

Workers see little growth in median earnings

The decline in Silicon Valley's job base means that many Santa Clara households have suffered drops in income due to unemployment or underemployment. Yet even workers who have kept their jobs may have difficulty keeping up with the cost of living.

Real median earnings for employed Santa Clara County residents declined in 2001-2002, from \$43,218 to \$40,309. Since 2000, real earnings have stagnated, ending up at \$40,406 in 2005.¹⁶

Seven of the 20 largest occupations do not pay a living wage

The region's 20 largest occupations collectively employ nearly one-third of all workers in the county. Seven of these jobs pay, on average, less than the current San Jose Living Wage (\$12.27/hr as of July 2006).¹⁷ In 2001, only five of the top 20 occupations paid less than the living wage (\$10.10/hr in 2001).

This proportional increase in low-wage jobs is due in large part to the decimation of several middle-income occupations. In 2001, electrical equipment assemblers were the fifth-largest occupation, earning a median wage of \$12.86/hr, \$2.76 more than the living wage. A quarter of those assemblers earned more than \$15.93/hr, putting them above the self-sufficiency standard and squarely in the middle class.¹⁸ By 2005, 13,730 electrical equipment assembly jobs – 70% of the entire workforce – had disappeared.

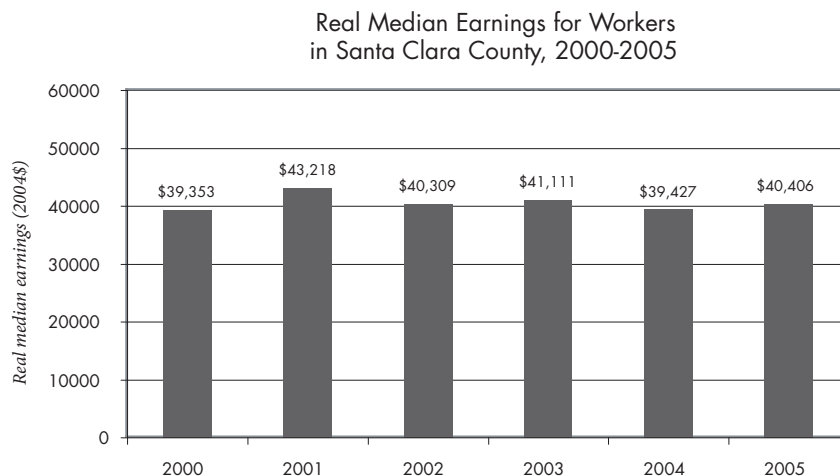


Figure 1.12, Source: California EDD, Occupational Employment Statistics

An additional 7,510 jobs were lost in the field of team assemblers, whose wages in 2001 were equivalent to electrical equipment assemblers. Several major higher-income occupations also saw major losses; computer programmers fell by 10,590 jobs, and another 8,160 jobs were lost in engineering.¹⁹

The tables on the following page list Santa Clara County's twenty largest occupations in 2001 and 2006, alongside the median wage in each, and identify which occupations fell below the San Jose Living Wage standard.

Making a Living: Indicator 2: Employment and Wages

20 Largest Occupations in Silicon Valley, 2001

Occupation	Employment	Median hourly wage	Above living wage?
Retail Salespersons	24,330	\$9.14	N
Computer Software Engineers, Applications	22,400	\$42.40	
Computer Software Engineers, Systems	21,350	\$43.06	
Combined Food Prep & Serving Wrks, incl. Fast Food	20,740	\$7.70	N
Electrical and Electronic Equipment Assemblers	19,690	\$12.86	
Office Clerks, General	19,570	\$12.85	
Cashiers	19,420	\$8.48	N
Laborers and Freight, Stock, and Material Movers, Hand	19,300	\$9.62	N
General and Operations Managers	17,760	\$50.84	
Computer Programmers	16,050	\$35.49	
Executive Secretaries and Administrative Assistants	15,190	\$20.87	
Janitors and Cleaners, Except Maids & Housekeepers	14,680	\$9.06	N
Business Operations Specialists	13,750	\$24.35	
Customer Service Representatives	12,890	\$18.12	
Team Assemblers	12,520	\$12.65	
Computer Support Specialists	12,360	\$26.01	
Engineers, All Other	12,160	\$39.43	
Electrical and Electronic Engineering Technicians	12,070	\$22.61	
Security Guards	11,900	\$10.95	
Inspectors, Testers, Sorters, Samplers, and Weighers	11,710	\$14.08	

Source: California Employment Development Dept, Occupational Employment Statistics. Includes Santa Clara and San Benito counties. Employment data for 2000; wage data for 2001 Q3.

20 Largest Occupations in Silicon Valley, 2006

Occupation	Employment	Median hourly wage	Above living wage?
Retail Salespersons	24,570	\$10.73	N
Computer Software Engineers, Applications	22,470	\$47.72	
Office Clerks, General	20,030	\$15.58	
Cashiers	17,310	\$9.67	N
Executive Secretaries and Administrative Assistants	15,010	\$24.53	
General and Operations Managers	14,720	\$59.22	
Janitors and Cleaners, Except Maids & Housekeepers	14,490	\$10.43	N
Computer Software Engineers, Systems	13,480	\$50.83	
Registered Nurses	13,350	\$43.73	
Laborers and Freight, Stock, and Material Movers, Hand	11,740	\$10.81	N
Waiters and Waitresses	11,650	\$8.04	N
Bookkeeping, Accounting, Auditing Clerks	10,850	\$19.02	
Customer Service Representatives	10,420	\$19.96	
Combined Food Prep & Serving Wrks, incl. Fast Food	9,890	\$8.25	N
Business Operations Specialists	9,810	\$33.55	
Computer Hardware Engineers	9,710	\$49.52	
Stock Clerks and Order Fillers	8,940	\$12.01	N
Engineering Managers	8,700	\$68.43	
Accountants and Auditors	8,590	\$31.83	
Computer Support Specialists	7,890	\$28.91	

Source: California Employment Development Dept, Occupational Employment Statistics. Includes Santa Clara and San Benito counties. Employment data for May 2005; wage data for 2006 Q1.

INDICATOR 3: ACHIEVING SELF-SUFFICIENCY

KEY STATISTICS

- 31,000 more people lived in poverty in 2005 than did in 2000, as the official poverty rate for Santa Clara County grew from 6.5% to 8.3%.
- 93,000 adults experienced food insecurity in 2005; 58% of them had jobs. An estimated 20,388 county residents experienced homelessness in 2004.
- 126,000 adults lacked any health coverage in 2005; 119,000 had no usual place to go for essential medical care.
- Roughly a quarter of all households in Santa Clara County did not earn enough to meet the self-sufficiency standard.

WHY IT MATTERS

Santa Clara County holds the dubious honor of having one of the highest costs of living in the nation. Sky-high prices for housing, health care, energy, child care, and other basic needs mean that even people working full-time at salaries well above the minimum wage often struggle to provide for themselves and their families.

The goal of “self-sufficiency” measures a family’s ability to provide for its own basic needs without deprivation and without relying on public assistance or private charity. Households that are not self-sufficient may experience hardships that can include homelessness, overcrowded housing, food insecurity (inability to afford enough food), using unlicensed child care or none at all, or delaying or foregoing needed health care.

KEY PUBLIC POLICIES

- Recent state minimum wage legislation is a step forward for low-income workers; the California minimum wage increased to \$7.50/hr in 2007 and will go up to \$8.00/hr in 2008. However, in high-cost regions such as San Jose, \$8/hr is still not enough to reach self-sufficiency. Furthermore, until the minimum wage is indexed to the cost of living, its value will continue to erode each year; the real value of the new minimum wage is still 20% below the minimum in 1968.²⁰
- Several Silicon Valley agencies that assist residents in finding employment make use of the Self-Sufficiency Standard in their work, acknowledging the high cost of living that their clients face. Prominent among these are the Santa Clara County Social Services Agency and the Silicon Valley Workforce Investment Network.²¹

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Progress occurring



POVERTY AND DEPRIVATION

Poverty grows in Santa Clara County

Some 31,000 more Silicon Valley residents were living below the federal poverty line in 2005 than in 2000, as the poverty rate grew from 6.5% to 8.3%. The rate did not increase between 2004 and 2005, and it is possible that the Valley will see a real decline in poverty in 2006-07.

However, since it is not adjusted for the high costs of housing, health care, energy, and other non-food necessities, the federal poverty level grossly underestimates the number of Santa Clara County residents whose incomes are too low to fulfill their basic needs.

More than a hundred thousand adults experience hardships; nearly half of food-insecure adults have jobs

Lack of adequate income has severe consequences for families; often they must forego one basic need, such as food, to pay for another, such as housing. As a result of these difficult decisions, in 2005 99,798 adults experienced food insecurity (being unable to afford enough food), and 119,000 had no usual place to go for health care. In 2004, an estimated 20,338 people experienced the severe hardship of homelessness.

Many of those in need are in fact employed, but low wages, insufficient hours or lack of job security mean that they still do not earn enough to prevent hardship. More than half (58%) of all food insecure adults were employed in 2005, and the majority (69%) of adults with no usual place for health care had jobs. An estimated 19% of homeless adults were employed.

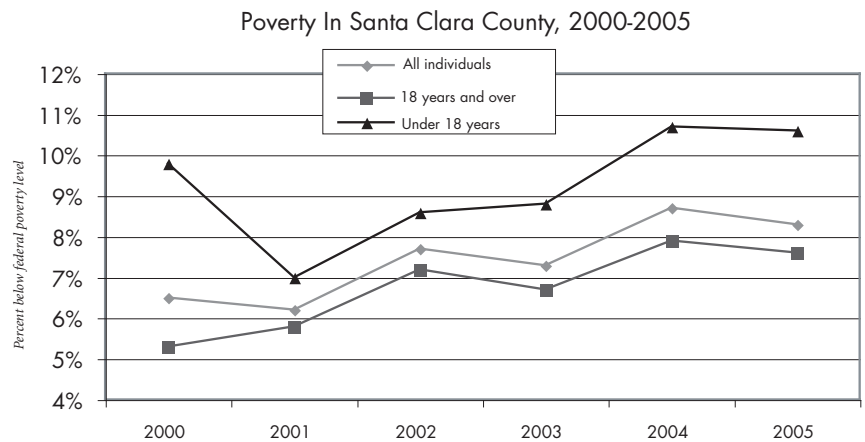


Figure 1.13, Source: American Community Survey

Number of people experiencing hardships in Santa Clara County

	2001	2003	2005
Unable to afford enough food (food insecure) - adults	82,000	93,000	93,000
Employed	41,000	44,000	54,000
Not employed	40,000	48,000	39,000
Has no usual place to go when sick - adults	149,000	125,000	119,000
Employed	109,000	76,000	82,000
Not employed	40,000	49,000	37,000
Unable to find child care for a week or longer - children	21,000	18,000	n/a
Experienced homelessness	n/a	n/a	20,338

Sources: California Health Interview Survey, 2001, 2003, and 2005; 2004 Santa Clara County Homeless Census. Totals may not add due to rounding. Homeless estimate applies to 2004.

THE SELF-SUFFICIENCY STANDARD

Approximately one quarter of Santa Clara County households do not earn enough to meet their basic needs without assistance

The “self-sufficiency standard” defines the minimum income necessary to meet a family’s needs without public assistance, based upon the local cost of basic goods and services and the number of adults and children in the household.

In 2000, an estimated 25% of Santa Clara County households did not earn enough to meet the self-sufficiency standard.²² Since real incomes have fallen, this number is likely to be even larger today. As a result, many working people in the Valley live in overcrowded or substandard housing, go without needed health care, or rely on public programs – if available – to fill the gap.

The table at right shows the self-sufficiency standard for different types of Santa Clara County families in 2003 (the most recent year available). Figure 1.14 breaks down the components of the standard – housing, food, transportation, health care, child care, taxes, and miscellaneous expenses such as clothing – for a two-parent family with two kids.

The Self-Sufficiency Standard
Basic Monthly Costs for a Two-Parent, Two-Schoolage Child
Family in Santa Clara County, 2003

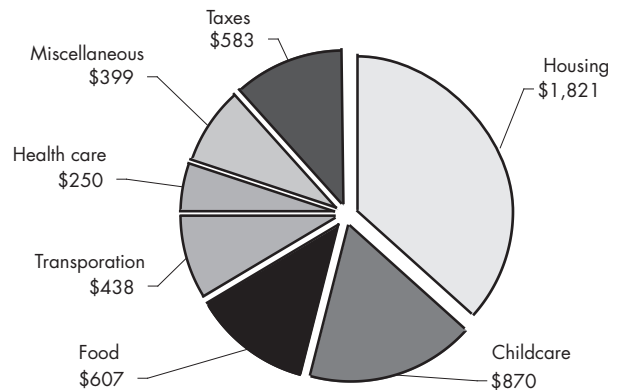


Figure 1.14, Source: Californians for Family Economic Self-Sufficiency / NEDLC

The Self-Sufficiency Standard

Minimum incomes needed to achieve self-sufficiency,
based on current local cost of living
Santa Clara County, 2003

	Self-sufficiency wage	
	Hourly	Annual
One adult	\$15.44	\$32,614
One adult, one child	\$22.10	\$46,666
One adult, two children	\$25.58	\$54,032
Two adults	\$9.27	\$39,168
Two adults, one child	\$12.46	\$52,649
Two adults, two children	\$14.11	\$59,613

Source: Californians for Family Economic Self-Sufficiency / NEDLC

Hourly wage assumes all adults in household are employed full-time. All children are assumed to be school-age.

2.

SEEKING SECURITY

INDICATOR 1: SAVINGS AND DEBT

INDICATOR 2: JOB SECURITY

INDICATOR 3: THE SAFETY NET

INDICATOR 1: SAVINGS AND DEBT

KEY STATISTICS

- Median real household savings in the western U.S. fell from \$28,758 in 2001 to \$23,000 in 2004. Nationwide, the personal savings rate turned negative in 2005-06 for the first time since the Great Depression.
- After falling for two years, foreclosure activity jumped in 2006, with 2,601 Santa Clara County homeowners receiving notices of default. Subprime loans are more likely to result in foreclosure; San Jose had the third highest rate in the country of disproportionate subprime lending to Latinos.
- Median real debt for households in the western U.S. shot upward between 2001 and 2004, growing from \$41,529 to \$77,574.

WHY IT MATTERS

Over the past three decades, a transformation of the nature of work in the United States coupled with changes in public policy has resulted in a dramatic shift of risk: away from corporations and other large-scale institutions, and onto individual families. Today, the middle class walks a tightrope of insecure jobs, unreliable incomes, inaccessible health insurance, and increasing debt, with worrisome prospects for the immediate future, let alone for retirement.

In 2002, nearly one out of every six American households suffered an abrupt income drop of more than 50%.¹ To secure themselves against these wild swings in income, an increasing number of families are turning to the only safety net they can reach: credit. But as the housing bubble deflates, all the households who have relied on home equity loans to balance their budgets will find themselves in a double bind: not only unable to continue shoring up their income through credit but also owing high monthly payments on their loans.

KEY PUBLIC POLICIES

- On the Assets and Opportunity scorecard produced by the national Corporation for Enterprise Development (CFED), California received an overall 2005 grade of C, behind 20 other states that earned an A or B. The state's overall policy grade was favorable, but weaknesses included the lack of a state program supporting Individual Development Accounts (IDAs) to help low-income households save.²
- California law prohibits some (though not all) forms of predatory mortgage lending. Locally, the innovative "Don't Borrow Trouble Silicon Valley" project is providing education and outreach to help residents avoid predatory mortgages. However, more effective policies are needed to prevent predatory mortgages, especially to non-English-speakers, and to address other forms of high-cost lending that keep families in debt such as excessive credit card fees or rates, payday loans, and refund anticipation loans. The U.S. Senate has recently held hearings to investigate predatory practices in the credit card industry.³
- Defined benefit pensions, when properly managed, expose workers to far less risk than do defined contribution retirement plans such as 401(k)s. Public policy should encourage, not discourage, employers to maintain well-managed defined benefit pension programs.⁴

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Reform needed



HOUSEHOLD SAVINGS AND INVESTMENTS

Household savings and investments decline throughout the western U.S., reversing direction after strong growth in the 1990s

Savings are key to a household's security. Every family will, at some point, experience an unanticipated financial challenge: the car breaking down, a wage-earner losing a job, a family member falling seriously ill. With adequate savings, a household has a cushion with which to replace lost income or pay for unforeseen expenses; without savings, a challenge can become a crisis. In addition, savings are needed to ensure a secure retirement, and to pay for education without incurring major debt.

From 2001 to 2004, the median household in the western U.S. saw its total savings and investments – including all financial holdings, such as bank accounts, CDs, mutual funds, stocks, IRAs and 401(k)s – drop substantially, from \$28,758 to \$23,000 (in inflation-adjusted 2005 dollars). This decline in savings reversed more than a decade of slow but steady growth, from \$12,841 in 1989 to \$23,303 in 1998.⁵

For the first time since the Great Depression, the personal savings rate turned negative in 2005 and 2006

The personal savings rate measures the difference between American households' total combined spending and their total income, as a percentage of income after taxes. This rate has been steadily shrinking for the past two decades.

In 2005 the rate was -0.4%, meaning that Americans, in aggregate, spent their entire household income plus an additional 0.4%. This was the first year since 1933 that the personal savings rate was negative. In 2006 the rate fell even lower, to -1.0%.⁶

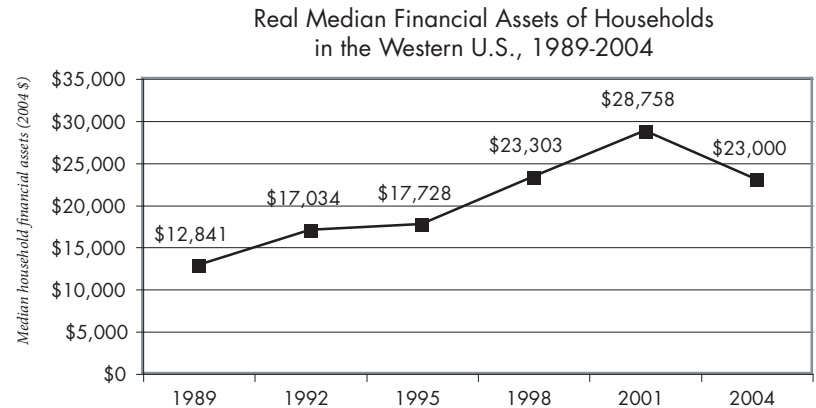


Figure 2.1, Source: Survey of Consumer Finances. Includes bank accounts, 401(k)s and IRAs, CDs, mutual funds, stocks, bonds, and other liquid and quasi-liquid financial holdings.

Personal Saving as a Percentage of Disposable Personal Income, United States, 1990-2006

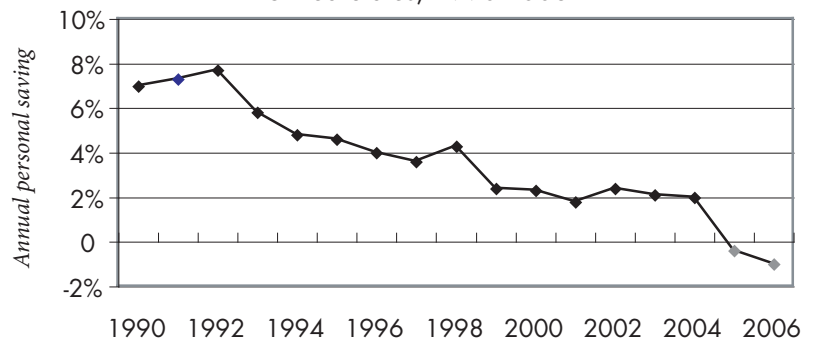


Figure 2.2, Source: Bureau of Economic Analysis, National Income and Product Accounts. "Disposable personal income" refers to all income after taxes.

HOMEOWNERSHIP

Home values continue to grow through 2005

Home values in Santa Clara County continued to rise through 2005, with the real median value for owner-occupied homes growing from \$489,000 in 2000 to \$659,000 in 2005, a 35% increase. (Values are in 2004 inflation-adjusted dollars.)

This is good news for homeowners, who have seen their net wealth increase as a result of home value appreciation. However, astronomical home sale prices make it increasingly more difficult for renter households to become homeowners, or for homeowners from other areas of the country to move to Silicon Valley and purchase a home. In 2006, the California Realtors Association estimated that only 28% of first-time homebuyers in Santa Clara County could afford the median-priced home on the market.

Home values may not continue to grow at the high rates seen in the recent past. The housing market nationwide weakened in 2006, as housing construction and sales of new homes both fell by nearly 20% in just one year;⁷ in Santa Clara County, home sales fell by 17.2% between Dec. 2005 and Dec. 2006.⁸ Analyst Dean Baker of the Center for Economic Policy and Research predicts that the housing market will continue its decline through 2007, leading to a sharp drop in home sale prices.⁹ While a decline might benefit first-time homebuyers, it will increase the financial pressure on current homeowners who took out mortgages or home equity loans on the assumption that home values would continue their rapid rate of growth.

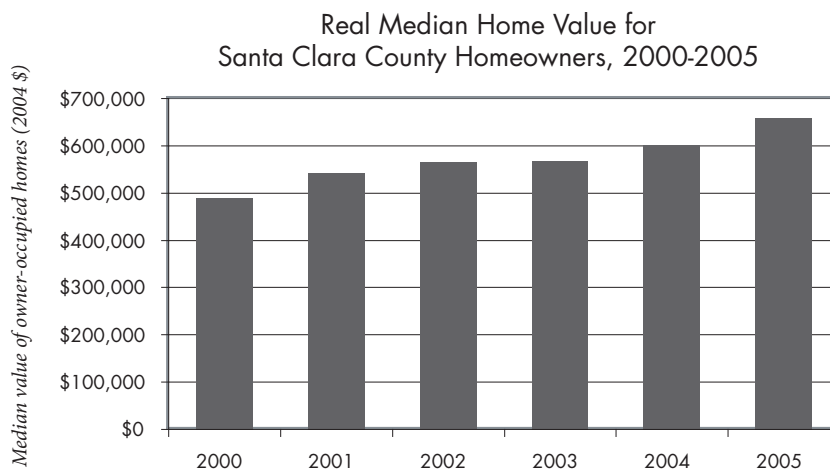


Figure 2.3, Source: American Community Survey

A quarter of all Santa Clara County homeowners take out a second mortgage or home equity loan

Rising home values coupled with financial stress have prompted increasing numbers of homeowners to borrow against the value of their home. In Santa Clara County, 25.9% of all homeowners had either an outstanding home equity loan or a second mortgage in 2005, up from 21.4% in 2000.

Home equity can provide an additional safety net for families in need, but too-heavy reliance on it may end up driving the household into a hole. Homeowners who draw down excessive equity may end up owing more in mortgage and loan payments than they can repay, or – especially if home appreciation slows – even owing more than the house is worth, a situation referred to as being “upside down” in a house. Families in this situation are at high risk of foreclosure.¹⁰

Nationwide, the ratio of homeowner’s equity to value, that is, the ratio of the amount of the house that the homeowner actually owns to the house’s total value, is at an all-time low of 54.3%.¹¹ The home equity to value ratio has fallen over the long term from 57.9% in 2000 and 69% in 1985. If the current trend continues, by 2010 homeowners will collectively own less than half the equity value of their homes.¹²

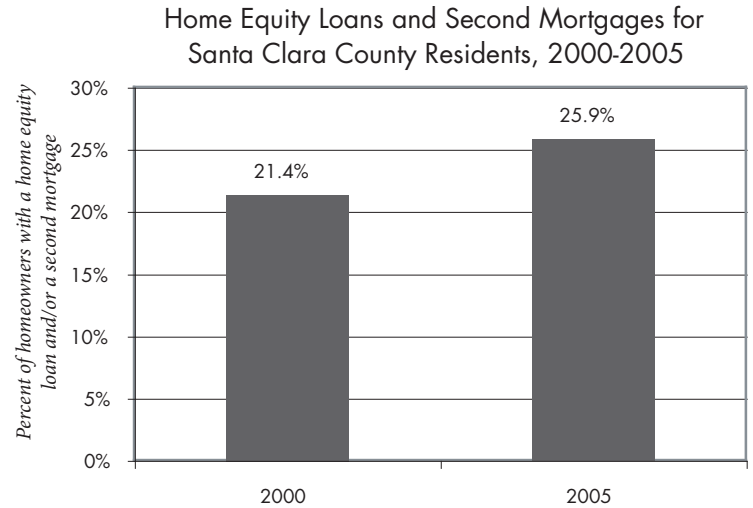


Figure 2.4, Source: Census 2000; American Community Survey

Seeking Security: Indicator 1: Savings and Debt

Jump in foreclosures in 2006 may be a sign of rougher times ahead

In combination, falling incomes, lack of savings, high debt, and unaffordable mortgage and home equity loan payments are a recipe for pushing a family over the edge into foreclosure. On the positive side, rapidly rising home values help keep foreclosure at bay: if their home is worth enough, a family can refinance, or if all else fails, sell their home and cash out on its appreciation.

The last several months have seen a sharp rise in foreclosure activity. In the final quarter of 2006, 874 Santa Clara County homeowners received notices of default (the first step in the foreclosure process) – the highest fourth-quarter number of defaults this decade.¹³

In the past six years, foreclosure activity has gone up and down. It jumped dramatically in the wake of the recession, from 2,046 notices of default issued in 2001 to 3,127 in 2003: a 53% increase in just two years. In 2004-05 this rise was reversed, and only 1,882 households received notices of default in 2005.

However, foreclosure activity began to climb again sharply in 2006, as the Fed raised interest rates and recent homebuyers with adjustable rate mortgages saw their monthly mortgage payments balloon. The nation has recently witnessed a flurry of concern over foreclosures and their potential impacts on the strength of the U.S. economy, spurred by financial troubles among home mortgage companies, especially subprime lenders. Mortgage companies' woes were behind a major 240-point drop in the Dow Jones industrial stock index on March 13, 2007, as fears increased that the growing rate of foreclosures was not only bringing disaster to individual families, but could lead to a general economic slowdown. The Center for Responsible Lending projects that foreclosures will continue their rapid growth in the next several years, with California seeing among the highest proportions of families with subprime loans losing their homes.¹⁴

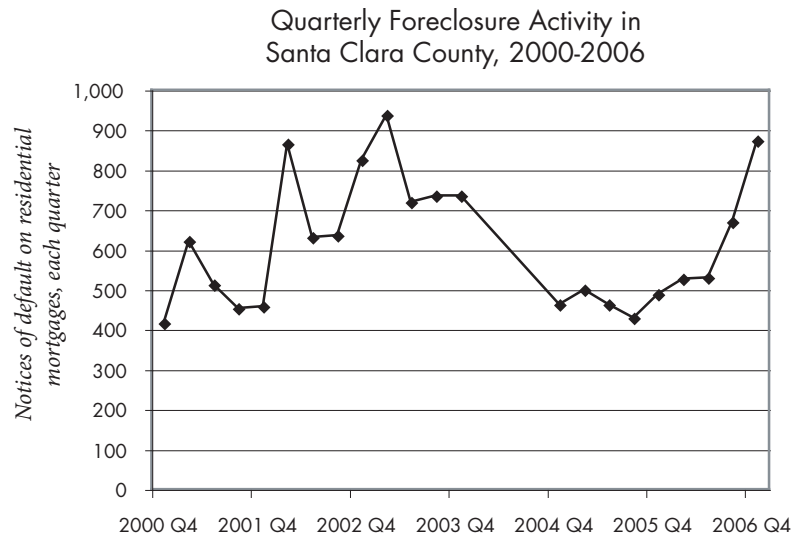


Figure 2.5, Source: DataQuick Information Systems

Most Silicon Valley homebuyers can obtain mortgages at the prime interest rate; but subprime loans are more common in communities of color

A family's housing costs and ability to pay the monthly mortgage depend greatly on the interest rate and other terms attached to its loan. In 2004, the average California borrower with a 30-year home loan at a subprime (higher-cost) interest rate would have paid \$692 more per month than the average borrower with the same loan at the prime interest rate.¹⁵ The Center for Responsible Lending projects that for subprime loans originated in the San Jose metro region in 2006, 19.3% – nearly one out of five – will end in foreclosure.¹⁶

The good news: Homebuyers and refinancers in the San Jose metro area are much less likely than most Americans to receive a subprime loan. In 2005, San Jose was second only to San Francisco for the lowest percentage of subprime refinance and home purchase loans out of 130 metro regions nationwide, reflecting the relative rarity of subprime refinancing in California. 92.0% of refinancing homeowners and 85.9% of homebuyers with conventional loans were able to obtain a loan at or near the prime interest rate, helping to keep household debt payments down.¹⁷

The bad news: Racial disparity in the subprime market is higher in San Jose than almost anywhere else. Out of 130 metropolitan areas, San Jose ranked #2 in disproportionate subprime refinance lending to communities of color, and #3 in disproportionate subprime home purchase loans for Latinos. Homeowners living in a “majority-minority” census tract (50% or more people of color) were over five times more likely to get stuck with a high interest rate when buying a home, when compared with homeowners in census tracts that were at least 80% white.¹⁸

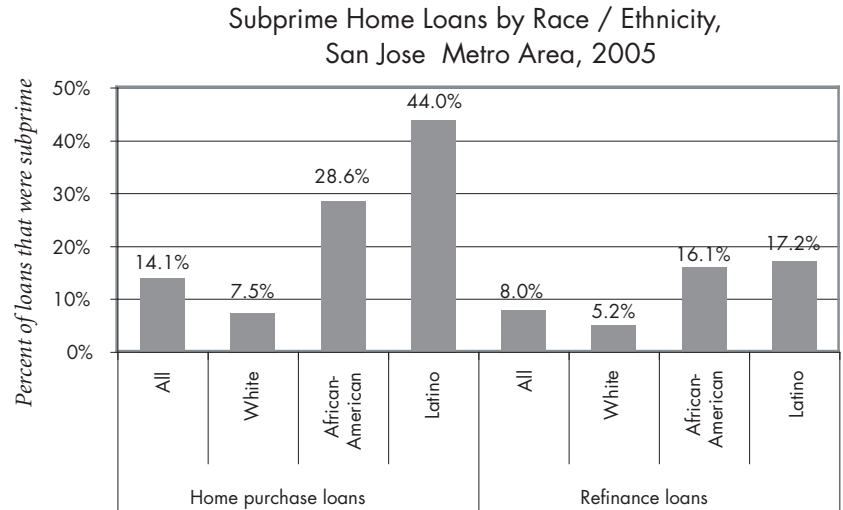


Figure 2.6. Source: ACORN Fair Housing. Data for Asian homeowners not available. Metro area includes Santa Clara and San Benito counties.

CONSUMER DEBT

Eighty percent of all households in the western U.S. have debt; between 1998 and 2004, median debt doubled

In 2004, the large majority of all U.S. households – about 80% of those in the western region – held some form of debt. After the 2001 recession, those debtor households saw the amount they owed grow tremendously; adjusted for inflation, median debt in the West grew from \$36,781 in 1998 to \$41,529 in 2001, then shot up to \$77,574 in 2004.¹⁹

The three major types of debt – home mortgages or home equity loans/credit lines, installment loans, and credit card debt – were each held by about 50% of western U.S. households in 2004. (Many households hold more than one kind of debt.) The majority of all debt is owed on mortgages or home equity loans; for the households with this type of debt, the median amount owed grew from \$106,500 in 2001 to \$128,100 in 2004. For households with installment loans, such as an educational or auto loan, the median amount owed grew from \$10,500 to \$12,800. Finally, the median owed on credit cards increased from \$1,900 to \$2,500. (All figures adjusted for inflation.)²⁰

A large proportion of indebted households turn to credit not to buy luxury SUVs or big screen TVs, but to keep up with the increasing cost of necessities. In a survey of low- and middle-income American households with credit card debt, one-third reported relying on credit cards to cover basic expenses: rent, mortgage, groceries, utilities, or insurance.²¹

Health problems are also a major source of debt. Among low- and middle-income households with credit card debt, a 2005 survey found that 20 percent had experienced a major medical expense in the past 3 years that contributed to their level of debt. These “medically indebted” households owed an average (mean) of \$11,623 in credit card debt; households whose debt was due to other factors owed an average of \$7,964 in credit card debt.²²

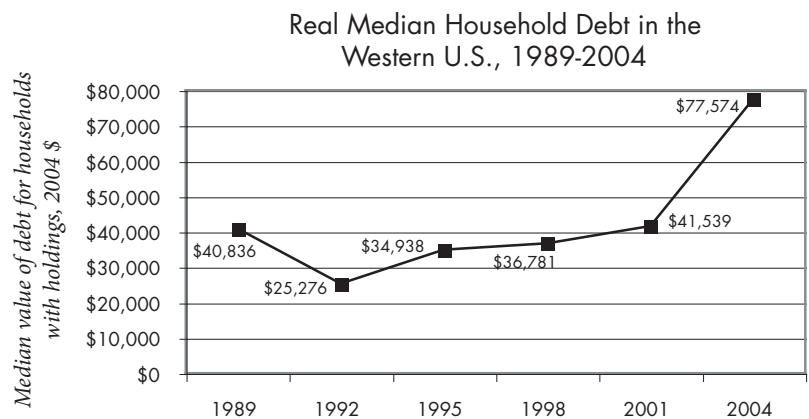


Figure 2.7, Source: Survey of Consumer Finances

Personal bankruptcy filings rose post-2001 as households faced heavier debt; 2006 filings fall as more restrictive bankruptcy law takes effect

For families in over their heads in debt, bankruptcy may be the only way out. Between Nov. 1, 1999 and Sept. 30, 2006, 138,944 people filed for personal bankruptcy in northern California.²³

Households often file for bankruptcy when they are in danger of losing their homes.²⁴ Chapter 13 bankruptcy gives homeowners a chance to halt a foreclosure sale and reinstate monthly mortgage payments, although it is unknown how often debtors actually succeed in saving their homes. Health problems are also a major contributor to bankruptcy; a 2001 survey found that 46% of all personal bankruptcies nationwide are related to illness or medical bills.²⁵

A new federal law, which took effect on October 17, 2005, added tighter restrictions on individuals' ability to file for personal bankruptcy. The 2005 increase in filings was partly due to people rushing to file before the new law took effect, with a corresponding drop in 2006. Making bankruptcy more difficult is likely to decrease households' access to this last-ditch safety net.

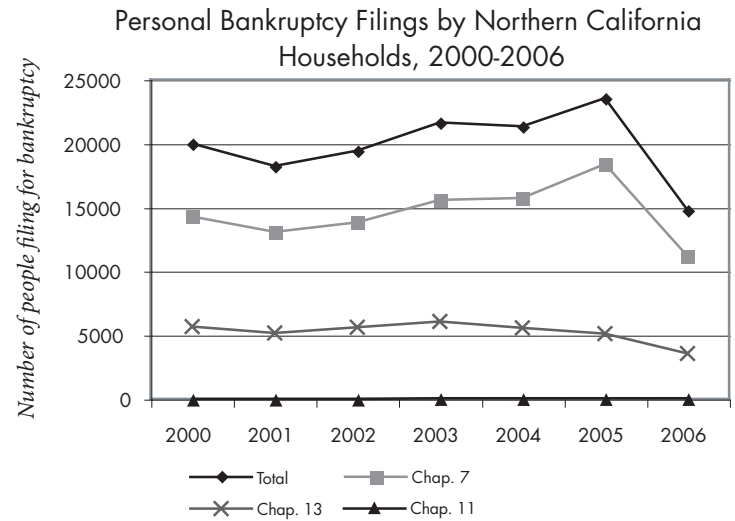


Figure 2.8, Source: Administrative Office of the U.S. Courts

INDICATOR 2: JOB SECURITY

KEY STATISTICS

- From 2001-03, one out of every six adults in Santa Clara County lost a job due to layoffs. Laid-off workers spent an average of 17 weeks unemployed.
- As of 2005, more than one out of five Santa Clara County workers is in a part-time or contingent job. Contingent workers statewide are more likely to have low incomes, less likely to have health or retirement benefits, and much more likely to suffer from high job insecurity.
- Nationwide, the likelihood of having a contingent job is 1.7 times higher for Latino workers and 1.5 times higher for Asians, relative to white workers.

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Reform needed



INDICATOR 2: JOB SECURITY

WHY IT MATTERS

“The great risk shift” has accelerated in the past five years, with its impact perhaps nowhere more evident than in Silicon Valley. The Valley’s close ties to high-tech and the global economy are the source of both our greatest economic strength and our greatest weaknesses. We have been hit first and hardest by trends such as outsourcing, contracting out, contingent and temporary employment, vanishing career ladders, and the movement from stable wages and pensions to forms of compensation dependent on the stock market.

Cumulatively, these trends are generating a qualitative change in the organization of work. More and more jobs offer low pay, few if any benefits, and no job security. They are dead-end positions, requiring relatively little education and lacking career ladders through which increased skills yield increased compensation. Secure middle-class jobs that can support the average family are becoming rarer; even if you have a good job, you never know when it might disappear. Just as businesses suffer in the face of economic uncertainty, so do individuals; workers whose income is undependable have difficulty planning for the future, and may be unable to access credit, finance major purchases, or even rent a house or apartment. The shift away from stable employment adds up to heightened insecurity for the middle class.

KEY PUBLIC POLICIES

- California has implemented several policies to help adapt the state’s Unemployment Insurance (UI) system to today’s economy, including raising benefits and expanding eligibility to part-time workers. However, California’s “base period” for UI disregards a worker’s most recent three to six months of employment, excluding many low-wage or contingent workers from eligibility for benefits. California has yet to join the 19 states in adopting an Alternative Base Period to fix this flaw.²⁶
- Job security nationwide is threatened by the twin trends of outsourcing and offshoring. One recent study projected that, out of the nation’s 246 metro areas, San Jose faces the 4th largest percent job loss from offshoring.²⁷ At the same time, state and local governments face political pressure to outsource public services to the private sector, a practice which often fails to save taxpayer money, reduces employee wages and benefits and has a disproportionate negative impact on women and minority workers.²⁸
- The County of Santa Clara has in place a model policy to manage contingent employment in County positions, developed jointly by County workers, management, and unions. The policy promotes parity in rights and benefits for contingent workers and encourages the creation of permanent rather than temporary jobs, unless the work to be done is truly temporary. In 2005-06, the City of Palo Alto also began a move towards more equitable policies towards temporary employees. To expand the positive impacts of these models, the state should legislate minimum standards for temporary help agencies, addressing needs including enforcement of basic rights at work, employee eligibility for health coverage, limiting excessive fees imposed on workers, and access to pathways towards permanent work.

JOB CHURNING

In Santa Clara County, one out of every six adults was laid-off from a job between Jan. 2001 and Dec. 2003

The unemployment rate is a valuable indicator of the strength of the labor market, but it only tells us how many workers are unemployed at a particular point in time. The total number of people who experience an unemployment spell in a year is much larger than the average annual unemployment rate.

In Santa Clara County, 17.6% of adults (age 20+) were laid off from at least one job between January 2001 and December 2003. This does not include workers who were fired or chose to leave a job. In 1997-99, less than half as many workers experienced layoffs (8.8%).²⁹

Unemployment spells can cause considerable hardship for families, even if the laid-off worker eventually finds a new job. In a 2003 national survey of unemployed workers, 57% of all unemployed adults reported that they had to postpone medical treatments; 56% had to cut back on spending for food; 26% had to move to different housing, or move in with a friend or relative; 22% had their phone service cut off; and 36% had trouble paying gas or electric bills.³⁰

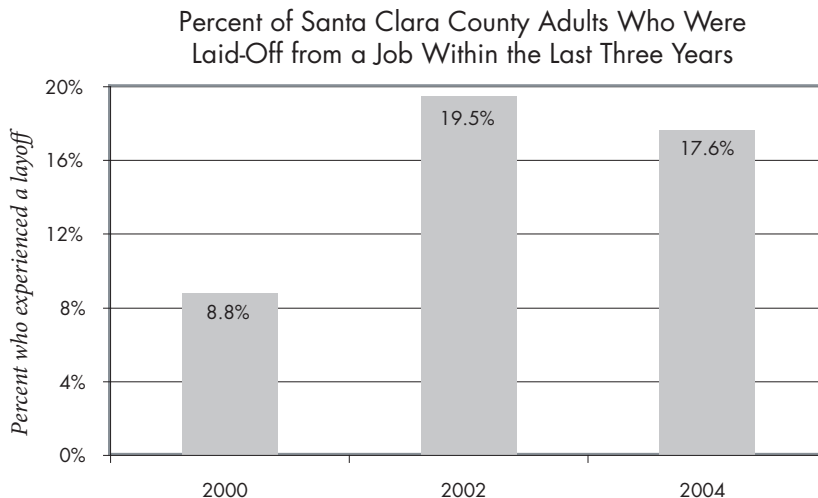


Figure 2.9, Source: CPS Displaced Workers Supplement. Does not include workers who were fired or quit voluntarily.

The average laid-off worker remained unemployed for 17 weeks – three times longer than in 1999-2001

If a laid-off worker can quickly find an equivalent job, the impact of the layoff on family finances may not be severe. But recent trends point to dramatically longer spells of unemployment.

Between January 2001 and December 2003, the average laid-off Santa Clara County worker spent 17 weeks unemployed before finding a new job. The average length of unemployment more than tripled compared to the previous years, when the mean unemployment spell was only 4.3 weeks.

Because they are already scrambling to cover the cost of living, most households do not have enough savings to support themselves through 17 weeks of job loss – more than 3 months without earnings. In 2004, more than two-thirds of American families (67.5%) did not have enough money saved to replace three months' worth of current income, even by spending their retirement accounts.³¹ Worse, one quarter of families nationwide do not have enough savings to keep themselves above the poverty line for three months.³²

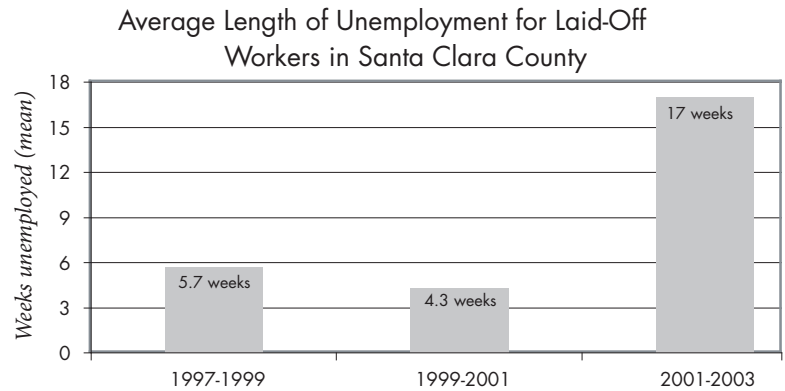


Figure 2.10, Source: CPS Displaced Workers Supplement. Does not include workers who were fired or quit voluntarily.

Seeking Security: Indicator 2: Job Security

Construction and transportation are among the most insecure occupations for workers

Statewide, transportation and material moving workers were the likeliest of the major occupations to lose a job, with 18.5% being laid off at least once between January 2001 and December 2003. Construction and extraction workers were also very likely to lose jobs, with 16.3% laid off in the past three years.³³ (Reliable Santa Clara County data are not available for this measure.)

Construction workers in particular face insecurity due not only to uncertain work schedules and frequent lay-offs, but also to the unavailability of benefits. In 2003, 63% of all working adults in California had employer-based health coverage; yet among construction workers, less than half (47%) had health insurance through their job. Service occupations were the only other major category in which less than half of workers (44%) had health benefits through their own job.³⁴

In construction, lack of benefits and job insecurity are linked; since the structure of the industry involves workers frequently moving between employers, few workers remain at one job long enough for employer-based benefits to be feasible. As discussed under the Savings and Debt indicator above, medical expenses are a major cause of household indebtedness and bankruptcy.

One solution to the problems posed by frequent job changes in construction has been unionization, which makes possible multi-employer health plans that follow a worker through different jobs. In 2006, 80.3% of union construction workers in California had job-based health insurance, more than double the rate for non-union construction workers (37.7%).³⁵

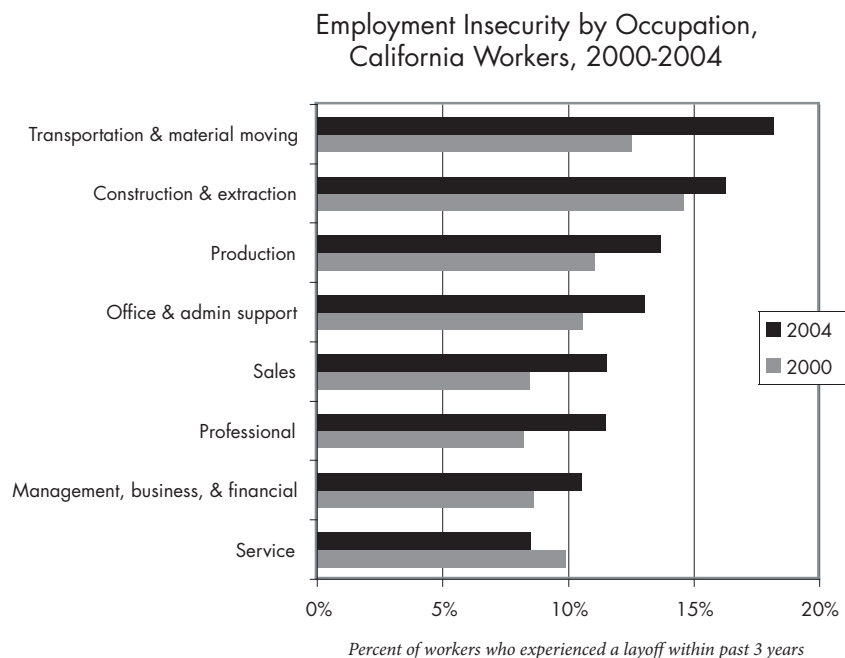


Figure 2.11, Source: CPS Displaced Workers Supplement. Does not include workers who were fired or quit voluntarily.

Workers who are members of a union have greater job security than nonunion workers

By making it possible for workers to bargain collectively with their employers, labor unions have the ability to increase family economic security by several means, including higher wages, health and retirement benefits, and improved job security.

The effects of unionization can be seen in the differing employment conditions of union and nonunion workers. Nationwide, average job tenure (length of time at current job) is 11.1 years for union workers and 6.3 years for nonunion workers. When broken down by age, union workers enjoy a higher average job tenure in every age category, as shown in the figure at right.

Unionization also has a well-documented positive effect on workers' wages.³⁶ The difference between average wages for union and nonunion workers in similar jobs is known as the union wage premium. In the San Francisco Bay Area, the average union wage premium in March 2006 was +\$7.48/hr for production, transportation, and material moving workers (a 57% higher wage than for nonunion workers); +\$8.19/hr for service workers (70% higher); and +\$11.33 for natural resources, construction, and maintenance workers (58% higher). For sales and office workers, the average wage was not significantly different for union and nonunion workers, due to the low rate of unionization among sales workers.³⁷

Under the right circumstances, unionization can set standards for an entire industry, improving job quality for both union and nonunion workers.³⁸ However, this kind of industry-wide effect generally occurs only in industries that enjoy a high union density. As union density in the U.S. has been eroded over the past three decades, with the union coverage rate falling from 26% in 1977³⁹ to 13% in 2006,⁴⁰ job security has declined in many fields.

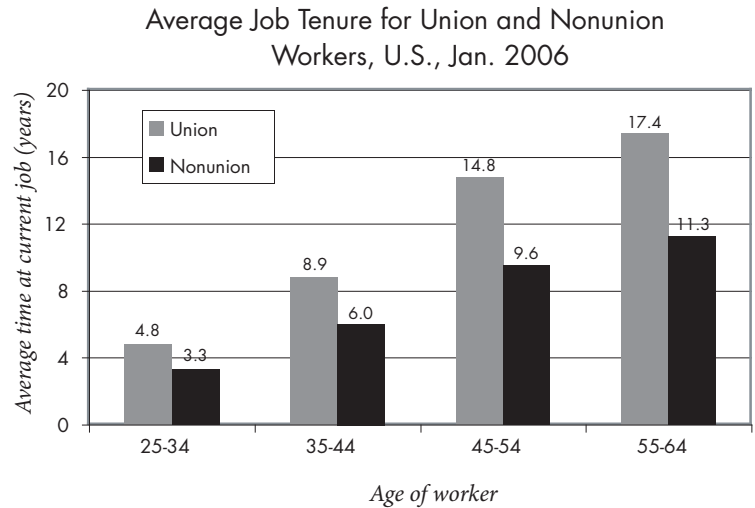


Figure 2.12, Source: CPS, Displaced Workers/Job Tenure Supplement

TEMPORARY AND CONTINGENT WORK

More than one out of five Silicon Valley workers is contingent or part-time

In Santa Clara County, 23% of the workforce, more than one in five workers, holds a contingent or part-time job. The proportion of the workforce with non-standard jobs dropped during the peak of the boom, down to 14% in 1999-2001. By 2005, the proportion of nonstandard workers was back up to 23%: equal to 1997.

Contingent jobs – forms of work that do not offer long-term, stable employment with a single employer – are becoming an increasingly large and permanent part of the American labor force. As part of the drive for flexibility and cost-cutting, employers have outsourced or eliminated permanent full-time jobs and created more contingent jobs to replace the work once done by permanent employees.

Contingent or “nonstandard” work encompasses temporary and contract workers, independent contractors, and day laborers. Part-time work can also be considered contingent, especially if the reduction in hours is involuntary, or the employee works a varying number of hours each week.

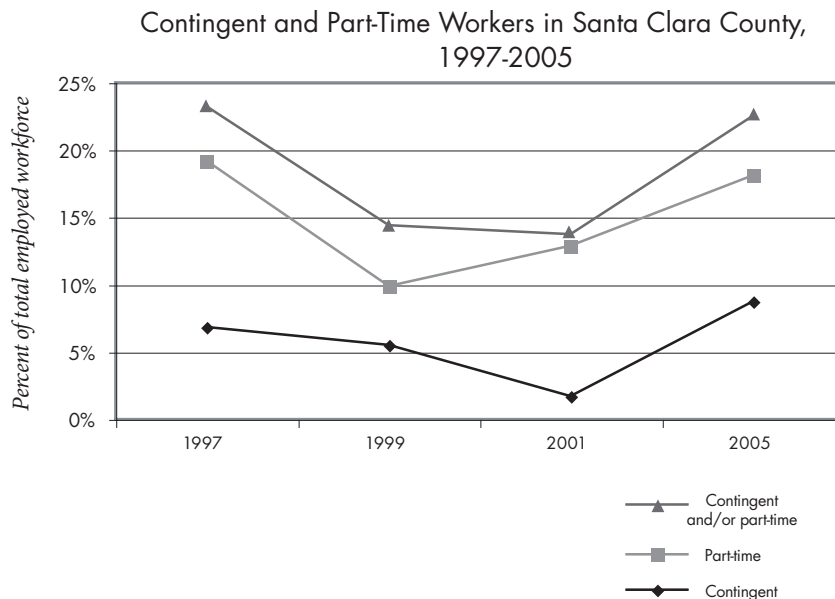


Figure 2.13, Source: CPS Contingent Workers Supplement

Nationwide, Latino workers are 1.7 times more likely than white workers to have a contingent job; Asian workers are 1.5 times more likely

In 2005, 6.6% of Latino workers and 5.8% of Asian workers nationwide held contingent jobs, compared to only 3.9% of white workers and 4.5% of black workers. Contingent employment grew substantially for Latino workers over the past six years, up from 5.6% in 1999, while white and black workers both saw no significant growth in their rates of contingent employment. (Data on Asian contingent workers was not available for 1999.)

The relatively high rates of contingent employment for Latinos and Asians may contribute to economic instability among these communities.

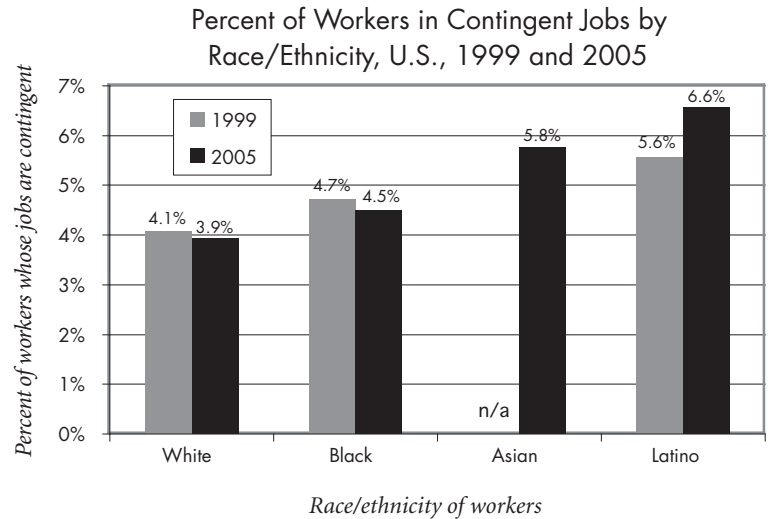


Figure 2.14, Source: CPS Contingent Workers Supplement

Seeking Security: Indicator 2: Job Security

Contingent workers are more likely to have low incomes, no benefits, and high job insecurity

Under some circumstances, contingent work can generate benefits for both employers and employees, giving workers more flexibility while allowing employers to fill short-term positions without an expensive hiring process. But the shift from standard to contingent jobs also comes with serious costs: contingent work arrangements are a major contributor to increasing job insecurity, income insecurity, and insecurity about health and retirement benefits.

Statewide, in 2005 contingent workers were twice as likely as permanent workers (27% vs. 13%) to have a total annual household income below \$25,000.⁴¹ Just 17% of California contingents have health coverage through their job, and only 12% have a retirement plan.⁴²

Job insecurity is inherent to the structure of most forms of contingent work. The very flexibility that can make contingent workers so attractive to an employer – the ability to hire or fire at any time, with no notice of layoffs, severance pay, or contract requirements to get in the way – deprives workers of the stability that they need.

According to the U.S. Department of Labor, temporary workers have higher unemployment rates, work shorter assignments than others in the service sector, and are subject to a higher rate of unemployment during recessions.⁴³ As Richard Berner, economist for Morgan Stanley, describes it, temp workers “have provided a ‘shock absorber’ for the U.S. economy and U.S. companies.” Of the 1.8 million workers laid off nationwide in during the 2001 recession, 22% were temp workers, said Berner.⁴⁴

The cost to these contingent workers of serving as “shock absorbers” for the entire U.S. economy can be staggering, especially since they are often excluded from unemployment insurance and other aspects of the safety net. Contingents thus experience a “double whammy” – they are more likely to be out of work, but less likely to qualify for unemployment benefits and similar supports.⁴⁵

INDICATOR 3: THE SAFETY NET

KEY STATISTICS

- Only 40% of unemployed workers in California actually receive unemployment benefits. At \$40 to \$450 per week, even the maximum unemployment benefit is less than the median housing cost for a homeowner in Santa Clara County.
- Since 2001, the number of Santa Clara County households receiving CalWORKs aid has grown by 38%.
- 98,500 residents of Santa Clara County are below the poverty line, yet do not receive any cash assistance. 138,000 people lack job-based or private health coverage, yet do not receive health insurance through any public program.

WHY IT MATTERS

The social safety net is supposed to be a means of support for households negatively impacted by economic conditions, providing a degree of insulation against job and income insecurity. But the safety net in the United States – and locally – is in a state of advanced decay.

The majority of unemployed workers never receive unemployment benefits, and even for those that do, the amount and length of the benefits are usually inadequate. Our health care system is in crisis, with employer-based coverage shrinking and no existing government program capable of picking up the slack for the growing population of working uninsured adults. Other safety net programs, such as welfare and food stamps, play a crucial role in supporting the most vulnerable segments of the population. However, these programs have such limited eligibility requirements that the majority of people impacted by economic risk are excluded from help.

KEY PUBLIC POLICIES

- In Santa Clara, the County government and a broad network of nonprofit agencies have made it a priority to build and maintain a strong social safety net, implementing best practices from around the nation and consistently evaluating their efforts to meet the needs of the county's residents. One new initiative is the 2-1-1 "first call for help" phone line, which provides all County residents with a hotline through which to access health and human service information and referrals, as well as disaster assistance.⁴⁶
- The safety net is increasingly threatened by lack of funding and restrictions on eligibility. For fiscal year 2007-08, Santa Clara County faces a projected budget deficit of up to \$238 million; state and federal rule changes could potentially cut tens of millions more. Statewide, the Governor's proposed budget for 2007-08 would cut \$1 billion in funding for CalWORKs, eliminating grants for many children; at the federal level, the President's proposed budget would cut well over \$1 billion from California safety net programs in 2008-2012.⁴⁷ Although local communities should strongly resist these cuts, it is clear that state and federal funding cannot be relied upon to fill the gap; it is imperative that Santa Clara County develop local fiscal strategies to preserve its safety net.

STATE OF WORKING FAMILIES:

Declined



STATE OF PUBLIC POLICY:

Reform needed



UNEMPLOYMENT INSURANCE

In California, three out of five unemployed workers are excluded from unemployment insurance benefits

The unemployment insurance system is intended to cushion the impact of job loss on families and on the overall economy by replacing a portion of a laid-off worker's wages. Nearly all workers in California pay a portion of their wages into the unemployment insurance system. Yet only 40% of unemployed workers statewide actually receive unemployment benefits.

Our nation's unemployment insurance system was designed more than fifty years ago, based on the assumption that most families depended upon a single breadwinner who had a full-time, permanent, stable job. Layoffs were assumed to be relatively rare, and once the economy improved, a laid-off worker was supposed to be able to quickly find another job, or even be called back to his or her original job.

Today, very few jobs fit into this model. But the unemployment system has responded only slowly to the changing nature of work. As a result, less than half of jobless workers qualify under the antiquated unemployment rules. Low-income and contingent workers, who are disproportionately minorities, are particularly disadvantaged by the current rules, which exclude workers with too-low incomes and do not count income from the most recent quarter of work. California has adopted some reforms that expand access to benefits for jobless workers, including accepting family-related hardships as good cause for leaving a job, and making it easier for unemployed part-time workers to qualify; however, many unemployed workers remain outside the system.⁴⁸

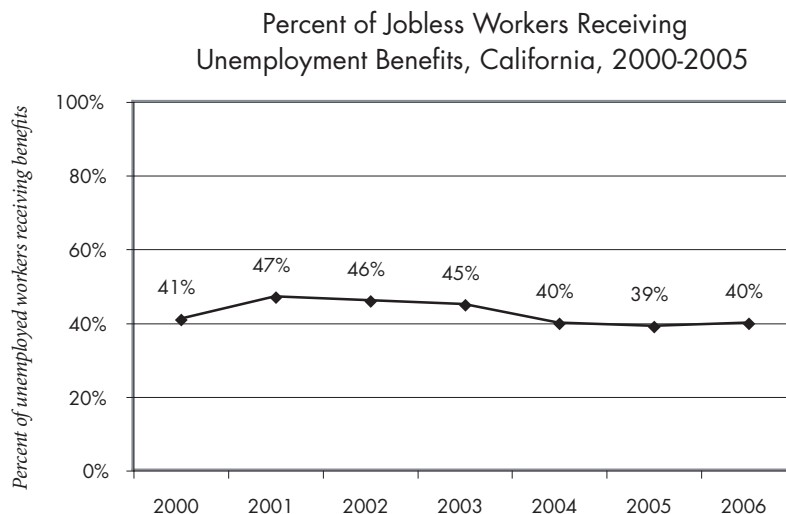


Figure 2.15, Source: U.S. Department of Labor

Reform boosts California's unemployment benefits up to the national average, but the maximum benefit is still not enough to cover the median mortgage payment in Santa Clara County

Unemployed workers got a boost in 2002, when California increased the benefits payable through the state's unemployment insurance program. Previously, California had one of the lowest benefit rates in the country, with the average benefit replacing only about 39% of a worker's previous wages. In 2005, the average benefit replaced 48.8% of wages, slightly above the national replacement rate of 46.5%.

The state's benefit rates remain low relative to the cost of living, however, especially in high-cost areas of the state like Silicon Valley. The lowest-income claimants receive benefits of just \$40 per week. Even the maximum benefit, \$450 per week, is less than the housing payment owed by the average Santa Clara County homeowner (median monthly housing cost is \$2,550, or \$576 per week.)⁴⁹

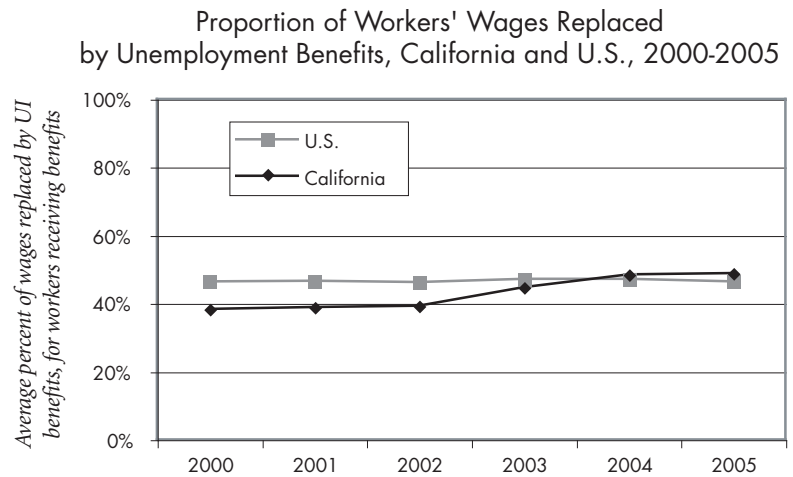


Figure 2.16, Source: U.S. Department of Labor

Seeking Security: Indicator 3: The Safety Net

Forty to fifty percent of workers in California exhaust their unemployment benefits

Even if a jobless worker is fortunate enough to qualify for unemployment insurance, he or she faces an additional problem: the insurance runs out in six months at most.

If laid-off workers could quickly find new jobs, the time limit would not be a problem; however, far more workers have joined the ranks of the long-term unemployed in the past fifteen years.⁵⁰ The federal government extended unemployment benefits following the 2001 recession, but Congress ended the extended benefits program in December 2003, cutting off more than three million workers.⁵¹

In California today, between forty to fifty percent of all workers on unemployment exhaust their benefits; that is, they run out of unemployment benefits while they are still looking for work. In 2000, 37% of unemployed workers exhausted their benefits; by 2003, the exhaustion rate reached a peak of nearly 50 percent. A smaller proportion of workers ran out of benefits in 2006, but the exhaustion rate was still 43.1%, 6 points higher than in 2000.

Education provides much less protection against long-term unemployment than in the past; in 2001-04, 42% of the long-term unemployed had gone to college, up from 34.7% in 1990-93.⁵² A 2003 nationwide survey of unemployed adults found that they had applied for an average of 29 jobs each, without success.⁵³

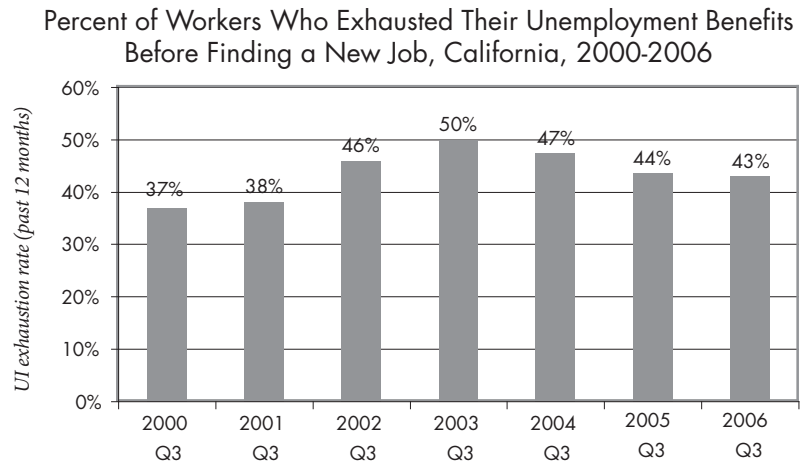


Figure 2.17, Source: U.S. Department of Labor

PUBLIC ASSISTANCE

A growing number of Santa Clara County households turn to CalWORKs for aid; since 2001, caseload has grown by 38%

For families facing increasing insecurity in employment, income, and health coverage, along with rising debt payments and less savings to fall back on, public assistance programs are a vital part of the social safety net. In addition to helping families avoid the extreme hardships of hunger, homelessness, and lack of health care, public assistance can give recipients the stability they need in order to find or keep a job, provide for their children, or succeed in school.

Since January 2001, the number of Santa Clara County households receiving aid through CalWORKs has grown from 10,447 to 14,390: a 38% increase. The increase in the CalWORKs caseload is one indicator of the increased financial difficulty experienced by households in the county.

As of January 2007, 59% of the county's CalWORKs recipients were Hispanic/Latino, 13% white, 10% Vietnamese, and the remainder from a wide mix of ethnicities. 93% were born in the United States. About one-quarter of CalWORKs recipients were adults, and three-quarters children; among the adults, 78% were women.⁵⁴

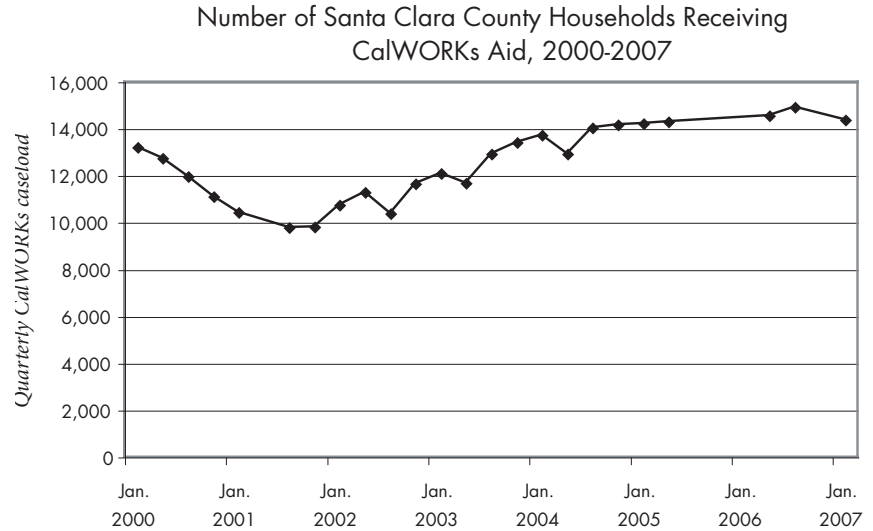


Figure 2.18, Source: Santa Clara County Social Services Agency

Seeking Security: Indicator 3: The Safety Net

Nearly one out of every eight Santa Clara County residents receives public assistance; Medi-Cal is the most-used program by far

In January 2007, 228,205 people received public assistance in Santa Clara County: 12.7% of the population. Two-thirds of the people on public assistance received not cash aid or food stamps, but Medi-Cal, a sign of the immense need for health coverage in the county.

The chart to the right shows individuals receiving public assistance broken down by type of program, and illustrates how the total number of people with assistance has grown since 2003. (This data does not include the Healthy Families and Healthy Kids insurance programs.)

Since strict state and federal eligibility standards exclude many households experiencing hardships from qualifying for aid programs, the actual number in need is much higher.

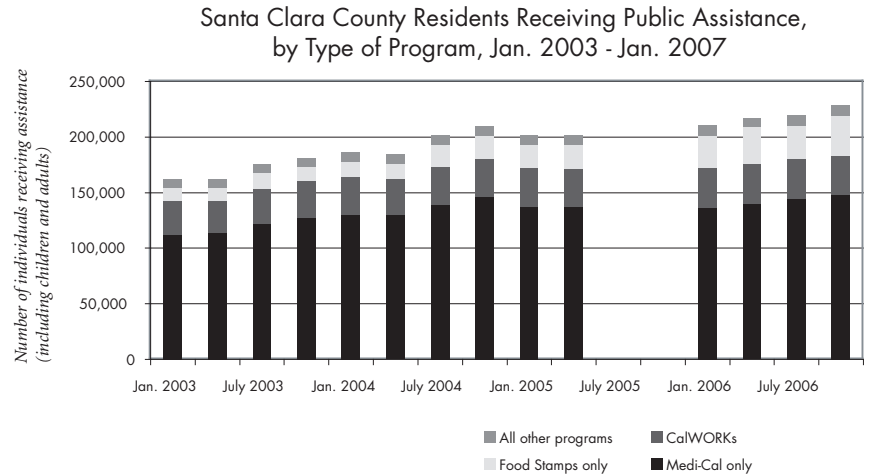


Figure 2.19, Source: Santa Clara County Social Services Agency, Dept. of Employment Benefits Services. Recipient numbers include both children and adults. Data tracking methodology changed in July 2005; 2006 data are thus not directly comparable to prior years. 'Medi-Cal only' and 'Food Stamps only' do not include CalWORKs clients.

GAPS IN THE SAFETY NET

Both public and private assistance providers in Santa Clara County play essential roles in supporting families who are struggling to make ends meet. However, constraints on these programs mean that for many families, today's safety net system does not offer adequate protection against the increased risks they face.

People in need fall through the safety net for two principal reasons. First, not all individuals and families who are eligible for assistance actually enroll, due to reasons ranging from lack of information, to aversion to dealing with government, to the perceived stigma associated with public assistance.

The second reason, affecting many more households, is ineligibility. There is a large and increasing gap between the maximum income cutoffs for safety net programs (often based on the federal poverty level) and the income needed by a family in Santa Clara County to afford the basic necessities of life. This problem constitutes the "poverty vs. self-sufficiency gap" into which an increasing number of families fall.

The chart at right shows the minimum self-sufficiency income compared to income cutoffs for major safety net programs. A hypothetical household with two working parents and two kids earning slightly below the self-sufficiency line is eligible for children's health insurance through the county-based Healthy Kids program. But the parents cannot get health coverage, and they are unlikely to qualify for any other support. (Although their income might qualify the family for Section 8 housing assistance, the waiting list for Section 8 vouchers is currently closed and unlikely to open again for years.) With the exception of Healthy Kids, safety net programs that might help this family avoid a crisis and maintain a stable foothold in the middle class are not available.

In addition, a number of households are ineligible for aid due to reasons other than exceeding the income cutoffs. Several types of assistance are generally available only to children (Healthy Families and Healthy

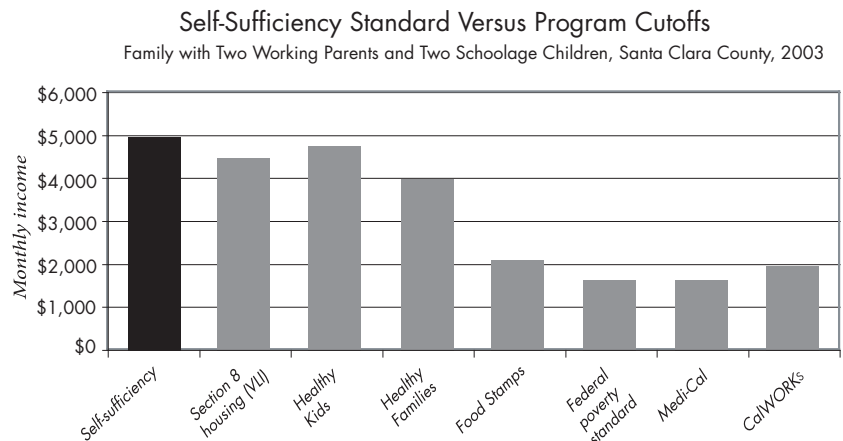


Figure 2.20. Source: Self-sufficiency standard calculated by California Families for Self-Sufficiency/NEDLC. Eligibility cutoffs (2003) from administrative publications for each program.

Kids) or to families with children (CalWORKs, Medi-Cal), with limited exceptions for disabled or elderly adults. Families can also be excluded because they lack the required immigration status or because they have moderate savings or assets – even a car that is deemed too valuable.

Most of the rules restricting eligibility are set by state or federal authorities, creating a major challenge for local agencies seeking to provide a safety net that is not full of holes. The chart on the following page estimates how many people in Santa Clara County are in need of assistance but not receiving it.

Seeking Security: Indicator 3: The Safety Net

Gaps Between Need and Public Assistance, Santa Clara County, 2005⁵⁵

	Number in need	Number receiving assistance	Gap in safety net
Health coverage	378,000 people <i>Residents without job-based or private insurance (age 0-64)</i>	240,000 people <i>Est. residents enrolled in public health coverage (age 0-64)</i>	138,000 people <i>Uninsured (age 0-64)</i>
Food security	189,382 lbs <i>Pounds of food assistance needed annually by adults and children</i>	101,342 lbs <i>Pounds of food assistance provided by Food Stamps, Second Harvest, free school lunch, and other programs</i>	88,040 lbs <i>Pounds of food still needed by hungry and food insecure residents</i>
Adequate income	138,601 people <i>Residents in poverty</i>	40,101 people <i>Residents receiving cash aid (CalWORKs, GA, CAPI, or Refugee)</i>	98,500 people <i>In poverty without cash aid</i>
Affordable housing	50,263 households <i>Households paying more than half their income for rent</i>	16,284 households <i>Households receiving tenant-based housing assistance</i>	33,979 households <i>In unaffordable rental housing and not getting assistance</i>

3.

STAYING HEALTHY

INDICATOR 1: CHILDREN'S HEALTH

INDICATOR 2: ADULT HEALTH

INDICATOR 3: HEALTH CARE ACCESS/INFRASTRUCTURE

INDICATOR 1: CHILDREN'S HEALTH

KEY STATISTICS

- The percentage of children with health insurance coverage in Santa Clara County climbed from 95.6% in 2001 to 97.4% in 2005.
- The proportion of children with health coverage through a parent's employer declined more than 9 percentage points overall and nearly 21 percentage points for low and middle-income children.
- Enrollment in public health programs for children nearly doubled from 67,285 in 2000 to 133,529 in 2006.

WHY IT MATTERS

There are few things more vital to the well-being of a community than the health of its children. Kids with health insurance coverage are more likely to receive necessary preventative treatment, more likely to see a doctor when they are sick, and less likely to miss and fall behind in school.

In Santa Clara County, trends in overall children's health coverage have been encouraging in recent years, as local policy has helped expand access to quality public health insurance programs. Overall, the percentage of children with health insurance increased steadily from 2001-2005. However, during this same time the percentage of children covered through a parent's employer plummeted, shifting the burden of health costs from employers to the public sector.

KEY PUBLIC POLICIES

- Through the Children's Health Initiative, Santa Clara became the first county in the nation to attempt to offer affordable health insurance to all children with family incomes below 300% of the federal poverty level. Since its launch in 2001, this program has helped more than 120,000 uninsured children obtain comprehensive health insurance.¹
- Increased enrollment in public programs has offset a significant decline in employer coverage, demonstrating how good public policy can reduce the impact of negative market trends on the health and livelihood of working families.

STATE OF WORKING FAMILIES:
Improved



STATE OF PUBLIC POLICY:
Progress occurring



CHILDREN'S HEALTH INSURANCE

Children's Health Initiative expands public coverage

In early 2001, Santa Clara County launched the Children's Health Initiative (CHI), becoming the first county in the nation to attempt to provide affordable health insurance to all of its low and middle income children. To help cover the estimated 71,000 uninsured children in the county at the time, CHI included a targeted public outreach effort to enroll kids eligible for the existing state public health programs, Medi-Cal and Healthy Families.² In addition, CHI proposed a new program, Healthy Kids, to cover children whose families could not afford private insurance but who were not eligible for existing public coverage. With the establishment of Healthy Kids, all children (ages 0-18) in Santa Clara County with a family income below 300% of the federal poverty level - \$60,000 for a family of four in 2006³ - qualify for comprehensive, affordable health insurance. Since 2001, a total of more than 120,000 uninsured kids have been signed up for insurance through the Children's Health Initiative.⁴ This has translated into a near doubling of the average monthly enrollment in children's public health programs, from 67,285 kids in 2000 to 133,529 in 2006 (see Figure 3.1).⁵

Overall insurance rates for kids remain high, but employer-based coverage declines

The success of the Children's Health Initiative has kept health insurance rates for kids in Santa Clara County very high, despite major declines in employer-based coverage. Overall, health coverage for children (ages 0-18) climbed from 95.6% in 2001 to 97.4% in 2005.⁶ Children's coverage through a parent's employer dropped more than 9 percentage points during this time, falling from 75.4% in 2001 to 66.1% in 2005.⁷ Offsetting this decline was a surge in the share of children with some form of public insurance (Medi-Cal, Healthy Families, or the new Healthy Kids program). In 2001, 17.3% of children had medical coverage through one of these public programs; by 2005, this number had climbed to 25.2% (see Figure 3.2).⁸

Children Under 19 Receiving Public Health Coverage in Santa Clara County by Program, 2000-2006

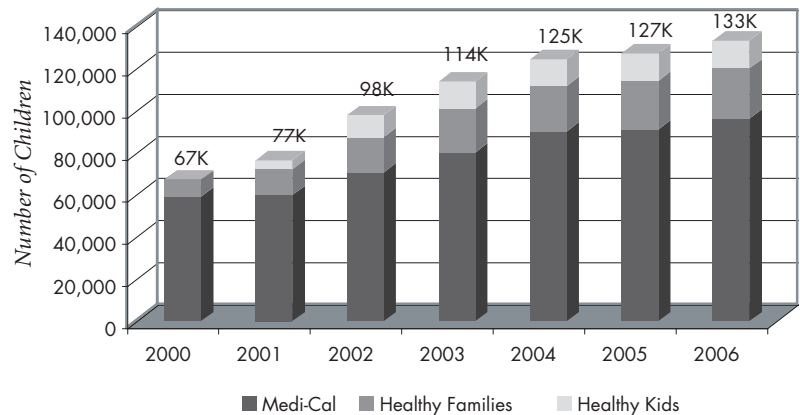


Figure 3.1. Source: Santa Clara Family Health Plan
Note: Annual data based on an average of monthly enrollment

Type of Health Insurance Coverage, All Children (ages 0-18), Santa Clara County, 2001-2005

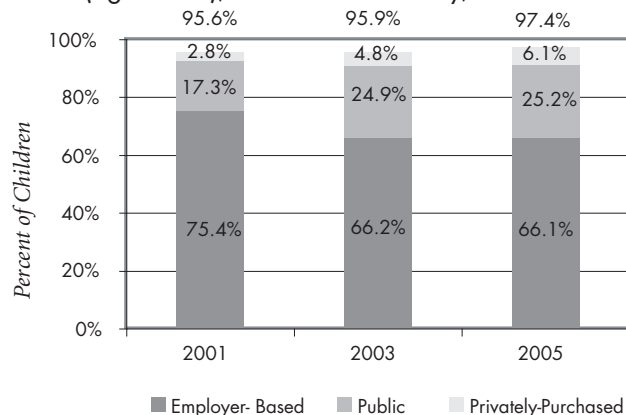


Figure 3.2. Source: California Health Interview Survey

Staying Healthy: Indicator 1: Children's Health

Public insurance rates rise dramatically among low and middle income children

The shift from job-based to public health insurance was most pronounced among low and middle income children. Children from households earning below 300% of the federal poverty level experienced a near freefall in employer-sponsored coverage, dropping from 48.5% covered in 2001 to 27.6% in 2005.⁹ However, substantial increases in public coverage for this demographic category counterbalanced this decline, as overall coverage climbed from 90% to 94% from 2001-2005 (see Figure 3.3).¹⁰

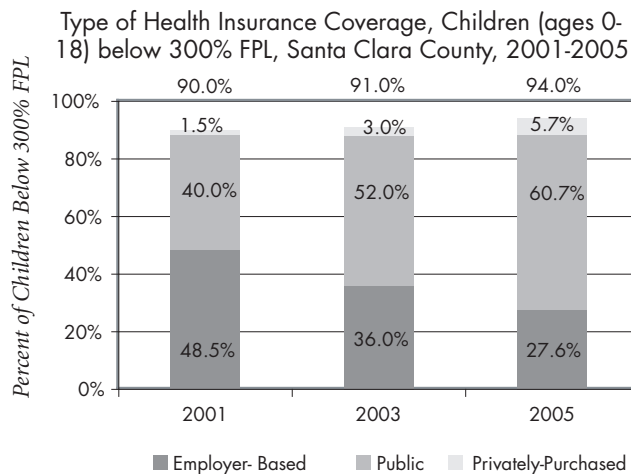


Figure 3.3. Source: California Health Interview Survey

INFANT HEALTH

Access to prenatal care remains stable, but a high proportion of Black and Latina mothers lack access

Children's health care needs begin before they are born. An expectant mother's access to early prenatal care can significantly reduce the risk of health problems for her child as well as herself.¹¹ In 2005, the percentage of all Santa Clara County mothers who received late (after the first trimester) or no prenatal care remained consistent with 2000 levels, at 12.9%.¹² This means that more than 1 out of 8 Santa Clara County mothers are still not receiving the care they need.

Large disparities continue to exist among different ethnic groups, though the gap is narrowing. From 2000-2005, the share of Latina mothers receiving late or no prenatal care declined from 20.4% to 19% but remained higher than other racial/ethnic groups.¹³ Rates were also elevated among African American mothers, with 17.2% not receiving needed prenatal care in 2005, compared to 10.1% of Asian/Pacific Islander mothers and 8.2% of White mothers (see Figure 3.4).¹⁴

Percentage of Mothers Receiving Late or No Prenatal Care, by Race/Ethnicity, Santa Clara County, 2000-2005

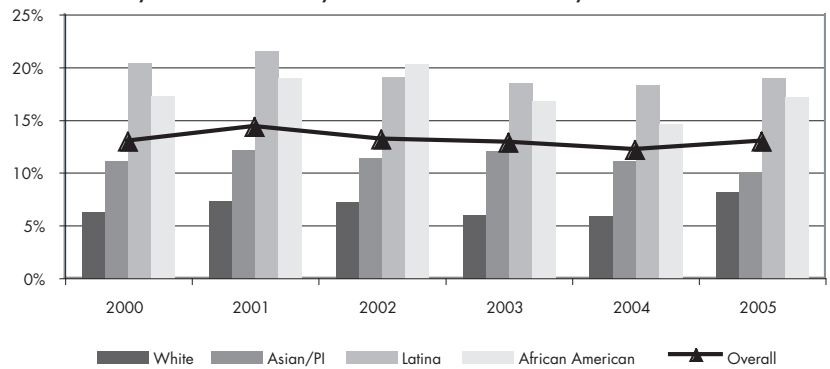


Figure 3.4, Source: Santa Clara County Public Health Department

Staying Healthy: Indicator 1: Children's Health

Low birth weights are highest among African-American and Asian-American babies

Birth weight is another key indicator of infant health, as low birth weight babies are at higher risk of infant mortality, long term disabilities and other health problems.¹⁵ Overall, from 2000-2005, the share of babies born at low birth weight (less than 2500 grams) increased slightly from 6.2% to 6.5%.¹⁶ Rates were consistently higher during this span for African American babies (at 9.4% in 2005) and Asian/Pacific Islander babies (at 7.2% in 2005).¹⁷

Percentage of Babies Born at Low Weight (<2500g), by Race/Ethnicity, Santa Clara County, 2000-2005

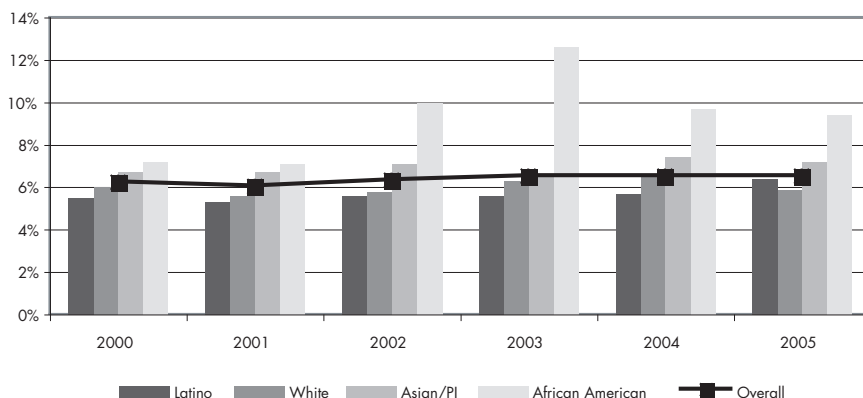


Figure 3.5, Source: Santa Clara County Public Health Department

Infant mortality rates remain stable; Latino infants suffer the highest mortality

Infant mortality is one of the most fundamental measures of community health. In Santa Clara County the overall infant mortality rate dropped from 4.5 deaths per 1,000 live births in 2000 to 3.6 deaths in 2002 before rising back up to 4.5 deaths in 2004.¹⁸ Among ethnic groups for which sufficient data is available, mortality was highest for Latino infants at 5.3 deaths per 1,000 births in 2004, compared with 4.4 deaths among Whites and 3.8 deaths among Asians/Pacific Islanders (see Figure 3.6).¹⁹

Infant Mortality Rate, by Race/Ethnicity, Santa Clara County, 2000-2004

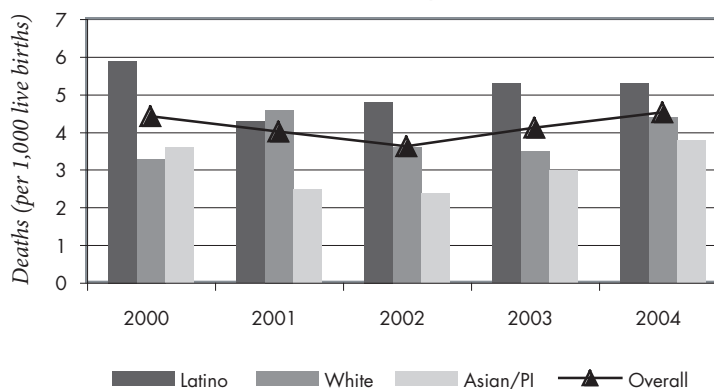


Figure 3.6, Source: Santa Clara County Public Health Department

INDICATOR 2: ADULT HEALTH

KEY STATISTICS

- From 2001-2005, the percentage of non-elderly adults in Santa Clara County maintaining health insurance through their job dropped from 74.7% to 70.6%.
- Of the 126,000 uninsured non-elderly adults in Santa Clara County, an estimated 121,000 are not eligible for Medi-Cal – presently the only major public health program in existence for this age group.
- In California from 2000-2006, the average annual amount workers contribute to their job-based health care ballooned from \$1,477 to \$2,883 for family coverage and from \$271 to \$547 for individual coverage.

WHY IT MATTERS

For many decades, the majority of working families in the United States have received their health insurance coverage through an employer. As a result, even slight changes in job-based coverage rates for working adults and their families has a broad impact. From 2001-2005, the rate of employer-sponsored health coverage for non-elderly adults in Santa Clara County fell 4 percentage points.²⁰

Some workers, if they qualify, have shifted to public programs like Medi-Cal for their insurance. However, most adults who fall off of job-based based coverage are not eligible for public programs and instead are forced to pay exorbitant rates for private coverage or go without insurance. It is worth noting that, overall, insurance rates for non-elderly adults in 2005 remained fairly consistent with 2001 levels.²¹ However, because of the tight eligibility requirements of public programs for adults and the high costs of privately-purchased insurance, this trend is unsustainable. In the absence of significant public policy changes, if the pattern of eroding job-based coverage continues, more and more men and women will be forced to live without any health insurance.²²

KEY PUBLIC POLICIES

- Current policy is grossly inadequate to address the shifting burden of health costs from employers to the public sector and working families. Elected officials are increasingly recognizing this situation requires major new policy initiatives. Care must be taken to ensure that proposed reforms do not make families' financial situations worse, or force them to go without needed care.²³
- The county is considering implementing a voluntary 'three-share' health coverage program targeted at low and middle income workers and small businesses. Approval of this plan would be an important step towards expanding health coverage to some of the 76,000 uninsured adults working full-time in Santa Clara County. However, the county alone does not have the resources to solve the adult health coverage crisis; action at the state and federal levels is urgently needed.²⁴

STATE OF WORKING FAMILIES:
Improved

STATE OF PUBLIC POLICY:
In crisis

ADULT HEALTH INSURANCE

Employer-based coverage continues to decline

Santa Clara County adults experienced a significant decline in job-based insurance from 2001-2005. The percentage of non-elderly adults (ages 19-64) with insurance through an employer dropped from 74.7% in 2001 to 70.6% in 2005 (see Figure 3.7).²⁵

These numbers do not capture the share of workers who may be *underinsured* due to employers reducing but not eliminating health benefits. A 2003 national survey found that 12% of adults with health insurance were underinsured, meaning their health coverage did not protect them from catastrophic medical costs.²⁶

Public coverage increases, but further expansion is restricted

Corresponding with the decline in employer-based coverage has been an increase in the number of Santa Clara County residents insured through public health programs. In total, the share of non-elderly adults with public coverage increased from 8.1% in 2001 to 11.3% in 2005 (See Figure 3.7).²⁷

Existing public health programs do not have the capacity to take on many more adults. With some exceptions, eligibility requirements prevent non-elderly adults with family incomes greater than 107% of the federal poverty level (\$17,680 for a family of three in 2006) from receiving Medi-Cal - the only major public insurance program in existence for this age group.²⁸ Adults without custody of minor children or without citizenship documentation are also excluded.²⁹

Of the 126,000 uninsured adults in Santa Clara County in 2005, an estimated 121,000 were not eligible for Medi-Cal coverage (see Figure 3.8).³⁰ These limitations suggest that if declining trends in job-based health insurance continue, many more adults will be left uninsured.

Type of Health Insurance Coverage, All Non-Elderly Adults (ages 19-64), Santa Clara County, 2001-2005

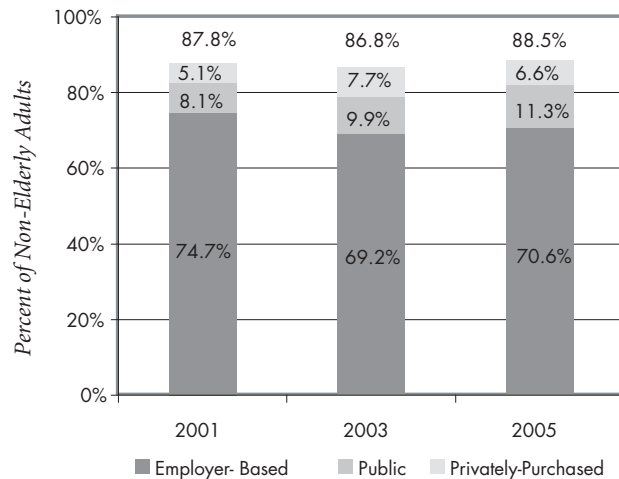


Figure 3.7, Source: California Health Interview Survey

Uninsured Non-Elderly Adults (ages 19-64), Eligibility for Medi-Cal Coverage, Santa Clara County, 2005

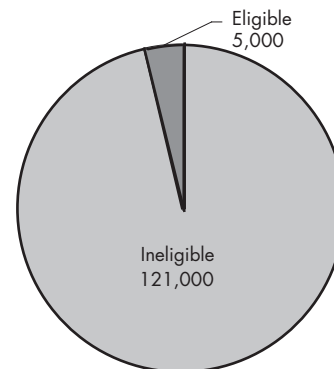


Figure 3.8, Source: California Health Interview Survey

Latinos are the least likely to have health insurance

With the rise in public coverage offsetting declines in employer coverage, overall health insurance rates among adults in Santa Clara remained stable with 87.8% insured in 2001 and 88.5% in 2005.³¹ However, disparities in the rate of coverage among different racial/ethnic groups persist. In 2005, among non-elderly adults, whites were most likely to have health insurance at 95.3%, compared with 86.9% for Asian-Americans, and 73.4% for Latinos (see Figure 3.9).³² Again, these numbers do not reflect the share of adults who are underinsured, that is, with health plans that do not cover all necessary medical services or do not protect against excessive medical costs.

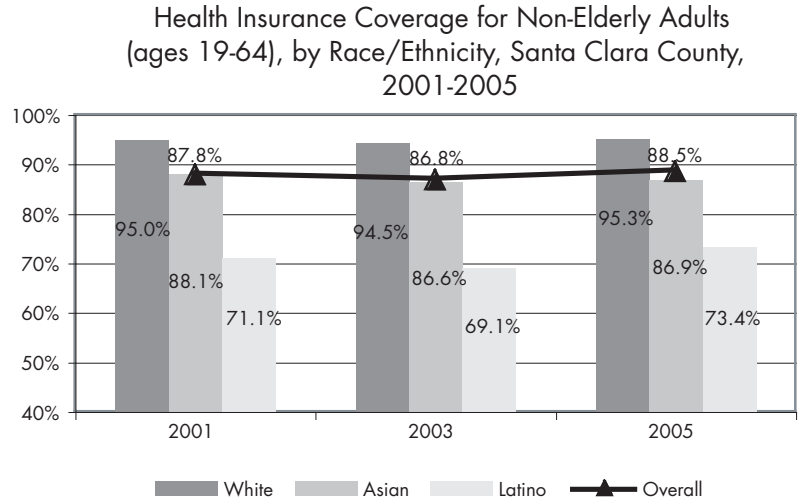


Figure 3.9. Source: California Health Interview Survey

HEALTH COSTS

Worker contributions to health care skyrocket

Between 2000 and 2006, those workers maintaining insurance through a job experienced dramatic increases in the amount they contribute to their health premiums. For job-based coverage for a family of four in California, average annual worker contributions increased 91% in this six year span, from \$1,477 to \$2,883.³³ For individual coverage, contributions doubled, from \$271 to \$547.³⁴ These cost increases severely outpaced the overall rate of inflation,³⁵ with job-based family coverage growing an average of 11% each year, and individual coverage growing at an average rate of 12% (see Figure 3.10).

Deductible & co-payment costs on the rise

As health premiums increase, workers with employer-based health care are also finding themselves with higher deductible and co-payment costs. In California, the share of PPO health plan enrollees with a deductible of \$500 or higher more than doubled, from 14% in 2000 to 31% in 2006.³⁶ Furthermore, from 2003 to 2006, the percentage of workers with co-payments of \$20 or more per doctor's visit rose substantially for all types of job-based health plans (see Figure 3.11).³⁷

When added to the cost of prescription drugs and separate co-payments for hospital admission and emergency room visits, these rising health expenses force families to spend an increasingly large share of their income to stay healthy.

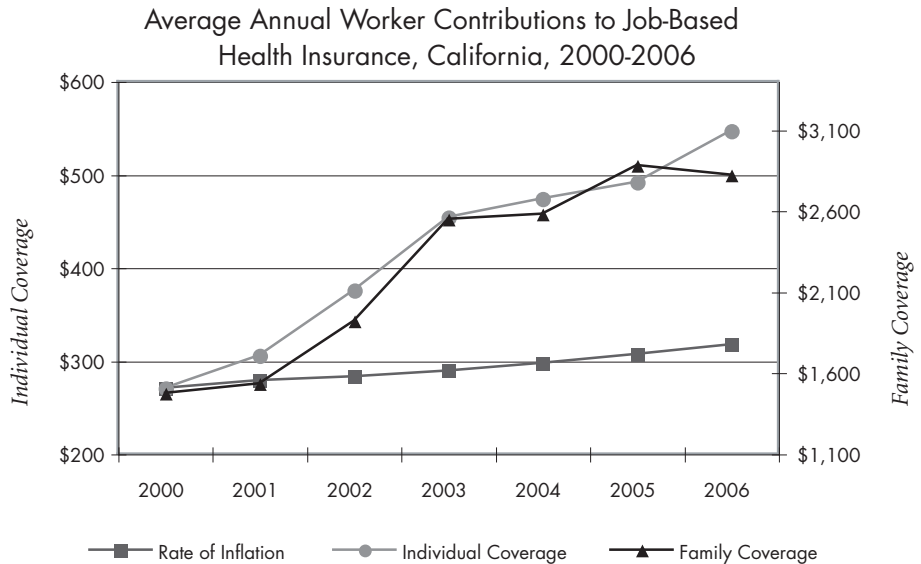


Figure 3.10, Sources: UC Berkeley Labor Center & Working Partnerships USA, KFF/HRET California Employer Health Benefits Survey, and U.S. Dept. of Labor, Bureau of Labor Statistics

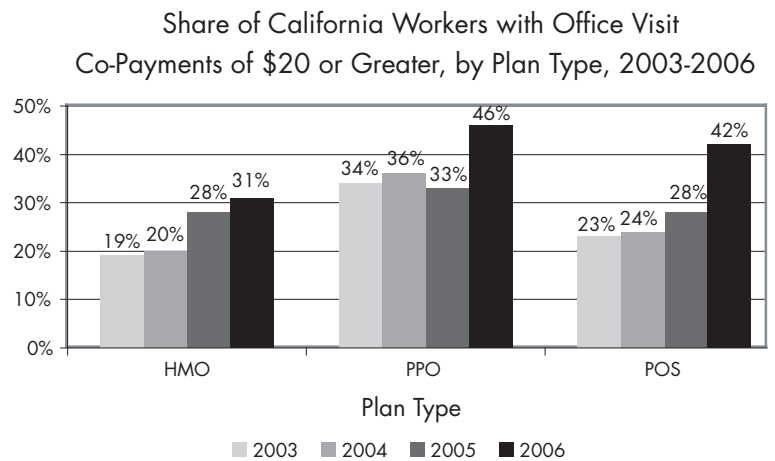


Figure 3.11, Source: KFF/HRET California Employer Benefits Survey

INDICATOR 3: HEALTH CARE ACCESS/INFRASTRUCTURE

KEY STATISTICS

- In 2005 an estimated 153,000 children & adults in Santa Clara County did not have access to a usual source of health care.
- The Santa Clara Valley Health and Hospital System faces proposed cuts of \$109.9 million in fiscal year 2007-2008, an 8.65% reduction in its total budget.
- From 2005 to 2006, the total hours that Valley Medical Center's emergency room was forced to divert ambulances to other hospitals increased 20%, from 407 hours to 489 hours.

WHY IT MATTERS

Having health insurance coverage does not guarantee access to health care services. Obtaining needed health care requires, among other things, that there be a doctor or hospital with time and space available, willing to accept your specific type of coverage (or lack of coverage), offering the services you need, and able to communicate in a language you understand.

Recent trends in Santa Clara County have made many of these health access requirements more difficult to meet. The closure of San Jose Medical Center and the termination of Medi-Cal contracts at Regional Medical Center and other hospitals have limited health access options for low-income and downtown San Jose residents and put an added strain on the public health safety net system. To make matters worse, the county government faces a total \$238 million budget deficit next year that is likely to result in very deep cuts to a health and hospital system already stretched thin.³⁸

KEY PUBLIC POLICIES

- Silicon Valley urgently needs to find a way to generate revenue to maintain its health care infrastructure. Not only does Santa Clara County face a projected 2007-08 budget deficit of up to \$238 million – some of which will have to be cut from the already struggling health and hospital system – but our local hospitals are racing the clock to meet state requirements for seismic upgrades. The estimated seismic retrofitting cost for Valley Medical Center alone is \$1.2 billion.³⁹
- The failure of public policy to create an accessible health insurance system contributes to the financial strain on local health care providers. In 2006, the Santa Clara Valley Health and Hospital System spent \$184 million delivering care to the uninsured.⁴⁰
- An increasing number of hospitals are refusing to accept Medi-Cal patients outside of the emergency department, severely limiting access to care for Medi-Cal recipients. This trend could be reversed by a combination of raising Medi-Cal reimbursement rates to more adequate levels and requiring all major hospitals to accept Medi-Cal patients for primary care and other nonemergency treatment.⁴¹

STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
In crisis



ACCESS FOR LOW-INCOME FAMILIES

The public health care safety net provides vital care to thousands of uninsured residents

Santa Clara County's high quality public safety net system is vitally important to residents who do not have access to or cannot afford health insurance. Through its public hospital - Santa Clara Valley Medical Center - and its broad network of community clinics, the county has been able to deliver both preventative and acute care to much of its uninsured population. In fiscal year 2005, the County Health and Hospital System provided 16,000 inpatient days of care and 157,000 outpatient visits for the uninsured,⁴² and in 2006, spent \$184 million on care for these residents.⁴³ This total includes mental health services, which the system provides to approximately 7,000 uninsured patients each year.⁴⁴

Valley Medical Center employs 24 full-time medical interpreters⁴⁵ and offers patient translation services in over 200 languages to facilitate health access to the region's culturally and linguistically diverse population.⁴⁶ This safety net hospital runs the only Level I trauma center in the heart of Santa Clara County, and provides care to a majority of persons injured in the county.⁴⁷ While the quality of the existing public safety net system is well recognized, as more residents find themselves in need of county safety net services, system capacity is stretched and access can be jeopardized.

Staying Healthy: Indicator 3: Health Care Access/Infrastructure

Fewer hospitals accept Medi-Cal clients

The recent shift from employer-sponsored to publicly-sponsored coverage has not only moved health costs from employers onto the public sector, it has also narrowed health care access for some patients as they change their type of coverage.

In particular, the rising Medi-Cal population in Santa Clara County is being faced with increasingly limited options for obtaining health care services. In recent years, both Regional Medical Center of San Jose and Community Hospital of Los Gatos cut off services to most of their non-emergency Medi-Cal patients.⁴⁸ Combined with the abrupt closing of San Jose Medical Center in 2004, options for Medi-Cal families have narrowed significantly, forcing low-income residents to travel across town to deliver babies or receive non-emergency operations.⁴⁹ Today in Santa Clara County, no hospital east of Bascom Avenue (where Valley Medical Center is located in West San Jose) accepts non-emergency Medi-Cal patients.

The decline in hospital options for Medi-Cal patients places added pressure on the Health and Hospital System and, in particular, Valley Medical Center, which is by far the largest provider of care to Medi-Cal beneficiaries in the county.⁵⁰ Measuring from January to June, the number of Medi-Cal inpatients discharged from Valley Med increased 20%, from 9,046 in 2004 to 10,837 in 2006.⁵¹ During this same time period, the number of downtown San Jose Medi-Cal inpatients shot up 27%, from 1,754 to 2,225, reflecting the impact of San Jose Medical Center's closure.⁵²

Hospitals Available to Non-Emergency Medi-Cal Patients in the Heart of Santa Clara County
(Changes from 2000 to 2006)



Figure 3.12

Staying Healthy: Indicator 3: Health Care Access/Infrastructure

Medi-Cal clients often delay or don't receive needed care

Medi-Cal families face greater challenges in accessing health care services than the rest of the insured population in the county. This reality was apparent even before the recent decline in local hospitals accepting Medi-Cal coverage.

In 2003 - the most recent year for which data is available - the California Health Interview Survey found that Medi-Cal beneficiaries in Santa Clara County were just as likely to delay or not receive the care they needed (18.1%) as the uninsured population (18.1%).⁵³ Those with employer-sponsored coverage (10.2%) and other types of coverage (7.6%) were much less likely to delay or not receive needed care.⁵⁴

Percentage of Santa Clara County Residents Who Delayed or Did Not Receive Needed Medical Care, by Type of Coverage, 2003

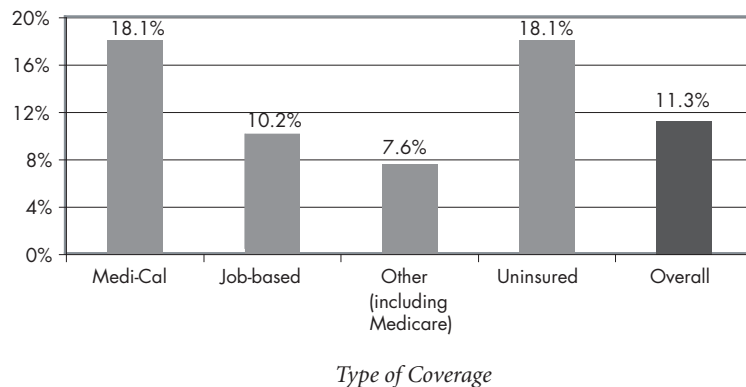


Figure 3.13, Source: California Health Interview Survey

ACCESS TO EMERGENCY CARE

Valley Medical Center receives more emergency patients from downtown San Jose

The closure of San Jose Medical Center (SJMC) in December 2004 put a strain not only on Medi-Cal beneficiaries and the greater downtown San Jose population it served but also on the countywide delivery of emergency services. Again, some of this added burden has been placed on the public system and Valley Medical Center, one of the closest remaining emergency departments and one of only three trauma centers in the county.

From the first half of 2004 to 2006, the number of emergency visits at Valley Medical Center by residents of downtown San Jose increased 23%, from 2,474 to 3,039.⁵⁵ The number of emergency Medi-Cal visits from downtown rose more than 40% during this time, from 1,310 to 1,842 (see Figure 3.14).⁵⁶

The ambulance diversion rate at Valley Medical Center grows

More evidence of an increasingly stretched public hospital can be found by looking at Valley Medical Center's ambulance diversion rate - a key indicator of emergency room crowding. Although validated numbers are not available before December 2004, the diversion rate has been on the rise since that date. From 2005 to 2006, the number of hours that Valley Medical was forced to divert ambulances from its emergency room increased 20%, from 407 total hours to 489 hours (see Figure 3.15).⁵⁷

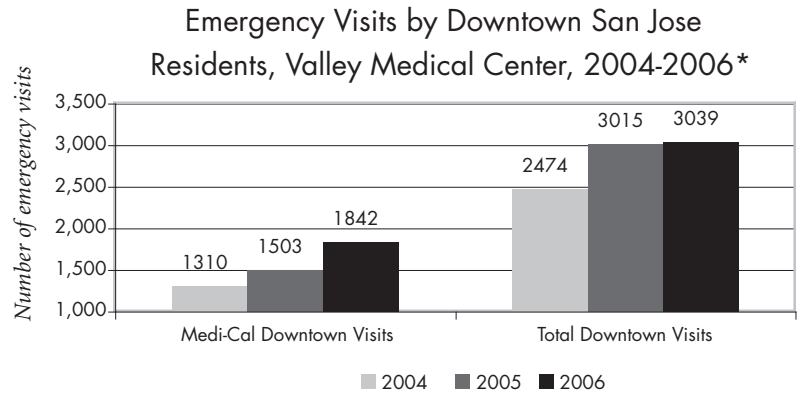


Figure 3.14, Source: Henry Zaretsky
*Data is From January - June for all years

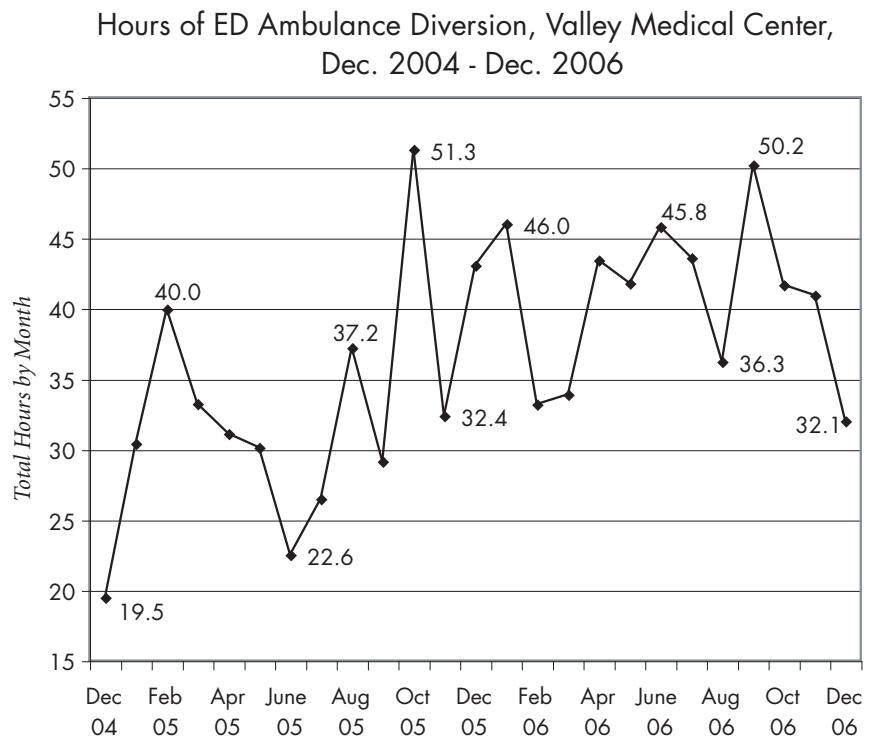


Figure 3.15, Source: Santa Clara Valley Health & Hospital System

ACCESS BY RACE/ETHNICITY

Latinos are least likely to have access to a usual source of care

A key indicator of the accessibility of health care in a community is whether residents have a regular place to go to receive care. As of 2005, an estimated 153,000 people were without a usual source of care in Santa Clara County.⁵⁸ These numbers vary substantially when broken down by race/ethnicity. Latinos were much less likely at 83.2% to have a usual place to go than whites (94.9%) and Asians (92.9%) (see Figure 3.16).⁵⁹

Having a usual source of care is a vital element in ensuring that patients receive regular primary and preventative health services. Yet looming budget cuts, hospital closures, abandoned Medi-Cal contracts and declining employer sponsored coverage threaten to further reduce access to non-emergency care. Without policy changes in the near future, the public safety net may no longer be capable of catching many of those in need.

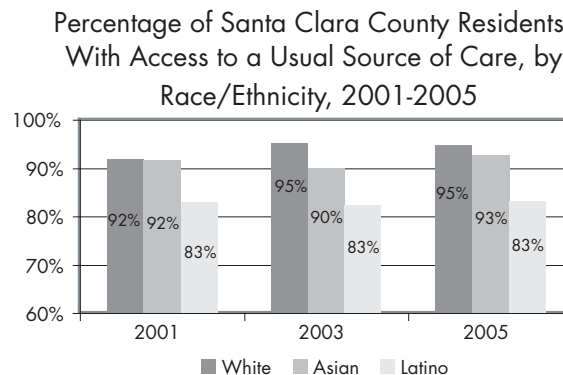


Figure 3.16, Source: California Health Interview Survey

COUNTY FINANCES

Proposed budget cuts to Health and Hospital System threaten access to care

At a time when the demand for public health services is increasing rapidly, Santa Clara County faces the prospect of having to dramatically slash the budget of its Health and Hospital System.

For many reasons, including declining tax revenues due to the economic recession, reduced financial support from the federal and state government, and a growing need for services, County expenditure growth has outpaced revenue growth for the past 6 years.⁶⁰ The result is a structural deficit that has left the County facing a \$238 million shortfall for fiscal year 2007-08.⁶¹

The proposed solution, approved ‘in concept’ by the County Board of Supervisors, would balance the budget using \$31.5 million from Valley Medical Center’s reserves and a reduction of \$109.9 million from the Health and Hospital System’s ongoing departmental budget.⁶² This amounts to 8.65% of the system’s total budget, significantly diminishing its capacity to provide care (see Figure 3.17). Some of the harder hit areas include Valley Medical Center, which between reserves and operations faces \$67 million in reductions, and the Mental Health Department which stands to lose nearly \$34 million, 16.3% of its total budget.⁶³ Though details are not yet available on the specific services to be eliminated, the level of these proposed reductions would undoubtedly mean serious damage to the health safety net.

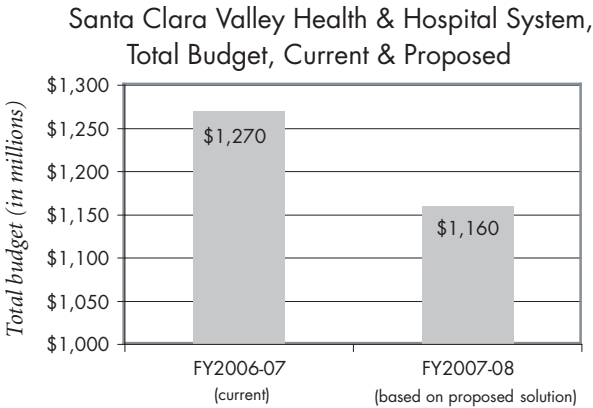


Figure 3.17, Sources: Santa Clara County Executive Peter Kutas, FY 2008 Budget Deficit Solution Package

4.

BUILDING A COMMUNITY

INDICATOR 1: HOUSING AND NEIGHBORHOODS

INDICATOR 2: TRANSPORTATION

INDICATOR 3: CRIME AND PUBLIC SAFETY

INDICATOR 1: HOUSING AND NEIGHBORHOODS

KEY STATISTICS

- From 2000 to 2005, the proportion of households in Santa Clara County spending more than half of their income on housing grew substantially for both renters (from 18.3% to 22.8%) and homeowners (9.6% to 18.4%).
- Though housing sales have dropped 26% since 2004, housing prices have yet to end their upward climb, with the median single-family home jumping a total of 49% from \$521,240 in 2000 to \$775,000 in 2006.
- The percentage of potential first-time homebuyers who could afford to purchase the entry-level home fell dramatically, from 48% in 2003 to 28% in 2006.
- Homeownership rates have increased only marginally in the past fifteen years, inching up from 59.1% in 1990 to 60.2% in 2005.
- Using capital improvement funds, San Jose has increased its community center square footage by 65% since 2000. Yet a lack of funding for operations has forced the city to cut community center staffing levels by 49%.

STATE OF WORKING FAMILIES:

Declined



STATE OF PUBLIC POLICY:

Progress occurring



INDICATOR 1: HOUSING AND NEIGHBORHOODS

WHY IT MATTERS

The quality of life of a community is felt most directly in the places where people reside. Is there adequate and affordable housing available for families at all income levels? Do neighborhoods have a strong sense of unity and community involvement? Are parks, community centers, and other amenities accessible and equitably distributed among residents?

In Santa Clara County, the lack of housing affordability is reaching crisis levels, threatening not only quality of life but also the region's economic vitality. The shortage of affordable homes forces many families to budget uncomfortably large shares of their income for housing and can make it harder for businesses to attract and retain employees.

Many of the region's neighborhoods are regarded as great places to live; in recent years livability has further improved as San Jose, the county's largest city, has expanded community centers, built libraries, and implemented a key policy to increase neighborhood involvement. However, the city faces budget constraints which threaten its ability to effectively operate community facilities and programs.

KEY PUBLIC POLICIES

- Santa Clara County has made major progress in the production of housing for all income levels, creating 14,500 affordable units since 1999. The City of San Jose is poised to take another step forward by applying inclusionary zoning to create 5,000 affordable units in Coyote Valley.¹
- Silicon Valley's need for affordable housing units is still outpacing the supply, and a major source of affordable housing investment – San Jose Redevelopment Agency funds – is dwindling. The city and county need to identify a local revenue source to take up the role formerly played by the RDA in supporting affordable housing.²
- In November 2006, California voters passed Prop 1C, a \$2.85 billion bond for affordable housing, homeless shelters, and other housing priorities. Local government officials, advocates, developers and residents must ensure that a fair share of these funds flows into Santa Clara County communities.³
- San Jose's Strong Neighborhoods Initiative (SNI) brings together neighborhood residents to collectively plan for and prioritize city investment in their neighborhoods; residents collectively decide how city funds for their neighborhood will best be spent. Since 1999, more than \$272 million has been invested in over 120 neighborhood improvement projects through the SNI process, involving hundreds of city residents and helping rebuild a sense of neighborhood cohesiveness and pride.⁴
- Both the city of San Jose and Santa Clara County have adopted ten-year plans to end homelessness; in addition to service provision and work support, elements of the county's plan include increasing the availability of permanent affordable housing and promoting the creation of living wage jobs. The County has just formed a Blue Ribbon Commission to address the urgent issues of affordable housing and homelessness. It is crucial that the city and county continue to prioritize homeless issues and work to implement their plans.⁵
- Nine of Santa Clara County's fifteen cities have adopted a park proximity policy, specifying that there must be a park within a certain radius of all households (usually 1/2 or 1/4 mile). These policies aim to ensure that parkland is equitably distributed throughout the city so that all residents can access open space.⁶

HOUSING AFFORDABILITY

Rental housing becomes less affordable

The shortage of affordable housing continues to be one of the biggest challenges facing Santa Clara County families today. Though inflation-adjusted median rents have decreased slightly from 2000 levels (see Figure 4.1)⁷, steeper declines in real household income have forced many families to budget an increasing share of their earnings for rent.

From 2000 to 2005, the proportion of Santa Clara County households spending thirty percent or more of their pre-tax income on rent jumped from 40.0% to 47.3%. Approximately 50,000 households spent a staggering *fifty* percent or more of their income on rent, climbing from 18.3% to 22.8% of all renters (see Figure 4.2).⁸

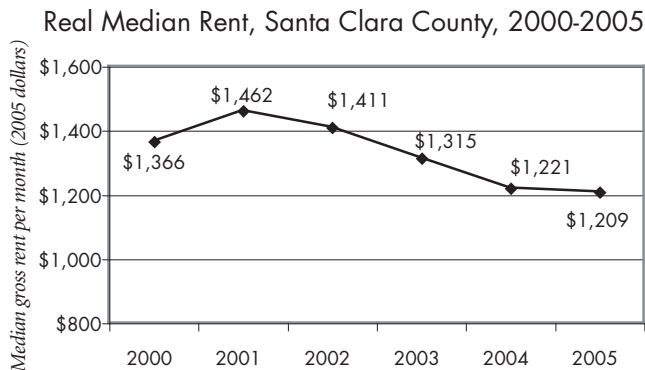


Figure 4.1, Sources: American Community Survey and U.S. Department of Labor, Bureau of Labor Statistics

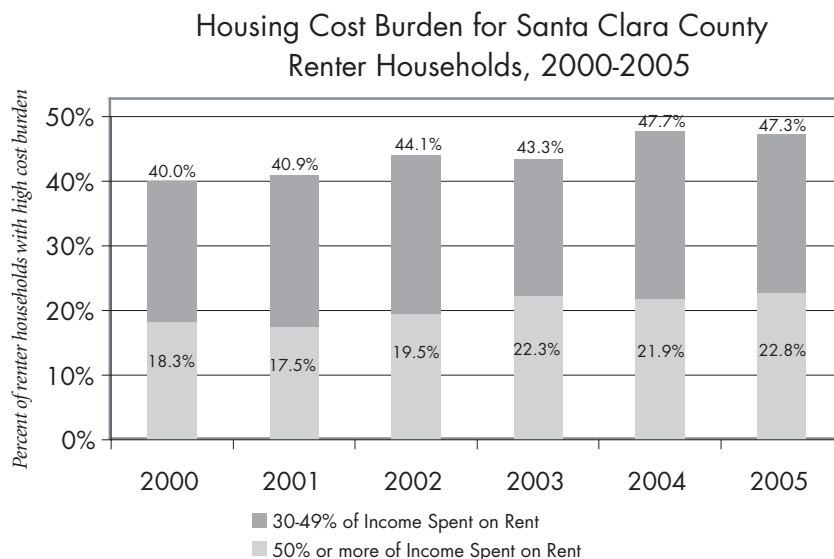


Figure 4.2, Source: American Community Survey

Building a Community: Indicator 1: Housing and Neighborhoods

Mortgage payments become increasingly unaffordable; more than one out of six homeowners spends half of their income on housing

Housing cost burdens have also been on the rise for homeowners in Santa Clara County. In 2000, 37.6% of homeowners with mortgages paid more than thirty percent of their income for housing costs. By 2005, this number had swelled to 47.6%.⁹ Even more alarming, the share of households spending more than half of their income on housing nearly doubled from 9.6% in 2000 to 18.4% by 2005 (see Figure 4.3).¹⁰

The accepted standard of affordability states that housing should consume no more than thirty percent of a household's gross income.¹¹ However, nearly half of all renters and homeowners in Santa Clara County are not meeting this standard. The sky-high cost of housing leaves families with less cash available for healthcare, food, transportation and other necessities.

Local government and developers have made important strides in recent years towards addressing the need for more affordable housing in Santa Clara County. Since 1999, more than 14,500 below market rate housing units have been financed and developed.¹² But, as evidenced by families' steadily increasing housing cost burdens, affordable housing needs in the Valley are still outpacing the supply. A recent report by the Institute for Metropolitan Studies estimates that over the next 20 years, 90,000 new affordable housing units will be needed to meet demand in Santa Clara County.¹³ This equates to roughly 4,500 new affordable units per year.

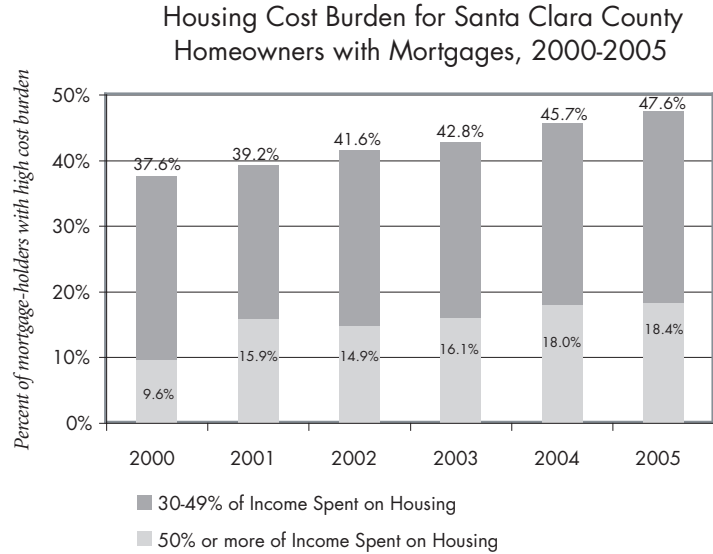


Figure 4.3, Source: American Community Survey

Building a Community: Indicator 1: Housing and Neighborhoods

Affordability for first-time buyers sinks rapidly as home prices soar

The dream of buying a home is drifting further out of reach for many Santa Clara County families. In 2006, the median purchase price of a single-family home climbed to \$775,000, a 49% increase from \$521,240 in 2000 (see Figure 4.4).¹⁴ By 2005, less than one in five Santa Clara County households could afford to buy at the median price.¹⁵ Moreover, affordability rates for first-time homebuyers, who tend to purchase homes at less than the median price, have plummeted from 48% in 2003 (the earliest data available), to 28% in 2006 (see Figure 4.5).¹⁶ In other words, whereas nearly half of first-time buyer households could afford to purchase an entry-level home in the county just four years ago, today roughly one-in-four can.

Housing sales drop below 2002 levels; the number of housing-related jobs is beginning to fall statewide

While home prices continue to climb in Santa Clara County, home sales have experienced a rapid decline over the past two years. After four consecutive years of substantial growth, total sales, including both single-family homes and condominiums, fell 26% from 33,104 homes sold in 2004 to 24,522 in 2006 (see Figure 4.6).¹⁷

While this drop-off may eventually slow the decline in home affordability, it is taking a toll on the economy. Housing-related industries, including residential construction and real estate, accounted for nearly two-thirds of the non-farm job growth in California from 2000 to 2005,¹⁸ partially compensating for job losses in other industries during the economic recession. However, in 2006, job growth in these industries came to a halt, with the state experiencing a *decline* in housing-related jobs since 2005.¹⁹

Annual Median Sales Price for Single-Family Homes, Santa Clara County, 2000-2006

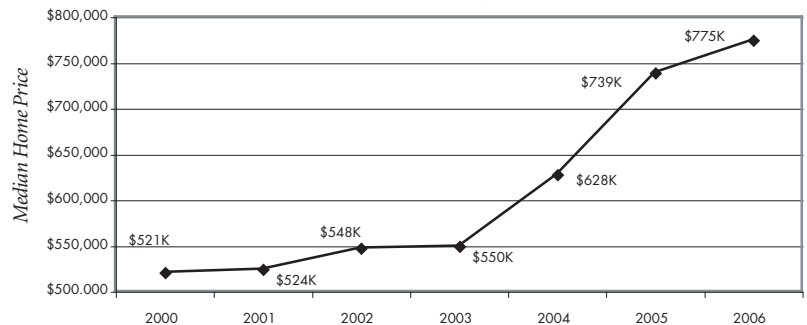


Figure 4.4, Source: California Association of Realtors

Housing Affordability Rate for First-time Homebuyers, Santa Clara County, 2003-2006

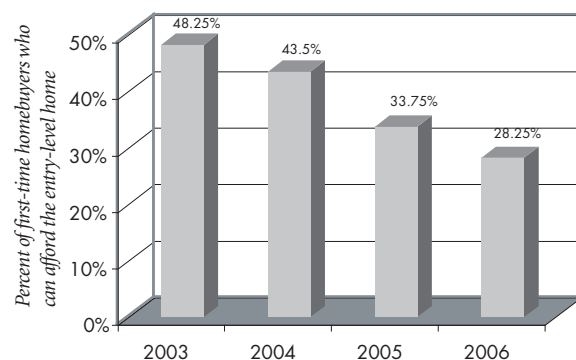


Figure 4.5, Source: California Association of Realtors

Annual Home Sales, Santa Clara County, 2000-2006

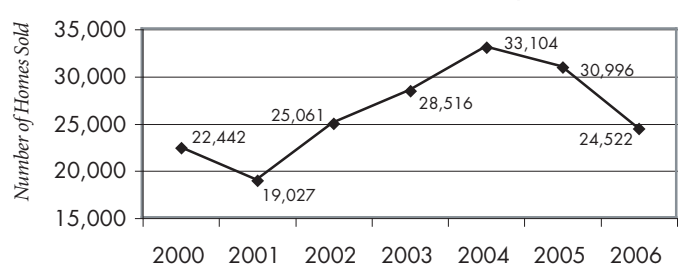


Figure 4.6, Source: Dataquick Information Systems

HOUSING ADEQUACY

Fewer families suffer from overcrowded living conditions

Since 2000, the incidence of overcrowded housing has fallen in Santa Clara County. The U.S. Department of Housing and Urban Development defines overcrowding as having more than 1 person per room (excluding bathrooms) living in a household.²⁰ Severe overcrowding is defined as more than 1.5 persons per room.²¹ In Santa Clara County, rates of overcrowding in rental units dropped from 15.9% in 2000 to 11% in 2005, while the prevalence of severe overcrowding fell from 7.3% in 2000 to just 2.6% in 2005 (see Figure 4.7).²²

A decline in overcrowded living situations is one of the few positive effects to come out of the economic downturn that lost the region hundreds of thousands of jobs. The corollary to this improvement, however, is that an economic resurgence attracting new workers to the Valley could lead to massive overcrowding, unless it is accompanied by significant increases in housing production to accommodate all income levels.

Multi-family units account for two-thirds of new housing

Building higher-density, multi-family units is part of the solution to the housing crisis, as these units make more efficient use of space, reduce sprawl, and provide a more affordable housing option for families who cannot meet the expense of a single-family home. In Santa Clara County, multi-family units made up nearly two-thirds of the housing produced from 2000 through 2005. Overall, 21,396 multi-family units were built during this time period compared to 10,010 single-family detached units and just 1,414 single-family attached units such as townhouses (see Figure 4.8).²³

While these ratios show a strong effort to build higher-density projects, the majority (54%) of existing housing units in the county are single-family detached homes, developments which tend to take up large amounts of land.²⁴

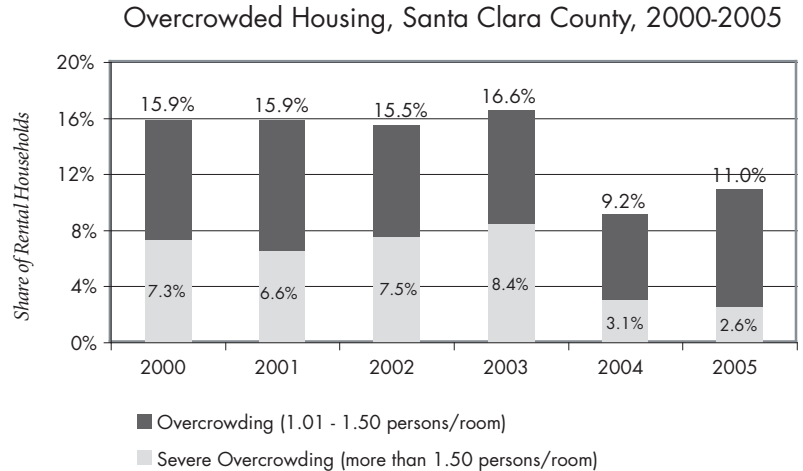


Figure 4.7, Source: American Community Survey

Type of Housing Units Built in Santa Clara County Between 2000 and 2005

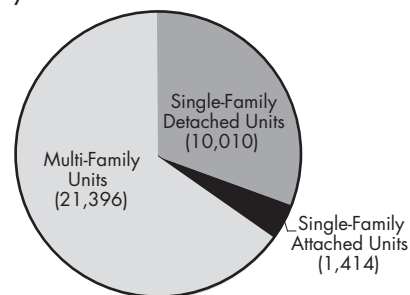


Figure 4.8, Source: California Department of Finance

Building a Community: Indicator 1: Housing and Neighborhoods

Nearly all households have adequate kitchen and plumbing facilities

The percentage of households living in substandard housing conditions has remained very low in Santa Clara County for the past several years. Since 2000, the share of rental households lacking adequate kitchen facilities has crept no higher than 1.2%, while the share with inadequate plumbing has remained at or below 1.0% (see Figure 4.9).²⁵ Rates for owner-occupied households are even lower.²⁶ However, these numbers do not include the more than 7,600 homeless persons in Santa Clara County, a majority of whom live unsheltered in severely substandard conditions.²⁷

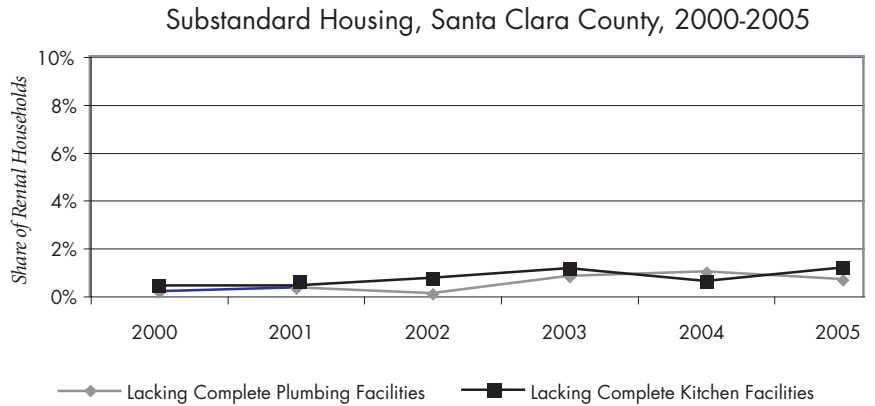


Figure 4.9, Source: American Community Survey

NEIGHBORHOOD INVOLVEMENT

Homeownership rates stall

In recent years, Santa Clara County's steep home prices have contributed to a stagnation in its rate of homeownership. Since 2000, the percentage of households who own their home has changed only marginally, and remains at roughly the same level in 2005 (60.2%) as it was in 1990 (59.1%) (see Figure 4.10).²⁸

Stalled homeownership rates are a cause for concern as ownership provides families with community stability and increased potential for neighborhood involvement. Homeowners tend to have greater opportunity to participate in volunteer and civic activities and are generally more satisfied with their housing situation.²⁹

Homeowners also have more control over their housing and are less likely to move.³⁰ In 2005, the average length of time Santa Clara County homeowners had lived at their current address was 13.7 years, compared to 4.2 years for renters.³¹ This lower housing turnover affords homeowners more time to build long-term relationships in their community and to identify with their neighborhood.

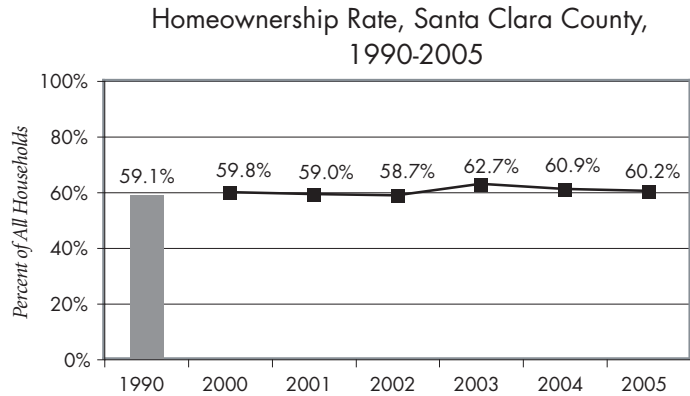


Figure 4.10, Source: Census 1990, 2000 & American Community Survey

Building a Community: Indicator 1: Housing and Neighborhoods

Low-income neighborhoods less likely to be cohesive

One of the most direct measures of a community's wellbeing is the level of solidarity and trust that exists between neighbors. In 2003, the California Health Interview Survey developed a neighborhood cohesion metric based on residents' sense of how well their neighbors knew and trusted each other, whether they shared values, and how willing they were to help one another.³² The survey found that Santa Clara County's lower-income residents (below 300% of the federal poverty level) were much less likely than higher-income residents to live in a neighborhood with "high cohesion" (36.3% and 58.6%, respectively) (see Figure 4.11).³³ One likely reason for this disparity is that low-income families are forced to move more often, leaving them more likely to live in places with higher turnover and less familiarity and shared experience with other residents. Neighborhoods with low cohesion have a difficult time speaking with an organized, collective voice, which puts them at a disadvantage for obtaining a fair share of public resources and attention.

Effective public policy can play an important role in organizing low-income neighborhoods to increase community voice. The City of San Jose's Strong Neighborhoods Initiative (SNI) was created to provide lower-income neighborhoods with redevelopment funding to be spent according to priorities developed by the neighborhoods themselves. By engaging residents to play a leading role in determining how funds are used in their neighborhoods, SNI has not only delivered numerous community center and park projects to underserved areas, it has built lasting neighborhood organizations and created citizen-leaders throughout San Jose. Since 1999, more than \$272 million has been invested in over 120 neighborhood improvement projects through the SNI process.³⁴

Percentage of Santa Clara County Residents Living in Neighborhoods with 'High Cohesion', by Income-Level, 2003

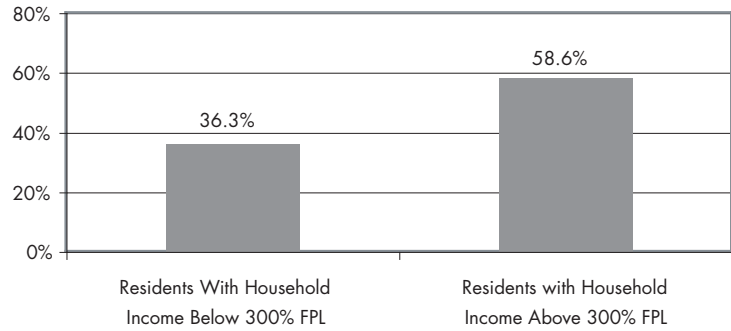


Figure 4.11, Source: California Health Interview Survey

COMMUNITY AMENITIES

San Jose community centers expand square footage, but reduced staffing threatens services

Quality neighborhood community centers can help build neighborhood cohesion and enhance community interaction as well as provide valuable services, classes and activities for residents. San Jose, Santa Clara County's largest city, has increased its community center square-footage by 65% since 2000, mostly by utilizing funding from Measure P, a \$228 million bond measure passed by voters to construct and improve neighborhood recreational facilities.³⁵

However, during this same time period the Community Services Division, which operates the city's community centers, has had its staffing levels cut in half, from 149 full-time equivalent staff to 75 FTEs (see Figure 4.12).³⁶ These two divergent realities reflect the difficulty of securing public funding for ongoing operations versus capital improvement projects.

San Jose's operating budget has experienced five consecutive years of deficits. The repercussions from these shortfalls have been felt by the Community Services Division in the form of budget reductions totaling 40% since 2000.³⁷ These cuts have left many smaller neighborhood community centers idle or with reduced program offerings.³⁸ Currently, the city is being forced to consider closing or leasing some of its community centers. Thus, despite a significant increase in community center space, it is still unclear whether San Jose neighborhoods will see a net gain in their community center services from their substantial investment of public capital.

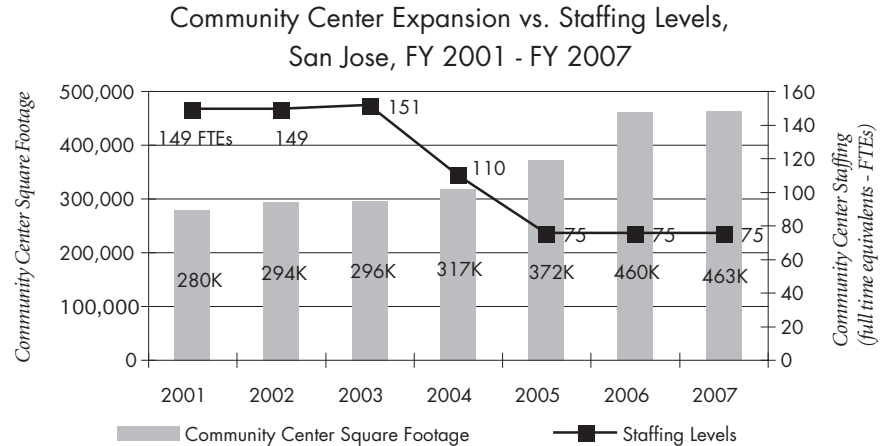


Figure 4.12, Source: San Jose Department of Parks, Recreation, and Neighborhood Services

Building a Community: Indicator 1: Housing and Neighborhoods

San Jose expands its library space by 84%

Since passing a \$212 million library bond in November 2000, the city of San Jose has significantly expanded its network of neighborhood libraries. Three new branch libraries have been built using bond funds, while six existing library sites have been extensively expanded.³⁹ Factoring in the new award-winning⁴⁰ main public library downtown (a joint enterprise between the city and San Jose State University), San Jose has dramatically improved its library system over the past six years. In total, the city has added more than 220,000 square feet of library space since fiscal year 2000-01, an 84% increase citywide (see Figure 4.13).⁴¹

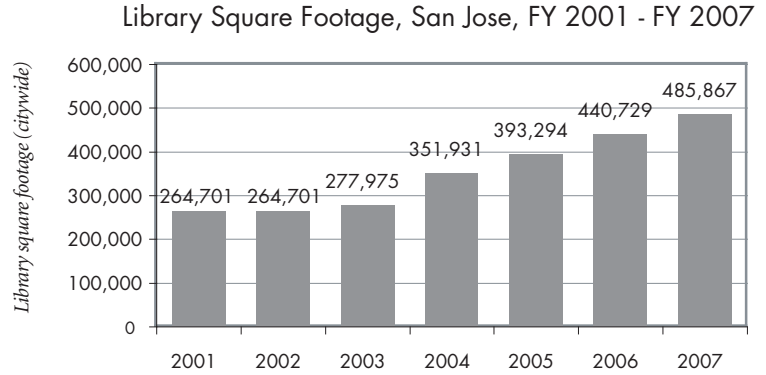


Figure 4.13, Source: San Jose Public Library System

Building a Community: Indicator 1: Housing and Neighborhoods

Park acreage per resident remains stable; lower-income individuals live further from parks

Close proximity to parkland can significantly improve the quality of life of a community. Access to parks and open space provides residents with recreational opportunities, encourages physical activity, and preserves neighborhood air quality, among other benefits.

From 2000 to 2006, San Jose increased its total number of city parks from 169 sites to 188 sites. Overall park acreage, including both neighborhood and regional city parks, increased from 3,407 acres to 3,553 acres.⁴² However, acreage per resident declined slightly from 3.81 acres per 1,000 residents in 2000 to 3.73 acres per 1,000 residents in 2006. This ratio is still above the city's benchmark standard of 3.5 acres.⁴³

High levels of park acreage per capita do not guarantee increased access to parks and open space to all residents. In addition to park acreage standards, several Santa Clara County cities have adopted park proximity policies (standards that specify a park must exist within a certain radius of all residents).⁴⁴ San Jose has a policy requiring a park within a 1/2-mile radius of every resident.⁴⁵ Other Santa Clara County cities with proximity policies include: Campbell, Cupertino, Gilroy, Los Altos Hills, Milpitas, Morgan Hill, Mountain View, and Palo Alto.⁴⁶

Without a proximity policy, park land is vulnerable to inequitable distribution throughout the city, leaving many residents too far away to easily access open space.⁴⁷ For Santa Clara County in 2003, lower-income residents (below 300% of the federal poverty level) were less likely than higher-income residents to live within walking distance of a park, playground, or other open space (80.6% vs. 89.6%) (see Figure 4.14).⁴⁸

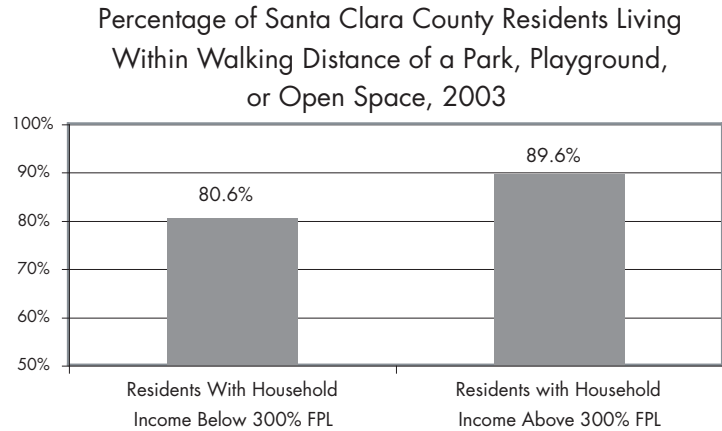


Figure 4.14, Source: California Health Interview Survey

INDICATOR 2: TRANSPORTATION

KEY STATISTICS

- Traffic congestion on Santa Clara County freeways decreased 54% from 2000 to 2005.
- Public transit ridership fell 32% from 2000 to 2005, before rising 7% in 2006.
- Scheduled hours of bus and light rail service remain 14% below year 2000 service levels.
- Gasoline prices for the Bay Area climbed 47% from \$1.93/gallon in 2000 to \$2.84/gallon in 2006. Over the same period the price of a monthly bus/light rail pass in Santa Clara County increased 65%, from \$37.00 to \$61.25.⁴⁹

WHY IT MATTERS

Traffic congestion, commute times, transportation costs and the availability of public transit all have significant impacts on the livability of a community. Over the past five years, Santa Clara County residents experienced a mixed bag of transportation trends. Public transit ridership declined, due both to the dot-com bust and to budget cuts that reduced transit service hours and routes. Furthermore, gasoline prices and transit fares have increased substantially, forcing households to spend more of their dwindling income on transportation.

However, during this same time period, traffic congestion has lessened on county freeways and local roads. Residents are enjoying shorter average commute times to work since 2000. And despite cuts to transit operations, the county's physical public transit network has expanded using tax revenue from Measure B.

KEY PUBLIC POLICIES

- The Santa Clara Valley Transportation Authority (VTA) has regained part of its financial stability after declining sales tax revenues led to a crisis in operations funding and service cuts in the early part of this decade. VTA must have a more sustainable and reliable local revenue stream for operations if the agency is to maintain essential transit service over the long term.
- As Silicon Valley develops a regional strategy to combat global climate change and shift towards clean technology, a key emphasis of that strategy should be supporting and expanding intra-county public transit, along with marketing local transit as a means to reduce one's carbon footprint.⁵⁰
- The VTA RIDE Task Force, launched in 2006 through the efforts of a community coalition, represented a first-of-its-kind commitment to engage the public around transit policy. To offer an alternative to the counterproductive program of continually raising fares, the RIDE Task Force, made up of community members, worked to develop new ways to make transit more accessible and encourage people to ride buses and light rail. This innovative process helped to institutionalize a community voice in major transit policy discussions.
- Using capital improvement funds from Measure B, a half-cent general county sales tax passed in 1996, VTA has expanded the length of its light rail line by 13.6 miles and added 18 stations since 2000. These infrastructure improvements have been delivered on time and under budget, and have put light rail within range for many more county residents.⁵¹

STATE OF WORKING FAMILIES:

Mixed

STATE OF PUBLIC POLICY:

Reform Needed

TRAFFIC CONGESTION AND COMMUTES

Hours of freeway traffic delay have been cut in half since 2000

Traffic congestion on Santa Clara County's 137 miles of freeway has eased considerably since 2000. That year, vehicle hours of delay reached peak levels, coinciding with the height of the region's economic boom. From 2000 to 2004, the daily hours drivers spent in congested conditions fell 56%, from 51,700 hours of delay to 22,900 hours, allowing workers more time to spend with their families and in their communities.⁵² In 2005, traffic bounced back up a modest 4%, to 23,900 daily hours of delay. This is still dramatically lower than the county's peak (see Figure 4.15).⁵³

The worst congestion corridors in Santa Clara County continue to be found along Highway 101. During morning peak hours in 2005, northbound 101 travelers from Julian Street/McKee Road in San Jose to north of Trimble Road experienced the most congested conditions. Meanwhile, the worst evening stretch was southbound 101 from University Avenue in East Palo Alto to south of Shoreline Boulevard in Mountain View.⁵⁴

Congestion on local roadways improves

Traffic on local roadways has also improved in recent years. Local road congestion is measured based on traffic flow and wait times at major intersections. In Santa Clara County, 252 different intersections are quantitatively assigned "Level of Service (LOS)" grades A through F based on their level of congestion. LOS A represents ideal conditions, while LOS F signifies severely congested conditions.⁵⁵

From 2000-2004, the most recent data available, the proportion of intersections rated with an LOS level of C or better (i.e. uncongested) increased from 43% to 49%, while severely congested intersections (LOS F) declined from 10% to 3% (see Figure 4.16).⁵⁶

Freeway Congestion, Santa Clara County, 2000-2005

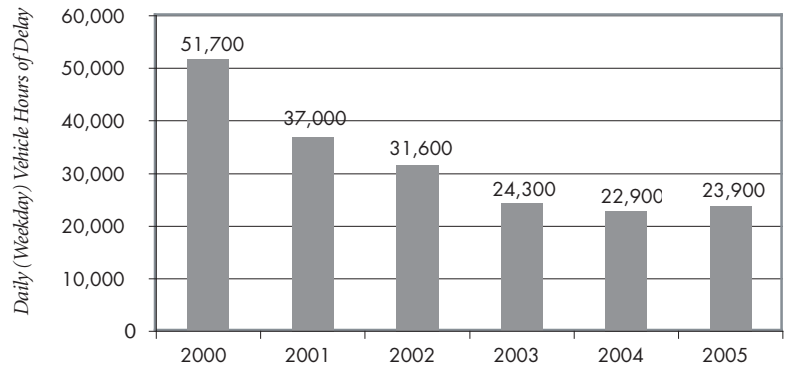


Figure 4.15, Source: MTC and CalTrans District 4

Level of Traffic Congestion at Major Intersections, Santa Clara County, 2000-2004

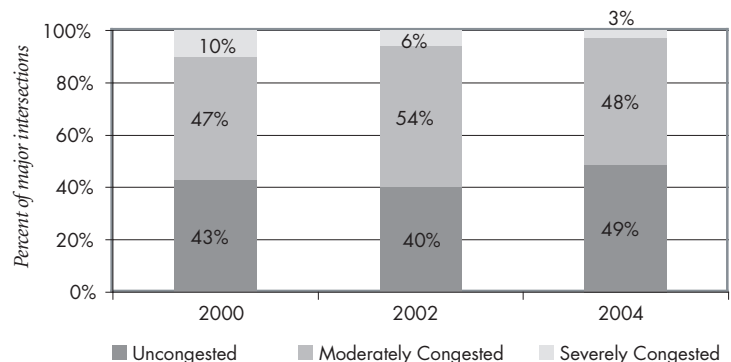


Figure 4.16, Source: MTC and CalTrans District 4

TRANSPORTATION TO WORK

Mean commute times drop nearly 10% since 2000

Coinciding with severe job losses and declining traffic, Santa Clara County residents have experienced shorter average commute times to work in recent years. From 2000 to 2005, the average one-way commute time for residents not working from home dropped 9.5%, from 26.1 minutes to 23.6 minutes (see Figure 4.17).⁵⁷ Meanwhile, the share of residents with commutes of one hour or longer dropped from 6.7% in 2000 to 5.4% in 2005.⁵⁸

Average Travel Time to Work, Santa Clara County Residents Not Working From Home, 2000-2005

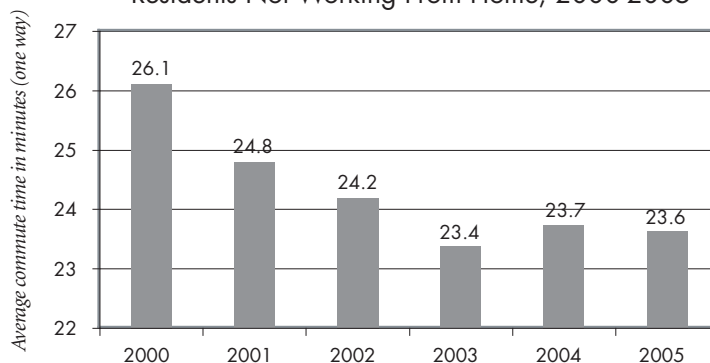


Figure 4.17, Source: Census 2000 & American Community Survey

Most residents still driving to work alone

Driving alone to work continues to be the overwhelming transportation mode of choice in Santa Clara County. Nearly four out of five county residents chose to drive by themselves to their place of employment in 2005.⁵⁹ These rates remained fairly consistent each year from 2000 to 2005. About 10% of workers chose to carpool to work in 2005, down from a peak of 12.2% in 2002. And only 3.1% opted for public transportation, down from a 2001 peak of 4.0% (see Figure 4.18).⁶⁰

Mode of Transportation to Work, Santa Clara County Residents, 2000-2005

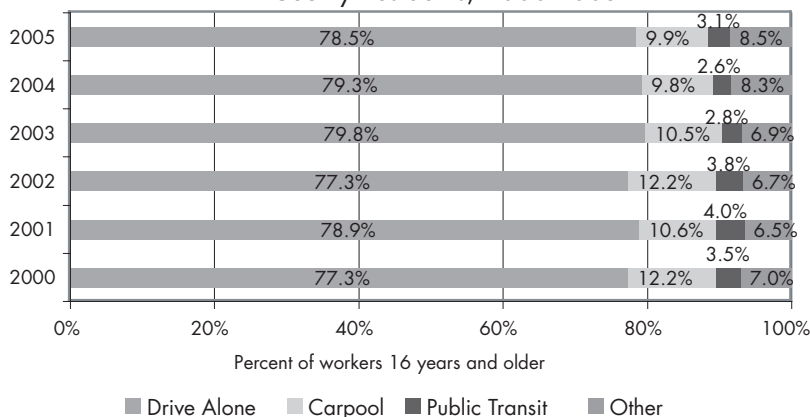


Figure 4.18, Source: 2000 Census & American Community Survey. Note: "Other" includes bicycle, motorcycle, walked, and worked at home

TRANSIT ACCESS

Overall transit ridership up slightly after a four-year plummet

As traffic levels declined significantly in the post-crash economy, so too did the use of public transportation. Since hitting its peak in 2001, ridership on Santa Clara County's various modes of public transit has dropped off significantly. From 2000-2005, average weekday ridership for bus, light rail, and Caltrain service combined decreased 31%, from 189,043 boardings to 130,077 boardings.⁶¹ 2006 saw this downward trend finally begin to reverse, with ridership increasing 7% to 139,029 weekday boardings (see Figure 4.19).⁶²

Fueled by an extended service line, light rail has experienced the largest recent growth in ridership of the major public transit modes in Santa Clara County, increasing 22% from 2005 to 2006.⁶³ 2006 also saw a 12% increase in Caltrain riders and a 3% increase in bus riders, who still account for the overwhelming majority of all transit users in the county.⁶⁴

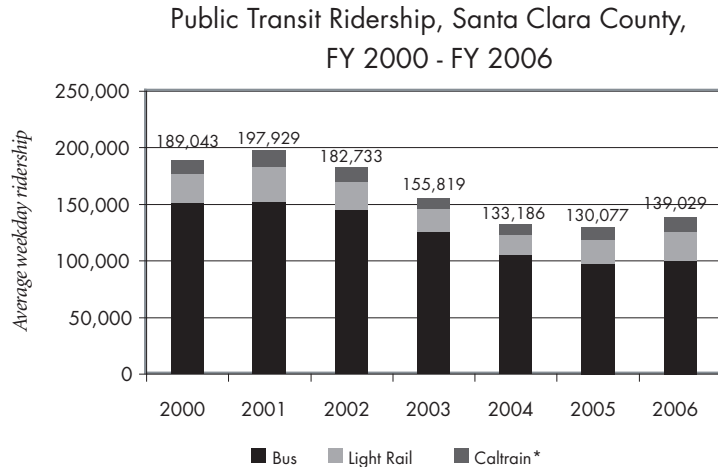


Figure 4.19, Source: VTA & Caltrain

* Includes only Caltrain riders originating in Santa Clara County

Building a Community: Indicator 2: Transportation

Transit service remains significantly below 2000 levels

Paralleling and exacerbating the drop in ridership, the public transit system has suffered significant service cuts since 2000. Because VTA depends on sales tax for 80% of its operating revenue,⁶⁵ the economic slow-down put a serious drain on the transit agency's financial capacity. From fiscal year 2001 to 2003, annual VTA revenue from sales tax dropped 28%,⁶⁶ forcing multiple reductions in service. By 2005, scheduled hours for combined bus and light rail service had dropped 18% from peak levels in 2001.⁶⁷ In 2006, hours finally saw a modest increase (3%), but service levels are still far below where they were at the beginning of the decade (see Figure 4.20).⁶⁸

The decline in scheduled hours has repercussions for thousands of low-income individuals and families who rely on public transit (especially buses) to get to work, school, medical appointments, and other essential services. In 2000, 66% of bus riders in Santa Clara County reported having no other way to get to their destination.⁶⁹ Moreover, in 2001, a study by the Metropolitan Transportation Commission found that while most vital VTA transit routes for low-income communities operated with adequate frequency during weekday commute periods, only 3 out of 26 of these lifeline routes met recommended frequency for evening and weekend hours.⁷⁰ Many of the transit service cuts since 2001 have been targeted at these non-peak hours,⁷¹ suggesting that this gap in frequency has only gotten worse.

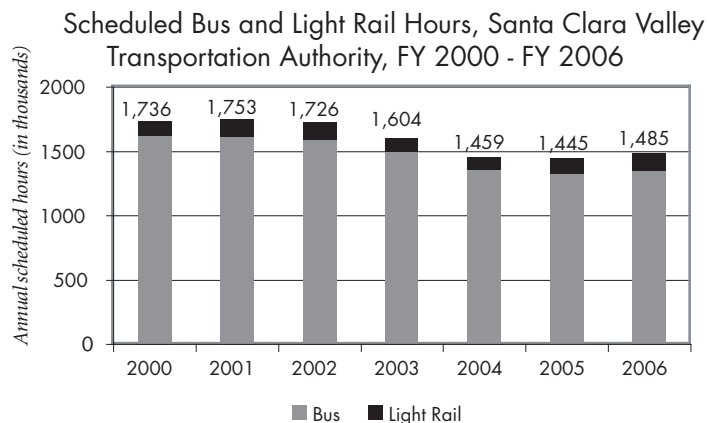


Figure 4.20, Source: VTA

Light rail extends its line by 13.6 miles and 18 stations

Using transportation project funds from Measure B, a nine-year half cent sales tax passed in 1996, VTA has been able to significantly extend the reach of its light rail service. Since 2000, VTA has added 18 light rail stations and expanded its line by a total of 13.6 miles, putting light rail within range for more county residents.⁷² The capital improvements included the Tasman East/Capitol Extension which connects Baypointe Station in North San Jose (through Milpitas) to Alum Rock in East San Jose.⁷³ This project was completed \$18 million under budget and on time, with segments opening in 2001 and 2004.⁷⁴ The Vasona light rail extension, which connects Downtown San Jose to Winchester Station in Campbell, was opened for service in 2005 and also came in on-time and under budget.⁷⁵ Measure B funding has provided support for other key transportation projects in recent years, including highway interchange and widening projects and bicycle programs.⁷⁶

TRANSPORTATION COSTS

Gasoline prices are up 47% since 2000

Along with the cost of housing, Bay Area commuters have watched their transportation expenses significantly outpace inflation over the last five years. In 2006, average gasoline prices for the San Francisco Bay Area soared to \$2.84 per gallon.⁷⁷ This constitutes a 47% percent increase from the year 2000 average price of \$1.93 per gallon (see Figure 4.21).⁷⁸

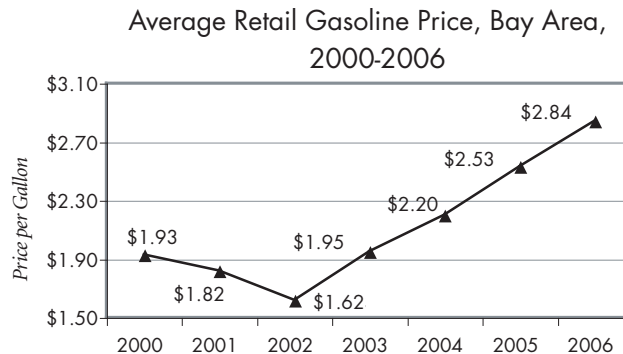


Figure 4.21, Source: U.S. Department of Energy, Energy Information Administration

Transit fares have risen 48% for a single ride and 65% for a monthly pass

Rising gas prices might induce drivers to switch to transit; however, this option is made less attractive when public transit fares are rising even faster than the price of gas. In Santa Clara County the cost of a single VTA transit ride for adults (for bus or light rail service) jumped 48% from \$1.18 in 2000 to \$1.75 in 2006.⁷⁹ The price of a local monthly transit pass climbed 65% from \$37.00 in 2000 to \$61.25 in 2006 (see Figure 4.22).⁸⁰ Fares have not increased since January 2005 and no further increases are currently planned. However, both transit fares and gas prices have dramatically outpaced the rate of inflation since 2000,⁸¹ forcing households to spend more of their shrinking income on transportation costs.

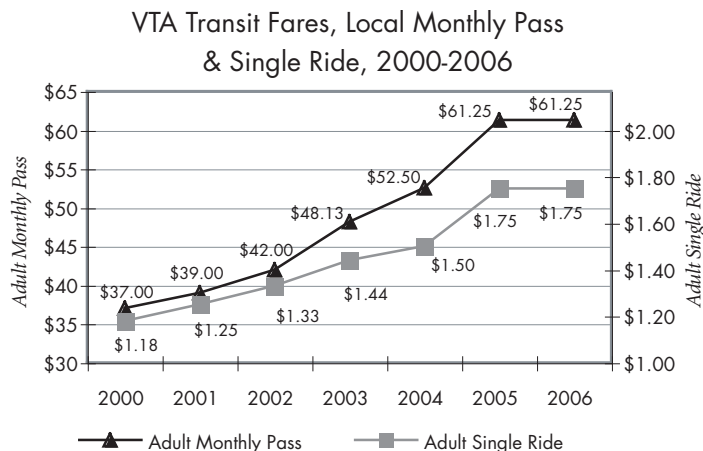


Figure 4.22, Source: VTA

INDICATOR 3: CRIME AND PUBLIC SAFETY

KEY STATISTICS

- Domestic violence-related calls for assistance declined steadily in Santa Clara County from 2000 to 2005, dropping 16.6% overall.
- Violent crime fell 28% from 423 offenses per 100,000 people in 2000 to 304 per 100,000 in 2005.
- Substantiated cases of child abuse and neglect climbed from a rate of 6.4 per 1,000 children in 2000 up to 7.3 per 1,000 in 2005.
- After declining from 2000 to 2004, the juvenile felony arrest rate jumped 24% in 2005.

WHY IT MATTERS

Physical and emotional safety of residents has a significant impact on the quality and stability of life within a community. Higher crime rates can deteriorate neighborhood trust and put a strain on public resources through the expense of the criminal justice system. Domestic violence, child abuse, and juvenile arrests can be particularly devastating to a community as these measures reveal family as well as social breakdown and predict future instability.

Santa Clara County has seen positive trends in many of its public safety measures in recent years. Violent crime, domestic violence, and traffic collisions have all declined significantly since 2000. However, juvenile arrests are beginning to rise and property crime has seen a steady increase over the past 5 years, possibly a consequence of the slow economy.

KEY PUBLIC POLICIES

- Based on its low rate of violent and property crimes, San Jose has been recognized as the “safest big city in America” for six years running. This distinction has been achieved even while San Jose’s police force remains substantially smaller than in most U.S. cities of equivalent size.⁸²
- Although the law requires that restraining orders be issued to all domestic violence offenders receiving probation, courts sometimes fail to serve these orders, putting domestic violence victims at risk. In recent years, the Santa Clara County criminal justice system has been more effective than most California counties in ensuring that restraining orders are served to convicted domestic violence offenders. As of 2004, just 0.36% of criminal restraining orders had been left un-served, a rate among the very lowest in the state.⁸³
- Santa Clara County has established Death Review Teams to thoroughly examine both intimate partner-related homicides and child deaths linked with child abuse and neglect. These groups are working with statewide councils to improve data collection, fill gaps in the system, and develop ideas to prevent future tragedies.⁸⁴
- Local law enforcement agencies should make more information on crimes and police practices available to the public, allowing taxpayers to remain aware of criminal activity in their neighborhoods and more effectively evaluate police performance and public safety.

STATE OF WORKING FAMILIES:

Mixed

STATE OF PUBLIC POLICY:

Progress occurring

CRIME

The violent crime rate is down 34% since 2001 peak

The crime rate, and violent crime in particular, is one of the most commonly cited measures of public safety. From 2000 to 2005, the violent crime rate fell substantially in Santa Clara County. After peaking in 2001 at 458 crimes per 100,000 residents, violent crime dropped 36% to a low of 291 crimes per 100,000 in 2004.⁸⁵ In 2005, this rate came back up, though only a modest 4%, to 304 crimes per 100,000 residents (see Figure 4.23).⁸⁶

The property crime rate has followed an opposite pattern from that of violent crime. Over the past five years, property crime rates displayed a steady incline, increasing 32%, from 1,042 crimes per 100,000 people in 2000 to 1,379 crimes per 100,000 in 2005 (see Figure 4.23).⁸⁷ One explanation for these climbing rates is the recent recession and weak labor market in Santa Clara County. It is not uncommon for declining jobs and wages to be met with an increase in property crime.⁸⁸

Juvenile felony arrests jump 24% in 2005 after years of decline

The juvenile felony arrest rate can reveal levels of social breakdown as youth who commit felonies severely limit their options for the future. From 2000 to 2004 the juvenile felony arrest rate fell considerably from 1,636 arrests per 100,000 youths in 2000 to 1,207 arrests per 100,000 in 2004, a drop of 26%. But in 2005, the rate bounced much of the way back up, increasing 24% to 1,492 arrests per 100,000 youths.⁸⁹ Juvenile *violent* arrests followed a similar pattern, falling from 403 arrests per 100,000 youth in 2000 to 300 in 2004, then springing back up to 370 per 100,000 in 2005 (see Figure 4.24).⁹⁰

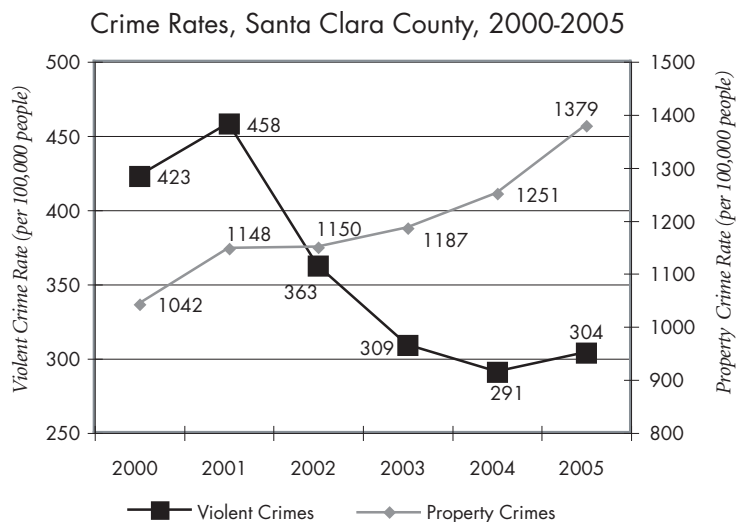


Figure 4.23, Source: California Department of Justice

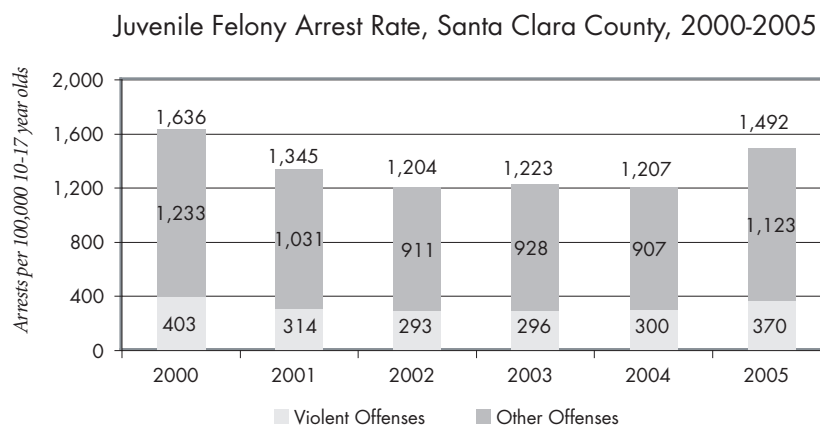


Figure 4.24, Source: California Department of Justice

FAMILY STRESSES AND SAFETY

Domestic violence-related deaths and calls for assistance decline

One of the key indicators of the health and well-being of a community is the quality and stability of the family life within it. Since 2000, Santa Clara County has seen improvement on some, but not all measures of family stability. The rate of domestic violence-related calls for assistance – one of the best available measures of domestic violence – has been on a steady decline since 2000. Calls have fallen a total of 16.6%, from 388 calls per 100,000 people in 2000 to 332 per 100,000 in 2005 (see Figure 4.25).⁹¹

Domestic violence-related deaths are also down. For the four-year span of 2000-2003, domestic violence fatalities in Santa Clara County occurred at an average rate of 18.5 deaths per year. In 2004-2006, the average dropped considerably to 7.3 deaths per year, with a low of 6 deaths in 2006.⁹²

The rate of child abuse creeps up

While domestic violence rates and juvenile arrests have gone down overall since 2000, child abuse rates are up. Substantiated cases of child abuse and neglect climbed from 6.4 per 1,000 children in 2000 to 7.3 in 2005, though it did so somewhat erratically (see Figure 4.26).⁹³ These ratios still fall substantially below the statewide rate of 11.3 cases per 1,000 children, but the trend causes some concern.⁹⁴

Rate of Domestic Violence-Related Calls For Assistance, Santa Clara County, 2000-2005

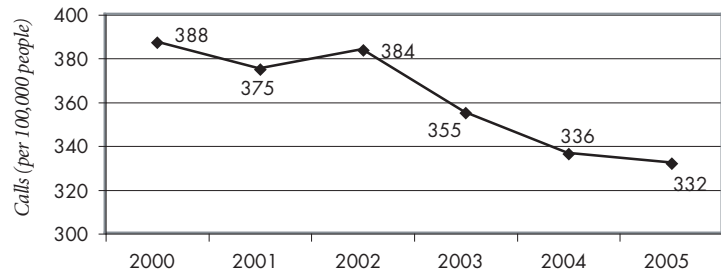


Figure 4.25, Source: California Department of Justice

Rate of Substantiated Cases of Child Abuse and Neglect, Ages 0-17, Santa Clara County, 2000-2005

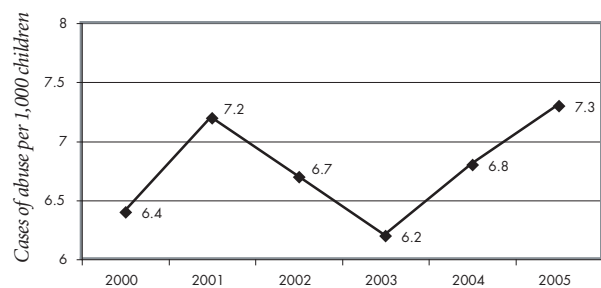


Figure 4.26, Source: California Welfare Research Center, CWS/CMS Reports

TRAFFIC SAFETY

Fatal and injury collisions dropping

Corresponding with the decline in traffic from year 2000 levels, the annual number of fatal and injury traffic collisions in Santa Clara County has been steadily sinking. Injury collisions declined each of the last five years, starting at 9,980 collisions in 2000 and falling to 7,616 in 2005.⁹⁵ During this time period, fatal traffic collisions occurring in Santa Clara County also fell slightly, from 98 collisions involving a fatality in 2000 to 93 in 2005 (see Figure 4.27).⁹⁶

Fatal and Injury Traffic Collisions, Santa Clara County, 2000-2005

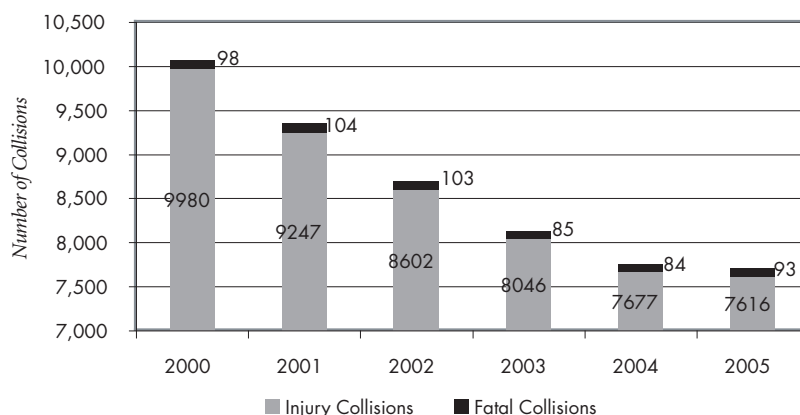


Figure 4.27, Source: California Highway Patrol

5.

PURSUING THE DREAM

INDICATOR 1: EDUCATION

INDICATOR 2: INCOME INEQUALITY AND MOBILITY

INDICATOR 1: EDUCATION

KEY STATISTICS

- Only 49% of the county's high school Class of 2005 enrolled in college, making it the first class in the past twenty years to send less than half its graduates on to higher education.
- The overall educational level of Santa Clara County adults (age 25+) increased in the past five years; by 2005, 44.6% held at least a bachelor's degree, up from 40.0% in 2000. However, enormous ethnic disparities remain: 66.9% of Latino adults have never attended college.
- The rising cost of college is a leading cause of educational disparities. The average net cost of attending a UC campus (incorporating financial aid) has grown by 34% since 2000-01; for CSU, the cost has grown even faster, increasing by 45%. The governing bodies of the U C and CSU systems recently voted for additional fee hikes of 7% for UC students and 10% at CSU."
- Employment projections for California (2004-2014) estimate that, if current trends continue, 65% of annual job openings will be for occupations that require only on-the-job training, and only 22% will be in occupations demanding a bachelor's or advanced degree.

WHY IT MATTERS

Education is one of the most important predictors of economic success for workers and their families. As the state's economy grows and changes, demand has grown for not just a highly educated workforce, but a workforce with very specific and rapidly changing skills. However, the state and county educational systems lack adequate resources to make higher education accessible, and those resources that do exist are often not targeted to support the students who need them. Ultimately, insufficient public support for education shortchanges our children and youth, makes it harder for adults to maintain their skills and engage in lifelong learning, and in the long term could create a shortage of highly-skilled workers, threatening the state's economic growth.

KEY PUBLIC POLICIES

- More adequate funding and a fairer distribution of resources is needed at all levels of the public education system, from kindergarten through college. In particular, greater efforts towards funding adequacy and equity, accompanied by a more effective application of resources, are needed at the K-12 level; increased financial aid or reduced costs are needed for low- and middle-income students entering higher education; and adequate resources and attention are needed for post-secondary vocational education, adult schools, and lifelong learning.¹
- The low college-going and college-completion rates of Latino students are particularly troubling for California's future. Providing equal access to state-funded financial aid for all California residents, regardless of immigration status, would be a significant step towards the larger goal of making college affordable for all students.²
- A local partnership is developing a program to expand college opportunity while recruiting much-needed talent for the construction industry. The "California Construction College" program would grant college credit for apprenticeship hours and provide a pathway for students to apply those credits towards a four-year degree. If successful, this new initiative could increase the number of students who complete college and ensure that graduates are being trained for skills needed in the future job market.³

STATE OF WORKING FAMILIES:

Mixed

STATE OF PUBLIC POLICY:

Reform Needed

K-12 SCHOOL SYSTEM

The graduation rate and college readiness for high school students in Santa Clara County remain higher than the state average, but only four out of ten students complete basic college requirements

The graduation rate for high school students in Santa Clara County has been nearly constant since 1999-2000, remaining at or slightly above 90%. Santa Clara's graduation rate is consistently higher than the average rate for California, which has ranged from 85% to 87%. (Note: The apparently low graduation rate in Santa Clara County for 2004-05 is partly attributable to an error that raised the count of dropouts, which artificially brought down the graduation rate.⁴ In general, the graduation rate as provided by the state is not a very reliable measure of the number of 9th graders who graduate.)

Santa Clara County schools also performed better than the state average in preparing students for college; nearly 40% of high school seniors completed the courses required for the University of California and Cal State Universities (the "A-G" requirements), compared to 30% of students statewide.⁵ However, this means that six out of ten students are not getting the courses they need to attend college. Furthermore, the college readiness rate has stagnated for the last six years.

Although there are more Latino students enrolled in Santa Clara County public schools than any other ethnic group, Latino high school graduates exhibit the lowest college readiness rate. In 2005-06, 36% of the county's public K-12 students were Hispanic/Latino, 28% white, 25% Asian, and 5% Filipino.⁶ But among Latinos graduating in the Class of 2005, only 21% had completed the required courses for UC/CSU colleges. African Americans and Pacific Islanders also had very low college readiness rates, at 25% and 27% respectively. By comparison, 53% of white students and 65% of Asian students completed the college requirements.⁷

Low rates of college readiness may indicate that students in certain ethnic groups are being disproportionately tracked into non-college-oriented coursework or simply that the resources currently available are not meeting their needs. In either case, restoring college opportunity for students of all ethnicities is an urgent goal for our public school system.

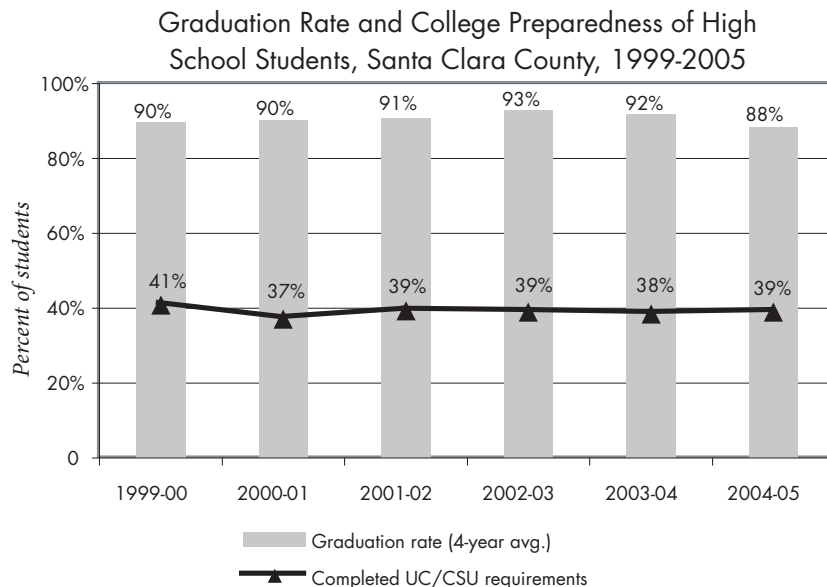


Figure 5.1, Source: California Dept. of Education, Educational Demographics Unit

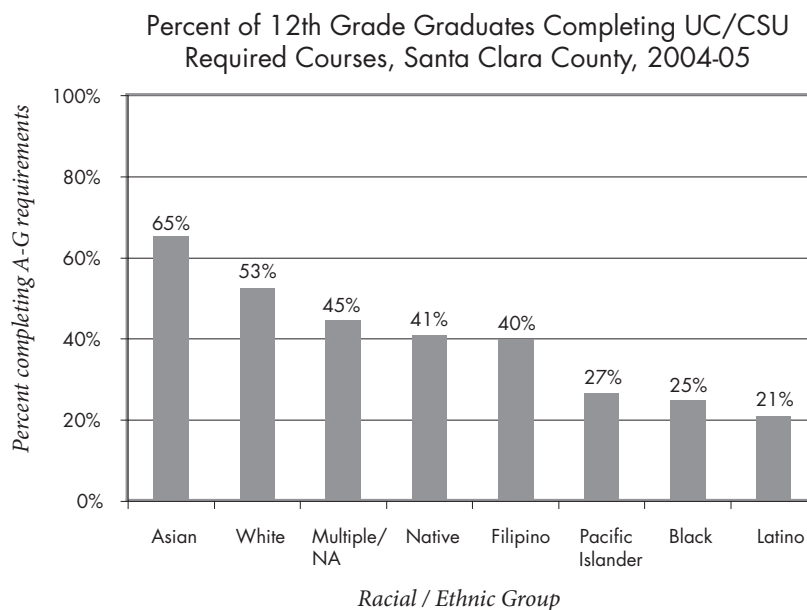


Figure 5.2, Source: California Dept. of Education, Educational Demographics Unit

Pursuing the Dream: Indicator 1: Education

Spending for Santa Clara County students has fallen since 2001; meanwhile, the funding gap widens between districts within the county

Ensuring that all students are provided with the resources they need to succeed is a critical component of an effective educational system – one with which California has long struggled. Santa Clara County provides slightly more funding for its students than the California average. Expenses per student days (known as Average Daily Attendance, or ADA) averaged \$7,247 annually for Santa Clara County in 2004-05, compared to \$7,127 in California. However, the county's per-student spending has fallen since 2001-02, while the state average has grown over the same period, as shown in Figure 5.3.

Santa Clara County encompasses 32 separate school districts, with substantial disparity in funding per student. For example, in 2004-05 Palo Alto Unified spent \$11,170 per ADA, while Milpitas Unified spent \$6,293 per ADA.⁸

The disparity between districts has increased in the past six years. If all districts are divided into five quintiles based on expenses per student, between 1998-99 and 2004-05, the lowest-funded quintile saw spending per student grow by just 6.2% (inflation-adjusted). By comparison, the highest-funded quintile grew by 14%, widening the resource gap (see Figure 5.4).

What about the distribution of resources within districts? A 2005 analysis of inequality in teacher salaries within school districts, performed by the prominent educational research institute Education Trust West, found that poor and Latino students in San José Unified suffer from a large resource gap compared to white and nonpoor students. The district spends an average of \$4,471 less per teacher in schools with a high concentration of Latino students than it spends in schools with the fewest Latino students. Similarly,

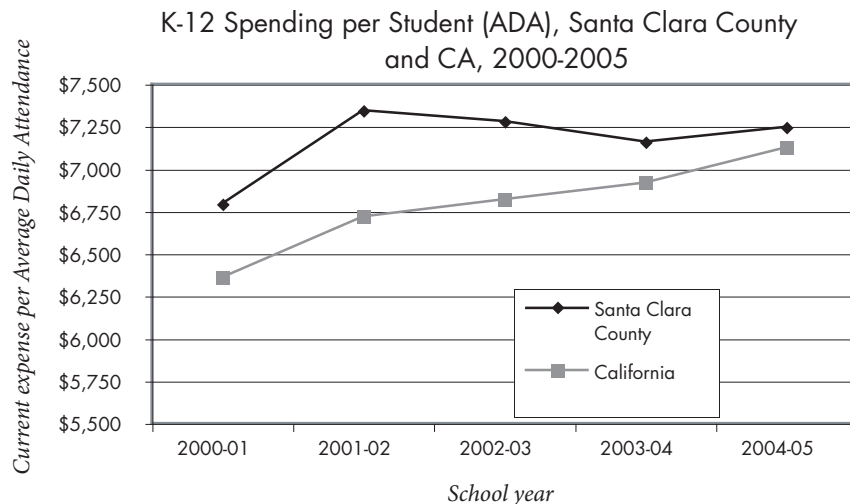


Figure 5.3, Source: California Dept. of Education, Office of Financial Accountability and Information Service

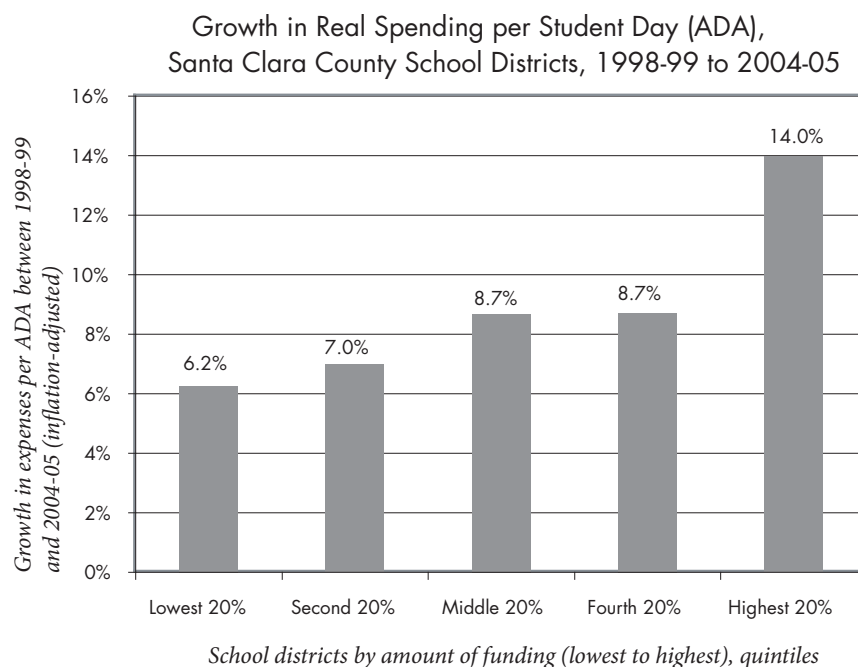


Figure 5.4, Source: California Dept. of Education, Office of Financial Accountability and Information Services

the district spends an average \$4,008 less on teacher salaries in schools with the highest poverty levels, compared to schools with the fewest students in poverty.

East Side Union, on the other hand, has only a small gap (\$781) in teacher funding between schools with the most and least minority students, and actually spends considerably more (\$6,711) for teachers at schools with the highest concentration of students in poverty. Much of the difference between schools in a district stems from teachers with less experience or fewer qualifications (who are thus lower-paid) ending up at the schools with the most minority and/or low-income students, shortchanging the students who most need teachers with experience. A case study of how East Side Union seems to have successfully addressed this problem could help San Jose Unified and other districts statewide to ensure that students at all schools have equal access to a quality education.⁹

Pursuing the Dream: Indicator 1: Education

Effectiveness of public school system in serving English learners

Nearly half of all K-12 students in Santa Clara County speak a language other than English as their mother tongue. Of these students, about half are English-proficient; the remaining 26% of all students are in the process of learning English.¹⁰ These English Learner students speak a total of 54 different languages.

Students' breadth of linguistic and cultural knowledge represents a great resource for the Silicon Valley region, while at the same time presenting an extraordinary challenge for our schools. It is crucial that the public school system adequately serve its English Learners to ensure that they have the opportunity to achieve English fluency, which is needed both for securing quality employment and for full civic participation.

Each year, approximately 10% of English Learner students in Santa Clara County achieve fluency and are re-designated as Fluent English Proficient. The percentage of students achieving fluency in 2005-06 (10.8%) was approximately the same as in 1997-98 (10.0%), and higher than the state average (9.6%). A total of 51,665 students in the county have achieved English proficiency in the past nine years.¹¹

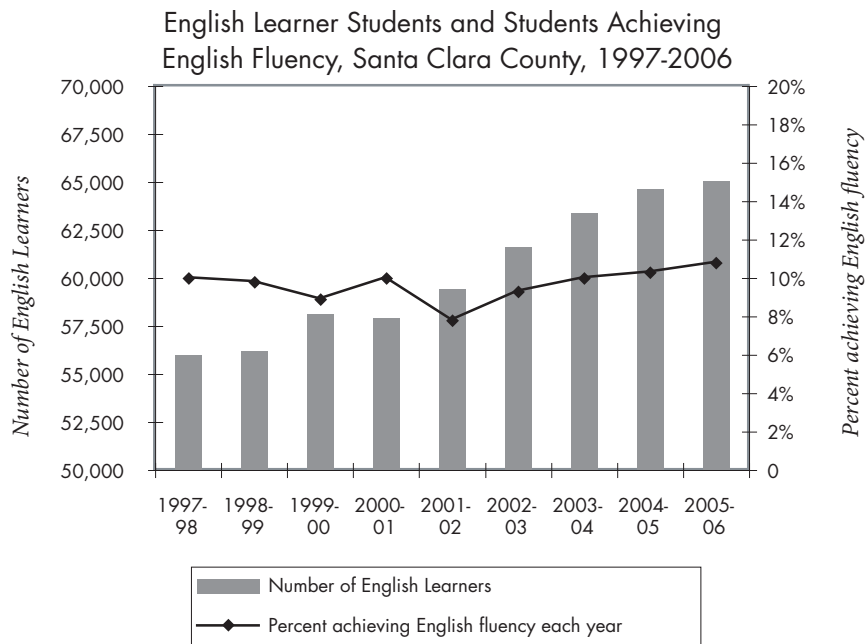


Figure 5.5, Source: California Dept. of Education, Educational Demographics Unit

New California High School Exit Exam impacts English learners; one quarter of English-learner seniors statewide are at risk of being denied diplomas

The California High School Exit Exam (CAHSEE) is a statewide high-stakes test first implemented in 2000. Beginning with the class of 2006, all high school seniors are required to pass the Exit Exam in order to graduate, in addition to passing all required courses and maintaining an acceptable GPA.

For students who are in the process of learning English, the Exit Exam can be a major obstacle to finishing high school. Seniors who do not pass the Exit Exam are denied a high school diploma. In Santa Clara County, for 2005-06, English Learners who took the exam had a pass rate for the language arts portion of just 27.2%. The rate for all students in the county was 64.9%; for all students in the state, it was 61%.¹²

The Exit Exam is normally taken in 10th grade; however, students who fail to pass may take the test multiple times in the 11th and 12th grades. Of the 12th graders who re-took the Exit Exam in 2006, more than half were English Learners. Only 21% of those students passed the exam.¹³ While we do not know how many English Learner students ultimately did not graduate due to CAHSEE, the high number who had not passed by the 12th grade and their low pass rates indicate a significant problem.

Statewide, an estimated 38,574 students in the class of 2006 (8.8%) had not passed the Exit Exam as of May 2006, despite multiple attempts. Out of all students statewide who had not passed the exam, 44% were English Learners; in fact, one quarter of all seniors who were English Learners had not passed.¹⁴

ACCESS TO HIGHER EDUCATION

For the first time, less than half of graduates from Santa Clara County high schools attend college

The proportion of the county's high school graduates attending college has fallen sharply in the past five years. In the 1990s, an average 65% of graduates annually went directly to a two- or four-year college. This percentage began to drop in 1999, and by 2005 reached a troubling milestone: 49% of the Class of 2005 went directly to college, making them the only class in the past twenty years to send less than half its graduates on to higher education.¹⁵

This drop in college-going students is due primarily to a steep decline in students attending community college. 5,264 new Santa Clara County freshmen enrolled in community college in 2000; by 2005, the number of new enrollees had fallen to 3,354.¹⁶

Much of this decline can be attributed to a drop in state funding for community colleges in the wake of the 2001 recession, combined with a large increase in student fees (the per-unit equivalent of tuition); from 2003-2005, student fees more than doubled, from \$11 per unit to \$26 per unit.¹⁷ Looking at the community college system within Santa Clara County, enrollment has declined from a high of 99,143 students in 2002 to 88,952 students in 2005.¹⁸ The impact of enrollment declines is especially severe because the number of high school graduates – and thus the potential need for community college spaces – has been rapidly growing.

In response to this problem, the state of California recently reduced student fees to \$20 per unit, effective January 1, 2007; these more affordable fees may help to reverse the decline in high school graduates' college enrollment.¹⁹

On the positive side, the percent of the county's high school graduates attending a public four-year college at either the University of California or California State University has grown slowly but steadily. 28% of

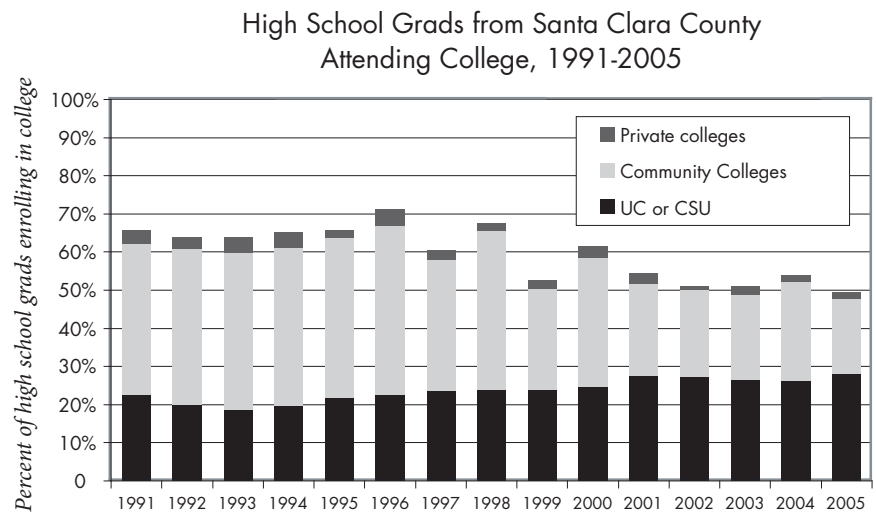


Figure 5.6, Source: California Postsecondary Education Commission

the high school Class of 2005 enrolled in a UC or CSU, up from 23% in 1991 and 25% in 2000. In addition, 4.9% of enrolled community college students transferred to a UC or CSU in 2005 (4,375 transfers), up slightly from 4.3% in 2000, but below the peak of 5.4% in 1997.²⁰

The cost of college and associated expenses is a major barrier to students from low- and middle-income families. Even students who are high academic achievers are unlikely to receive a college degree if their family is poor. In a nationwide study comparing students' 8th grade standardized test scores with their college graduation rate, the effects of income overwhelmed the effects of high test scores. A student in the lowest-scoring group, but from a high-income family, has a 30% chance of completing college, compared to a 29% chance among students with the highest test scores, but from low-income families.²¹ The same pattern is found in college-going rates; nationwide, the highest-achieving low-income students attend college at the same rate as the lowest-achieving high-income students (78% and 77% respectively).²²

The college-going rate has fallen among all ethnicities; for Latinos and Native Americans, less than one-third of the Class of 2005 went directly to college

Between 2000 and 2005, the percent of Santa Clara County high school graduates going directly to a public college fell for every major ethnic group. The biggest percent declines were seen among Native Americans (from 49% to 31%) and Latinos (from 42% to 28%). As a result, by 2005 less than one-third of both Latino and Native American graduates went directly to college.²³

As discussed above, these declines in were due largely to drops in community college enrollment, which ranged from a decline of 8.8 percentage points for Asian/Pacific Islander students to a much larger drop of 15.8 points for white students.²⁴

With Latinos now comprising the largest group of K-12 public school students in the county, their lack of access to the state college system indicates that significant policy changes are needed at both the K-12 and higher education levels to reverse this trend.

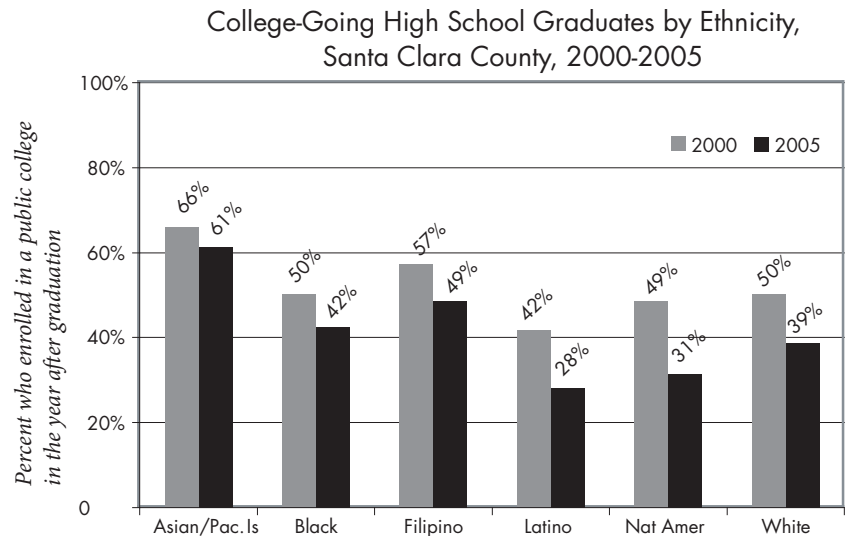


Figure 5.7, Source: California Postsecondary Education Commission

Pursuing the Dream: Indicator 1: Education

The cost of college has risen substantially

Whether or not college is affordable depends on a complex and interacting set of factors, including tuition or fees, books and materials, other costs charged by educational institutions, the cost of room, board, and other essentials, access to financial aid, access to and repayment costs of student loans, students' ability to work and the wages for student jobs, and trends in family finances. In brief, however, it is clear that college is becoming less affordable for California students. At University of California campuses, the average net cost of attendance (annual cost minus all financial aid grants) has grown by 34% since 2000-01, increasing from \$8,747 to \$11,722. The expense of attending a Cal State University campus grew even more rapidly, increasing by 45% since 2000-01 (from \$6,717 to \$9,734).²⁵ In March 2007, the governing bodies of the U C and CSU systems voted to raise fees yet again, imposing a 7% fee hike on UC undergraduates and graduate students and a 10% hike for undergrads and grads at CSU.²⁶

As students struggle to finance their educations, the educational debt load is also increasing, creating a growing burden on young people after they graduate from college. In California, the average total owed on Stafford loans for students beginning repayment (i.e., immediately after graduating or leaving college) has grown from \$11,352 in 1995-96 to \$17,884 in 2003-04.²⁷ In addition, more students are turning to private loans; nationwide, private student loans as a proportion of all educational borrowing have shot up from 4% in 1995-96 to 20% in 2005-06.²⁸

In 2006, the California Postsecondary Education Commission created a Special Panel on Affordability to examine the affordability of California's higher education system and develop policy recommendations. The panel "concluded that without the recognition of the role played by the total cost of attendance, and without adequate attention and resources, California's system of higher education will no longer be able to provide affordable education for its citizens."²⁹

Alternative forms of post-secondary education are widely used, both by students just out of high school and by adults seeking to upgrade their skills or retrain

When designing policies addressing the need for higher education, often only programs leading to a bachelor's or advanced degree are considered. Yet tens of thousands of county residents enroll each year in other types of post-secondary education, much of it with a vocational or career/technical orientation. These varied sub-baccalaureate programs are of enormous importance in providing a means for students to develop the skills needed for today's rapidly changing job market. In fact, out of all post-secondary students nationwide, more than half (58%) are enrolled in sub-baccalaureate programs.³⁰

Job-oriented sub-baccalaureate programs are used by two major populations; students just out of high school who see them as either a pathway or an alternative to a four-year college, and working adults seeking to upgrade their skills. For the former group, sub-baccalaureate programs are key in providing multiple avenues of opportunity, as not all students are financially or academically prepared to go directly to college.³¹

However, students who enter these programs are often unable to achieve their educational goals. Nationwide, of students who enter a sub-baccalaureate program with the ultimate goal of a bachelor's degree, only 21 to 37% (depending on the program) succeed in obtaining a degree or transferring to a baccalaureate-level program within five years.³² This low success rate strongly suggests that channeling college-bound low-income students to community college with the goal of transferring to a four-year university may not be an effective strategy.³³

Even those with more modest goals have difficulty attaining them. Of students who set out to earn an associate's degree, 28 to 44% obtain an associate's or higher within five years. Among those seeking a certificate, 39 to 53% gain a certificate or higher credential within five years.³⁴

Students enrolled in postsecondary career-technical education and other sub-baccalaureate programs, Santa Clara County, 2005

Community Colleges	# of students
De Anza	22,694
Foothill	17,123
Evergreen	9,699
West Valley	9,545
San Jose City College	9,073
Mission	8,441
Gavilan	4,854
<i>Total Community Colleges</i>	<i>81,429</i>
Private or Not-For-Profit Colleges	
Heald College - San Jose	639
Institute for Business & Technology	613
Bryman College	605
CET-Sobrato & Gilroy	423
Silicon Valley College - San Jose	422
Brooks College	370
California Cosmetology College	44
<i>Total Private or Not-For-Profit</i>	<i>3,116</i>
Apprenticeship Programs*	9,432
Metropolitan Adult Education Program (MAEP) at MetroEd**	45,000

* Includes some apprentices in other N. CA counties; 2002 data.

** MetroEd's estimate of annual students served by all MAEP classes.

Does not include adult classes operated by K-12 districts, or institutions that do not offer a certificate or degree.

The second major use of sub-baccalaureate programs is by adults already in the workforce, reflecting workers' growing need for "lifelong learning" just to hold on in the present-day job market. In Santa Clara County, only half (50.7%) of those enrolled in higher education are traditional-aged students; 26.7% are age 25 to 34, and another 22.6% are age 35 or over.³⁵ However, the percent of adults 25 and up enrolled in higher education has actually declined since 2000, from 7.7% to 6.4%, suggesting that funding cuts and fee increased in community colleges and adult education may be making lifelong learning less accessible just when it is most needed. The California's Edge Campaign, created to examine the state's training and education infrastructure, concluded: "Virtually all Californians will require continued education and skills training to enter or stay in well-paid jobs and to meet the skill needs of the state's employers. . . . Yet California lacks a coherent policy framework to encourage continuing education, and existing programs and policies erect barriers to access and success for working adults."³⁶

EDUCATIONAL OUTCOMES

Overall, the educational attainment of Santa Clara County adults increased between 2000 and 2005

The educational level of the county's adult population increased over the past five years. The growth was evident at all levels; the proportion who have never been to college (high school or less) dropped from 32.5% to 30.8%, while the proportion with a bachelor's degree or higher grew from 40.0% to 44.6%. The figure at right breaks down educational attainment in more detail.³⁷

These changes reflect not only the effects of the local educational system but also migration and demographic trends. In particular, it appears that despite the dot-com bust, Santa Clara County continues to be successful in attracting workers with advanced degrees.

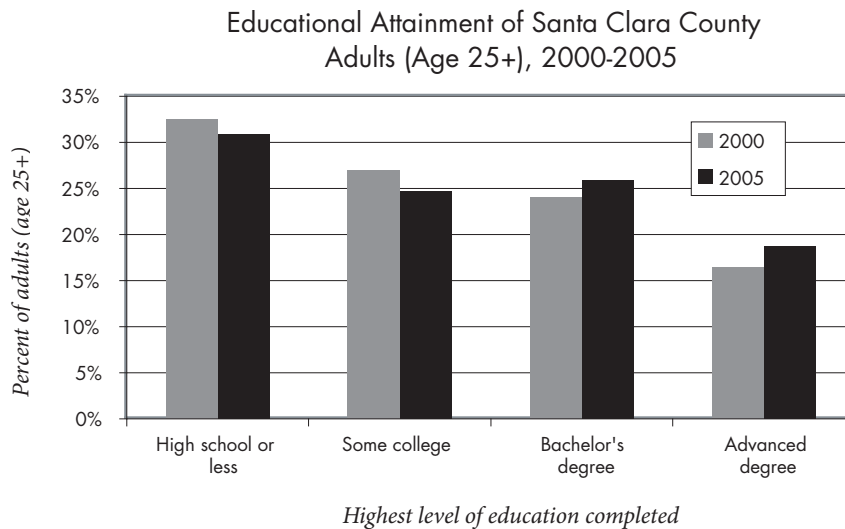


Figure 5.8, Sources: Decennial U.S. Census & American Community Survey

Educational access and attainment among Santa Clara County adults reveals a huge gap based on race/ethnicity; of particular concern, two-thirds of Latinos have never been to college

Although educational attainment of the county population as a whole is growing, there remain massive racial and ethnic gaps in average education level. Most strikingly, 66.9% of Latino adults in Santa Clara County have never been to college.³⁸

This gap cannot be attributed solely to immigration. In 2005, 36.2% of foreign-born adults in the county had never been to college, compared to 26.1% of adults born in the U.S.: a substantial difference, but nowhere near the size of the Latino-white gap.³⁹ Lack of access to college for Latino youth born in the U.S., due to both disparity in resources at the K-12 level and to the unaffordability of college, must therefore play a role in the low proportion of Latinos who are able to attend and complete college.

African-Americans also suffer an educational gap, albeit not the chasm faced by Latinos; 30.5% of black adults have never been to college, and only 29.7% have a bachelor's degree or higher. Finally, although Asian-Americans are often stereotyped as having a uniformly high educational level, in reality there is a wide variation in educational attainment. While the Asian population does have the highest rate of advanced degrees in the county (22.0%), there are also a large number of Asians (27.1%) who have never been to college.⁴⁰

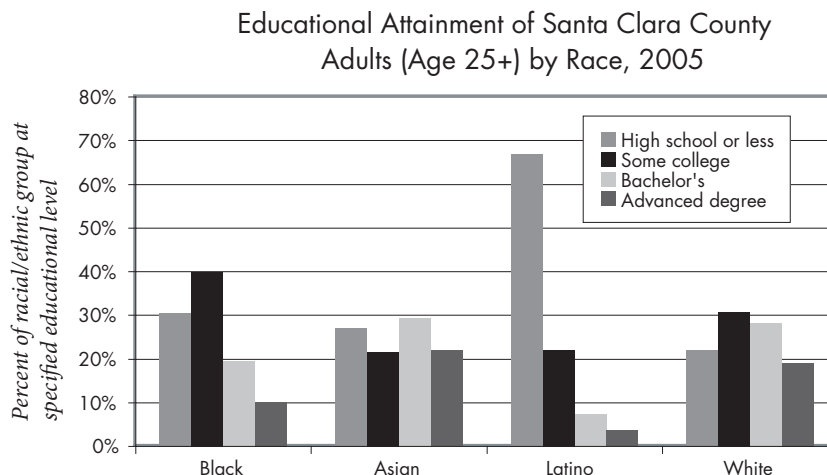


Figure 5.9, Source: American Community Survey

Pursuing the Dream: Indicator 1: Education

Workers with a bachelor's degree earn three times as much as workers without a high school diploma

Education is a good investment; a higher level of education generally leads to substantially greater earnings throughout one's working lifetime. In 2005, a worker in Santa Clara County without a high school diploma earned a median of just \$21,715, compared to \$32,095 for a high school graduate, and \$65,494 for a bachelor's degree holder.⁴¹

The amount of the wage premium for education varies by sex, although both genders receive substantial returns to education. In 2005, women with high school diplomas and no college earned, on average, 80% more than women with less than a high school diploma (\$27,114 vs. \$15,032); the corresponding premium for men was only 35% (\$35,756 vs. \$26,497). On the other hand, men with a bachelor's degree earned a median of \$79,748, 123% more than men with just a high school diploma. Women with a bachelor's earned \$51,050, 88% more than women with a high school diploma; a lower premium than for men, but still a considerable increase in pay.

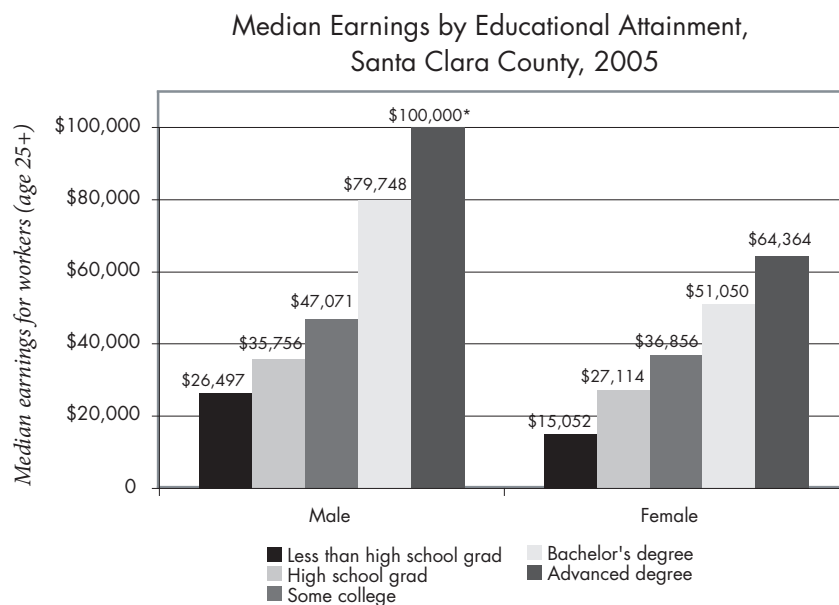


Figure 5.10. Source: American Community Survey

* Median for males with an advanced degree was more than \$100,000; the Census Bureau does not report earnings above this level

Since 1999, the value of a college education for U.S. workers has stopped growing

In the recent history of our nation's economic growth, a four-year college degree has become ever more valuable in the job market, as incorporation of new technology produced more jobs requiring high-level skills. From 1979 through 1999, the college wage premium in the U.S., adjusted for differences in age, sex, race, marital status and region, increased steadily – growing from about 25% in 1979 to 45% in 1999.

However, in the current decade the college wage premium has flattened, with no sustained growth since 1999.⁴² In fact, between 2000 and 2004 (the dot-com recession and its aftermath), the college premium actually shrank: median real earnings fell by 5.2% for college graduates while rising 1.6% for high school grads.⁴³ At the same time, college graduates are less likely to get health benefits and more likely to suffer unemployment than in decades past.⁴⁴

In short, a college education is no longer a guarantee of entrance into the secure middle class. Although education is necessary for economic success, it is insufficient for raising the overall standard of living if there are not enough high-quality jobs available for graduates. It appears that the demand for college-educated workers is no longer growing as quickly as in the recent past; employment projections for California in the next decade (2004-2014) estimate that 65% of annual job openings will be for occupations that require only on-the-job training, while 13% will require some postsecondary education or experience; only 22% will be in occupations requiring a bachelor's degree or above.⁴⁵

In the longer term, a reduction in the wage premium could have a negative effect on educational levels. If prospective students do not believe that they will be able to secure well-paying jobs upon graduation, they will have less motivation to invest their time, money, and foregone earnings in pursuing higher education. This could potentially lead to a vicious-circle effect; if fewer California students pursue higher education, companies needing highly educated workers will be less inclined to locate here, thereby further lowering the wage premium.

INDICATOR 2: INCOME INEQUALITY AND MOBILITY

KEY STATISTICS

- In Santa Clara County, the secure middle class shrank between 1990 and 2000, and was battered still further in 2001-2005. In the past five years, the share of households in the lowest income bracket (less than \$10,000) grew by 53.3%, while the share in the secure middle class (\$50,000 to \$99,999) fell by 4.4%.
- Wealth inequality is more extreme than income inequality and is increasing. The top 5% of the nation's households own 59% of all personal wealth, while the bottom 60% of households collectively own only 4.0% of all wealth. The U.S. also suffers a huge racial wealth gap; in 2004, median wealth was \$136,750 for white-headed households and \$15,530 for Latino-headed households.
- Intergenerational mobility – children's ability to move into a different economic class than their parents – is lower in the U.S. than in comparable countries, and has declined over the past twenty years. For the cohort of Americans born in the 1950s and 1960s, those with low-income parents had just a 5.9% chance of reaching the top quintile, compared with a 41.9% chance for those with high-income parents.



STATE OF WORKING FAMILIES:
Declined



STATE OF PUBLIC POLICY:
Reform Needed

INDICATOR 2: INCOME INEQUALITY AND MOBILITY

WHY IT MATTERS

The essence of the American Dream is that everyone has the opportunity to reach the middle class, no matter his or her background. Yet the American reality belies the dream. While we have made great strides in expanding opportunity, it remains true that most important factor affecting a person's economic success is not their own efforts, but their parents' socioeconomic status and the place they were born. Silicon Valley, with its integral ties to the global economy and accompanying labor market trends, can be seen as a bellwether for the nation in this respect.

Growing inequality and shrinking mobility is a national concern because these trends violate basic American values of fairness and rewards for work. In addition, a decline in the secure middle class spurs economic worries. The strength of our nation's economy, and its impressive performance over the past six decades, are built upon the foundation of consumer spending by a strong middle class; if that foundation weakens, our economy's future prospects will look dim.

KEY PUBLIC POLICIES

- The top state income tax brackets were eliminated in 1996. In addition, although 24 states have maintained a tax on inherited wealth, California no longer has one. As a result, the burden of taxes falls most heavily on those who can least afford it; in 2002, the lowest-income quintile of households paid 11.3% of their income in state and local taxes, while the richest one percent paid only 7.2% in taxes.⁴⁶
- Current labor law coupled with economic realities tilts the tables massively in favor of corporate management. This increases inequality because lack of bargaining power forces workers to accept poorer wages, benefits, and working conditions than they would if they were truly free agents. Consequently, the decline of unionization in the United States over the past thirty years has contributed to the growth of wage inequality and to the decline in the median wage. The Employee Free Choice Act currently being considered in Congress would be a first step towards restoring a level playing field for employees.⁴⁷
- A novel concept for equalizing wealth across generations is the "child trust fund": a savings account established for every child upon birth using seed money from the government and encouraging additional contributions from family members, not to be withdrawn until adulthood. Through interest accrual and incentives to save, universal children's trust funds have the potential to provide every child with a nest egg for education, homeownership, or retirement. Britain implemented a child trust fund policy beginning in 2003.

INCOME INEQUALITY AND THE SHRINKING MIDDLE CLASS

From 2001 to 2005, the secure middle class in Silicon Valley continued to shrink, as more households fell into the lowest income categories

The term “hourglass economy” was coined to describe a new and troubling phenomenon in U.S. society that emerged in the 1970s: the shrinking middle class. In a reversal of the previous decades of broadly shared growth, inequality began to rise. Some households rose to the top, numerous others fell to the bottom, and households in the middle class declined, giving rise to the image of the economy as hourglass.

Nowhere in the country was this trend more evident than in Silicon Valley. From 1990-2000, the Valley saw growth in the number of households at the top (incomes of \$100,000 or more) and the number of households at the bottom (incomes less than \$10,000). As shown in Figure 5.11, the share of households the lowest income bracket grew by 12.7%, while the share in the top bracket grew by 32.5%. The share of households in all of the three middle brackets – earning anywhere between \$10,000 and \$99,999 – declined by about 15% in each bracket, moving our economy in the direction of an hourglass.

Post-2001, the Silicon Valley middle class has continued to shrink, but the distributional shift can no longer be accurately described as an hourglass. Between 2001 and 2005, the share of households in the very lowest income bracket – less than \$10,000 per year – increased enormously, growing by 53.3%. At the same time, the share of households in the two highest income brackets – comprising the secure middle class

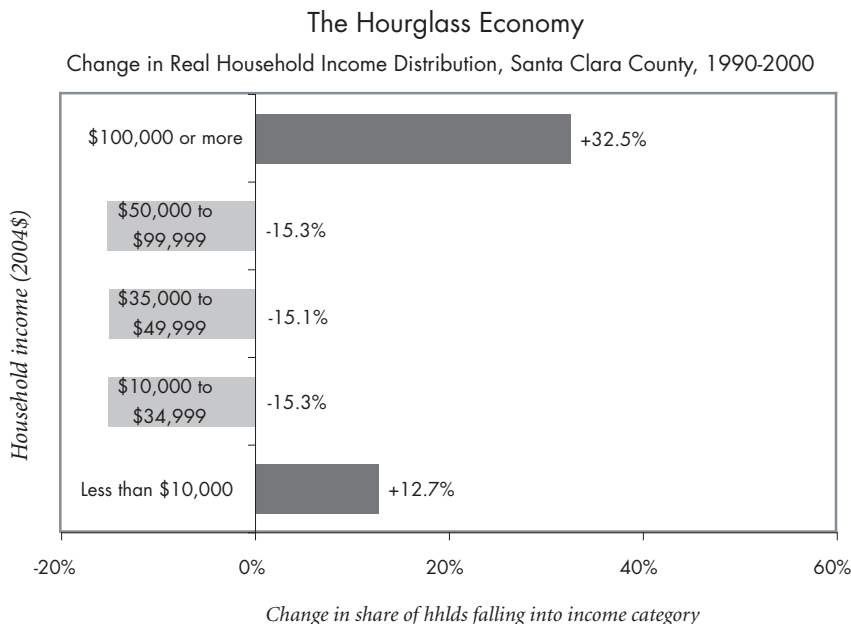


Figure 5.11, Source: Decennial U.S. Census



Figure 5.12, Source: American Community Survey

and above – both declined, by 16.8% and 4.4%. Most of these formerly secure-middle households fell down into the lower income brackets, causing the ranks of the two lower-middle brackets to swell by 19.3% and 32.6% each.

In sum, over the past five years Silicon Valley has experienced a continuation of the decline in the number of households in the secure middle-class; but rather than some of those middle-class households moving downward and others making it to the top, now nearly all motion is towards lower-income status. This is the “Victorian gown” economy – small on top, squeezed ever tighter in the middle, and ballooning outwards at the bottom.

Pursuing the Dream: Indicator 2: Income Inequality and Mobility

In the San Francisco Bay Area, wages in the lowest quintile have seen no real growth since 1989, while wages in the highest quintile have grown by 22%

A major contributor to the drop in middle-class households is the decline in jobs paying a secure middle-class wage. Job growth in the past decade has exhibited the hourglass shape described above: highly-paid jobs requiring advanced skills on one side, and low-wage, dead-end service jobs on the other.

This growing divide can be seen by the trends in the 20th percentile of wages (20% of jobs pay below this amount) and the 80th percentile (80% of jobs pay below this amount). In the Bay Area, the wage level at the 20th percentile has barely budged in the past 15 years; adjusted for inflation, workers at the 20th percentile earned \$11.47 in 1989 and \$11.50 in 2004. During the same period, the wage at the 80th percentile increased from \$28.30 to \$34.62 – a 22% climb, substantially widening the gap between low-paying and high-paying jobs.⁴⁸ (See Chapter 1 of this report, “Making a Living”, for data on the increasing preponderance of low-wage jobs in Silicon Valley.)

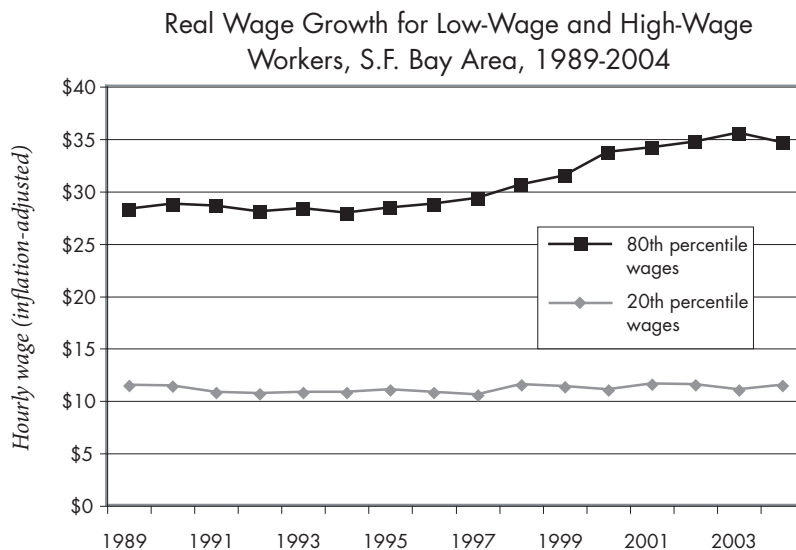


Figure 5.13, Source: California Budget Project analysis of Current Population Survey

Low-income households pay the highest proportion of their income in state & local taxes and received the least benefit from recent changes in federal tax policy, exacerbating the income divide

Tax policy is one means by which society can compensate for extreme income inequality. Although California's income tax is progressive, the effects of other taxes such as sales and property tax, combined with the effects of federal taxes, result in a tax system that weighs relatively most heavily on low- and middle-income households.

The higher the income of a California household, the lower the percent of its income that household pays in state and local taxes. In 2002, households in the lowest income quintile (less than \$18,000) paid 11.3% of their income in state and local taxes. For the middle quintile (\$47,000-\$80,000), these taxes took up 8.7% of their income. The highest 1% of households (over \$567,000) paid only 7.2% of their income. The state tax system as a whole is thus regressive – charging the highest aggregate tax rate to those who can least afford to pay.⁴⁹

At the national level, recent tax changes have also been highly regressive, with most of the benefits accruing to a very few extremely high-income households. Summing together all federal income tax breaks enacted since 2001, in 2006 the average California household in the lowest income quintile got a tax cut of \$124. The average household in the middle quintile saw a cut of \$677. Meanwhile, households in the top 1% received an average tax cut of \$53,614.⁵⁰

WEALTH INEQUALITY

Wealth inequality among U.S. households grows; the richest 5% own more than half of all wealth

Although the household income distribution in the U.S. is becoming more unequal, a much larger gap is found in the distribution of wealth. The top 1% of the nation's households own more than 34% of all wealth; the top 5% own 59% of all wealth; and the bottom 60% of all households collectively possess only 4.0% of all wealth.⁵¹

The unequal distribution of wealth widened further between 1998 and 2004, continuing the pattern of the past forty years.⁵¹ From 1998 to 2004, the top 20% of U.S. households saw their average wealth grow by \$516,800 (a 39% increase). The middle 20% saw an increase of only \$11,200 (16%). And the bottom 20%, already in debt, saw their net wealth fall by \$1,100 (-11%).

Wealth serves several important functions for a family: a cushion against the swings of the insecurity economy, a nest egg for retirement, and a means to improve one's income prospects through education. But with most wealth concentrated at the very top, few middle-class or working-class households have enough savings to fulfill any of these roles, let alone all three. The lowest 20% of households actually have a negative net worth; on average, in 2004 they owed \$11,400 more in debt than the value of their total assets,⁵³ an extremely precarious financial position for a family.

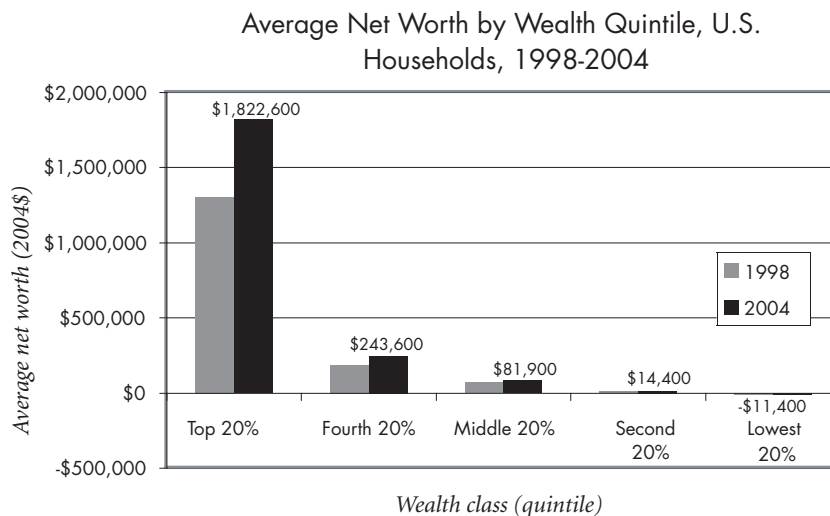


Figure 5.14, Source: Economic Policy Institute

Pursuing the Dream: Indicator 2: Income Inequality and Mobility

Nationwide, Latino-headed households saw their median wealth grow 27% between 2001 and 2004; however, white-headed households still hold 781% more wealth than Latinos and 567% more than Blacks

The cumulative effects of past and current racial discrimination are made starkly apparent by the racial wealth gap. In 2004, households with a white head-of-household had a median net worth of \$136,750. This was more than five times as much as the net worth of Black-headed households (\$20,500), and more than eight times as much as Latino-headed households (\$15,530).

Between 2001 and 2004, the gap narrowed slightly for Latinos, as the median net worth for Latino-headed households grew by 27% (from \$12,195 to \$15,530).⁵⁴ Yet there remains a vast gulf between Latino and Black households and white households.

Lower wages, higher unemployment, and greater difficulty in buying a home are a few of the factors that contribute to the racial wealth divide. If public policies ignore this divide by falsely assuming that families of all races have equal access to wealth, we can expect to see a continuation of the current massive wealth inequality.

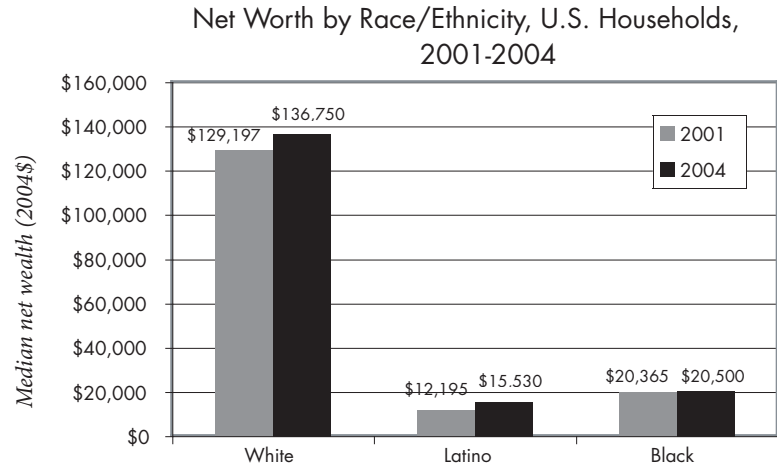


Figure 5.15, Source: Survey of Consumer Finances
Separate data for Asians not available.

ECONOMIC MOBILITY

In the United States today, the majority of families do not readily move between economic classes

If the income mobility of families over time were high, income inequality would appear less important. For example, one might suppose that young families or individuals typically spend a few years at a very low income level, but then quickly move up the income ladder as they gain education and job experience. In the United States, however, inequality is not offset by increased mobility over time. Most low-income families tend to remain low-income.

The chart at the right shows U.S. families' income mobility over a nine-year period, from 1989 to 1998. Of families who were in the lowest income quintile (lowest 20%) in 1989, 53% remained stuck in the lowest quintile in 1998, and only 4% made it to the top. Among families in the highest quintile in 1989, only 3% ended up in the lowest quintile in 1998, and 53% stayed at the top. In other words, for both the lowest-income and the highest-income families, more than half were in the same income class nine years later. Among families in the middle quintile, only 13% made it to the top.⁵⁵

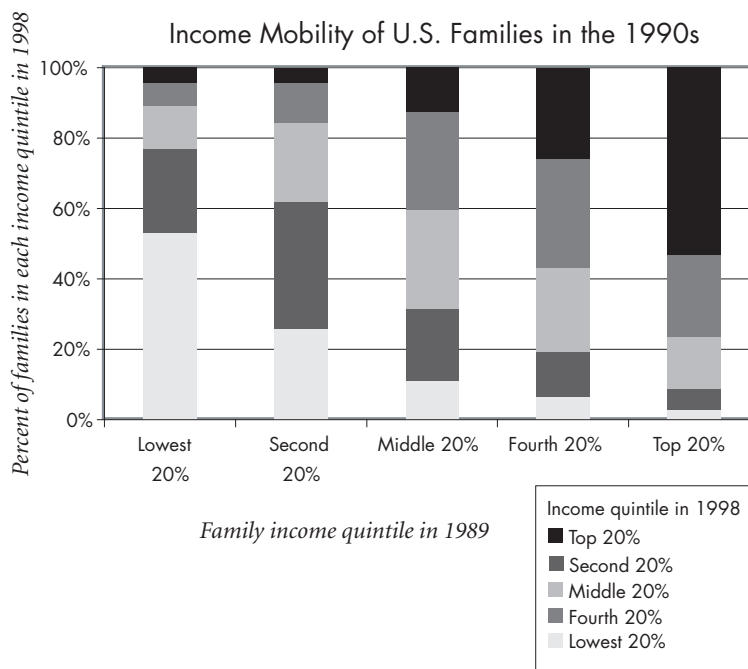


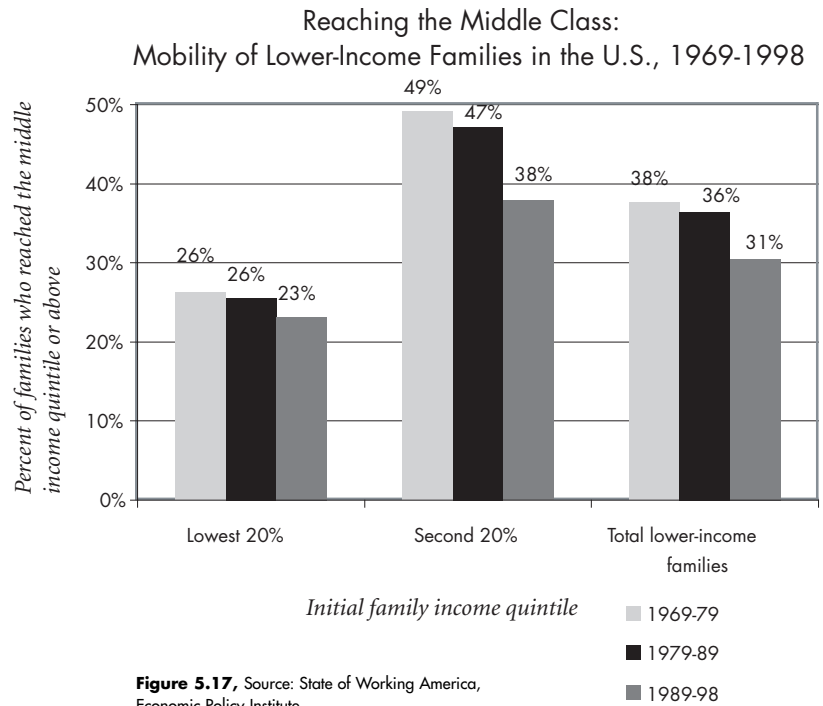
Figure 5.16, Source: State of Working America, Economic Policy Institute

Pursuing the Dream: Indicator 2: Income Inequality and Mobility

Compared to the 1970s and 1980s, families today have less opportunity to climb the economic ladder

The 1990s seem to have produced a decline in mobility compared to the two previous decades. Using one measure of upward mobility, the prospects for those at the bottom to reach the middle class dropped from 38% in the 1970s to 31% in the 1990s. (See figure at right.)

Another measure demonstrates that more families did not budge from their original income quintile between 1989 and 1998 than in either of the previous decades: 35.7% in the 1970s, 37.1% in the 1980s, and 40.4% in the 1990s.⁵⁶ Any way you examine it, the phenomenal economic growth of the 1990s, although it made a few people rich, utterly failed to bring about any significant increase in upward mobility.



Pursuing the Dream: Indicator 2: Income Inequality and Mobility

Intergenerational mobility in the U.S. is relatively low and declining, meaning that working-class and middle-class children have less chance of making it to the top of the economic ladder

Despite the enduring image of America as the land of opportunity, in the United States today economic success is determined to a large extent by the economic status of one's parents. Intergenerational mobility – children's ability to move into a different economic class than their parents – is lower in the U.S. than in many other advanced economies such as Denmark, France, and Canada,⁵⁷ and has declined considerably over the past twenty years.⁵⁸

Among children born in the U.S. in the 1950s and '60s, their income in the 1990s was strongly correlated with their parents' incomes. Those whose parents were in the lowest income quintile (bottom 20%) had only a 5.9% chance of making it into the highest quintile. Those with parents in the middle quintile had a 16.9% chance of making it to the top. But among those who were born into the top income quintile, forty years later 41.9% were still on top.⁵⁹

Mobility is exceptionally low for African-Americans. Black children whose parents are in the lowest income quintile have a 62.9% chance of remaining in the lowest quintile themselves, and only a 3.6% chance of reaching the highest quintile. By contrast, white children with parents in the lowest quintile are only half as likely as African-Americans to remain at the bottom (32.3%), and are four times as likely to make it to the top (14.2%). This large mobility gap between races remains even when differences in parents' education, background, and language skills are factored out. In other words, the racial mobility gap is primarily due not to differences between the characteristics or child-rearing practices of white families and black families, but to external social factors that make it less likely for African-Americans to move up the economic ladder.⁶⁰

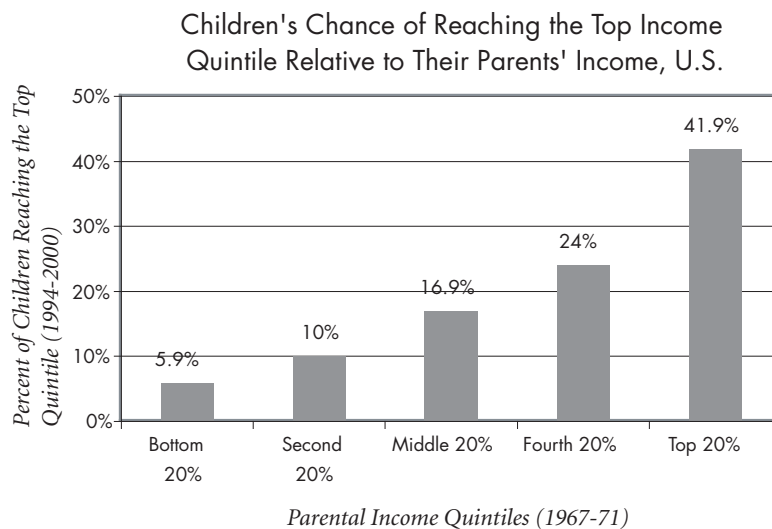


Figure 5.18. Source: Tom Hertz, *Understanding Mobility in America*. Sample includes only children born in the U.S. between 1950-1968.

Pursuing the Dream: Indicator 2: Income Inequality and Mobility

Not only is intergenerational mobility low, it appears to be declining. Mobility expert Gary Solon has found that income mobility between generations in the U.S. was lower in the 1990s than in any of the previous five decades. As seen in the figure at right, in 1980 the correlation between fathers' and sons' income was .32 (a higher correlation implies lower mobility, with 0 meaning that a son's income has no relation to his father's, and 1 meaning that a son's income is completely determined by his father's). This correlation began to climb around 1980, and continued to grow through the next two decades; by 2000, the correlation between fathers' and sons' income was .58, signaling the lowest level of mobility observed in the past fifty years.⁶¹

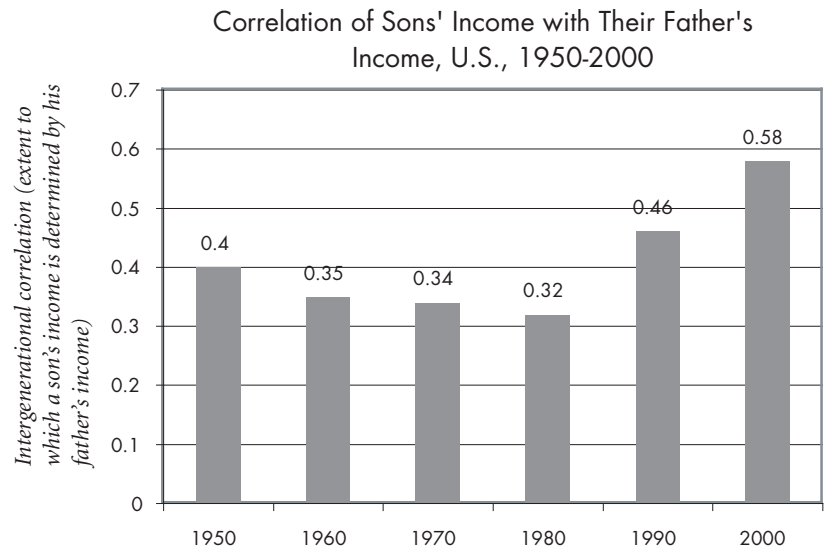


Figure 5.19, Source: State of Working America, Economic Policy Institute

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End Notes

► NOTES: Chapter 1

1. For more information on state and local Earned Income Tax Credits, see the Center on Budget and Policy Priorities. <http://www.cbpp.org/10-12-06sfp.htm>
2. For child care policy analyses, see the Community Child Care Center of Santa Clara County, <http://www.4c.org/>; the Center for the Study of Child Care Employment, <http://www.iir.berkeley.edu/cscce/>; Preschool California, <http://www.preschoolcalifornia.org/>; the Center for the Child Care Workforce, <http://www.ccw.org/>; and the Building Child Care in California Collaborative, <http://www.buildingchildcare.org/>. Source for costs: International Child Resource Institute, *A New Assessment of Child Care Need for Children Age 5 and Under in Santa Clara County*. Sponsored by First 5 of Santa Clara County. Berkeley: Sept. 2002. <http://www.icrichild.org/FINALReportSantaClara.pdf>
3. For more information on the California Prepaid Tuition Program (AB 152), see <http://www.leginfo.ca.gov>. Source for college costs: University of California, Office of the President; see <http://budget.ucop.edu/fees.html>. From 2000-02 to 2006-07, annual resident undergraduate tuition at the UCs has risen from \$2,716 to \$5,406. Tuition for nonresidents has risen from \$10,244 to \$18,168.
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► Notes: Chapter 5

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LIFE IN THE VALLEY ECONOMY TRENDS: 2000-01 TO 2005-06

INDICATOR	SUMMARY	PERFORMANCE
MAKING A LIVING		
Household Budgets	Adjusted for inflation, median household income fell from \$83,370 in 2000 to \$74,293 in 2005: a drop of \$9,011.	▼
Employment	There were 156,700 fewer jobs available in Jan. 2007 than in Jan. 2001: a 15.4% drop.	▼
Achieving Self-Sufficiency	31,000 more people lived in poverty in 2005 than did in 2000, as the official poverty rate grew from 6.5% to 8.3%.	▼
SEEKING SECURITY		
Savings and Debt	Median real debt for households in the western U.S. shot upward, growing from \$41,529 in 2001 to \$77,574 in 2004.	▼
Job Security	In 2001-03, one of every six adults in the county lost a job due to layoffs, spending an average of 17 weeks out of work.	▼
The Safety Net	Since 2000-01, the number of Santa Clara County households receiving CalWORKs aid has grown by 42%.	▼
STAYING HEALTHY		
Children's Health	97.4% of children were covered by health insurance in 2005, up from 95.6% in 2001.	▲
Adult Health	Job-based health insurance declined for adults, with the coverage rate falling from 74.7% in 2001 to 70.6% in 2005.	▼
Health Care Access	In 2005 an estimated 153,000 children & adults in Santa Clara County did not have access to a usual source of health care.	▼
BUILDING A COMMUNITY		
Housing and Neighborhoods	From 2000 to 2005, the proportion of households spending more than half their income on housing grew for both renters (from 18.3% to 22.8%) and homeowners (9.6% to 18.4%).	◀▶
Transportation	Congestion on Santa Clara County freeways fell 54% between 2000 and 2005. But public transit ridership decreased by 26% from 2000 to 2006.	◀▶
Public Safety	Violent crime fell 28%, from 423 offenses per 100,000 people in 2000 to 304 per 100,000 in 2005.	▲
PURSUING THE DREAM		
Education	Overall educational levels increased for Silicon Valley adults. However, the high school Class of 2005 was the first class in the past twenty years to send less than half its graduates to college.	◀▶
Economic Equality and Mobility	In the past five years, the proportion of households making \$50,000 to \$99,999 – the secure middle class – fell by 4.4%. The share with income less than \$10,000 grew by 53.3%.	▼

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Working Partnerships USA is a public policy and research institute that builds partnerships with community groups, labor unions, and faith based organizations dedicated to improving the lives of working families in Silicon Valley. By combining the skills of research and policy development, advocacy, and organizing under one roof, we create innovative, practical solutions to problems facing working people and the middle class. Working Partnerships was founded in 1995 as a nonprofit organization.