

RISING TOGETHER

A Roadmap to Confront Inequality in Houston

A Report by the Mayoral Task Force on Equity | September 2017



I am committed to this city.

I am committed to rebuilding neighborhoods that have been overlooked for years and years.

I am committed to making sure that we do not have two cities in one: of haves and have-nots.

We are all Houstonians and we deserve the right to improve and move forward together.

I am committed to that.

Sylvester Turner
Mayor of the City of Houston, January 4, 2016

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This report is accompanied by a separate document produced by Lake Research Partners that features qualitative and quantitative research (polling and in-person focus groups) on topics addressed in this report. That document, "Houston Mayoral Task Force on Equity: Findings from a Citywide Survey on Economic Priorities," is publicly available at equityhouston.org and contains all findings from this work.

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Letter from the Chair

For anyone who has driven the local streets from River Oaks to Kashmere Gardens, from Manchester to Rice Village, there is no denying that in Houston, some of us enjoy the heights of economic prosperity, while many of us struggle to meet our families' basic needs. The number of Houstonians left in between these extremes is shrinking. And while Houston's robust economy and rapidly growing, diverse metropolis positions it to remain a cultural and business center on the world's stage for years to come, the question remains: Will all Houstonians whose work and contributions have made the city's success possible share in the benefits?

Confronting—and reversing—inequality in Houston is an urgent political task that must be addressed locally. With federal and state resources in decline, local municipalities and leaders now are accountable for addressing these challenges. I want to thank Mayor Turner for recognizing that this is a moment to reimagine the role of local government and take bold action at the city level. Both his vision and commitment to tackling inequality in our city have enabled the work of the Task Force over the last seven months, and they are what will carry its recommendations forward. It also has been a privilege to work with the members of the Task Force and our research team, who are examples of the wonderful breadth of talent Houston has to offer in tackling the challenges we face. I am inspired by their commitment to examining disparities and developing the actionable, practical solutions outlined in this report.

It is the hope of this Task Force to not only provide practical recommendations that guide and support Mayor Turner in his plans, but also to enlist Houstonians from all walks of life to use this research and these recommendations to engage in a public dialogue about the prioritization of our tax dollars and our shared responsibility to take action in creating a fair, equitable, and thriving city where we can all benefit from Houston's growth and economic power.



Ginny Goldman



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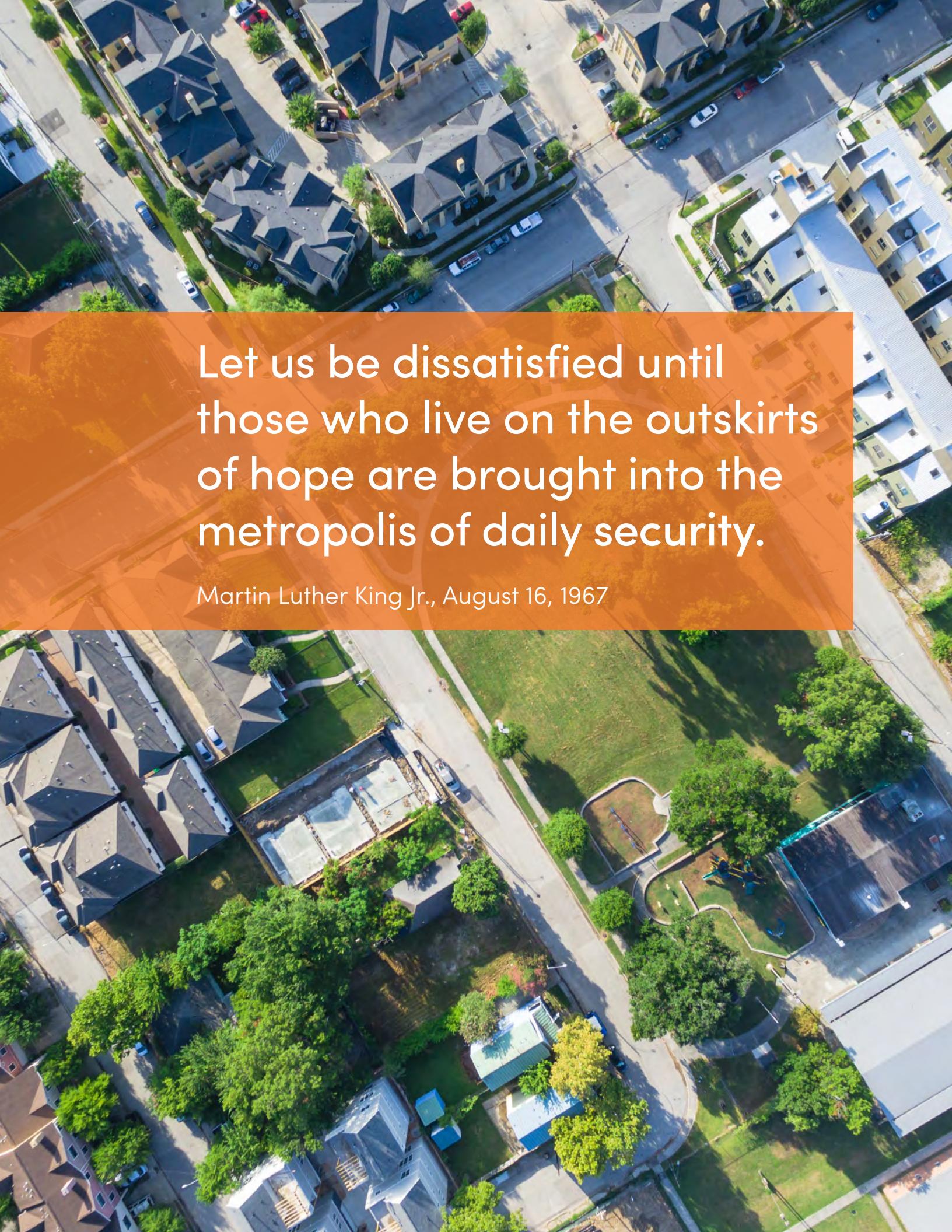
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An aerial photograph of a residential area featuring a grid of streets, single-family homes with dark roofs, and patches of green lawns and trees. A large orange rectangular overlay covers the middle portion of the image, containing the quote.

Let us be dissatisfied until
those who live on the outskirts
of hope are brought into the
metropolis of daily security.

Martin Luther King Jr., August 16, 1967

Executive Summary

Houston is one of the most inequitable cities in the United States. Households with incomes in the top 5% earn nearly 10 times more than households in the bottom 20th percentile.¹ Thus, it is not surprising that while Houston ranks as the second-most prosperous city in the United States and the fifth fastest-growing, it only ranks 64th on a list of most economically inclusive cities.² This staggering contrast between general wealth and individual welfare in our city creates both an enormous challenge and a great opportunity to improve lives through effective public policy.

Mayor Turner is the best-situated elected leader in the South to embrace equity as a driving principle of his administration. He has an opportunity to demonstrate a model for the region that advances transformative policy shifts, which could impact millions of lives. Mayor Turner launched the Complete Communities initiative earlier this year, a program focused on transforming historically under-resourced communities by developing solutions in partnership with residents and leaders that are tailored to each neighborhood. The goal is to expand access to quality affordable homes, jobs, parks, improved streets and sidewalks, grocery and retail stores, good schools, and transit options.

To build on this effort, Mayor Turner created the Mayoral Task Force on Equity, charging it with developing actionable policy recommendations to make Houston a more equitable city.

The Task Force aimed to propose policies that would:

- **improve economic outcomes and quality of life for traditionally marginalized populations;**
- **increase civic participation among these communities; and**
- **maximize the revenue available for critical city services and programming.**

In conducting its research, the Task Force drew insight from three primary channels: data analysis, review of best practices, and engagement with everyday Houstonians. Our work began with comprehensive policy research evaluating the best local and national models, along with thorough data analysis. This was aided by a thorough review of previous reports created by advisory groups such as the Mayoral Transition

Teams and Welcoming Houston, which provided expertise and recommendations on diverse topics. Through an additional layer of robust public opinion research, including focus groups and polling, the Task Force ensured that its recommendations would address the actual priorities and concerns of Houstonians. A separate document produced by Lake Research Partners, titled “Houston Mayoral Task Force on Equity: Findings from a Citywide Survey on Economic Priorities,” is publicly available and contains all findings from the public engagement research.

The Task Force viewed solutions through a racial- and gender-equity lens throughout the process. This approach was reinforced by the demographics of the task force members, most of whom were women and people of color.

Members of the Task Force recognized that sound research leads to effective action. Policy proposals drafted out of context do not produce results, just as policy decisions based on political expediency do not address systemic problems. Thus, the Task Force aimed to deliver actionable recommendations based on sound policy and rooted in the current political and financial context of Houston. When the Task Force was convened, Mayor Turner was advocating for pension reform before the Texas Legislature and considering an appeal to voters for the removal of a cap on municipal revenue. The Task Force’s process took these political and financial factors into account, only considering recommendations that would be viable and support the mayor’s overall priorities.

The Task Force considered the breadth and depth of Houston’s inequality, which is present in every facet of our society, from unemployment and public health to housing and incarceration rates. This report is not, nor is it intended to be, a comprehensive list of all possible avenues to address inequality; rather, it is a focused roadmap to address areas wherein the city could most immediately and effectively use its financial and administrative authority to achieve long-term impacts.

The Task Force honed in on family-sustaining jobs and quality early childhood education as the most impactful drivers of change, because our research demonstrated that helping adults provide for their families and ensuring that the next generation of Houstonians is prepared for the modern economy would have the most impact. These recommendations are intended to complement Mayor Turner’s Complete Communities initiative by being integrated with the program in the five communities it currently serves and providing a way to expand its benefits throughout Houston. The Task Force also identified the need to reframe budgetary decisions and governance practices to focus on equitable growth.

The result is a report with three categories of recommendations that together create a road map to increased economic and racial equity in Houston by 1) establishing a Houston Works! jobs program, 2) expanding early childhood education, and 3) advancing governance practices focused on equitable growth.

Vision and Recommendations Overview

The Task Force envisions a city where all can work and prosper, where every child has a chance for success, and where local government prioritizes equity. This means that all Houstonians would have access to family-sustaining jobs, all children would enter kindergarten prepared and ready to learn on day one, and all city decision-makers would hold equity as a core value of their work.

A City Where All Can Work and Prosper

Recommendation: The City of Houston should launch a public, ambitious Houston Works! jobs program with an initial goal of generating 20,000 new or improved jobs by 2022. The program would focus on making a direct impact through city expenditures and a long-term impact through cooperation with other public and private institutions.



As an immediate first step, the City of Houston can transform the lives of the 5,700 to 8,700 low-wage workers who are hired by the city directly, by city contractors and subcontractors, or by companies that receive funds, subsidies, or preferential treatment from the city. For these workers, the Task Force recommends the following: a family-sustaining minimum wage of \$15 per hour plus benefits, targeted local hiring practices, and apprenticeship programs for sectors with accredited apprenticeship programs (or paid on-the-job training for sectors without accredited apprenticeship programs). The Task Force also recommends that the mayor continue to expand existing initiatives with a proven track record of providing employment to underemployed populations, such as Hire Houston Youth.

Three subsequent long-term steps would build on the results achieved by the Houston Works! jobs program:

- Work with other public institutions, such as Harris County or the Houston Independent School District (HISD), to implement similar policies.
- Work with public and private institutions on new investments, such as transportation and child care, that create more quality jobs and increase job access.
- Enlist a group of business leaders within the private sector that would create quality jobs paying at least \$15 per hour plus benefits, hire local Houstonians, and provide apprenticeships and on-the-job training.

A City Where Every Child Has a Chance



Recommendation: The City of Houston should pilot a scalable early childhood education program that could reach up to 40,000 children by 2025. Such a program would ensure that the next generation of Houstonians would have the potential to perform well in school and become productive members of our economy, and that parents could afford to attend school or return to work.

We propose the Early Childhood Education Pilot, which would run for three years in one or more of the neighborhoods selected for the Complete Communities initiative. The pilot would provide scholarships for 1,500 economically disadvantaged children ages 0–4 in the targeted neighborhood and comprehensively track metrics to demonstrate its impact. If successful, this pilot should be expanded in a rapid and sustainable manner to the tens of thousands of economically disadvantaged children across the city.

A City Where Local Government Prioritizes Equity



Recommendations: The city should make equity—the equal provision of opportunity—a cornerstone of its governing model and budget priorities, creating a concrete action plan that includes five components:

- 1. Creation of specific equity goals**
 - Set measurable goals to increase equity
 - Establish an Equity Office
- 2. Tools to increase equity**
 - Give public funding priority to neighborhoods marked by systematic underinvestment
 - Create an equity atlas and use it to inform investment
 - Change the ReBuild formula to address the “worst road conditions first”
 - Implement performance-based budgeting within city departments
 - Continue implementation of equity-enhancing recommendations from transition committees and other advisory groups
- 3. Metrics to track progress on equity**
 - Establish progress-tracking standards and benchmarking
 - Produce an annual Tax Increment Reinvestment Zone (TIRZ) report
- 4. Equitable revenue generation**
 - Make Houston’s tax system less regressive
- 5. Public engagement**
 - Increase voter registration
 - Expand access to voting
 - Deliver a State of the City speech to a public audience

Introduction

Houston has one of the most robust metropolitan economies in the world.³ Since 2000, Houston has created more jobs and attracted more residents than any U.S. city except Dallas–Fort Worth. Houston’s job base has expanded by 37%, and the number of middle class jobs has grown by 26% in this time period.⁴ The city’s population is growing so rapidly that Houston is expected to overtake Chicago to become America’s third-largest city by 2025.⁵

Yet economic opportunity has not been equally available to all Houstonians. Houston has become a city of “haves” and “have-nots.” Our city ranks among the top 10 most unequal metro areas in the country.⁶ Inequality disproportionately affects Houston’s African-American and Latino residents and women-headed households, creating intergenerational cycles of poverty that are nearly impossible to escape.

Nearly a fourth of all Houstonians and 35% of Houston’s children live in poverty.⁷ Underemployment and unemployment are persistent problems, especially for groups that are subject to discriminatory exclusion from employment opportunities.⁸ The extent of inequality is tremendous: African-American and Latino children are nearly five times more likely to live in poverty than their white counterparts, and single mothers are significantly overrepresented among those living in poverty.⁹ Houston’s inequality is also geographically stratified, with high-income neighborhoods receiving investment and services from local government that (predominantly African-American and Latino) low-income neighborhoods have been without for decades. This lack of investment makes it harder for families to access essential services such as transportation, creating additional obstacles to escaping poverty.

African-American and Latino children are nearly five times more likely to live in poverty than their white counterparts, and single mothers are significantly overrepresented among those living in poverty.

Poverty and its innumerable negative outcomes are a drain on the City of Houston's budget, its communities, and its economy. Evictions, unpaid property taxes, and utility bills alone are estimated to cost the city \$51 million to \$117 million per year.¹⁰ Low-income communities have worse health outcomes, lower educational attainment, and increased crime. The economy also suffers, as there is decreased economic productivity from hundreds of thousands of residents not reaching their full potential.¹¹

Equity, rather than the equal allotment of wealth, is the equal provision of opportunity. In an equitable city, everyone has a fair chance to reach his or her full potential.

The economic reality in Houston is not mere circumstance; many of these outcomes are the result of policy choices. While not all policies are locally controlled, there are many city-level policies and practices that have continuously divorced economic goals from social goals. These policies exacerbate racism and discrimination by distributing public resources in an inequitable way and limiting the role of local government so that it cannot address the root causes of poverty and inequality. Continued inaction will deepen inequality in Houston; there is an imperative to act rapidly to improve the lives of hundreds of thousands of residents.

The economy can deliver substantial increases in the living standards across the city while prioritizing equitable distribution of growth. A growing economy is an essential part of building a strong and inclusive Houston, and it cannot be seen as a goal devoid of economic and social equity.

Equity, rather than the equal allotment of wealth, is the equal provision of opportunity. In an equitable city, everyone has a fair chance to reach his or her full potential.

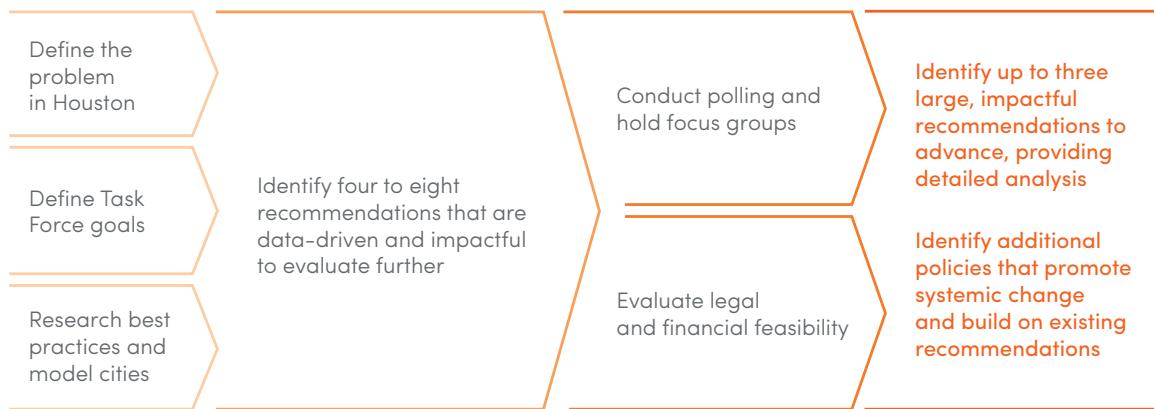
Now more than ever, Houstonians rely on local government to create a city where everyone has the opportunity to succeed. The City of Houston has the power and broad public support to effect positive change through its annual budget of nearly \$7 billion, its tens of thousands of employees and contractors, and its influence over local companies and institutions. This is a moment that requires a reimagining of local mayoral leadership and an expansion of the traditional boundaries of the city's policymaking role.

Methodology

The Task Force began its work by examining economic and racial disparities in the City of Houston, defining goals and a vision for addressing inequality, and analyzing nationwide best practices for increasing equity. Four issue areas were explored in detail: affordable housing, infrastructure investments, educational opportunities, and employment.

The Task Force grounded its work in the financial context of the City of Houston—most notably, the ongoing pension reform process and the possibility of repealing the revenue cap—and evaluated potential recommendations based on the feasibility of their implementation in the current political and financial context.

Figure 1. Task Force Methodology

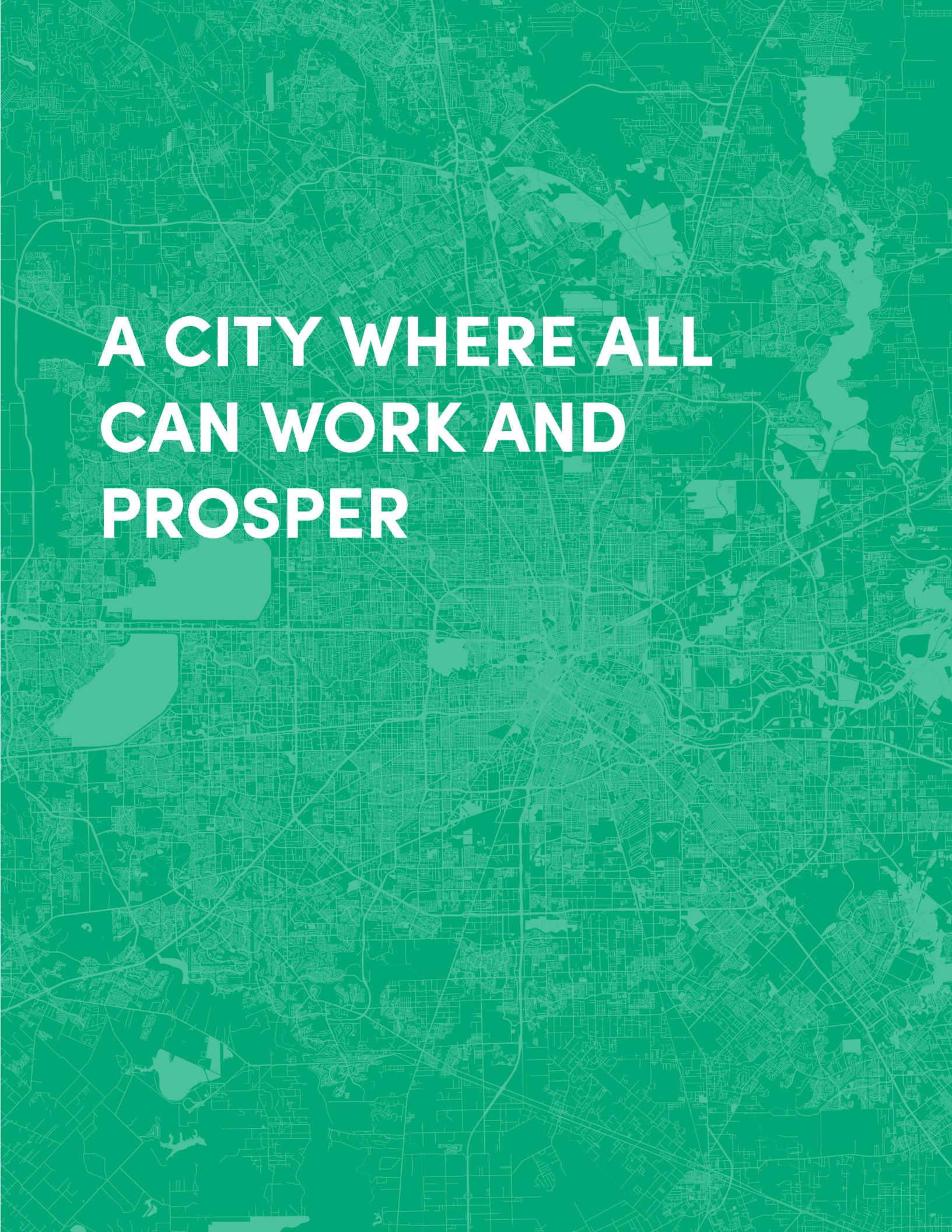


After conducting extensive research, the Task Force selected one impactful recommendation in each issue area for further evaluation. For each recommendation, a team of researchers examined national models and local examples, and considered how to adapt those solutions to the Houston context. Lake Research Partners, a public opinion research firm, conducted focus groups among African-American men, African-American women, Latino men, and Latino women. Each of these focus groups centered on overall perceptions of poverty and inequality in Houston and touched on all four issue areas.

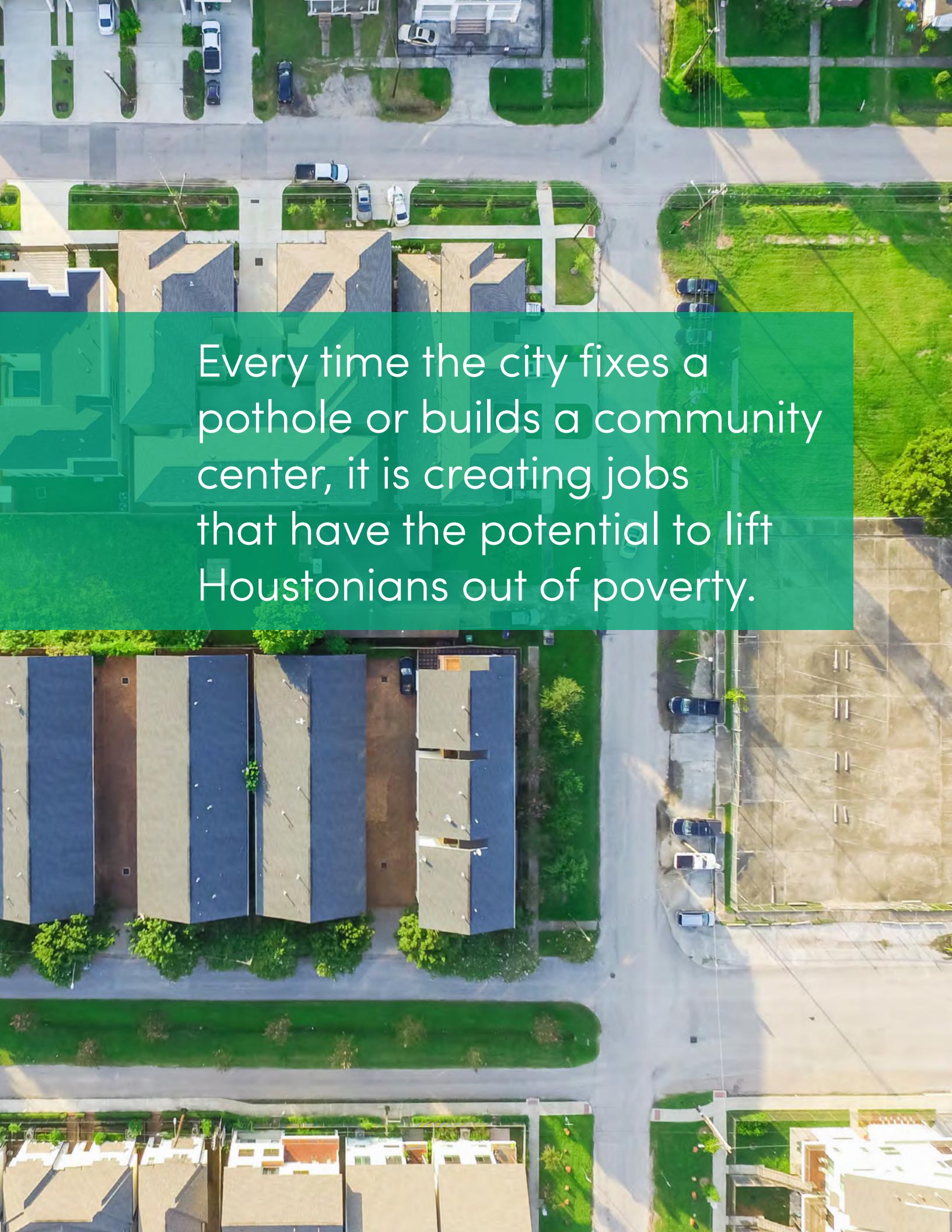
Participants of all four focus groups honed in on issues regarding employment, including the need for more jobs, better-paying jobs, and better training for existing jobs. Child care and early childhood education together were viewed as the second most important issue, as they allow parents to go to school or work and set up future generations for success. Issues of affordable housing and infrastructure investment were seen as important, but there was little consensus on proactive policy solutions.

Based on the outcomes of the research and focus groups, the Task Force selected employment and early childhood education as its top policy priorities. The Task Force developed two robust and impactful recommendations in these areas, leveraging extensive additional research and a telephone survey designed and administered by Lake Research Partners.¹²

The Task Force also recognized the need for overall systemic change within the City of Houston to institutionalize equity in decision-making processes and budgeting. The intention of these recommendations is to institutionalize equity in all city spending decisions, give marginalized communities a seat at the table, and allow Houstonians to understand what local government is doing and hold it accountable.



A CITY WHERE ALL
CAN WORK AND
PROSPER

An aerial photograph of a residential area. In the foreground, there's a large, multi-unit apartment complex with several buildings and parking lots. Behind it, smaller single-family homes with lawns are visible. The streets are paved, and there are some trees and utility poles. A green overlay box covers the middle portion of the image, containing the following text.

Every time the city fixes a pothole or builds a community center, it is creating jobs that have the potential to lift Houstonians out of poverty.

Houston Works! Jobs Program

Tens of thousands of Houston's families live in poverty because they do not have a family-sustaining job (one that pays at least \$15 per hour with benefits). Many struggle with barriers to family-sustaining employment, such as a lack of skills, transportation, child care, or social capital. Others are working, but remain in poverty because of low wages and lack of benefits. Meanwhile, the average income of the 1% highest earners is nearly 30 times greater than the income of the bottom 99%.¹³

The City of Houston can maximize the positive impact of its resources by working to alleviate these problems with each job it creates. The city creates jobs through direct employment and by giving employers contracts, subcontracts, funds, subsidies, and other forms of preferential treatment that spur investment. Every time the city fixes a pothole or builds a community center, it is creating jobs that have the potential to lift Houstonians out of poverty.

The City of Houston can create a Houston Works! jobs program to create more jobs and higher-paying jobs. The city has the power to set standards that can achieve this potential through policies such as requiring a \$15-per-hour minimum wage plus benefits, targeted local hiring, and apprenticeships (or paid on-the-job training for sectors without accredited apprenticeship programs). Studies of other cities that have implemented similar policies show these standards deliver positive outcomes for workers, do not result in significant cost increases for the city, and increase the competitiveness of bids for projects.¹⁴ Houstonians with family-sustaining jobs rely on fewer government resources, allowing the city to put the savings to use in other programs or invest in infrastructure. This results in stronger families and a more impactful use of our tax dollars to create a thriving, equitable Houston.

Background

Income Inequality: Houston's Economy Out of Balance

Houston's economy and government are failing the hundreds of thousands of Houstonians who do not have access to economic opportunity. Although Houston's unemployment rate is just 5.3%,¹⁵ nearly 25% of adults and an astounding 35% of

children live below the poverty line (~350,000 adults and ~200,000 children under the age of 18).¹⁶ A broader measure of unemployment known as the U6 unemployment rate—which accounts for discouraged workers and those working part-time for economic reasons—shows that the overall unemployment rate in the Houston area

Figure 2. Percentage of Population Groups Living Below the Poverty Line in Houston

Employment status

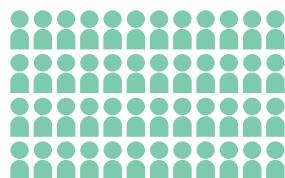
Employed — 11%



Unemployed (male) — 35%



Unemployed (female) — 48%

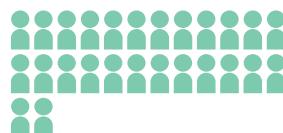


Work experience

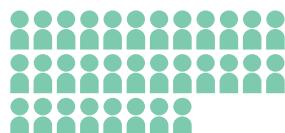
Full-time — 6%



Part-time/partial year — 26%



Did not work — 32%



Race/ethnicity

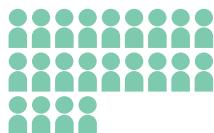
White — 9%



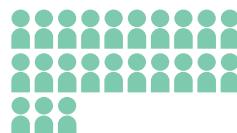
Asian — 16%



Black — 28%



Hispanic/Latino — 29%

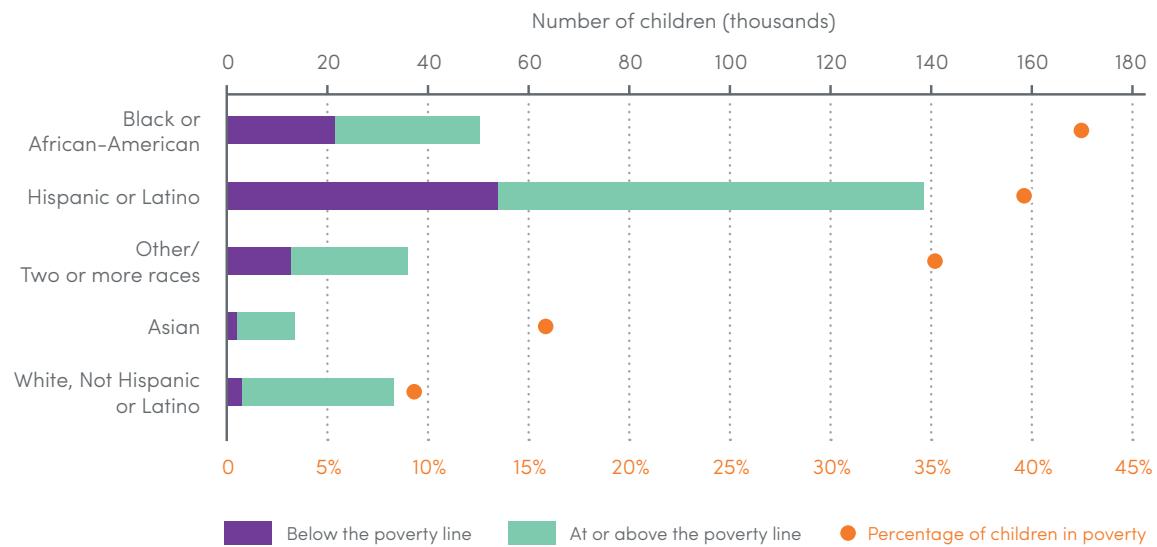


Source: 2011–2015 American Community Survey 5-year estimates, U.S. Census Bureau

is much closer to 10%.¹⁷ Families live in poverty because workers are unemployed, underemployed, or part of the working poor due to low wages.

Poverty does not affect all Houstonians equally: African-Americans and Latinos are over three times more likely to live in poverty than Caucasians, and African-American and Latino children are over four times more likely to live in poverty compared to their white peers.¹⁸ Female-headed households are also disproportionately likely to live in poverty, accounting for only 29% of all households but 52% of households living in poverty.¹⁹

Figure 3. Poverty Level of Children in Houston below the Age of 5, by Race/Ethnicity



Source: 2011-2015 American Community Survey 5-year estimates, U.S. Census Bureau

Thus, unemployment, underemployment, and low wages are also more prevalent among certain groups. African-American and Latino workers experience a substantial degree of structural racism in the labor market and have significantly higher rates of unemployment even after controlling for educational attainment.²⁰ Black college graduates experience unemployment at a rate of 9.4%, compared to just 3.7% for white college graduates.²¹ Even controlling for area of study, we find that black students who earn a degree in science, technology, engineering, and mathematics (STEM) fields still experience significantly higher unemployment rates and are less likely to end up in a position that requires a STEM degree.²²

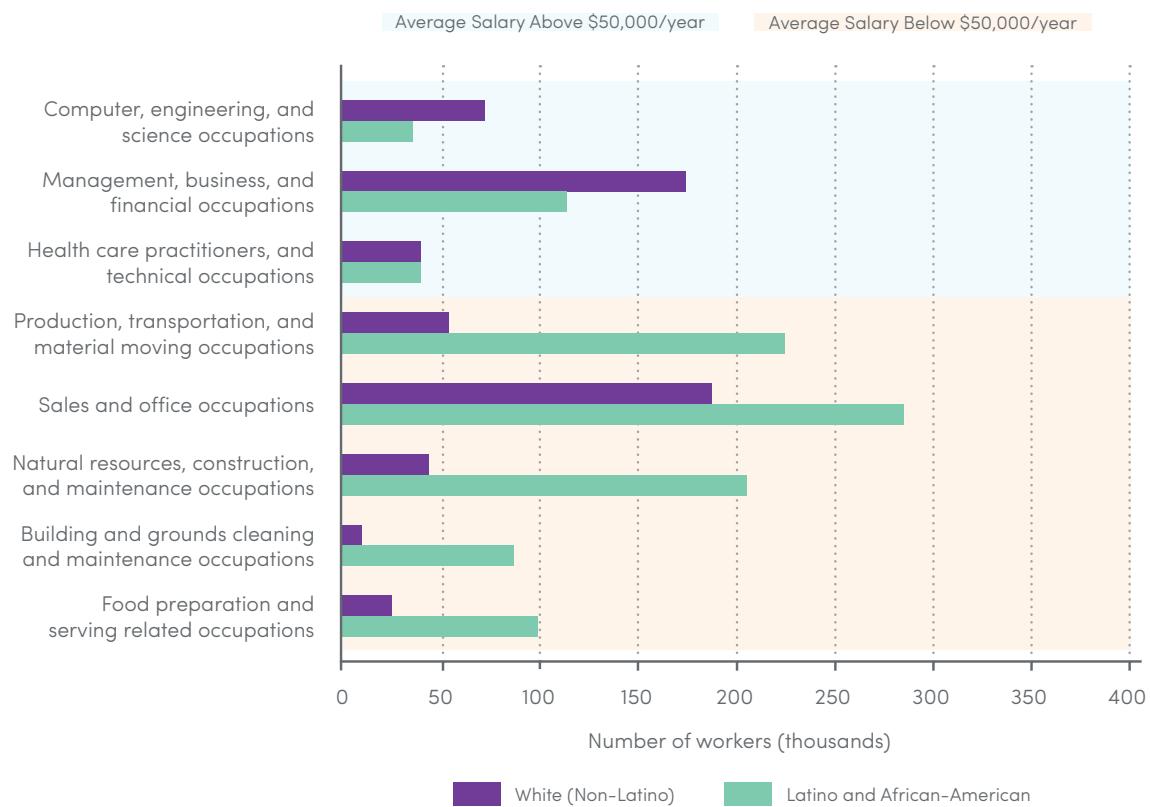
Nearly one in seven young adults between the ages of 16 and 24 in the Houston area is neither attending school nor employed.²³ This group is predominantly Hispanic or Latino, with African-Americans constituting the second largest group. About 68% of this group have a high school degree or less, and about 55% earn less than \$25,000 per year.²⁴

Single parents, who are most often female, may struggle to attend school or work if they do not have access to affordable child care options.

The relationship between unemployment and poverty becomes more significant the longer people are unemployed, as limited income makes overcoming barriers to unemployment more difficult.²⁵ Populations that face significant barriers to employment, such as a higher incarceration rate or lack of English fluency, are more likely to be unemployed for prolonged periods of time and to live in poverty.

Yet employment alone does not guarantee escape from poverty. In fact, most low-income parents work. Nationally, 56% of children in low-income families have at least one parent who works full-time year-round, and only 19% do not have a parent who is employed part-time or for part of the year.²⁶ The minimum wage in Houston is pegged to the national wage at just \$7.25, which amounts to only \$15,080 a year for full-time workers—a salary that is woefully insufficient to meet basic daily needs for even a single individual living in Houston.

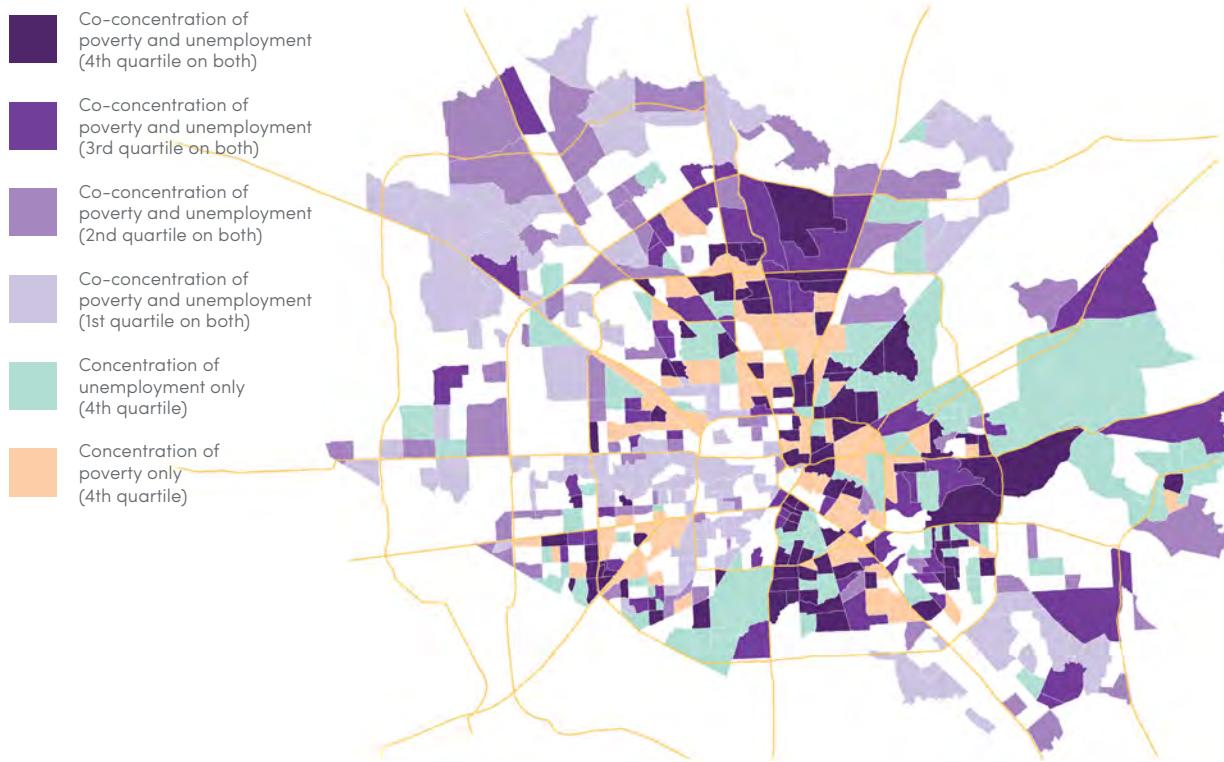
Figure 4. Race and Income of Houston Workers by Occupation



Source: Partnership for Working Families; 2011–2015 American Community Survey 5-year estimates, U.S. Census Bureau

Inequality between different groups persists even when employment is obtained. African-Americans and Latinos are less likely than their white counterparts to hold jobs that pay more than \$45,000 per year and are significantly more likely to hold lower-paying jobs in service industries. Further, women workers earn less than 75% of the median wages earned by men in Houston.²⁷

Figure 5. Co-concentration of Poverty and Unemployment in Houston



Source: The Kinder Institute; 2011–2015 American Community Survey 5-year estimates, U.S. Census Bureau

Geographically, there is significant overlap between areas with high concentrations of poverty and areas with high unemployment. On average, individuals living in these areas are more likely to be poor, struggle to find a job, and have a lower household median income compared to those in other areas of the city.²⁸

Houston is taking steps to address historic inequity across the city through the Complete Communities initiative. The initiative is being piloted in five lower-income neighborhoods that have distinct challenges and opportunities. The aim is to create sustainable and “complete” neighborhoods that are safe, affordable, economically viable, and have access to quality education, affordable housing, transportation options, green spaces, healthy food options, economic opportunity, and well-maintained infrastructure. The program seeks to not only transform the quality of life in these five neighborhoods, but also to identify the necessary tools, policies, and departmental procedures that will result in more equitable public investment, transparency, and community access to decision-making that, over the long term, will ensure resources are more equitably distributed throughout all Houston neighborhoods.

To make an impact across Houston, the Complete Communities initiative will need to be accompanied by citywide programs and policies to create new jobs and ensure that jobs pay better wages. Government will need to partner with community organizations across the city to provide a range of services such as early childhood education, transportation, and affordable housing to help *all* families advance.

The Cost of Poverty

Poverty is expensive. The Urban Institute estimates that the financial insecurity of Houstonians costs the city between \$51 million and \$117 million per year considering only unpaid bills and the cost of eviction.²⁹ This number does not include loss of tax revenue, the cost of increased reliance on publicly subsidized social programs, decreased economic productivity, or increased crime and incarceration.³⁰ Nationwide, poverty reduces productivity and economic output by about 1.3% of GDP, raises health expenditures, and reduces health outcomes by 1.2% of GDP.³¹ The effects of childhood poverty last a lifetime, perpetuating a cycle of intergenerational poverty. The lasting effects of childhood poverty alone cost the U.S. over \$500 billion annually, or nearly 4% of GDP.³²

Spending on poverty reduction can be considered an economic and social investment, increasing GDP and improving quality of life for all residents.

Adults who grew up in poverty are more likely to have low earnings, engage in crime, and have poor health.³³ This lowers workforce productivity, increases health care costs for everyone, and imposes monetary costs on victims of crime and taxpayers who finance the criminal justice system. The economic impact is a direct loss of goods and services in local economies and slower economic growth.

Good jobs go a long way toward preventing these negative outcomes. They reduce poverty, improve the distribution of family income, and reduce the uptake of social insurance programs as need declines.³⁴ In Texas, 64% of state public assistance spending—or \$2 billion—supports

families that work.³⁵ When viewed through this lens, spending on poverty reduction can be considered an economic and social *investment*, increasing GDP and improving quality of life for all residents. Substantial positive spillover effects mean that the benefits of good jobs reach far beyond their direct economic impact.^{36,37}

The true social cost of unemployment, poverty, and inequality in Houston is much greater than economic measures indicate. Poverty and unemployment are associated with increased rates of physical and mental illness, alcohol and drug

abuse, child and spousal abuse, failed relationships, suicide and attempted suicides, and a host of other personal and societal ills.³⁸ The physical and psychological impacts of insecurity, stress, lack of opportunity, and discrimination last generations.

Poverty is an urgent issue. It harms everyone living in Houston regardless of gender, race, or economic status. Decisions the municipality makes today will impact generations to come. The City of Houston has a moral obligation to ensure that its residents, particularly its children, do not suffer under the burden of poverty.

The City of Houston's Current Policies

The City of Houston currently has limited policies to improve wages, job access, or job training. State law prohibits municipalities from raising the minimum wage for all workers above the national minimum wage of \$7.25 per hour. Thus, the city can only create policies that target its own direct hires and workers hired by employers who receive city contracts, subcontracts, funds, subsidies, or preferential treatment.

Direct Hires. In 2015, the City of Houston reached an agreement with the Houston Organization of Public Employees to raise the minimum wage for city workers from \$10 per hour to \$12 per hour, with an increase to \$13.55 per hour by 2018 if the city meets its revenue targets.³⁹ The city provides benefits to full-time, but not part-time, workers.

Contractors and subcontractors. The city does not have policies regarding a minimum wage that must be paid by companies that receive contracts or subcontracts from the City of Houston. The city does, however, require that minority- and women-owned small business enterprises (MWSBEs) receive 34% of construction contracts greater than \$1 million, 24% of professional service contracts, and 11% of goods and service contracts.⁴⁰ This ensures that there is diversity among business owners receiving city contracts, but it does not necessarily increase overall access to employment or improve wages. The city also has a Hire Houston First ordinance, which allows the city to award contracts to locally based businesses when their bid is within 3% to 5% of the lowest bidder.⁴¹ However, the geographic limitation set by the ordinance includes the entire Houston–Sugar Land–Baytown metropolitan statistical area and does not effectively promote Houston-based businesses that prioritize local hiring. Houston also has a Pay or Play policy that requires contractors and subcontractors to provide each employee with minimal health insurance or pay the city \$1 for each hour worked by their employees.⁴² Unfortunately, many workers under this policy end up without insurance or are offered insurance with unaffordable, high premiums.

Recipients of city funds, subsidies, or preferential treatment. This is a broad category of companies that may receive 380 economic development agreements and tax abatements, Hotel and Occupancy Tax grants, funding from Tax Increment Reinvestment Zones (TIRZs), Historic Site Tax Exemptions, loans, grants, or the

city's participation in recommending developments for receipt of funding from state programs. The city does not have comprehensive or consistent standards for wages, job access, or job training for such companies. A recent report by a coalition of community organizations evaluated the 39 projects that have received 380 agreements or tax abatements since 2004 and gave the city an "F" on metrics such as setting and achieving strategic goals aimed at increasing equity, quality job creation, workforce development, and enforcement.⁴³

Additional programs targeted at specific populations. The city's Hire Houston Youth program provided jobs and paid internships to 5,000 youths ages 16 to 24 in 2017. Opportunities provided through this program last at least seven weeks during the summer, pay a minimum of \$8 per hour, and primarily target low-income neighborhoods. The program has been able to expand rapidly over the last two years through the use of quality technology to manage the program and track outcomes, as well as a growing number of relationships between the city and prospective youth employers.

The City's Tools to Create Family-sustaining Jobs

These tools ensure that all jobs created through city spending pay a family-sustaining wage, bring opportunities to marginalized communities, and offer training for workers to gain skills for the modern economy.

The City of Houston is an economic engine with a \$7 billion budget that creates or affects tens of thousands of jobs. The city has three currently unused tools that could ensure the equitable impact of public spending on Houston's economy: a family-sustaining wage policy, a targeted local hire policy, and an apprenticeship and on-the-job training policy. The city can also continue to expand on existing programs that improve job quality and access. These tools ensure that all jobs created through city spending pay a family-sustaining wage, bring opportunities to marginalized communities, and offer training for workers to gain skills for the modern economy. These tools are described in greater detail below:

A family-sustaining wage policy requires employers to pay a minimum wage that is pegged to a city's cost of living and to provide

benefits such as an affordable health care plan, paid family and sick leave, and paid vacation. These benefits promote gender equity, reduce barriers to employment for workers with dependents, and help workers maintain employment. A higher wage requirement increases the competitiveness of bidding and the quality of contractors in the bidding process, as high-quality firms previously

excluded from bidding (due to being undercut by firms paying poverty-level wages) can compete for city contracts.⁴⁴ An appropriate family-sustaining wage for Houston is estimated to be \$15 per hour⁴⁵ (see Appendix 1 for details).

Targeted local hire policies set requirements for employers to hire a certain portion of their workers from local and disadvantaged communities. Hiring locally keeps wages within Houston and allows workers to find employment in their own neighborhood, reducing employment barriers such as a lack of transportation. Such policies also support an equitable labor market by providing employment opportunities for communities facing structural barriers to employment or discrimination. Targeting low-income and high-unemployment communities would likely result in more jobs created per dollar of city spending. This is because low- and moderate-income households spend a larger share of their income rather than saving it, so putting money into their hands through employment opportunities has a direct positive impact on local economies, which will create new jobs as the economy grows (see Appendix 2 for details).

Apprenticeship and on-the-job training policies require employers to provide training for workers to learn industry- and occupation-specific skills while receiving full compensation for their time. Training programs can create career ladders for workers, and studies show that workers who participate in training earn approximately \$300,000 more in wages and benefits during their lifetime and are less likely to live in poverty.⁴⁶ Data shows that such programs also benefit employers, who receive an average return of \$1.47 for every \$1 invested in apprenticeships, typically in the form of reductions in turnover costs and increased workforce productivity.⁴⁷

Both workers and employers win when employers retain 91% of apprentices who complete their program, resulting in a job pipeline for workers and a better workforce for employers⁴⁸ (see Appendix 3 for details).

An expansion of existing programs such as Hire Houston Youth would target specific populations with high unemployment rates and provide a pipeline for youths to improve skills and social capital. This program could have an even greater impact with the addition of a minimum wage of \$15 per hour and a mandate that all companies that work with the city provide summer opportunities for youths and young adults.

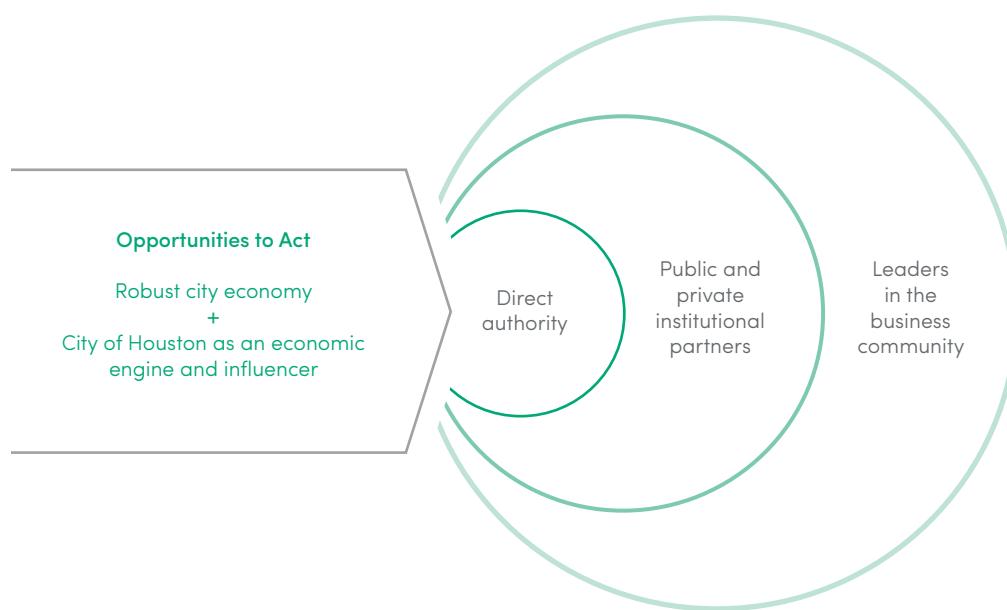


Recommendation

Recommendation 1: Houston Works! Jobs Program

To address poverty and income inequality and to build a more inclusive Houston, the city should utilize all of its tools to focus on three economic objectives: transforming current poverty-wage jobs to family-sustaining jobs, creating new family-sustaining jobs, and ensuring that traditionally disadvantaged populations have access to these jobs. The City of Houston should create a Houston Works! jobs program with a five-year goal of 20,000 new or improved jobs by 2022 through both direct and indirect influence. The program should focus on direct impact through city expenditures and on long-term impact through cooperation with other public and private institutions.

Figure 6. Houston Works! Opportunities to Act and Areas of Influence



The City of Houston will need to take the following four steps to create a broad, long-term impact and achieve its goal of creating or improving 20,000 jobs:

Figure 7. The 4 Steps of the Houston Works! Jobs Program



The city can take immediate action on the first step, improving the lives of the thousands of workers directly impacted by city spending. This will allow the city to lead by example as it works with partners in government and the private sector to expand the reach of the Houston Works! jobs program.

Step 1, which is most immediate and entirely under the mayor's authority, is laid out in detail in the program description below. Steps 2-4 are described in the "Houston Works! Jobs Program: Steps 2-4" section.

Houston Works! Jobs Program: Step 1—Direct City Authority

The first step of the Houston Works! jobs program should be implemented as a single initiative to promote equitable economic growth and shared prosperity.

The mayor can take the first step in 2017 by implementing a family-sustaining wage for all city employees, city contractors and subcontractors, and beneficiaries of city funds, subsidies, or preferential treatment.⁴⁹ Simultaneously, the city should implement targeted hiring and apprenticeship programs for all construction and public works contracts by January 2018. The city should immediately begin a thorough review of all direct hiring, contracts, and agreements to develop a comprehensive targeted local hiring and on-the-job training plan to be implemented by January 2019. The plan should be as comprehensive as possible, with no exemptions barring temporary employees, interns, or part- or full-time employees from participating in job training.

The City of Houston should immediately give vendor priority to companies that voluntarily pay all workers a family-sustaining wage and meet or work toward targeted local hire goals. Companies receiving construction contracts should also

provide apprenticeships (or paid on-the-job training for sectors without accredited apprenticeship programs) in order to receive priority.

Conservative estimates suggest that 5,700+ to 8,700+ jobs may be impacted in the first year.⁵⁰ It is estimated that this program will bring family-sustaining wages and targeted hire standards to 1,700 jobs at the City of Houston, and a minimum of 4,000 to 7,000 jobs offered through contractors, subcontractors, and other beneficiaries of city funds, subsidies, or preferential treatment. This number is likely higher, but there is insufficient data collected and published by the city to make a more accurate impact estimate.

To have a meaningful and measurable impact on systemic issues of inequality and poverty in Houston, all of the program elements described above must be implemented as a cohesive policy. The following sections elaborate on the policies required for each group and details their costs and impact, as well as the related compliance, enforcement, metrics, and transparency mechanisms.

Policy Details: Direct Employees

Minimum wage and benefits

- **2017.** Increase city wages to a minimum of \$15 per hour (pegged to Houston's cost of living), keeping existing benefits
- **2017.** Extend benefits to part-time and temporary workers

Targeted local hires

- **2017.** Set targeted local hire goals for specific city departments by gathering demographic data on current employees and identifying underrepresented groups
- **2018.** Meet targeted local hire goals by collaborating with community groups throughout the city
- **2020.** If needed to meet targeted hire goals, establish registered apprenticeship programs

Other initiatives

- **Ongoing.** Expand the Hire Houston Youth initiative to continue creating a pipeline of jobs for diverse Houston youth

Impact and cost

These policies could impact about 1,700 city employees who are paid less than \$15 per hour (according to data published by the city).

The City of Houston will need to estimate the costs of implementation using payroll figures that are not currently publicly available. The total cost will be the sum of the cost of increasing wages to \$15, providing additional benefits, and implementing targeted hire programs. Previous data on family-sustaining wage policies (also known as living wage policies) in the U.S. indicate that the cost will be partially—or potentially fully—offset through increases in efficiency and reductions in turnover associated with wage increases. In some studies, findings demonstrate that cities can actually improve overall efficiency (i.e., the increase in wages can reduce overall costs for the municipality).

Implementation

In 2017, the City of Houston should gather demographic data on current city employees, identify underrepresented groups, establish goals to work toward more equitable representation, and create a plan to increase the representation of disadvantaged and minority groups through targeted local hiring, collaboration with community organizations, and continued support of the summer jobs program. Implementation can begin in early 2018.

Policy Details: City Contractors and Subcontractors

Minimum wage and benefits

- **2017.** Require a minimum wage of \$15 per hour (pegged to Houston's cost of living), with benefits provided to any employee of a contractor or subcontractor working with the city. Do not make exceptions for contract size, type of worker (e.g., temporary or part-time employee, trainee, etc.) or business, other than for contracts providing goods.⁵¹ Outline clear penalties for noncompliance.
- **2017.** Eliminate Pay or Play and replace it with a requirement for affordable, employer-sponsored health care for all workers on city contracts. Outline clear penalties for noncompliance.⁵²
- **2018.** Revisit this policy yearly and look for ways to strengthen its impact. Consider applying a similar bid requirement to contracts for goods whenever feasible.

Targeted local hire policy

- **By 2018.** Craft and implement a targeted local hire policy for contractors and subcontractors on all construction work. Solicit community input while creating this policy. Include the following (or similar) specifications:

- » 50% of project work hours must be completed by Houstonians.
- » 33% of project work hours must be performed by workers from low-income census tracts.
- » 10% of project work hours must be completed by women from low-income census tracts.⁵³
- » For contracts in which the majority of work hours are performed in low-income census tracts, 50% of work hours must be completed by residents of the immediately surrounding census tracts.⁵⁴
- » Outline clear penalties for noncompliance.
- » Partner with community organizations for outreach to workers in the targeted groups.
- » Fund, independently or in collaboration with foundations and other sources of funding, additional resources to community groups to provide wraparound services for target groups (e.g., transportation, child care, etc.).
- **By 2020.** Work to expand the targeted local hire policy to all non-goods contracts where appropriate, establishing a working group with input from local businesses and community organizations to individually audit all contracts for non-goods, and determine if it is reasonable to apply a local hire requirement to those contracts.

Apprenticeship and on-the-job training

- **2017.** Create a policy requiring construction companies to participate in federally recognized apprenticeship programs, with 20% apprentice utilization. Include community input in the discussion and outline clear penalties for noncompliance.
- **By 2020.** Work to expand on-the-job training requirements for all non-goods contracts, where appropriate. Establish a working group with input from local businesses and community organizations to audit all contracts and determine if it is reasonable to apply an apprenticeship and on-the-job training requirement to those contracts.

Preferred vendor status

- **2017.** Give preferred vendor status to all businesses that voluntarily pay all workers \$15 per hour plus benefits and adopt targeted local hire programs for their entire organization. Construction companies should also provide apprenticeships or on-the-job training in order to receive preferred vendor status.⁵⁵
 - » If the contract value is \$100,000 or greater, award the contract to the business that is engaging in equitable employment practices and is within 5% of the lowest bid received by the city from a bidder that is not an equitable business.

- » If the contract value is under \$100,000, award the contract to the business that is engaging in equitable employment practices and is within 10% of the lowest bid received by the city from a bidder that is not an equitable business.
- » Revisit this policy yearly to evaluate its success and, if feasible, strengthen requirements. Consider creating a future requirement that employers fund on-the-job training for industries outside of construction.

Other Initiatives

- **2018.** All contractors and subcontractors must participate in the Hire Houston Youth initiative.

Impact and cost

These policies could impact approximately 4,000 to 7,000 workers currently employed by contractors and subcontractors. This figure is an estimate, and the city should take steps to create reporting standards that would allow the tracking of family-sustaining jobs created through city investment (see section titled “Metrics and Transparency”).

A review of other U.S. cities that have living wage bid policies showed little to no measurable impact on employment numbers, no cancellation of development projects, and increased community support for projects.⁵⁶ The review also showed that living wage bid policies and targeted local hire requirements do not have a significant impact on municipal budgets.⁵⁷

Implementation

In the state of Texas, home rule cities⁵⁸ can consider factors other than price (in this case, a family-sustaining wage) when accepting bids as long as they are clearly stated in the bid specifications for potential contractors to review. As Houston is a home rule city, it should leverage this mechanism to create a policy that would specify a minimum wage that firms must pay to workers in order to qualify for the bidding process.

For the targeted local hire policy, the city should immediately create a working group that includes representatives from targeted communities, community organizations, trade unions, contractors, and the city. This group should work together to establish partnerships between community groups and contractors to refine details and implement the targeted local hire program.

The city should allocate resources to conduct audits on contractors and subcontractors, rather than relying solely on company self-reporting.

Policy Details: Beneficiaries of City Funds, Subsidies, or Preferential Treatment

Minimum wage and benefits, targeted local hires, apprenticeships, and on-the-job training

- **2017.** Create a policy setting a minimum wage of \$15 per hour (pegged to Houston's cost of living) plus benefits for all Texas-based employees of businesses receiving the following: tax abatements, 380 agreements, city leases, grants, loans, variances on building codes, TIRZ funding, Houston First funding, or below-market rate use of city infrastructure. For all construction work, implement apprenticeship and targeted local hire requirements as set out in the contractors and subcontractors section. Penalties for noncompliance should be outlined clearly in the policy.
- **2018.** Conduct a complete audit of all businesses receiving city support and use the data to create a requirement for apprenticeships and on-the-job training and targeted local hires where appropriate.

Preferred vendor status

- **2017.** For all sectors and businesses without mandatory on-the-job training and targeted local hire requirements, give priority for city funds, subsidies, or preferential treatment to businesses that voluntarily implement these policies.

Other initiatives

- **2018.** All companies that are beneficiaries of city funds, subsidies, or preferential treatment must participate in the Hire Houston Youth initiative.

Impact and Cost

Insufficient data is available to calculate the impact of the proposed policies on workers, as the city does not collect or publish comprehensive information about companies currently receiving funds, subsidies, or preferential treatment. The city should take steps to create reporting standards that would allow the tracking of family-sustaining jobs created through these mechanisms (see section titled "Metrics and Transparency").

It is anticipated that policies for beneficiaries of city funds, subsidies, or preferential treatment will have a minimal impact on employment numbers and the number of projects going forward.

Implementation

Implementation should follow the timeline described above. The city should allocate resources to conduct audits of employers receiving city funds, subsidies, or other preferential treatment, rather than relying solely on company self-reporting.

Compliance and Enforcement

The city should set up a strict enforcement mechanism that incorporates both proactive and reactive strategies. The Task Force recommends that the Office of the Inspector General implement this mechanism.

The city should clearly specify the fines and bidding restrictions associated with violations, proactively involve community organizations in educating employees and the general public about new policies, create a reactive complaint-driven process that guarantees employees covered under these initiatives the right to private action, and dedicate sufficient resources to contract a local nonprofit to lead enforcement by walking through worksites to educate workers and document violations.⁵⁹

The City of Houston should:

- Implement a system for soliciting and investigating complaints of noncompliance.
- Train all city employees whose work is related to direct hiring, procurement, economic development, contracts, or any other form of assistance on equity priorities and new practices and policies that promote equity.
- Establish consequences for violations and designate individuals within the city to audit, investigate, and levy fines. Fines should be levied for individual violations, and the city should consider terminating contracts or placing holds on payment for intentional or large-scale violations. Businesses in violation of these policies should be excluded from receipt of city contracts, subcontracts, city funds, subsidies, or preferential treatment for two years after an initial violation and five years for any subsequent violations.
- Create an ongoing equity development task force to conduct an annual review of the policy's impact, assess its progress toward the goal of lowering poverty and increasing equity, and suggest changes to improve efficacy.

Contractors, subcontractors, and beneficiaries of city funds, subsidies, or preferential treatment should:

- Provide reports detailing their plans for compliance with family-sustaining wage requirements, the targeted local hire policy, on-the-job training, and any additional conditions in their bid or application for city funds, subsidies, or preferential treatment.
- Report these metrics yearly.
- Keep hiring records for 10 years.
- Make worksites and employment records available for audit.

Metrics and Transparency

Comprehensive gathering, analysis, and publication of data will be essential to implementing a successful program and demonstrating its impact so that other entities can use Houston as a model. The city should start to implement the following metrics and transparency measures.

For companies: Reporting requirements

- At submission of bid or application for city funds, subsidies, or preferential treatment, provide estimates for: the number of workers on the project, the total number of hours to be worked, and the number of apprentices to be used. Also provide confirmation that all employees will be paid a minimum of \$15 per hour plus benefits, and a plan for how apprentices will be used on the project.
- Annually and at completion of project: number of workers on the project, proof that all workers on the project were paid at least \$15 per hour, proof that all workers on the project received benefits, total number of hours worked, number of apprentices used, amount spent on additional community benefits, and description of the benefits.

At the City of Houston: Tracking, analysis, and publication of the following data on an annual basis⁶⁰

- Spreadsheet listing all city employees in the previous five years (maintaining the necessary requirements for privacy), including position, start date, end date (if applicable), demographic information, number of hours worked annually, and salary with and without overtime (both annual and hourly).
- Spreadsheet listing all contracts active or ending in the previous five years, including company name, service or good provided, address(es) where service was provided, contract start date, contract end date, total contract value, value remaining, and subcontractors (by project). For all non-goods contracts, include the initial estimates submitted by the company and the actuals reported on an annual basis for the data listed in “reporting requirements for companies” above. The same information should be published for all subcontractors, and include the company to which they are subcontracted and the project name.
- Spreadsheet listing all beneficiaries of city funds, subsidies, or preferential treatment, including company name, project name, project type, project location, date of receipt of funds/subsidies/preferential treatment, reason for receipt of funds/subsidies/preferential treatment, how funds/subsidies/preferential treatment were used, total project value, project start date, project end date, number of temporary jobs created (when applicable, usually for construction), and number of permanent jobs created (when applicable).
- For all companies, include the initial estimates submitted by the company and the actuals reported on an annual basis for the data listed in “reporting requirements for companies” above.

Houston Works! Jobs Program: Steps 2-4

In order for the City of Houston to reach the goal of 20,000 new or improved jobs by 2022, it is essential that parallel efforts in areas outside of direct city authority begin in 2018. The mayor should designate a team at the City of Houston to oversee steps 2 to 4 of the Houston Works! jobs program and conduct the following outreach to public and private partners:

Step 2. Work with other public institutions and enlist them in implementing similar policies. Begin conversations with representatives from Harris County's four precincts, HISD (and surrounding districts), Houston First Corporation, the Houston Community College System, the Houston Airport System, the Metropolitan Transit Authority of Houston and Harris County (METRO), the Port of Houston, and any other local public agencies with significant direct influence. Work with these agencies to help them set their own jobs and equity goals and implement policies similar to those of the City of Houston.

Step 3. Work with public and private institutions to create new investments that provide quality jobs and increase job access. Public transportation is a prime example of such investment, as it can create local jobs in communities while providing infrastructure for others to attend work via rail, bus, or sidewalks (including pedestrian crossings and outdoor lighting). Child care and after-school programs are other examples of such investment, because they create community jobs while enabling parents to work or study.

Step 4. Convene a group of business leaders who will bring quality jobs to Houston that pay at least \$15 per hour and offer benefits and on-the-job training. Many businesses already have such practices or want to improve existing ones. By convening such business leaders, the city can show its support for good business practices and help business leaders explore ways to bring additional family-sustaining jobs to Houston.

Together, the four steps of the Houston Works! jobs program will leverage the full potential of the city's influence to create 20,000 family-sustaining jobs that are accessible to all Houstonians by 2022.



A CITY WHERE
EVERY CHILD HAS
A CHANCE

A yellow school bus is shown from a low angle, facing right. Two large windows are visible. On the left window, three children (two boys and one girl) are looking out, with their hands pressed against the glass. On the right window, two girls are smiling and waving at the camera. The background is a blurred landscape of green trees and hills.

Quality early childhood education
can increase income, reduce
crime, improve health, and further
other positive outcomes for both
children and their parents.

Early Childhood Education for All: Pilot Program

Evidence demonstrates that the key to breaking the intergenerational cycle of poverty is access to a quality early education. Without access to early childhood education (ECE), the 33% of Houston's children who are currently living in poverty are more likely to enter kindergarten unprepared, fall behind in school, and enter adulthood without the skills necessary to succeed in the modern economy. Lack of access to a quality early childhood education disproportionately affects African-Americans and Latinos, as over 75% of Houston's children living in poverty are African-American or Latino, perpetuating the city's racial inequality.⁶¹

Access to an early childhood education is critical to advancing equity because stimulating learning environments significantly impact a child's brain development. The brain is responsible for cognition, problem solving, language, vocabulary, intelligence, and many other critical functions necessary for success in life. Optimal brain development requires an environment of learning and stimulation, which quality early childhood education programs can provide. In order to properly develop, the brain must receive stimulation during a critical window, from birth to age 4. Waiting until kindergarten (age 5) to put children in a learning environment is too late. Therefore, many cities around the country have developed policies that support quality early childhood education for low-income families as a strategy to advance equity and to ensure the availability of a vibrant future workforce in their city.

Additionally, cities can yield a reliable return on their investment in quality early childhood education because it can increase household income, reduce crime, improve health, and further numerous other positive outcomes for both children and their parents.⁶² Universal preschool at a national level would stimulate economic growth and add an estimated \$2 trillion annually to the U.S. economy at a cost of \$59 billion.⁶³ Yet because sufficient investments in early childhood education have not been made in Houston, a quality early childhood education remains unattainable for most families. Mayor Turner and other local government leaders have the opportunity to create a program that would break the intergenerational poverty cycle and put young Houstonians on a path to success.

Background

Inequality in Education Creates Disparate Outcomes for Houston's Youth

Over 240,000 children under the age of 5 live in the City of Houston; 80,000 of them live below the poverty line.⁶⁴

A knowledge gap between low-income children and their higher-income peers emerges by the age of 3. This gap is related to inadequate access to stimulating early learning environments, as evidenced by the fact that children from low-income families hear 30 million fewer words than their higher-income peers.⁶⁵ The gap can be reduced by a quality early childhood education. Unlike child care, which focuses on the supervision and safety of children, an early childhood education comprehensively addresses a child's social, emotional, cognitive, and physical needs to set her or him up for a lifetime of success. Not all child care centers provide children with an early education.

Houston cannot be a truly equitable city unless all children have the opportunity to enter kindergarten prepared and ready to reach their full potential.

Of all the child care centers in Houston, only a small number provide the necessary early education a child needs for success; those that do hereafter will be defined as "quality child care centers." The number of slots at quality child care centers make up only 14% (19,000)⁶⁶ of available child care slots in Houston.⁶⁷ This means the majority of children at child care centers may not be receiving the education they need. Additionally, the cost of quality child care makes it unaffordable for families who live in poverty, and there are only enough free or subsidized slots for 25% of low-income children in Houston.⁶⁸ Even families with average incomes spend 15% of their

earnings for a toddler at a licensed, median-priced child care center, compared to the 7% of earnings that is considered affordable.⁶⁹ This demonstrates a clear need for additional subsidies for low-income families and families above the poverty line for whom quality child care is an untenable economic burden.

Lack of access to a quality child care center means that tens of thousands of Houston's children lack stimulating learning environments, which negatively impacts their ability to perform well in school and ultimately puts them on a trajectory for earning lower wages as adults.

Unfortunately, too many of our children in Houston are faced with the possibility of being on this trajectory. Only 60% of all students entering HISD kindergarten

have the requisite reading skills needed to meet academic expectations.⁷⁰ An achievement gap is evident by third grade,⁷¹ and by fifth grade only 31% of low-income children meet state standards for reading (compared to 65% of their higher-income peers) and only 34% of low-income children meet state standards for math (compared to 62% of their higher-income peers).⁷² Moreover, low-income children are 10 percentage points less likely to enroll in college than their higher-income peers.⁷³ Given that 77% of students (164,000 students) in HISD are economically disadvantaged,⁷⁴ the majority of students attending Houston's public schools may not be adequately prepared for the modern economy.

Houston cannot be a truly equitable city unless all children have the opportunity to enter kindergarten prepared and ready to reach their full potential.

High Quality, Affordable Early Childhood Education as an Intergenerational Poverty Solution

Early childhood education needs to be high quality *and* affordable to deliver results for children, parents, and the local economy. A quality, affordable early childhood education focused on two-generation solutions will enable families to break the intergenerational poverty cycle.

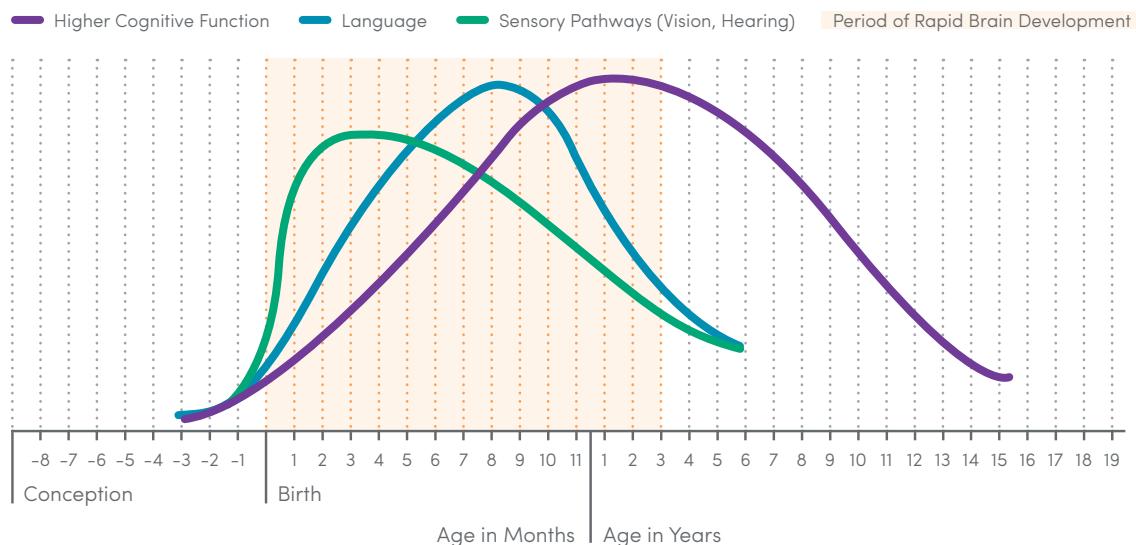
Municipalities across the country have implemented programs that provide scholarships for children to attend quality early childhood education programs, making such programs affordable and spurring the creation of additional quality ECE slots. New York City provides a quality early childhood education for all 3- and 4-year-olds,⁷⁵ and St. Paul, Minnesota, provides partial scholarships for quality child care and an early education for all children from families below a certain income level.⁷⁶ A fuller selection of effective programs is provided in Appendix 4. Their experience provides guidance on best practices and demonstrates the positive impact of such programs.

Best Practices: Quality and Affordability

A **quality early childhood education program** is one that has state or national quality accreditation, has a low child-educator ratio (using Early Head Start and Head Start standards), provides parenting classes, and pays educators a family-sustaining wage of at least \$15 per hour with benefits.⁷⁷ The program must be based on solid research about brain development and child-adult interaction. A curriculum based on this information should be taught to educators and parents who work in tandem to help children develop their neural pathways and socialization skills. Ideally, the program will be part of a comprehensive two-generation strategy that helps families improve their health and well-being, economic position, postsecondary and employment opportunities, and social capital.^{78, 79}

An affordable early childhood education program should cost families no more than 7% of their annual income.⁸⁰ Many programs go further, offering free or highly subsidized care for children who are living in poverty or otherwise economically disadvantaged.⁸¹

Figure 8. Human Brain Development Timeline: Synapse Formation is Dependent on Early Experiences



Source: Nelson (2000) in Shonkoff and Phillips, eds., 2000[LG22], as adapted by the Center on the Developing Child at Harvard University⁸³

Impact on Children, Parents, and the Economy

For children, a quality ECE program provides the mental stimulation and education necessary during the first critical window of their development. Sixty-five percent of brain development occurs from birth to age 3, when children establish sensory pathways, language skills, and the basics of higher cognitive function.⁸²

Parenting programs that are coupled with ECE programs teach parents how to provide adequate nutrition, a safe environment, and security for their child. They also teach parents to create a stimulating, nurturing environment by engaging in quality interactions with their child. This reinforces brain development and socialization.⁸⁴

ECE programs also elevate household income by allowing parents to return to school or work. Evidence suggests that higher household incomes allow parents to provide more stable housing and improve the family's quality of life. Higher household incomes also correlate with improved educational and health outcomes that reinforce a child's success in school and later life.⁸⁵

All of these positive effects help children to be adequately prepared to enter kindergarten,⁸⁶ which also enhances the learning of their peers. Kindergarten classes in which a majority of children are prepared have higher learning productivity and classroom efficiency.⁸⁷

Quality early childhood education creates positive lifelong impacts for children and for society. Studies suggest that when compared to a control group, low-income children who receive one year of preschool attain a level of education that is 0.9 years higher than those who do not, are more persistent and diligent, and have greater lifetime earnings. The numerous social benefits include lower rates of both teen pregnancy and criminal activity.⁸⁸

For parents with a child in a quality early childhood education program, there is now time to work or pursue education or job training opportunities. This enables the family to be self-sustaining and has a particularly high benefit for single mothers who are able to generate income for their family.⁸⁹ When coupled with a parenting program, an ECE program may also lower parental stress and depression.⁹⁰ When combined with a comprehensive two-generation strategy, programs help families improve their health and well-being, economic position, postsecondary and employment pathways, and social capital.⁹¹

For communities and the local economy, quality early childhood education programs deliver social and economic benefits for everyone. Research to quantify such benefits shows that investment in ECE in general brings a 7 to 10% per year return due to “increased school and career achievement as well as reduced costs in remedial education, health, and criminal justice system expenditures.”^{92,93} A focus on economically disadvantaged children can have an even greater impact, with annual returns as high as 13%.



Recommendation

Recommendation 2: Early Childhood Education For All – Pilot Program

The City of Houston should create a three-year pilot program that provides scholarships to low-income children for early childhood education. The pilot should be based on best practices, with a goal of expanding the program over time to serve 40,000 of Houston's children by 2025.

Pilot Program Goals

- Provide access to quality, affordable child care for 1,000 to 1,500 children aged 0–4 years old who live in economically disadvantaged households in a single neighborhood.
- Leverage existing child care and ECE funding available from city, county, state, and federal governments as well as community organizations. Build on existing programs wherever possible.
- Allocate over 90% of program funding to directly serve families in need.
- Maintain accountability and transparency with key stakeholders (government and school district representatives, ECE providers, ECE experts, parents, etc.), incorporating their input into the development and running of the pilot.
- Lay the foundation for a citywide program expansion by implementing sound evaluation and data-gathering practices to measure the impact of the model.

Program Description

The following description is meant to establish a baseline for a new scalable program in Houston to provide early childhood education scholarships to economically disadvantaged children. This program will initially focus on children 0–4 years old who live in families that earn below 185% of the poverty line.

Geographic Focus

The pilot program should focus on one neighborhood. The program should be available to all students in that neighborhood, as well as students outside of the immediate neighborhood who attend schools serving that neighborhood. This will ensure that students in the neighborhood are entering schools where more children are prepared for kindergarten.

The neighborhood should be a focus neighborhood for the City of Houston's Complete Communities initiative, as well as a focus of the Collaborative for Children, the local organization providing Texas Rising Star evaluations. Four neighborhoods match these criteria: Acres Homes, Gulfton, Near Northside, and the Third Ward.⁹⁴

The neighborhood should be selected using criteria that include a low median income, a comparatively high level of access to transportation (whether a high level of vehicle ownership or good public transit), local neighborhood schools led by principals with high tenure, and the presence of community organizations that can generate community support for the program and connect parents to the scholarship program. The pilot's 1,000–1,500 scholarships should be able to cover more than 90% of children 0–4 years old living in families below 185% of the poverty line in the neighborhood. If insufficient funding is secured to cover a full neighborhood, specific elementary school feeder areas should be selected for the pilot. Conversely, if enough funding is secured to cover two neighborhoods for at least three years, the pilot program's advisory committee (described in the section titled "Oversight") should consider expanding the pilot program to a second neighborhood.

Eligibility for Families

Families living in the selected neighborhood should be able to apply for scholarships for early childhood education if their annual income is below 185% of the federal poverty line.⁹⁵ Eligible families would receive a scholarship to be used at any quality ECE provider that has been approved for participation in the program. In order to keep administrative costs low and maintain stability for the child (i.e., a child-centered approach), there will be a one-time determination of eligibility. Once a child is in the scholarship program, parents will not have to renew eligibility for that child.

Eligibility for Child Care Centers and Home-based Providers

All centers and home-based providers located in the selected neighborhood should be able to apply to be a service provider for the pilot program. In order to be approved for participation, the center or home must be located within the designated neighborhood (or the surrounding feeder areas), receive a rating from the Texas Rising Start program,⁹⁶ commit to training all employees at an educational program run through the pilot program (described in the section titled "Educational

Component for Caretakers and Parents”), and commit to paying all employees a minimum wage of \$15 per hour by the second year of the scholarship pilot.

Scholarship funds will be paid directly to the ECE provider after a parent notifies the city (or contracted administrator) of his or her selection. The child care provider will be eligible for additional grants to improve its quality rating and teacher salaries. The city will not have an independent evaluation mechanism; however, it will diligently track criteria for pilot participation by relying on existing rating systems to ensure quality, and on business payroll disclosures to ensure appropriate worker compensation. An outside evaluator, preferably one that has experience evaluating similar programs across the country, will conduct an independent evaluation of the pilot’s performance.

Education Component for Caretakers and Parents

The pilot program should have two educational components: one for early childhood education workers, and another for all parents in the target neighborhood. Both programs should highlight the fundamentals of brain development and the key elements of child-adult interactions that best facilitate strong brain and social-emotional development at different ages. While the courses should be developed with separate curricula, both should be run four times per year over a weekend, with a stipend for those who attend and child care provided for the duration of the session. The program for ECE workers should be developed in conjunction with a local institution of higher learning, such as Houston Community College, so there is room to expand the educational component as the ECE program grows.

Figure 9. Estimated Number of Scholarships and Cost

	Estimated number of children <5 yrs old below 185% of poverty line	Estimated yearly cost per child	Estimated total yearly cost for neighborhood pilot program
Acres Homes	5,600	\$14,000	\$78.4 million
Gulfton	3,500	\$14,000	\$49.0 million
Near Northside	2,400	\$14,000	\$33.6 million
Third Ward	1,300	\$14,000	\$18.2 million

Sources: 2011–2015 American Community Survey 5-year estimates, U.S. Census Bureau; Houston Independent School District

Scholarship Amount and Cost Estimate

Quality early childhood education programs in many cities have an estimated cost of \$8,000⁹⁷–\$10,000⁹⁸ per child per year for programs focused on 4-year-olds. Effective programs focused on a wider age group (newborns to 4-year-olds) can cost up to \$16,000–\$18,000 per child per year.⁹⁹ Assuming Houston falls in the middle

of the range, a quality early childhood education slot would cost about \$12,000 per scholarship per year, with about \$2,000 in additional funding per child for quality improvement grants, parenting classes, and administration fees for the program.¹⁰⁰ The exact amount of the scholarship per year given to each child should vary based on the child's age and center quality.¹⁰¹

To calculate the number of students who might be eligible for this scholarship, the HISD percentage of economically disadvantaged students has been applied to the total number of children under 5 years of age reported by the American Community Survey for each neighborhood that meets the criteria outlined above.¹⁰²

The City of Houston should work with Harris County, HISD, and private funders to leverage maximum funding and ensure all possible resources are directed to the pilot.

Anticipated Impact

For every 1,000 full scholarships that support a child who did not previously have access to quality child care or early childhood education, the program can anticipate the following impact per year (based on similar programs nationwide):

- Improved median performance across metrics measuring kindergarten readiness for program participants¹⁰³
- About 200 new jobs created for child care workers and educators that pay a minimum of \$15/hour (\$30,000 per year)
- Greater ability for up to 1,000 parents to work or study
- Improved quality at over 50% of centers, with a higher percentage of centers participating in the TRS rating system¹⁰⁴
- Potential ability of elementary school teachers to spend a greater amount of time teaching at grade level rather than focusing on remedial and behavioral issues
- Long-term savings for the City of Houston, HISD, and Harris County, as government receives a 7–14% annual return on investment¹⁰⁵

Oversight

The pilot should have an advisory committee that includes community members, parents eligible for program, child care center and home-based care owners and teachers, experts in early childhood education, an economist, and local government representatives from the City of Houston, HISD, and Harris County. A smaller administrative board of independent program administrators should be created to oversee the budget, ensure the program's core framework is being followed, and approve the training program for educators and parents. The city should audit the program every year based on metrics determined by the administrative board at the outset of the program and publish details in an annual report. Community engagement at all levels will be key to creating a successful program with lasting impact.

This advisory committee should select a target neighborhood, and then add community members from the neighborhood to the committee. This group will then develop a pilot program based on the recommendations below to be implemented in 2018. It should set a target number of scholarships based on the total funding secured for the program, the per-child cost of scholarships, additional program components, and overhead.¹⁰⁶

Program administrators should follow best practices established by other similar programs to track metrics related to costs, providers, child outcomes, and family and community impact. These figures should be compiled from each child's first day in the program through his or her graduation from high school.

Providers participating in the pilot program should assess their students' kindergarten readiness during the summer before the children enter kindergarten. The assessment tool will be consistent with the HISD tool for measuring school readiness, so that children in the pilot program entering the HISD system can be accurately assessed by educators as they move through grades K-12.

Metrics and Transparency

Initial data that can show the program's impact in its first several years of operation include metrics related to:

Early Childhood Education Providers

- Increased number of ECE providers and slots in the selected neighborhood
- Increased number of providers (especially home-based providers) participating in TRS
- Increased number of ECE workers
- Higher salaries for ECE workers at participating providers (minimum of \$15/hour by the end of the first year)
- Higher percentage of educators who have received training on brain development and child-adult interaction at each participating provider (approaching 100% at all participating providers by the end of the first year)

Students

- Increased number of economically disadvantaged children attending an ECE program
- Improved kindergarten readiness and elementary school outcomes for children in ECE programs compared to historical figures and trends in other neighborhoods that lack ECE interventions

Families

- Higher percentage of parents working or in school compared to the year prior to enrollment
- Higher percentage of parents who are aware of the importance of child-adult interactions on brain development and possess more knowledge about the importance of quality interaction with their children
- Increased median family income of families participating in program compared to their income prior to enrollment

Program Expansion

- Improvement in additional student metrics including health, high school graduation rate, employment and income, rate of pregnancy, encounters with criminal justice system, and other metrics determined to be relevant

Next Steps

After the implementation of the pilot, the following recommendations should be considered to ensure the continued success of the program, as well as to create a sustainable, equitable community.

- The educational program for ECE teachers should be formalized and run in conjunction with a local educational entity such as Houston Community College. The program should continue to focus on brain development, child-adult interaction, and parent engagement strategies.
- The pay scale should be based on training and range from \$15 per hour to the average area salary of a kindergarten teacher. Increases in minimum pay should be linked to the training and education attained, allowing the transfer of educators across centers participating in the program.
- Centers must hire locally using guidelines similar to those of Head Start. The specifics of such requirements should be adapted to the program's needs and will likely involve additional training that will encourage parents of children in the program to work at the centers.
- Student performance should be closely monitored between ages 5-8. High-level metrics should be gathered until students exit the K-12 system. This effort will need to be run in collaboration with HISD and include funding and expertise to support the rigorous analysis process.
- Scholarships should be ramped up to full scale in Houston to provide a minimum of 40,000 scholarships by 2025. Expansion should be prioritized in low-income neighborhoods and should only occur as additional long-term funding is obtained to support it.
- This should be a two-generation program integrated within the mayor's Complete Communities initiative, so that children and families receive additional services such as health care and access to healthy food.



A CITY
WHERE LOCAL
GOVERNMENT
PRIORITIZES
EQUITY

To create a city where everyone can thrive, Houston must make a public commitment to equity as a cornerstone of its governing model.



Governance Focused on Equitable Growth

Equity is not only a question of ethics, but a question of economics as well. Analysis demonstrates that “there are direct, and possibly causal, relationships between economic inequality and growth—places that begin with a lower level of inequality subsequently tend to grow faster and have longer periods of growth than those with a higher level of inequality.”¹⁰⁷ The city inhibits Houston’s potential economic growth by failing to address inequality.

Public spending choices are the city’s primary way to create a more equitable Houston. However, the City of Houston has too often perpetuated inequality by underinvesting in low-income neighborhoods and overinvesting in those that are prosperous. For example, tools such as TIRZs have allowed many better-off neighborhoods to successfully leverage tax dollars and private investment to attain even higher levels of growth and prosperity, while less advantaged neighborhoods have continued to struggle with poor infrastructure and inadequate access to basic services.¹⁰⁸ While the city does have programs to target disadvantaged populations, a lack of transparency regarding the programs’ decision-making, funding, and impact makes it difficult to evaluate their individual or collective effect on equity in Houston. There is no operating or capital expenditure strategy to meet specific goals, much less outcomes or metrics that demonstrate an impact on equity.

The city uses its capital expenditure funds to purchase goods or services that create future benefits. These funds come primarily from the five-year capital improvement plan and the operating budget, and can include the purchase of goods such as computers and services such as contracts to construct new buildings. The five-year capital improvement plan, which is published annually, covers capital expenditures associated with construction. The City of Houston’s operating budget covers all operating expenses and non-construction capital expenditures. Together, the capital improvement plan and operating budget account for \$7 billion of spending power annually that can be directed in ways that either exacerbate inequality or increase equity.

To create a Houston where everyone can thrive, the City of Houston must make a public commitment to equity as a cornerstone of its governing model for allocating resources. The city must create a concrete action plan that includes (1) measurable goals, (2) tools to increase equity, (3) metrics to measure progress, (4) funding mechanisms, and (5) methods for public engagement.

The next section details the components of the proposed action plan, starting with background information on housing and infrastructure investments in Houston. This is followed by individual discussions of the five major components listed above, which include explanations of the city's current approach and specific recommendations for future action.

Background

Capital Expenditure: Affordable Housing and Infrastructure

The City of Houston's budget allocations and decision-making mechanisms on housing and infrastructure are prime examples of consistent overinvestment in wealthy neighborhoods at the expense of disadvantaged neighborhoods.

Affordable housing and infrastructure have a critical impact on low-income residents. Both also require significant budgetary outlays going forward, representing an opportunity to alter policies in order to prioritize historically underinvested communities and have a significant positive impact on disadvantaged communities.

Affordable housing and infrastructure require significant budgetary outlays, representing an opportunity to alter policies in order to prioritize historically underinvested communities.

Affordable Housing Investment

Housing is a core element of every individual's sense of security and stability. It is also the biggest expense for most families. Yet many Houstonians do not have access to affordable, safe housing options. Rent and home prices are rising rapidly throughout Houston, further magnifying the issues that stem from stagnating wages as the income of low-paid workers remains level even as housing prices increase.

To put Houston's housing crisis into perspective, nearly 400,000 households in the city earn less than 80% of the area's median income. Approximately 250,000 of those households spend more than 30% of their income on housing, an amount classified as "housing-cost burdened." Even more distressingly, approximately 125,000

households are spending more than 50% of their income on housing and are classified as "extremely cost burdened."¹⁰⁹ When so much of a household's income is devoted to housing, any number of other daily and long-term needs fall by the wayside—from health care to food to education.

Home ownership is also a major form of wealth creation, yet its numbers are dropping among some subsections of Houston's population. For example, African-American homeownership has been declining nationally since 2004, and in 2016 black Houstonians received only 10% of all new mortgages in Houston.¹¹⁰ Overall, white Houstonians remain far more likely to own a home and benefit from the economic advantages that can come with it.¹¹¹ At the same time, the drop in homeownership among some subsections of the population is complicated by a lack of public program support and options for renters in Houston.

There is a very limited supply of publicly subsidized housing units in Houston. The Houston Housing Authority is the primary provider of public housing and the benefits of the Housing Choice Voucher Program in the City of Houston. In total, the authority manages 22,667 public housing units and vouchers. At its current pace of development, publicly subsidized housing will never keep up with demand. In August 2016, the Houston Housing Authority's Housing Choice voucher waiting list, by far the biggest subsidy program in the city, had 29,500 names. When the list was opened just for one week, nearly 80,000 new applications were received. Funding for Housing Choice is in jeopardy, and there is a possibility that the program will be completely shut down.

While Houston housing has become less affordable in recent years, public investment for affordable housing has continued to be severely limited. The city does not have a comprehensive housing plan, nor even a definition of affordable housing.¹¹² It is not surprising, then, that only half of the affordable housing funds spent in the last decade went toward affordable housing projects, and at least two sources of affordable housing funds have been mismanaged. To wit: A recent investigation by the Houston Chronicle found that "almost half of the \$96 million spent since fiscal 2007 has gone toward administrative costs, federal fines or keeping projects moving after the city lost state and federal grants."¹¹³ Of the \$53 million in housing bonds approved by voters in the last 16 years, there are no plans for the remaining \$30 million that have not yet been spent. Meanwhile, \$3 million of TIRZ bond funding has sat unused in a bank account for four years, not serving the community but instead accruing interest the city will need to pay to bondholders.¹¹⁴ City officials have lost track of tens of millions more dollars of unused TIRZ housing funds—apparently the result of switching accounting systems in 2007, according to the Chronicle investigation.¹¹⁵

Meanwhile, under the previous administration, luxury apartment complexes in downtown Houston meant to attract wealthy professionals received \$75 million in tax breaks through the Downtown Living Initiative. This amounts to \$15,000 in per-unit subsidies for up to 5,000 units, some of which rent for over \$6,500 per month.¹¹⁶

A major part of the challenge in addressing Houston's affordable housing crisis is the city's relative inaction on the issue; it has not tackled the problem with adequate resources in a planned and engaged way. This situation is exacerbated

by transparency and accountability challenges, such as the unused TIRZ funds. The City of Houston has never engaged in a long-term, comprehensive, and affordable housing planning process that lays out steps to provide sufficient units at each price point necessary to ensure affordable housing for all Houstonians. Such a plan would help direct the use of public funds in a more equitable and strategic way. It would also help rebuild public trust by containing clear accountability and transparency goals and provisions for community input.

One example of an effort already underway is that of the Housing Working Group, composed of housing providers, advocates, developers, research entities, and community nonprofits working collectively with communities, the public, and the private sector to develop, adopt, and implement a cohesive, comprehensive, and equitable housing policy framework. The city can leverage the group's experience and insight as the Housing Department works toward a comprehensive and affordable housing plan.

Infrastructure investment is particularly important for lower-income neighborhoods where there is a greater reliance on public transportation, walkable streets, low-cost recreation, and public buildings such as recreation centers.

Infrastructure Investment

Infrastructure is the foundation upon which communities can grow and prosper. Quality streets, sidewalks, utilities, drainage, parks, and public buildings are all essential for a thriving neighborhood. Public spending on infrastructure also sparks private development that can bring essential amenities such as grocery stores and health clinics. These businesses and services create jobs, improve quality of life, and increase safety.

However, the City of Houston has systematically invested less in lower-income neighborhoods and more in higher-income areas.

Infrastructure investment is particularly important for lower-income neighborhoods where there is a greater reliance on public transportation, walkable streets, low-cost recreation, and public

buildings such as recreation centers. Private investment can also have a powerful impact on such neighborhoods, which may lack the amenities, job opportunities, and quality of life that come with increased development.

The City of Houston is responsible for most of the public investment in Houston's neighborhoods, yet it does not appear to consider neighborhood average income or population growth in its allocation of about \$2.2 billion annually for capital expenditures.¹¹⁷

Figure 10. Per Capita CIP Budget, Income, and Population Change by Council District

Council District	PER CAPITA CIP Budget (2017-2021)	Income by District (2013)	Population Change by District (2000-2013)
A	\$1,338	\$51,567	25%
B	\$2,390	\$35,759	16%
C	\$4,919	\$79,642	0%
D	\$2,895	\$46,738	22%
E	\$831	\$69,710	57%
F	\$2,025	\$53,682	19%
G	\$3,106	\$84,130	-1%
H	\$2,039	\$48,146	-7%
I	\$1,869	\$45,428	-9%
J	\$2,194	\$41,708	-18%
K	\$1,858	\$41,708	8%

Source: Community Design Resource Center, University of Houston

The city's 2017–2021 Capital Improvement Plan (CIP), which is the primary mechanism for infrastructure investment, allocates the greatest per capita investment to the two city council districts (C and G) with the greatest per capita income. Meanwhile, the districts with the lowest income (B, J, and K) received roughly half as much per capita investment. Thus, the adopted budget is set to perpetuate a pattern of historic underinvestment in the neighborhoods that could most benefit from infrastructure improvements.

TIRZs exacerbate this pattern by permitting neighborhoods to capture incremental taxes and reinvest them locally.¹¹⁸ This allows wealthier areas to generate higher tax revenues and build better infrastructure, but leaves lower-income neighborhoods reliant on CIP spending or low-revenue TIRZs.

Houston can follow in the footsteps of other cities and build on its existing programs to improve how capital is allocated. Los Angeles' "We Budget LA"¹¹⁹ program can serve as an example of how to increase civic participation in the budgeting process. The program helps residents, especially low-income individuals and people of color, uncover and understand government data that illustrates the needs of their community. The Go Neighborhoods program in Houston, run by the Local Initiatives Support Corporation, is a place-based initiative that uses a comprehensive community development approach by working across traditionally disconnected sectors such as housing and quality education. The City of Houston's Complete Communities initiative has the potential to provide the structure and foundation necessary to create a more equitable and engaged budgeting process whereby the needs and priorities of a neighborhood are determined by the people who live there—and who know better than anyone where resources are needed the most.



To achieve equitable growth,
Mayor Turner must create
and announce citywide equity
goals and establish an Equity
Office to carry out his vision.

Recommendations to Create Specific Equity Goals

The city does not currently have any public goals tied to equity or the reduction of inequality. While individual departments may have plans and programs to increase equity, there is no unified vision that could help departments work collaboratively for a more equitable Houston.

Moreover, several departments lack comprehensive, long-term plans that clearly set out their goals on behalf of the city and establish specific strategies or actions to achieve them. Plan Houston, the city's general plan that is managed by the Planning and Development Department, does not offer concrete steps to achieving its ambitious goals. The Housing and Community Development Department does not have a comprehensive housing plan. Clear goals and benchmarks must be set for each department and integrated across departments so that all may work collectively to reach goals.

To achieve equitable growth, Mayor Turner must create and announce citywide equity goals and establish an Equity Office to carry out his vision.

Recommendation 3: Set Measurable Goals to Increase Equity

Mayor Turner should set measurable goals to increase equity in the City of Houston. Goals should be ambitious and impactful, setting specific targets for 2022 and 2030 and outlining a clear path for departments to work both individually and together to achieve these goals.

These goals must become an integral component of each department's planning process and part of each department leader's job evaluation. Incentives must be set throughout the City of Houston to encourage all civil servants to work toward these goals.

Departments with a large impact on lower-income communities (such as Housing, Community Development, Public Works, and Health) should create a comprehensive plan that includes departmental equity goals and a vision for long-term impact.

Mayor Turner should announce specific, measurable equity goals as his top priority. This will allow him to publicly commit to equity while dispelling the myth that equality and economic growth are at odds.

Progress should be reported in the annual State of the City speech (see Recommendation 15).

Recommendation 4: Establish an Equity Office

The City of Houston should establish an Equity Office that works with other departments, communities, and business leaders to achieve the mayor's equity goals. This office could be an expansion of an existing department focused on some of the issues addressed in this report, such as the Office of Education.

The city should also form and head an equity advisory group composed of City of Houston department leaders (including key departments such as Public Works and Housing), community representatives, expert advisors, and existing Task Force members. This group should meet quarterly to discuss progress on the recommendations of this report and help redefine and update the city's equity priorities.

Sufficient staff should be allocated to the Equity Office to produce an annual report on Houston's equity efforts, including updated equity goals, key efforts, and progress against established metrics.

Recommendations for Tools to Increase Equity

Several high-impact tools are particularly well suited to helping the city achieve its equity goals. To determine capital expenditures, the city should use methods to give funding priority to neighborhoods marked by systematic underinvestment, create and use an equity atlas, and change the ReBuild formula to encourage an equitable geographic distribution of ReBuild investment (ReBuild Houston is a standalone infrastructure funding program housed within the Public Works and Engineering Department.) These efforts will help redirect spending from overinvested areas to communities where investment is low and the funds can have the greatest impact.

To determine operating expenses, the use of performance-based budgeting will ensure that resources fund departments with impactful equity-increasing programs.

Finally, using the equity-enhancing recommendations from transition committees and other advisory groups will create the changes that experts and community members recommend.

The city should establish a clear approach to defining and identifying underinvested communities and use that analysis as part of the decision-making process for the allocation of resources.

Recommendation 5: Give Funding Priority to Neighborhoods Marked by Systematic Underinvestment

The city should establish a clear approach to defining and identifying underinvested communities and use that analysis as part of the decision-making process for the allocation of resources. The analysis should consider both the historic allocation of

resources and the current level of infrastructure available in each neighborhood. The city's Finance Department, mayor's office, and council members should use existing tools to develop a weighted investment formula within the capital improvement plan and other city departments to prioritize equitable investment in areas that have historically received less funding.

This process should draw from the 2017 Market Value Analysis (MVA) released by the Houston Housing and Community Development Department to identify areas that require additional public investment. The MVA uses a large set of metrics ranging from vacancies to home values to identify areas of the city with the same general "market" position.¹²⁰ This can be used to identify areas where public investment might help spur additional private investment.

The methodology for making investment decisions should be clearly defined and made public.

Recommendation 6: Create an Equity Atlas and Use It to Inform Investment

The mayor's commitment to the equitable use of resources should be documented through the creation and annual update and publication of an equity atlas that identifies areas of Houston with historical underinvestment and prioritizes future investment. This work could be modeled on a 2013 PolicyLink report on equity in Houston¹²¹ and include the MVA as a way to identify communities lacking in investment across a number of areas.

Numerous cities have created similar equity atlases to identify areas of need and incorporate racial and economic equity into their decision-making models. The experiences of Atlanta,¹²² Austin,¹²³ Portland,¹²⁴ and Toronto¹²⁵ can all serve as references as Houston creates an atlas of its own.

While the City of Houston uses the equity atlas to guide high-level investments and decision-making, individual departments should also use it to plan their programs and investments for future CIP processes. City departments like METRO would benefit from an equity atlas,¹²⁶ which would establish a baseline and document progress as they work to allocate services and funding in a way that supports residents equally.

Recommendation 7: Change the ReBuild Houston Formula to Address the “Worst Road Conditions First”

The city should reinterpret the ReBuild Houston formula to express its original intent: to make investments that encourage an equitable geographic distribution of ReBuild resources by considering pavement condition the primary factor for ranking the worst roads.

As noted above, ReBuild Houston is a standalone infrastructure funding program housed within the Public Works and Engineering Department. With several dedicated sources of funding, including a drainage fee and ad valorem taxes, the program is on track to collect nearly \$14 billion in funds by 2040. However, this funding is allotted on a “worst first” basis, with an interpretation that has resulted in concentrated funding in many affluent areas, rather than in places where infrastructure improvement is sorely needed. This is because the current formula considers traffic volume, pavement condition, and a drainage assessment; taken together, these factors collectively prioritize wealthier neighborhoods with better road quality. The equation puts heavily trafficked areas like downtown and the Galleria toward the top of the list and results in lower investment in neighborhoods such as Sunnyside and the Fifth Ward.

These misaligned investments compound the issues of general underinvestment in communities and fails to address the needs of communities most lacking in infrastructure investment.

The Task Force recommends implementing the ReBuild Houston Transition Committee’s recommendation to change the interpretation of the “worst first” equation so that investment is based solely on pavement conditions. This approach would also open the door for community engagement because the measurement is straightforward, and a geographic approach can lead to direct conversations with communities about the projects to prioritize.¹²⁷

The methodology for determining ReBuild investment should be made public on the ReBuild website.

Recommendation 8: Implement Performance-based Budgeting within City Departments

The City of Houston Finance Department should roll out performance-based budgeting as outlined in the Comprehensive Financial Reform Transition Committee Report¹²⁸ and move toward a community-driven process for setting high-level goals within each department.

Under Mayor Turner, an emphasis on budgeting based on performance has already been embraced. Performance-based budgeting can help the city set clear goals for each of its departments and achieve real accountability for results and efficiency. This approach can establish goals and expected outcomes for every department on both a short- and long-term basis. It can also help departments evaluate the efficacy of their services and analyze which should be continued or stopped. Currently, programs and spending are slightly increased each year, with little oversight or efficiency analysis. Under performance-based budgeting, the delivery of outcomes becomes paramount, and programs that do not achieve expected outcomes can be altered or removed. This allows the city to avoid the assumption that all programs require or deserve their historic levels of funding, and it permits flexibility in decision-making if long-term programs require adjustment.¹²⁹

Performance-based budgeting can help the city set clear goals for each of its departments and achieve real accountability for results and efficiency.

While most performance-based budgeting is done solely within city departments, given the longstanding public mistrust of spending and decision-making, the city should also create a system that allows all residents to suggest goals for each department. Such an approach could be initially implemented for particular departments—such as Housing—that would benefit from a community-based strategy, and slowly be expanded to include all departments.

Department goals, metrics, and progress relative to established metrics should be trackable and made public on a single dashboard similar to (or that is an expansion of) the Performance Insight portal. See Recommendation 11 for additional details.

Recommendation 9: Continue Implementation of Equity-enhancing Recommendations from Transition Committees and Other Advisory Groups

The city should implement equity-increasing recommendations provided by other advisory groups. These recommendations represent a wealth of expertise and community input, and they provide options for improving existing programs and adding new programs that could address issues of inequality.

The work of this Task Force was built upon such efforts, which include the reports of Mayor Turner’s transition committees and of other groups such as Welcoming

Houston. These reports offer recommendations on topics ranging from economic opportunity to environmental equity.

The City of Houston has already begun to implement some of these recommendations. The Task Force recommends the city continue on this trajectory to show immediate, measurable progress in its efforts to increase equity.

The following advisory documents are particularly relevant to this effort¹³⁰:

- Criminal Justice Transition Report
- Economic Opportunity Transition Report
- Housing Transition Report
- Houston Airport Systems Transition Report
- Public Health Transition Report
- ReBuild Houston Transition Report
- Welcoming Houston Report

Please refer to Appendix 5 for three examples of recommendations from these reports that could have a rapid, positive impact if implemented immediately.

Recommendations to Measure Progress on Equity

The establishment and evaluation of metrics ensures that city departments are making measurable progress toward Mayor Turner’s equity goals. Over time, metrics will demonstrate which investments and programs have the greatest positive impact and create positive lessons learned that can be used to improve other investments and programs.

Several of the mayor’s transition reports call for improved accountability and benchmarking across city departments.¹³¹ Currently, the City of Houston has few publicly available performance tracking systems. In addition, many of its current operations are reported in ways that are difficult for the general public to access or comprehend. The budgets for TIRZs, for example, are publicly available but are housed within a hard-to-navigate web page and presented solely as financial spreadsheets.¹³² This format will not help residents unfamiliar with such documents to understand how TIRZs operate. In such cases it is also difficult to understand where public funding has been spent and how decisions about that spending were made.

A major obstacle to furthering a more accountable city government is a relatively poor, uncoordinated effort to collect and disseminate appropriate data and performance metrics. The City of Houston currently publishes ad hoc data sets on the Houston Open Data portal¹³³ and tracks basic performance indicators on its Performance Insight portal.¹³⁴ It is difficult to evaluate what is not measured, and too many services provided by the city are inadequately tracked. A comprehensive, data-driven approach is needed to allow city departments, researchers, community groups, and residents understand what city programs do and how they spend their money. Without the adequate collection and publication of data, it is nearly impossible to evaluate the efficacy of city programs or to track the spending of public funds.

Recommendation 10: Improve Performance Tracking Mechanisms and Benchmarking

The city should create a unified method to set citywide and department-wide goals, and it should publish the goals, progress, and other relevant data in an easily

accessible format. This should be an expansion of the Performance Insight portal and the Houston Open Data portal and should be created in conjunction with the mayor's new Equity Office. Both groups should receive the additional staffing and resources necessary to make this a successful effort that not only tracks progress, but also ensures transparency and accessibility to the data for all Houstonians.

Goals and Metrics

In addition to setting citywide goals (see Recommendation 3), the city should establish clear directives and benchmarks for every city department, with equity as a key consideration for decision-making. Goals should be "SMART"—specific, measurable, achievable, relevant, and time-bound.

Metrics to track progress should be clearly defined and overseen by a group within the City of Houston that has experience using key performance indicators (KPIs) to improve outcomes. Ideally, this would be housed in the new Equity Office and overseen by an individual within that office who has experience with KPIs.

Reporting

The city should also create an easily accessible "report card" to record progress on each set of goals; this could potentially be an expansion of the Performance Insight portal. This effort should also dovetail with an interface to track the expenditure of tax funds across programs. Attempting to learn this information under the current system requires significant research and public information requests.

The establishment of clear tracking and reporting standards for every city department would improve Houstonians' confidence in the transparency and accountability of city action. This work is key to building public confidence in city departments. Houston can follow the lead of cities such as Boston,¹³⁵ Los Angeles,¹³⁶ and New Orleans,¹³⁷ which have publicly available systems that list goals and track progress across city-run departments.

Recommendation 11: Produce an Annual Tax Increment Reinvestment Zone (TIRZ) Report

The City of Houston should request the Harris County Clerk to create an annual TIRZ report that details—in language accessible to the public—the collection and dispersal of TIRZ money in each zone. The report should be clear, easy to understand, and extremely explicit about inflows and outflows of funds by location, project, and contractor.

TIRZs are created to finance improvements within an area by capturing incremental property tax income. The sum of these incremental taxes can often be substantial. The Uptown TIRZ, for example, collected \$43.6 million in revenue in 2016. TIRZs have wide discretion on the application of those tax dollars, and the public has few opportunities to provide input.

Despite their impact, TIRZs and their operations often operate in relative obscurity, away from the public eye. The city currently publicly posts the budgets and agendas of TIRZ meetings, but greater effort could be put into reporting on this revenue stream in a clear and easy-to-understand way. Other cities have already undertaken such efforts. Chicago, for instance, works with Cook County to produce a Tax Increment Financing report each year.¹³⁸

A clear and accessible annual report would give TIRZs transparency while granting the public more information on where their tax dollars are going.

Recommendations for Equitable Revenue Generation

The City of Houston must raise revenues to provide increased access to essential services that support the daily life of its residents and to fund programs that increase equity in the city. Services from the fire and police departments to the maintenance and expansion of sewer systems and roads depend on the city's ability to pay the bills. While the city can take certain actions to support an inclusive Houston without significant increases in revenue, many efforts such as an early childhood education program will require substantial additional funds. To build an inclusive Houston, it is vital to design revenue sources that meet the city's needs while ensuring everyone is paying their fair share.

Houston raises the majority of its revenue through property taxes, sales taxes, and fees. These mechanisms are currently structured in a regressive fashion, with the weight falling disproportionately on low- and middle-income households. Increasing revenue through existing mechanisms will place a greater burden on the families who can least afford it.

In many ways, Houston has its hands tied in terms of implementing progressive mechanisms to raise city revenues. According to the Institute on Taxation and Economic Policy's report on state taxation, Texas is part of the "terrible 10" most regressive states for taxation policy.¹³⁹ While Texas is frequently touted as a "low-tax" state, the question must be asked: low tax for whom? The report documents that Texas is actually a high-tax state for low- and middle-income families, with the poorest 20% paying nearly 4.5 times more (as a percentage of income) in state and local taxes than the wealthiest 1%.

While the City of Houston cannot change policy at the state level, it can make city-level taxes fairer and prioritize progressive taxation mechanisms going forward.

Recommendation 12: Make Houston's Tax System Less Regressive

The City of Houston should work to make existing taxes less regressive. As it seeks to raise additional revenue for city services and new equity-increasing projects, Houston should implement the least regressive taxation mechanisms available.

The Task Force recommends that the City of Houston conduct further analysis on the following proposals and implement all that are deemed legally viable.

Property Taxes

Property taxes provide Houston with over \$1 billion per year,¹⁴⁰ making it the single largest revenue stream for the city government. Property taxes by nature are regressive because they tend to represent a substantially larger portion of the earnings of middle- and lower-income families. Since property taxes are the largest source of revenue for the city, it is important to recognize that they are a more significant drain on the incomes of low- and moderate-income families than on more affluent families. Across Texas, the bottom 20% pay nearly twice as much in property taxes as a percentage of their income as the top 1% of earners. The tax therefore exacerbates inequality in the city. Through policy design, the government can raise additional revenue while ensuring the burden falls more fairly across the income spectrum.

Homestead exemptions. Rather than simply raising rates across the board, targeted exemptions can reduce the regressive nature of property taxes while simultaneously benefiting the cities in other ways, such as limiting the displacement of longtime low-income residents. Homestead exemptions currently exist in Houston for homeowners over the age of 65 and homeowners with disabilities. The city should expand these exemptions to low-income neighborhoods and historically minority neighborhoods throughout the city to protect these vulnerable communities from increasing tax burdens and potential displacement. Under Texas law, municipalities can provide homeowners with exemptions of up to 20% of the home's value. The percentage exemption is more beneficial to high-income earners and owners of high-value homes and should not be pursued. A progressive approach would be a flat-dollar exemption, which would reduce the taxable value of every home by the same dollar amount. However, this option is not currently available to the municipality.

Deferral programs. Liquidity is a major challenge for many homeowners, especially low- and middle-income residents. One option for improving the tax environment is to provide a deferral program, which would allow some residents—the elderly, disabled, and low-income—to delay paying their property tax bill for a set period of time. While such a program would not change the regressive nature of the tax, it

would provide much-needed time for many homeowners to sort out their finances. These deferrals are frequently granted to low-income taxpayers in need; they defer tax payments until the house is sold or the taxpayer is deceased. At that time, the full payment, plus interest—typically below market rates—is payable to the local government. Such a measure would maintain the tax base but provide flexibility to residents in need. For example, such a policy is currently employed in Norwalk, Connecticut, which allows homeowners in need to defer up to \$4,000 or 50% of their property taxes.

Repeal revenue cap. While property taxes are regressive, they are nevertheless less regressive than sales taxes or per capita fees, such as the drainage fee, which frequently represent other major revenue streams for the city. Switching from sales taxes and fees to property taxes by and large will reduce inequality in the existing tax system. The city should also repeal the cap placed on city revenue; such a cap limits the percent by which the city's revenue can rise from year to year. Houston is the only city in Texas with a self-imposed revenue cap. Lifting the cap would allow Houston to capture the upside of housing market growth.

Advocate to close loopholes for commercial real estate. Commercial property taxes contribute to inequality, as commercial property owners are able to have their assessments reduced to below market value for tax purposes even as they report market-value figures to shareholders.¹⁴¹ Ordinary homeowners have no such loopholes available to them. Unfortunately, the "equal and uniform" law is set at the state level. Leaders at the city level can join with leaders from other major cities to lobby the state to close this loophole and increase city tax bases in Texas.

Sales and Excise Taxes

Sales taxes comprised 27% of Houston's total budget in FY 2016; this amounted to nearly \$700 million per year.¹⁴² The City of Houston currently charges a 1% sales tax premium on top of the existing 6.25% state sales tax, which is the maximum legally allowable.¹⁴³ Sales taxes are more regressive than property taxes, with the poorest 20% paying over eight times more (as a percentage of their income) toward sales taxes than the top 1% of Houston's earners.¹⁴⁴

Regressive taxes are usually offset by tax credits for low-income households.¹⁴⁵ However, since Texas does not have an income tax, there are no tax credits available to protect the most vulnerable consumers.

Exemptions. Houston could consider limited exemptions to protect vulnerable populations. For instance, some cities exempt groceries, diapers, and medications, which reduces the negative impact of sales tax on low- and middle-income families.

Fees

Fees are a major source of revenue for the City of Houston; they range from water and sewer fees, which make up nearly a quarter of the city's revenue, to franchise fees and fines. User-generated revenue sources help the city meet its funding needs without increasing the sales and property tax gaps.

Tiered pricing. San Antonio is an excellent example of a city that uses fees to conserve water and raise revenue.¹⁴⁶ This can be a win-win-win that could improve environmental outcomes, increase progressivity, and perhaps raise revenue. In San Antonio, the tiered system effectively doubles the unit price of water for the highest usage tier, while in Boulder, Colorado, the top tier is charged five times more than the base. Such a tiered system can protect low-income residents in particular.¹⁴⁷

Fee exemption and vouchers. The drainage fee is an example of a controversial fee used in Houston to raise much-needed revenue for storm water infrastructure. While these costs were historically paid by general tax funds, Houston's limited ability to raise such general tax funds creates substantial challenges. The city could protect low-income residents from fee increases by offering voucher programs. An example would be to provide fee waivers for households receiving a form of federal public assistance (SNAP, disability, etc.).

Recommendations for Public Engagement

Equity in governance requires an electorate that reflects the population and is engaged in the work of its government.

Three decades ago, political scientist Walter Dean Burnham observed, “If you don’t vote, you don’t count.” This adage rings particularly true for local elections, which are decided by relatively few votes and yet have tremendous impact on residents’ day-to-day lives.

Despite their importance, municipal elections have low participation rates in cities across the country. Voter turnout in the most recent contested mayoral elections across the top 50 U.S. cities ranged from 59% in Portland to just 6% in Dallas. Only 18% of Houston’s voting-age citizens cast a ballot in the 2015 mayoral election.¹⁴⁸

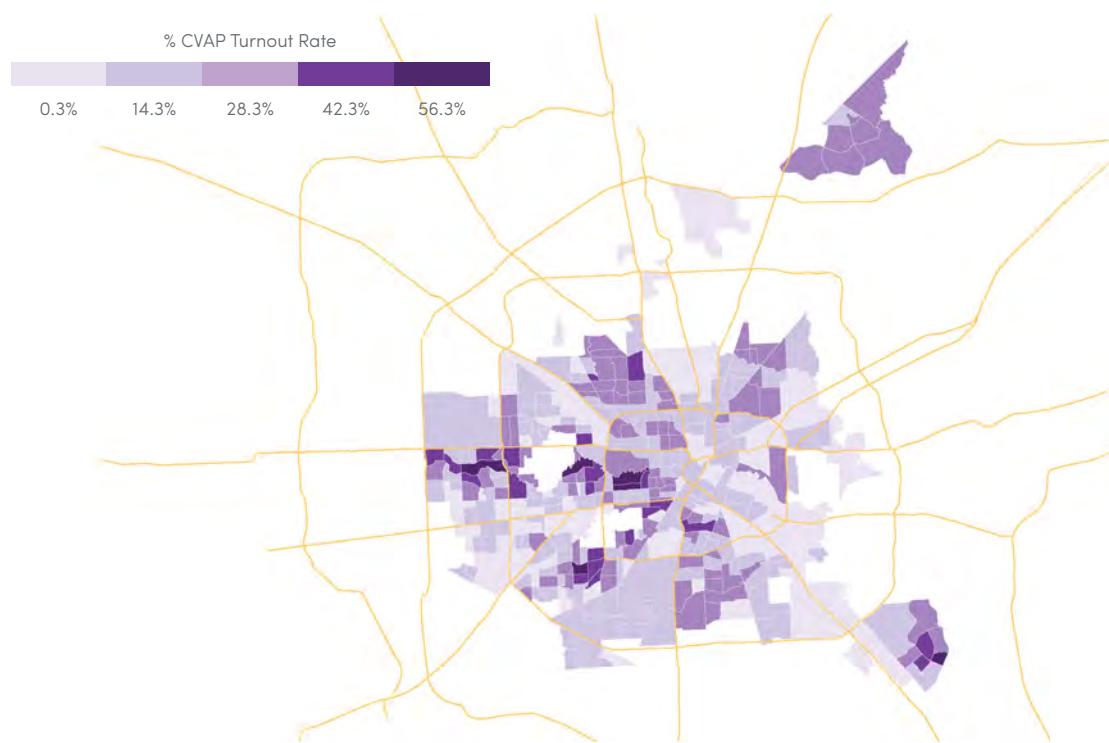
Considering the low overall turnout rate, demographic groups with disproportionately high turnout rates have an outsized impact on the decisions of elected leaders; that is, groups that turn out in high numbers receive disproportionate consideration from leaders who determine policy priorities and resource allocation. In Houston, those who consistently vote tend to be older, wealthier, and “whiter” than the overall population. This situation often leaves marginalized communities without strong advocates in public office.

As a recent example, over 944,000 eligible voters did not participate in the last municipal run-off election in 2015, which was for the current mayor of the City of Houston. The election was instead decided by just 210,000 voters; their median age was 61 and only 44% were people of color.¹⁴⁹ The median age of Houstonians is 32.6 and people of color comprise 75% of the city’s population.¹⁵⁰

For Houston’s public officials to represent the interests of all residents, Houstonians from all communities must be part of the city’s active electorate.

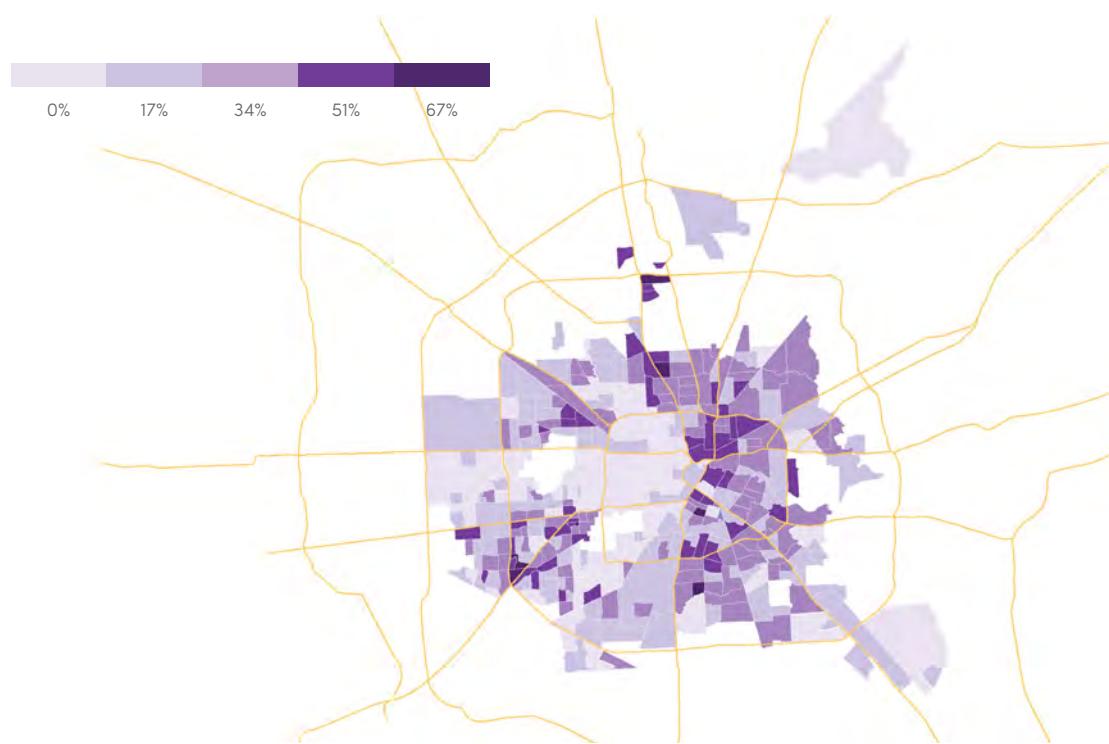
For Houston’s public officials to represent the interests of all residents, Houstonians from all communities must be part of the city’s active electorate.

Figure 11. Citizen Voting Age Population Turnout Map (2013)



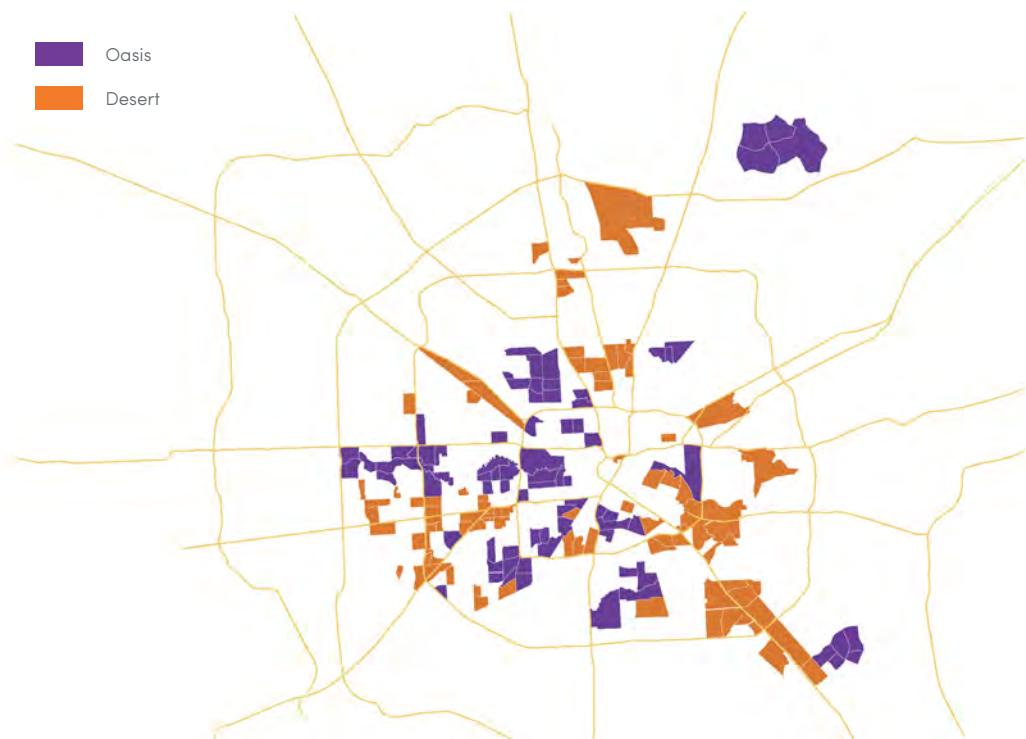
Source: Portland State University, "Who Votes for Mayor," 2016.

Figure 12. Percent of Total Population in Poverty (2013)



Source: Portland State University, "Who Votes for Mayor," 2016.

Figure 13. Voting Deserts and Oases (Second Round)



Source: Portland State University, "Who Votes for Mayor," 2016.

As depicted in the maps, there is a direct correlation between the turnout of Houston's citizen voting age population (CVAP) and poverty. Lower turnout is concentrated in high poverty areas. A Portland State University study that assesses turnout in America's 50 largest cities has identified "voting deserts," where census tracts with voter turnout among voting age citizens is less than 50% of the citywide average participate rate—which for Houston would mean where voting rates are less than 9% in municipal elections. Among those cities, Texas cities take the top three positions: Dallas, Fort Worth, and then Houston, ranking third with 19% of voters living in voting desert.¹⁵¹ Houston's voting deserts are largely concentrated in the city's communities of color and high-poverty areas.

Figure 14. Voting Patterns by Race

	Black	White	Latino	Asian	Other
Citizen Voting Age Population	29%	37%	27%	5%	2%
Registered	27%	42%	24%	5%	2%
Voted 2015 General	23%	53%	16%	4%	4%
Voted 2016	25%	48%	21%	4%	2%

Source: Voter Action Network Voter File

The City of Houston can improve voter registration levels among Houstonians, improve and promote access to voting to increase participation both during the early voting period and on Election Day, and connect with all voters by making the mayor's the "State of the City" speech free and easily accessible to Houstonians.

Recommendation 13: Increase Voter Registration

The City of Houston should use a three-pronged approach to increase the number of Houstonians that are registered to vote and are informed about upcoming elections.

1. Enforce existing voter registration laws at Houston institutions. Texas law requires that voter registration be offered at a number of institutions, including public libraries, marriage license offices, and high schools. The City of Houston should enforce the law by requiring covered institutions to create voter registration plans and report the number of individuals registered to vote on an annual basis.

2. Expand municipal, agency-based voter registration and information

dissemination. Similar to the federal Motor Voter Act, the City of Houston should offer registration to all eligible residents who interact with municipal services at offices, online, and through the mail by combining voter registration with the regular business of these agencies. Such agencies include utilities, tax offices, recreation centers, municipal courts, information services, and permitting offices. For example, just as the city sends public notices in the mail along with municipal water bills, a voter registration card and instructions could be inserted. These agencies should also provide information on obtaining proper identification and on upcoming elections (including dates and races). All materials should be available in the languages covered by the federal Voting Rights Act of 1965, and the city should work with appropriate election law experts to implement this program in a manner that is as voter-friendly as possible.

3. Establish positions to facilitate voter registration efforts. The mayor should designate a citywide voter registration, education, and participation coordinator and require the designation of local coordinators at the institutions and agencies mentioned above. Local coordinators would be responsible for ensuring that policies such as staff training, voter registration assistance efforts (including the high school voter registration law), timely submission of completed voter registration forms, and registration tracking to ensure compliance are being properly implemented.

Recommendation 14: Expand Access to Voting

To improve the ability of all Houstonians to exercise their right to vote on Election Day, the City of Houston should take the following steps.

1. Expand early voting hours. The City of Houston contracts directly with Harris County to oversee and run its elections. It can therefore request expanded early voting hours that accommodate voters, ideally extending hours from 7:00 a.m. to 8:00 p.m. each day of the early vote period, including weekends.

2. Pilot vote centers on Election Day. Cities across the country are exploring ways to make voting more accessible and to cut back on costs. Vote centers are locations where anyone can cast a ballot on Election Day (similar to early vote locations). With various locations across a city, often at grocery stores or other highly trafficked areas, voters can cast a ballot perhaps on their way to work, after dropping their child off at school, or while running errands, thereby increasing access and convenience and cutting back on costs of dispersed sites. The City of Houston should pilot vote centers starting with the 2018 elections.

Recommendation 15: Give a “State of the City” Speech to a Public Audience

A major part of public accountability and engagement with Houstonians is a report on the state of the city. As it stands, Houston’s mayor typically gives this address annually, but it is delivered during a paid event hosted by the Greater Houston Partnership. In addition to this private forum, the mayor should give the same update in a larger, more public venue, as well as in two or three town hall meetings held in different parts of the city at times when the average working person could attend.

Such an approach would parallel the way such speeches are given in other major cities. New York City’s previous two addresses were delivered at night and were broadcast live on several local TV channels. Los Angeles’ State of the City addresses have been delivered at several different venues the past three years and were also broadcast live.

APPENDICES



Appendix 1: Living Wage Policy

Since the 1990s, over 100 cities nationwide have implemented citywide minimum wage policies that provide for family-sustaining wages for all workers. These policies ensure that community members are not forced to live in poverty despite working full time. This positively impacts workers, their families, their surrounding community, and the economy as a whole.

While Houston is unable to implement a citywide minimum wage due to preemption at the state level, the City of Houston—and the mayor's office in particular—can implement a strong family-sustaining wage (also known as a living wage) in all areas of direct and indirect influence.

Economic evidence shows that a citywide minimum wage boosts earnings without slowing economic growth, reducing employment, or initiating relocations of businesses.^{152,153} Setting a non-poverty wage increases family incomes, leading to reduced poverty rates, lowered social costs associated with poverty, and increased reinvestment in local economies. Living wage ordinances have been shown to increase productivity and decrease costly personnel turnover among affected firms, providing stable employment to workers and a more reliable workforce to employers. When applied to contractors, a living wage increases competitiveness and the quality of contractors involved in the bidding process. High-quality firms previously excluded from bidding (due to being undercut by firms paying poverty-level wages) can now effectively compete for city contracts.¹⁵⁴

Living wage ordinances have been shown to have minimal impacts on municipal budgets, as related costs tend to be less than one-tenth of 1% of the overall budget. Cities often overestimate costs by failing to consider the benefits of increased efficiency due to increased productivity and revenue, and decreased turnover.

The City of Houston should aim to set a minimum wage that would allow most families to secure a decent standard of living without relying on government support: \$15 per hour, as a two-parent, two-child household requires a minimum wage of \$14.57 per hour.^{155, 156} This calculation considers regional costs for housing, food, child care, transportation, health care, taxes, and other necessities and is based on data¹⁵⁷

specific to the Houston metropolitan statistical area¹⁵⁸ and aggregated for the family budget calculator by the Economic Policy Institute.¹⁵⁹

The City of Houston should do more than the bare minimum and leverage the momentum created by policymakers who set a \$15-per-hour minimum wage in 14 cities, counties, and states in 2015 (with additional legislative proposals pending in many more municipalities and at a national level). A proposal of \$15 per hour would increase leverage on private businesses and bring Houston into the spotlight as a progressive southern city. The City of Houston has an opportunity to join a national movement, with Mayor Turner leading the way from the largest city in the South and demonstrating the feasibility of a family-sustaining minimum wage.

In addition to a minimum hourly rate, a living wage should include access to an affordable health care plan, paid family and sick leave (12 days per year), and one week of paid vacation for every three months worked.¹⁶⁰ These benefits are essential in order to ensure that working families are able to *maintain* employment and achieve self-sufficiency. Health care costs are the number one driver of bankruptcy in the United States.¹⁶¹ Benefits such as family leave and sick leave promote gender equity while reducing barriers to employment for workers with dependents.

Among the cities that have implemented living wage ordinances, some have opted to allow employers to pay an hourly wage premium in place of offering health benefits. These policies are frequently designed in a manner similar to Houston's Pay or Play program. Such policies have been shown to be ineffective in increasing insurance coverage, with employers preferring to pay a marginally increased wage. Lack of health insurance places an enormous burden on employees, families, and communities, causing undue morbidity and mortality. Requiring health insurance for all employees can reduce mortality by eight worker deaths per 10,000 each year,¹⁶² reduce costs to municipalities, and increase consumer spending on health care. In 2013, the cost of uncompensated care for uninsured individuals—a burden shared by federal, state, and local governments—exceeded \$84 billion nationwide.¹⁶³ Insurance reduces health care spending by \$144 billion nationally.

Appendix 2: Targeted Local Hire Policies

Targeted local hire policies set requirements for employers to hire a certain portion of their workers from among local residents and disadvantaged communities. Such policies ensure that local residents and traditionally disadvantaged communities are recipients of the benefits of economic growth.

Targeted local hiring policies help ensure that access to good jobs is shared equitably and is granted to communities traditionally subject to discriminatory exclusion from employment opportunities.¹⁶⁴ Such policies are essential in supporting an equitable labor market, since unemployment and underemployment does not affect all groups equally.

For Houston, targeting low-income and high-unemployment neighborhoods across the city would likely result in more jobs created per dollar of investment.¹⁶⁵ A recent report examining the Obama administration's American Recovery and Reinvestment Act reveals that targeting regions with high rates of unemployment leads to a larger multiplier effect (more employment and more economic growth).¹⁶⁶ This is largely due to the fact that a lack of effective demand (consumers' ability to buy goods and services) in the economy is one of the largest drivers of unemployment, stagnant wage growth, and lackluster economic growth. Since low- and moderate-income households in Houston consume a large percentage of their income rather than saving it, putting money into their hands through employment opportunities will have a direct positive impact on local economic conditions. Stated simply, targeted hiring supports marginalized individuals and leads to consistent economic growth.

Targeted local hire programs that seek to provide employment opportunities for minorities, teens, individuals with criminal records, single mothers, and other groups facing disproportionate barriers to employment could help reduce inequality and ensure that these groups have better access to the labor market. Studies show that marginalized groups receive disproportionate benefit even when targeted local hiring is based on broader measures such as high-poverty census tracts.

In addition to distributing the benefits of living-wage jobs more equitably throughout Houston, targeted hire programs can benefit employers by connecting contractors to a skilled workforce, thereby increasing employer stability and competitiveness.¹⁶⁷

Houston has a strong network of community organizations that could serve as intake sites to identify target workers, help facilitate connections between employers and targeted communities, serve as targeted local hire referral sites, and provide wraparound supports. Many community groups are already doing this, but not in a coordinated manner aligned with a broad goal.

Based on national models, local targeting will help grow Houston's economy and tax base as a whole by keeping wages within the city.¹⁶⁸

The municipal costs associated with targeted hire policies are often limited to the cost of implementation and enforcement. Additional wraparound supports and training are most often provided by community groups and labor apprenticeship programs with a track record of already doing this work, with additional funding coming from a variety of private and public sources.¹⁶⁹

Appendix 3: Apprenticeships and On-the-Job Training

Job training is an essential part of workforce development. When coupled with targeted local hire requirements, training programs help lift workers out of poverty and allow marginalized communities to engage more fully in the economy.

Most training should take place on the job and be the responsibility of employers, as this allows workers to learn industry- and occupation-specific skills while receiving full compensation for their time.¹⁷⁰ Employer-funded training can have enduring benefits for employers, individuals, and communities alike, resulting in career ladders, increased productivity, reduced worker turnover, and higher pay. For instance, the U.S. Department of Commerce found that participating firms “found value in the program and identified benefits that more than justified the costs and commitments they made to the apprentices.”¹⁷¹ Data support these claims, demonstrating that employers retain 91% of apprentices once they have completed their programs. Employers also get an average return of \$1.47 for every \$1 invested in an apprenticeship, through reductions in replacement costs and increased productivity of their workforce.¹⁷² Benefits of such programs also accrue to workers who participate in training. These workers earn approximately \$300,000 more in wages and benefits over the course of their lifetime than their counterparts and are less likely than their counterparts to live in poverty.^{173,174}

A local example of a successful program is Houston’s building trades industry, which has implemented apprenticeship programs to bring workers from entry-level positions to full-time, living wage jobs via a career track that includes paid, on-the-job training. Houston firms can support local residents by developing and implementing training programs that target the regional workforce. The City of Houston can encourage this by requiring all construction and public works contractors to participate in apprenticeship programs, by giving preferred status to all businesses participating in registered apprenticeships, by facilitating partnerships between public and private entities to establish additional certified apprenticeship programs, and by exploring the implementation of apprenticeship requirements for fields other than construction.

Well-developed apprenticeship programs can benefit employers, workers, and the city at large,¹⁷⁵ and they have a proven track record of cost efficacy for taxpayers.

The city should explore partnerships with other public and private entities to provide additional funding in the coming years. However, while training is an essential component of building a skilled and effective local workforce, we would caution that—like education—apprenticeship and job training programs are not a “silver bullet,” especially when it comes to achieving the racial equity goals of the city.¹⁷⁶

Appendix 4: Models for Early Childhood Education Programs

There are many examples of programs that provide access to quality early childhood education. The following is a selection of programs that were particularly informative for the Task Force during the process of recommendation development.

Abbot Preschool Program in New Jersey provides early childhood education to all 3- and 4-year-olds in economically disadvantaged school districts throughout New Jersey, and to low-income children in numerous other districts. Exceptional standards have resulted in a measurable positive impact since the program's founding in 1999.¹⁷⁷

Career Advance in Tulsa County, Oklahoma, pairs an early childhood education program with career training, mentorship, and wraparound services for parents. Only one year's results are currently available, but the program looks on track to deliver long-term results that are better than programs aimed at one generation.¹⁷⁸

Close Gaps by 5 in St. Paul, Minnesota, began with pilot programs in two communities. It provides scholarships for quality early childhood education for all children living in families whose income is below 185% of the federal poverty guidelines. Program administrators dedicated significant time and funding to a comprehensive tracking system that demonstrated the significant impact of the program and convinced state legislators to allocate funding to extend the program statewide. The program is currently in the process of being expanded to cover education for more children in need.¹⁷⁹

Denver Preschool Program in Denver, Colorado, provides tuition support to make preschool affordable for all 4-year-olds in Denver. The program's scholarships to over 41,000 children are funded by a .15% increase in sales tax.¹⁸⁰

The U.S. Military Child Care System serves over 200,000 children daily both in the United States and overseas.¹⁸¹ Over 95% are accredited by the National Association for the Education of Young Children. Along with providing significant budget allocations, the military has also built the necessary infrastructure to provide curriculum development support and train teachers.¹⁸²

Perry Preschool Project in Ypsilanti, Michigan, was a scientific experiment that ran from 1962–1967. It provided quality early childhood education to a randomized sample of young children living in poverty, and identified both short- and long-term benefits. The experiment is widely studied and provides guidance for potential impact of similar programs.¹⁸³

Pre-K for All in New York City, New York, has provided quality early childhood education for all of New York's 4-year-olds for years; in 2017, the program was expanded to provide pre-K to all 3-year-olds.¹⁸⁴

Appendix 5: Examples of Equity-increasing Recommendations from Previous Reports

Example 1: Implement a Skilled Immigrant Job-matching Program

The Houston region is home to more than 1.4 million foreign-born residents. This population is key to the region's success; in 2014, they contributed more than \$116 billion to Houston's economy, held \$31.8 billion in spending power, and paid \$2.9 billion in local and state taxes.¹⁸⁵ Over a quarter of this population has at least a bachelor's degree.¹⁸⁶

It has been a major challenge in Houston and other U.S. cities to match the skilled immigrant population with jobs for which they are qualified.¹⁸⁷ The city has a large gap in middle-skill employment across sectors such as health care, petrochemicals, and advanced manufacturing.¹⁸⁸ Creating processes to help skilled immigrants find positions for which they are trained would allow them to make an even larger contribution to the city's economy. Placing qualified workers into jobs is a highly efficient way to staff these positions and is preferable to training new workers or relocating other skilled workers.

The Mayor's Welcoming Houston Task Force laid out a number of possible approaches to addressing this issue, several of which are reiterated here.¹⁸⁹

Houston's Office of New Americans and Immigrant Communities should work with local organizations that serve the foreign-born clients to create a repository of immigrants who qualify for high- and middle-skill jobs. The office should also work with employers to connect employees and employers through a web-based platform. The office could pursue the model of Upwardly Global, a nonprofit organization that works to connect skilled immigrants and employers. Dallas also has an existing project that could serve as a model.¹⁹⁰

The mayor's office should also commit financial resources to this effort by providing bridge loans to middle- and high-skilled immigrants to help finance necessary licensing exams and training courses. These obstacles often prevent immigrants trained in other countries from finding employment for which they are qualified.

The mayor and the City of Houston Office of Business Opportunity should work with local partners such as the Greater Houston Partnership to urge private partners to connect with skilled immigrants and to leverage that organization's UpSkill Houston initiative—among the nation's first business-led collaborations that works with education and community stakeholders to close Houston's skills gap. Private employers could also offer three- to six-month paid internships to introduce immigrants to mentors and mentorship opportunities, and make potential job offers conditional on performance.

Metrics and Transparency

- Number of foreign-educated immigrants trained in the Houston area: suggested increase of 20% by 2019, with sustained or increased levels in subsequent years
- Number of foreign-educated immigrants in the greater Houston area who return to the career field of their home country: suggested increase of 10% by 2019, with sustained or increased levels in subsequent years
- Number of professional and vocational certificates issued to immigrants: suggested increase of 5% by 2019, with sustained or increased levels in subsequent years
- Increased positive responses by immigrants when surveyed regarding whether they are in a job that reflects their education, training, skill levels, and experience

Example 2: Divide Contracts to Make Minority, Women, and Small Business Enterprises (MWSBEs) More Competitive

MWSBEs are a vital part of the economy of Houston and of the nation. The Minority Business Development Agency of the U.S. Department of Commerce estimates that the nearly 8 million minority-owned businesses in the U.S. generate more than \$1.4 trillion in business receipts each year.¹⁹¹ The Houston Minority Supplier Development Council, which certifies Houston minority-owned businesses, found that the 677 businesses it has certified have an economic impact of \$22 billion per year on the Houston economy in terms of revenue, salaries, and tax contributions.¹⁹² Women-owned businesses are also massively productive. The National Women's Business Council estimated that in 2014, the nearly 9.1 million women-owned business created approximately \$1.4 trillion in business receipts.¹⁹³ According to the City of Houston's Office of Business Opportunity, there are nearly 5,500 registered MWSBEs in the city's contracting system.

MWSBEs are essential to bringing public investment and employment opportunities to traditionally left out groups. City of Houston Executive Order 1-2 mandates that

city contracts be unbundled and that smaller pieces of a given project be posted as separate contracts whenever possible.¹⁹⁴ However, independent evaluations of the city's MWSBE programs have found that additional actions must be taken to improve this program and equitably distribute public funding to MWSBEs.¹⁹⁵

The city should prioritize the unbundling of city contracts to enable MWSBEs to be competitive for smaller contracts. Unbundling is particularly important for MWSBEs; as smaller entities, they often have difficulty competing for large city contracts that require more experience or resources than smaller firms can access.

The Houston City Council can require that a certain percentage of all contracts related to construction, professional services, and goods and services be apportioned to MWSBEs.¹⁹⁶ Current requirements call for 34% of construction contracts greater than \$1 million, 24% of professional service contracts, and 11% of goods and service contracts to be distributed to MWSBEs. All told, MWSBEs received 22.3% of city contracts across these three categories in 2016, for a total of \$240 million.¹⁹⁷ Unbundling large contracts, for example those exceeding \$1 million, would increase the opportunities for MWSBEs to secure contracts. If such a step is taken, the city could then raise the required MWSBE contract percentages to reflect the greater opportunities available.

Metrics and Transparency

- The Office of Business Opportunity should track all bundled and unbundled contracts and the percentage of each type of contract apportioned to MWSBEs.
- The Houston City Council should set percentage goals for unbundled MWSBEs contracts at or above existing rate of MWSBEs contracts, which is currently 22%

Example 3: Strengthen the Wage Theft Ordinance

The City of Houston currently has a wage theft ordinance that deals solely with wage theft by city contractors. The current penalty laid out by the ordinance is the required payment of withheld wages by the contractor. Offending contractors are also listed on a wage theft database and their contracts can be revoked by the city, but such action is not mandatory and occurs at the discretion of the city's finance director. The city may also withhold permits from any contractor listed on the database. The current law is not extended beyond direct city contractors.

The City of Houston should extend the current wage theft ordinance to all employers, both public and private, operating within the city. This ordinance should also empower the city's Finance Department to install and publish a clear, nondiscretionary set of financial penalties similar to what has been done in cities like

Seattle.¹⁹⁸ The ordinance should also mandate that no city contracts will be granted to employers with previous wage theft convictions. The definitions of wage theft and the penalties associated with it should be laid out in every public RFP.

Metrics and Transparency

- The city's Finance Department should track the number of wage theft cases filed, investigated, and resolved via conviction. These records should be kept for both public contractors and private businesses.

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49. The city should aim to renegotiate contracts whenever possible.

50. This number includes 1,700 direct employees of the city currently receiving below \$15 per hour. It also includes 4,000–7,000 workers hired by companies receiving contracts or subcontracts. It does not include jobs impacted through other forms of city assistance such as other city funds, subsidies, or preferential treatment. The city may employ between 4,000 and 7,000 workers through construction and public works contracts. This number could increase dramatically with additional investment in infrastructure jobs. The impact in the coming years will largely depend on how much the city directly invests in infrastructure.

51. All provisions outlined in this document should apply to *all* workers, including part-time and temporary employees and trainees. Some cities grant exceptions to nonprofits or small contracts, typically when a living wage is tied to targeted hire requirements.

52. Ordinance 2007-534 and Executive Order 1-7 outline the Pay or Play program, which was implemented to make sure contractors who provide health insurance are not disadvantaged in the bidding process and in recognition of the costs associated with health care of the uninsured. However, only 66% of contractors choose to "play" rather than "pay."

53. While this type of targeting does not explicitly focus on minorities who have been left behind in Houston's economy, minority groups have been shown to be incidentally targeted when low income census tracts are used as a measure.

54. Defined as census tracts with a median income of \$30,000 or less.

55. The city should cautiously consider the inclusion of a hardship exemption that can be applied by employers who are uniquely affected by targeted hiring and will suffer a loss in profitability that will either be detrimental to their long-term stability or force them to eliminate a position. If the city chooses to include this, any requests for exemptions should be decided by a community-driven board that is required to hold a public hearing. Exemptions should be reviewed and audited yearly.

56. In Los Angeles, a living wage bid ordinance did not result in any cancellations of development projects but did increase community support.

57. A study of 12 cities found that contract costs increased by an average of 0.035% of a city's overall budget as a result of the passage of a living wage law. Frequently, costs to municipalities were in line with inflation. See Jeannette Wicks-Lim, *An Assessment of the Fiscal Impact of the Proposed Milwaukee County Living Wage Ordinance* (Amherst, Massachusetts: Political Economy Research Institute, December 2013), https://www.peri.umass.edu/media/k2/attachments/PERI_Milwaukee_living_wage.pdf.

58. A home rule city is one that can pass laws and govern itself, as long as its actions are not prohibited by the constitution of the state and the U.S.

59. Proactive enforcement reduces the burden on workers to report violations, especially if they fear possible retribution from employers.

60. The data should be published in a commonly accessible format such as an Excel spreadsheet with clear definitions of variables. Each set of data should have a cover page summarizing all variables for the current year and each of the previous four years.

61. Compared to a total of 65% of children under five who are African-American or Latino. The Latino population of Houston was calculated by subtracting the number of individuals identifying as "White, not Hispanic or Latino" from individuals identifying as "White." This conservative estimate aims to avoid double-counting individuals who may identify as both African-American and Latino, and in so doing likely undercounts the total Latino population.

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66. The reported figure of 19,000 may include 3,000 additional slots that are not considered "quality," due to an issue with the way Head Start capacity is reported. There may be only 16,000 quality slots in Houston (just 12% of all slots).
67. There are numerous rating systems that evaluate quality. Texas Rising Star (TRS) is a voluntary statewide quality-based rating system of child care providers that participate in the Texas Workforce Commission's subsidized child care program. TRS certification ensures the program is in good standing and exceeds the state's minimum child care licensing standards for director and staff qualifications and training; caregiver-child interaction; curriculum, nutrition, and indoor/outdoor activities; and parent education and involvement. The Collaborative for Children, a Houston-based nonprofit contracted by Workforce Solutions' Gulf Coast Workforce Board to assess and mentor TRS providers in Greater Houston, considers a program to be "quality" if it has a four-star TRS rating, is a Head Start program, or is a nationally accredited provider with an accreditation recognized as meeting four-star certification standards by the Texas Workforce Commission. See "TRS Eligibility" at <https://texarsrisingstar.org/providers/trs-eligibility/>.
68. These slots are provided through preschool at elementary schools, Head Start and Early Head Start, and scholarships given through the Texas Workforce Commission.
69. A 2015 Gulf Coast Workforce Board survey of 230 licensed child care centers in the Gulf Coast region found the median cost for a toddler was \$27.53 per day. Assuming costs have risen at the same rate as inflation, that cost would be \$28.43 per day in 2017. Assuming full-time attendance of 50 weeks per year, the cost would be \$7,107.50 per year. For a family earning the median income of \$46,187, this comprises 15.4% of their gross annual income. Cost differs based on type of facility and age of child. "Board Meeting Materials for Tuesday, February 3, 2015," Gulf Coast Workforce Board, January 27, 2015, <http://www.wrksolutions.com/Documents/About/BoardPacket/Feb15.pdf>; "Child Care and Development Fund (CCDF) Program," *Federal Register: The Daily Journal of the United States*, September 30, 2016, <https://www.federalregister.gov/documents/2016/09/30/2016-22986/child-care-and-development-fund-ccdf-program>.
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93. Studies show children attending a quality early childhood education program are 20 to 47% less likely to go to prison. "I'm the Guy You Pay Later: Sheriffs, Chiefs and Prosecutors Urge America to Cut Crime by Investing Now in High-Quality Early Education and Care" (Washington, D.C.: Council for a Strong America, 2013), http://cdn.fightcrime.org/wp-content/uploads/1%27m_The_Guy_Report.pdf.

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95. This is the threshold for receiving free or reduced lunch at public schools. Similar to the St. Paul program, families will only need to provide proof of income level through documentation of their participation in a federal program or statements from their employers. Additional considerations should be made for certain populations, such as families with parents below the age of 18 and children in the foster system.

96. The provider must have a TRS rating, have national accreditation (specifically from a program recognized as meeting four-star certification standards by the Texas Workforce Commission), or be a licensed Head Start center. This will ensure that centers meet the basic standards for quality, and the program can build on this baseline through employee and parent training programs.

97. A proposed quality pre-K program for 3- and 4-year-olds in Santa Fe was estimated to cost the city \$8,000 per child. "Our view: Pre-K for all? It's time," *The Santa Fe New Mexican*, March 4, 2017, http://www.santafenewmexican.com/opinion/editorials/our-view-pre-k-for-all-it-s-time/article_623ff321-e1a1-557a-b086-4bfdd59d1c65.html.

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100. Assumes a \$1,200 quality grant amount per student (including teacher training), two-hour parenting classes offered to all parents in the area, and an additional 8% program administration cost.

101. This is in line with the methodology used by the Texas Workforce Commission, which establishes base rates for each age group and increases the scholarship amount by 5%, 7%, or 9% if the provider has a 2-star, 3-star, or 4-star TRS rating, respectively. This increase incentivizes providers to make the investments necessary to improve their quality. This pilot may set different premiums for increased TRS ratings or other quality metrics.

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