

2020 stimulus program failed to reach California's most economically vulnerable districts

March 4 2021



Credit: CC0 Public Domain

A [UCLA study](#) published today found that the 2020 federal stimulus program that offered forgivable loans to small businesses affected by the

pandemic might have widened economic disparities.

The study, by the UCLA Latino Policy and Politics Initiative and the UCLA Center for Neighborhood Knowledge, examined data for California congressional districts, and the authors assert that aid largely failed to reach the districts with the greatest need.

The California districts with the lowest average household incomes and highest proportions of people of color received the lowest amounts of support through the Paycheck Protection Program, the study found. The 10 districts that received the least funding have a median household income of a little over \$66,000, and people of color make up 66% of their populations.

By comparison, the 10 districts that received the most paycheck protection funds have a median household income over \$108,000, and a smaller proportion of residents of color, 53%. In fact, although a plurality of Californians are Latino, none of the 14 districts with majority-Latino populations were among the top 10 districts in terms of receiving paycheck protection funds.

According to the authors, the fact that more stimulus aid went to districts with economic bases that were stronger to begin with will only exacerbate pre-pandemic economic inequalities that have made communities of color more vulnerable to economic shocks.

As the Biden administration and Congress discuss ongoing federal recovery efforts, fixing the inequities of previous stimulus efforts should be a priority, said Rodrigo Dominguez-Villegas, research director at the UCLA Latino Policy and Politics Initiative and a co-author of the report.

"The pandemic has devastated communities of color, which have lost jobs and income at disproportionate rates, with scant support from the

federal government," Dominguez-Villegas said. "In order to emerge from the pandemic and into the recovery without greater inequality, we need action now to uplift the people who need help the most."

A previous study by the two research centers produced similar findings about the racial inequities of the Paycheck Protection Program. By presenting data at the congressional [district](#) level, the new report should give policymakers an even clearer picture of the winners and losers created by previous stimulus efforts, said Silvia González, a staff researcher at the Center for Neighborhood Knowledge and a co-author of the report.

And although the report focuses on California, it should help officials in other states understand the importance of equity and racial justice in upcoming federal efforts, the authors write.

"Neighborhoods across the nation will emerge from the pandemic with fewer community-serving businesses and lost jobs that may not be recovered if they do not get immediate financial support," Gonzalez said. "Our congressional leaders must ask themselves whose paychecks need the most protection and prioritize small entrepreneurs who otherwise stand to lose it all during this crisis."

The report recommends that future stimulus efforts provide targeted support for minority-owned businesses and provide detailed data to specifically track how the new efforts influence racial and income inequality. It also recommends that some of the relief funds be invested in outreach campaigns to ensure that business owners are aware of the funding programs and understand how to submit funding applications.

Provided by University of California, Los Angeles

Citation: 2020 stimulus program failed to reach California's most economically vulnerable districts (2021, March 4) retrieved 26 April 2024 from <https://phys.org/news/2021-03-stimulus-california-economically-vulnerable-districts.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.