

2018



W.K.
KELLOGG
FOUNDATION®

GROWTH
PRODUCTIVITY
REVENUES
OUTPUT

THE BUSINESS CASE FOR RACIAL EQUITY

NEW MEXICO

TALENT
POTENTIAL
SOCIAL JUSTICE
OPPORTUNITY

ANI TURNER

BETH BEAUDIN-SEILER

 ALTARUM

A STRATEGY FOR GROWTH

Foreword

At the W.K. Kellogg Foundation, we recognize that advancing racial equity exerts a powerful positive influence on the lives and futures of children.

Children who grow up in a society where their health, education, and well-being are considered valuable and important have higher achievement in school and more opportunities for employment and financial stability as adults. And just as advancing racial equity has a profound positive effect on children and their families, it also has tremendous influence on the potential for profound economic growth. Inequities hold our society back, and a growing number of leaders in both the public and private sectors recognize that fact. Investors, employers, entrepreneurs, policymakers, and others have a stake in creating more equitable communities.

The “New Mexico Business Case for Racial Equity” was created with these essential partners in mind — to connect the dots between current policies and practices, human capital constraints, untapped markets, and lost revenues.

When the first “National Business Case for Racial Equity” issue brief was released in 2013, it provided civic leaders with a powerful tool for building coalitions in their communities. At the time, emerging social science research pointed to the profound effect of racial disparities on health and well-being, but data on workforce and spending power impacts was not readily available. The initial report filled a gap, giving individual leaders a resource for broadening the conversation about racial equity and bringing it to the forefront in boardroom discussions and corporate meetings.

The stories, data, and analyses in this document — and the complementary materials available at the Kellogg Foundation’s digital hub (www.racialequityresourceguide.org) — can broaden this important dialogue in New Mexico, attract new energy and resources to this important work, and provide concrete steps each of us can take to achieve racial equity. But more importantly, it can move people to action and promote lasting change in society as a whole.

Each of us has an active role to play in the process. As you read this issue brief, or access its online tools, consider how and where you can commit to promoting racial equity on behalf of the children in your community.

La June Montgomery Tabron

President and CEO, W.K. Kellogg Foundation

THE SOCIAL AND ECONOMIC GAINS FROM ADVANCING RACIAL EQUITY IN NEW MEXICO ARE SIGNIFICANT. THESE GAINS ALSO DIRECTLY SUPPORT THE STATE'S ECONOMIC DEVELOPMENT PLAN.

A SIGNIFICANT ECONOMIC AND SOCIAL GAIN FOR NEW MEXICO

By 2050, New Mexico stands to realize a \$93 billion gain in economic output by closing the racial equity gap. “Closing the gap” means lessening, and ultimately eliminating, disparities and opportunity differentials that limit the human potential and the economic contributions of people of color.

This report makes a compelling economic argument for the social justice imperative of racial equity. Beyond an increase in economic output, advancing racial equity can translate into meaningful increases in consumer spending and tax revenues and decreases in social services spending and health-related costs. For example, in consumer spending alone, closing the racial equity gap in New Mexico would generate an additional \$1.3 billion in spending on food, \$3.3 billion on housing, \$347 million on apparel, \$1.7 billion on transportation, and \$513 million on entertainment each year. An additional \$1.1 billion would be generated in state and local tax revenues.

The potential economic and social gains are significant. By 2050, more than three-quarters of the population, workforce, and consumers in New Mexico will be people of color. To create the qualified workforce and economic climate that will position the state for the future, businesses and policymakers must look to the potential of all New Mexicans and take deliberate, realistic, and proven measures to enable the full participation of all.

The purpose of this report is to highlight the business case for racial equity — stressing the importance of racial equity as both an imperative for social justice and a strategy for New Mexico’s economic development and growth. As advancing racial equity requires the work of many stakeholders, we hope that the information in this report will be meaningful, useful, and actionable for leaders, change agents, and influencers in New Mexico’s businesses, communities, and institutions.

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RACIAL EQUITY CREATES A SOCIETY IN WHICH ALL HAVE THE ABILITY TO PARTICIPATE, PROSPER, AND REACH THEIR FULL POTENTIAL. IT IS A MATTER OF SOCIAL JUSTICE AND ECONOMIC GROWTH.

MEETING NEW MEXICO'S CHALLENGES

Offering a sunny climate, dramatic natural landscapes, and an abundance of land, New Mexico is projected to see modest economic growth in the coming decades. A distinctive employment base includes federal government jobs at military bases and technology labs, oil and gas production, agriculture, tourism, and film, and a growing number of customer service center jobs.¹ The state is actively promoting investment in manufacturing through favorable manufacturing tax rates² and business development outreach.³

Recognizing that growth will require both a favorable business climate and skilled and ready workers, all working groups in a 2016 Town Hall on Economic Security and Vitality for New Mexico identified workforce development as a

NEW MEXICO BUSINESS AND COMMUNITY LEADERS IDENTIFY WORKFORCE DEVELOPMENT AND EDUCATION AS CRITICAL ISSUES FOR ECONOMIC GROWTH.

priority.⁴ Currently, households in New Mexico are among the poorest in the country,⁵ educational attainment lags behind other states, employment has not yet recovered from the recession, and wide disparities remain between racial and ethnic groups in the state.⁶

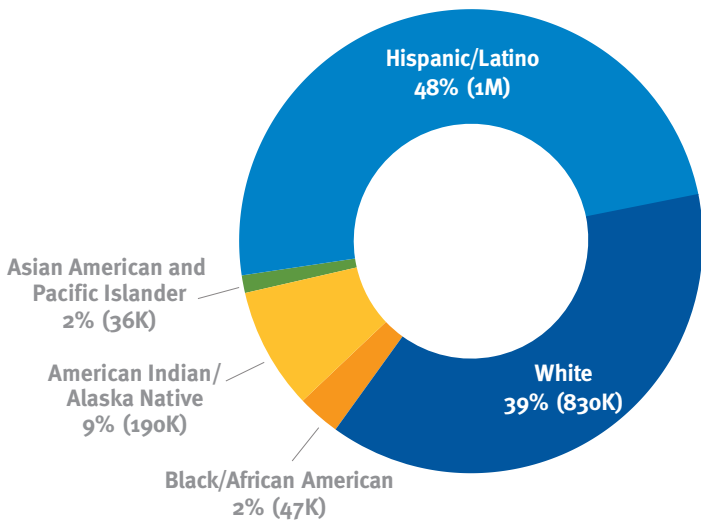
Yet there is tremendous untapped economic potential in the people of New Mexico, especially the populations of color that

are driving population growth. The state is one of the most multicultural and multilingual in the country, with the largest Hispanic/Latino share of any state population and the largest Native American share in the continental U.S. By 2050, more than three-quarters of New Mexico workers and consumers will be people of color.⁷ Recognizing this diversity as an asset and enabling the full creative and economic potential of all New Mexicans will be critical to achieving the state's vision for a future of shared prosperity.

THE GROWING WORKFORCE MAJORITY IN NEW MEXICO

New Mexico is constitutionally a bilingual state and currently nearly half the population is Hispanic/Latino, including those who identify as Latino, Mexican, Spanish, or Chicano. The 23 Native American sovereign nations in New Mexico, including 19 Pueblos, 3 Apache Reservations, and the Navajo Nation, make up 9% of the population, the largest share of Native Americans in the continental U.S. A small but long-standing Black population makes up 2% of the population, and another 2% are Asian American.⁸

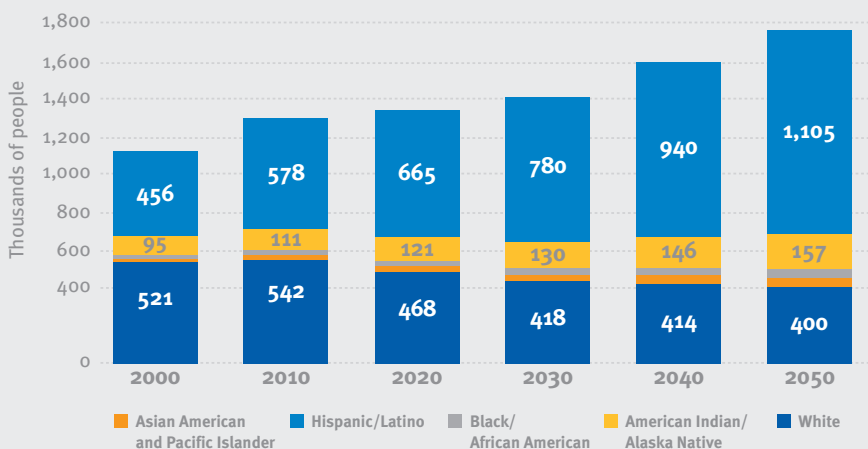
Current Composition of New Mexico Population



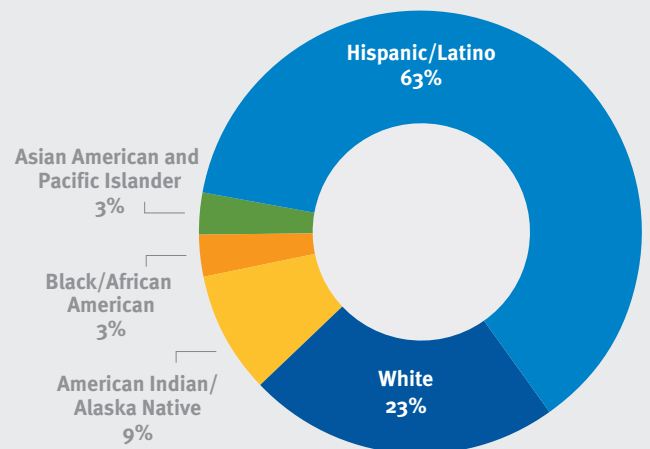
People of color combined are currently 62% of the working age population (ages 18 to 64). By 2050, the working age population is projected to grow by half a million people, and more than three-quarters will be people of color; the non-Hispanic/Latino White share of the working age population will decline from 38% to 23%, while the Hispanic/Latino share will increase from 48% to 63% and the Native American share will hold steady at 9%.

Like most states, New Mexico is also growing older. There are currently 3.7 people of working age for every 1 person of retirement age; by 2050, there will be 2.5, making the productivity of the remaining workers particularly important to both businesses and the government's fiscal outlook.⁹

New Mexico Working Age Population



2050 Working Age Population



PATHWAYS TO GREATER OPPORTUNITY ARE LINKED TO ADDRESSING ATTITUDES ON RACE, REDUCING SYSTEMIC BARRIERS, AND MAKING SIGNIFICANT AND CONSISTENT INVESTMENTS.

A DISTINCT AND INTEGRATED STRATEGY

A racially equitable society is one in which neither race nor ethnicity determines opportunity and life outcomes. It is a society in which all groups have the ability to participate, prosper, and reach their full potential.

In light of the many dimensions of inequity in our society — including income, gender, and class — why is it important to advance racial equity as a distinct strategy for societal change and economic growth?

There is much overlap between inequities associated with race and ethnicity and other dimensions. Many of the strategies for addressing racial equity will not be race-specific, and will improve outcomes for all people facing particular challenges. But the persistent racial disparities we see today did not happen by accident, nor can they be explained by differences in potential among people with different colors of skin or countries of origin. They arose from a long history of deliberate policies based on race, and have been perpetuated by biases that remain.¹⁰ Racism will need to be addressed directly to fully overcome them.

Race is a societal way of categorizing people that varies by time and place and is often associated with differences in privilege and opportunity. At critical points in our history, groups of people were denied the right to vote, own property, live in particular neighborhoods, attend particular schools, or receive loans for homes or businesses. For example, although the Snyder Act of 1924 admitted Native Americans born in the U.S. to full citizenship, New Mexico did not grant Native Americans the right to vote until 1962.

In the 50 years since landmark laws protecting civil rights, voting, fair housing, and greater tribal sovereignty were enacted, much progress has been made, yet striking disparities remain. Children of color in New Mexico are still much more likely to be born into circumstances of concentrated poverty and less upward mobility, and to experience poorer health and less financial security, than their non-Hispanic/Latino White counterparts.

Advancing racial equity will require investments of time and resources, for which there will always be competing priorities. In weighing the value and priority of such investments, it will be important to understand that greater racial equity will not only improve individual lives, it will generate broad economic benefits.

THE ECONOMIC *UPSIDE* OF RACIAL EQUITY FOR NEW MEXICO

ADVANCING RACIAL EQUITY

is an investment in people and in our economic future. According to the World Bank, the global economy has the potential for stronger long-term growth if the supply of goods and services can keep up with demand. Rising standards of living in emerging economies are creating new markets and all major regions of the world are growing. The economic opportunity is there — who will meet it?

Reduce skills gap and improve the bottom line

A well-prepared, healthy, and diverse workforce is crucial to the success of New Mexico businesses and to meeting the state's goals for economic development and growth. The diversity of New Mexico's bilingual workforce can itself be an asset if effectively leveraged to stimulate new approaches to problems and broaden understanding of potential new markets.¹¹ Businesses with more diverse workforces have been shown to have more customers, higher revenues and profits, greater market share, less absenteeism and turnover, and a higher level of commitment by their employees to their organizations.¹²

\$37 billion in greater economic output today

The combined effect of current disparities in health, education, incarceration, and employment opportunities is reflected in earnings. Even while the per capita income in New Mexico is one of the lowest in the country, the average

Hispanic/Latino person earns just over half what their non-Hispanic/Latino White age/sex counterpart earns (59%), and the average Native American earns less than half (46%) — roughly \$39,000 in average annual earnings for Whites, \$23,000 for Hispanics/Latinos, and \$18,000 for Native Americans.¹³ Closing these gaps would generate an additional \$12.7 billion in earnings today. Where will these additional earnings come from? They will come from the economic growth that a more productive workforce brings to meet growing global demand, and the growth that families of color themselves support with greater spending power and more financial security. Because this gain would be generated through greater productivity, it would translate to an additional \$37 billion in higher economic output, representing a 34% increase in New Mexico's Gross State Product (GSP). By 2050, given the expected growth in populations of color, closing earnings gaps would result in \$21.7 billion in higher earnings and \$93 billion in greater economic output, a 46% increase in New Mexico's projected GSP.¹⁴

Billions in increased consumer spending power

Higher earnings mean additional purchasing power to support local businesses. Under current consumer spending patterns, closing the earnings gap would translate to \$10 billion in additional purchasing power, including \$1.3 billion in food

BY 2050, NEW MEXICO STANDS TO REALIZE A \$93 BILLION GAIN IN ECONOMIC OUTPUT BY CLOSING THE RACIAL EQUITY GAP.



purchases per year, \$3.3 billion in housing, \$347 million in apparel and services, \$1.7 billion in automobiles and transportation, and \$513 million in entertainment spending today.¹⁵ By 2050, closing the earnings gap would represent an additional \$3.2 billion in spending on food, \$8.3 billion on housing, \$866 million on apparel, \$4.3 billion on transportation, and \$1.3 billion on entertainment.¹⁶

\$1.8 billion gained per year by reducing health disparities Healthier workers have fewer sick days, are more productive on the job, and have lower medical care costs. Beyond the toll in avoidable human suffering, we estimate that disparities in health in New Mexico today represent \$580 million in excess medical care costs and \$1.2 billion in untapped productivity, for a total potential economic gain of \$1.8 billion per year.¹⁷ Today's health disparities also mean that life expectancy varies significantly. We estimate that there are 140,000 lost life years associated with premature deaths in New Mexico due to racial and ethnic disparities. Using \$50,000 per life year (on the low end of valuations of a life year used in medical cost-effectiveness analyses), the economic impact of these shortened life spans is \$7 billion.¹⁸ Eliminating health disparities in New Mexico by 2050 would reduce the need for \$1.1 billion in medical care costs, reduce lost productivity by \$2.2 billion, and save 240,000 life years.

Substantial benefits for state and local governments Greater earnings for people of color will generate more payroll, income, sales, and other tax revenues. A population with higher earnings will also require less public spending on programs supporting food, housing, medical care, and other essential needs. Closing the earnings gap for people of color in New Mexico today would generate \$1.1 billion in additional state and local tax revenues annually. By 2050, tax revenues would increase by \$1.9 billion.¹⁹

How and where should investments be made to most effectively close gaps in opportunity and outcomes and achieve greater racial equity? Programs and policies in the key domains of housing, education, health, criminal justice, and employment and entrepreneurship, separately and in combination, provide a path forward.



A PATH FORWARD: DOMAINS OF OPPORTUNITY

The forces that impact life outcomes are interconnecting and reinforcing.

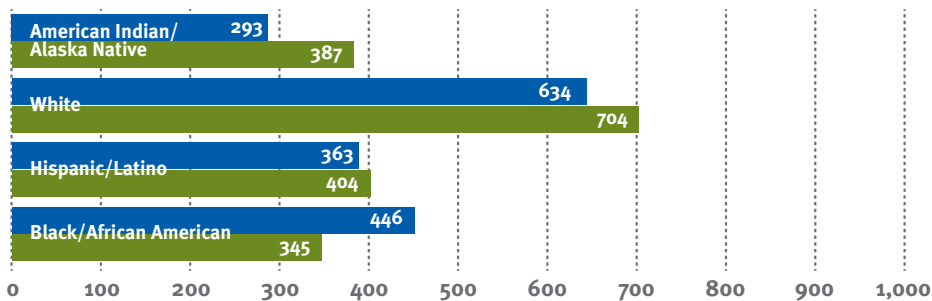
Healthier, better-educated people tend to earn more and live in higher-income

neighborhoods where there are lower crime rates, less pollution, better quality education, and more resources to stay healthy. The wealth that families build by owning a home in a neighborhood with increasing home values improves their financial stability and enables them to support higher education and other investments in future generations. For children born into neighborhoods of concentrated poverty, this reinforcing cycle works in the opposite direction.

How do these forces impact the likelihood of success for children of different races and ethnicities in New Mexico today? By one measure, the odds of success for children of color are currently roughly half those for White children. The Annie E. Casey Foundation's *Race for Results Opportunity Index* combines 12 predictors of

future success, including birth weight, preschool participation, academic proficiency scores, graduation rates, and family poverty levels, and creates a single composite score between 0 and 1,000 for each racial or ethnic group — the higher the score, the greater the

Race for Results Composite Index of Opportunity (out of 1,000) ■ U.S. ■ New Mexico



likelihood of success.²⁰ In 2016, this index of opportunity for White children in New Mexico was 634, while for Hispanic/Latino children it was 363 and for Native American children it was 293, less than half the White opportunity score. The opportunity score for Black children was also well below that of White children, but above the national average for this group, at 446 compared to 345 nationally.²¹

To raise these odds, we need to understand the current challenges and identify solutions in the domains that strongly influence life outcomes: housing, education, health, crime and criminal justice, and employment and entrepreneurship. We begin with housing as the first and most important domain, because where we are born and raised affects everything else — our ability to grow and stay healthy, the quality of schools in our neighborhoods, our exposure to violence and crime, our access to employment opportunities, and even our hopes and expectations for the future.

HOUSING

WHERE WE ARE BORN
AND RAISED **AFFECTS**
OUR OPPORTUNITIES FOR
GOOD HEALTH, EDUCATION,
EMPLOYMENT, AND WEALTH.

\$128
THOUSAND

gap in median net worth
between White households
and households of color
in New Mexico

55%

of Native American
children in New Mexico
live in concentrated
poverty, versus 10% of
White children

1.9x

as many Whites as
Blacks own homes in
New Mexico

As of 2016, 72% of Whites, 58% of Native Americans, 66% of Hispanics/Latinos, and 38% of Black families in New Mexico owned their own homes.

RESEARCH CONFIRMS what parents who strive to move their families to a better neighborhood have long understood — that where we live has a profound impact on our future. For much of the 20th century, the financing, development, and sale of housing in the U.S. was shaped by policies that helped White families achieve homeownership in desirable neighborhoods, supporting wealth accumulation, financial stability, and the ability to invest in the future. At the same time, these policies explicitly discriminated against non-White home buyers, creating diverging paths for White families and families of color. The residential segregation that resulted from these policies constrained people of color to higher-poverty and lower-opportunity neighborhoods, leading to poorer health, education, and employment opportunities. Neighborhood revitalization efforts to improve existing communities and programs that provide options for families to move into neighborhoods with more opportunity are among the strategies beginning to undo the effects of these policies.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Neighborhood characteristics affect health, longevity, crime exposure, educational attainment, employment opportunities, and many other dimensions of quality of life. Research has shown that the negative effects of living in a poor neighborhood become significant when 20% or more of families in that neighborhood are living in poverty.²² In New Mexico, children and families of color are much more likely to live in these high-poverty neighborhoods. Across the state, 55% of Native American children, 27% of Hispanic/Latino children, and 21% of Black children live in an area of concentrated poverty (where 30% or more of families are poor), compared to 10% of White children.²³ A startling 64% of Native American children, 49% of Hispanic/Latino children, and 31% of Black children attend a high-poverty school, compared to 18% of White children.²⁴

The concentration of families of color in high-poverty neighborhoods is not accidental. It is the result of a history of laws and policies creating separate paths for families over generations. In New Mexico, centuries of colonialism, conquest, and conflict among the diverse cultures in the region have led to long-standing differences in opportunity between racial and ethnic groups in the state. The population of New Mexico has roots in the indigenous peoples of Pueblo, Navajo, and Apache tribes; the Spanish colonists of the 16th and 17th centuries; those of Mexican origin, many of whom have Spanish, Indian, and Black ancestry; White U.S. colonists who arrived in the new state in the late 1800s; and freed slaves. During the period of U.S. colonization in the late 19th century, tens of thousands of New Mexicans of Spanish and Mexican descent lost their land when the land grants they were given under previous governments were declared invalid.²⁵ The New Mexico Constitution was passed in 1912 with provisions to preserve the Spanish language and ensure equal education for

HOUSING

Spanish-speaking children; however, over time these protections have given way to a priority for cultural assimilation in the U.S.

In 1921, influenced by anti-Japanese sentiment, New Mexico passed the Alien Land Act, which prohibited land ownership by immigrants who were not eligible for citizenship. This law was a part of the New Mexico Constitution until 2006, when it was overturned by voters.

The unique and traumatic historical experience of Native Americans in New Mexico and the country has led to higher rates of poverty and other disparities seen today. This history spans hundreds of years of forced segregation, loss of land and natural resources, oppression of language and culture, removal of children from Native homes, and underinvestment in housing, education, and basic infrastructure. Native lands were granted to the U.S. government in exchange for provision of basic needs, giving the government significant power over fundamental services such as schools and health care, but these services have been chronically underfunded. People living on Native lands suffer from overcrowding, schools in disrepair, and lack of housing, roads, and access to broadband.²⁶ Reservations are often in remote locations with higher construction costs, and restrictions on land use create barriers to investment and economic development. Nevertheless, Native peoples have demonstrated great resilience in preserving their cultures and their sovereignty for centuries, and tribes are advancing progress in a period of increased self-determination.

Of the 23 federally recognized tribes in New Mexico, a number have lived on the same land since the late 1300s. Nineteen Pueblos were recognized by President Lincoln as sovereign nations. This sovereignty, however, did not provide protection from the migration and settlement by White Americans that forced the diminishing size of their original land base. The relationship between these sovereign nations and state and federal governments, and the

protection given to tribal lands, have continued to shift under changes in the economic and political climate of the state and country.²⁷

While housing discrimination on the basis of race or ethnicity is no longer government law or policy, it continues in more subtle forms. The U.S. Department of Housing and Urban Development has been tracking discrimination in housing and rental markets since the 1970s. Well-qualified White and minority homeseekers are sent into the housing market in 28 metropolitan areas, including Albuquerque, and any differences in outcomes are tracked. Overt discrimination has decreased over time; in the most recent study (2012), all participants were equally likely to get an appointment and to see at least one housing option. However, Black, Hispanic/Latino, and Asian American homeseekers were shown fewer homes and rental apartments than White participants, limiting their options.²⁸

In New Mexico, 72% of White families own homes, while 66% of Hispanic/Latino families, 58% of Native American families, and 38% of Black families own homes.²⁹ Homes owned by people of color are also of lower value; for example, the Census Bureau reports that the median home value for Native Americans in New Mexico is about half that of White homeowners.

Given that housing equity makes up about two-thirds of the wealth of an average household, housing differences are the major reason that the wealth gap between racial and ethnic groups is even larger than the earnings gap. Family net worth (assets minus debts) provides a cushion for economic hard times, greater financial stability, and the ability to save for retirement, invest in education, or gain financing for entrepreneurship. According to Census Bureau data, the median net worth of White households in New Mexico was \$143,000, compared to only \$15,000 for households of color, a gap of \$128,000.³⁰ These gaps have been generations in the making and are unlikely to close without purposeful changes to housing, lending, and tax laws.³¹

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

The strong impact that our surroundings have on our lives also means that simply moving to a better neighborhood can be life-changing. A new body of research led by economists at Stanford, Harvard, and Brown Universities has substantiated that when children from low-income families move to neighborhoods where there is more opportunity, they are more successful and have higher earnings later in life — and the younger they are when they move, the larger the effect.³²

Empower social mobility with housing vouchers

Mobility programs such as Moving to Opportunity offer rental assistance vouchers combined with counseling and other services to support the movement of tenants of public housing to neighborhoods with less poverty. Studies of these programs have shown that moving children to a higher-opportunity neighborhood has long-term benefits, including higher college attendance rates and higher earnings, particularly if children move before the age of 13.³³ Real estate and other businesses can have a big impact on the success of voucher programs, since they require an adequate supply of affordable housing, landlords willing to take the vouchers, and methods to connect families qualifying for vouchers with higher-opportunity neighborhoods. At a more basic level, groups such as the Supportive Housing Coalition of New Mexico and their public and private partners in the state work to support housing stability and make connections to needed services for individuals and families to improve their lives and their futures.

Increase economic and racial integration through inclusionary zoning

Inclusionary zoning requires a percentage of new housing developments to be set aside for low- or moderate-income housing to increase the availability of affordable housing. Nearly 500 jurisdictions around the country,

including Santa Fe, New Mexico, implement inclusionary zoning, and that figure rises to more than 800 jurisdictions when counting a broader range of inclusionary housing policies.³⁴ Research suggests that inclusionary zoning increases economic and racial integration by incentivizing the creation of low-income housing outside of high-poverty neighborhoods.³⁵ Businesses associated with residential development of homes and rental units can play a major role in creating more equitable communities by supporting this type of zoning and working to make it successful.

Protect families against predatory lending

The practice of predatory lending, charging interest rates that can be in excess of 1,000%, is often disproportionately targeted at communities of color, particularly Native American communities, in New Mexico. There are more small loan stores than fast food restaurants in the state, and many are concentrated in areas that have low-income families and in communities of color such as McKinley County, where almost three-quarters of the resident population is Native American. A 2017 New Mexico law, while not banning predatory lending as neighboring states such as Arizona have done, aims to lessen its impact by capping interest rates on short-term loans at 175%.

Improve the environment in existing communities through neighborhood revitalization

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

EDUCATION

CLOSING THE **EDUCATIONAL ACHIEVEMENT** GAP FOR CHILDREN IN NEW MEXICO CAN BE ONE OF THE MOST BENEFICIAL STRATEGIES FOR PRODUCING ECONOMIC, HUMAN, AND SOCIAL GAINS.

\$13

long-term return for every \$1 spent on quality early childhood education

24

THOUSAND

children under 5 not attending preschool

63%

jobs in New Mexico that will require some post-secondary education by 2020

27%

jobs in New Mexico that will require a bachelor's degree or higher by 2020

In New Mexico, only 47% of Native Americans and 52% of Hispanics/Latinos have achieved some post-secondary education, compared to 75% of Whites.

WHILE GRADUATION RATES have been increasing in New Mexico in recent years, achievement gaps remain and educational attainment lags behind employer demand, constraining business and economic growth. In 2015, 39% of White students in grade 4 were proficient in reading, compared to 10% of Native American and 18% of Hispanic/Latino students. Closing educational achievement gaps can be one of the most beneficial strategies for producing economic, human, and social gains.

The educational achievement gap for children of color can be attributed to a host of socioeconomic and other factors — among them nutrition, exposure to books and language, teacher quality and stability, environmental stress, and expectations — but there is a strong evidence base of proven strategies that begin in early childhood and extend through post-secondary education that can accelerate progress.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

It is easy to forget that when today's baby boomers were children, most schools in the U.S. were still segregated by race. The Jim Crow laws following Reconstruction, enacted in New Mexico in the 1920s, were not overturned until the landmark 1954 U.S. Supreme Court decision in *Brown v. Board of Education of Topeka*. It took decades of subsequent court rulings and civil rights actions to drive greater integration and more equitable school funding.

Although children of color have made significant gains, persistent racial and ethnic gaps in readiness for school, educational achievement, and educational attainment remain.

Gaps begin even before children enter school. The Economic Policy Institute found that Black and Hispanic/Latino students (especially non-English learners) start kindergarten behind in math and reading, but that much of the effect can be explained by social class, suggesting that poverty and the associated circumstances are more important to school readiness than race itself.³⁶

Academic achievement gaps that begin in early childhood continue through primary and secondary education. In 2015, about 39% of New Mexico's grade 4 White students were proficient in reading, compared to 10% of Native American and 18% of Hispanic/Latino students. Similar disparities existed in grade 8 math proficiency; about 35% of White children were proficient in math, compared to 15% of Native American and 13% of Hispanic/Latino students.³⁷

High school graduation rates in New Mexico have been among the lowest in the nation, but have been increasing in recent years. A decade ago, less than 60% of students graduated in four years, and only half of Hispanic/Latino students.³⁸ In 2014–2015, four-year high school graduation rates in New Mexico were 69% overall, 74% for Whites, 61% for Blacks, 67% for Hispanics/Latinos, and 63% for Native Americans.³⁹

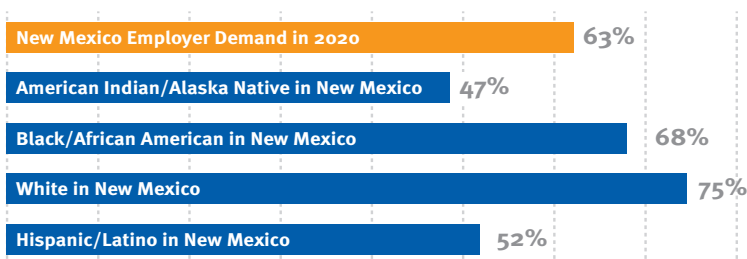
For students attending tribal schools within the Bureau of Indian Education in New Mexico, 14% of grade 3 students were proficient in reading compared to 25% of other New Mexican students. Similarly, 10% of Native American grade 8 students in the tribal middle schools were proficient in math compared to 20% of other New Mexican students.⁴⁰

The segregation of children of color into higher-poverty neighborhoods affects many aspects of their

EDUCATION

lives, including education. Most children attend their neighborhood schools, and these schools vary in the level of resources, teacher quality and stability, classroom size, and facilities. Even when per-pupil public funding is equitable, schools in high-poverty urban or rural communities are less likely to benefit from the significant fundraising and volunteer labor

Percent of Workforce with Some Post-Secondary Education



that more affluent parents can provide. Perhaps most importantly, the ability to learn and the belief that education will have long-term benefits are strongly affected by children's environments — their exposure to crime and other stresses, family stability, role models, and expectations of success.

Discipline practices in schools can also disproportionately affect the education of children of color. The past three decades have seen a significant increase in exclusionary discipline methods, such as suspensions or expulsions from school, and in referrals of students to law enforcement, even when misbehaviors are not dangerous or harmful to other students.⁴¹ These types of punishments have been shown to be harmful to the educational achievement and life outcomes of affected students, and they are much more likely to be applied to students of color. Studies have shown that teachers express greater concern about disruptive behaviors when exhibited by children of color, even in children as young as five.⁴² In New Mexico, 18% of Black male students and 11% of Hispanic/Latino students had out-of-school suspensions in 2011–2012 compared to 8% of White males. Additionally, 10% of Black female students and 5% of Hispanic/Latino females had out-of-school

suspensions in 2011–2012 compared to 3% of White females.⁴³

High school graduation alone improves employment opportunities, but by 2020 nearly two-thirds (63%) of jobs in New Mexico are expected to require some education beyond high school.⁴⁴ Only 47% of Native Americans and 52% of Hispanics/Latinos over age 25 today in New Mexico have some post-secondary education.⁴⁵ Similarly, 27% of jobs in New Mexico are expected to require a bachelor's degree or above by 2020, but only 14% of Hispanics/Latinos and 10% of Native Americans in New Mexico have this level of education.⁴⁶

Increasing high school graduation rates and strengthening academic and financial paths to college or vocational training for students of color will support a future workforce better aligned with employer needs.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Invest early in quality early childhood

interventions Long-term evaluations of high-quality early childhood interventions, particularly those involving both children and their families, have demonstrated meaningful impacts on educational performance and other outcomes, providing benefits that accumulate over lifetimes and into future generations. Nobel Prize-winning economist James Heckman estimates that every dollar spent on quality early childhood education returns \$13 over the long term.⁴⁷ New Mexico PreK is a state-funded voluntary program for three- and four-year-olds aimed at increasing school readiness with a linguistically and culturally appropriate curriculum.⁴⁸ Evaluations of New Mexico PreK have consistently found positive impacts on vocabulary, math, and literacy scores for an expected 18% return on investment for the state.⁴⁹ An estimated 24,000 children under age five are not attending preschool in New Mexico, so there is potential for expansion of these gains.⁵⁰

The segregation of children of color into higher-poverty neighborhoods affects many aspects of their lives, including education.

Make smart fiscal allocations to ensure equitable school funding

Adequate school funding is critical to closing gaps in primary and secondary education. To be equitable, not only should school funding formulas be equalized between wealthier and poorer districts, but additional resources should be allocated to schools with higher needs, including those with a high number of English language learners, children with special needs, and children living in areas of concentrated poverty. New Mexico's school funding formula does allocate additional resources to higher-need districts, although there is recent debate about the adequacy of the level of school funding.

Reduce suspensions and expulsions by using restorative justice

Restorative justice is an approach to school discipline that moves away from punishments, especially in the form of suspensions and expulsions, in favor of requiring recognition of the harm caused by wrongdoing and taking responsibility to put things right. The restorative justice approach implemented in Oakland, California schools is an example of a program that helped to cut the number of suspensions in half between 2011 and 2014.⁵¹ The Restorative Justice New Mexico project offers information on the practice and tracks practitioners in the state.

Support tribal education — Santa Fe Indian School

Maintaining and preserving the cultural language, values, and beliefs of the tribal communities in New Mexico and across the United States is an important step to bridging the opportunity gap. The Santa Fe Indian School was a boarding school established in 1890 by the federal government, with the original

intent to assimilate Native American children to the American way of life. Through various legislative acts and education amendments, the school became a tribally controlled school governed by the 19 Pueblo Governors of New Mexico. This has allowed the school to build a curriculum that supports the cultural and traditional belief systems of the collaborating tribes.⁵²

Provide additional instruction for students — K–3 Plus program

New Mexico's K–3 Plus program, established in 2007, extends the school year for students in kindergarten through third grade in high-poverty or struggling schools. The program provides additional instructional time in kindergarten and the early grades to narrow the achievement gap between students with limited access and other students. Costs of the program are expected to be offset by reduced grade retention and remediation services. Almost 20,000 students are being served by the program, but there is room for expansion, as many thousands more are deemed eligible.⁵³

Support financial access to college with targeted, need-based financial aid

Only 31% of state-funded financial aid is need-based in New Mexico, compared to the national average of 76% and rates of up to 100% in neighboring states like Texas, Arizona, and Colorado.⁵⁴ The Legislative Lottery Scholarship, a merit-based scholarship covering a portion of tuition at New Mexico colleges and universities, could become more need-based, directing the limited funds to those who otherwise are unable to attend college. The College Affordability Fund endowment has been depleted in recent years; replenishing the fund and increasing the amount of funding disbursed above \$1,000 per semester could support low-income students and students of color looking to increase their workforce readiness through post-secondary credentials.⁵⁵

HEALTH

GIVING ALL GROUPS THE SAME OPPORTUNITY FOR GOOD HEALTH WILL BE AN IMPORTANT COMPONENT OF BUILDING A HEALTHIER NEW MEXICO.

**\$1.8
BILLION**

total economic gain per year to New Mexico by reducing health disparities

**\$1.2
BILLION**

untapped productivity due to health disparities in New Mexico today

**140
THOUSAND**

lost life years saved by eliminating health disparities

**\$7
BILLION**

economic impact of shortened life spans

**\$3.3
BILLION**

projected economic gain per year if health disparities were removed by 2050

In New Mexico, 16% of non-Hispanic/Latino Whites report their health to be fair or poor, compared to 21% of Native Americans, 24% of Blacks, and 26% of Hispanics/Latinos.

HEALTH IS FUNDAMENTAL to quality of life and is an important measure of societal well-being. Despite spending more than any other country on health care, the U.S. ranks below other advanced countries in health and life expectancy, and there are wide disparities in health by race, ethnicity, and income. In New Mexico, health disparities that start at birth and continue into adulthood affect the lives of thousands of people of color. They also carry an economic burden estimated at \$580 million in excess medical care costs per year and \$1.2 billion in untapped productivity. Achieving health equity will require eliminating gaps in access to health care, the quality of care, and, most importantly, the social and environmental determinants of health.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

Differences in health start early in life. Researchers at Columbia University have shown that the circumstances around an infant in utero can impact the health and economic conditions of that person in adulthood.⁵⁶ Birth outcomes vary widely by race and ethnicity, creating opportunities to improve lifelong health and give children a better start. In New Mexico, infant mortality rates are 4.9 deaths per 1,000 live births for White babies, compared to

5.5 for Native American babies, 5.9 for Hispanic/Latino babies, and 12.4 for Black babies.⁵⁷ Rates of low-birth-weight births follow similar patterns. Research has shown associations between low birth weight and prematurity and poorer educational outcomes.

Health disparities by race and ethnicity continue into adulthood. New Mexico has an adult obesity rate of 28.8% overall, with Blacks at 37.5%, Hispanics/Latinos at 31.2%, and non-Hispanic/Latino Whites at 22.8%.⁵⁸ More Native Americans in New Mexico are diagnosed with diabetes (13%) than non-Hispanic/Latino Whites (7%).⁵⁹ Overall, nearly 16% of non-Hispanic/Latino Whites in New Mexico report their health to be fair or poor, compared to 21% of Native Americans, 24% of Blacks, and 26% of Hispanics/Latinos.⁶⁰

Closing gaps in health insurance coverage can contribute to closing gaps in health and improving financial security. New Mexico expanded its Medicaid program under the Affordable Care Act, cutting its uninsured rate in half, although gaps remain. As of 2015, nearly 14% of Hispanics/Latinos, 8% of Blacks, 10% of Asian Americans, and nearly 24% of Native Americans in New Mexico did not have health insurance, compared to nearly 9% of Whites.⁶¹

Studies by the Agency for Healthcare Research and Quality, the Institute of Medicine, and others have documented that even when there is financial and geographic access to care, people of color are often less likely to receive the recommended standard of care for the same conditions.

Like so many other life outcomes, health is influenced by neighborhood environment. Where a person lives can dramatically increase that person's chance of living a longer, healthier life. The average life expectancy in Bernalillo County has been found to vary by as much as 22 years.⁶² Children and adults of color are more likely to

live in neighborhood conditions that contribute to poor health, including lower air and water quality, less access to healthy food, less opportunity for outdoor play and physical exercise, and greater exposure to the ongoing negative stresses of crime, violence, and financial instability.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Intervene early in prenatal care through home visiting programs There are many evidence-based strategies for improving outcomes at birth and in the early years of life, including nurse home visiting and other programs to increase access to prenatal medical care and parent education. In the Nurse-Family Partnership (NFP) program, NFP nurses visit the homes of low-income, first-time mothers during prenatal and early childhood periods. Nationwide, NFP has a strong evidence base establishing its effectiveness in improving both short-term and long-term outcomes. For participating mothers, NFP has been found to increase workforce participation, decrease smoking rates during pregnancies, and decrease the use of public assistance. For the children born to these mothers, injuries, substance abuse, and crime were reduced. Investments in this program have been estimated to generate net present value savings of \$18,000 per family.⁶³ New Mexico offers a variety of evidence-based home visiting models, including NFP, Parents as Teachers, and First Born, and there is significant room to expand access to these services, as only a fraction of the low-income families that would benefit receive them.⁶⁴

Address root causes by improving education, housing, and other social determinants of health

The interconnectedness of the domains affecting life outcomes is especially true for health. A recent review of strategies to address the social

determinants of health found that the evidence supports the health benefits of interventions that address disparities in other domains, including education, housing, and community development. The National Collaborative for Health Equity, formerly Place Matters, builds community-based coalitions to identify and address the social, economic, and environmental conditions that are root causes of health inequities. Teams in 24 jurisdictions across 10 states and DC, including Bernalillo County, New Mexico, identify community concerns related to health and well-being, work to understand root causes, and build support for solutions.⁶⁵ Businesses participate in broad coalitions within these communities that include public sector, academic, and faith-based organizations working together to improve opportunities for good health.

Increase access to primary and preventive care with school-based health centers and programs

The U.S. Community Preventive Services Task Force recommends implementing school-based health centers (SBHCs) in low-income communities to improve health and educational outcomes and reduce disparities.⁶⁶ Children in these communities, often children of color, are less likely to have a reliable source of health and dental care. Health issues affecting these children include missing days of school because of illness, being hungry, and having unaddressed vision or hearing problems, affecting not only long-term health outcomes but educational outcomes as well. SBHCs provide primary care health services to students in grades K–12, and may also provide mental and oral health care, social services, and health education. The centers have been shown to improve health outcomes, including increasing vaccination rates, reducing asthma morbidity, and decreasing emergency department and hospital admissions. SBHCs have also been shown to improve educational

Like so many other life outcomes, health is influenced by neighborhood environment. Where a person lives can dramatically affect that person's chance of living a longer, healthier life.

outcomes, including school performance, grade promotion, and high school completion. As of 2015, the New Mexico Department of Health supported more than 50 SBHCs across the state in elementary, middle, and especially high schools.⁶⁷

Increase access to care through Project ECHO (Extension for Community Healthcare Outcomes)

Project ECHO was launched in 2003 in New Mexico with the mission of creating better care for more people. By putting local clinicians together with specialist teams from academic medical centers in weekly virtual clinics, the project reaches people in rural areas who otherwise would not have access to these services. Project ECHO is helping to address “inadequate or disparities in access to care, rising costs, systematic inefficiencies, and the unequal or slow diffusion of best practices.” By engaging clinicians in rural areas and providing a continuous learning system, the ECHO model expands the capacity and knowledge of rural health care professionals. From its origins in New Mexico, Project ECHO has now expanded across disease and specialty areas, as well as across urban and rural areas, in 155 hubs in the United States and 21 countries around the world.⁶⁸

Improve nutrition with the Supplemental Nutrition Assistance Program (SNAP) and innovative programs like Double Up Food Bucks

The Double Up Food Bucks program allows SNAP recipients to double their purchases of fresh, locally grown produce when shopping at participating farmers' markets. This allows participants to access more food at no extra cost and eat more locally grown fresh fruits and vegetables while creating demand and circulating more money in local economies. The program was begun by the Fair Food Network in Michigan and has expanded to 18 states, including New Mexico. SNAP not only improves food security but added \$630 million to the New Mexico economy in 2014, generating an estimated \$9 in local economic activity for every \$5 spent in SNAP benefits. The New Mexico Farmers' Marketing Association indicated a significant increase in sales at most farmers' markets that participated in the SNAP Double Up Food Bucks program, going from \$128,000 in sales in 2014 to over \$350,000 in sales in 2015.⁶⁹

CRIMINAL JUSTICE

THE CYCLE OF INCARCERATION IN NEW MEXICO HAS STAGGERING AND PREVENTABLE ECONOMIC, SOCIETAL, AND HUMAN COSTS.

**\$85
MILLION**

annual reduction in corrections spending if Hispanics/Latinos and Blacks in New Mexico were incarcerated at the same rate as non-Hispanic/Latino Whites

**\$300
MILLION**

spent on state corrections, 5% of general fund dollars

\$10 to \$1

overall societal dollars saved for every dollar saved in prison costs from reduced incarceration

**>\$100
THOUSAND**

direct economic benefit per youth of providing educational services to juvenile offenders

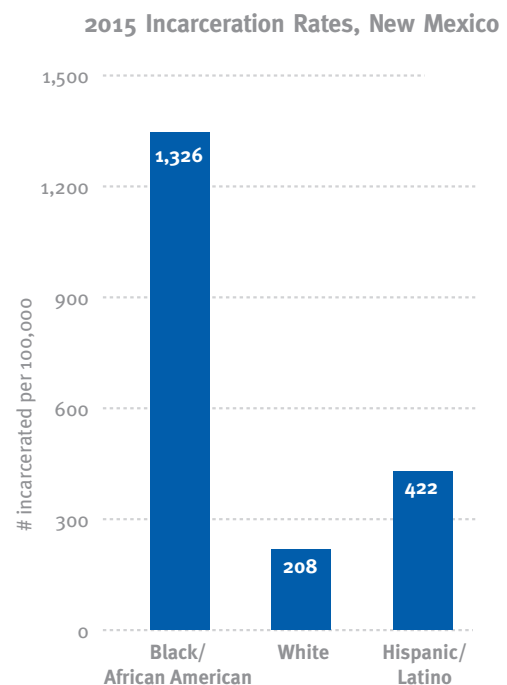
Incarceration rates in New Mexico per 100,000 people are 208 for non-Hispanic/Latino Whites, 422 for Hispanics/Latinos, and 1,326 for Blacks.

EQUAL JUSTICE under the law is an American ideal. Yet people of color are imprisoned at rates far exceeding their share of the population, being more likely to be stopped, arrested, prosecuted, and incarcerated and receiving longer sentences than their White counterparts. The cycle of incarceration and subsequent disadvantage takes a lifetime toll on children, families, and communities of color. It also imposes a significant economic burden on society. If incarceration rates for Hispanics/Latinos and Blacks were the same as they are for Whites in New Mexico, the prison population would be reduced by more than a third, translating to a potential reduction in annual state corrections costs of \$85 million. In recognition of these human and economic costs, criminal justice reforms are gaining support throughout the country, as are programs that focus on prevention, addiction, and workplace re-entry. These are all promising strategies to both prevent incarceration and help returning individuals reintegrate successfully as productive members of their communities.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

New Mexico spends \$300 million, or nearly 5% of total state general fund spending, on corrections.⁷⁰ State prisons are projected to be reaching capacity in the next few years. In addition to the direct costs, the state's economy loses potential employees and taxpayers who are out of the workforce during the time they are in prison, and who are likely to have lower lifetime earnings. Researchers at Washington University in St. Louis estimate that for every dollar saved in prison costs due to reduced incarceration, \$10 in overall societal costs are saved.⁷¹

People of color in New Mexico are incarcerated at rates significantly higher than Whites. Whites are incarcerated at a rate of 208 per 100,000 people, while for Hispanics/Latinos the rate is twice as



CRIMINAL JUSTICE

high at 422 per 100,000, and for Blacks the rate is six times higher than that for Whites, at 1,326 per 100,000.⁷²

Not only are inmates out of the workforce for the time they are in prison, but a criminal record becomes a barrier to finding employment and housing when former inmates return to their communities. The Pew Charitable Trusts finds that incarceration reduces annual earnings by 40%.⁷³

More than half of inmates are parents with children under the age of 18, and their incarceration significantly impacts the economic resources and stability of their families. Research has shown that children with incarcerated parents are more likely to experience homelessness, drop out of school, develop learning disabilities, experience anxiety, stress, and depression, and suffer from physical health problems, all of which hinder educational and other outcomes.⁷⁴

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Reduce the impact of racial bias in policing by targeting behaviors and situations Rather than focusing on trying to eliminate unconscious bias among law enforcement personnel, research supports the effectiveness of taking concrete steps to reduce bias-inducing situations and ensuring that departmental culture rewards fair policing. For example, studies show that limiting police authority to stop motorists except when there is reasonable suspicion of criminal activity substantially reduces bias incidents.⁷⁵

Reduce correctional populations with research-based sentencing and corrections reforms The recently passed New Mexico Constitutional Amendment 1 prohibits the

detention of defendants who are not deemed dangerous or a flight risk solely because they are financially unable to post bail, reducing the population incarcerated while awaiting trial. According to a report from the New Mexico Association of Counties, inmates in New Mexico who had not yet been convicted of any crime spent an average of 147 days behind bars, awaiting trial. Many other states have implemented additional comprehensive sentencing reforms and alternatives to incarceration for non-violent offenses, reducing their inmate populations. Some policies currently being debated in New Mexico are moving in the opposite direction, toward more mandatory sentencing.

Intervene early with juvenile offenders by providing education services Education is particularly critical for juvenile offenders, who have perhaps the greatest opportunity to change their life paths and often enter the criminal justice system behind academically. Researchers with the National Academy of Sciences reviewed modeling results on costs and benefits of a range of juvenile justice interventions. Educational services were shown to offer the highest direct economic benefits, at more than \$100,000 per youth.⁷⁶ A New Mexico task force is currently working with the non-profit Council of State Governments Justice Center to comprehensively study the state's juvenile justice system.

Remove barriers from job applications with hiring practice reform Businesses can play a role in reducing the impact of mass incarceration by pursuing policies that offer opportunities to returning community members. For example, "ban the box" policies remove the question about conviction history from initial job applications so that job-seekers re-entering society have the opportunity to be considered for employment.

Hispanics/Latinos and Blacks in New Mexico are incarcerated at significantly higher rates than non-Hispanic/Latino Whites.

The Equal Employment Opportunity Commission offers guidance on best practices for using arrest and conviction information in hiring decisions.⁷⁷ New Mexico passed a law in 2010 that banned the box for state employment, removing the question about conviction history from initial applications for jobs with the state.⁷⁸ In 2017, the state legislature passed an extension of this policy to include private employers in the state, but that bill was vetoed by the governor. Regardless of public policies in their location, most businesses can adopt a ban the box policy and allow returning citizens the opportunity to be considered for positions for which they are qualified.

Engineer successful transitions with re-entry programs In addition to working to reduce the number of people incarcerated, there is a need to connect returning community members with employment and other supportive services. Businesses can participate in such programs in partnership with other private or public sector entities, or work directly to offer opportunities to former inmates as they reintegrate into the workforce.

Two examples of successful re-entry support programs operating in the Albuquerque metropolitan area are highlighted below.

- **Fathers Building Futures (FBF)** offers training and employment assistance to fathers who are nearing a return to their communities.⁷⁹ Training is offered in auto detailing, mobile power washing, and custom woodworking.

The program begins working with inmates six to nine months before release, then provides skills training and job placement during the first year after release. In addition to job skills, FBF provides parenting classes and flexibility in scheduling around parenting responsibilities. Half the funding for the program comes from sales associated with the auto detailing and the woodshop, one-quarter comes from contracts and on-the-job training, and the remaining one-quarter comes from grants and donations. With additional funding, FBF would like to expand the program to mothers.

- **Crossroads for Women** provides women re-entering their communities with housing, mental health, recovery, physical health, independent living, vocational, and family/parenting services.⁸⁰ The program works in partnership with public, philanthropic, and private partners in the community. Crossroads for Women has been shown to dramatically reduce recidivism; in 2011 and 2012, only 12% of program participants returned to prison, while statewide 46% of incarcerated women return to prison within three years.

EMPLOYMENT AND ENTREPRENEURSHIP

ENABLING THE FULL CREATIVE AND ECONOMIC POTENTIAL OF ALL NEW MEXICANS BENEFITS NEW MEXICO ON MULTIPLE LEVELS.

**\$12.7
BILLION**

gain in New Mexico
earnings today

34%

increase in
New Mexico's
economy today

**\$21.7
BILLION**

or 46% gain in
inflation-adjusted
earnings by 2050

**\$93
BILLION**

increase in
New Mexico's
projected GSP by 2050

**\$10
BILLION**

additional purchasing
power today

**\$1.9
BILLION**

increase in state
and local tax revenues
by 2050

As of late 2017, when the unemployment rate in the state was 6.3%, 4.0% of non-Hispanic/Latino White New Mexicans were unemployed, compared to 6.6% of Hispanic/Latino New Mexicans.

WHAT ONCE WERE predictions about the future of work are today's reality — automation, technology, and artificial intelligence are sweeping through the economy, changing almost every job and making new demands for highly skilled workers. In response, employers are “upskilling” their workforces, educational systems are transforming, and policymakers are discussing the need for a massive effort to prepare workers for quality jobs. For the majority of working-age people of color in New Mexico, raising levels of education, narrowing skills gaps, and preparing to be full participants in the workplace of the future will reduce unemployment, increase competitiveness, and strengthen the asset of a highly trained, diverse workforce. Entrepreneurship is also a path to increased economic opportunity within communities of color. Reports indicate that entrepreneurs of color find unique challenges that limit the growth, scalability, and sustainability of their businesses — access to favorable credit terms, funding, investors, and marketplace opportunities. On multiple levels, from innovation to jobs to financial security to developing resilient economies, cultivating job

skills and entrepreneurship within communities of color makes strong economic sense.

WHERE ARE WE NOW AND HOW DID WE GET HERE?

People of color in New Mexico have higher unemployment rates, lower labor force participation, and lower earnings than their non-Hispanic/Latino White counterparts, as well as lower odds of long-term success in small business ownership. Disparities in education and health play a role, as do higher rates of incarceration. People of color being more likely to live in a neighborhood of concentrated poverty also means fewer available jobs, less opportunity to gain job skills early, fewer contacts to provide mentorship or connections in a job search, and fewer role models to inspire career goals. As of fall 2017, the unemployment rate in the state was 6.3%, with 4.0% of White New Mexicans unemployed compared to 6.6% of Hispanic/Latino New Mexicans.⁸¹

The Assets & Opportunity Scorecard from the Corporation for Enterprise Development gives New Mexico an overall rank of 47 out of 51, combining measures of financial assets and income, business and jobs, housing and homeownership, and health care and education.⁸² There are variations in opportunities for intergenerational mobility within the state; in some counties, upwards of 13% of children born into the lower fifth of the income distribution can expect to reach the upper fifth, while in other counties less than 5% of children are likely to reach the upper fifth.⁸³

Systemic biases also remain as barriers to people of color in the labor market and as small business owners. In a well-known University of Chicago study, when the same resume was submitted to job postings under different names, a callback for an interview was 50% more likely when the resume had a stereotypically White name.⁸⁴ In a

separate experiment, White, Black, and Hispanic/Latino participants with similar demographic characteristics and interpersonal skills were given equivalent resumes and sent in person to apply for hundreds of low-wage jobs. Black applicants were half as likely as equivalent White applicants to be called back or offered the job. Remarkably, both Black and Hispanic/Latino applicants with no criminal record had the same success rates as White applicants who reported being recently released from prison.⁸⁵

Disparities are seen in entrepreneurship as well. There are several factors that contribute to gaps in small business ownership and performance, including more limited access to capital to weather initial bumps and take advantage of opportunities to expand, and lack of access to needed business and management skills and experience. Less capital and collateral and lower credit scores may contribute to Black and Hispanic/Latino business owners being denied financing or being charged higher interest rates. But there is also persistent evidence that applicants of color are more likely to be denied loans, even when controlling for other characteristics. Further, access to financial services varies; FDIC survey data shows that 15% of households of color in New Mexico are “unbanked,” with no checking or savings account, compared to only 2% of White households.⁸⁶

The evidence shows that Blacks and Hispanics/Latinos start businesses at rates similar to Whites — in fact, Blacks may be more likely to pursue entrepreneurship. Where these businesses diverge from White-owned businesses is in size, profitability, and early survival rates. This suggests that programs to increase access to capital for underserved populations and support business training and mentorship could leverage the initiative that already exists and drive a significant increase in the number of successful small businesses, while reducing racial and ethnic earnings and wealth gaps.

WHAT ARE EXAMPLES OF PROMISING STRATEGIES?

Create an equitable work environment through diversity and inclusion The Kellogg Foundation’s Truth, Racial Healing & Transformation (TRHT) implementation guidebook recommends that organizations ask the following questions in assessing diversity and inclusiveness in recruitment, retention, responsibilities, and remuneration.⁸⁷

- **Recruitment and Hiring** How aggressively and through what means are people from a wide range of racial and ethnic backgrounds recruited? Does the recruitment strategy ensure a diverse applicant pool? Is the interview process fair to all applicants? Are the qualifications for the position well defined and clearly relevant to the job responsibilities? Do the interviewers have diverse backgrounds and perspectives, and are they aware of the potentially dangerous manifestations of implicit bias?
- **Retention and Advancement** Is the atmosphere in the organization welcoming to all? Are staff tuned into and trained in cultural sensitivities for all cultures, irrespective of racial or ethnic background? Are performance evaluations clear and objective? Is there an equal opportunity for advancement? Are diverse backgrounds and perspectives valued equally?
- **Responsibilities** Are people entrusted with responsibilities without regard to racial or ethnic background? Are expectations similarly high for all?
- **Remuneration** Are people paid equally for equal work responsibilities? Among customers and clientele served by these organizations, the belief system may be manifested in how customers and clientele are treated and in the atmosphere that is created for those who are being served.

Reexamine all aspects of business operations from a racial equity perspective as outlined in *The Competitive Advantage of Racial Equity*

Research by FSG and PolicyLink provides specific examples of companies applying racial equity strategies to reconceive products and markets, redefine workforce development, and strengthen their competitive context. Companies such as PayPal, Gap Inc., and Symantec create value by advancing equity while improving business performance.⁸⁸

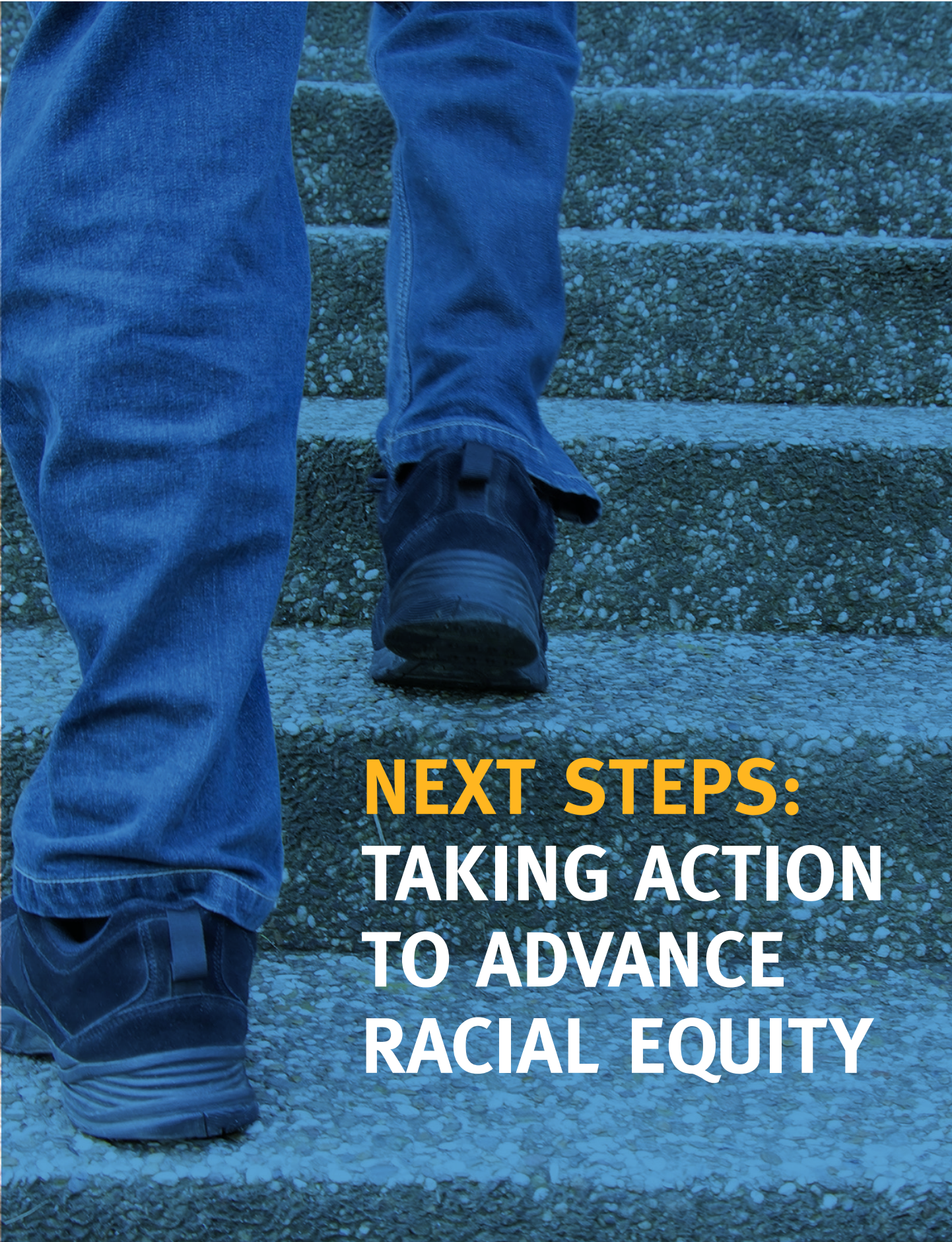
Partner with communities of color — Strategic partnerships with the Santa Ana Pueblo The Hyatt Regency Tamaya Resort and Spa is an example of strategic partnering between the Santa Ana Pueblo and Hyatt Hotels & Resorts. This resort, along with a number of other entrepreneurial endeavors that are led by the Santa Ana Pueblo, is part of a strategic concept of developing tribal enterprises in order to maintain and safeguard their traditions, cultures, and values through economic independence.⁸⁹ There are a number of tribes that have demonstrated ingenuity, resilience, and perseverance in developing economic opportunities through gaming, hotel, and golf course operations. Other areas of business development for tribal communities include oil and gas production, big game hunting, manufacturing, food services, and agriculture. Often, profits from these businesses are reinvested in building other business ventures, investing in the education and health of tribal members, and other tribal benefits.⁹⁰

Reduce earnings disparities through tax policy — the WFTC The Working Families Tax Credit (WFTC), the state's equivalent of the federal Earned Income Tax Credit (EITC), is used by New Mexico in order to offset regressive taxation, reduce poverty, and incentivize employment for low-income workers. The WFTC returns in state taxes 10% of the amount of the return on federal taxes for those who qualify. In New Mexico, these credits help reduce earnings disparities; about 52% of EITC/WFTC filers are Hispanic/Latino and

an additional 16% are Native American. Without these tax credits, nearly 40,000 more families, including 20,000 children, would live in poverty. About half of the states have a state EITC, but New Mexico's WFTC is lower than average so there is an opportunity to increase the positive impacts of the tax credit by increasing the percentage from 10% to 15%, 20%, or even higher.⁹¹

Grow minority entrepreneurship by investing in new businesses The Minority Business Development Agency (MBDA) in Santa Fe is operated by the American Indian Chamber of Commerce of New Mexico, and provides entrepreneurs of color access to the tools and expertise to support success. Services include identification of markets, financing opportunities, and business consulting. Starting in Albuquerque and spreading to five states, Accion is a non-profit organization providing loans and tools to start, operate, or grow a business, with a focus on underserved populations.

Invest in local business districts — New Mexico MainStreet program The New Mexico MainStreet program supports community stakeholders around the state in the revitalization of traditional and historic commercial districts.⁹² From 2012 through 2016, investments through this program created more than 600 new businesses, nearly 2,700 new jobs, and 900 building rehabilitations, and were associated with \$76 million in private sector investment. From its inception in 1985 through 2013, the program was associated with more than \$1 billion in investment in New Mexico.



NEXT STEPS:
**TAKING ACTION
TO ADVANCE
RACIAL EQUITY**

New Mexico has the power to advance racial equity.

Within New Mexico, each of us has the power to advance racial equity. As business leaders, policymakers,

and individuals, we can influence the attitudes and actions around us. We can increase our participation in our communities, make our voices heard by our governments, and join in the broader discourse on race, inequity, and our economic future.

New Mexico's businesses can evaluate internal practices in recruitment, hiring, retention, and advancement to identify and break down biases and create a diverse and inclusive work environment. These practices can produce immediate gains in increased retention and employee satisfaction and new business solutions that come from combining different perspectives.⁹³ Businesses can also explore new products and markets that better meet the needs of people of color and that also make good business sense.

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

Finally, individuals, community organizations, and business groups can support public policies that promote greater equity. Many of these policies, including early childhood investments, education, and sentencing reform, need not be targeted at specific racial and ethnic groups, but will benefit populations of color as they help populations most at risk.

NEXT STEPS: TAKING ACTION TO ADVANCE RACIAL EQUITY IN NEW MEXICO

A good place to start is by considering investing in or advocating for some of the high-leverage, evidence-based strategies highlighted in this brief and summarized below:

- 1. Invest early to maximize lifelong health and educational achievement.** Proven strategies include home visiting programs for prenatal and early childhood care and counseling and early childhood investments, including preschool and quality early child care.
- 2. Empower social mobility through programs such as Moving to Opportunity.** The younger children are when they move to a better neighborhood, the greater the lifelong benefits.
- 3. Increase economic growth by supporting and complying with inclusionary zoning policies.** Greater availability of affordable housing and greater integration of income levels, races, and cultures will reduce opportunity gaps and strengthen communities. Purposeful school system strategies can also better diversify schools by race and income.
- 4. Improve the environment in existing communities through neighborhood revitalization efforts.** Improving the physical environment and promoting new businesses in underserved neighborhoods can improve health, economic opportunity, and hope in the communities.
- 5. Support smart fiscal allocations to align resources with the highest need.** Examples of smart fiscal allocation include policies for equitable school funding that go beyond equal funding per student to allocate more resources where there is more need.
- 6. Keep children in school by implementing more effective school discipline policies such as restorative justice.** Restorative justice — requiring taking responsibility and making restitution — has been shown to be an effective consequence of misbehavior, while reducing suspensions and expulsions disproportionately faced by children of color. Remaining in the classroom and in school improves academic performance and graduation rates.
- 7. Address root causes of health disparities with community coalitions.** Partnerships of public, private, academic, and faith-based organizations can work at a local level to identify and promote the social and environmental conditions for good health.
- 8. Change laws and policies governing nonviolent crime through evidence-based sentencing reform.** The high cost of incarceration on individuals, families, and taxpayers, and evidence that increased incarceration and longer sentences in most cases do not reduce crime, have led to bipartisan support for sensible sentencing reform.

OVER THE NEXT FEW DECADES, THE WORKING AGE POPULATION IN NEW MEXICO WILL ADD MORE THAN 400,000 PEOPLE AND WILL SHIFT FROM TWO-THIRDS TO THREE-QUARTERS PEOPLE OF COLOR.

- 9. Engineer successful transitions to society for returning citizens through re-entry programs.** Giving returning citizens the opportunity and support they need during this critical transition not only lowers recidivism, it expands the pipeline to productive and dedicated workers.
- 10. Better connect youth to job skills through career-focused education.** Employers are partnering with high schools, community colleges, and universities to support and influence training that will best meet employer needs and increase job opportunities.
- 11. Create economic opportunity through business development in underserved areas.** High-poverty neighborhoods are less able to support local businesses, so jobs are scarce; supporting the establishment of businesses in these neighborhoods increases opportunities for employment and the development of job skills.
- 12. Grow minority entrepreneurship by expanding access to capital and business expertise.** People of color start businesses at similar rates as White entrepreneurs, but need better access to capital and expertise to thrive and grow.

New Mexico has seen growth in the number and variety of organizations committed to helping heal New Mexico's racial wounds and advance racial equity. Albuquerque held its first-ever National Day of Racial Healing in January 2017, joining 130 cities across the country and including traditions from many cultural groups.⁹⁴ The National Hispanic Cultural Center in Albuquerque is developing creative works that validate community experiences of racial equity in order to make these issues more accessible to audiences not normally engaged in them.⁹⁵ The New Mexico Center on Law and Poverty, in collaboration with community leaders and organizations across the state, developed a ten-year plan to advance racial justice.⁹⁶

The leaders of these initiatives join the W.K. Kellogg Foundation and other organizations investing in New Mexico's future in understanding that alongside the case for social justice, there is a business case for moving toward greater racial equity to create a stronger and more prosperous New Mexico for all.

METHODS

New Mexico population estimates and projections to 2050 by age, sex, and race/ethnicity were from Woods & Poole Economics, 2016 Complete U.S. Demographic Database, based on U.S. Census Bureau data and Woods & Poole projections.

New Mexico gross state product (GSP) estimates and projections to 2050 were taken from Woods & Poole Economics, 2016 Complete U.S. Demographic Database, based on U.S. Bureau of Economic Analysis data and Woods & Poole projections.

The **potential increase in earnings** in the state under racial equity, was estimated as follows.

1. New Mexico population counts for Blacks, Hispanics/Latinos, Asian Americans, American Indians, and Whites were multiplied by their respective average New Mexico earnings estimates from the PolicyLink/PERE National Equity Atlas (www.nationalequityatlas.org) and summed across all racial and ethnic categories to produce total current earnings.
2. The same population counts were multiplied by average “earnings under racial equity” for each racial and ethnic category from the PolicyLink/PERE National Equity Atlas to produce total current earnings under racial equity. PolicyLink/PERE compute earnings under racial by setting earnings for each category of persons of color by age and sex to the average earnings of their non-Hispanic/Latino White age/sex counterparts (see http://nationalequityatlas.org/sites/default/files/Data_and_Methods.pdf)
3. Total earnings were subtracted from total earnings under racial equity to estimate potential gain in total earnings under racial equity.
4. For future years, the same computations were performed with projected New Mexico population counts in each racial/ethnic

category to compute total earnings with and without racial equity and the potential gain in earnings under racial equity.

5. Note that this earnings gap is not driven by a few very high-income White earners (“the 1%”). The data source used to measure earnings, the Census Bureau’s American Community Survey, tends to underrepresent very high incomes as it includes employed and self-employed wages and salaries but not capital gains and other investment income. Previous Altarum analyses of the earnings gap using data and methods comparable to those used by PolicyLink/PERE computed estimates with and without the top 1% of earners, and found that order of magnitude of the gap was similar.

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

1. The earnings gap as described above was computed for the year of interest and divided by total earnings to compute the percent increase in total earnings that would occur under racial equity.
2. The GSP estimate or projection for the year of interest was increased by the percentage computed in step 1 to compute the dollar increase in GSP. This approach assumes an increase in GSP proportional to the increase in earnings, with the gain in earnings achieved by increasing productivity.

The **potential gains in consumer spending** in each major category of goods and services were estimated by multiplying the average share of earnings spent by U.S. households on each category according to the BLS National Consumer Expenditure Survey, 2015 data, released August 2016. (<https://www.bls.gov/news.release/cesan.nro.htm>)

The **estimated potential increase in state and local tax revenues** was computed as 8.7% of the potential increase in earnings, an estimate of the rate of taxes on earnings in New Mexico rate based on The Tax Foundation’s “State-Local Tax Burden Rankings FY 2012” (<https://taxfoundation.org/state-local-tax-burden-rankings-fy-2012/>).

The **savings associated with eliminating disparities in incarceration rates** was estimated by computing the number of incarcerated people using our state-specific population estimates and incarceration rates by race and ethnicity from the Sentencing Project, then subtracting the number that would be incarcerated if all groups were incarcerated at the White rate. The difference was multiplied by the average cost per prisoner by state from the Vera Institute. We used average costs because the large resulting decreases in the prison population make it likely that both fixed and marginal costs could be reduced.

The **economic impacts associated with health disparities** in New Mexico were produced under original research conducted in support of this project by Dr. Darrell Gaskin of Johns Hopkins University and Dr. Thomas LaVeist of George Washington University, and their colleagues. The estimates are based on updates of models and methods previously documented in “The Economic Burden of Health Inequalities in the United States,” September 2009 (http://www.hhnmag.com/ext/resources/inc-hhn/pdfs/resources/Burden_Of_Health_FINAL_o.pdf). The full set of estimates is shown at right. Due to small sample sizes in the datasets used in model development, it was not possible to estimate direct and indirect medical costs associated with Native American health disparities in New Mexico; however, it was possible to compute life years lost (59,600) and the economic impact of these premature deaths.

DIRECT MEDICAL CARE COSTS, LOSS OF PRODUCTIVITY COSTS, AND COSTS OF PREMATURE DEATH ATTRIBUTABLE TO HEALTH DISPARITIES IN NEW MEXICO, 2014 (MILLIONS OF DOLLARS)

	Blacks/African Americans	Hispanics/Latinos	Asian Americans and Pacific Islanders	American Indians/Alaska Natives	Total
Direct Medical Care Costs	50	530	–	n/a	580
Indirect Costs					
Lost work days	–	150	–	n/a	150
Lost work hours	-	40	–	n/a	40
Lost wages	30	960	–	n/a	990
Subtotal Indirect Cost	30	1,150	–		1,180
Total Direct and Indirect	80	1,680	–	n/a	1,760
Value of Lost Life Years	350	3,360	280	2,980	6,970
Grand Total	430	5,040	280	2,980	8,730

Estimates of the impact of health disparities by 2050 were approximated by first converting the 2014 estimates into per capita costs, then multiplying the per capita costs by the projected 2050 population in that category. Total population was used for direct medical costs and lost life years, while the working age population (18–64) was used for the indirect cost categories. Note that 2050 ballpark estimates reflect population growth but do not include the effects of overall or medical care inflation.

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ACKNOWLEDGMENTS

This study benefited immensely from the contributions of experts in the data, historical context, and policy environment in New Mexico: James Jimenez, Gerry Bradley and colleagues at New Mexico Voices for Children, and Dr. Deborah Altschul and Dr. Jessica Goodkind of the University of New Mexico.

National consultants to the project were Amber Ebarb of the National Congress of American Indians, Dr. David R. Williams of Harvard University, and Dr. Dolores Acevedo-Garcia and colleagues at Brandeis University.

Original technical research for this study was conducted by Dr. Darrell Gaskin of Johns Hopkins University and Dr. Thomas LaVeist of The George Washington University, who updated and applied their models to estimate the economic burden of health disparities in New Mexico.

Paul Hughes-Cromwick of Altarum contributed critical ideas, review, and support throughout the project.

Jacinta Gauda and Todd Gerlough of The Gauda Group guided the framing and presentation of this material and led the design of the final report.

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