

WHAT'S NEW WITH KIDS?

November 2007

Site of the Month

ASSETS AND OPPORTUNITY SCORECARD

Nevada scored an overall F on the 2007-2008 Assets and Opportunity Scorecard. The Corporation for Enterprise Development (CFED) developed the Scorecard which measures access to financial stability and ownership of individuals and families, or “how easy or hard it is for families across the United States to achieve the American Dream.”

CFED ranks each of the 50 states and the District of Columbia on 46 performance measures related to financial security, business development, homeownership, health care, and education, using a scale of 1 = most desirable outcome and 51 = least desirable outcome. They ranked Nevada 43rd on households with zero net worth, 49th on median installment debt, 51st on subprime loans, and 50th on Head Start coverage. Nevada received high rankings on asset poverty by race (1st), household asset equality by race (1st), household asset equality by gender (2nd), and homeownership by race (5th). For descriptions of and explanations for the above-mentioned performance measures see pages 2 and 3.

All of the above information is easily accessible on CFED’s Web site. If you go to the left-hand bar on their home page and click on “state grades” you will be directed to a color-coded map of the United States that displays letter grades for each state based on the 46 outcome performance measures. An additional click on Nevada will bring up a table that displays Nevada’s grade on each of the five categories of performance measures. Nevada received a D on financial security, a D on business development, a C on homeownership, a D on health care, and a C on education.

Nevada can also be compared to other states on the 46 performance measures using the custom scorecard option. For illustration purpose, I selected “net worth of households” from the Scorecard Measure pull-down list and selected Nevada, Utah, California, Oregon, Arizona, and Idaho from the states pull-down list (to select more than one state, press and hit the Ctrl key). The data will appear in a formatted table. You are also given the option to download the table as an Excel file (the latter is shown below).

Net Worth of Households					
Arizona	California	Idaho	Nevada	Oregon	Utah
\$48,500	\$84,402	\$68,072	\$67,700	\$54,599	\$68,300

If you are interested in data trends, Scorecard data are also available for 2002 and 2005 on CFED’s Web site: www.cfed.org/go/scorecard.

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Descriptions of and Explanations for Performance Measures

Asset Poverty: “Measured as the proportion of households without sufficient net worth to subsist at the poverty level for three months, 2004.” “Given the importance of assets for household economic self-sufficiency, this measure expands the notion of poverty to include a minimum threshold of wealth needed for both security and mobility. Three months is a rather conservative cushion for a family that loses its income. Even with this conservative definition, asset poverty exceeds income poverty in all 50 states and the District of Columbia.”

Asset Poverty by Gender: “Ratio of the asset poverty rate of households headed by a male or female (depending which value is lower) divided by the higher asset poverty rate of households headed by a male or female (depending on which value is higher), 2004.” “This measure is an indication of the difference in asset poverty between men and women. For example, 10.5% of male-headed households in Maine are asset poor while 25.8% of female-headed households are asset poor, indicating that female headed households are about 2.5 times more likely to be asset poor than their male counterparts.”

Asset Poverty by Race: “Ratio of the median net worth of households headed by someone self-identified as White or non-White (African-American, Asian, Pacific Islander, American Indian, Aleut, Eskimo or Hispanic), depending on which value is lower, divided by the median net worth of households headed by someone self-identified as White or non-White, depending on which value is higher, 2004.” “This measure is an indication of the difference in asset poverty between White and non-White households. For example, 8.3% of White New Jersey households are asset poor while 39.3% of non-White New Jersey households are asset poor, indicating that New Jersey minorities are more than 4 times more likely to be asset poor than their White counterparts.”

Head Start Coverage: “The percentage of children from ages 0 to 5 years who are in poverty and are served by a Head Start program, 2002.” “Head Start is an educational program proven to prepare low-income children to arrive at school ready to learn. The first years in a child’s life are critical to healthy brain development and future academic success. They provide a short window of opportunity with enormous implications for the rest of a child’s life. Research shows that early childhood education significantly improves the scholastic success and educational achievements of poor children even into early adulthood. Moreover, high-quality, targeted interventions, such as preschool, save money by preventing future expenses for remedial education, incarceration, and cash assistance. Public and private investment in early childhood is increasing, with particular focus on early learning and literacy, public awareness, and quality of care.”

Home Ownership by Race: “Homeownership rate among households headed by someone self-identified as White divided by the homeownership rate of households headed by someone self-identified as nonWhite, 2004.” “Homeownership is especially important for asset accumulation among populations that tend to have lower levels of wealth, such as African-Americans and Hispanics. While home equity represents, at the median, 40% of the net worth of White families, it represents 57% of the net worth of African-American homeowners and 71% of the net worth of Hispanic families. [Joint Center for Housing Studies, Harvard Design School. (2000). *The State of the Nation’s Housing: 2000*. (Cambridge, MA: Harvard University).] Yet, minority populations have lower homeownership rates than White families. According to the U.S. Census, in 2004 only 49% of blacks and 48% of Hispanics own their own homes, compared with 73% of Whites. Given the importance of homeownership for racial minorities, this measure gives an indication of the difference in homeownership rates between White and non-White households.’

Median Installment Debt: “Median amount of installment debt per borrower, 2006.” “Indebtedness can make households particularly vulnerable in times of economic hardship or in the event of job loss. High levels of installment debt, debt repaid in installments (e.g., car or student loans), is a financial burden that can overextend a household’s budget and exacerbate periods of financial instability. Note: data in this measure does not include mortgage debt.”

Net Worth of Households: “Median net worth of households 2004. Net worth equals the sum of assets attributable to any individual age 15 years and above in the household less any liabilities. Assets included in this measure are interest-earning assets, stocks and mutual fund shares, real estate (own home, rental property, vacation homes, and land holdings), own business or profession, mortgages held by sellers, and motor vehicles. Liabilities covered include debts secured by any asset, credit card or store bills, banks loans, and other unsecured debts.” “Assets matter for all families for both economic security and social mobility. Measuring median net worth provides a basic indication of the level of wealth for the families in the middle of the wealth distribution of a state. For this measure, we chose to present the data at the median rather than the mean. Means (averages) are very sensitive to outlying values; a few households with very large net worth will increase the average, for example.”

Subprime Loans: “Percent of all mortgage loans that are subprime loans, June 2006.” “The growth of the subprime market has corresponded with an increase in abusive lending, creating a crisis for American families. Under the guise of providing credit to borrowers with poor credit histories, predatory lenders often target elderly, minority and poor families with lending products that can lead to a loss of home equity. One in five subprime loans end up in foreclosure, according to new research by the Center for Responsible Lending — more than eight times the rate for mortgages in the prime market. Subprime prepayment penalties and balloon payments help fuel the problem. Rigorous research shows subprime loans are costly, applied unfairly, and — given the risk of foreclosure — dangerous.”