



Towards Shared Recovery Essential Steps to Reverse a Long and Deep Recession

"With the economy likely to be weak for several quarters, and with some risk of a protracted slowdown, consideration of a fiscal package by the Congress at this juncture seems appropriate."
– Federal Reserve Chair Ben Bernanke, testifying before the House Budget Committee (Oct. 20, 2008)

"You need to boost spending in the economy... It almost doesn't matter what kind of spending, but we'd like it to not to be wasteful spending, something that's valuable in its own right."
(Government should support) "people that are going to be losing their jobs, their homes, their health care benefits and other things that go with job displacement, because there's going to be a lot of it."

– Alan Blinder, Princeton University economist and former Vice-Chair of the Federal Reserve

"Well, I think Alan Blinder was right on. I think the plan has to be big, it has to be quick and it has to be focused on creating employment."

– Martin Feldstein, Harvard University economist and President Emeritus of the National Bureau of Economic Research
Blinder and Feldstein, *The Newshour with Jim Lehrer*,
November 10, 2008

"The committee identified December 2007 as the peak month, after determining that the subsequent decline in economic activity was large enough to qualify as a recession."

– Business Cycle Dating Committee, National Bureau of Economic Research, the official body determining when a recession begins and ends, November 28, 2008.

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Introduction

It is now official: for the past year, the nation has been in recession. The label did not come as a surprise to the 10.3 million unemployed in November, the 7.3 million working part time because full-time work is not available, and the 1.9 million jobless who do not count as “unemployed” because they have temporarily given up looking for work.

Nearly every day the severity of the recession is measured in a new way. Job losses have been greater than projected – another 533,000 lost in November alone, and 2 million lost over the past year. Emergency food providers are being overwhelmed by the need. In Santa Ana, California, Catholic Charities of Orange County was ready with Thanksgiving food packages for 500 families. But 920 families sought help. "There were tears in our eyes as we had to turn people away," said executive director Terrie Montminy, whose agency worked hard to find at least some food for the unserved families.¹

Millions of families are facing foreclosure, or have lost equity in their homes. Still others lost health insurance when they lost their jobs. And whether or not a family's income has dropped, prices for energy and food are still higher than they were a year ago.

The experts all say it will get worse before it gets better. Some have predicted the recession will end by the end of 2009, or into 2010. If previous recessions are any guide, the official end to economic contraction will not mean the end of high unemployment. It took 51 months after the 2001 recession for private sector employment to regain its peak pre-recession level. Although the failure of government to take any steps to boost the economy greatly slowed the recovery from the 2001 downturn, employment has taken 23 months on average to recover peak levels in recessions prior to 2001.²

Although this recession is reaching up into the middle class and affecting a very large proportion of Americans, those with the lowest incomes are suffering the severest hardships. Nearly one-quarter of adults who have not completed high school are poor; their unemployment rate is 10.5 percent. In contrast, people with a bachelor's degree or higher have an unemployment rate of 3.1 percent (and only 2.3 percent of them are poor).

President-Elect Obama has announced his intention to propose an economic recovery plan that will preserve and create 2.5 million jobs in two years. We believe he is right in emphasizing job preservation and creation and right to recognize that an effective recovery package will need to provide economic boosts for at least 24 months. As the details of his proposal are filled in, we hope low-income people will be fully included. Their participation is crucial for several reasons. First, with high levels of joblessness and poverty, they need jobs. Second, we cannot begin to bridge the widening divide between rich and poor without helping low-income people to find decent employment. Third, prominent economists agree that the best way to boost the economy is to assist low-income people. They will spend the income they receive, whether it comes from earnings or from assistance. Helping people get back into the labor force lays the groundwork for a more sustained recovery. A shared recovery, in fact, is the only kind worth having.

So far, most of our recovery measures have been aimed at the top. It was and remains urgent to preserve the solvency of the financial system and the auto manufacturers. Frozen credit and devastating loss in a major sector are weakening the economy in ways that will affect many millions of us. But we cannot lose

¹ Duke Helfand, “Charities can't keep up with deepening poverty,” *The Los Angeles Times*, November 27, 2008.

² *State of Working America 2006/2007*, Economic Policy Institute, at http://www.stateofworkingamerica.org/tabfig/04/SWA06_Fig4A.jpg.

focus on those struggling every day to feed their families, pay for housing and afford decent health care and child care on incomes that are increasingly stretched to the breaking point.

During the past year, Congress has taken some important steps to both boost the economy and help Americans in need. It doubled funding for the Low Income Home Energy Assistance Program (LIHEAP), which will help millions of families heat their homes this winter. And it extended federal unemployment insurance to those who had exhausted their state insurance benefits. But as the economy sinks into a prolonged recession and growing numbers of people face job loss and shrinking incomes, the federal government must do much more.

As the depth of the recession becomes more clear, economists have repeatedly revised upward the amount of federal spending needed to provide an effective boost to the economy. Now estimates range from \$400 billion to \$700 billion or more for spending in 2009 and 2010.

The *Shared Recovery* package listed below has been modified over the past months to reflect the increasing severity of the conditions facing us. The components have been expanded again in response to the expectation that joblessness will last longer. We agree with the President-Elect that job creation is central to economic recovery, and include specific proposals to ensure that jobs reach low-income workers while investing in useful work with long-term benefits. In addition, we must not ignore the rising numbers of people without health insurance or unable to afford housing or food. The inability of millions to afford necessities will strangle the economy just as much as the collapse of financial markets or the car industry.

Although expanded, the *Shared Recovery* package remains an essential core of a comprehensive plan; it does not purport to be the whole. By targeting its assistance to low-income Americans, it provides the most effective forms of economic boost. This is not just the assertion of the Coalition on Human Needs. Economists across the political spectrum have called for directing assistance to those whose incomes are low. Mark Zandi of Moody's Economy.Com has shown food stamps, unemployment insurance, and helping states with Medicaid costs provide far more stimulus than across-the-board tax cuts. The *Shared Recovery* package does not include further tax cuts for this reason. However, if the package developed by the Obama Administration and Congress does include tax cuts, it should include refundable tax credits available to people with incomes too low to owe federal income taxes as another means of getting income into the hands of people who need it and will spend it quickly.

We know now how badly the trickle-down policies of the last eight years have failed. According to the Economic Policy Institute, the period since the 2001 recession is the first economic cycle on record with a decline in the employment rate.³ Astonishingly, it is also the only so-called recovery on record in which median income for families actually declined – from \$61,000 in 2000 to \$60,600 in 2007, adjusted for inflation.⁴ Instead of providing help to counter these losses, federal policies worsened inequality through massive tax cuts for the rich and shrinking services for everyone else. These actions have led to greater economic strain for millions of families. In order not to repeat past failures, the new Administration and Congress should:

- 1) Alleviate hardship by providing short-term relief to those most harmed by the recession, including families facing job loss and skyrocketing costs of food, housing, gas and other basic needs.

³ Jared Bernstein, *Recession Takes Hold in the Job Market*, Economic Policy Institute, April 4, 2008, http://www.epi.org/content.cfm/webfeatures_econindicators_jobspict_20080404

⁴ David Leonhardt, "For Many, A Boom That Wasn't," *New York Times*, April 9, 2008, citing Jared Bernstein, Economic Policy Institute.

- 2) Provide targeted and effective economic stimulus by funneling benefits to those most likely to quickly spend them.
- 3) Invest in measures that build toward a shared recovery by creating jobs, rebuilding infrastructure, and increasing the number of workers who can compete for stable employment.
- 4) Prevent cuts in essential state health and other services that would deepen the recession through job loss and increased costs to families.

Karen Jennings, operations manager at the Office of Human Concerns in Rogers, Arkansas, knows first hand the problems confronting low- and moderate-income families. Every day she receives tearful calls from struggling seniors and desperate parents who have reached the end of their financial and emotional rope. “They are faced with a choice. They can heat their homes; they can pay the rent; or they can fill up their cars with gas so they can get to jobs that don’t pay them enough to cover all three of those expenses,” says Jennings, whose organization provides a range of services for seniors and low-income families residing in the rural counties of Northwest Arkansas.

The federal government must do more to enable the majority of Americans to share in the economic growth they work to create.

The *Shared Recovery* Package

Funding Necessary to Boost Economy and Help Those in Need

Nutrition

SNAP (Food Stamps) (1 year cost of benefits and admin. expenses)	\$12.25 billion
Women, Infants and Children (WIC) (1 year cost)	\$450 million
Commodity Supplemental Food Program (1 year cost)	\$30 million
The Emergency Food Assistance Program (2 year cost)	\$330 million

Unemployment Insurance (continuing extended benefits through December 31, 2009; improving UI to cover more of the jobless) \$19 billion

Job Creation

Infrastructure/Energy Efficiency Jobs	\$18.025 billion
Transitional Jobs/Youth Employment	\$1.65 billion
Education and Training for the Unemployed/College Work Study/Pell Grants	\$7.65 billion

Aid to States including Medicaid Services and other grants (2 year cost) \$150 billion

Housing (includes 2 year and 1 time costs) \$23.71 billion

Head Start (\$3b, 1 year cost; \$1.3b, 1 time cost) \$4.3 billion

Child Care (1 year cost) \$3 billion

Child Support Enforcement Restoration (2 year cost) \$1.1 billion

Health Care (COBRA assistance, covers 1 year period) \$10 billion

TANF Contingency Fund Increase and Improvement NA*

Home Energy Assistance (LIHEAP) (1 year cost) \$2.5 billion

*covered in Aid to States

A Roadmap for Shared Recovery

The following sections provide important background and targeted proposals for confronting problems facing low- and moderate-income Americans, including rising food costs, growing unemployment, inadequate job training, cuts in health care and health insurance, home foreclosures and reductions in Head Start, child care and child support. The proposals are the result of a collaborative effort between the Coalition on Human Needs and its member organizations.

Countering Skyrocketing Food Prices and Food Insecurity

In the wealthiest country in the world no one should go hungry. The lack of a nutritious diet is devastating to the health and well-being of children and families – as well as to the health of our economy. Yet, across the country people who never dreamed they would need food assistance are seeking help. Robert Wilson, major gifts manager for Gleaners Food Bank of Indiana, the largest and oldest food bank in the state, says the need is the greatest he's seen in his 14 years with the organization. "We have never had enough, but it is getting worse." Although there has been an alarming increase in hunger over the past decade, Wilson says the rise has been particularly sharp in the past few years. "Between 2006 and 2007 alone there was a 25 percent increase in the number of calls to the helpline for food assistance," he said. Between September 2007 and September 2008, the Food Stamp Program (now renamed Supplemental Food Assistance Program, or SNAP) enrolled an additional 2.1 million people, a record high. The need for food assistance is at record levels.

Increasing Supplemental Nutrition Assistance Program (Food Stamp) Benefits

A temporary increase in SNAP benefits would immediately help those in need, while providing a quick cash infusion to jumpstart the economy. The Congressional Budget Office and Mark Zandi, chief economist of Moody's Economy.Com, both rate a temporary increase in Food Stamps highly for cost-effectiveness. The recession has forced a record-breaking one in 10 Americans onto the SNAP rolls (31.5 million people), where they receive an average of only \$1 per person per meal. Applications are being submitted in such great numbers that staff in some offices are finding it difficult to comply with the response deadlines required by law. At the same time, food prices, especially for staples, are skyrocketing. From fiscal years 2007 to 2008 the cost of eggs jumped 24 percent, the cost of cheese rose 13.2 percent and bread prices climbed 13.5 percent. From September 2007 to September 2008, the monthly cost of a minimal basic food budget tracked by the U.S. Department of Agriculture rose \$56.60 for a family of four. Increased benefits could be swiftly directed to the electronic benefits cards used by recipients, and research confirms that virtually all of the funds would be spent within the month. Increased help will prevent childhood ill health and reduce the chance of developmental delays associated with inadequate nutrition.

Our Proposal: A two-year temporary 20 percent increase in Food Stamp benefits at a cost of \$12 billion a year. In addition, we support \$250 million a year in increased administrative funding to ensure that staff can handle the surging number of applicants.

Supporting Other Hunger Relief Programs

Increased funding is needed for the Women, Infants and Children nutrition program (WIC), the Commodity Supplemental Food Program (CSFP), and The Emergency Food Assistance Program (TEFAP).

WIC faces a serious shortfall, the result of big increases in the price of foods provided by WIC, such as milk, cheese, eggs, and grains, and the growing number of families seeking help as the economy has weakened. In recent years WIC participation has grown between 1 and 3 percent annually. But participation in fiscal year 2008 was about 5 percent higher than the previous year and this rate of growth is expected to continue in FY 2009. It is essential that WIC is made whole – through a combination of FY 2009 appropriations and supplemental funding.

Our Proposal: Although the exact funding increase needed for WIC may change as a result of the rapid growth in caseload and food costs, the additional \$450 million provided for WIC in the economic recovery package proposed by Senate Majority Leader Harry Reid and Senate Appropriations Committee Chairman Robert C. Byrd appears to be sufficient at this time for FY 2009. Additional funding should be provided as accurate cost estimates become available through FY 2010.

Food banks urgently need additional support. The combination of rapidly growing need from working families seeking food assistance for the first time, inflation in food prices and fewer donations from the food industry have dealt a serious blow to food banks across the country. A few years ago, for example, government programs supplied about half the food moving through Indiana food banks, but that number has dropped to about a third, even as need has grown. Robert Wilson says he has seen a dramatic decrease in food coming through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). “Federal funding for these hunger relief programs has not kept pace with inflation and commodity prices are shooting through the roof because farmers are planting corn for ethanol production rather than food.”

Indiana’s experience is not unique. A national survey of food banks conducted last spring found that the number of people seeking emergency food assistance had risen by some 20 percent over the past year, and that was before the recent spike in food prices and worsening economic downturn. Rising fuel and energy prices have further compounded the problems faced by emergency food providers in storing, transporting and distributing food to those in need of emergency food assistance.

Our Proposal: TEFAP should receive an additional \$165 million annually, of which \$150 million would be used each year for two years to replenish declining food inventories and help with food distribution, and \$15 million annually would provide Food Bank Infrastructure Grants to help rural food banks maintain capacity and keep up with service needs.

Escalating food costs are also difficult for senior citizens whose health is at risk when they have to choose between paying for food, home energy, and medicine. Wilson says he is confronted regularly with stories of people who are choosing to go hungry in order to pay for other expenses like medical bills. One elderly woman was stretching the box of food she received through the **Commodity Supplemental Food Program** to last a month, even though it was only meant to last about two weeks. She did this so that she wouldn’t have to spend money on groceries and could take the money she saved to buy her arthritis medication. “In order to buy her medications, she was living on only about half the calories she needed to stay healthy,” said Wilson. An increase in funding for CSFP will help cover the growing cost of the food packages distributed primarily to the more than 430,000 elders served through the program, according to 2007 data.

Our Proposal: The \$30 million for the Commodity Supplemental Food Program included in this package would cover the anticipated needs for 2009. Funds should be provided as necessary to meet needs through FY 2010.

*(For more information about the importance of nutrition aid for shared recovery, see the Food Research and Action Center, **Hunger a Rising Concern Among Americans as Economy Falters**, http://www.frac.org/Press_Release/hungerpoll08.htm; and **Rising Food Costs and the Thrifty Food Plan**, at <http://www.frac.org/pdf/thriftyfoodplanSEP08.pdf>).*

Addressing Growing Unemployment

In November, 533,000 jobs were lost – far more than had been projected by analysts. So far this year 2 million jobs have been lost, 1.3 million in the last three months alone. Unemployment rose to 6.7 percent. Only recently, economists were guessing unemployment would top out at 6.5 percent by the end of the recession. Now estimates range from 8 to 9 percent or more, with the recession lasting into 2010.

There are 10.3 million unemployed, up three million over the past year. Those working part-time involuntarily rose to 7.3 million, an increase of 2.8 million over the past 12 months. Adding together all those out of work, underemployed, or too discouraged to seek work over the past month, there are 19.6

million – or 12.5 percent of the work force. It is taking the jobless longer to find work – 2.2 million had been unemployed for more than 6 months in November, up 822,000 over the past year.

People out of work are competing for scarcer and scarcer jobs. “The lucky ones end up with jobs at places like McDonalds. Many more can’t find anything at all,” says Kim Jenkins, executive director of the Open Door Community House in Columbus, GA, a community that had plenty of good jobs for low-skilled worker before its large textile mills shut down in the last two to three years. The situation in Columbus reflects a growing national jobs crisis, including the loss of 969,000 private sector jobs since December 2007. The most recent data shows there are now 2.6 job seekers for every open job, up from 1.6 a year and a half ago.

In November, Congress increased the number of weeks of federal unemployment benefits for those qualifying through March 28, 2009, providing up to 20 weeks after the worker exhausts state benefits in all states, and an additional 13 weeks in high unemployment states (33 weeks altogether in states averaging at least 6 percent unemployed). The Unemployment Compensation Extension Act of 2008 (H.R. 6867) was signed by the President on November 21.

As welcome as the UI extension was, it is limited both in its early expiration date and because only about one-third (36 percent) of the jobless qualify for unemployment benefits. Low-wage workers are far less likely to qualify for UI.

Making sure that more low-income jobless workers continue to receive extended benefits will provide effective stimulus to the economy. Mark Zandi of Moody’s Economy.Com, has estimated that every dollar invested in unemployment benefits boosts the economy by \$1.64. Another study found that jobless workers receiving unemployment benefits were half as likely to have to sell their home. What’s more, a study of previous recessions found that at a peak point, unemployment insurance preserved an annualized average of 130,000 jobs.

Our Proposal: With the recession expected to last into 2010, and high unemployment likely to last far longer, Congress should set the expiration date of its recently-passed extended benefits to December 31, 2009. Congress should also remove the “20-week rule,” which requires that a person work for at least 20 weeks full time during a given 12-month period to qualify for unemployment benefit extensions. Instead, Congress should provide extended benefits to those who qualified for unemployment benefits under their state’s rules and who exhausted those benefits.

Congress should strengthen the unemployment insurance system further by enabling more workers to qualify for unemployment benefits, increasing federal funding for states to process unemployment benefit claims, and provide reemployment services to help unemployment insurance claimants find jobs.

To make sure that more of the jobless are not excluded from receiving unemployment benefits, Congress must enact pending legislation (already passed in the House as part of H.R. 3920) to provide federal support for states to modernize their unemployment insurance systems. This will allow benefits to reach those most in need and provide states with adequate resources to process the greater number of benefit claims, as well as offer reemployment services. The Unemployment Insurance Modernization Act would give states funding to cover part-time workers, those with recent earnings now uncounted by antiquated state systems, or those losing work due to certain domestic necessities. Its provisions can be paid for through the renewed Federal Unemployment Tax Act (FUTA) tax on employers.

The cost of extending the current federal benefits is estimated at \$15 billion through December 2009; modernizing benefits would cost about \$4 billion.

(For more information about the need for extended and improved unemployment benefits, see Christine L. Owens, National Employment Law Project, Testimony before the House Committee on Ways and Means, October 29, 2008, at <http://waysandmeans.house.gov/media/pdf/110/owens.pdf>); for analysis of current employment trends, see Jared Bernstein and Heidi Shierholz with Tobin Marcus, Jobs Picture: Job losses accelerate at alarming rate in November, Economic Policy Institute, December 5, 2008, at http://www.epi.org/content.cfm/webfeatures_econindicators_jobspict_20081205, and Dean Baker, Employment in Free Fall, Economy loses 533,000 jobs, Center for Economic and Policy Research, December 5, 2008, at <http://www.cepr.net/index.php/data-bytes/jobs-bytes/employment-in-free-fall,-economy-loses-533,000-jobs/>.

Creating More Jobs

With many economists projecting unemployment to rise to at least 9 percent before the recession ends, job creation is crucial to a lasting economic recovery. A comprehensive job creation package such as President-Elect Obama's 2.5 million jobs plan, goes well beyond what is proposed here. The items below are specially targeted to help low-income people get back to work, and will go a long way towards building a strong and stable prosperity.

Some will result in almost immediate job creation, contributing to the short-term boost necessary for an effective recovery strategy. Other proposals will take some months to start up. Because economists are now predicting a long recession, it is appropriate for a recovery package to phase in job creation over the next two years and even beyond. Further, our economy requires adding more skilled workers to our labor force. Now is clearly the time to provide unemployed unskilled workers with the training they need to find jobs. A greater supply of skilled labor will in itself contribute to economic expansion. At the same time, the newly skilled workers will be able to move into jobs created as the economy grows.

The job-creation efforts proposed below will help to rebuild the economy by improving our crumbling infrastructure and our energy efficiency. These efforts should focus on creating job opportunities for traditionally underserved populations and building our workforce by increasing access to job training and education. Congress should require that at least 15 percent of work hours on infrastructure projects receiving federal funding be performed by jobless veterans or low-income individuals who are unemployed, out-of-school youth, homeless, or are ex-offenders, with particular attention to the needs of minorities and women, who are disproportionately low-income. Additionally, states should be required to dedicate at least 1 percent of infrastructure funds to increase access to job training and education programs, including apprenticeship and pre-apprenticeship programs. States should have the flexibility to identify and fund creative and effective workforce development programs and partnerships, including those run by nonprofit organizations, labor organizations, employers, local workforce investment boards, community colleges, and other state and local entities.

Rebuilding infrastructure and improving energy efficiency.

The Center for American Progress Action Fund has recommended more than \$50 billion in green infrastructure projects that can be implemented quickly. This proposal adopts a number of their recommendations, which emphasize training and hiring low-income workers while helping to revitalize low-income communities. The projects would allow states and localities to modernize and improve the energy efficiency of public buildings, including schools; provide additional funding to weatherize homes and apartments in low-income communities; and fund training for workers who will take on these green jobs. These projects will not only improve energy efficiency, saving people and communities 20 to 30 percent on their energy costs, they will also limit pollution and provide more adequate heating and cooling to create healthier environments. Poor children are disproportionately subject to chronic illnesses such as asthma. Cleaner neighborhoods and homes are likely to reduce health problems that threaten children's development and school success.

The Economic Policy Institute (EPI) has pointed to more than \$100 billion in needed repairs to U.S. public schools – well-defined projects that can be quickly implemented. EPI estimates that \$20 billion in such infrastructure repairs would create 280,000 jobs, while providing a much-needed investment in education. The Ysleta Independent School District, a high-performing, high-poverty school district in Texas, found that from 1994 to 2001, the percentage of students who passed the Texas Assessment of Academic Skills varied with the age, condition and cleanliness of school buildings.

Weatherization provides \$2.69 in energy and related benefits for every dollar invested by the federal government, according to the Department of Energy. Energy bills for low-income residents are reduced by about \$358 per year (21 percent). Community action agencies that administer the weatherization program train low-income workers to provide the services.

Our proposals:

Funding for **Energy Efficiency and Conservation Block Grants** should increase to \$6 billion in FY 2009. The original grant program was authorized to provide \$2 billion a year to states and localities for clean energy projects, but state and local officials have identified projects that are in immediate need of increased funding and which would produce a wealth of new jobs.

School repair, maintenance, and retrofitting projects should be funded at \$10 billion. The 21st Century Green High-Performing Public School Facilities Act (H.R. 3021), approved by the House this summer, would provide \$6.5 billion in FY 2009 funding for state grants to modernize, repair or renovate public schools (including public charter schools), with additional sums as may be necessary in fiscal years 2010 to 2013. It would provide a quick down payment on school infrastructure needs, putting people to work and helping students perform better. Another \$750 million in grants and loans could be provided through the Energy Independence and Security Act of 2007 (no funds have yet been appropriated). The Economic Policy Institute has recommended a total of \$10 billion in school projects in their recent *Rescue Plan for Main Street*. Such a level of funding could easily be used for already-identified projects.

The **Weatherization Assistance Program** would provide \$900 million (the fully authorized level in FY 2009), to retrofit 350,000 to 400,000 homes. Funding in FY 2008 was only \$227.2 million, woefully inadequate to meet the need. This year funding should include a one-time increase for training, technical assistance and monitoring aimed at increasing the number of low-income workers who can enter the field.

HOME Investment Partnerships Program for energy efficiency would provide \$1 billion to cities and states through a block grant that funds low-income rental and owner-occupied units. These funds would be directed to improve energy efficiency, reducing energy use by an estimated 20 to 30 percent in 300,000 units and providing employment opportunities in those communities.

Green Jobs Act work force training should be funded at the authorized level of \$125 million a year to increase the number of workers skilled in installing renewable energy units, providing energy efficiency upgrades and other green construction projects.

Helping People with Barriers to Employment

Transitional jobs are being provided successfully in more than 30 states to assist recipients of Temporary Assistance for Needy Families, ex-offenders, immigrants, out-of-school youth, the homeless and people with disabilities. These temporary jobs have been shown to increase both short- and long-term employment, with placement into unsubsidized jobs ranging from 60 to 90 percent of participants, and earnings rising about 60 percent.

Disconnected youth must be included in an economic recovery plan. There are 3.8 million 18 to 24 year olds out of school and out of work. Their numbers have jumped by 700,000 since 2000, a 19 percent

increase, according to the Campaign for Youth. In November 2008, the unemployment rate for 16 to 19 year olds was 20.4 percent, up from 16 percent in 2007. For African American youth, the unemployment rate was over 29 percent in September.

Our Proposals:

Transitional jobs help people with barriers to employment enter and stay in the labor force. With funding of \$400 million, time-limited jobs could be provided to low-income people who are least able to find employment on their own.

Summer jobs for youth should be funded at \$1 billion for the summer of 2009, with a provision that 30 percent of funds can be spent beyond summer months for transitional jobs for out-of-school youth. These dollars would flow immediately into the local economy. Just as important, they would offer many youth their first exposure to the work environment, helping them develop appropriate work skills and behaviors, while providing important community service.

YouthBuild provides 16-24 year olds with on-the-job training in construction trades as well as helping them to find a job, and/or complete high school or enroll in post-secondary education. An additional \$500 million in 2-year funding would allow 30,000 more young people to participate through 400 local organizations nationwide. These trainees would produce at least 2,000 units of affordable, energy efficient housing. YouthBuild has a cost-effective track record in helping young people to get the training they need for employment and/or higher education and for dramatically reducing recidivism among ex-offenders, with recent research showing a return of investment of 8 times the cost per youth.

Helping Low-Income Workers Through Education and Training

Nearly half the U.S. workforce has only a high school education or less. Some 25 million workers aged 18 to 64 lack a high school diploma or GED, while another 52 million adults have no postsecondary education. Increasing the skills of the American workforce is essential for our long-term competitiveness and will provide a boost to the economy as workers become available to meet the needs of businesses that start to expand as the recovery takes hold. For many years, however, Congress has severely underfunded job training, basic education, and financial aid for college.

Our Proposals:

Education and training for the unemployed should be increased by \$2.0 billion, including \$1.25 billion for Workforce Investment Act adult, youth, and dislocated worker programs, \$250 million for Reemployment Services, and \$500 million for adult education.

College Work Study should be increased by \$250 million to enable low-income college students to earn the funds they need to pay for post-secondary education.

Pell Grants (financial aid for low-income college students) should be increased by \$500 (the maximum Pell Grant rising to \$5,231), at a one-year cost of \$5.4 billion. This would be a modest down payment on restoring the value of the Pell Grant, which in 1979 covered three-quarters of a student's costs. If that proportion of costs were covered today, the grant would be worth \$10,000 per student.

*(For more information, see Center for American Progress Action Fund, Testimony by Bracken Hendricks, "The Green Road to Economic Recovery," September 18, 2008, at http://www.americanprogressaction.org/issues/2008/pdf/hendricks_testimony.pdf, Economic Policy Institute, John Irons and Ethan Pollack, A Rescue Plan for Main Street, October 27, 2008, at <http://www.epi.org/policy/132/pm132.pdf>, Campaign for Youth, **Our Youth, Our Economy, Our Future**, at http://www.campaignforyouth.org/default/documents/CFY_full.pdf, Center for Law and Social Policy,*

Low-Income Workers and Families Hardest Hit by Economic Decline Need Help Now, April 7, 2008, at http://www.clasp.org/publications/compiled_indicators_piece_final_ap8.pdf, Will Straw and Michael Ettlinger, “How to Spend \$350 Billion in a First Year of Stimulus and Recovery,” Center for American Progress, December 5, 2008, at http://www.americanprogress.org/issues/2008/12/second_stimulus.html and *Wider Opportunities for Women, Letter to President-Elect Obama*, November 25, 2008, at <http://www.wowonline.org/documents/WOWTransitionLetterfor100daysFINAL.pdf>.

Helping States Faced with Budget Shortfalls

The national economic crisis has left state and local governments too cash-strapped to respond to the increased demand for services struggling families need. Forty-three states are projecting budget shortfalls in either FY 2009 or FY 2010. New mid-year shortfalls have opened up in at least 37 states plus the District of Columbia totaling \$31.2 billion. State revenues are expected to continue to worsen, with a total gap of \$79 billion estimated for FY 2009. As a consequence, at least half the states have begun to reduce services, according to the Center on Budget and Policy Priorities. Seventeen states have implemented or proposed cuts to low-income children and families’ health services. Cuts have also been proposed or carried out for health-related services for the elderly or people with disabilities. Sixteen states are considering or have already cut K-12 or preschool education programs; 21 have cut higher education. Several states are also considering cutting staff and services to protect abused or neglected children; slashing Medicaid expenditures by as much as 20 percent; cutting funds for child care and Head Start; and reducing benefits or eliminating Temporary Assistance for Needy Families for thousands of children.

More states are likely to begin service reductions. In the last recession, 34 states cut public health programs, causing one million people to lose health benefits.

The cuts come as demand for services is increasing. Growing job losses, for instance, means more people are losing their health insurance and becoming eligible for Medicaid or other programs. According to the Center on Budget and Policy Priorities, if unemployment rises as projected, the number of people in poverty will rise by between 7.5 and 10.3 million.

In an effort to balance budgets, many states are starting to deplete their “rainy day funds” and are likely to make more drastic cuts as they confront mid-year deficits and begin to enact fiscal year 2010 budgets. The number of states with budget shortfalls in 2010 is projected to grow, with gaps likely to exceed \$100 billion. Such problems will only exacerbate the downturn in the national economy, which is one reason economists endorse short-term additional funding to states as a particularly effective means of stimulating the economy. Mark Zandi of Moody’s Economy.com estimates that every dollar spent on aid to states boosts the GDP by \$1.38.

Our Proposal: Provide \$150 billion in temporary fiscal relief to states to be used over a 2-year period. About half of the money should be used to increase the federal share of the Medicaid program and would be accompanied by a ban on states reducing eligibility in the programs. States could be given an enhanced Medicaid match – in addition to the increase in support for rising Medicaid costs – for temporary coverage of recently unemployed people who have no access to COBRA insurance, either because they are ineligible for it or because they cannot afford to pay even part of the premium charge. (See COBRA section below.) The remainder of the relief would be available for use as grants to the states to prevent further cuts in education and other critical state programs. Some of the funding should be directed to the Social Services Block Grant, Temporary Assistance for Needy Families (TANF) Contingency Fund (see below), Community Services Block Grant, or Community Development Block Grant, to meet growing need.

(For more information, see October 20, 2008 testimony of Iris Lav before the House Committee on the Budget at: <http://www.cbpp.org/10-20-08sfp-testimony.pdf> and Elizabeth McNichol and Iris Lav, "State Budget Troubles Worsen," Center on Budget and Policy Priorities, December 10, 2008, at <http://www.cbpp.org/9-8-08sfp.pdf>.)

Keeping Low-Income Families from Losing Their Homes

Protection for Renters

Renters are the often unseen victims of the housing foreclosure crisis. It is estimated that as many as 40 percent of the families who have lost or could lose their homes due to foreclosure are renters. The situation has become so desperate that one sheriff in Cook County Illinois recently announced that he would no longer serve foreclosure notices because so many of the renters never knew their homes were in jeopardy and had been faithfully paying their rent. The owners, however, had not made their mortgage payments, leading to foreclosure by the lenders and the tenants' eviction.

Renters who are evicted are unlikely to get their security deposits returned and often face expenses associated with relocating to new rental housing. If they live paycheck to paycheck and have no savings to rely on in emergencies, they are at high risk of becoming homeless.

Our Proposal: Congress should provide \$2 billion in funding to the Department of Housing and Urban Development for state grants that would give temporary assistance to renters who are victims of foreclosure and to prevent or alleviate the current surge of homelessness among households hit by the recession. This would help cover security deposits, first and last month's rent and services to assist families and individuals in finding safe and affordable housing. In addition, tenants should have a minimum of 90 days' notice before being evicted because of foreclosure (no federal expenditure), and should have special protections if they are using a federal housing choice voucher to subsidize the cost of rent.

Help for Homeowners

Low- and moderate-income homeowners facing foreclosure ought to be able to renegotiate the terms of their mortgage as part of a court bankruptcy proceeding. Under current law, the mortgage from a principal residence cannot be part of a court-ordered bankruptcy plan, even though a mortgage on a vacation home or yacht could be. Preventing foreclosures is highly beneficial to property values in the surrounding neighborhood as well as avoiding a financially catastrophic event for the family.

Our Proposal: Congress should enact the Emergency Home Ownership and Mortgage Equity Protection Act of 2007 (H.R. 3609) to enable courts to reduce the mortgage principal in line with the current value of the property or make other adjustments as part of a Chapter 13 bankruptcy proceeding. The cost would be borne by the mortgage-holder and homeowner, not the taxpayer.

Public Housing Assistance

In addition to the current foreclosure crisis, a chronic underfunding of public housing maintenance now adds up to a \$32 billion backlog of capital projects and inadequate operating funds. If steps are not taken to reduce that backlog, more rental units affordable to low-income people will be lost and tenants will be forced to find other more expensive housing when they can least afford it. Investing in public housing maintenance will also create jobs.

Our Proposal: Affordable public housing units should be preserved through a \$5 billion increase in the Public Housing Capital Fund, which was provided just over \$2.4 billion in FY 2008, and \$3 billion for HUD- and Rural Housing Service-assisted project-based housing.

Rental Housing Vouchers

Despite or even because of the burst housing bubble, rent is continuing to rise in some areas. Even before the current downturn, 4.8 million poor families were paying more than half their income for rent (up 29 percent from 2001 to 2007). The situation is growing worse, with more reports of family homelessness, including some who have been evicted because of foreclosure proceedings against a landlord.

Our Proposal: Provide 200,000 rental housing vouchers under the Section 8 program in FY 2009, followed by another 200,000 in FY 2010, for a total of 400,000 over the two years. These vouchers, at a 2-year cost of \$3.6 billion, will help maintain supply of affordable housing at a time when more families are competing for scarce low-cost units.

National Housing Trust Fund

Signed into law in July 2008, the National Housing Trust Fund is intended to increase the supply of affordable housing. Although increasing homelessness due to the recession makes it even more important to develop low-cost housing, so far the funding (to come from Fannie Mae and Freddie Mac) has been delayed by a year.

Our Proposal: Provide two years of funding for the Trust Fund, at \$5 billion a year.

Disaster Relief

Another emergency housing item that warrants inclusion in a recovery package is assistance for Alabama in its ongoing efforts to recover from Hurricanes Katrina and Rita. Despite damage from those storms, Alabama did not receive any of the previously approved Community Development Block Grant funding that was distributed to Louisiana and Mississippi.

Our Proposal: Disaster relief for Alabama should be provided through \$110 million in Community Development Block Grant funding.

(For more information, see Sharon Parrott, “Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty,” Center on Budget and Policy Priorities, November 24, 2008, at <http://www.cbpp.org/11-24-08pov.htm>), and National Low Income Housing Coalition, Letter to Obama Transition Team, at <http://www.nlihc.org/doc/NLIHC-economic-recovery-proposal-final-draft.pdf>)

Increasing Head Start and Child Care Funding

Head Start

Between FY 2002 and FY 2008, funding for Head Start was cut by 13 percent, adjusting for inflation. This reduction has taken a serious toll on Head Start’s education, nutrition, health, and social service programs for low-income preschool children and their families. According to a recent survey by the National Head Start Association, 62 percent of Head Start programs have reduced operations, including fewer hours or days of service. Sixteen percent have converted from full-day/year-round to part-day/part-year programs. And 77 percent have had to cut transportation services. Years of inadequate funding have meant that some Head Start and Early Head Start programs are operating in old, energy-inefficient buildings desperately needing plumbing and other basic repairs and weatherization. From FYs 2002 to 2008, Head Start’s funding was cut by 13 percent, taking inflation into account.

For the first time in its history, the Head Start program run by Lincoln Hill Development Corp., in Tell City, Indiana, was forced this year to cut the number of children enrolled in its pre-schools as well as many of the services it offers. Larry Kleeman, executive director of Lincoln Hill, blames the cutbacks on

the accumulated effect of several years of little or no increases in federal funding, including one recent year when funding actually decreased.

On top of a waiting list of more than 200 kids, five fewer children were accepted into the Lincoln Hill Head Start program this year, bus monitors were eliminated, six or seven bus routes in the rural area were cut, hours at centers offering an extended day program were shortened, and the education curriculum director position was eliminated. “We were barely able to get by in the past, but with costs of gas, health insurance, food and utilities increasing, we needed to make these cuts just to keep up with operating costs,” said Kleeman, whose agency, located 15 miles east of Evansville, operates seven Head Start centers.

When transportation is cut and hours are reduced, many families who can’t interrupt work to drop off and pick up their children have no choice but to pull their kids out of the program. Head Start cuts have a direct effect on children’s healthy development and school readiness; on working parents’ ability to juggle work and family responsibilities; and on the ability of families to make ends meet because of higher transportation or child care costs.

Our Proposal: An increase of \$4.3 billion is needed for Head Start and Early Head Start, of which \$3 billion would provide one-year operating expenses to address program needs that have been shortchanged in recent years and \$1.3 billion to cover the one-time costs of much-needed repair and construction of Head Start facilities, as well as technology and transportation upgrades, and help to convert program models to serve infants and toddlers. The funds would invest in teacher quality by helping teachers to meet the baccalaureate degree requirement recently enacted and to begin to build an appropriate teacher compensation schedule. Ensuring that Head Start can provide transportation will allow homeless children and those living in rural areas to receive these vital services. The National Head Start Association estimates that \$4.3 billion in funding would provide as many as 120,905 new jobs.

*(For more information, see National Head Start Association, **Special Report: Reduced Funding Cripples Head Start from Reaching Its Potential**, March 18, 2008, at http://www.nhsa.org/download/research/March_2008_Budget_Survey_Report7Final.pdf)*

Child Care

Funding for the Child Care Development Block Grant (CCDBG) has been nearly flat since 2002 even though the cost of child care has increased steadily during that period. From 2006 to 2007 alone, the cost of full-time center care for young children increased at nearly twice the rate of inflation. In every state, monthly child care fees for two children of any age exceed the median cost of rent and are nearly as high as or higher than the average monthly mortgage payment. Seventeen states currently have waiting lists for child care assistance, including 204,063 children in California and 47,603 in Florida.

Our Proposal: Funding for CCDBG should be increased by \$3 billion annually. This will allow states to provide child care assistance for more than 164,000 children in low-income working families who have been hit hard by the economic crisis.

*(For more information, see National Women’s Law Center, **A Vision for the Reauthorization of Child Care**, at <http://www.nwlc.org/pdf/ChildCareReauthorizationVision.pdf>)*

Boosting Child Support Enforcement Funds

Cuts totaling 20 percent of child support enforcement funding previously enacted by Congress are starting to take effect, resulting in substantial lay-offs of enforcement personnel in some states and reduced services for families. A number of states have identified deficits in their 2009 child support budgets. At minimum, the Congressional Budget Office estimates that \$1 billion a year will go uncollected – making it even harder for single parents who also face potential job loss, rising costs for basic needs and cutbacks

in other services. The average child support payment is \$4,000 a year for low-wage families (below twice the poverty line) and 97 percent of support collected is spent before the end of the month.

Child support enforcement staff are very important not only in helping to collect child support owed to families, but in adjusting child support orders when the non-custodial parent's earnings decline. Without adequate staffing, adjustments are not made and parents accumulate unmanageable arrearages that may force them into the underground economy. The good work of effective child support programs that have helped parents to formulate payment plans and to seek employment is now being undone by staff layoffs.

Our Proposal: Including \$1.1 billion for Child Support Enforcement in the economic recovery package will cover two years of restored funding and will give single parents and their children the help they need and deserve.

*(For more information, see Vicki Turetsky, **Child Support Cuts: Starting to Shrink Family Income: Reversing Cuts Now Will Provide a Needed Boost to the Economy**, Center for Law and Social Policy, at http://clasp.org/publications/child_support_stimulus_formatted.pdf)*

Helping the Unemployed Retain Health Insurance through COBRA

When workers whose employers provide a health insurance plan are laid off, they are eligible to continue their health coverage by buying the same insurance package they had at the group rate. Through the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA), workers can pay to stay in their group plan for up to 18 months. Unsurprisingly, the high cost of health insurance means that few of the unemployed can afford to pick up the cost even if they are eligible for COBRA coverage – in 2001, only about 20 percent did so, when annual premiums for family coverage were about \$7,000. Costs have risen steeply since then.

Further, many of those who are jobless cannot qualify for COBRA, either because their employer did not provide health insurance, was too small to be covered by COBRA, or went bankrupt and cancelled its insurance plan.

Our Proposal: To help those eligible for COBRA, a subsidy covering 50 percent of the premium cost should be enacted. Recognizing that even 50 percent will be too high for most low-income unemployed workers, Congress should provide states with an increased Medicaid match if they choose to make recently jobless workers eligible either for an increased subsidy through Medicaid, or use Medicaid funds to cover recently unemployed workers who are ineligible for COBRA insurance. The cost of the 50 percent COBRA subsidy would be \$10 billion for one year. The Medicaid federal match costs are included in the state aid section above. This is meant to be a temporary stopgap measure to prevent wholesale loss of health coverage before more comprehensive health reform legislation is taken up.

Helping the Poorest Families with Children

Temporary Assistance for Needy Families (TANF) is supposed to help the poorest families meet their children's needs. The restrictiveness of the program has caused its caseload to remain flat even as the recession has increased poverty and hardship. Only 40 percent of families poor enough to be eligible to receive TANF do so, far worse than the 80 percent participation rate of its precursor program Aid to Families with Dependent Children. As more parents lose jobs, poverty will rise. The Center on Budget and Policy Priorities estimates that if unemployment reaches 9 percent, it will mean an increase of 2.6 – 3.3 million more poor children, and 1.5 – 2.0 million children living below half the poverty line. (A family of three in 2008 is poor if its income is less than \$17,600; half that is \$8,800.) TANF is flat-funded each year, and states are running out of money. There is a contingency fund intended to help in an economic downturn, but it requires a state match and is running out. Without Congressional action, TANF will serve even fewer of the poorest families with children.

Our Proposal: The new Administration and Congress should agree upon an increase in the TANF contingency fund and should reduce the state match requirement so that states can more easily tap the funds when their own budgets are strapped.

(For more information, see Sharon Parrott, “Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty,” Center on Budget and Policy Priorities, November 24, 2008, at <http://www.cbpp.org/11-24-08pov.htm>)

Providing More Home Energy Assistance

Congress enacted a substantial increase in the Low Income Home Energy Assistance Program (LIHEAP) for FY 2009, doubling its funding to the full authorized level of \$5.1 billion. This will enable the program to serve about 8.5 million households, up from nearly 5.8 million in FY 2008, assuming households receive about 50 percent of their heating costs. While the proportion of eligible households has grown significantly since FY 2007, when fewer than 16 percent were served, the majority of needy households still will not receive LIHEAP aid, at a time when declining family incomes make home energy bills very difficult to pay.

Although oil costs have plummeted along with the economy, only 8 percent of households use oil heat nationwide. Natural gas and electricity have not had similar declines so far. Many families and energy distributors cannot take full advantage of the price reductions that may have occurred because of contracts set during the summer at peak prices. LIHEAP providers have seen very large increases in people seeking aid – in Massachusetts the increase this fall was 55 percent compared with the year before.

Our Proposal: LIHEAP should be increased an additional \$2.5 billion, which will allow another 3.5 million households to be served, for a total of 12 million households. Such an increase will help to prevent utility shut-offs, which rose alarmingly last spring.

Conclusion

The proposals above offer a clear roadmap for jumpstarting our economy while helping millions of struggling Americans meet basic needs and become active participants in our nation’s long-term economic growth. A balanced set of economic stimulus measures will also prevent the loss of services and jobs in states already suffering from serious budget shortfalls. Congress should act quickly and decisively to ensure that all Americans share in our next economic recovery.

This report was created through extensive consultation with the members of the Coalition on Human Needs (listed at <http://www.chn.org/about/chnmembers.html>). Stories from service providers around the country were excerpted from interviews conducted by Amy Saltzman of The Hatcher Group. The report would not have been possible without the generous support of The Annie E. Casey Foundation, the George Gund Foundation, and an anonymous donor.