Towards Shared Recovery:
Congress Must Do More to Reverse the Recession

Prepared for the Emergency Campaign for America's Priorities (ECAP)
by the Coalition on Human Needs

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"Extending unemployment insurance and expanding food stamps are the most effective ways to prime the economy's pump… Another economically potent tool of the federal government is aid to financially pressed state governments."

Mark Zandi, Chief Economist and Co-Founder of Moody's Economy.Com

"If you're somebody who lives paycheck to paycheck, you're more likely to spend that extra dollar."

Ben Bernanke, Chair of the Federal Reserve, testifying on the greater effectiveness of directing funds to low-income people in stimulating the economy

"Consumers are beginning to shrink in, the automobile markets are beginning to contract, production is beginning to ease, and we are in the throes of recession."

Alan Greenspan, former Federal Reserve Chair, in an April 8 interview on CNBC

Congress needs to respond to the recession by enacting the kind of stimulus that economists say works best. The benefits will be two-fold, providing timely and effective action to restore the nation's economic health and help to low- and moderate-income people who need it the most.

According to the Economic Policy Institute, the period since the last recession is the first economic cycle on record with a decline in the employment rate.[1] 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.[2] Federal policies have worsened inequality through massive tax cuts for the rich and shrinking services for everyone else. These actions have contributed to a greater vulnerability to economic strain among millions of families.

In the last recession, the nation responded far too slowly with an extension of unemployment benefits and provided too little effectively targeted stimulus. The federal government has done little to enable the majority of Americans to share in the economic growth they work to create. Congress must learn from these mistakes and act now.

A balanced set of economic stimulus measures will get the economy moving by increasing the income of low- and moderate-income people and by preventing loss of services and jobs in states.

Important initiatives to achieve these goals include (with details in following pages):

Extension of Unemployment Insurance:	$12.7b
Food Stamps and Emergency Food (TEFAP):	$ 5.1b
WIC supplemental funding:	$ 0.15b
Replenishing WIC contingency fund:	$ 0.15b
Aid to State and Local Governments, including increased Medicaid funding and moratoria on harmful Medicaid and SCHIP regulations:	$14.65b
Restored Child Support Enforcement to Prevent $1 billion in Losses to Children and their Families:	$ 0.7b
Responding to the Surge in Home Energy Costs (LIHEAP):	$ 3.1b
Preventing Reductions in Head Start:	$ 0.472b
Creating Summer Jobs for Unemployed Youth:	$ 1.0b
School Repair or Maintenance:	$ 1.6b

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[1] 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
[2] David Leonhardt, "For Many, A Boom That Wasn't," New York Times, April 9, 2008, citing Jared Bernstein, Economic Policy Institute

Documenting the Growing Need

Extension and Improvement of Unemployment Insurance: After the recessions of the 1980s and 1990s, the proportion of unemployed people jobless for more than six months fell to about 10 percent. But since the end of the last recession in 2001, the proportion of long-term unemployed has remained at least 16 percent. Nearly 1.3 million people were actively seeking work in March despite having been unemployed for more than six months. In March 2001, the start of the previous recession, there were 696,000 long-term unemployed. The Congressional Budget Office estimates that 3.5 million people will exhaust their state unemployment benefits through the end of this year. Congress should quickly enact extended benefits because the economy has lost 296,000 private sector jobs in the last quarter – there are not enough jobs to go around. Long-term jobless people now have no immediate prospects, no benefits, and exhausted savings. By failing to share prosperity we instead share the hardships of the jobless, whose lack of income drags the economy down. One study found that jobless workers receiving unemployment benefits were half as likely to have to sell their home. Further attesting to the economic boost provided by unemployment benefits, a study of previous recessions found that at a peak point, UI benefits preserved an annualized average of 130,000 jobs.

Only 36 percent of jobless workers receive unemployment benefits, and low-wage workers who lose their jobs are far less likely to qualify for assistance. Congress must enact pending legislation (already passed in the House) to provide federal support for states to modernize their UI systems, so unemployment benefits reach those most in need.

> *(For more information about the need for extended and improved unemployment benefits, see Maurice Emsellem, National Employment Law Project, **Testimony before the House Subcommittee on Income Security and Family Support, Committee on Ways and Means**, April 10, 2008, at http://waysandmeans.house.gov/media/pdf/110/emsellem.pdf)*

Nutrition Assistance to Counter Skyrocketing Food Prices and Rising Need: The Congressional Budget Office has rated a temporary increase in food stamp benefits highly for cost-effectiveness, short lag time, and relative certainty about the policy impact. The recession has forced more struggling families onto the Food Stamp rolls, where they receive an average $1 per person per meal. At the same time, food prices, especially for staples, are skyrocketing. Milk is up 17 percent; rice and pasta have risen by 13 percent. Increased benefits can be swiftly directed to the electronic benefits cards used by Food Stamp recipients, and research confirms that virtually all of the funds will be spent within the month. Increased help will prevent childhood ill health and reduce the chance of developmental delays associated with inadequate nutrition. The hard times more and more families are experiencing has resulted in rising caseloads. Food Stamp administrative funding should increase to meet the growing need.

In addition, increased funding is needed for the Women, Infants and Children nutrition program (WIC) and The Emergency Food Assistance Program (TEFAP). WIC faces a serious shortfall, both because of the big increases in milk, eggs, and grains and also because the weakening economy has increased the number of families in need. TEFAP contributions to food pantries have been drastically reduced in part because fewer grain products are now available as surplus commodities. In one Central Indiana food bank alone, the yearly volume of TEFAP contributions has been reduced 34 percent since 2004. Rising food prices compound the problems faced by emergency food providers.

> *(For more information about the effectiveness of Food Stamps as economic stimulus, see the Food Research and Action Center, **A Food Stamp Boost Is A Quick, Effective Way to Stimulate The Economy, at** http://frac.org/news/econstimulus2.htm)*

Aid to state and local governments: States face budget gaps of nearly $39 billion for FY 2009 because of the combination of growing need and recession-induced falling revenues. As a result, a growing number of states are considering harmful cuts in health care, education and other vital services. Proposed cuts include eliminating health insurance coverage for children in families with incomes above 150 – 175 percent of the poverty line, 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, reducing benefits or eliminating Temporary Assistance for Needy Families for thousands of children, and drastic cuts to K-12 and higher education. Families faced with these losses will cut back on other spending to try to cover basic needs, will lose jobs because of the loss of child care, and will risk losing their homes. State and local government lay-offs will exert a further drag on the economy. Children, seniors, and people with disabilities will face serious threats to their health. This pain can be reduced by temporarily increasing the current level of federal support for state Medicaid programs. Congress should place or extend moratoria on recent Medicaid and State Children's Health Insurance Program (SCHIP) regulations that restrict eligibility and benefits and shift burdens to states and counties at a time when they can least afford it, resulting in loss of medical care for some of our most vulnerable people.

> *(For more information about the need for state fiscal relief, see the Center on Budget and Policy Priorities,* ***Economic Measures Indicate 27 States Need Federal Fiscal Relief****, at http://www.cbpp.org/3-3-08sfp-pr.htm)*

Restore Child Support Enforcement Funds to Prevent Families from Losing $1 billion a Year in Support Owed to Their Children: Cuts totaling 17 percent of child support enforcement funding previously enacted by Congress are starting to take effect, resulting in substantial lay-offs of enforcement personnel and reduced services for families. At minimum, the Congressional Budget Office estimates that $1 billion a year will go uncollected – making it even harder to make ends meet for single parents and children who also face the threats of loss of work, rising costs, and cutbacks in other services. The average child support payment is $4,000 a year for low-wage families (below twice the poverty line); 97 percent of support collected is spent before the end of the month.

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

Home Energy Assistance to Respond to Steeply Rising Costs: The Low Income Home Energy Assistance Program (LIHEAP) served only 15.6 percent of eligible households in FY 2007. Over the past four years, heating costs rose 47 percent. But the amount provided to households is declining, from $464 in FY 2006 to $378 in FY 2008. As a result, LIHEAP covers less of each household's heating costs. Over the same two-year period, LIHEAP's coverage of annual heating oil costs dropped from 32 percent to only 19 percent. For electric heat, the proportion paid declined from 59 to 45 percent; for natural gas, the share dropped from 49 to 44 percent. Although temperatures are beginning to rise, this is not the end of families' home energy problems. Households with natural gas or electricity may have avoided shut-offs because of moratoria that expire in the spring. Last year, 1.2 million households had their gas or electricity shut off. And for vulnerable older people, inability to pay for cooling costs in hot climates can be life-threatening. An increase in LIHEAP funding can be distributed immediately and will help poor families avoid cutting back on food or medical care in order to pay utility bills.

> *(For more information, see the testimony of Mark Wolfe before the Subcommittee on Children and Families, Senate Committee on Health, Education, Labor, and Pensions, National Energy Assistance Directors' Association, March 8, 2008 at http://www.neada.org/communications/testimony/2008-03-05.pdf)*

Preventing Reductions in Head Start: Between FY 2002 and FY 2008, Head Start has been cut by 11 percent, adjusting for inflation. This reduction has taken its toll on Head Start's education, nutrition, health, and social services 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 programs to part-day / part-year. Further, 77 percent of programs have had to cut transportation services. Changes like these force some low-income working families to remove their children from Head Start, unable to interrupt work to get their children to and from the program. Head Start cuts inflict multiple damage – to children's healthy development and school readiness, to working parents' ability to juggle work and family responsibilities, and to families' ability to make ends meet because of higher transportation or child care costs.

(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)*

Creating Summer Jobs for Unemployed Youth: There are 3.8 million 18-24 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. Employment for teens is at its lowest level since post World War II, with only 34.8% of teens, 19% of African American teens, working in 2007. Federal funding for youth training has been cut badly in recent years and WIA funds for summer jobs programs for youth have been dramatically reduced.

Each year, communities across the country mount summer jobs efforts, although at a substantially reduced level from past years, with long waiting lists and thousands of young people turned away. An infusion of federal funds for an expanded summer jobs program would put money in the pockets of hundreds of thousands of low-income youth in economically distressed communities. These dollars would flow immediately into the local economy. Just as important, these jobs for many youth will be the first exposure to the work environment, will help them develop the appropriate work skills and behaviors, and will provide important community service. The program should include a provision that 30% of funds can be spent beyond summer months for transitional jobs for out-of-school youth.

(For more information, see Campaign for Youth, ***Our Youth, Our Economy, Our Future****, at http://www.campaignforyouth.org/default/documents/CFY_full.pdf, and 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)*

Fund School Repair or Maintenance: The Economic Policy Institute 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, and would of course be an investment in improving education. The Public School Repair and Renovation Act (H.R. 3902 / S.1942), introduced by Representative Loebsack and Senator Harkin, would provide $1.6 billion to states based on their Title I allocation for grants to poor and rural school districts. It could be a quick down payment on school infrastructure needs, putting people to work and helping students to perform better. 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.

We believe that infrastructure investments in a stimulus package should be limited to projects that can be up and running within a year.

(For more information, see the February 13, 2008 testimony of Judi Caddick before the Committee on Education and Labor, U.S. House of Representatives at http://www.nea.org/lac/modernization/080213testi.html)