



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**

Updated August 22, 2008

Then:

"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, January 22, 2008

"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, January 21, 2008

Now:

"The numbers suggest the labor market is deteriorating measurably."

Mark Zandi, reacting to the news that fewer than one in four
businesses planned to increase full-time staff in the third quarter
of this year, and 9 percent expect to reduce their workforce, up
from 6 percent the previous quarter. *USA Today*, June 30

"The labor market is clearly deteriorating, and it's likely to keep deteriorating...It's clear that the housing
downturn and credit crunch are still very much under way. Clearly, there are more jobs to be lost in housing,
finance and construction – hundreds of thousands of more jobs to be lost collectively."

Andrew Tilton, Economist at Goldman Sachs, quoted in
"Deepening Cycle of Job Loss Seen Lasting into '09," Peter S.
Goodman, *N.Y. Times*, July 2, 2008

For more information, contact

Deborah Weinstein, Coalition on Human Needs, dweinstein@chn.org, (202) 223-2532x31

Richelle Friedman, Coalition on Human Needs, rfriedman@chn.org, (202) 223-2532 x29

Marvin Silver, Emergency Campaign for America's Priorities, msilver@usaction.org, (202) 263-4548

Congress has taken some important but partial steps to respond to the weakened economy. Taking economists' advice that aid to low-income people works most effectively to boost the economy, Congress first enacted tax rebates for low-to middle-income people, including families with children with earnings of only \$3,000 and senior citizens with little income outside Social Security. More recently, Congress extended federal Unemployment Insurance benefits to those exhausting state insurance. In addition, Congress provided education benefits to veterans and suspended Medicaid regulations that would either have denied benefits to needy people or passed more costs to states now struggling to avoid cuts and layoffs.

With prominent economists predicting job losses and economic turmoil through 2009, Congress must provide short-term relief while investing in measures that create jobs and increase the numbers of workers who can compete for more stable jobs. The tax rebates and 13-week UI extension are examples of short-term relief. The GI benefits offer the short-term help of stipends while veterans pursue more education, for a longer-term investment in a trained workforce. The suspended Medicaid regulations prevent a worsening of need in states.

These steps are welcome but do not go far enough. More action is needed to alleviate hardship from rising food and energy prices. The benefits will be two-fold, providing help to low- and moderate-income people who badly need it and infusing cash into the economy.

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.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 Instead of providing help to counter these losses, 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 2001 recession, the nation responded far too slowly with an extension of unemployment benefits and provided too little effectively targeted stimulus. It is very helpful that Congress has already enacted the Unemployment Insurance extension, although we believe that an additional 13 weeks of benefits in high unemployment states will still be needed. Congress should consider other important improvements that will help jobless workers and many of the working poor who are in need. The federal government must do more to enable the majority of Americans to share in the economic growth they work to create. Congress must act now to prevent the recession from growing far worse.

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

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):

Food Stamps	\$10.0b
WIC supplemental funding:	\$ 0.35b?
Replenishing WIC contingency fund:	\$ 0.15b
Commodity Supplemental Food Program:	\$ 0.03b
Emergency Food (TEFAP):	\$ 0.165b
Preserving state health care services and reviving state and local economies:	\$13.65b
Restored Child Support Enforcement to Prevent \$2 billion in Losses to Children and their Families over 2 years:	\$ 1.1b
Responding to the Surge in Home Energy Costs (LIHEAP):	\$ 3.1b
Preventing/Minimizing Reductions in Head Start:	\$ 0.832b
Creating Jobs for Unemployed Youth:	\$ 1.0b
School Repair or Maintenance:	\$ 6.4b
Unemployment Insurance, 13 additional weeks, other improvements:	\$ 2.0b*
*estimate for cost of 13 week extension for high unemployment states	

Documenting the Growing Need

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. The cost of bread rose 15.9 percent from June 2007 to June 2008. Cheese is up 14.7 percent; eggs jumped 23.2 percent in the same period. 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. The proposal in this package assumes a one-year temporary increase in Food Stamp benefits, taking the rising caseload into account. 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), the Commodity Supplemental Food Program (CSFP), and The Emergency Food Assistance Program (TEFAP). WIC faces a serious shortfall, both because of the big increases in dairy products, eggs, and grains and also because the weakening economy has increased the number of families in need. The increase needed for WIC is uncertain at this point because of the rapid growth in caseload and food costs. It is essential that WIC is made whole – through a combination of FY 2009 appropriations and this supplemental funding. 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.

Senior citizens are hit very hard by rising food costs. Their health is at risk when they have to choose among food, home energy, and medicine. If they cannot take certain medications with food, there may be adverse effects or the drugs may be less effective. An increase in funding for the Commodity Supplemental Food Program will help cover the growing cost of the food packages distributed primarily to the more than 430,000 elders served through CSFP (2007 figures). The \$11.4 million included in this package would cover the anticipated shortfall through the end of March 2009, assuming flat-funding in a Continuing Resolution for that period.

*(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>, and **The Impact of Rising Food Costs on Low-Income Americans**, at http://www.frac.org/pdf/factsheet_foodcosts_july08.pdf)*

Preventing Cuts in State Health Care and Public Services: States face budget gaps of nearly \$48 billion for FY 2009 because of the combination of growing need and recession-induced falling revenues. As a result, a growing number of states have made or 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. A short-term increase in federal support for state Medicaid programs would help avert cuts in services and the loss of medical care for some of our most vulnerable people, maintain our health care system and help revive the economy. We also support addressing the State Children's Health Insurance Program (SCHIP) directive that limits states' options to help protect the health of children in low-income working families.

*(For more information about the need for state fiscal relief, see the Center on Budget and Policy Priorities, **29 States Faced Total Budget Shortfall of at Least \$48 Billion in 2009**, at <http://www.cbpp.org/1-15-08sfp.htm>)*

Restore Child Support Enforcement Funds to Prevent Families from Losing \$1 billion a Year in Support Owed to Their Children: Cuts totaling 20 percent of child support enforcement funding previously enacted by Congress are starting to take effect, in some states resulting in substantial lay-offs of enforcement personnel and reduced services for families. Preliminary responses collected by the National Council of Child Support Directors from 17 states so far found that 8 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 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. Including \$1.1 billion in the economic recovery package will cover two years of restored funding.

*(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. The funding included in this package will prevent additional program reductions by reversing a cut in the FY 2008 Head Start appropriation (at a cost of \$472m), and will also provide one year's funding towards getting Head Start to the level approved in the recently enacted Head Start reauthorization (an additional \$360m).

*(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 Job Opportunities for Unemployed Youth, including Summer Jobs in 2009: 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. The unemployment rate for teenagers rose to 20.3 percent in July 2008. 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. It is a source of great disappointment that Congress did not act in time to fund summer jobs for this summer. We continue to list this because the downturn is likely to continue a year from now, and Congress should begin work now to ensure that jobs will be available to youth in the summer of 2009. Further, out of work youth need help well before then; we urge Congress to consider other approaches that will help disconnected youth as soon as possible.

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 21st Century Green High-Performing Public School Facilities Act (H.R. 3021), sponsored by Representative Chandler (D-KY) and co-sponsored by 142 other Members of Congress, was approved by the House on June 4 with a bipartisan vote of 250-164. Title I provides \$6.4 billion in FY 2009 funding to states for grants for the modernization, repair or renovation of public schools (including public charter schools), with additional sums as may be necessary in fiscal years 2010-2013. 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.

As Congress considers initiatives that go beyond short-term economic stimulus to measures that do more to build a shared recovery, projects that go well beyond this modest investment in school repair will be needed. We encourage Congress to adopt such proposals as part of a balanced recovery package.

(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>)

Further Improvement of Unemployment Insurance: Some economists are projecting that unemployment will rise to 6.5 percent before the nation starts to recover from the recession. Congress should prepare for even higher unemployment in some states by enacting the additional 13 weeks of federal benefits for such states left out of the recently passed supplemental appropriations bill. Should unemployment continue to rise, Congress should reevaluate and consider providing an additional 13 weeks to every state. The unemployment rate rose to 5.7 percent in July, with 8.8 million people defined as unemployed by the Department of Labor (up 1.6 million in a year). The full story is even more troubling. Nineteen percent of the unemployed have been out of work for more than six months. Those working part time for economic reasons are at record-breaking levels. In July, their numbers rose by 308,000, or 5.7 million. That is an increase of 1.4 million over the past twelve months. According to the National Employment Law Project, *one in ten workers* is unemployed and looking for work, discouraged from job search, or working part time because full-time hours are not available. Congress should also remove the “20-week rule” from its unemployment benefits extension, instead providing extended benefits to those who qualified for UI under their state’s rules and exhausted those benefits. This rule tends to exclude low-wage workers in states with antiquated policies that do not allow their most recent work weeks to be counted in calculating UI eligibility. Making sure that more low-income jobless workers receive extended benefits will provide effective stimulus to the economy. Their 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>**)*