



## **Towards Shared Recovery: Boosting the Economy by Helping Working Families**

### **The Need: Millions of Working Families Can't Make Ends Meet**

In the first 11 months of 2008, two million jobs were lost from the American economy, 1.3 million in the last three months alone. Economists estimate that unemployment will reach 9 percent or higher by the end of the recession, which is projected to last into 2010. There are 10.3 million unemployed and another 7.3 million working part-time involuntarily. It is taking the jobless longer to find work – in November 2.2 million people had been unemployed for more than six months.

During this recession, between 7.5 million and 10.3 million more people will be added to the rolls of the poor. (A family of three in 2008 is poor if its income is less than \$17,600.) As unemployment rises, many workers and their families also will lose their health insurance or find coverage unaffordable. SNAP (food stamp) caseloads have increased dramatically, rising by 2.6 million people, or 9.6 percent, between August 2007 and August 2008. Even so, the demand on food banks and soup kitchens has also soared. At the same time, state and local governments are facing budget deficits and are unlikely to be able to respond to struggling families' increased demand for services.

Leading economists have concluded that economic stimulus provisions such as unemployment insurance extensions and food stamp benefit increases, which put cash immediately in the hands of low-income working families, are some of the most effective ways to boost the economy because low-income families will spend nearly every dollar.

### **Our Proposal: Helping Working Families is an Effective Way to Boost the Economy**

**Modernize Unemployment Insurance:** Mark Zandi of Moody's Economy.Com, has estimated that every dollar invested in unemployment benefits boosts the economy by \$1.64. What's more, a study of previous recessions found that unemployment insurance – and the economic activity it generated – preserved an annualized average of 130,000 jobs. Congress should set the expiration date of its recently passed extended unemployment benefits to December 31, 2009. The new recovery plan should strengthen the unemployment insurance system further by enabling more jobless workers to qualify for unemployment benefits, including those only able to seek part-time work, those with recent earnings not counted by antiquated state systems, and those who have left jobs for domestic emergencies such as family violence or loss of child care. 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. This provision would tend to exclude low-income workers, especially in states that do not take into account the most recent earnings (alternate base period). Workers with well over 20 weeks' total earnings might not qualify because some of their weeks of pay will not be counted. Congress should also increase federal funding for states to process unemployment benefit claims and provide reemployment services to help unemployment insurance claimants find jobs. The cost of extending the current federal benefits through December 2009 is estimated at \$15 billion. Modernizing benefits by providing federal funds to states choosing these options would cost about \$4 billion, and can be covered by extending the Federal Unemployment Tax Act (FUTA) tax.

**Increase Supplemental Nutrition Assistance Program (Food Stamp) Benefits:** A temporary increase in SNAP benefits would immediately help the hungry, while providing a quick cash infusion to jumpstart the economy. Congress should enact a two-year, 20 percent increase in Food Stamp benefits at a cost of \$12 billion a year. We also support \$250 million a year in increased administrative funding to ensure that staff can handle the increased caseloads.

**Support WIC:** The Women, Infants and Children nutrition program (WIC) faces a serious shortfall, the result of big increases in the price of food and the growing number of families seeking help. Although the exact funding increase needed for WIC may change, an additional \$450 million appears to be sufficient for FY 2009. Additional funding should be provided as accurate cost estimates become available through FY 2010.

**The Emergency Food Assistance Program (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. An additional \$15 million annually would provide Food Bank Infrastructure Grants to help rural food banks maintain capacity and keep up with service needs.

The **Commodity Supplemental Food Program** needs \$30 million in increased funding to help cover the anticipated cost increase of food packages distributed to the more than 430,000 elderly clients served by the program. Funds should be provided as necessary to meet needs through FY 2010.

**Improve Head Start:** Head Start and Early Head Start need an increase of \$4.3 billion. An increase of \$3 billion in operating costs would allow the program to serve more than 160,000 more children and pregnant women. Funds would be used to help teachers meet the new baccalaureate degree requirement, and to create an appropriate teacher compensation schedule. The funding could also be used to provide transportation to homeless children and those living in rural areas that need these vital services.

**Expand Child Care:** Funding for the Child Care and Development Block Grant (CCDBG) should increase by \$3 billion annually to allow states to provide child care assistance for more than 164,000 children in low-income working families who have been hit by the financial crisis, which will also create new child care jobs.

**Boost Child Support Enforcement Funds:** Previously enacted cuts in child support enforcement funding are starting to take effect, resulting in layoffs of enforcement personnel in some states and reduced services for families. The Congressional Budget Office estimates that \$1 billion a year in child support will go uncollected – creating increased challenges for single parents who also face potential job loss, rising costs for basic needs and cutbacks in other services. Including \$1.1 billion for Child Support Enforcement in the economic recovery package will cover two years of restored funding.

**Protect Access to Medicaid and other Important State Services:** In order to protect families' access to health care and other essential services Congress should provide \$150 billion in temporary fiscal relief to states to be used over a two-year period. About half of the money should be used to increase the federal share of the Medicaid program and be accompanied by a ban on states reducing eligibility in the programs. The remainder of the relief should be available 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.

**Help the Unemployed Retain Health Insurance:** Few of the unemployed can afford to pick up the cost of continuing their health insurance through their employer under the Consolidated Omnibus Budget Reconciliation Act (COBRA), and many cannot qualify for COBRA. In order to ensure that families have access to health care, Congress should enact a subsidy covering 50 percent of the COBRA premium cost. Congress should also provide states with an increased Medicaid match if they choose to make recently jobless workers eligible for an increased subsidy through Medicaid, or use Medicaid funds to cover recently unemployed workers who are ineligible for COBRA insurance. The 50 percent COBRA subsidy would cost \$10 billion for one year.

**Help for Homeowners:** Low- and moderate-income homeowners facing foreclosure should be able to renegotiate the terms of their mortgage as part of a bankruptcy proceeding. 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 or make other adjustments.

**Protection for Renters:** As many as 40 percent of families who lost or could lose their homes in the foreclosure crisis are renters; many are unlikely to get their security deposits refunded and face unexpected relocation expenses. If they live paycheck to paycheck, they are at high risk of becoming homeless. Congress should provide \$2 billion for state grants to assist renters who are victims of foreclosure and to alleviate the current surge of homelessness. The assistance would help cover security deposits, first and last month's rent and services to find safe and affordable housing.

**Public Housing Assistance:** Because of chronic under-funding of public housing maintenance, there is now a \$32 billion backlog of capital projects and inadequate operating funds. Congress must reduce that backlog to prevent the loss of more affordable rental units. Investing in public housing maintenance will also create jobs. Public housing units should be preserved through a \$5 billion increase in the Public Housing Capital Fund and through an additional \$3 billion for HUD- and Rural Housing Service-assisted project-based housing.

**Rental Housing Vouchers:** Even before the current downturn, 4.8 million poor families were paying more than half their income for rent. Congress should provide 200,000 rental housing vouchers under the Section 8 program in FY 2009, followed by another 200,000 in FY 2010. These vouchers, at a 2-year cost of \$3.6 billion, will help maintain the supply of affordable housing.