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CENTER FOR LAW AND SOCIAL POLICY

January 29, 2008

Dear Senator;

The Center for Law and Social Policy urges you to include in the economic stimulus package program improvements to help those hardest hit by the economic downturn, and targeted state fiscal relief to keep critical services available. These actions would be both stimulative in the short-run and responsive to the needs of the most vulnerable families in today's economy.

Economists of every political stripe agree that extended unemployment insurance and increased food stamps will put money in the hands of people who will spend it quickly, thus providing the greatest stimulus to our economy. Fiscal relief will prevent states from having to cut programs when they are needed the most. Both approaches are necessary to address the needs of those most affected by any recession – those who lose their jobs or their health insurance coverage, and low-income families already struggling under better economic conditions. While our nation has many programs that are intended to offer such relief, they provide an increasingly torn safety net, allowing too many to fall through.

Program Improvements to Help Those Hardest Hit by the Economic Downturn

Ensure Income Support for Unemployed Workers

Unemployment Insurance (UI) is the first-line response to a declining economy. It is a crucial source of temporary financial assistance for jobless workers and their families. As part of the stimulus package, Congress should adopt a temporary program to provide additional weeks of federally funded extended benefits for workers who exhaust their regular UI benefits, including adequate funding to administer the program. In December 2007, nearly 18 percent of unemployed workers had been out of work for more than six months. As the economy weakens and job prospects diminish, people are more likely to remain unemployed for half a year or more. Congress should also enact legislation that would encourage states to expand access to unemployment benefits for low-wage, part-time, and other vulnerable workers when they lose their jobs.

Expand Food Assistance to Low-Income Individuals and Families.

A temporary increase in food stamp benefits to current recipients is one of the fastest and most effective ways to put additional spending power in the hands of low-income individuals and families. Moreover, this would also provide needed relief to many low-income seniors, a group

that often does not have enough earnings to qualify for the proposed tax rebates, but that suffers greatly from rising food and energy costs.

In addition, it is important to enact on a permanent basis the improvements to the Food Stamp program that are included in the nutrition title of the Farm Act. These include increases to the minimum benefit and the standard deduction, as well as raising the asset limit and the child care deduction. Congress might also consider accelerating the proposed increase in the asset limit, as this would enable families whose income drops due to unemployment to receive nutritional supports, without stripping them of the assets that they will later need to get back on their feet.

Targeted State Fiscal Relief to Keep Critical Services Available

Forty-nine states have constitutional requirements to balance their budgets each year. During an economic downturn, the decisions that state legislatures and governors have to make to keep their budgets balanced—cutting spending, raising taxes, or both—can have the pro-cyclical effect of deepening and prolonging the slump.

Leverage income for single-parent families by restoring child support enforcement.

Congress should immediately and permanently reverse the 20 percent federal child support enforcement funding cut included in the Deficit Reduction Act of 2005. States and counties are preparing to lay off staff and cut back on services in the coming months. According to the Congressional Budget Office, \$5 billion in support payments to families will go uncollected over the next five years, unless funding is replaced.

Support payments play a stabilizing role during economic downturns, helping working families get from paycheck to paycheck and weather job losses. Families spend the money very quickly. State data suggests that 97 percent of child support funds dispensed to family debit cards are spent down by the end of the month.

Ensure adequate resources to provide low-income families needed health care.

The federal medical assistance percentage (FMAP) for Medicaid should be raised temporarily to ensure that states have sufficient revenues to continue to provide low-income families and individuals access to critical health care services. This additional federal support will be particularly critical if more individuals lose their jobs and health insurance for themselves and their families.

There is much more that needs to be done to help the hardest hit by the economic downturn, but these measures are critical now and we urge you to include them in the stimulus package that you are considering.

Sincerely,

Alan W. Houseman

Alan W. Houseman
President
Center for Law and Social Policy