Children's Leadership Council Economic Recovery Proposal

December 5, 2008

The Children's Leadership Council commends the Obama Administration and Congress for their commitment to developing a substantial economic recovery package. As a coalition of child advocates representing organizations at the national and local level, we believe that the recovery and growth plan needs to be considered and acted upon quickly and decisively. There is no greater investment we can make than in our children because investing in children is investing in America. Improving children's health, education, and well-being is not just the right thing to do; it is one of the smartest investments we can make for our nation's future.

As the job market falters and unemployment rises, increasing numbers of children and families face the risk of impoverishment, increased stress in coping with job loss and tighter budgets, increased food insecurity, the loss of health insurance, and instability in housing and child care.

- The number of people receiving food stamps has increased by nearly 10 percent over the last year – rising from 26.9 million in August 2007 to 29.5 million in August 2008. One in five children now receives food stamps.

- The Bureau of Labor Statistics reports that 10.3 million Americans are unemployed, an increase of nearly 3.0 million over the past 12 months. Nearly one-quarter of those unemployed have been without a job for six months. An additional 7.3 million Americans are working part-time but would rather be employed full-time; however, they can't find fulltime work.

- Some economists — notably, Goldman Sachs — are projecting that the unemployment rate could rise to 9 percent. If poverty is as responsive to rising unemployment as was the case in the last three recessions, the number of poor people could increase by 7.5 to 10.3 million — including 2.6 to 3.3 million poor children. The number of children living below *half* the poverty line could increase by 1.5 to 2 million.

The increased family stress that results from coping with the economic crisis means both immediate and long-term impacts on the lives of children and families.

The good news is that there are actions the new Administration and Congress can take that will immediately begin to pump money into the economy while at the same time improving the health, education and well being of children in order to prepare them for school, work, and life. When we take steps that meet both objectives, we help to ensure that more children will not become poor or live in deeper poverty. The Children's Leadership Council recommends the following investments to spur the economy quickly and to protect children from the harshness of the recession.

Stimulating the Economy While Protecting Vulnerable Children and Families

Child poverty causes both immediate hardships and has long-term developmental consequences. Preventing large increases in child poverty and hardship is a top priority. Moreover, economists agree that putting additional resources in the hands of low-income families is one of the most effective ways to stimulate the economy because they are likely to spend any additional resources quickly.

- **Extend and expand unemployment benefits**: Fewer than 40 percent of unemployed workers receive unemployment compensation. Enacting the Unemployment Insurance Modernization Act would provide states with incentives to extend unemployment benefits to more low wage and part-time workers, including many parents with children to support.

- **<u>Increase housing assistance</u>**: Many cities and school districts are already reporting an increase in homelessness. An additional 200,000 vouchers this year and 400,000 next year would help families struggling with high rent and low income find stable housing. Help is urgently needed for renters who are evicted from their homes, despite being current in their rent, because the property is subject to foreclosure.
- **<u>Temporarily boost food stamps, increase funding for WIC, and other nutrition programs</u>**. A temporary increase in Food Stamp benefits would help millions of Americans help make ends meet and ensure that children do not go hungry. WIC, the Women, Infants, and Children nutrition program faces a serious shortfall, the result of price increases in milk, cheese, eggs, and grains combined with an increased demand for assistance. Other nutrition programs also need temporary increases such as funding for the Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program, and the Child and Adult Care Food Program (CACFP) to help meet the additional needs put upon them by this recession.

- **<u>Invest in quality child care for working families:</u>** The need for child care assistance remains high during recessions, as income losses make it harder for parents to afford quality care on their earnings alone. Parents who lose their jobs during a recession still need quality care as they look for new jobs or enroll in education and training programs to upgrade their skills.

  Providing for additional child care funding in the recovery package will ensure that families have the care their children need and will be effective stimulus because the money will be spent quickly. In the absence of child care assistance, some parents may be forced to turn to lower quality and even unsafe care. Moreover, child care plays an important role in the American economy, a $500 billion industry with some 15 million jobs. The bulk of child care funding goes to pay for staff, and therefore, additional child care funding will very quickly result in increased child care provider employment. Federal funding for child care has been cut about 19 percent since 2002 (after accounting for inflation). Given the shortfalls in child care funding and increased need for child care assistance, increases in child care funding can be spent quickly.

- **<u>Expand Head Start and Early Head Start programs</u>**: Head Start is not only good for children, but it also is a community employment program. At least 75 cents of every dollar allocated to Head Start goes toward compensating Head Start teachers, aides, health coordinators, and others. In serving more Head Start children, more jobs are retained and expanded in local communities. Like child care, federal funding for Head Start has been cut significantly in recent years — funding in 2008 was 13 percent below 2002 levels (after adjusting for inflation). These funding cuts have resulted in Head Start programs reducing services such as bus transportation to and from the program. Head Start programs also have begun to reduce the number of children served, the number of days per week the program operates, and staffing. Therefore, additional Head Start funds could be spent quickly and efficiently and, similar to child care, the bulk of the additional funding would go toward increasing staffing.

- **<u>Leverage income for single parents by restoring child support funding cuts:</u>** Child support is one of the major sources of income support for low-income families. However, the 20 percent cuts imposed by the Deficit Reduction Act of 2005 have resulted in cuts in both enforcement staff and child support enforcement activities. When these cuts were enacted, CBO projected that $1 billion in child support a year would go uncollected – money these families and children will need more than ever in the recession.

- **<u>Increase funding for the Low Income Home Energy Assistance (LIHEAP)</u>:** The cold season has already started in many states. Low income families should not have to choose between fuel and food. Increased funding for LIHEAP would mean more children would be protected during this winter season.

- **<u>Increase funding for the Temporary Assistance for Needy Families (TANF) contingency fund.</u>** TANF provides basic assistance to the poorest children in the country — it often is the program that protects children from destitution and homelessness. The contingency fund was intended to provide additional funding to states when the number of families in need increased, but the fund is likely to run out of money soon and some adjustments are needed to ensure that states that see the number of families that need basic assistance increase receives additional funding so they can serve those families.

- **<u>Prevent child abuse</u>:** During times of economic distress, child abuse and neglect rates often rise. Communities need increased funding for the Child Abuse Prevention and Treatment Act (CAPTA) and related services for on-the-ground initiatives that could reduce the number of children subject to abuse and neglect.

Protect Critical Services for Children and Families Through Fiscal Aid to States

Programs serving vulnerable children are under double pressure during recessions. Demand for their services increases as more families struggle even harder to make ends meet. At the same time, state revenues from sales, income, and property taxes all fall. At least 41 states have faced, or are facing shortfalls in their budgets for this year or next year. When states cut spending or raise taxes, they make the economic downturn worse.

Over half the states have already made budget cuts, raised taxes, or used reserves to balance their budget. Yet, state budget gaps are likely to exceed $100 billion a year for the next two years. At least 17 states have cut programs affecting low-income children.

States need help from the federal government to shore up large budget gaps and preserve critical programs. Most states are required to balance their budgets, even during recessions. The federal government, on the other hand, can and should borrow during recessions, which it must do to address the current economic crisis. A three-pronged approach to fiscal relief is needed:

- **<u>Increasing federal funding for Medicaid</u> :** Medicaid is highly vulnerable to cuts during a recession, because its costs rise when individuals lose their jobs and health insurance for themselves and their families. Already, 17 states have planned cuts that will affect health insurance eligibility or reduce access to health care services for low-income children and families. In the 2001 recession, 1 million people lost health insurance because of cutbacks in Medicaid and SCHIP in 34 states before Congress provided fiscal relief. Congress should temporarily increase the federal medical assistance percentage (FMAP) for Medicaid and SCHIP in exchange for a commitment from states that they will not make their eligibility requirements more restrictive during the downturn. This will do two things — it will ensure that low income families and children have access to critical health-care services *and* it will help states cover their share of increasing health care costs for vulnerable populations.

- **<u>Additional State fiscal relief</u>:** The federal government should provide emergency assistance to the states on top of the temporary increase in the federal Medicaid match. These funds can come, as was done in 2002, in the form of a temporary block grant to help states avert cuts in education, child care and other critical social services.

- **<u>Help Homeless Students Stay in School</u>**: An often overlooked consequence of the economic downturn and foreclosure crisis is the rise in student homelessness. Providing school districts with additional funding will enable these direct victims of the foreclosure crisis and economic downturn to stay in their schools even if they are forced from their homes.

What is clear is that economic recovery efforts must not only focus on how to increase employment for adults and how to quickly spur the economy, but also how to protect vulnerable children and families during these harsh times. Children bear the consequences of economic distress but too often are not part of the recovery strategy. We look forward to working with you in the weeks ahead. Please contact Bill Bentley at bentley@voices.org or (202) 380-1800 for additional information.

We greatly appreciate your considering our recommendations.

Sincerely,

The Children's Leadership Council

After School Alliance
Center for Law & Social Policy
Child Welfare League of America
Children's Dental Health Project
Children's Partnership
Coalition on Human Needs
Council for Professional Recognition
Docs for Tots
Early Care & Education Consorttium (ECE)
Every Child Matters Education Fund
First Five Years Fund
First Focus
First Star
Forum for Youth Investment
Lutheran Services in America
National Association for Child Care Resource & Referral Agencies
National Association for the Education of Young Children
National Black Child Development Institute
National Head Start Association
National Women's Law Center
Partnership For America's Economic Success
Pre-K Now
The Parent-Child Home Program
Arkansas Advocates for Children & Families
Association for Children of New Jersey
Child & Family Policy Center
Pennsylvania Partnerships for Children
Rhode Island KIDS COUNT
Tudor Investment Company
Voices for America's Children