

# Implications of State Spending Cuts:

## The Need to Maximize Federal Funding for Iowans

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### Immediate Consequences of Spending Cuts

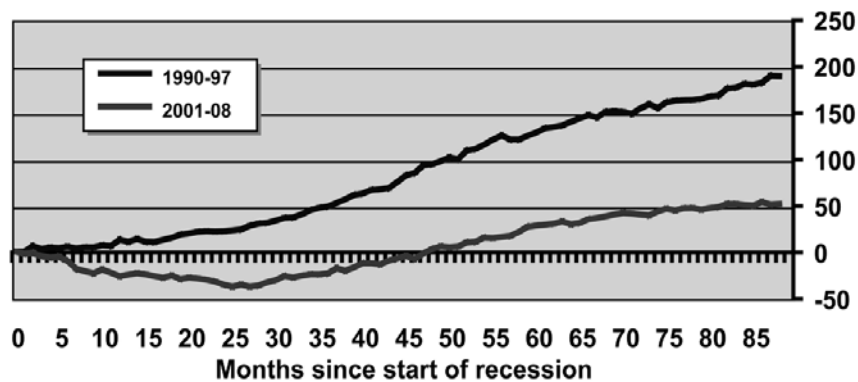
- In a recession, we need to “keep people employed and buying things” – budget cuts reduce the total level of spending within a state’s economy
- Reductions in government spending on goods and services, or reductions in transfer payments to lower-income families, are damaging to the economy because they reduce consumption
  - ... this effectively prolongs the recession and delays recovery throughout the state
- Puts vulnerable families who depend on state services at risk during tough economic times

## Spending Cuts Hurt Our Future

- Budget cuts result in more jobs lost in Iowa – from the public and private sectors
  - Bigger hole to climb out of during recovery
- Reduces resources for an increasing number of economically vulnerable families
  - Family well-being in jeopardy and children fare worse as adults = decreasing productivity of future workforce
  - Revenue/budget problems carried into the future

## Iowa Slow to Regain Jobs Lost (Every Job Counts)

Job Growth Comparison – Iowa Nonfarm Jobs



Source: The State of Working Iowa 2008, Iowa Policy Project

## Families' Well-Being Declines

- Foundation for Child Development in its 2009 Youth Well-Being Index Report concludes *“virtually all progress made in family economic well-being since 1975 will be wiped out.”*
- Report shows impact of the current recession on children will be dramatic and long-lasting
  - rising child poverty rates
  - declining # of children in households with at least one parent with secure employment
  - declining median annual income for all families with kids
  - negative ripple effects on children's social relationships, community connectedness, health, and safety/behavior

Report available at: [http://www.fcd-us.org/usr\\_doc/Final-2009CWIRReport.pdf](http://www.fcd-us.org/usr_doc/Final-2009CWIRReport.pdf)

## Cutting Away Iowa's Future

- Children who fall into poverty during a recession fare worse as adults
  - Earn less
  - Achieve lower levels of education
  - Less likely to be gainfully employed over their lifetimes
  - More likely to have poor health
- Less productive workforce, decreased tax revenue, and increased public spending

-- First Focus "Turning Point: The Long Term Effects of Recession-Induced Poverty"

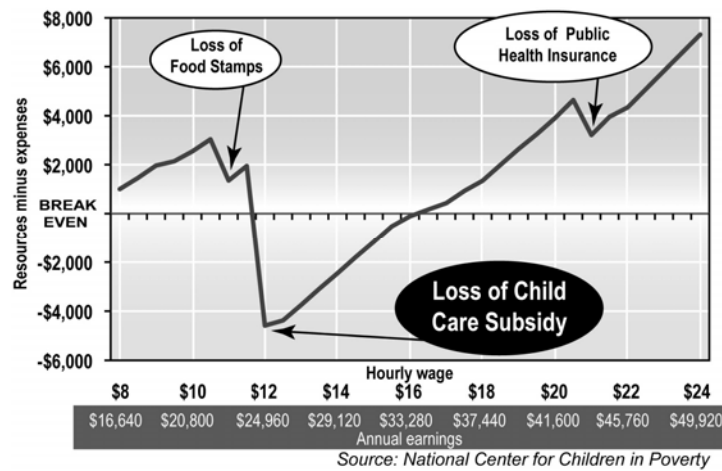
## **Opportunities for Iowa**

- Expanded federal funding to help struggling families in this time of economic need:
  - Child Care Assistance
  - TANF Emergency Contingency Fund
  - Supplemental Nutrition Assistance Program

## **Increasing Child Care Assistance through ARRA**

- Iowa was awarded \$18.1 million to expand child care assistance
- To date, only \$2.4 million has been used for that purpose
- Remaining \$15.8 million is being held for DHS budget shortfalls in other programs
  - Violates ARRA legislation intent

## Child Care Assistance in Iowa



## CCA Expansion to 200% possible without state cost

- Use remaining CCDBG stimulus funds to expand CCA eligibility to 200% and institute adjusted co-payment schedule

Cost of 200% (with adjusted co-pays)	\$21.6 Million
Immediate Annual Tax Revenue	<u>- 6.8 Million</u>
Cost to the State	\$14.8 Million
Existing ARRA CCDBG funds	\$15.8 Million

- First year of expansion would be fully covered by existing ARRA funds designated for child care & increased tax revenues

## If no action is taken...

- Funds could be clawed back as current plan is in violation of non-supplant intent
  - Would add to Iowa's recent return of \$3.1 million in misappropriated CCDF funds
- Negative implications for CCDBG reauthorization in 2010
  - Sending message to Congress that Iowa does not need additional child care services

## Additional TANF Funds through ARRA

- Iowa can draw down \$65.5 million from TANF Emergency Contingency Fund for:
  - Increased basic assistance = rising caseloads
  - Increased spending on subsidized employment or short-term non-recurrent expenses
- Caseload increase will draw \$10.5 million; leaving \$55 million still on the table

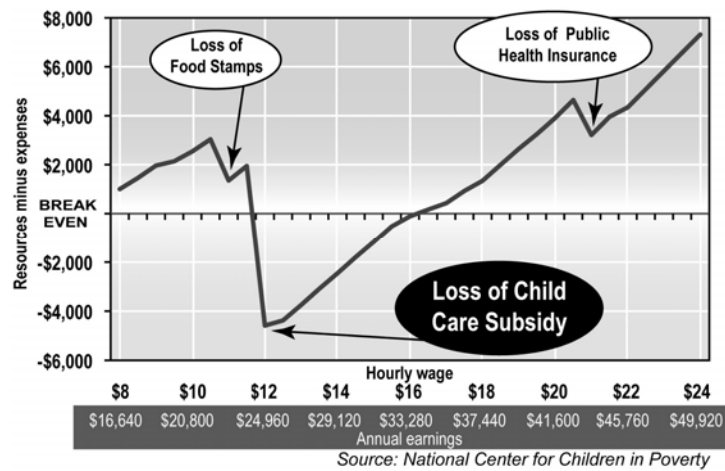
## **Draw Down Options with No State Cost**

- 1) Count DHS flood recovery funds as MOE.
- 2) Partner with United Way, homeless prevention organizations, and/or food banks – counting their expanded food and crisis housing services as MOE.
- 3) Partner with Iowa Community Action Agency Association to count utility company contributions.
- 4) Expand County General Assistance Programs.
- 5) Partner with private sector to offer gift certificates or vouchers to needy families at discounted rate to the state.

### **If no action is taken...**

- This is a use or lose opportunity; lowans will not benefit from the additional funds
- Negative implications for TANF reauthorization in 2010
  - Congress will analyze how the additional TANF funds were used (or not used) as an indicator of state needs in reauthorization

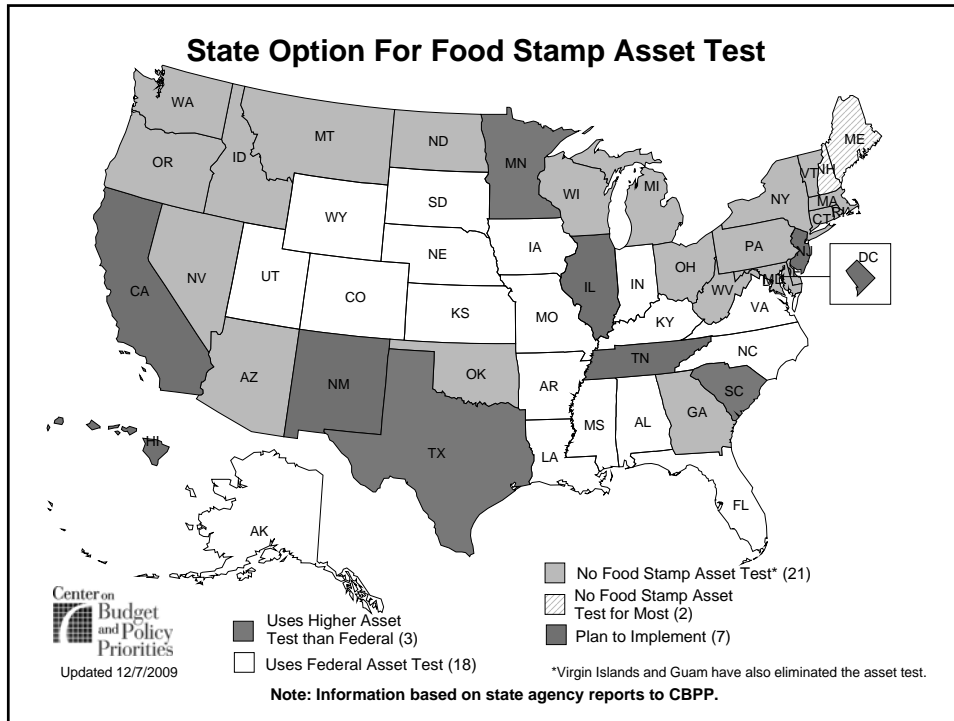
## Food Assistance in Iowa



## Expansion of SNAP

- Iowa is able to expand Food Assistance through "Categorical Eligibility"
- Since 1999, states have been able to set their own asset and gross income policy via categorical eligibility.
  - Many states have already taken advantage of this option.





## USDA says "Yes" as well

“In these times of rising caseloads and shrinking State budgets, expanded categorical eligibility can benefit States by simplifying policies, by reducing the amount of time States must devote to verifying resources, and by reducing errors. It can benefit families hurt by the economic crisis...”

-- USDA Memo to Regional Administrators

September 30, 2009

## How Iowa could benefit from categorical eligibility...

- Provides additional resources to a greater number of working families
- Provides a direct infusion of cash into Iowa's economy, as benefits are spent quickly and locally on food
  - Every dollar in SNAP brought to Iowa generates \$1.73 in our local economies
- Reduces state workloads

## 2010 Reauthorization

- What we do now not only determines how much support Iowans struggling through this recession will receive... but impacts the future funding for our state
- Up for Reauthorization Next Year:
  - Child Care Development Block Grant
  - Temporary Assistance for Needy Families
  - Supplemental Nutrition Assistance Program

## Contact Us



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