

December 2008

Dear Members of the Transition Team:

On behalf of Half in Ten, a campaign to reduce poverty in the US, we write to urge you to support an economic recovery package that will rebuild our economy from the bottom up. The recovery package should include measures that put money in the pockets of the hardest pressed, help them find jobs and expand the number of good jobs in the US economy, and take into account that those who are already vulnerable are often the first, and most, injured in difficult times.

Absent dramatic action, if unemployment reaches 9 percent, poverty in the US could increase by 7.5 to 10.3 million people or more. Unemployment is increasing across the board, but it has gone up particularly sharply for young workers, for less educated workers, and for people of color. The unemployment rate for workers with less than a high school diploma, for example, was 10.5% in November, compared to a 3.1% rate for those with college degrees. In addition, the basic safety net today is weaker than it was in the early 80s when last we experienced a serious and extended economic downturn, leaving the lowest income people particularly vulnerable.

Reducing poverty is crucial to our long term economic health, and in the present crisis we should focus both on preventing more people from falling into poverty, and on creating opportunities for more equitable and inclusive growth in the future. Economists agree that targeting stimulus dollars to lower income people who will spend them in their communities to meet daily needs is a particularly effective use of funds; Moody's Economy.com, for example, argues that a dollar spent on unemployment insurance generates \$1.64 in GDP growth, and a dollar spent on food stamps generates \$1.73 in GDP growth. The economic crisis requires swift action, but it is also important to spend recovery dollars wisely and fairly.

We think the following principles and policies are particularly important:

Jobs and job training for low income and disadvantaged workers. In addition to building the bridges, schools, rail lines and health information systems our economy needs to grow, federal infrastructure spending should be structured to provide good jobs, and opportunities for disadvantaged workers to access those jobs.

All projects should be designed to offer decent wages (and comply with prevailing wage laws), safe working conditions, and health coverage. And all should be subject to requirements that ensure that contractors have complied with applicable wage and hour and health and safety laws and not have engaged in a pattern of misclassification.

All infrastructure projects should be subject to requirements that a portion of their work hours be performed by workers from areas with exceptionally high unemployment and/ or poverty rates. In choosing among projects and contractors, states and localities should provide preferences to those that commit to higher targets for job quality, provision of jobs to disadvantaged workers, and apprenticeship opportunities.

Building on the existing provision that up to 0.5% of Surface Transportation Program funds may be used for training, new infrastructure funds should require States to allocate a portion of Federal infrastructure funds to support education and training programs, including by preference apprenticeship and pre-apprenticeship programs, that will promote employment of members of groups with high unemployment levels on assisted projects.

In order to understand the job creation impact of infrastructure projects, it is important that data be collected and reported regularly on how many jobs have been created at each project, and on who is filling these jobs. Building on the data reporting on Federal grants and contracts already taking place through the USA Spending website (created by Legislation cosponsored by Senators Obama and Coburn in 2006) would be an effective way to do this.

Support for specific job and training programs will also put people back to work, address the extraordinarily high levels of unemployment among youth, and youth of color in particular (the unemployment rate for 16 to 19 year olds was 20.4% in November 2008, and the rate for African American youth was over 29 % in September) and build the human capital needed for a sustained and equitable recovery. Extremely high levels of youth unemployment are an immediate problem, but also a serious long term problem, as a cohort of young people face a particularly difficult time beginning their working lives. Funding in the recovery plan for Green Jobs Act workforce training, Transitional Jobs, YouthBuild and Summer Jobs for Youth, along with additional funding for education and training for all unemployed workers through the Workforce Investment Act and Adult Education funds for programs that integrate basic skills, English Language, and occupational training, should be priorities.

Expanding Weatherization

Immediately funding the weatherization assistance program at \$900 million dollars - the fully authorized 2009 level for the program - would also create new jobs while retrofitting 350,000 to 400,000 homes, improving energy efficiency, and reducing heating (and cooling) costs for low income households. In order to move forward on this work quickly, and to prepare for still larger scale retrofits that should be a part of both energy efficiency and poverty reduction efforts moving forward, a part of this funding in this round should be devoted to training, technical assistance and monitoring to increase the number of workers – and low income workers in particular – trained to enter this field.

Targeting infrastructure projects to maximize community benefits

A number of categories of infrastructure spending, including spending on schools especially in lower income communities, spending on public and assisted housing, and spending on mass transit are particularly likely to well serve poor people and poor households, and to increase opportunity in the medium and long run, as well as jobs now. Investment in the physical infrastructure for education should also include child care and early childhood education, and elder care facilities. Investment in greening and conservation should be attentive to urban parks and green spaces as well. Many of these priorities can have the multiple benefit of contributing to energy efficiency (or of being done in ways that do so – i.e., green renovations of housing and schools), of producing more jobs than alternative strategies (as, for example, investment in mass transit produces more jobs than investment in highways), and of building capacity in underserved communities.

Beyond these categories, standards and priorities for the use of Federal recovery funds should ensure that lower income people and lower income communities benefit from an equitable share of infrastructure spending. Requiring timely public information on projects in process, and on projects in the pipe line/ to be decided upon at the state and local level is important to ensuring that such standards are effective and transparent. Assuring that sufficient funds are channeled through city, as well as state governments can contribute to this end as well.

Passage of the Unemployment Insurance Modernization Act (UIMA).

Congress recently acted to extend unemployment benefits to help counter the downward economic pressure of increasing unemployment. But unemployment insurance would work better for workers and for the economy if more people

actually received benefits when they were out of work. Going into the recession only 37% of unemployed workers get UI benefits, and low wage workers are more likely to be unemployed, but only half as likely to get benefits. Passage of the UIMA would reward those States that have already broadened access to UI, and provide strong incentives for more states to do so quickly. The changes it rewards would help 500,000 more people get access to UI. It would also immediately provide administrative support to all States to allow them to better handle the surge of claims.

A substantial increase in child care and early education funding.

High unemployment rates put new pressures on parents trying to afford child care. Reduced hours, or one parent's loss of a job, or loss of one job for those making ends meet by holding down multiple jobs all make child care expenses more daunting. But keeping children in care is crucial for parents' ability to work, and look for work, as well as providing continuity that is so important for young children, and preserving the jobs of child care workers. Child care subsidy dollars also allow low income families to spend more meeting other basic needs.

Child care and early education are major employers of low income women), and additional funding in these areas to help counterbalance the parent dollars which are not available during the downturn will help stem job loss in communities with high unemployment. A 2002 study estimated a total of 2.3 million paid caregivers in the child care workforce at a single time for children ages 0 through 5, and in 2007 the mean annual wage of child care workers was \$19,670.

Increased support for affordable housing and protection against foreclosures.

With foreclosures continuing to accelerate, the recovery package should include additional dollars for the Neighborhood Stabilization Fund to help acquire and rehabilitate abandoned homes so that they become source of affordable housing, rather than neighborhood blights.

It should also include substantial dollars for new housing vouchers, split between project based and portable vouchers, to address the needs of renters evicted from properties being foreclosed on, as well as those squeezed out of the rental market as former homeowners push in.

Public and assisted housing has been starved of sufficient capital for years, and 5 billion dollars to begin addressing the backlog of maintenance needs, and to engage in repairs to new green standards would preserve needed units.

Taking the range of legal, legislative, and administrative steps necessary to help homeowners stay in their homes with mortgages they can afford, including using TARP funds to acquire and restructure mortgages, bankruptcy reform, and REMIC and tax changes is crucial. Attention to the situation of renters in properties being foreclosed on is also a key antipoverty measure, and requires protections for renters in foreclosed properties, as well as making alternative affordable rental opportunities available.

Tax credits and refundability

Tax rebates or credits included in the recovery package should be fully refundable. Refundability ensures that tax credits go to the low income families who face the most difficult consequences from loss of jobs and income, and who are also most likely to spend any additional dollars immediately. In addition to any new tax credits in the package, the earnings threshold for the existing child tax credit should be reduced to zero, so that families with children can receive the credit based on each dollar they earn. In difficult times when we are looking for mechanisms to target dollars to struggling families, it does not make sense to exclude these households from the Child Tax Credit or limit the amount they benefit from it.

A substantial increase in the value of Supplemental Nutrition

Assistance Program (Food Stamp) benefits. Food prices are skyrocketing, with costs for staples up by double-digit percentages between 2007 and 2008, even as unemployment increases and average weekly earnings go down. An increase in food stamp benefits is an effective and immediate way to increase consumer purchasing power while helping families meet their basic needs, and economists have indicated that it is likely to be among the most efficient ways to spend stimulus dollars. Food stamps are also among the most universally available forms of assistance we provide for low income families, and the only income support for people falling through the cracks in the unemployment and TANF system. A substantial increase in food stamp benefits is a crucial part of the recovery package.

In addition to an increase in benefits, in light of the accelerating loss of jobs around the country, the recovery plan should include a suspension of the onerous limit on receipt of SNAP benefits by childless unemployed individuals aged 18-49. Under current law, no matter how much these individuals seek employment, they are only eligible for 3 months of food stamps every three years unless states apply for waivers that not all seek, and that not all geographies qualify for.

Other crucial investments

These investments should be part of a recovery package that includes other measures vital to our economy generally, and to lower income people in particular, including state fiscal relief to help prevent draconian cuts in jobs and services, an enhanced federal Medicaid match, and increases and improvements in the TANF contingency fund, along with health and energy investments that will both strengthen the economy and respond to the dangers of increased poverty during the recession.

The Half in Ten Campaign is committed to cutting poverty in half in the United States, focusing on practical policy solutions to promote decent work, provide opportunity for all, ensure economic security, and help people build wealth. The cost of child poverty in the United States reaches approximately \$500 billion a year, and addressing the issue of poverty is necessary both for increasing the opportunities available to vast numbers of Americans and improving the U. S. economy.

Thank you very much for your attention to these questions, and for your work in developing a recovery package to get our economy back on track. Please feel free to contact Lisa Donner, Executive Director of Half in Ten, at 202-741-6379 with any questions.

Sincerely,

ACORN
Center for American Progress Action Fund
Coalition on Human Needs
Leadership Conference on Civil Rights