

Some Steps Forward for Struggling Families

An Overview of 2009 Legislative Actions in Troubled Iowa Economy

In 2009, the Governor and the Iowa General Assembly faced unprecedented challenges in responding to the needs of vulnerable Iowans. This started with providing relief to victims of the flooding and support to flooded communities to meet their rebuilding needs. It continued with a severe downturn in the economy that simultaneously placed more Iowans in difficult economic circumstances and dramatically reduced state revenues.

The federal government provided substantial funding to support Iowa to address the state fiscal crisis caused by the downturn in the economy and to expand programs to boost the economy and help low- and moderate-income families, but many of these required state action to implement. The amount of overall state fiscal relief provided by the federal government was not sufficient to avoid the need for hard decisions regarding Iowa's budget, however, as that relief covered only 40 percent of the overall budget shortfall Iowa experienced.

The Iowa Fiscal Partnership produced a number of reports, both prior to and during the legislative session, on state policy actions to address the economic needs of struggling and vulnerable Iowans, with a particular emphasis upon families. These included reports on:

- the impact of the floods and other natural disasters on low- and moderate-income families and necessary policy responses to those families' needs;
- the federal economic stimulus package and how it could be used to address Iowa's budget needs and the increased needs of Iowans brought on by the recession;
- specific programs serving low- and moderate-income families and opportunities to enable them to better address family economic needs, including the Medicaid and *hawk-i* health coverage programs and the federal Supplemental Nutritional Assistance Program (SNAP, formerly called the Food Stamp Program); and
- state income-tax reform actions that could benefit working Iowa families.

This brief outlines steps lawmakers took — and did not take — on these issues during the 2009 session.

In the end, the Governor and General Assembly took a number of positive actions to help low- and moderate-income Iowans, particularly families, to meet basic needs. In some instances, these actually expanded existing programs and eligibility standards to better reflect need. These actions included:

- expansions of child health insurance coverage, including legal permanent resident children, children in families with incomes up to 300 percent of poverty, and a wrap-around dental benefit for children covered under private health insurance;

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- maintenance of Iowa's backbone health system for low-income individuals, Medicaid, through federal funding;
- additional state funding for flood relief and rebuilding efforts;
- expansion of unemployment insurance benefits through federal funding;
- reinstatement of funding to promote community-based microenterprise development activities;
- expansion of Iowa's child care subsidy program through a new scholarship provision for families between 145 percent and 185 percent of poverty, through federal funding; and
- commitment to review, and if possible, expand the Supplemental Nutrition Assistance Program (SNAP — formerly Foods Stamps) to additional working families whose work-related and housing expenses effectively place them in poverty.

At the same time, however, the Governor and General Assembly did not avert significant cuts to human-services programs affecting low- and moderate-income families. These included:

- reductions in funding for community empowerment and a variety of other programs serving families, along with reductions in staffing for managing and administering state programs; and
- cuts to a number of public health programs designed to provide help to meet particular health needs of families.

The General Assembly also failed to act on legislation to change tax policies to benefit low- and moderate-income working families through an increase in the Earned Income Tax Credit and tax reductions for the vast majority of working Iowa families.

Overall, Iowa lawmakers took action in 2009 that included some significant forward steps, particularly on child health insurance coverage, child care subsidies, and unemployment compensation, but they also took some significant backward steps.

The 2009 actions also set the stage for the 2010 session. Issues facing low- and moderate-income Iowans will again have to be addressed in the context of developing an Iowa budget that is sustainable over the long term, as time-limited federal stimulus funding ends.

At the top of this agenda is the need to look critically at the revenue, as well as expenditure, side of the state budget. Substantial groundwork was done in developing a state income tax reform proposal that would provide more fairness in Iowa's income-tax code, particularly for working families, but no action was taken. Particularly in light of expected federal changes in tax policy, Iowa lawmakers will need to take up this issue again in 2010, from the perspective of developing a tax system that is fair, competitive, simple, accountable and predictable.

Iowa Fiscal Partnership

The Iowa Fiscal Partnership (IFP) is a joint budget analysis initiative of two nonpartisan, nonprofit, Iowa-based organizations, the Iowa Policy Project in Iowa City/Mount Vernon and the Child & Family Policy Center in Des Moines. IFP work is supported by the Stoneman Family Foundation and the Annie E. Casey Foundation.

For more information, see www.iowafiscal.org