

Senate Choices Affect Iowa State Budget, Economy

Iowa has finally started to recover from the worst recession since the Great Depression. That fragile recovery is threatened if Congress fails to maintain critical assistance to those who have borne the brunt of the recession. Thousands of private-sector jobs created or saved by federal spending in Iowa will also be threatened.

In a narrow vote Thursday, the Senate voted against extended unemployment insurance benefits and extending the temporary increase in the federal share of Medicaid financing. Both provisions are temporary improvements provided by the American Recovery and Reinvestment Act (ARRA) that affect thousands of Iowans.

Unemployment Insurance

ARRA provided unemployed workers with an additional weekly \$25 and provided additional weeks of eligibility for unemployment insurance recipients. According to Iowa Workforce Development, failing to extend the ARRA provisions means:

- Nearly 44,000 Iowans will see an immediate reduction in benefits.
- Of those, 6,700 will lose all benefits because they will have exhausted state or federal unemployment insurance benefits.
- About 1,500 to 2,000 Iowans will begin losing all benefits each week.
- Nationwide, more than 2 million people will lose these benefits if Congress does not act.

Medicaid Funding

ARRA also provided critical increased federal funding for Iowa's Medicaid program. As thousands of Iowans lost their jobs and health insurance, Iowa's Medicaid rolls swelled and state revenues shrank. ARRA helped by providing Iowa with an additional \$331 million for Medicaid. While serving Iowans left uninsured by the recession, the Medicaid funding also plugged a hole in the state budget. This need continues. The extension of the federal Medicaid increase through the end of Iowa's fiscal year would provide the state with \$120 million to continue to support Medicaid. State and federal actions have strengthened the federal Child Health Insurance Program, known in Iowa as *hawk-i*, and streamlined eligibility in Medicaid and *hawk-i*. As a result, 60,000 more Iowa children have coverage under Medicaid or *hawk-i* in 2010 than had coverage in 2007. Maintaining these gains requires continued state and federal partnerships in financing Medicaid.

Economic Impact

Extended and increased unemployment insurance benefits are widely recognized as one of the most effective tools of economic stimulus. The benefits provide unemployed workers with money to buy groceries and pay their rent. As those Iowans can continue making necessary purchases at the grocery store and gas station, they help pay the wages of workers in those businesses, creating a statewide ripple effect in the economy. IFP's "The Recovery Act and Unemployment Insurance" <http://tinyurl.com/23ovt3g> showed that for every \$100 million of federal unemployment insurance aid, more than 1,000 Iowa jobs are created or saved.

IFP's report "Just What the Doctor Ordered" <http://tinyurl.com/2addhq> illustrated that, as with unemployment insurance, the increased federal Medicaid funding had a huge ripple effect. Over 2,300 jobs were created or saved in 2009 thanks to the temporary Medicaid increase, and will create or save more than 4,200 in 2010.

The Iowa Policy Project

20 E. Market Street
Iowa City, IA 52245
(319) 338-0773 • www.iowapolicyproject.org

CHILD & FAMILY POLICY CENTER

505 5th Avenue • Suite 404
Des Moines, IA 50309
(515) 280-9027 • www.cfpciowa.org