

POLICY POINTS

➤ POLICY POINTS BRINGS RELEVANT DATA TO TIMELY PUBLIC POLICY ISSUES IN ARIZONA

Social Safety Net Stretched by Demand

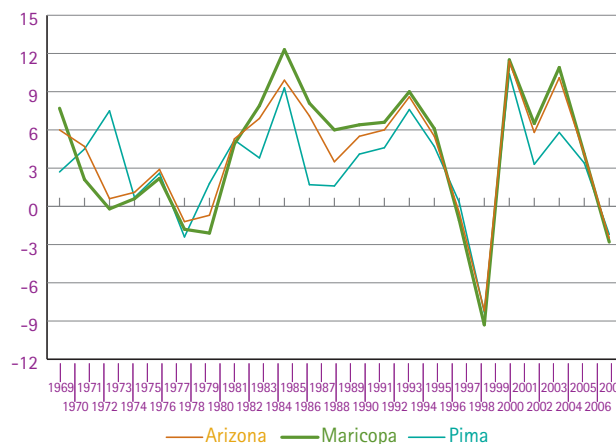
Nearly 900,000 Arizonans – roughly the number of residents in metro Tucson – received food stamps, now known as the Supplemental Nutrition Assistance Program (SNAP), in July 2009, a 35.6% increase since July 2008. The reasons are obvious: job losses and a struggling state economy challenged by the sagging housing market and a higher than average foreclosure rate.

Arizona's business cycle has historically been more volatile than other states. When the national economy is doing well, Arizona has done very well, and when the national economy falters, Arizona experiences even more pronounced losses. Now is certainly not an exception. When the state's economy contracts, many are affected. Many families, even some who have never asked for government assistance before, are finding nowhere else to turn for help.

Economists have shown that Arizona's recession began at the end of 2007. Snapshots of jobs and basic services in parts of 2007 through mid 2009 show the connections between business cycles and human services:

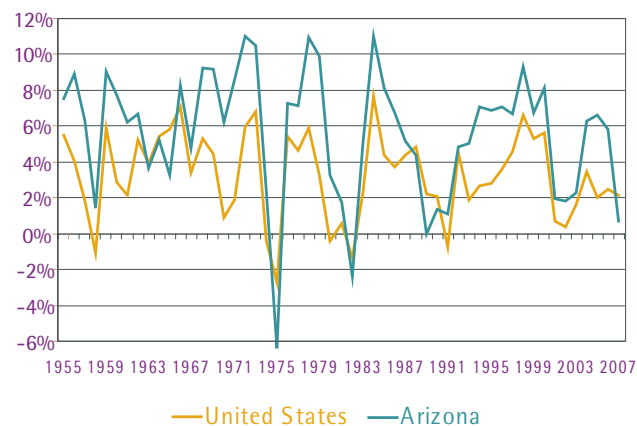
- According to the Arizona Department of Commerce Research Administration, 195,800 nonfarm jobs have been lost since September 2008, and a total of 305,300 have been lost since the recession began in December 2007.
- Arizona Health Care Cost Containment System (AHCCCS) – this state's version of Medicaid – provided health services to 1.3 million Arizonans in August 2009. That's an

Retail Sales Dropped Dramatically with Recession, Inflation-Adjusted Percent Change in Taxable Retail Sales



Source: Arizona Department of Revenue.

Arizona's Historical Ups and Downs, Annual Percent Change in Real Earnings



Source: U.S. Department of Commerce, Bureau of Economic Analysis.



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Arizona Indicators is an online information resource and analysis tool that centralizes data about the state and its communities. Arizona Indicators presents interactive visualizations, clear data descriptions, and public opinion data in a broad range of content areas.

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increase of 183,632 people (16.4%) over a year ago – and a 20.5% increase since the beginning of the economic downturn in December 2007.

- In July 2009, 894,269 Arizona residents received SNAP compared to 554,389 in July 2007.
- The number of cash recipients through Temporary Assistance for Needy Families (TANF) has remained stable because this program’s eligibility guidelines are sufficiently low that it serves those who have experienced poverty for some time rather than those who have more resources or simply need assistance for a short time.

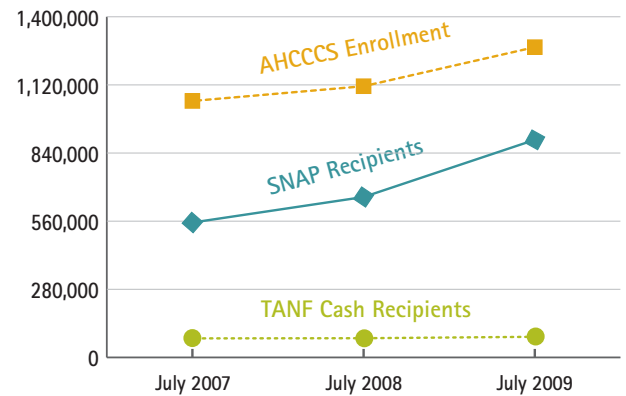
As the demand for services continues to grow, state officials struggle to keep the social safety net intact while dealing with what is now estimated to be a deficit of nearly \$2 billion.

While everyone awaits economic recovery, Arizona’s resources will continue to be stretched by new demand whether they come from state or federal sources. AHCCCS has already been impacted by budget cuts which were absorbed in part through a 50% reduction in provider rates. The Department of Economic Security (DES), which administers the federal SNAP and TANF programs, has had general fund cuts in excess of a quarter-billion in less than a year and a half. However, the Governor’s line-item vetoes have shielded them from an additional \$50 million in proposed cuts. One-time adjustments and federal stimulus monies have helped Arizona recently, but another wave of cuts may be on the horizon.

In response to the remaining deficit, and the need for additional information about potential impacts, state agencies provided impact estimates to the Governor’s Office in October. All agencies were asked, what cuts would you need to make to reduce costs by an additional 15%? For all agencies, the potential impacts are severe. For example, AHCCCS estimates they would have to defund the KidsCare program, which provides health insurance to children in families who earn between 100% and 200% of the federal poverty level (approximately \$22,050 for an Arizona family of four). This equates to 47,000 low-income children losing health insurance. DES estimates that a 15% cut would result in a 20% reduction in cash benefits for 39,000 families with 64,000 children, among other impacts.

As Arizona’s economy recovers, the demand will retreat somewhat, but how quickly that happens and how far down it goes will depend on the strength of Arizona’s recovery and the quality of jobs created in the future.

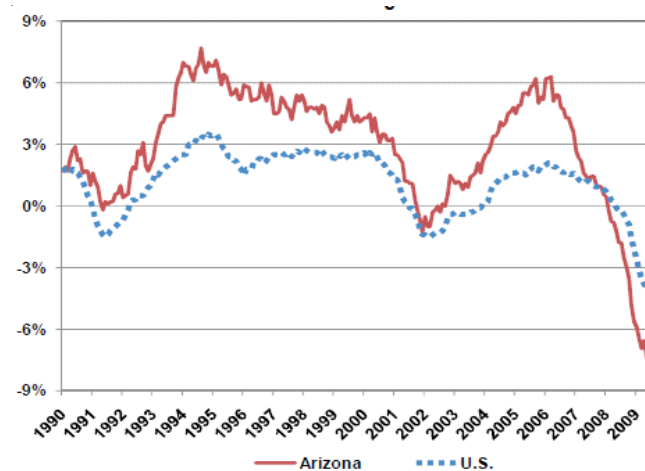
Demand for Food and Health Supports Rise as Employment Falls, Number of participants in SNAP, AHCCCS, and TANF, July 2007-July 2009



Source: Arizona Indicators, Arizona Department of Economic Security and Arizona Health Care Cost Containment System.

If required to reduce costs by an additional 15%, AHCCCS estimates they would have to defund the KidsCare program, causing 47,000 low-income children to lose health insurance.

Employment Losses Are Clear, Percent Change in Arizona and U.S. Nonfarm Employment, 1990-2009



Source: Arizona Workforce Informer, Arizona Department of Commerce Research Administration, February 26, 2009.