CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org http://www.cbpp.org

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States and Counties are Taking Steps to Help Low-Income Working Families Make Ends Meet and Move Up the Economic Ladder

By Ed Lazere, Shawn Fremstad, and Heidi Goldberg

Despite a prolonged period of economic growth, low wages remain a problem for millions of working parents. Many low-income working families struggle to meet their basic needs. The dramatic decline in welfare caseloads in recent years has raised awareness of the problems faced by working poor families, since most recipients that have moved from welfare to work earn very low wages.

State and county policymakers increasingly are aware of the value of providing income supplements and other supportive benefits and services to low-income working families. Such aid can help families remain employed and off welfare, while also reducing poverty and the harmful effects it has on children.

This issue brief highlights various steps some states and counties are taking to help low-income working families. These efforts have been made possible by several factors — including unprecedented state budgetary health, falling welfare caseloads that have freed up billions in federal block grant funds nationally, and a federal law that allows states to use federal and state welfare funds to aid low-income working families. These efforts include:

- boosting earnings through a state earned income tax credit and other means;
- providing supportive services, such as child care, transportation, housing subsidies, or short-term aid;
- helping families move up the economic ladder through better training and education opportunities;
- taking steps to ensure that working families get benefits for which they are eligible, particularly Medicaid, food stamps, and child care, and ensuring access to benefits for legal immigrants; and
- helping families accumulate savings through individual development accounts.

It is important to note many states are offering aid broadly to working poor families, rather than limiting assistance to current or former welfare recipients. A number of states extend eligibility for certain supports — such as child care or transportation — to all families below a specified income level. In some states, services are offered to families with incomes up to 200 percent of the poverty line — roughly $28,000 for a family of three and $35,000 for a family of four. Some states also are providing work supports to low-income non-custodial parents.

The next step is to expand the number of states and counties that are taking similar steps so that more low-income working parents are able to secure the help they need to support their families, stay off welfare, and move ahead.

Working But Poor: An Example

Low wages can leave a family poor even if a parent works most or all of the year. Consider a family of four with a parent earning $7.00 an hour. If the parent works 40 hours a week for 50 weeks of the year, total earnings would be $14,000. Payroll taxes totaling $1,071 would be deducted, but the family would qualify for a federal EITC of $3,612. Total cash income would be $16,541, or more than $1,000 below the estimated poverty line for a family of four in 2000.

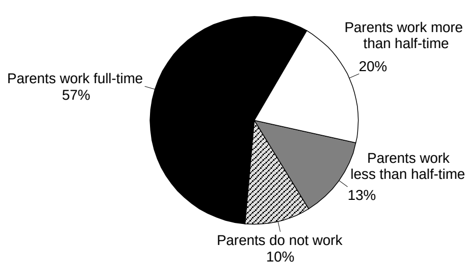
Annual Earnings from Full-time work at $7.00	$14,000
Payroll Taxes	$1,071
Federal Earned Income Tax Credit	$3,612
Total Cash Income	$16,541
Poverty Line, 2000 (estimated)	$17,601
Amount Below Poverty	$1,060

The Problem: Poverty Despite Work

A strong and sustained period of economic growth in the United States has produced millions of jobs, raised the incomes of many American families, and reduced poverty rates to their lowest levels in two decades.

Despite this tremendous progress, poverty remains a problem for many working families with children. One in six children — 11.5 million nationally — lived in poverty in 1999, which means children are more likely to be poor than any other age group. An additional 15 million children live in families with near-poverty incomes (between 100 percent and 200 percent of poverty). Yet the vast majority of poor and near-poor families have at least one adult who is employed most of the year. (See figure below)

Work Among Low-Income* Families with Children, 1999



Center on Budget and Policy Priorities
source: tabulation of March CPS data

* families below 200 percent of poverty in which parents are not ill, disabled, or retired

The problem of poverty despite work in large part reflects the prevalence of low-wage jobs. In 1999, 8.2 million working parents — 16 percent of all employed parents — earned less than $7.00 an hour. At that wage, a parent's earnings would not be sufficient to lift a family of four above the poverty line, which stood at about $17,000 in 1999. (See box above.) Research finds that wage growth is very limited for a substantial share of low earners, which means many remain in low-wage work for years.

Welfare reform has increased employment among single parents, but it largely has not helped newly working parents escape poverty. Numerous state and national studies show that most former welfare recipients work, but they typically have very low earnings — around $7.00 an hour in many states — often leaving their families in poverty and facing significant hardships.

Furthermore, many families do not have access to the critical work supports they need, despite being eligible. Nationally, more than one-third of low-income working families do not have access to health insurance. Studies have found that 30 to 50 percent of families that leave welfare do not receive food stamps, despite continuing eligibility. Less than a third of former welfare recipients receive child care assistance, although most are eligible.

The Opportunity

States and counties now face an unprecedented opportunity to adopt policies that support low-income working families. There are three reasons these opportunities exist and are particularly important to utilize.

Unspent TANF Funds: The 1996 federal welfare law created the TANF block grant and provided fixed funding that was based on welfare spending in the early 1990s, when caseloads were higher than today. As caseloads and spending on cash assistance have fallen, billions of dollars in federal funds have been freed up for other uses. As of September 2000, states collectively had $8.1 billion in unspent TANF funds.[1] (See Table 2 at back for unspent TANF funds in each state.)

Federal Rules: Federal regulations issued in April 1999 confirmed that under the federal welfare law, states have broad flexibility to use TANF funds to assist working poor families. The regulations allow states to set income-eligibility limits high enough to include low-income working families. The rules also specify that the five-year federal time clock and other TANF rules *do not apply* when funds are used to provide work supports to employed families, such as child care, transportation, or state earned income tax credits.[2]

Strong State Finances: The fiscal conditions of many states have been strong enough to allow both spending increases and tax cuts in recent years, while maintaining reasonable general fund balances. It is projected that 29 states will maintain year-end fund balances equal to at least five percent of their budgets in 2001.[3]

Ways to Support Working Poor Families

Following are a number of policy options for assisting working poor families that some states and counties have adopted, separated into the five categories mentioned above. These approaches could benefit families in other states as well.

Boosting Incomes: Making Work Pay

State Earned Income Tax Credit: Fifteen states and one county have enacted an earned income tax credit to build on the strengths of the *federal* EITC, a credit that provides tax relief and wage supplements to low- and moderate-income working families, primarily those with children. The federal EITC has been shown to increase work participation, especially among single-parent families, and it is now the most effective anti-poverty program for working families, lifting nearly five million parents and children out of poverty.

State EITCs can augment the federal credit by lifting more working families with children out of poverty and by offsetting the substantial state and local tax burden on low-income families, particularly regressive sales and excise taxes.[4] Some states are using TANF funds to fund a portion of their EITC.

State Earned Income Tax Credits

Colorado
District of Columbia
Illinois
Iowa
Kansas
Maine
Maryland*
Massachusetts
Minnesota
New Jersey
New York
Oregon
Rhode Island
Vermont
Wisconsin

* Montgomery County, Maryland also has a county EITC.

Work Expense Allowances and Bonuses for Working Families: Stipends that help families meet work expenses and bonuses related to employment status can help families escape poverty and may promote job stability. They may be particularly effective as a transitional benefit for families leaving welfare.

Kentucky's Work Incentive Bonus program provides up to $1500 in bonus payments

Polls Indicate Strong Public Support for Helping Low-Income Working Families

A January 1999 survey funded by the W.K. Kellogg Foundation and an April 2000 survey conducted for Jobs for the Future found strong public support for helping low-income workers meet their families' needs and advance economically. The polls found broad support for the following:

- **Work should pay enough to support a family:** In the JFF survey, 94 percent of Americans agree that "as a country, we should make sure that people who work full-time should be able to earn enough to keep their families out of poverty." Some 77 percent in the WKKF poll agreed that government should help families that leave welfare for work but remain poor.

- **Low-wage workers should have access to job training and education**: Nine of 10 Americans agreed that families moving from welfare to work should have access to education and training for jobs that would allow them to be self-sufficient (93 percent in WKKF poll and 90 percent in the JFF poll).

- **Families that work but remain poor should receive various forms of support:** The WKKF survey found that 86 percent believe working poor families should have access to child care assistance and health care coverage. The JFF survey found that 86 percent of Americans support giving aid through tax cuts to help lift working families out of poverty.

- **Assistance should not be limited to welfare recipients:** The WKKF survey found that 81 percent believe working poor families should have the same access to benefits as families making the transition from welfare, while the JFF poll found strong support (77 percent) for continued assistance once a family leaves welfare.

The W.K. Kellogg Foundation poll results are available at www.wkkf.org. The Jobs for the Future survey results are available at www.jff.org/programs/cluster3/projects/careeradvstrat.html.

to working parents who lose eligibility for the state's TANF program and maintain full-time employment. Parents who are working at least 35 hours a week three months after losing eligibility for the state's TANF program are eligible for a initial $500 payment. Two additional $500 bonus payments can be claimed if the adult is still working at least 35 hours a week six months and nine months after losing eligibility for TANF.

State Minimum Wages in 2001

Alaska	$5.65
California	$6.25*
Delaware	$6.40**
D.C.	$6.15
Hawaii	$5.25
Massachusetts	$6.75
Oregon	$6.50
Rhode Island	$5.65
Vermont	$5.75
Washington	$6.72

* $6.75 in 2002
**$6.70 in 2002

Texas initiated a pilot program in 2000 intended to promote job stability among former welfare recipients. The program provides intensive case management services and stipends of at least $1,200 per year, which are intended to help families meet work-related costs, such as transportation, uniforms, or training. This TANF-funded program is operated separately from the state's basic welfare program, and participating families are not subject to federal time limits.

State Minimum Wage Increase: Ten states and the District of Columbia now have minimum wages above the federal minimum wage of $5.15 an hour, some as high as $6.50 per hour or more.

Over 10 million workers today earn at or near the federal minimum wage. Contrary to a common perception, most minimum wage workers are adults, and many are the key breadwinner in a low-income family. Recent research shows that moderate increases in the minimum wage can help boost the earnings of many working poor families — including families leaving welfare for work — without resulting in a loss of job opportunities.

The federal minimum wage has lost significant ground to inflation over the past 20 years. To return its purchasing power to the 1970s average, the minimum wage would need to be $6.60 an hour in 2001. This means that even if the federal minimum wage is raised to $6.15 an hour, as some bills pending in Congress would do, its value would still be relatively low, and state efforts to raise the minimum wage would remain an important way to support low-wage workers.

Stopping the Welfare Time Clock for Working Recipients: Because welfare recipients typically earn very low wages when they move to work, some remain poor enough to qualify for modest cash assistance benefits even if a parent finds a job with substantial hours. A handful of states — Arizona, Delaware, Illinois, Maryland, and Rhode Island — exempt some working families from the federal and state welfare time limits by using only state funds to support their benefits. In Illinois, for example, families are taken off the time clock when the adult works at least 30 hours per week. Arizona adopted legislation in 2000 to exempt families from the time limit when their monthly welfare benefits fall below $100.

These policies recognize that modest income supplements may be appropriate for families with substantial work effort but low wages — and that this limited support should not affect a family's ability to receive cash assistance if the parent is unable to work at some point in the future.

Supportive Services

Like all working parents, low-income parents need reliable child care and transportation to sustain employment. For a variety of reasons, however — including cost and supply — low-income families often have problems meeting these work-related needs on their own. In addition, low-income workers often have no employer-sponsored health insurance and thus face the prospect of going without needed medical care. State efforts to provide these and other supportive services can be critical to low-income working families.

Given the importance of these services to maintaining work, states should consider making such services broadly available to low-income working families, rather than limiting them to current or former welfare recipients. TANF funds can be used to serve needy working families whether or not they have been on welfare.

Transportation Assistance: Low-income families often live far from major job centers. Having good and reliable transportation options can be critical not only to finding work, but also to enabling parents to find and accept better-quality jobs. Yet public transit systems often are limited or nonexistent — such as in rural areas — or not structured to accommodate those who commute from central cities to suburban areas or those working during evening or weekend hours. At the same time, ownership of a reliable car is too expensive for many low-income families.

States and communities are taking a number of steps to address these transportation needs. Many states provide public transit subsidies or reimbursement to current or former welfare recipients for transportation expenses. New Mexico provides such aid to all families with below-poverty incomes. Kentucky supports a network of "transportation brokers" who work individually with clients to address transportation needs and are authorized to provide a range of services, including bus passes, cash for gas purchases, or van services.

A number of states are taking steps to help families own a car. Michigan, Kansas, and Nebraska provide funds to help welfare recipients buy a car and related insurance. Arizona, Florida, and Vermont support programs that collect donated cars, make necessary repairs, and then pass them on to welfare recipients and other low-income families. Tennessee has established a fund to provide no-interest loans for car purchases to welfare recipients. Some states provide help with ongoing car insurance and maintenance costs so that car ownership remains a viable option. Some states provide relatively modest grants for car purchase — around $1,000 — while other programs allow somewhat higher costs, e.g. up to $5,000 per car.

Easing Eligibility Limits for Vehicles in Public Benefit Programs: Many states are taking steps to ensure that owning a reliable car does not disqualify a family from receiving TANF, Medicaid, or food stamps. They are doing so by modifying rules that formerly made families ineligible for assistance when they owned a modestly priced car.

Over half of the states now disregard entirely the value of a family's car when determining Medicaid eligibility, and several others disregard an amount substantial enough to allow most low-income families that own a car to be eligible for Medicaid.

In many states, the TANF program disregards entirely the value of one car for each family. Many states already are utilizing recent federal guidance that allows states to conform food stamp vehicle asset limits with the limits in TANF-funded programs. The USDA guidance explains that families can be considered "categorically eligible" for food stamps and thus not subject to the food stamp resource limits if they receive *any* services or benefits funded by TANF or state maintenance of effort dollars. The services that trigger this exemption can be as simple as an offer of access to a case manager or other employment services, or also could be services such as child care that are at least partially funded with TANF or state maintenance of effort funds. Delaware, Maine, Michigan, North Dakota, and Oregon are examples of states that utilize this method.

Another more significant approach to easing vehicle restrictions in food stamps was enacted in October 2000. States now have the option to adopt the vehicle limit under any TANF-funded program as the food stamp limit. This not only applies to cash assistance programs but any TANF-funded program. For example, in July 2001, Wisconsin and Missouri will adopt the vehicle limit in their food stamp programs that they use in their TANF- and MOE-funded child care assistance programs. This will result in eliminating the vehicle test altogether. Because a number of state TANF programs now use the same vehicle asset rule as in food stamps for administrative ease, the new rule allows states to raise the TANF and food stamp vehicle asset limits in tandem, maintaining administrative simplicity.[5] Also effective in July, Louisiana, Kansas, and Kentucky have opted to change their TANF vehicle policies to disregard all vehicles and they also will use this same rule in their food stamp programs.

Accessible and Affordable Child Care: While most states provide child care assistance for welfare recipients participating in work-related activities, as well as transitional benefits for parents leaving welfare for work, many low-income working families receive no assistance. Fewer than one-third of former welfare recipients obtain such aid, due to lack of information, high co-payments, or the limited availability of child care during "off-hour" shifts. Overall, only 15 percent of all low-income families eligible for child care assistance receive such aid.

States can create a "seamless" child care system that provides affordable, quality child care to low-income parents leaving welfare as well as to those who have never received cash aid, and they can combine a variety of funding sources to support these efforts, such as TANF, child care block grant, and social services block grant funds.

States with Refundable Child Care Tax Credits
Arkansas
California
Colorado*
Hawaii
Iowa
Maine
Minnesota
Nebraska
New Mexico
New York

* limited

In the last two years, many states have taken steps to make child care more accessible and affordable for low-income parents. At least 17 states increased overall child care funding, typically by adding TANF funds to their child care block grant. Some 18 states raised income eligibility guidelines, including Rhode Island which recently increased eligibility to families below 250 percent of the poverty line. Co-payments required of families were reduced in 12 states, and at least nine states enhanced payments to child care providers providing evening and weekend services as a way to increase the capacity for off-hour care.

In 2000, California enacted a refundable child care tax credit that will aid families that have out-of-pocket child care expenses, particularly families not receiving other child care subsidies. Nine other states already have these credits.[6]

Health Insurance for Low-Income Working Parents: Going to work often means going without health insurance for low-income parents, because employer-sponsored coverage is either unavailable or unaffordable. In many states, low-income working parents cannot turn to Medicaid, because eligibility in those states is limited to parents who are poor enough to qualify for welfare, as low as one-third of the poverty line in some states.[7] Nationally, more than one-third of low-income working parents have no health insurance.

Seventeen states have addressed this problem by expanding health insurance coverage for low-income working parents, generally through raising the Medicaid income eligibility level. As the chart indicates, some states are providing Medicaid coverage to low-income working families with incomes up to 200 percent of the poverty line, or close to $28,000 for a family of three. (In Minnesota and Washington state, some of the covered parents are supported by state funds only.)

Health Insurance for Working Parents as a Percent of Poverty

California	108%
Connecticut[a]	158
D.C.	200
Delaware	108
Hawaii	100
Maine	158
Massachusetts	133
Minnesota[b]	275
Missouri	108
New Jersey[a,b]	200
New York[c]	150
Ohio	100
Oregon	100
Rhode Island	185
Vermont	158
Washington[b]	200
Wisconsin	185

[a] as of January 1, 2001
[b] Some parents are covered by state funds only.
[c] as of January 1, 2002

It is important to note that states may now have the option to include parents in separate health insurance programs initially established just for children under the State Child Health Insurance Program (SCHIP). States can do so by seeking a federal waiver.

Improving access to health insurance can help low-income parents remain steadily employed and thus promotes the goals of welfare. Covering parents also can advance recent state efforts to expand health insurance to *children* in low-income working families. Recent research shows that low-income children are more likely to enroll in state health insurance programs when coverage is offered to the entire family, rather than to children alone.

In addition to these efforts, many states are helping families gain access to Medicaid by raising or eliminating eligibility asset limits, particularly for cars.

Some States are Extending Eligibility for Services To All Low-Income Working Families

States appear increasingly aware of the value of providing supports to all low-income working families, rather than limiting assistance to current or former welfare recipients. In establishing eligibility levels for these services, states often are drawing the line above the federal poverty threshold. This reflects a recognition that the current poverty line — around $14,000 for a family of three and around $17,000 for a family of four — is far below the income a family needs to be meet all of its basic needs adequately.

The following list provides some examples of states that have extended eligibility for some services to all low-income working families.

State	Service	Eligibility as Percent of Poverty
Arizona	Wheels- to-Work (car donation program)	150%
California	work supports at county level	200
Florida	child care, transportation, welfare diversion*	200
Indiana	short-term aid (STEP program)	250
Massachusetts	emergency rental housing aid	130
Minnesota	welfare diversion*	200
New York	nutrition, transportation, job training	200
Rhode Island	child care	250
Vermont	support for post-secondary education	150

* short-term aid as an alternative to receiving ongoing welfare benefits

Short-term Aid: Many low-income families experience temporary crises, such as a car breakdown or the illness of a child, that can jeopardize family stability or a parent's employment. In response, 31 states operate "emergency assistance" programs that typically serve to prevent eviction or utility cut-offs. Also, 23 states have "cash diversion" programs that provide one-time payments, usually in lieu of welfare benefits, to families needing temporary help to avoid a crisis and remain employed.

Under TANF, states have great flexibility either to provide new forms of aid to families facing temporary crises or to enhance existing emergency assistance or diversion programs. While most diversion programs now are limited to families that are eligible for welfare cash assistance, they would be more effective in reducing the need for ongoing welfare benefits if other low- and moderate-income families also were eligible. Indiana's STEP program provides short-term aid to support employment and extends eligibility to families with incomes up to 250 percent of the poverty line.

State or Local Housing Programs Supported With TANF/MOE Funds

Connecticut
Kentucky
Maryland
Minnesota
New Jersey
North Carolina
Los Angeles County (CA)
San Mateo County (CA)

Rental and Homeownership Assistance: Most low-income families face serious difficulty finding affordable housing. Three-fourths of poor renter households spend at least 50 percent of their income on housing. The nation's economic boom has worsened the affordable housing shortage by increasing rents faster than incomes for low-income families.

The lack of decent affordable housing creates family instability, as families are forced to move frequently, and prevents families from moving closer to areas of high job growth. Interestingly, recent findings suggest that families are more likely to succeed in welfare-to-work programs when they receive housing assistance.[8]

States and counties have taken many steps to increase affordable housing options for low-income families. There are eight state and county housing programs that provide vouchers to current or former welfare recipients that can be used to pay for private rental housing. The programs are supported in whole or in part with TANF or state maintenance of effort funds. Some states also fund programs to spur development of new rental housing or to increase homeownership among low-income families. Kentucky, Michigan, and Minnesota appropriated funds for these purposes in 2000.

In addition, due to the recent rise in heating oil prices, states may wish to consider updating their standard utility allowances (SUAs) to reflect household's increased costs of utilities. The SUA is an element of the food stamp benefit calculation for many households with high shelter costs. Increasing the SUA would provide additional food stamp benefits to many households affected by the increase in energy costs. It can be accomplished without a legislative change or any additional costs to the state.[9]

Moving Up the Economic Ladder

Job Retention and Advancement: Low wage workers are concentrated in industries characterized by high rates of turnover and very modest wage growth. Most welfare recipients who move to work obtain jobs with low wages and limited benefits. Partly as a result, roughly 30 percent of families that leave welfare return within two years.

States are taking a variety of approaches to helping families find better jobs, remain employed, and increase their earnings. The "Steps to Success" program in Portland, Oregon works one-on-one with welfare recipients to map out career plans, seek appropriate education and training, and obtain jobs with good pay, benefits, and advancement opportunities. Rhode Island has a similar statewide program in which the job retention staff work with recipients both before and after job placement to assess skills, develop career advancement strategies, and ensure that support services such as child care and transportation are in place. The Rhode Island program also offers retention workshops to local employers and, when needed, provides wage reimbursements to small employers that hire welfare recipients but cannot provide adequate wages or certain benefits, including paid sick leave. Research suggests that these practices may hold tremendous promise.

Washington state enacted a law in 2000 designed to monitor carefully job retention and advancement. It requires the state to collect and publish data on job retention, wage progression, the extent to which families leaving TANF have above-poverty earnings, and the extent to which families leaving TANF return to assistance at some point.

Successful programs also help ensure that families receive benefits and services for which they qualify, such as food stamps, EITC, child care, and Medicaid. For example, Michigan law requires that the state welfare department inform all Family Independence Agency clients in writing of additional programs for which they potentially may be eligible, including transitional Medicaid, child health insurance, transitional child care services, emergency assistance, and opportunities for training and education. The Washington state law described above has similar provisions and also requires the state to document the extent to which families are informed of eligibility for existing programs through TANF exit interviews or phone calls.

Increase Access to Education and Training for Welfare Recipients and Other Low-Income Families: Most welfare recipients have limited education and skill levels that leave them unqualified for many jobs. This "skills gap" is likely to widen as skill demands in many sectors of the economy increase. One study found that 70 percent of the new jobs created through 2006 will require workers with higher education and skill levels than those held by two-thirds of welfare recipients. The same study found that just one or two semesters of postsecondary education has the potential to raise many welfare recipients' incomes significantly.[10] Another study found a seven percent wage increase corresponding to each additional year of schooling.[11]

A number of states have taken steps to expand education and training opportunities for welfare recipients — and to make it easier for single parents to participate in such activities — by allowing parents to meet some or all of the state's work requirement through educational activities. West Virginia initiated a program in 2000 that provides cash assistance to low-income parents attending post-secondary and other education programs and allows families to count class and study time toward the work requirement. Maine, Illinois, and Wyoming have similar programs, and also take participating families off the state's welfare time clock while they are making satisfactory progress in school. A New York law enacted in 2000 allows students receiving public assistance to count time spent in a work-study job or in an education-related internship toward fulfilling the work requirement of the welfare program.

States also can provide assistance and support services to a broader population of low-income students through separately-funded state programs. Vermont passed legislation in 2000 which provides living stipends, child care and other supports to all parents earning below 150 percent of the poverty line who enroll in post-secondary education. In Florida and Washington, TANF funds are used to provide low-income working families with education and training funding which they can use to pay for tuition, childcare, transportation, and other education-related costs. In Washington, the program is designed for working current or former TANF recipients and other working students below 175 percent of poverty that do not qualify for Pell financial aid for various reasons. During the program's first year, about half of the participants were current or former welfare recipients.

Finally, some states and counties — such as Washington and Texas — work with community colleges to provide education and training programs tailored to serve low-wage workers with or without recent welfare receipt.

Connecting Families to Benefits and Services

Improving Access to Medicaid, SCHIP, Food Stamps, and Child Care for Eligible Working Families: In an era when many low-income families are working, the challenge of making benefit programs accessible to eligible working families is a critical one. Many working poor families do not receive assistance for which they qualify, due to lack of knowledge of available benefits, administrative practices that make it difficult for working families to participate, or limited funding for some services.

For example, the majority of working poor families do not receive food stamp benefits, even though benefit amounts for working families can be substantial — approximately $162 a month for a family of four with a parent working full-time at $7.50 an hour. However, earnings of working food stamp recipients tend to be lower than $7.50 per hour. The average working family on food stamps receives over $200 per month. According to the USDA, fewer than one-half of eligible households with earnings participate in the food stamp program.

In addition, many parents and children in working poor families that have no employer-provided health insurance could qualify for

Medicaid or SCHIP but are not enrolled. Welfare reform seems to have made this problem more acute. Families leaving cash assistance rolls due to employment often lose food stamps and Medicaid, even though they often remain eligible for these programs.

States and counties can take steps to make access to food stamps and Medicaid or SCHIP easier for working poor families. Because these programs are partially or substantially federally funded, successful efforts to enroll families would result in limited additional state expense. States can:

- create shorter applications;
- allow applications to be mailed and allow other communication to be handled through phone, fax, or email to limit frequency of office visits.
- offer office hours in early mornings, evenings, or on weekends;
- develop outreach materials;
- place eligibility workers in schools, health clinics, or other institutions outside a welfare office;
- extend the time between eligibility reviews to as long as 12 months (some are now as short as three months); and
- review administrative practices and computer systems to ensure that families leaving welfare continue to receive food stamps, Medicaid, and child care.

Improving Access to Food Stamps: Some state administrative practices, such as frequent required visits to the welfare office, make it difficult for families to receive food stamps. Often states adopt such procedures as a way to reduce erroneous benefit payments, since errors can result in the imposition of financial penalties on a state by the federal government. Yet recent federal rules give states flexibility to ease reporting burdens on families without increasing the state's exposure to penalties. Adopting these practices thus would be beneficial both to families and to states. For example, states now have the option to essentially freeze a working family's benefit amount for up to six months. During that period, families would only be required to report if their income rises above 130 percent of poverty (the food stamp eligibility limit). In addition, states can take steps to ensure that eligible households leaving cash assistance continue to receive food stamps. Studies show that 30 to 50 percent of families that leave TANF no longer receive food stamps, despite continuing eligibility. Both of these options would reduce state error rates and make it easier for low-income families to retain food stamps.[12]

Improving Access to Medicaid: In Medicaid, all states were notified in April 2000 that they are required to reinstate families that inappropriately lost Medicaid when they left welfare. Assertive efforts to identify and reinstate families — and to maintain Medicaid coverage for families newly leaving TANF — could help many families maintain needed health insurance.

Immigrant Families: Immigrants are more likely than citizens to have low-wage jobs and thus to be working but poor. Many of these families go without basic assistance. For example, almost one-third of low-income children who lack health insurance live in immigrant families.

States have adopted a range of policies to help working poor immigrant families.

Provide State-funded Benefits to Immigrants: The federal welfare law made many low-income legal immigrants, especially recent arrivals to the U.S., ineligible for various forms of federal assistance. Several states have responded by providing state-funded health care (23 states), food stamps (17 states), and cash assistance (19 states) to immigrants.

Ensure Access to Benefits For Which Immigrants Remain Eligible: For many immigrants access to benefits is hindered by limited English language proficiency. Under federal law, agencies that provide federally-funded assistance, including TANF, Food Stamps, Medicaid, and SCHIP, must have the ability to communicate effectively with limited-English-proficient persons. In most cases this means that the agencies must provide oral interpreter services and translations of written materials at no cost. Providers also need to assess on an ongoing basis whether their programs are meeting the language needs of the populations they serve.

Immigrants may fear that receiving benefits could compromise their immigration status. In general, for the vast majority of immigrants who remain eligible for public assistance, fears like these are not well-founded. However, a lack of understanding of the actual risks involved in receiving benefits continues to deter a significant number of immigrants from participating. Some states, including Idaho, California, and Texas, have special information to address immigrants' concerns on their application forms for public benefits.

Citizenship and English Language Acquisition: English language proficiency is a requirement for citizenship and plays an important role in increasing immigrant earnings, opportunities for advancement, and access to benefits and services. Several states supplement federal funding for English-as-a-Second language instruction. In the wake of the 1996 welfare law, several states and localities — including Illinois, Maryland, Minnesota, and Washington state — created programs that help immigrants obtain citizenship.

Helping Families Build Assets

Individual Development Accounts: Having funds set aside in a savings account can give families needed financial stability while also helping them finance opportunities to advance their career or to become homeowners. Many states are using TANF funds to establish Individual Development Accounts, sheltered savings for low-income families that often include a match from the state or a non-profit organization. In most of these programs, IDA holders can withdraw funds only for post-secondary education, first-time home ownership, or capitalization of a business. Some states, however, also allow TANF IDAs to be used to save for purchase of a vehicle, to repair a home, or for training program expenses. About thirty states now allow TANF recipients to establish IDAs, and 14 states offer some form of matching contribution.[13]

In establishing IDA programs for current and former TANF recipients — as well as for other low-income families who may never have received TANF but may be eligible for other public benefits — it is important to understand how the existence of the IDA account may affect the family's eligibility for other public benefits. The TANF law expressly exempts the TANF-funded IDA from consideration in determining eligibility for or the amount of benefits in TANF or other programs, so long as the account is for one of the three most common purposes listed above. Late in 2000, a new law extended the protections accorded to TANF-funded IDAs to those IDAs funded under the Assets for Independence Act.[14] Again, this protection applies only to the three most common IDA purposes — post-secondary education, first-time home ownership, or capitalization of a business. Even for IDAs for other purposes (or for IDAs that do not use AFIA or TANF funds), states can protect TANF and Medicaid eligibility by exercising their authority to determine what counts as assets in these programs. Depending on the purpose of the account, it also may be possible to exclude it from consideration for food stamps.[15]

Conclusion

As the good economy, welfare reform, and other government policies result in greater numbers of low-income families that are working, states and counties face a major challenge in providing supports that enable families to remain employed and to move up the economic ladder. Innovative state and county models in a wide array of policy areas, combined with successful outreach efforts, can greatly improve the lives of children and parents in working poor families.

While these models exist in some states or localities, to secure the success of welfare reform it is essential that more states and counties adopt policies replicating these models, so that more low-income working parents who are struggling to meet their family's needs — and stay off cash assistance — are able to do so.

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1. For more information, see Center on Budget and Policy Priorities, *Unspent TANF Funds in the Middle of Federal Fiscal Year 2000* (http://www.cbpp.org/8-2-00wel.htm).

2. A guidance issued by the U.S. Department of Health and Human Services offers a detailed explanation of the flexibility states have under the TANF law and regulations. See Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services, *Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program* (http://www.acf.dhhs.gov/programs/ofa/funds2.htm).

3. National Association of State Budget Officers, *Fiscal Survey of the States,* August 2000 (www.nasbo.org.) States need varying amounts of reserve funds — depending in part on revenue and spending patterns — to protect against shortfalls during an economic downturn. See Center on Budget and Policy Priorities, *When it Rains, It Pours:A Look at the Adequacy of State Rainy Day Funds and Budget Reserves* (http://www.cbpp.org/3-11-99sfp.htm) and update at (http://www.cbpp.org/5-22-00sfp.htm).

4. A State EITC can offset sales and excise taxes only it is *refundable*, which means that eligible families get a refund if the amount of their EITC exceeds their income tax liability. Eleven of the 15 existing state EITCs are refundable. For more information, see Center on Budget and Policy Priorities, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2000: An Overview* (http://www.cbpp.org/11-2-00sfp.htm).

5. For more information, see Center on Budget and Policy Priorities, *New State Options to Improve the Foods Stamp Vehicle Rule,* January 2001, (http://www.cbpp.org/1-16-01fs.htm).

6. For more information, see Center on Budget and Policy Priorities, *TANF Funds May Be Used to Create or Expand Refundable State Child Care Tax Credits* (http://www.cbpp.org/10-11-00sfp.htm).

7. Some low-income working parents are eligible for Transitional Medicaid Assistance. TMA is provided when a parents who had been receiving Medicaid coverage experiences an increase in earnings that places family income above the Medicaid eligibility limit. TMA provides Medicaid coverage for a time-limited period.

8. For more information, see Center on Budget and Policy Priorities, *Research Evidence Suggests Housing Subsidies Can Help Long-Term Welfare Recipients Find and Retain Jobs* (http://www.cbpp.org/6-27-00hous.htm).

9. USDA's Food and Nutrition Service (FNS) recently issued guidance encouraging states to ensure that SUAs keep up with rising energy prices. For more information about SUA's, contact Daniel Tenny at the Center on Budget and Policy Priorities, (202) 408-1080.

10. Educational Testing Service, *Getting Down to Business*, 1999, Princeton, New Jersey (www.ets.org).

11. Mary Corcoran and Susanna Loeb, *Will Wages Grow with Experience for Welfare Mothers?, Focus*, University of Wisconsin, Institute for Research on Poverty, Spring, 1999 (http://www.ssc.wisc.edu/irp/focus/focus.htm).

12. For more information, see Center on Budget and Policy Priorities, *Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates* (http://www.cbpp.org/9-1-00fs.htm). In addition, the Center on Budget and Policy Priorities will soon publish a summary of new options provided for in federal food stamp rules issued on November 21, 2000.

13. For more information about Individual Development Accounts, see the website of the Corporation for Enterprise Development, (http://www.cfed.org.) CFED's recent publication, *The IDA State Policy Guide,* March 2001, provides detailed information on each state's IDA policies.

14. Public Law 106-544, §610. Just as with the TANF disregard, this disregard applies to the individual's savings in the IDA, the matching funds, and any interest that accumulates in the account.

15. See the Office of Family Assistance, Administration on Children and Families website (http://www.acf.dhhs.gov/programs/ofa/)for additional information. In particular, see Question #5 under "Individual Development Accounts," TANF Program Policy Questions (http://www.acf.dhhs.gov/programs/ofa/ polquest/index.htm).

Total Unspent TANF Funds as of September 30, 2000 (end of federal fiscal year 2000)

($ figures in millions)	Unobligated TANF Funds as of September 30, 2000	Unliquidated Obligations of TANF Funds as of September 30, 2000	Total Unspent Funds as of September 30, 2000	Unspent Funds as a Percent of TANF Funds Available*
Alabama	$69.2	$2.7	$71.9	17%
Alaska	2.9	6.8	9.8	5
Arizona	35.1	65.5	100.6	11
Arkansas	21.1	0	21.1	11
California	0	1636.5	1636.5	11
Colorado	0	94.2	94.2	20
Connecticut	0	0	0	0
Delaware	1.1	0.1	1.2	1
District of Columbia	18.2	79.9	98.1	26
Florida	3.6	432.3	435.8	19
Georgia	96.8	100.4	197.2	15
Hawaii	14.3	5.8	20.1	6
Idaho	17.4	9.0	26.4	24
Illinois	0	0	0	0
Indiana	40.6	91.4	132.0	16
Iowa	12.0	5.2	17.2	3
Kansas	0	0	0	0
Kentucky	0	4.7	4.7	1
Louisiana	169.0	0	169.0	26
Maine	0	12.1	12.1	4
Maryland	49.5	54.2	103.7	12
Massachusetts	102.7	0	102.7	5
Michigan	124.8	0	124.8	4
Minnesota	95.5	83.5	178.9	20
Mississippi	62.9	58.2	121.0	34
Missouri	0	0	0	0
Montana	29.0	0	29.0	17
Nebraska	9.6	0	9.6	4
Nevada	0	27.7	27.7	16
New Hampshire	8.2	0	8.2	5
New Jersey	0	379.7	379.7	25
New Mexico	57.7	0	57.7	13
New York	761.0	546.7	1307.7	14
North Carolina	6.0	80.1	86.1	7
North Dakota	11.5	0.1	11.6	13
Ohio	216.7	504.9	721.6	25
Oklahoma	94.4	0	94.4	16
Oregon	0	21.4	21.4	3
Pennsylvania	0	437.3	437.3	17
Rhode Island	4.9	0	4.9	1
South Carolina	0	33.8	33.8	9
South Dakota	14.3	2.4	16.8	20
Tennessee	100.0	27.6	127.6	16
Texas	141.2	41.6	182.8	9
Utah	33.4	0	33.4	10
Vermont	3.2	0	3.2	2
Virginia	0	36.8	36.8	6
Washington	88.0	141.2	229.3	15
West Virginia	135.2	25.6	160.8	39
Wisconsin	40.7	284.6	325.3	26
Wyoming	40.7	16.3	57.0	69

* Unspent funds as a percent of TANF funds awarded from FY 1997 through FY 2000.

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